



# FIRST QUARTER 2023

EARNINGS CONFERENCE CALL - May 5, 2023

# FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements, including the Company's business outlook for 2023, the anticipation of further interest rate increases and inflation, the execution of our capital return program, including the initiation of a semi-annual dividend plan, the stock repurchase program, and expectations for market share growth. Statements about our beliefs and expectations and statements containing the words "may," "could," "would," "should," "will," "continue," "predict," "potential," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," "intend," "goal," "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 expressed in or suggested by 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.

Important factors that could cause such differences include, but are not limited to: (1) general uncertainty in the capital markets, a worsening of economic conditions, and the rate and pace of economic recovery following an economic downturn; (2) changes in our business operations; (3) market trends in the commercial real estate market or the general economy, including the impact of rising inflation and higher interest rates; (4) our ability to attract and retain qualified senior executives, managers and investment sales and financing professionals; (5) the effects of increased competition on our business; (6) our ability to successfully enter new markets or increase our market share; (7) our ability to successfully expand our services and businesses and to manage any such expansions; (8) our ability to retain existing clients and develop new clients; (9) our ability to keep pace with changes in technology; (10) any business interruption or technology failure, including cyber and ransomware attacks, and any related impact on our reputation; (11) changes in interest rates, availability of capital, tax laws, employment laws or other government regulation affecting our business; (12) our ability to successfully identify, negotiate, execute and integrate accretive acquisitions; and (13) other risk factors included under "Risk Factors" in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

## CONFERENCE CALL PARTICIPANTS



**HESSAM NADJI**

President, Chief Executive Officer and Director



**STEVE DEGENNARO**

Chief Financial Officer



# MMI FINANCIAL HIGHLIGHTS

# 2023 FIRST QUARTER HIGHLIGHTS

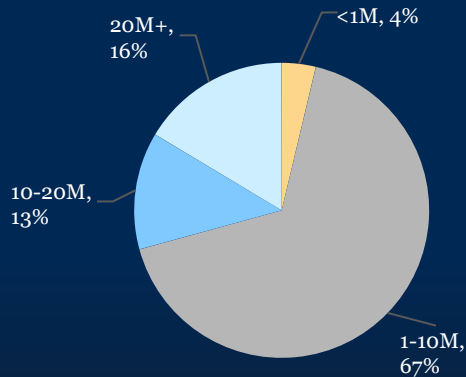
Financial Highlights		YoY
<b>Revenue</b>	\$154.8 million	(51.5)%
<b>Net Loss</b>	\$(5.8) million	(117.8)%
<b>Adjusted EBITDA</b>	\$(7.4) million	(114.3)%

Operational Highlights		YoY
<b>Sales Volume</b>	\$10.4 billion	(50.2)%
<b>Transaction Closings</b>	1,807	(37.8)%
<b>Number of Investment Sales and Financing Professionals as of March 31, 2023</b>	1,864	(3.5)%

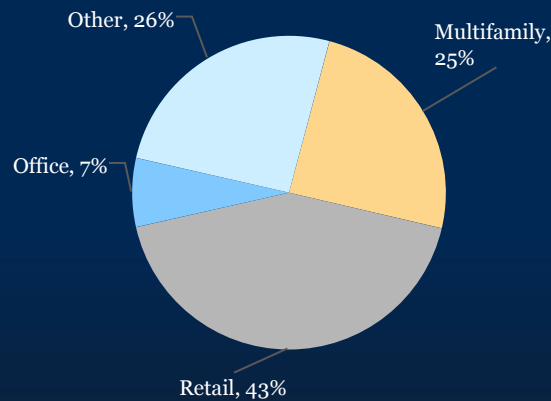
# 2023 FIRST QUARTER BROKERAGE HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$7.1 billion	(58.5)%
<b>Transaction Closings</b>	1,279	(40.1)%
<b>Number of Investment Sales Professionals as of March 31, 2023</b>	1,772	(4.0)%
<b>Real Estate Brokerage Commissions Revenue</b>	\$135.0 million	(52.9)%

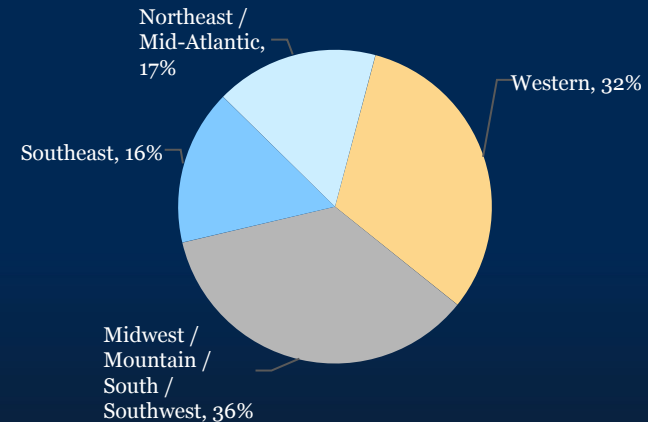
**Revenue by Transaction Size**



**Transactions by Property Type**



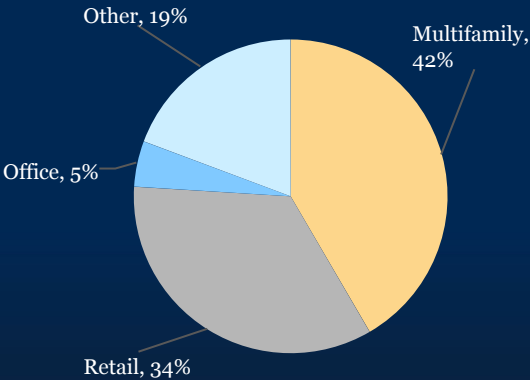
**Transactions by Region**



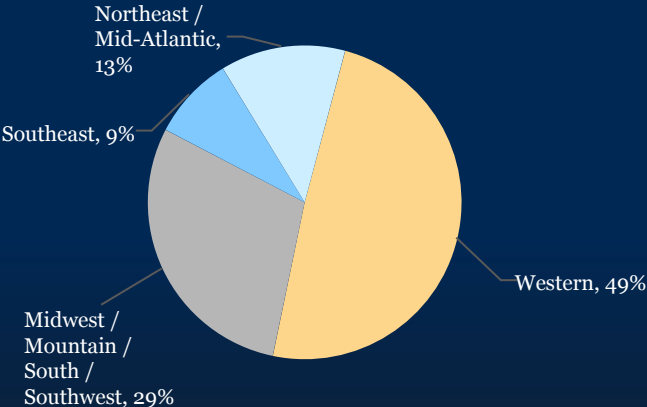
# 2023 FIRST QUARTER FINANCING HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$1.7 billion	(35.1)%
<b>Transaction Closings</b>	279	(46.3)%
<b>Number of Financing Professionals as of March 31, 2023</b>	92	8.2%
<b>Financing Fees Revenue</b>	\$15.9 million	(40.0)%

**Transactions by Property Type**



**Transactions by Region**



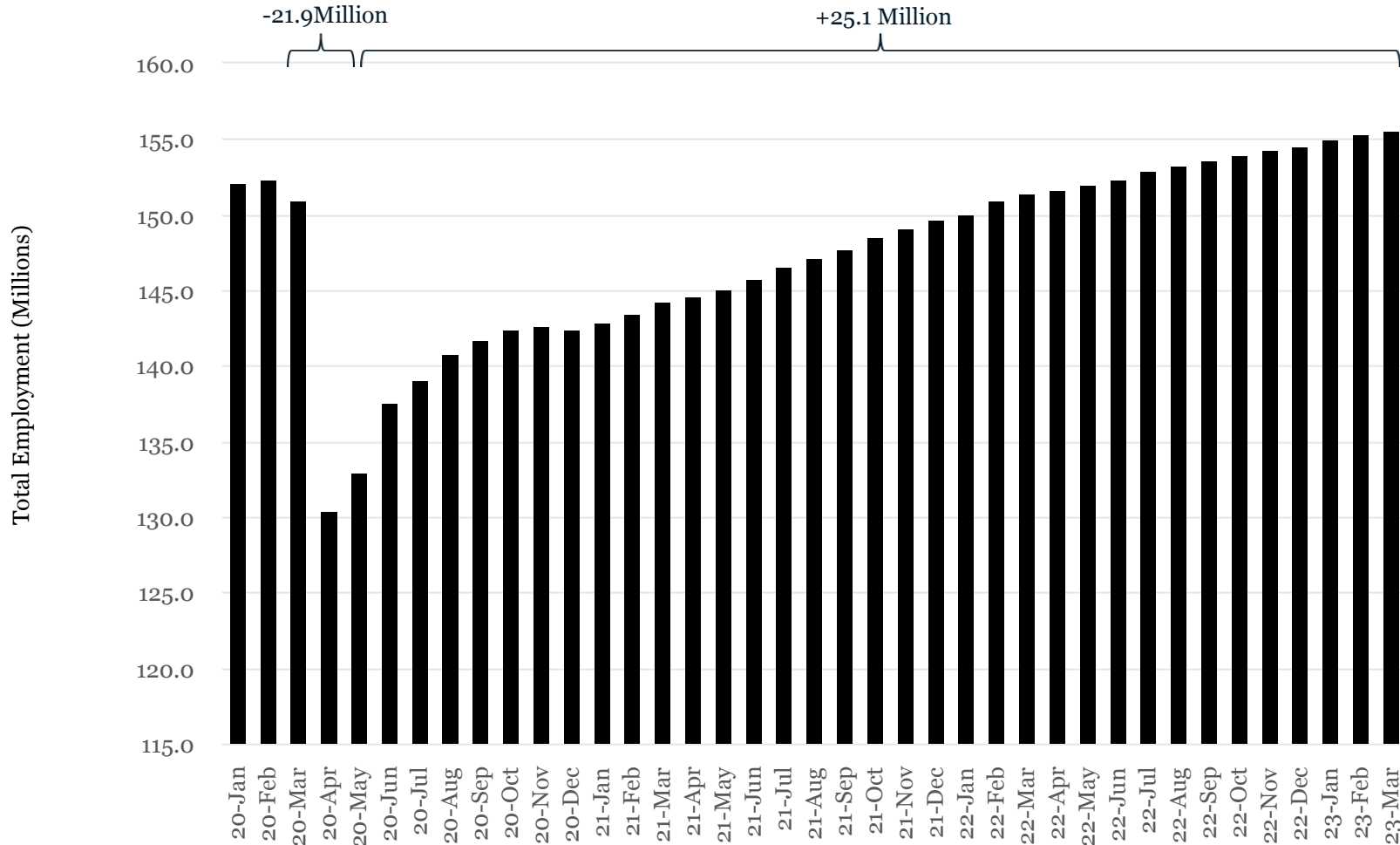


# MARKET HIGHLIGHTS



# TOTAL EMPLOYMENT WELL ABOVE PRE-PANDEMIC LEVEL; RECENT EASING IN GROWTH RATE TAKES PRESSURE OFF THE FED

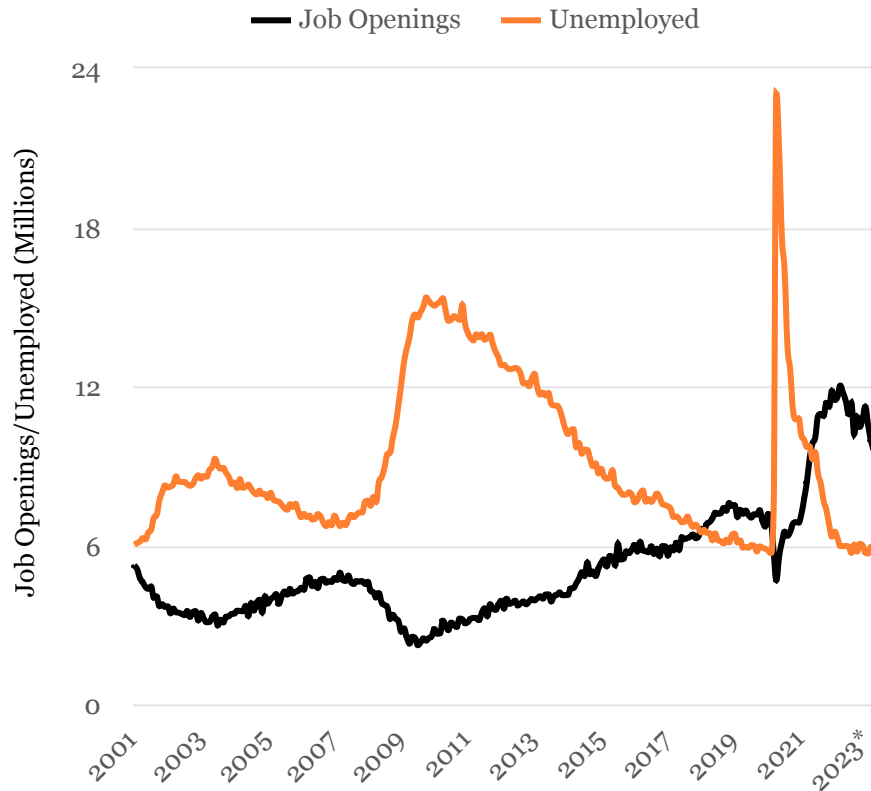
2023 forecast to add 1.4 million jobs\*



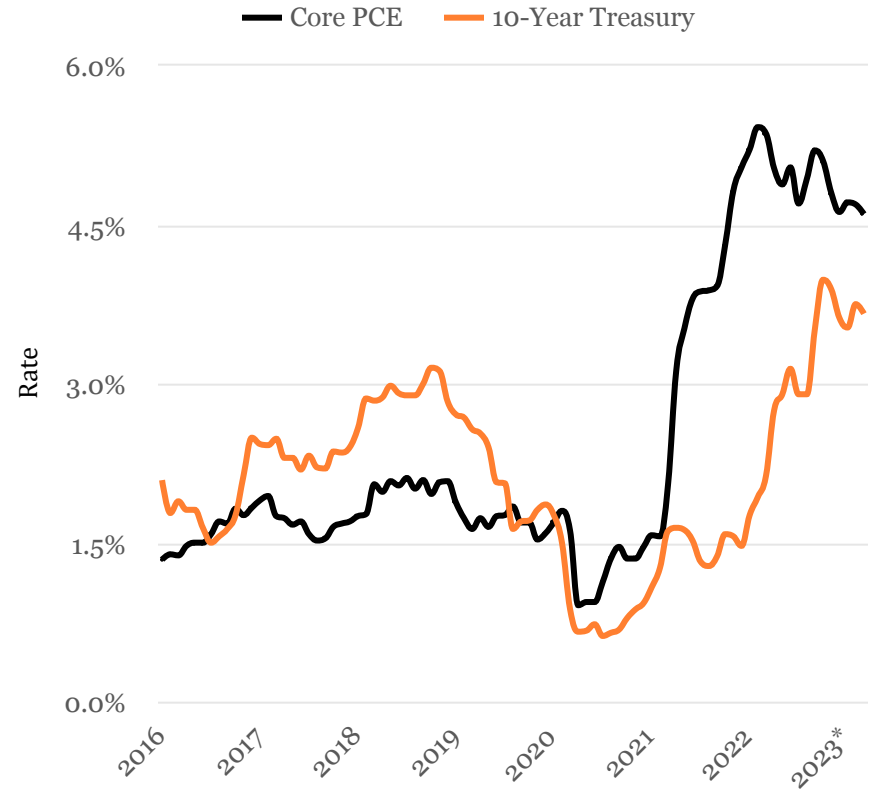
\* Forecast per Economy.com  
Sources: BLS, Moody's Analytics

# LABOR SHORTAGE WEIGHS ON HIRING; INFLATION PRESSURE BEGINNING TO ABATE BUT STILL ELEVATED

### Job Openings vs. Unemployed



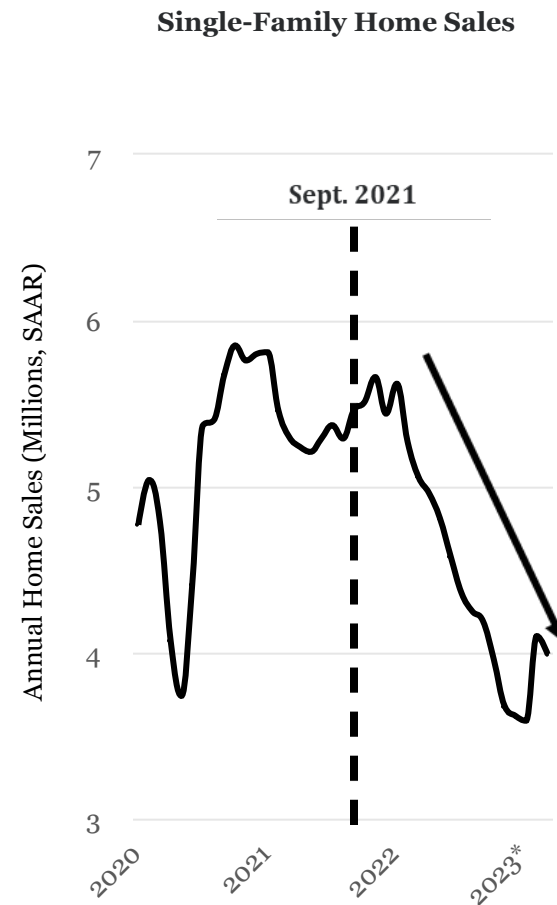
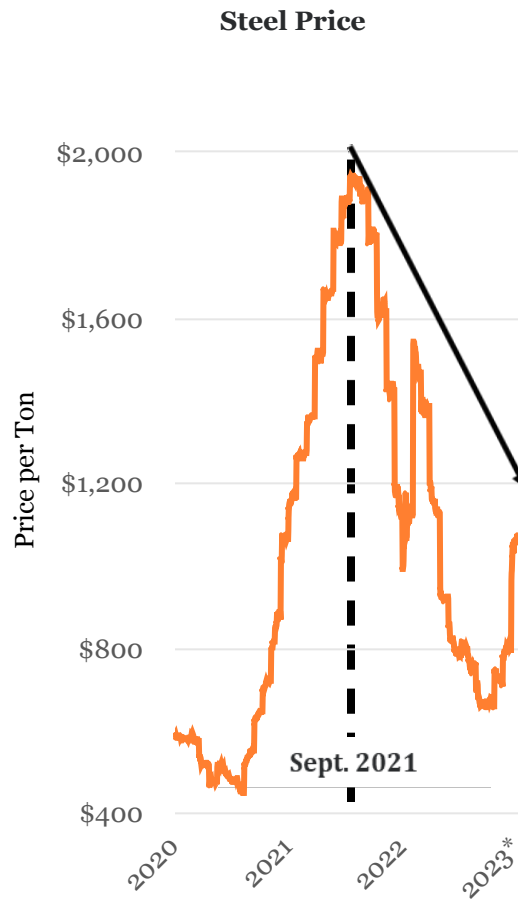
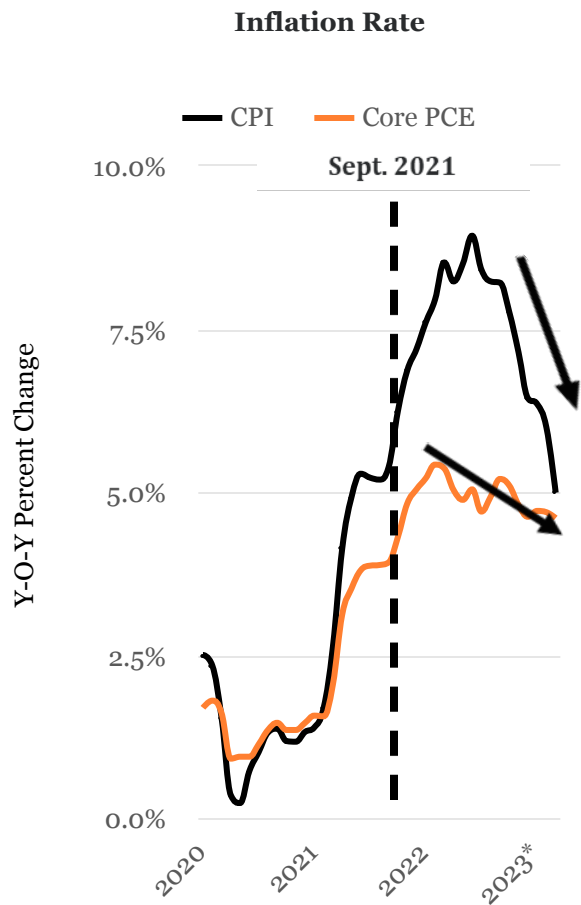
### Inflation vs. Treasury Rates



\* Through March  
Sources: BLS, Federal Reserve, BEA

# SEPT. 2021: FED TOOK NO ACTION CALLING INFLATION “TRANSITORY”

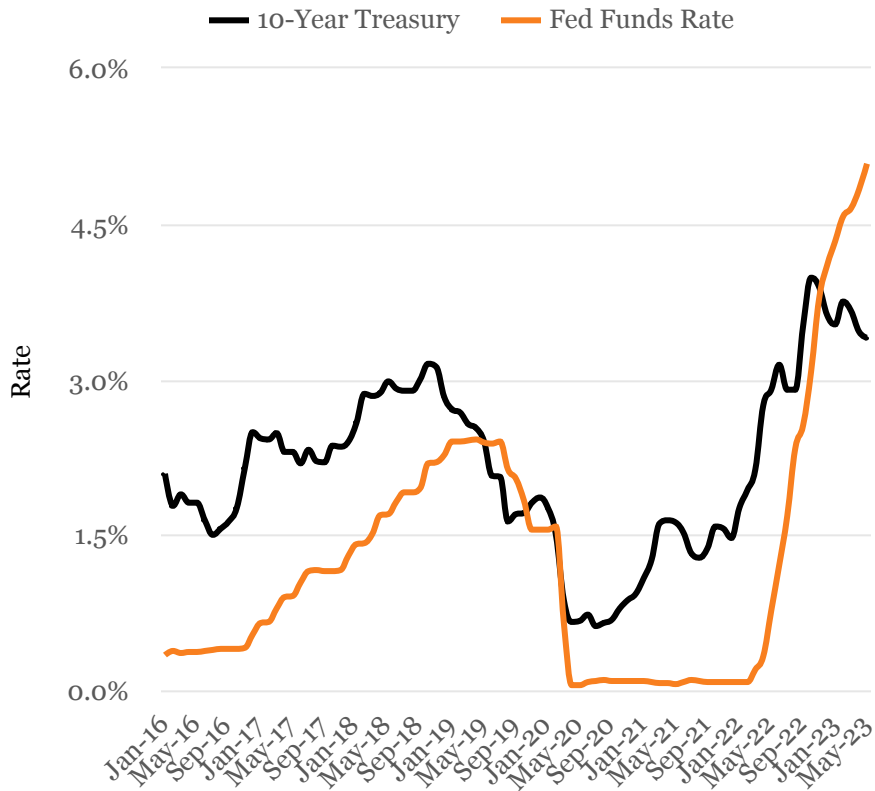
## SEPT. 2022: AGGRESSIVE ACTION DESPITE LEADING INDICATORS TURNING



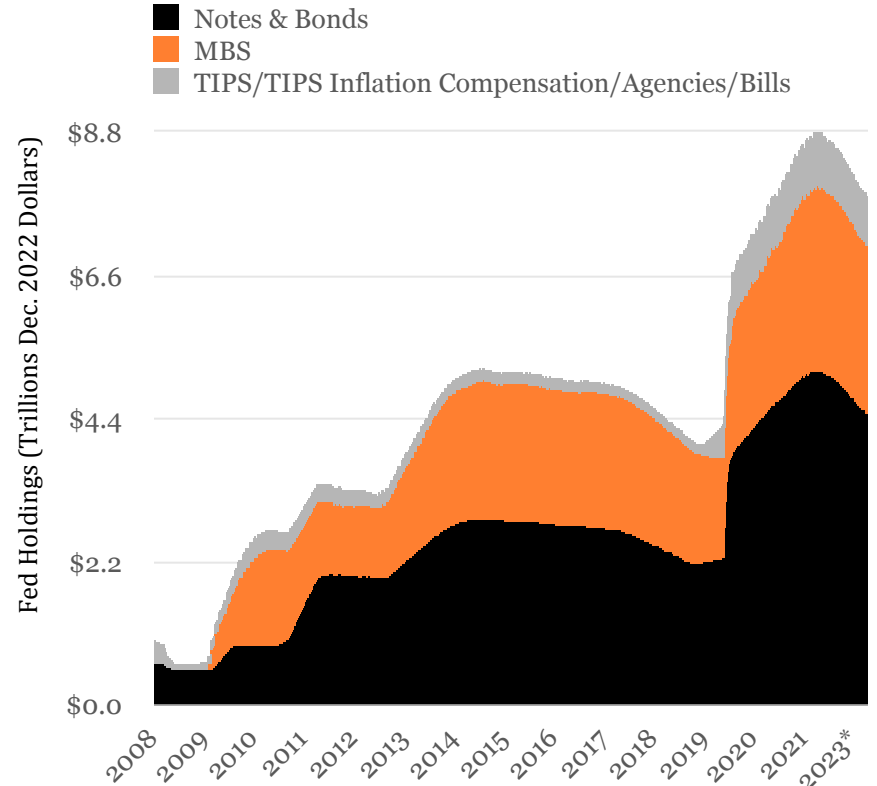
\* Through March  
 Steel prices for hot rolled coil  
 Sources: BEA, BLS, Chicago Mercantile Exchange, National Association of Realtors

# MOST AGGRESSIVE FED TIGHTENING SINCE 1980 DISRUPTING CRE MARKETS

### 10-Year Treasury vs. Fed Funds Rate



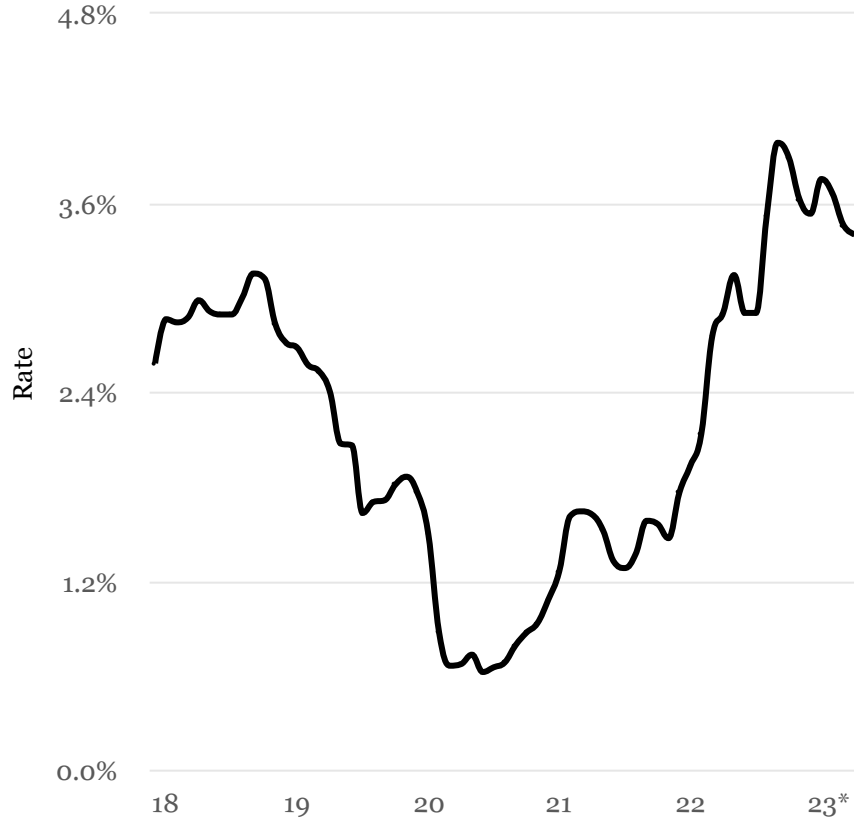
### Inflation Adjusted Fed Balance Sheet



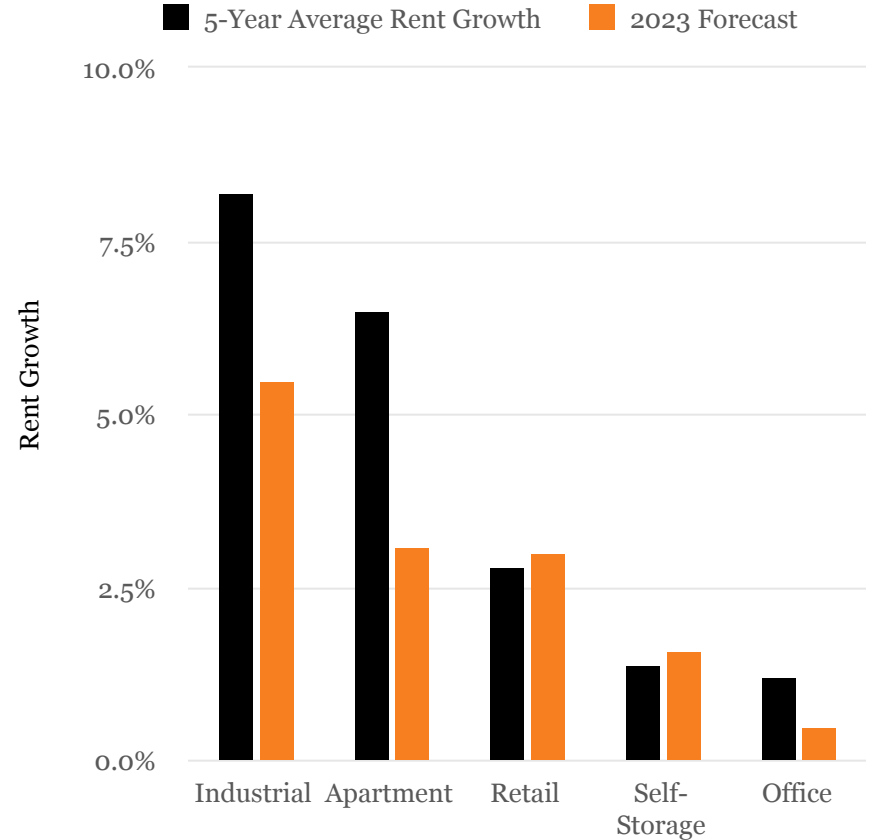
\* Through April 19  
 10-Year treasury and Fed Funds rate through May 3  
 Adjusted for inflation using Core PCE  
 Sources: Real Capital Analytics, Federal Reserve

# RENT GROWTH SLOWING AFTER SEVERAL STRONG YEARS – TRENDS VARY BY PRODUCT TYPE; INTEREST RATES IMPACTING VALUES

10-Year Treasury

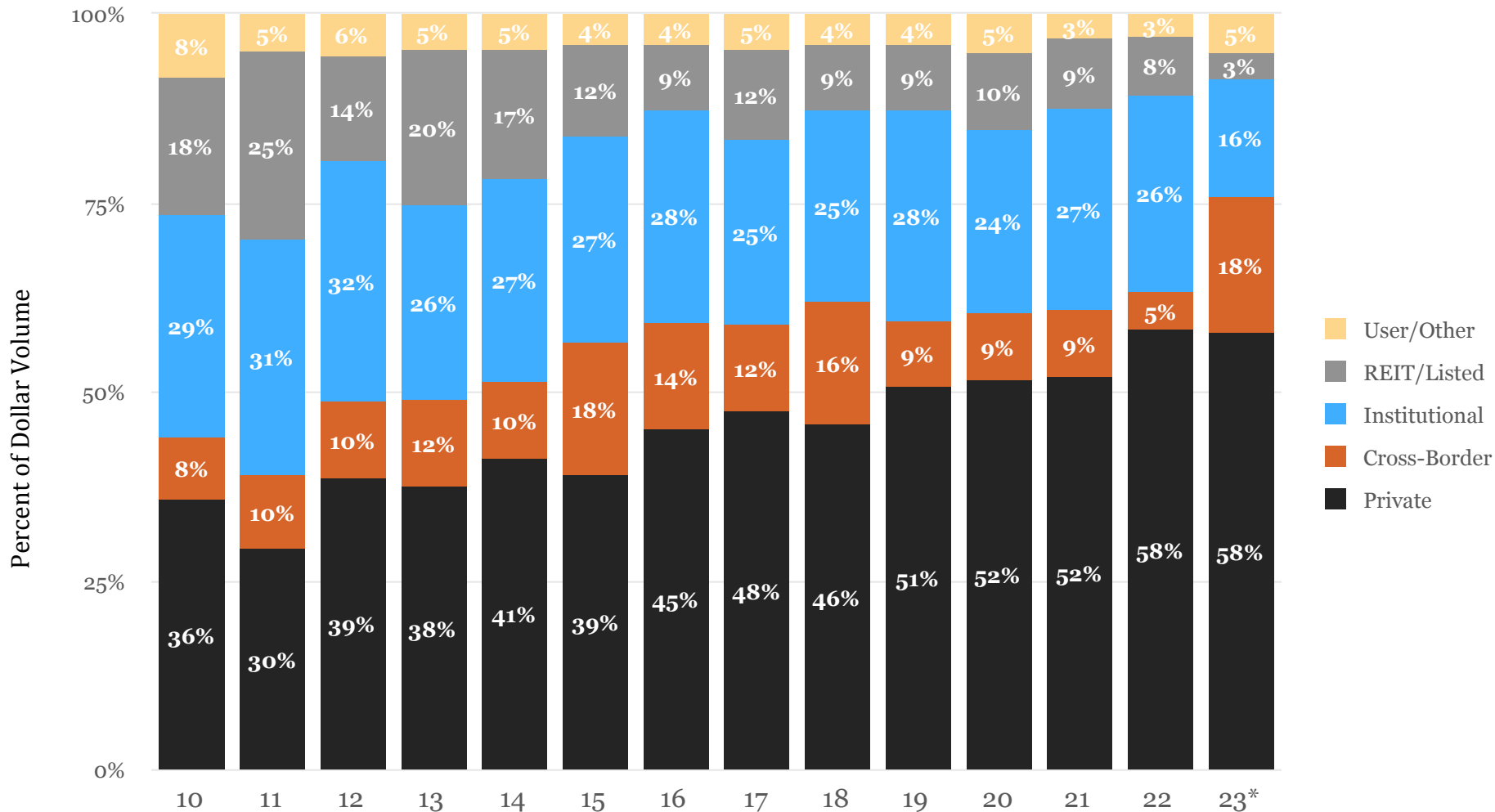


5-Year Average Rent Growth vs. 2023 Forecast



\* Through May 3, 2023  
 Preliminary estimate for 2022 rents  
 Sources: Federal Reserve, CoStar Group, Inc., RealPage, Inc., Yardi Matrix

# PRIVATE INVESTORS DOMINATE U.S. COMMERCIAL REAL ESTATE; INSTITUTIONAL INVESTORS MORE HESITANT IN CURRENT WINDOW

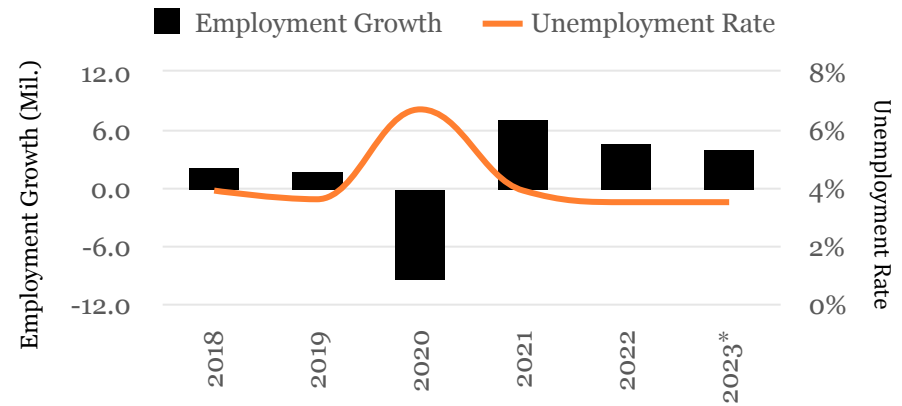


\* As of 1Q  
 Includes sales \$2.5 million and greater for multifamily, retail, office, industrial, hotel, seniors housing, and land  
 Source: Real Capital Analytics

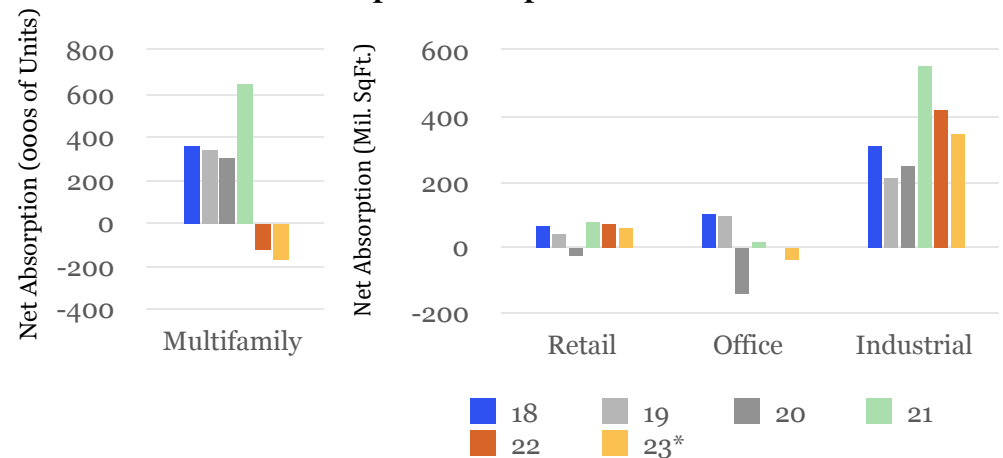
# EMPLOYMENT REMAINS SOUND, BUT SPACE DEMAND DOWNSHIFTS AMID ECONOMIC UNCERTAINTY AND BANKING SECTOR CONCERNS

- Labor shortage still restraining job creation but 4.8 million jobs added in 2022 and a further 1 million in 1Q 2023.
- Continued hiring, wage gains, and robust savings have sustained retail sales and consumption; remain a positive factor for the economy and most property types.
- Uncertainty surrounding inflation, Federal Reserve rate increases, the banking sector and recession risk continues to weigh on space demand of most property types.
- Office leasing has turned negative as companies adapt to hybrid models. Market variation widening by class and urban vs. suburban office space.
- Apartment rental demand has softened considerably after record run.
- Retail space demand recovery appears sustainable.

## Employment Growth vs. Unemployment Rate



## Space Absorption Trends

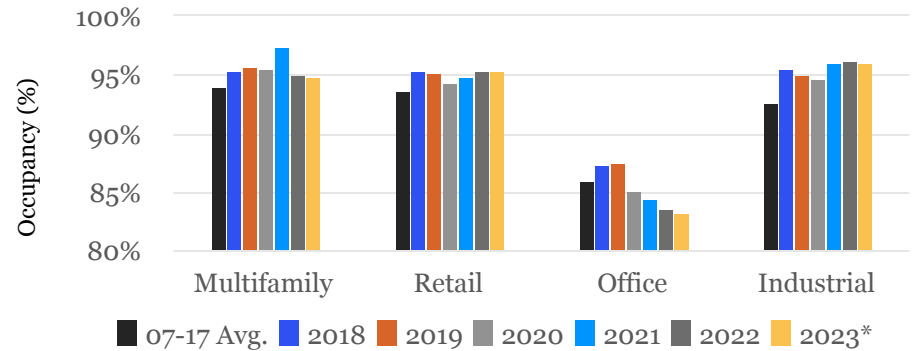


\* Through 1Q; trailing 12-months through 1Q 2023 for employment growth  
 \*\* Preliminary estimate for trailing 12-months through 1Q 2023  
 Sources: BLS, CoStar Group, Inc., RealPage, Inc.

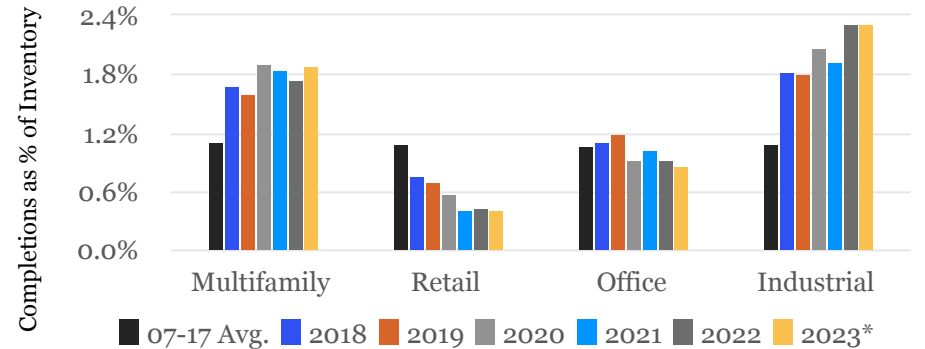
# PROPERTY FUNDAMENTALS SOUND BY HISTORICAL STANDARDS; HOWEVER, VARIATIONS WIDENING

- Multifamily and industrial aggressively delivering record new completions as the economy slows.
- Supply chain disruptions declining; companies have begun reducing their inventories to mitigate recession risk, but industrial space demand remains positive.
- Hospitality sector approaching full recovery led by limited-service segments.
- Necessity-based retail, single-tenant retail, and self-storage among top performing property types.
- Office occupancy tapering as company's plans to return to the office remain in question and economic uncertainty restrained commitments.
- Retail and office new supply pipeline low by historical standards.

**Occupancy Trends**



**Construction Trends**



\* Preliminary estimate through 1Q 2023; trailing 12-months through 1Q for construction

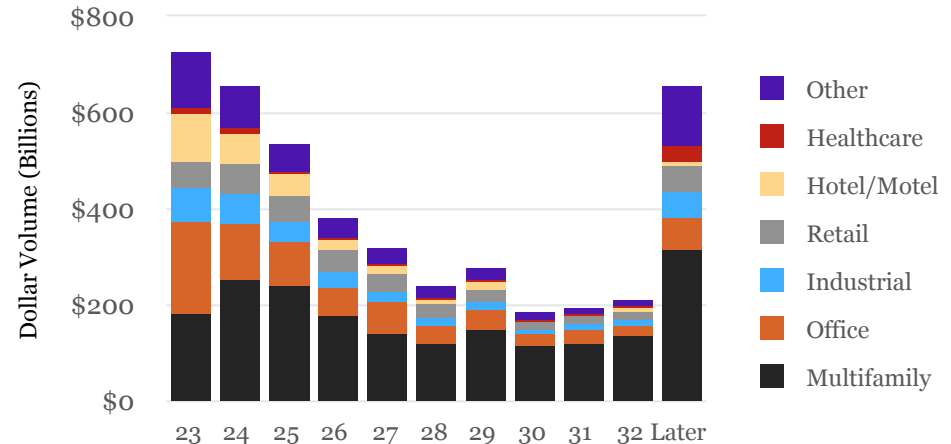
Sources: CoStar Group, Inc., RealPage, Inc.



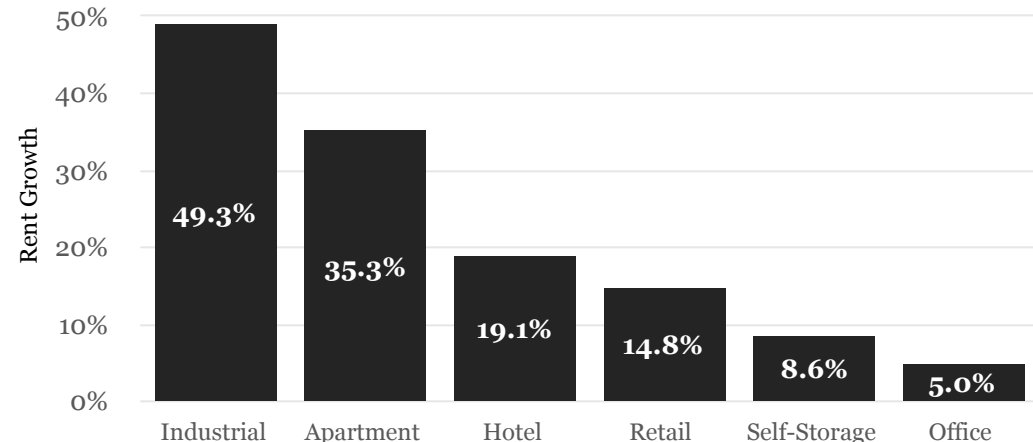
## MATURING CRE LOAN VOLUMES CONCERNING; RISKS VARY WIDELY BY PROPERTY TYPE

- With the exception of office properties, rent growth and appreciation has been healthy in most segments over the past 5-7 years.
- These factors should mitigate systemic risk to banks.
- Office experiencing the greatest uncertainty as the segment faces the most maturities this year, while rent growth lags.
- Federal Reserve and Treasury have acted quickly to alleviate concerns of banking failure contagion.
- Most lenders motivated to work through maturing loans as opposed to off-loading assets at large discounts.
- Nonetheless maturing loans pose a risk given current market dynamics.

Commercial Real Estate Loan Maturities\*



Five-Year Rent Growth: 1Q 2018 to 1Q 2023\*\*



\* For loans outstanding as of 2022

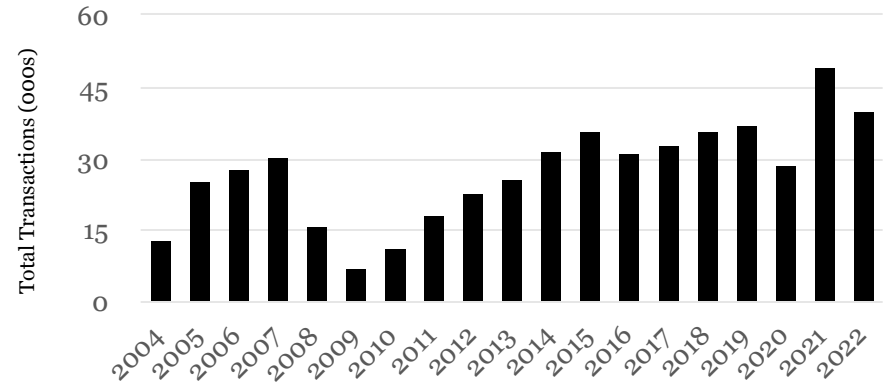
\*\* Trailing 12-month ADR for Hotel from March 2018 through March 2023

Sources: CoStar Group, Inc., RealPage, Inc., Yardi Matrix, Mortgage Bankers Association

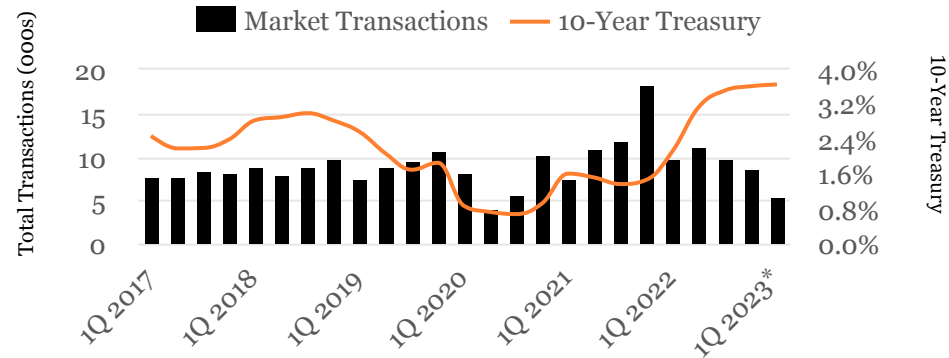
# CRE MARKET RESPONDING TO INTEREST RATE SHOCK AND BANKING INSTABILITY; FED REMAINS A KEY FACTOR

- Transaction counts in 1Q 2023 estimated to have dipped 44% year-over-year; dollar volume dropped by 56% year-over-year.
- Interest rate shock, tightened lender underwriting and lower loan-to-value percentages causing pricing recalibration in most property segments and markets; buyers are well-capitalized, but buyer/seller expectation gap remains wide.
- Limited debt capital availability for office and other challenged properties will make price discovery more difficult.
- Financing generally available for most property types, but underwriting has continued to tighten. Loan-to-values and Debt Service Coverage ratios are adjusting and weighing on trading activity.
- Properties with maturing loans in the near-term facing challenges. Low cap rate preferred segments also pressured by rapid rise in rates.
- As the Fed completes tightening cycle and inflation declines, capital flows into commercial real estate are expected to improve.
- Bid/ask spread and debt capital availability key to trading volume recovery.

Annual U.S. Commercial Real Estate Sales Trends<sup>(1)</sup>



Quarterly U.S. Commercial Real Estate Sales and Interest Rates<sup>(1)</sup>



Sources: Real Capital Analytics, Federal Reserve

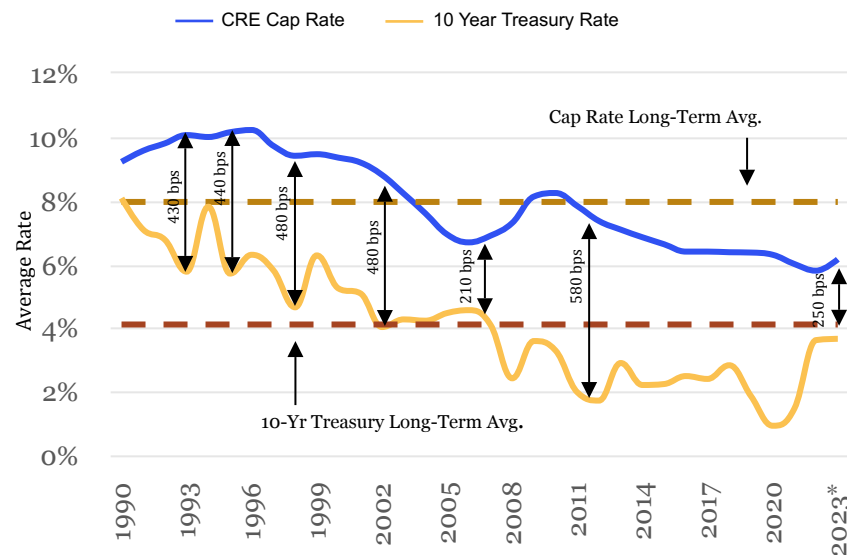
\* Preliminary estimate for market sales; excludes STORE Capital acquisition

(1) Includes sales \$2.5 million and greater for multifamily, retail, office, industrial, hotel, seniors housing, and land

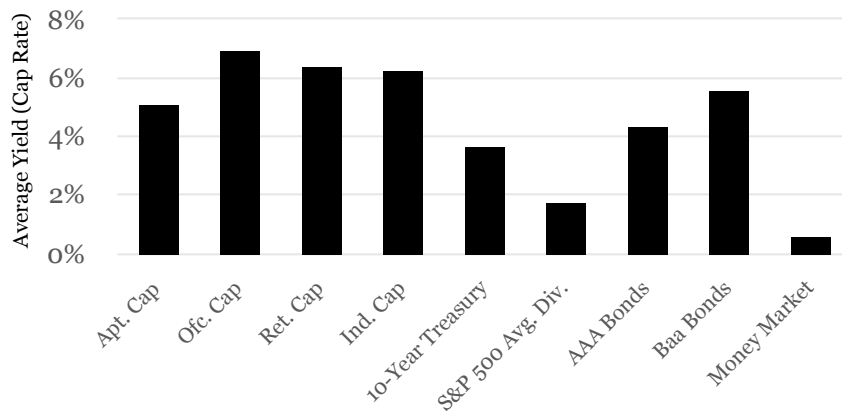
# COMMERCIAL REAL ESTATE YIELD SPREADS CHALLENGED; PRICING RECALIBRATING TO HIGHER INTEREST RATES

- Rapid rise of interest rates, tightened lender underwriting, heightened odds of recession still adversely impacting short-to-mid-term transactional outlook.
- Market calibrating to impact of higher interest rates and potential weakening of demand; valuations in discovery process in many areas and property types.
- Buyers of “safer” segments (apartments, single-tenant, industrial, and self-storage) remain active, but pricing discovery and tighter lending climate weighing on transactional velocity in the near term.
- Healthy real estate fundamentals bode well for capital flows in the long-run.
- Commercial real estate yields challenged by short-term bond yields.

### Cap Rate/10-Year Treasury Spreads



### Average Cap Rate/Yield\*



\* As of 1Q 2023

Cap rates for sales \$1 million and greater

Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Standard & Poor's



# MMI MARKET POSITION

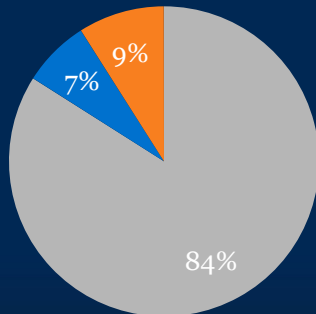
# PRIVATE CLIENT MARKET SEGMENT

## Largest Transaction and Commission Pool Opportunity

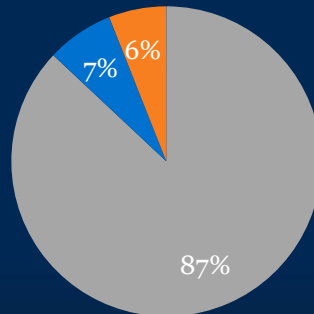
- Market segment consists of sales \$1 million to <\$10 million.
- Largest and most active market segment, accounting for 75%+ of transactions.
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers.
- Influenced by personal drivers that result in buying/selling/refinancing properties, as well as market conditions. Should be a major factor in increased sales activity once current market constraints begin to ease.
- Market segment features the highest commission rates.

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

Commercial Real Estate Market

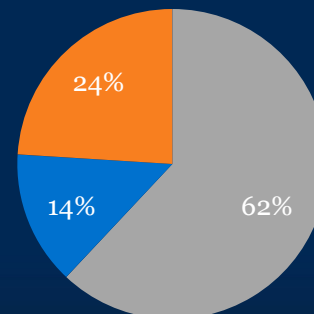


Marcus & Millichap

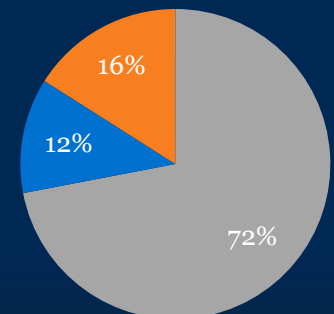


Commission Pool by Investor Segment <sup>(1) (2)</sup>

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 2023; 1Q preliminary estimate for market total.

(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.

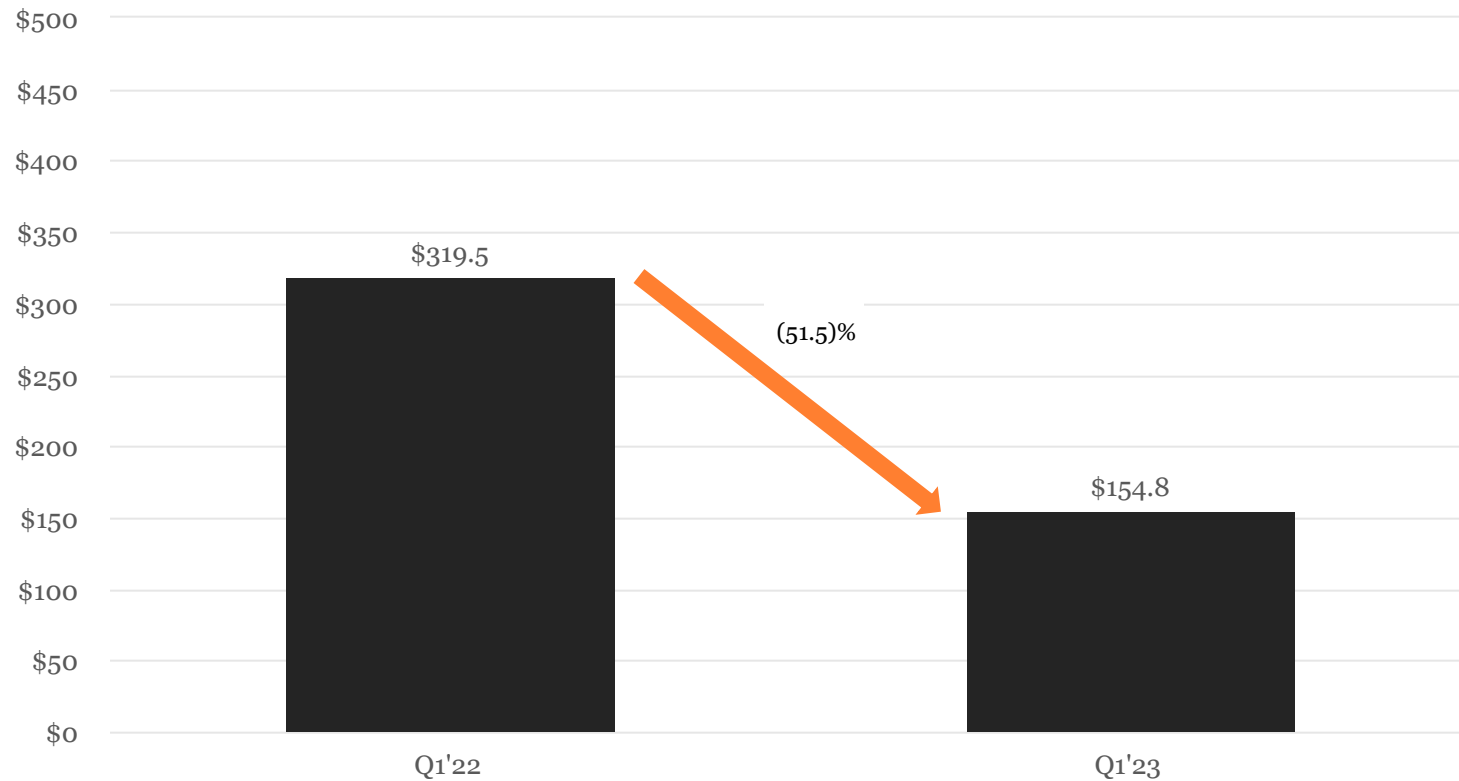


# MMI FINANCIAL DETAILS

# TOTAL REVENUE

(\$ IN MILLIONS)

Q1 '22 vs Q1 '23

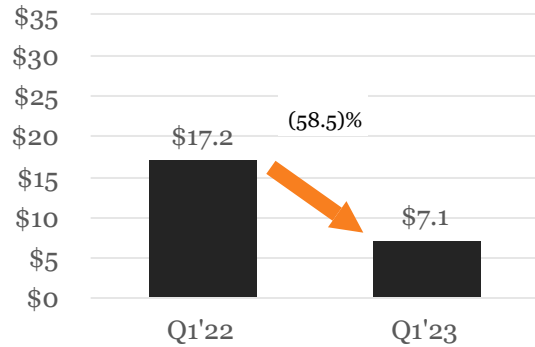


# BROKERAGE OPERATING METRICS

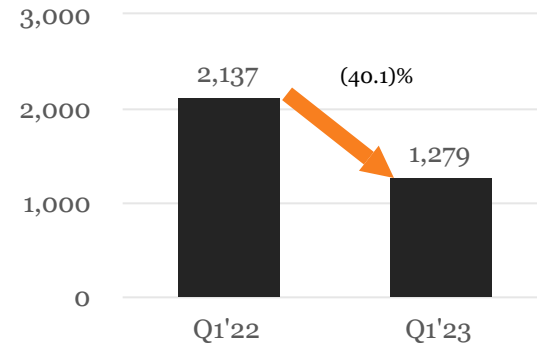
Q1 2022 vs Q1 2023

## Total Sales Volume

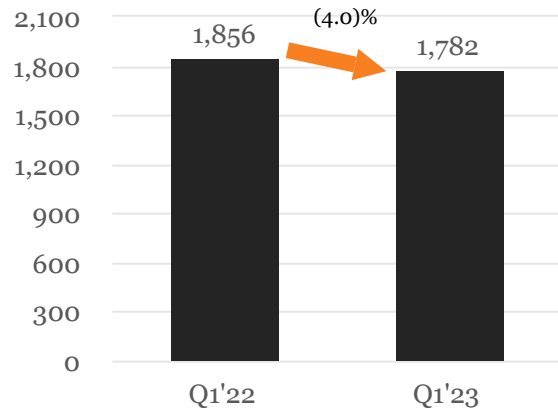
(\$ in billions)



## Total Number of Transactions

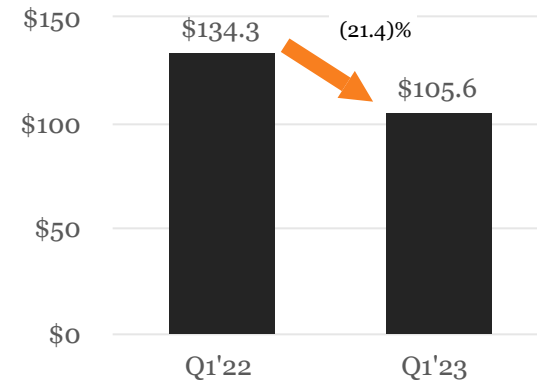


## Average Number of Investment Sales Professionals



## Average Commission Per Transaction

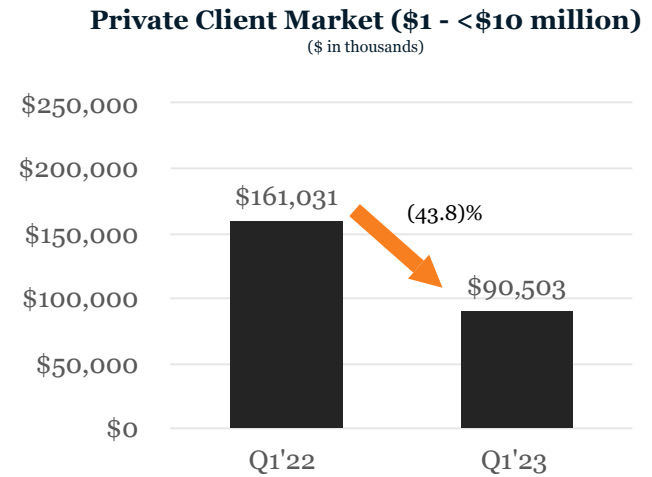
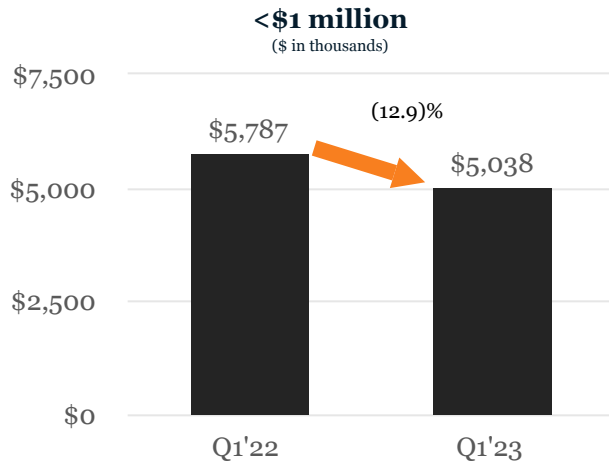
(\$ in thousands)





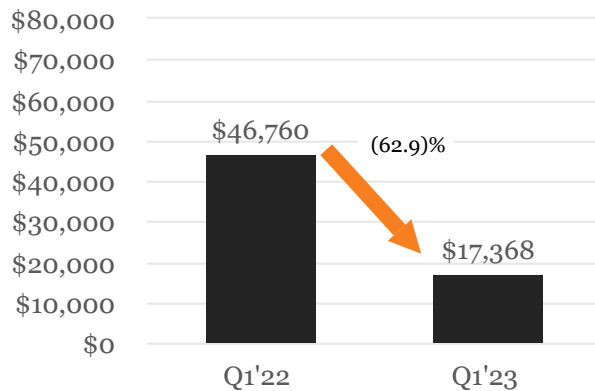
# BROKERAGE REVENUE BY MARKET SEGMENT

Q1 2022 vs Q1 2023



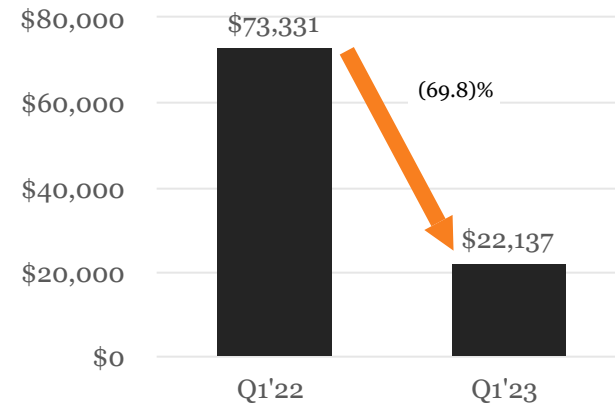
### Middle Market (\$10 - <\$20 million)

(\$ in thousands)



### Larger Transaction Market (≥ \$20 million)

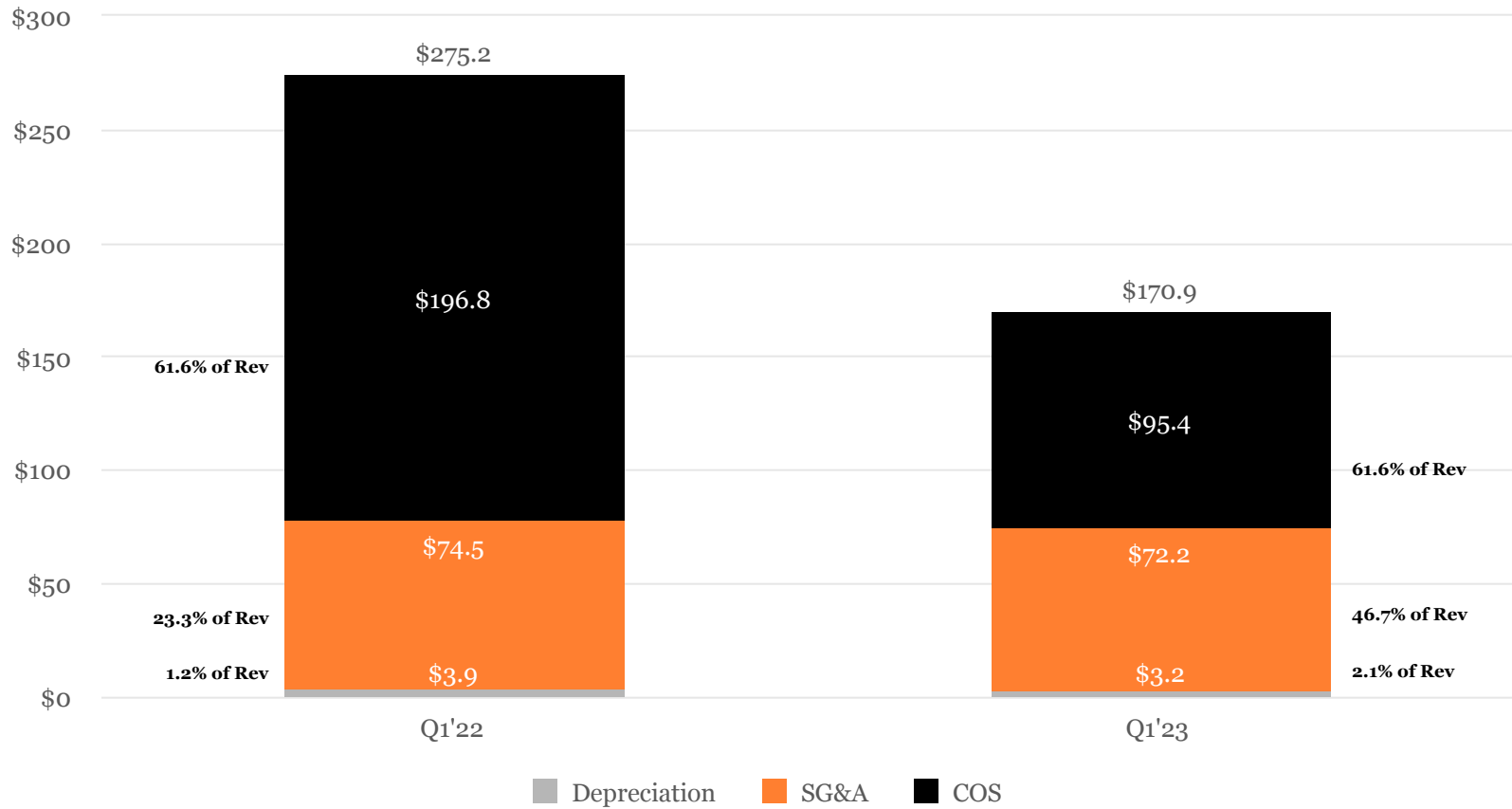
(\$ in thousands)



# OPERATING EXPENSE

(\$ IN MILLIONS)

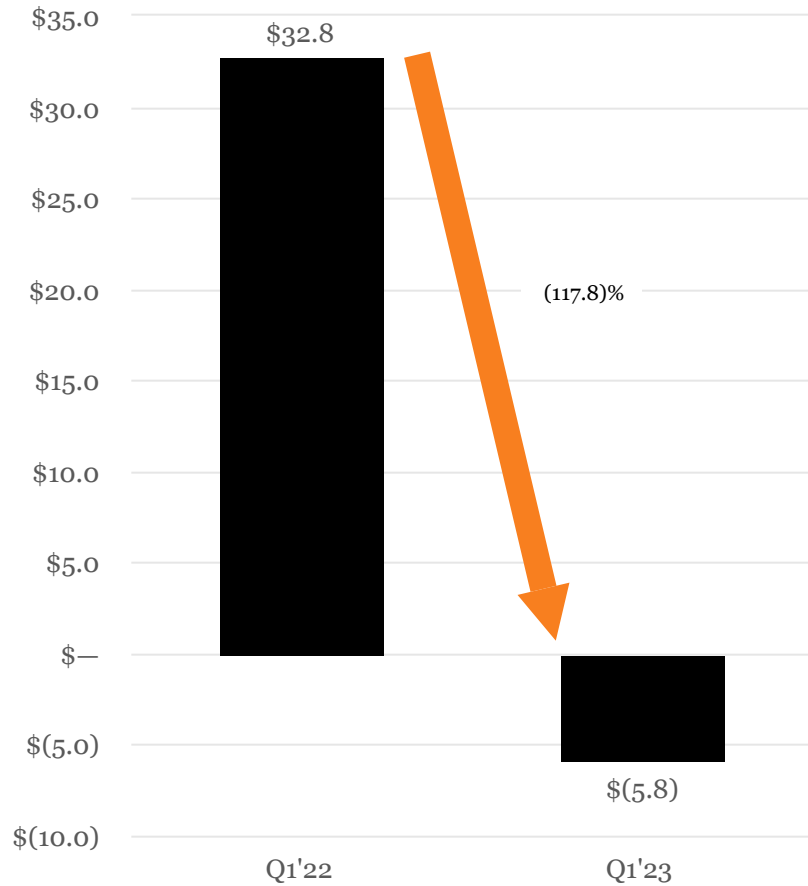
Q1 2022 vs Q1 2023



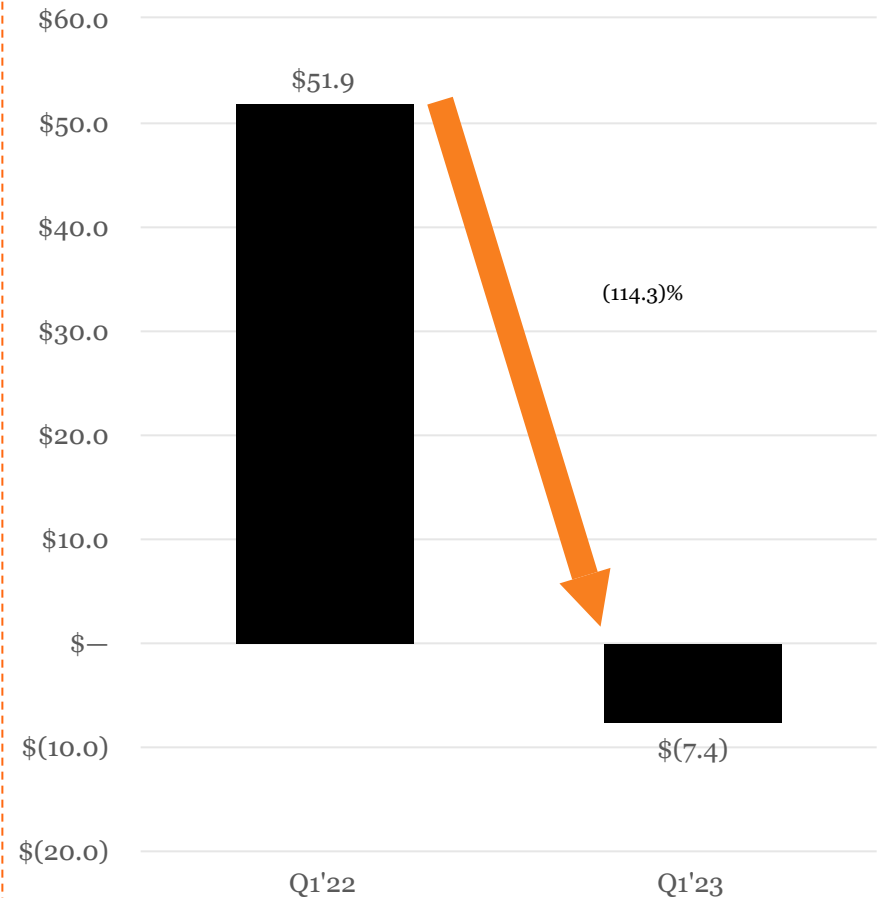
# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q1 2022 vs Q1 2023

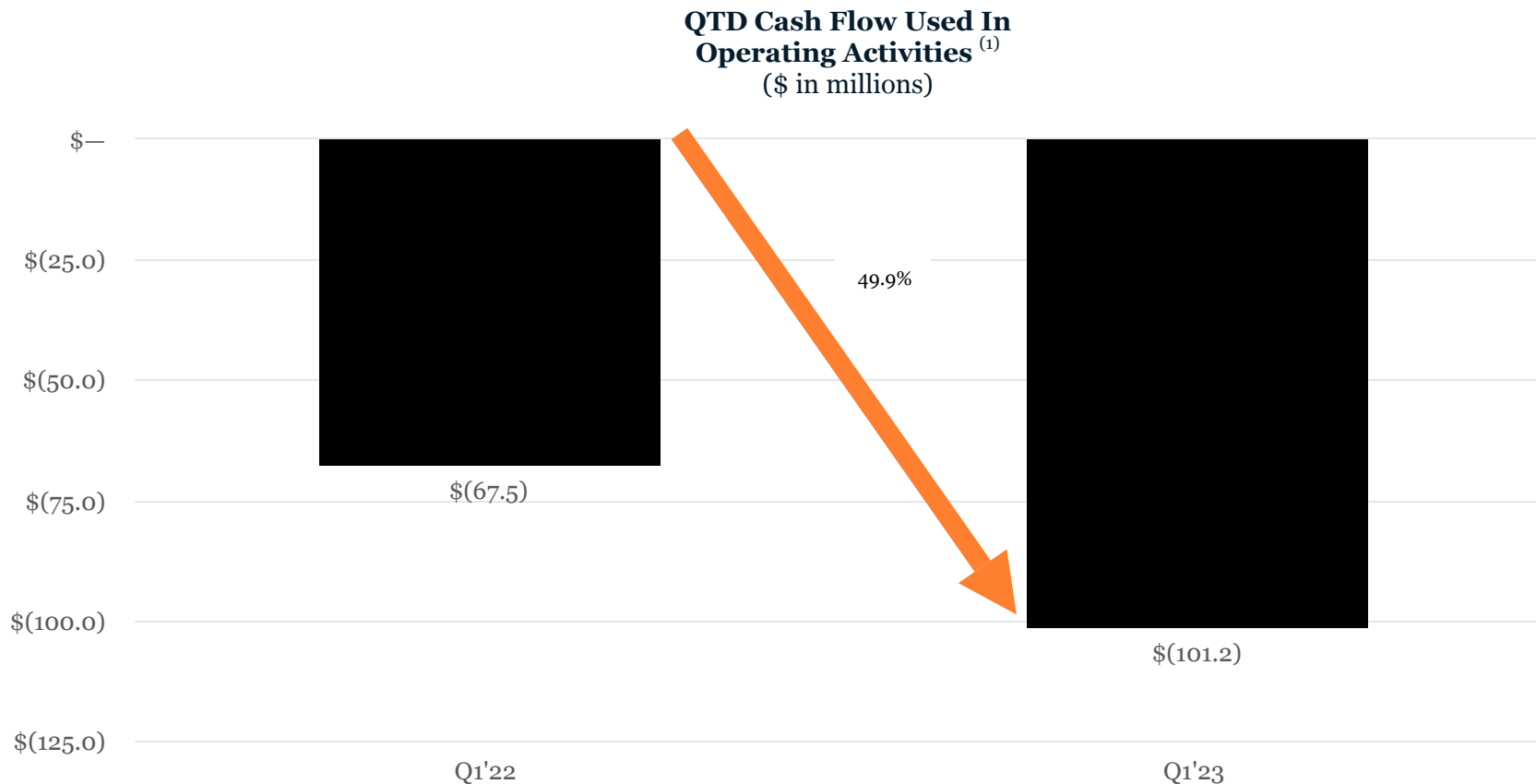
**Net Income**  
(\$ in millions)



**Adjusted EBITDA**  
(\$ in millions)



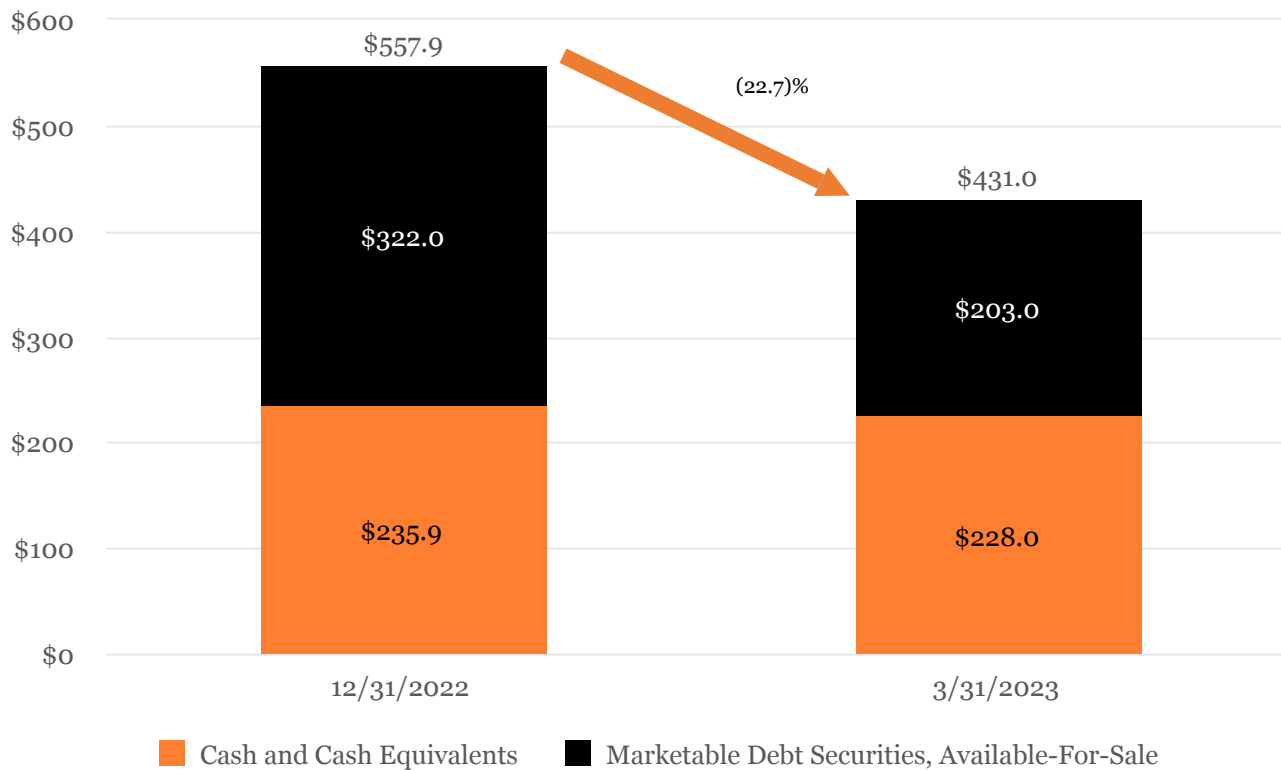
# CASH FLOW USED IN OPERATING ACTIVITIES



- (1) Cash flows used in operating activities were \$101.2 million for the three months ending March 31, 2023 compared to \$67.5 million for the same period in 2022. The \$33.7 million increased in cash flows used in operating activities for the three months ended March 31, 2023 compared to the same period in 2022 was primarily due to decreased operating income as discussed in prior slides. The cash flows from operating activities are also affected by timing of certain cash receipts and payments.

# LIQUIDITY POSITION

**Cash and Cash Equivalents  
and Marketable Debt Securities, Available-For-Sale**  
(\$ in millions)



Liquidity position as of March 31, 2023 was \$431.0 million, after a return of capital paid to shareholders of \$17.1 million for the year <sup>(1)</sup>.

(1) Including the payment of \$0.4 million of dividends and \$16.7 million in stock repurchases.



# APPENDIX

## ADJUSTED EBITDA RECONCILIATION

Adjusted EBITDA, which the Company defines as net (loss) income before (i) interest income and other, including net realized gains (losses) on marketable debt securities, available-for-sale and cash and cash equivalents; (ii) interest expense; (iii) (benefit) 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 a supplemental metric 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 to be a useful management metric to assist in evaluating performance, because Adjusted EBITDA eliminates items related to capital structure, taxes and non-cash items. 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 calculated 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,	
	2023	2022
<b>Net (loss) income</b>	\$(5,833)	\$32,783
<b>Adjustments:</b>		
<b>Interest income and other (1)</b>	(4,390)	(615)
<b>Interest expense</b>	215	160
<b>(Benefit) provision for income taxes</b>	(5,633)	11,757
<b>Depreciation and amortization</b>	3,207	3,911
<b>Stock-based compensation</b>	5,011	3,856
<b>Adjusted EBITDA</b>	<b>\$(7,423)</b>	<b>\$51,852</b>

(1) Other includes net realized gains (losses) on marketable debt securities available-for-sale.



## COMPANY OVERVIEW

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

- Over 50 years of experience dedicated to perfecting real estate investment brokerage
- Designed to maximize real estate value, facilitate investment options by geography and property type, and create liquidity for investors

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

- Only national brokerage firm predominantly focused on servicing the Private Client Market segment which consistently accounts for 80%+ of CRE transactions in the U.S.
- Private client business has been supplemented with penetration in larger transactions and institutional clients over the past 10 years

### **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**

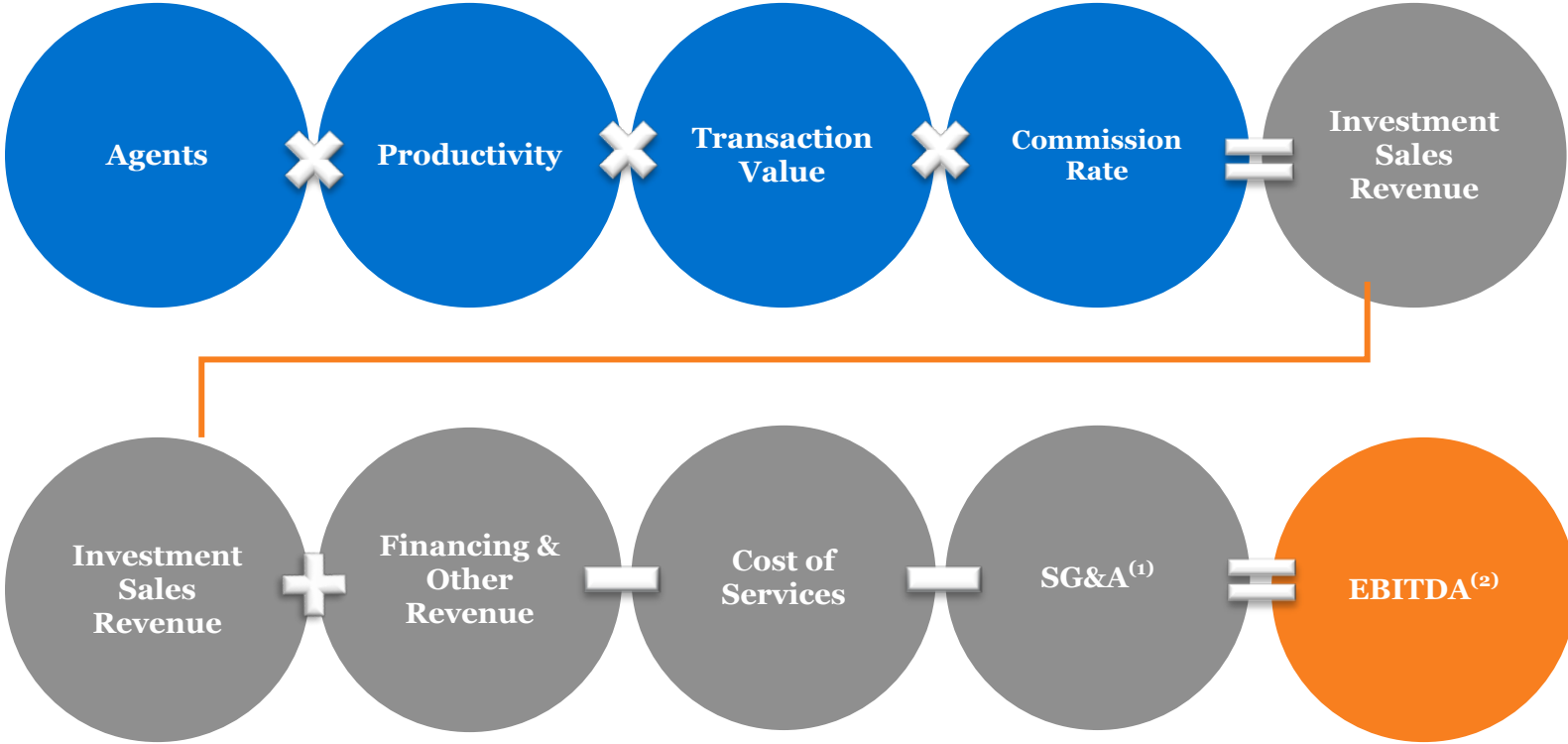
- Non-competitive management with extensive investment brokerage experience, committed to training, coaching, and supporting investment sales professionals
- Culture creates a competitive advantage through agent retention and better client results

### **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 the MMCC financing division
- Strong balance sheet with no debt provides financial flexibility to pursue strategic acquisitions



# 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 33