

# 2023

Marcus & Millichap

Earnings Conference  
Call February 16, 2024

**Fourth  
Quarter 2023**



## FORWARD-LOOKING STATEMENTS

This presentation includes forward-looking statements, including the Company's business outlook for 2024, market consensus on interest rate decreases in 2024 and for the 2024 economic forecast, our expectations of 2024 commercial real estate sales activity in the wake of reduced interest rates, the execution of our capital return program, including a semi-annual dividend and 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 inflation and increased interest rates; (4) our ability to attract and retain qualified senior executives, managers and investment sales and financing professionals; (5) the impact of forgivable loans and related expense resulting from the recruitment and retention of agents; (6) the effects of increased competition on our business; (7) our ability to successfully enter new markets or increase our market share; (8) our ability to successfully expand our services and businesses and to manage any such expansions; (9) our ability to retain existing clients and develop new clients; (10) our ability to keep pace with changes in technology; (11) any business interruption or technology failure, including cybersecurity risks and ransomware attacks, and any related impact on our reputation; (12) changes in interest rates, availability of capital, tax laws, employment laws or other government regulation affecting our business; (13) our ability to successfully identify, negotiate, execute and integrate accretive acquisitions; and (14) 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

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## 2023 FOURTH QUARTER HIGHLIGHTS

<b>Financial Highlights</b>		<b>YoY</b>
Revenue	\$166.2 million	(36.7)%
Net Loss	\$(10.2) million	(229.4)%
Adjusted EBITDA	\$(4.5) million	(131.9)%

<b>Operational Highlights</b>		<b>YoY</b>
Sales Volume	\$11.9 billion	(27.4)%
Transaction Closings	1,947	(27.8)%
Number of Investment Sales and Financing Professionals as of December 31, 2023	1,783	(6.4)%

## FULL-YEAR 2023 HIGHLIGHTS

<b>Financial Highlights</b>		<b>YoY</b>
Revenue	\$645.9 million	(50.4)%
Net Loss	\$(34.0) million	(132.7)%
Adjusted EBITDA	\$(19.6) million	(111.9)%

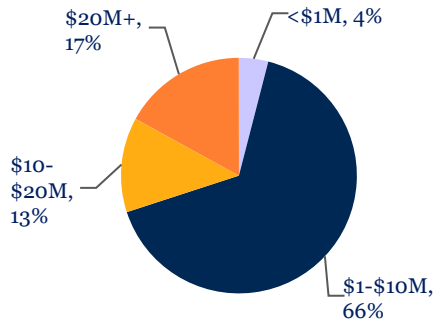
  

<b>Operational Highlights</b>		<b>YoY</b>
Sales Volume	\$43.6 billion	(49.5)%
Transaction Closings	7,546	(38.5)%
Number of Investment Sales and Financing Professionals as of December 31, 2023	1,783	(6.4)%

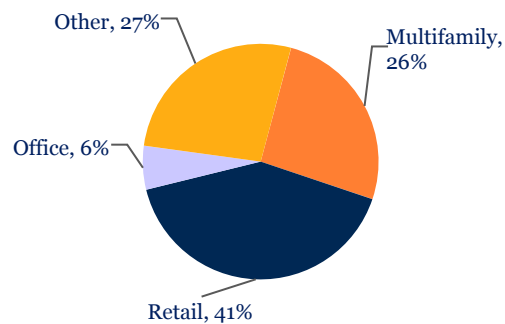
# 2023 FOURTH QUARTER BROKERAGE HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$8.7 billion	(33.4)%
<b>Transaction Closings</b>	1,413	(30.8)%
<b>Number of Investment Sales Professionals as of December 31, 2023</b>	1,684	(7.4)%
<b>Real Estate Brokerage Commissions Revenue</b>	\$144.6 million	(38.7)%

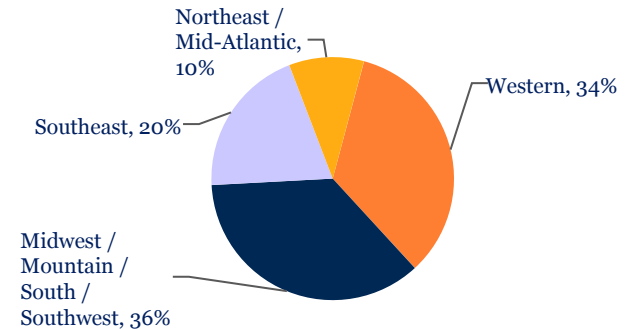
**Revenue by Transaction Size**



**Transactions by Property Type**



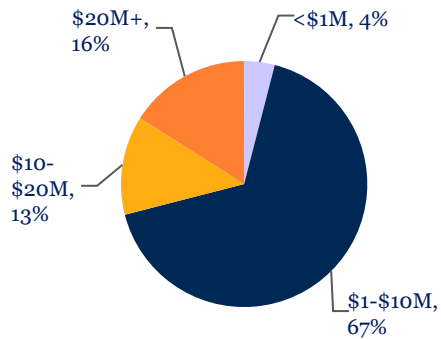
**Transactions by Region**



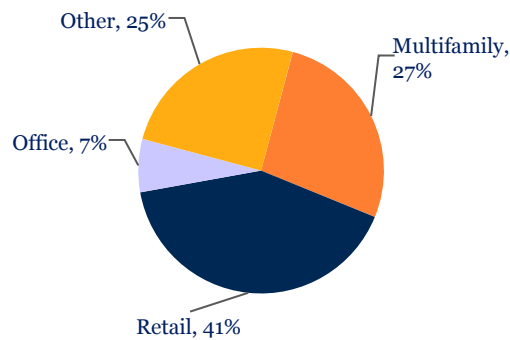
# FULL-YEAR 2023 BROKERAGE HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$30.8 billion	(54.7)%
<b>Transaction Closings</b>	5,475	(39.9)%
<b>Number of Investment Sales Professionals as of December 31, 2023</b>	1,684	(7.4)%
<b>Real Estate Brokerage Commissions Revenue</b>	\$559.8 million	(52.2)%

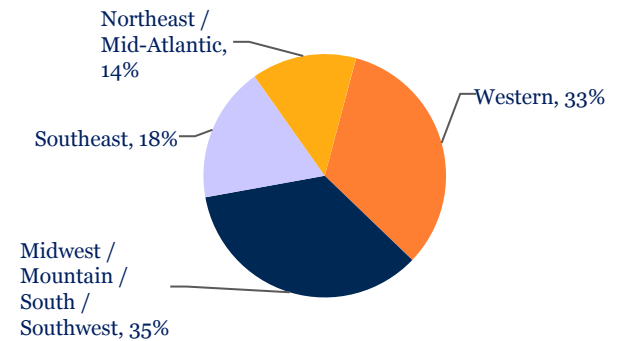
**Revenue by Transaction Size**



**Transactions by Property Type**



**Transactions by Region**

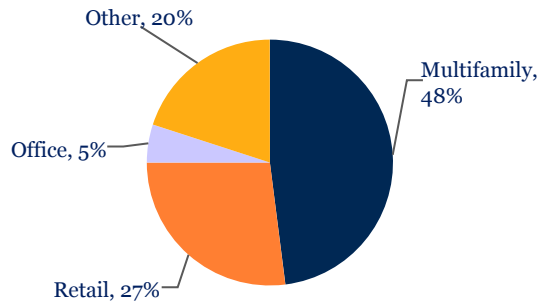




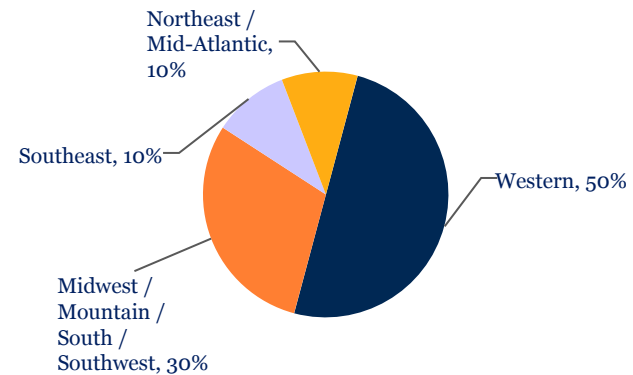
# 2023 FOURTH QUARTER FINANCING HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$1.4 billion	(41.7)%
<b>Transaction Closings</b>	237	(41.9)%
<b>Number of Financing Professionals as of December 31, 2023</b>	99	15.1%
<b>Financing Fees Revenue</b>	\$15.9 million	(26.5)%

**Transactions by Property Type**



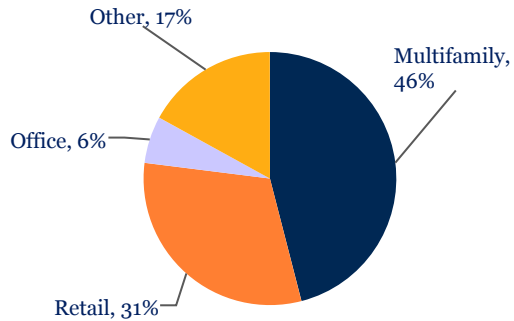
**Transactions by Region**



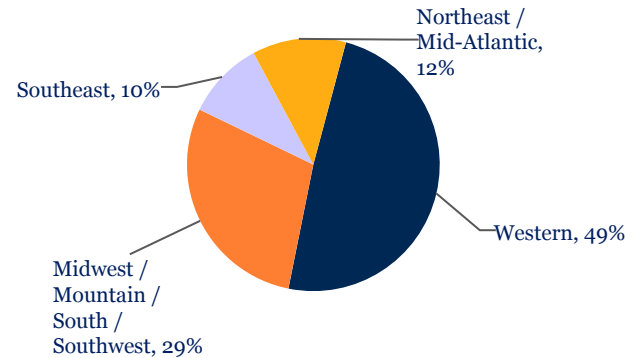
# FULL-YEAR 2023 FINANCING HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$6.7 billion	(47.5)%
<b>Transaction Closings</b>	1,076	(49.8)%
<b>Number of Financing Professionals as of December 31, 2023</b>	99	15.1%
<b>Financing Fees Revenue</b>	\$66.9 million	(40.8)%

**Transactions by Property Type**



**Transactions by Region**

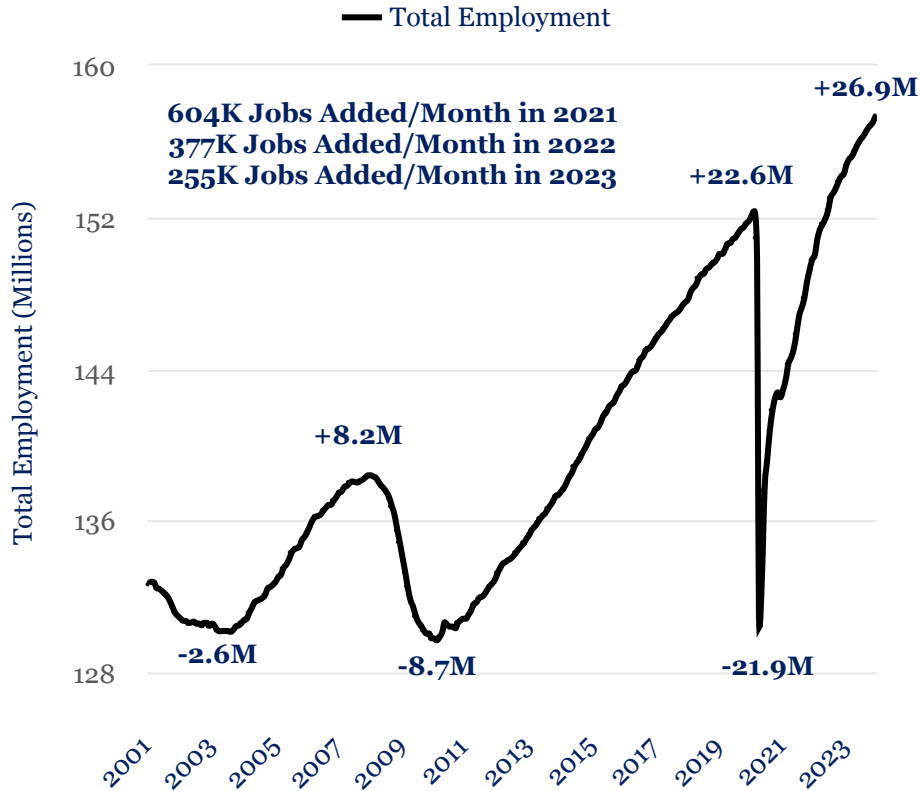


# Market Highlights

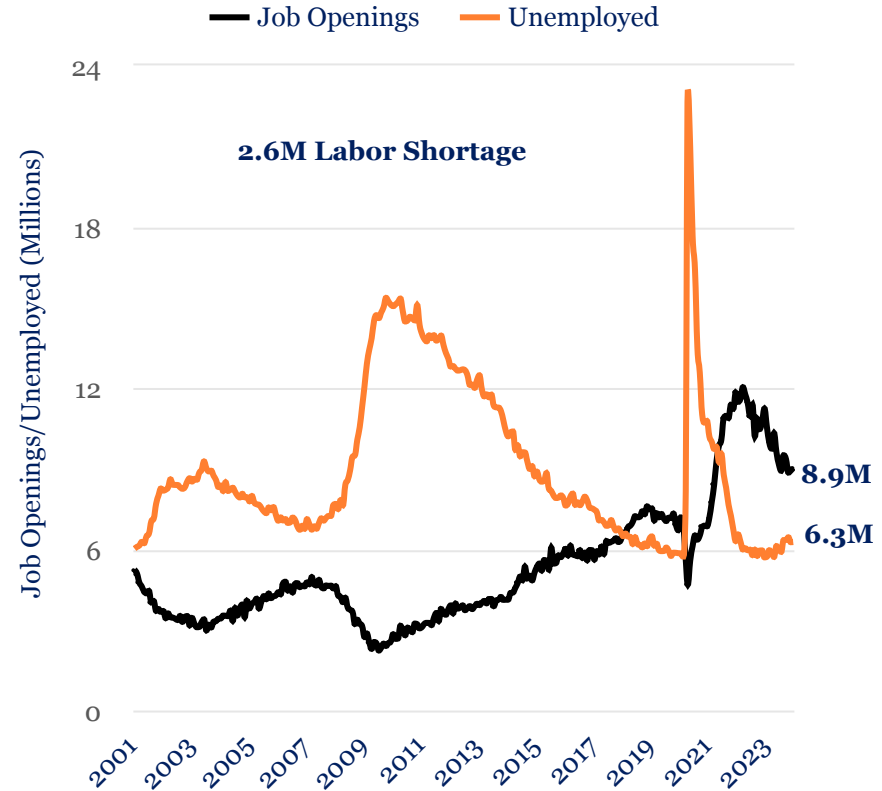
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# TOTAL EMPLOYMENT WELL ABOVE PRE-PANDEMIC LEVEL, COULD DELAY FED RATE EASING

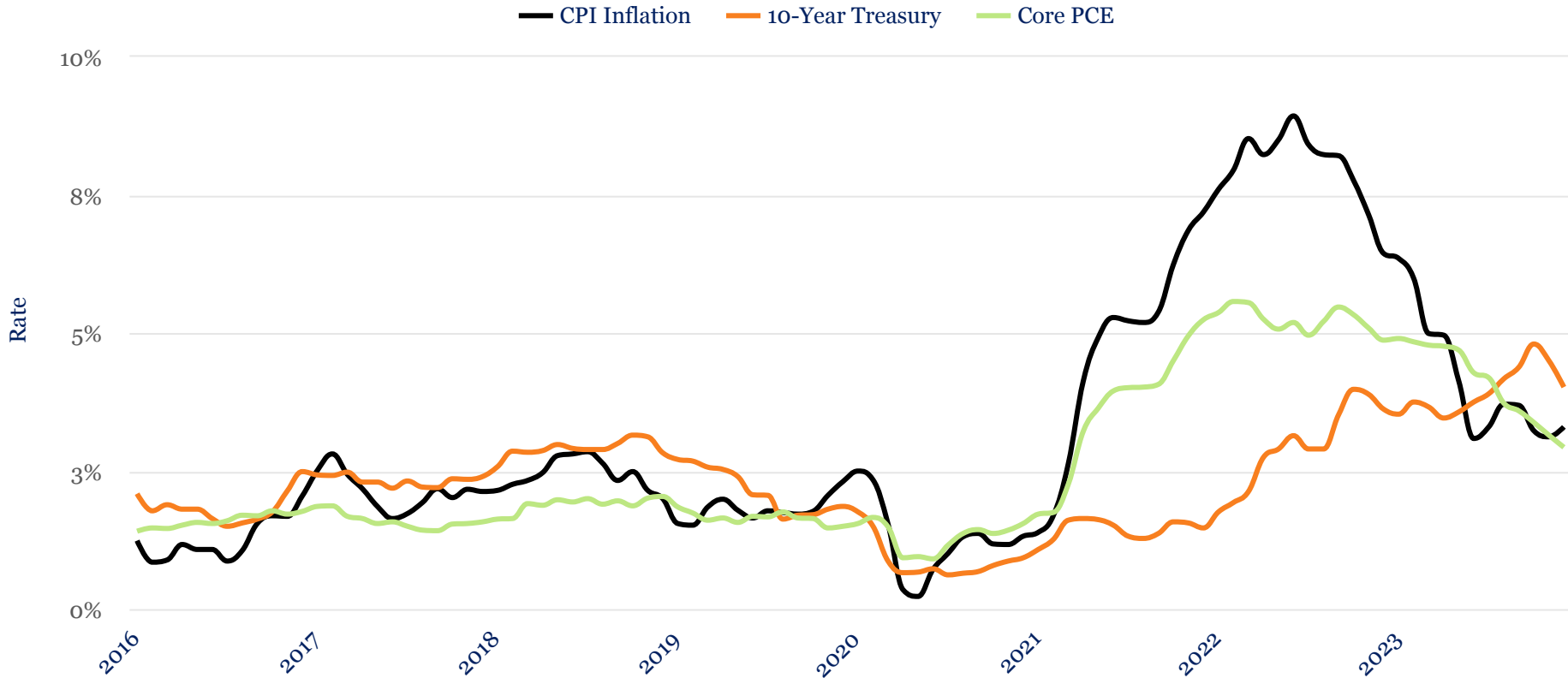
**Total Employment**



**Job Openings vs. Unemployed**

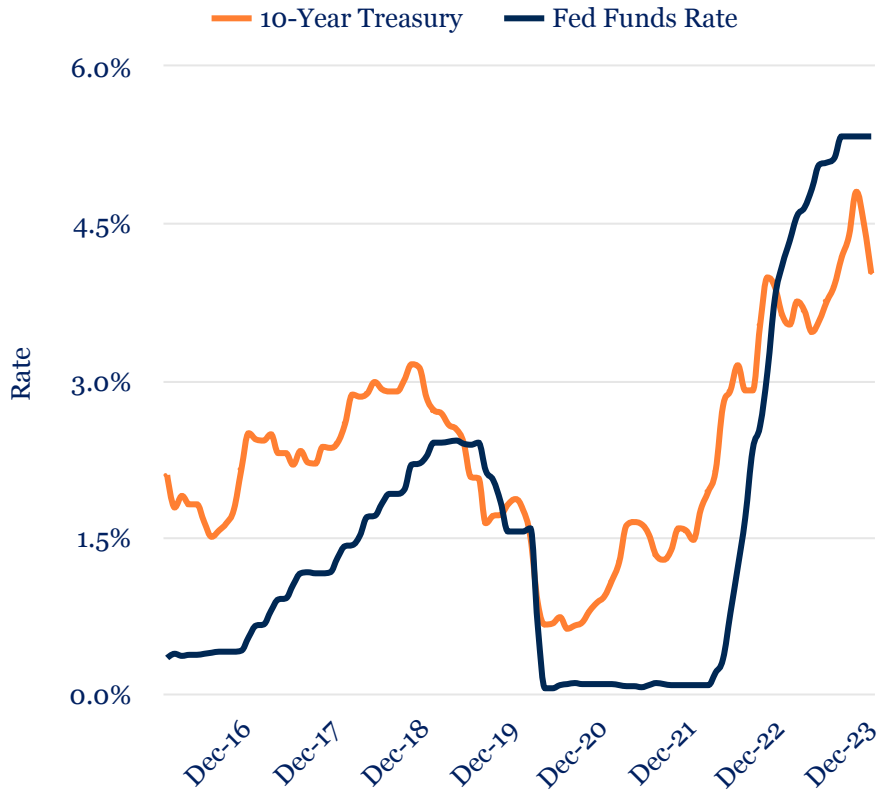


# INFLATION CONTINUES TO TREND LOWER; WHILE STILL ELEVATED ON A Y-O-Y BASIS, 6- AND 3-MONTH TRENDS SUGGEST CORE PCE IS ON TARGET

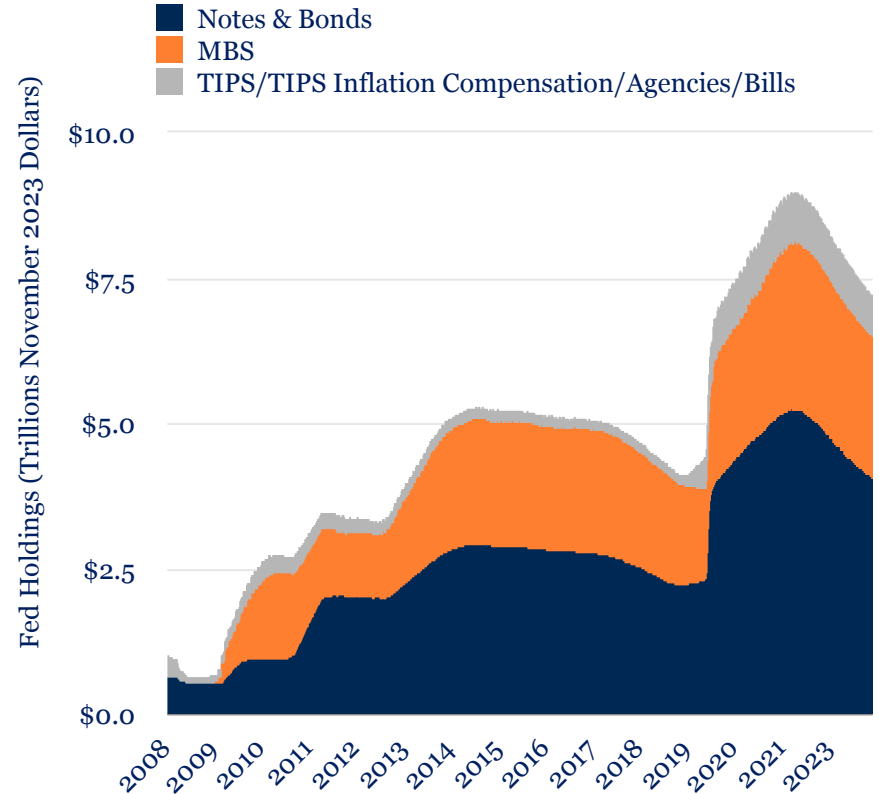


# MOST AGGRESSIVE FED RATE HIKES SINCE 1980 DISRUPTING CRE MARKETS; QUANTITATIVE TIGHTENING INCREASING LONG-TERM RATES

10-Year Treasury vs. Fed Funds Rate

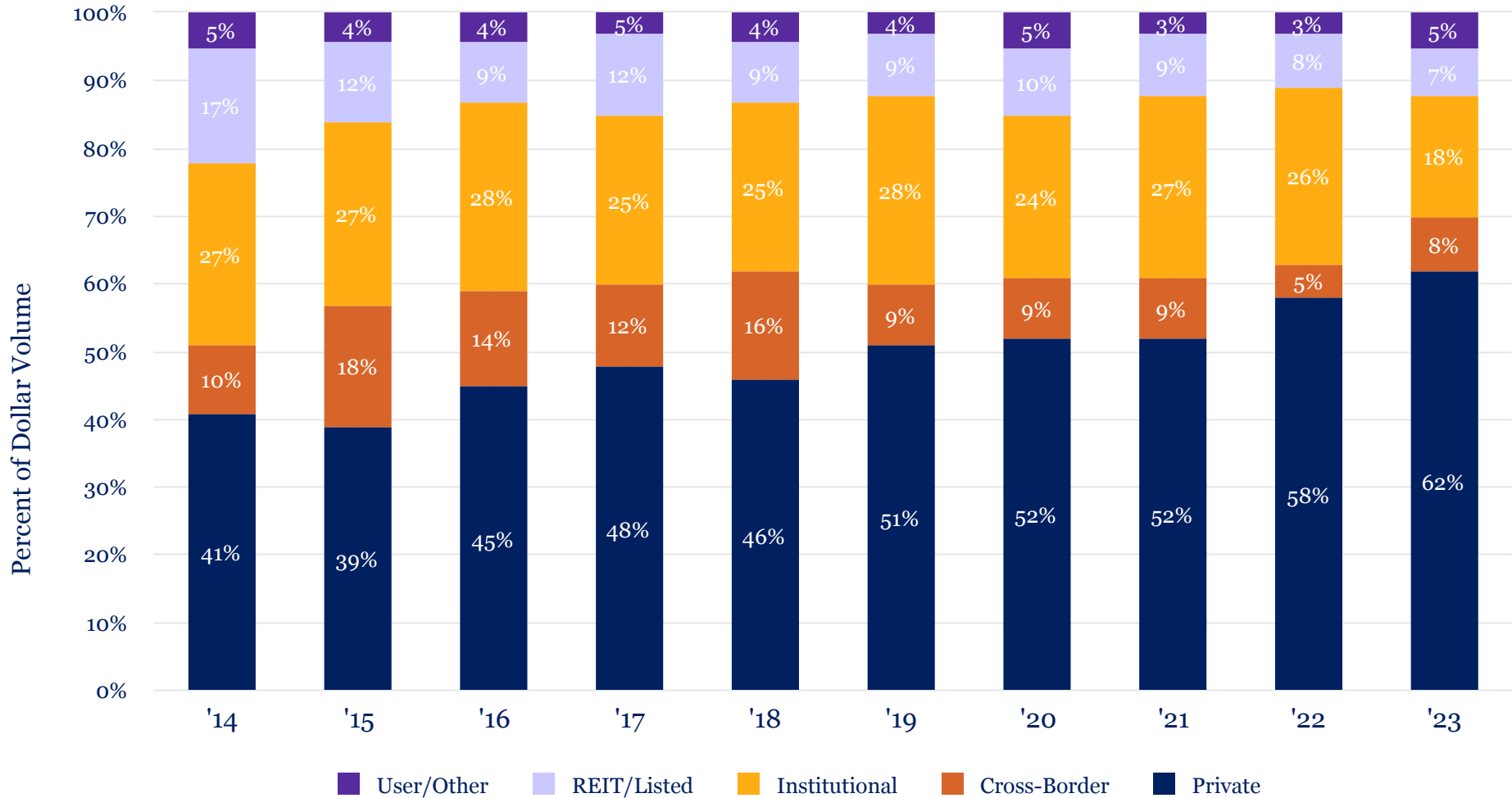


Inflation Adjusted Fed Balance Sheet



Adjusted for inflation using Core PCE  
Sources: Real Capital Analytics, Federal Reserve

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

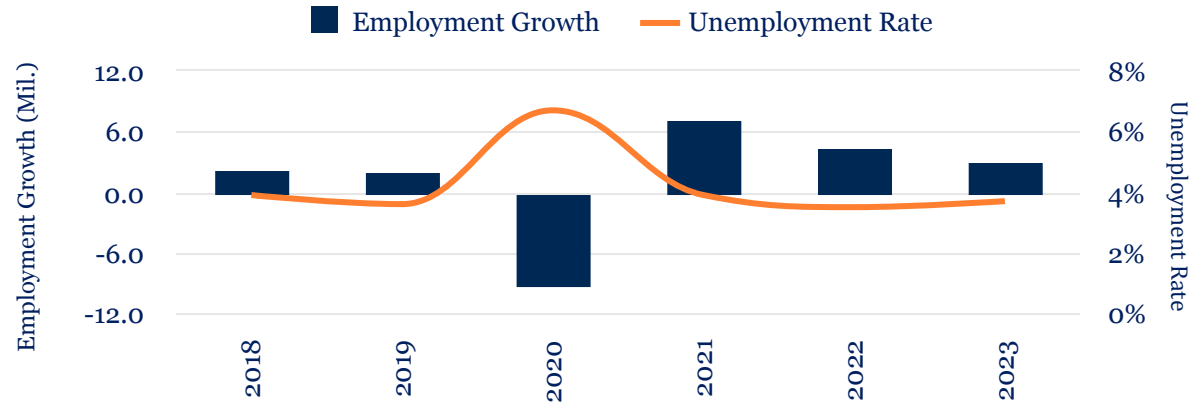


Includes sales \$2.5 million and greater for multifamily, retail, office, industrial, hotel, seniors housing, and land  
Source: Real Capital Analytics

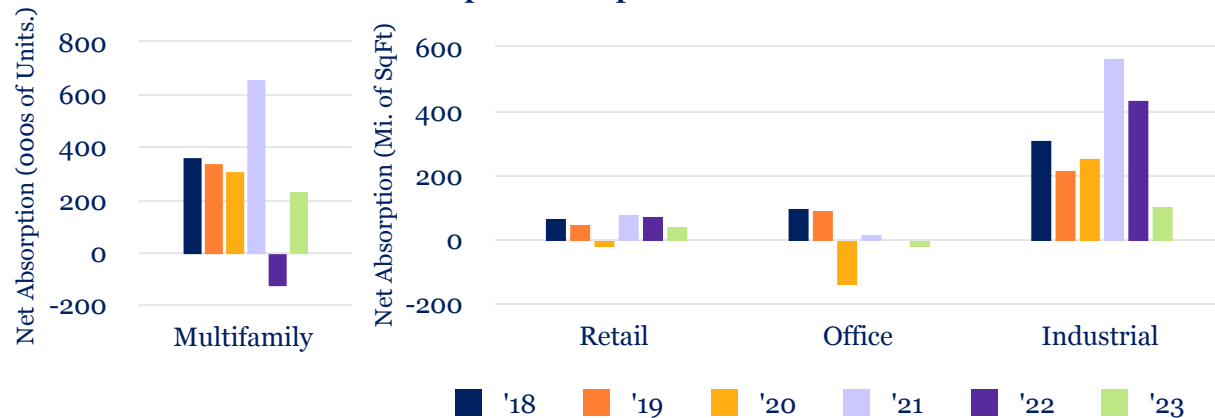
# EMPLOYMENT POSITIVE BUT SLOWING; SPACE DEMAND DOWNSHIFTS AMID ECONOMIC UNCERTAINTY

- Labor shortage still restraining employment growth; 4.5 million jobs were added in 2022 and a further 3.1 million in 2023.
- Wage gains and robust savings have sustained retail sales; despite expectations of a slowdown, consumer strength remains positive.
- Uncertainty surrounding inflation, interest rates, and economic slowing weighs on space demand for most property types.
- Office leasing has turned negative as companies adapt to hybrid models. Market variation widening by class and urban vs. suburban location.
- Apartment rental demand recovering after 2022 downturn.
- Retail and industrial demand moderating, but still positive.

Employment Growth vs. Unemployment Rate



Space Absorption Trends

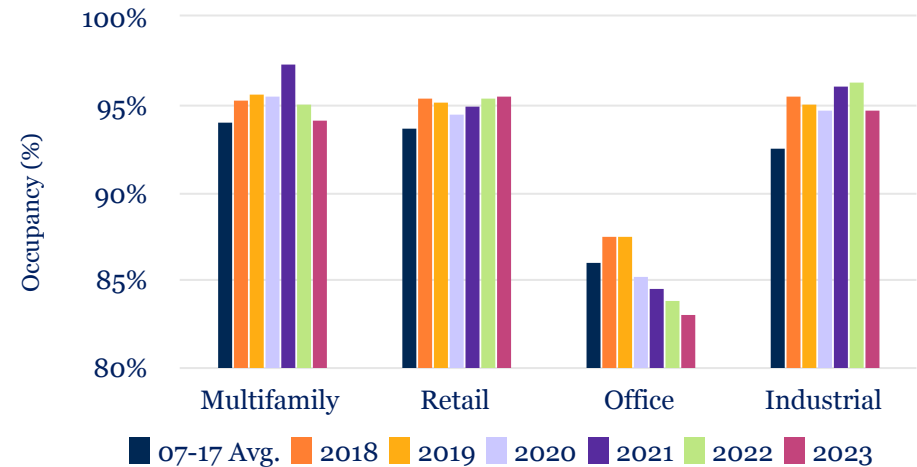




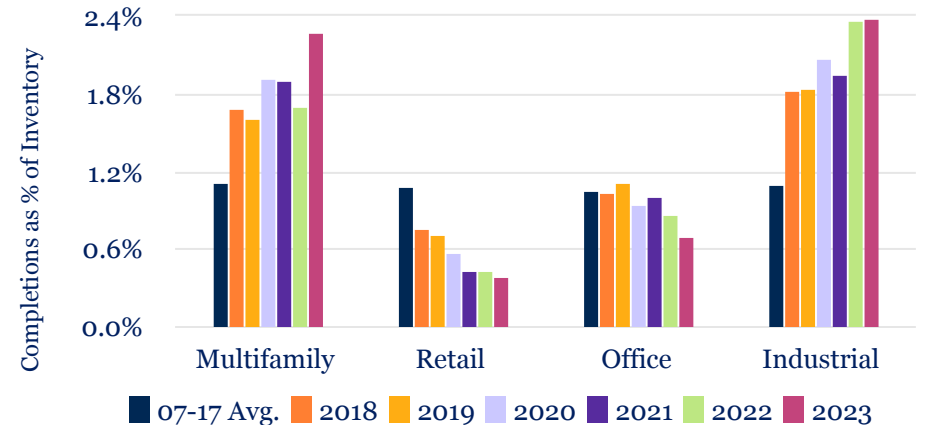
## PROPERTY FUNDAMENTALS SOUND BY HISTORICAL STANDARDS; HOWEVER, VARIATIONS WIDENING

- Multifamily and industrial aggressively delivering record new completions as the economy slows. Risk of over-supply limited to select local markets with heavy construction.
- Supply chain disruptions substantially resolved; companies have reduced 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 and single-tenant retail among top performing property types.
- Office occupancy tapering as companies' plans to return to the office remain in question and economic uncertainty restrains commitments.
- Retail and office new supply pipeline low by historical standards.

### Occupancy Trends



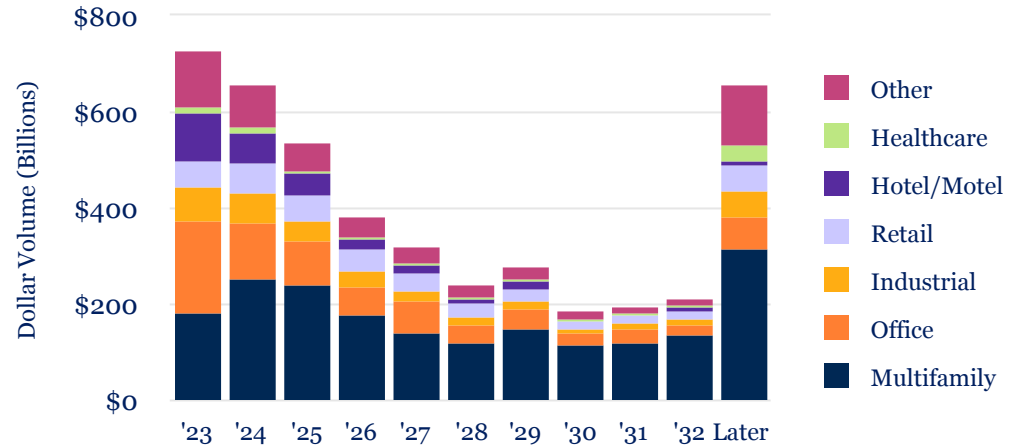
### Construction Trends



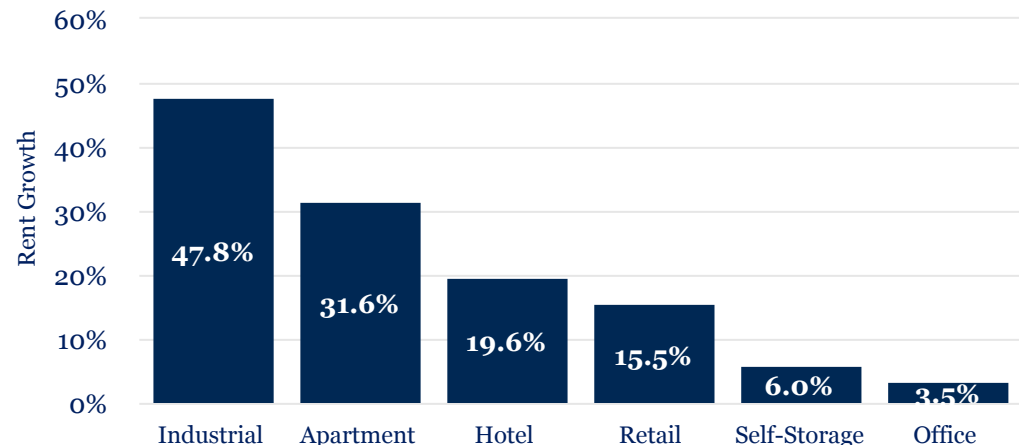
## MATURING CRE LOAN VOLUMES CONCERNING; RISKS VARY WIDELY BY PROPERTY TYPE

- 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 sizable maturities this year, while rent growth lags.
- Federal Reserve and Treasury have acted quickly to alleviate concerns of banking failure contagion.
- FDIC/Federal Reserve guidance urges lenders to favor workouts and extensions of loans in good standing.
- Most lenders motivated to work through maturing loans as opposed to off-loading assets at large discounts.
- Nonetheless maturing loans limit banks' ability to provide normal levels of CRE capital. Short-term loans issued in the past three years with aggressive underwriting face the most challenge.

Commercial Real Estate Loan Maturities\*



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



\* For loans outstanding as of 2022

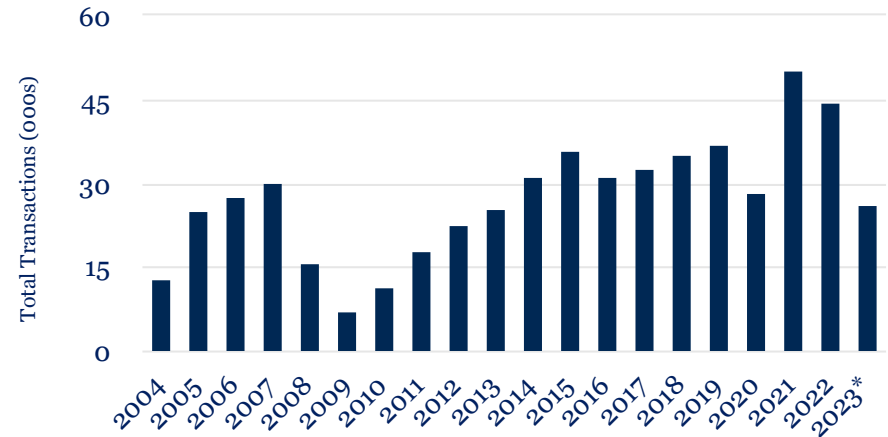
\*\* Trailing 12-month ADR for Hotel from Dec. 2018 through Dec. 2023

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

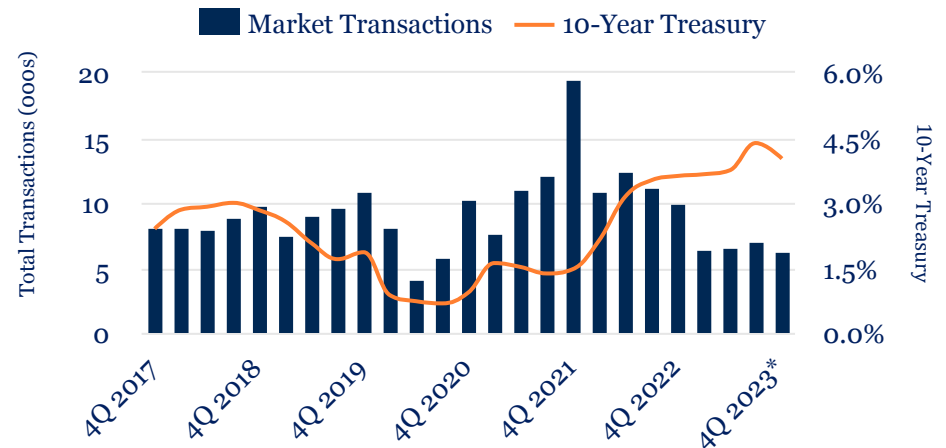
# LENDER CAUTION AND TIGHTENED UNDERWRITING, WIDENED BID/ASK SPREAD RESULTING IN MAJOR REDUCTION IN SALES/FINANCING

- Transaction count in 2023 estimated to have dipped 41% year-over-year; dollar volume dropped by 51% year-over-year.
- Tighter credit markets making price discovery more challenging, particularly for office properties.
- 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.
- Despite suggesting rate reductions in 2024, Fed’s messaging prolonging price discovery and sales volume headwinds.
- As the Federal Reserve completes tightening cycle and inflation declines, capital flows into commercial real estate are expected to improve.
- Well-priced assets are garnering healthy buyer demand as values adjust.

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

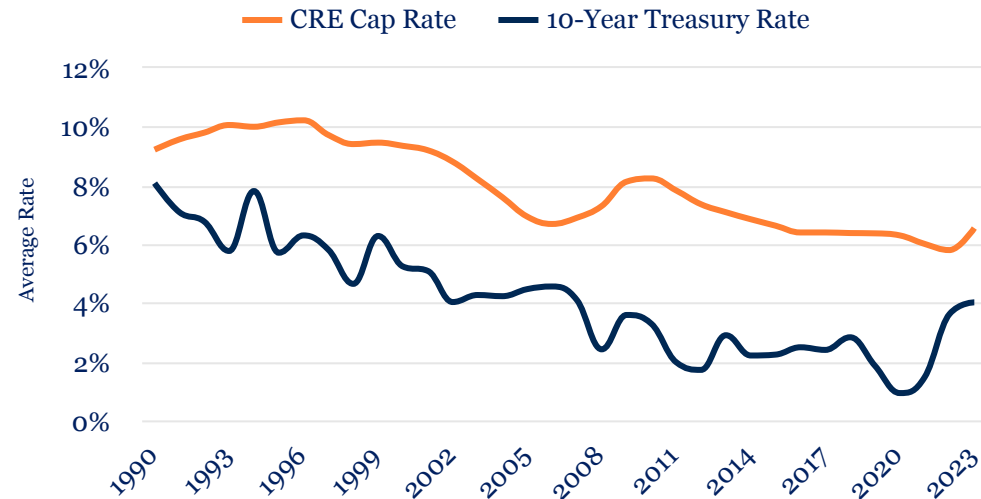
Excludes STORE Capital acquisition in 1Q 2023

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

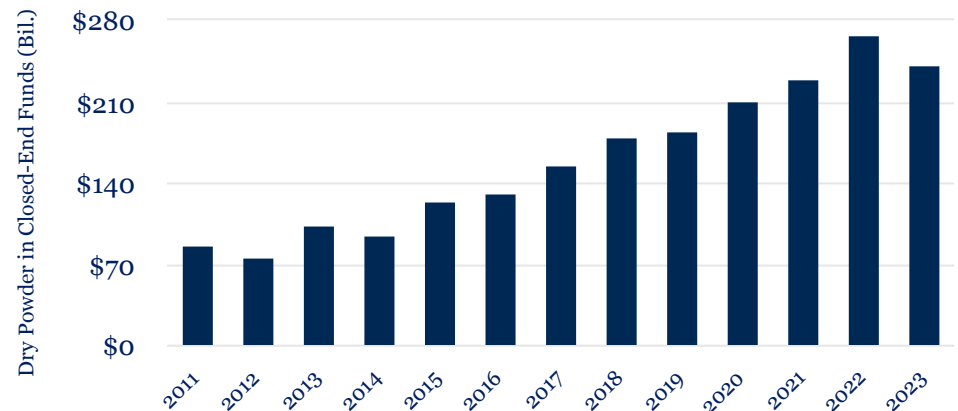
## COMMERCIAL REAL ESTATE YIELD SPREADS CHALLENGED; PRICING RECALIBRATING TO HIGHER INTEREST RATES

- Rapid rise of interest rates, tightened lender underwriting, and slowing economic growth ahead has fueled uncertainty in valuations and widened the bid/ask spread. This continues to hinder the short-to-mid term transactional outlook.
- Market calibrating to higher-rate environment, active price discovery underway in many areas and property types.
- Appropriately priced assets are seeing ample buyer demand, and offer activity, reflecting record capital on the sideline.
- Buyers of “safer” segments (apartments, single-tenant, and industrial) remain active, but price discovery and tighter lending climate weigh on transactional velocity in the near term.
- A growing conviction of a soft landing for the economy and healthy real estate fundamentals bode well for capital flows in the long-run. Record capital on the sideline waiting for further value adjustment, Fed easing is encouraging.

Cap Rate/10-Year Treasury Spreads



Pent-up Capital Demand Near All-time High



Cap rates for sales \$1 million and greater  
Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Prequin

# MMI Market Position

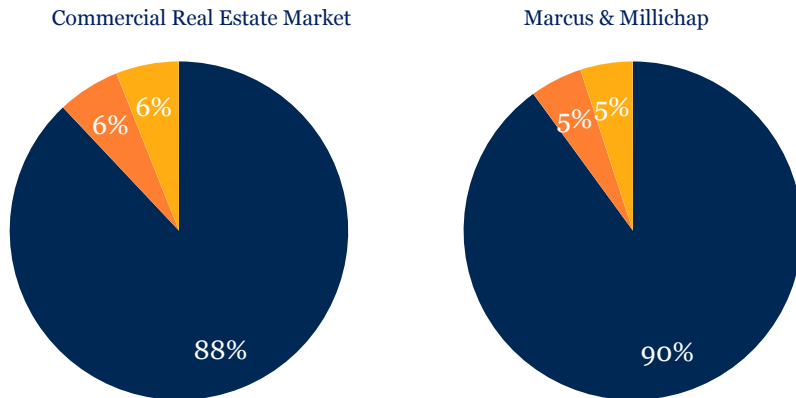
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# PRIVATE CLIENT MARKET

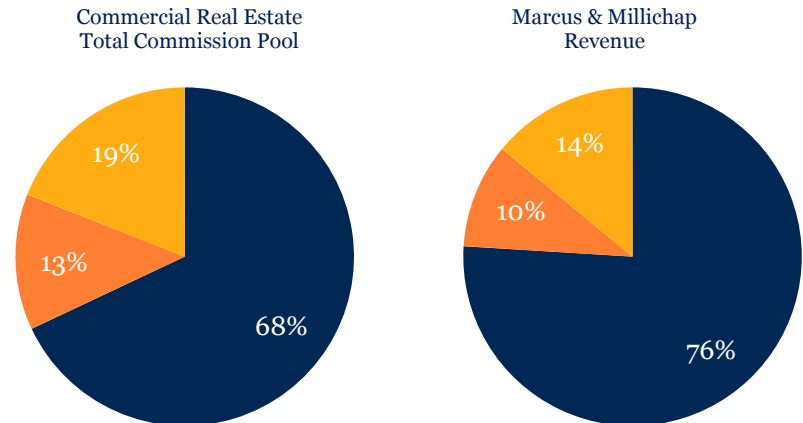
## Largest Transaction and Commission Pool Opportunity

- Private client market consists of sales \$1 million to <\$10 million.
- Largest and most active market, accounting for 80%+ 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 features the highest commission rates.

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



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



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

Sources: CoStar Group, Inc., Real Capital Analytics

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater for 2023; 4Q preliminary estimate for market total.

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

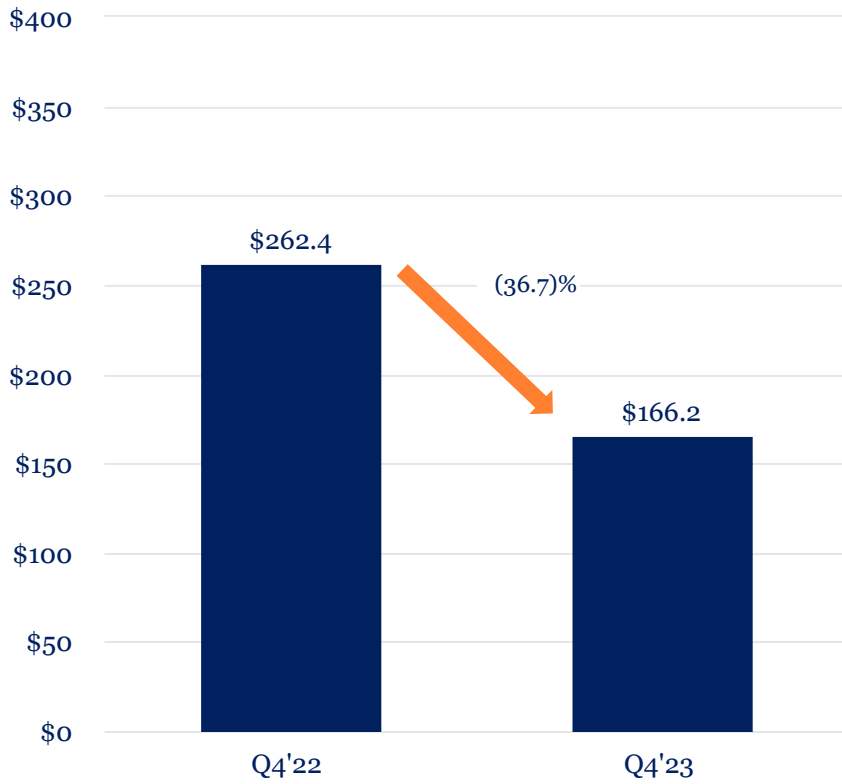
# MMI Financial Details

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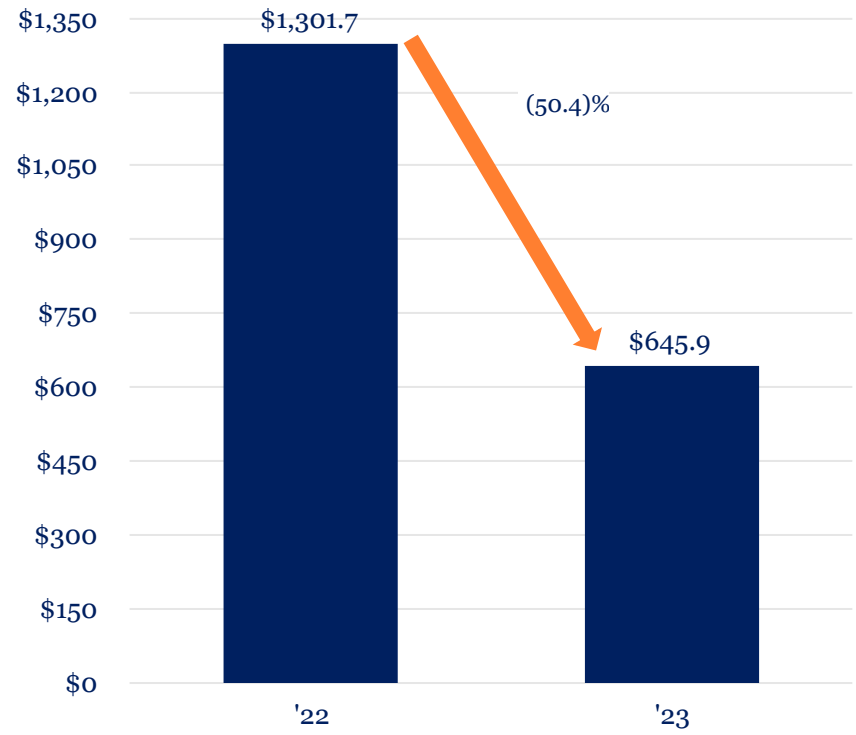
# TOTAL REVENUE

(\$ IN MILLIONS)

### Q4'22 vs Q4'23



### Full-Year '22 vs '23



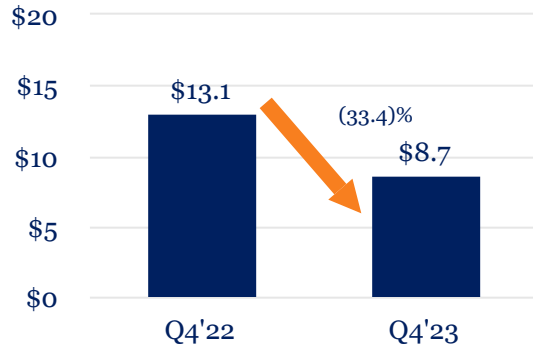


# BROKERAGE OPERATING METRICS

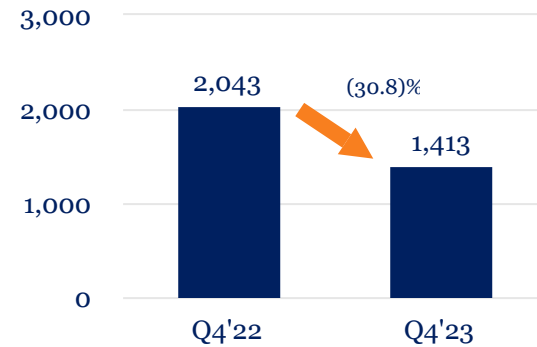
Q4 2022 vs Q4 2023

## Total Sales Volume

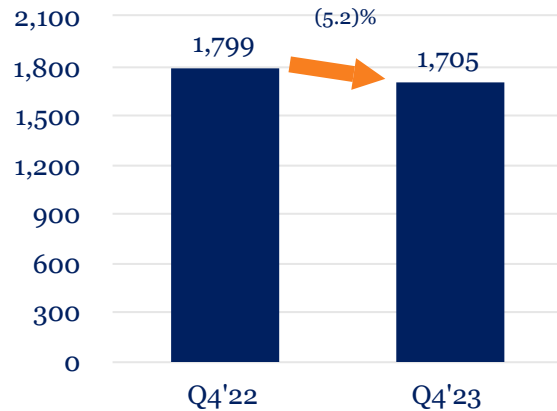
(\$ in billions)



## Total Number of Transactions

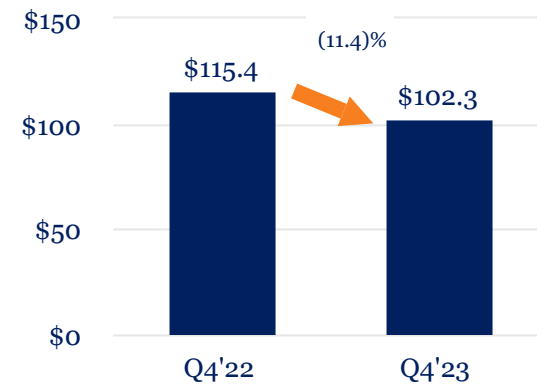


## Average Number of Investment Sales Professionals



## Average Commission Per Transaction

(\$ in thousands)

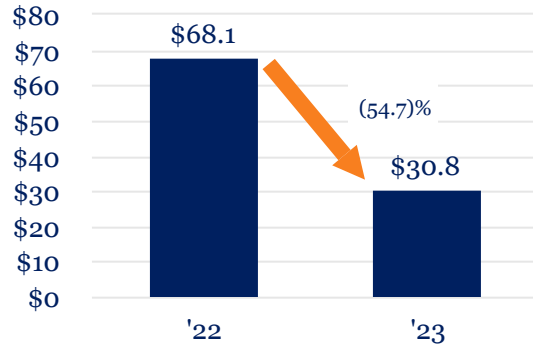


# BROKERAGE OPERATING METRICS

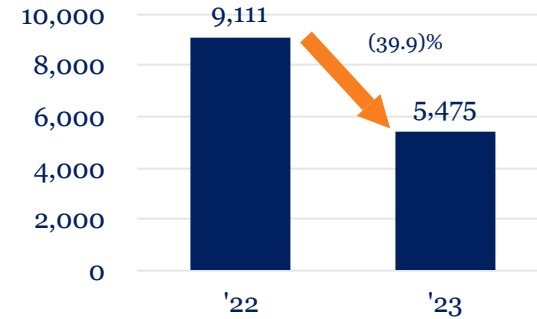
FULL-YEAR 2022 vs 2023

### Total Sales Volume

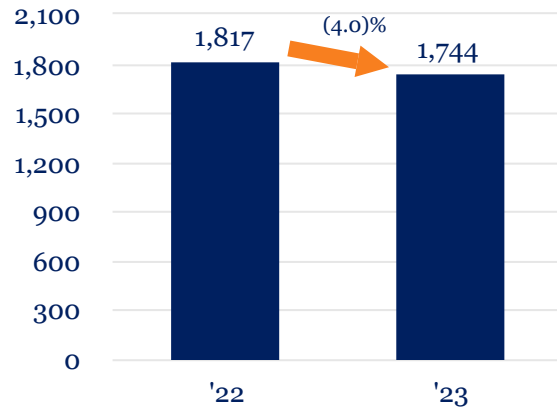
(\$ in billions)



### Total Number of Transactions

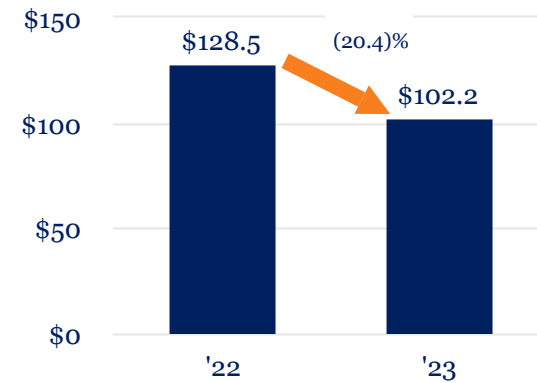


### Average Number of Investment Sales Professionals



### Average Commission Per Transaction

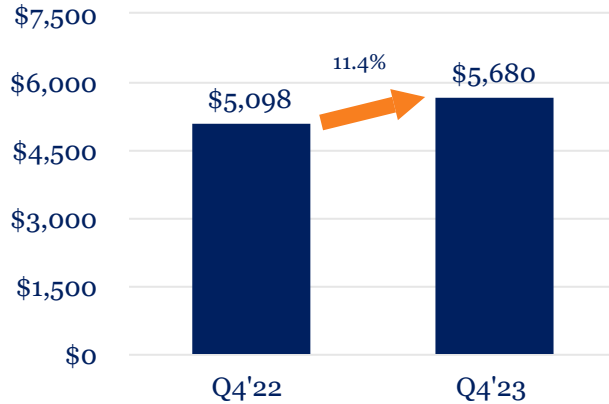
(\$ in thousands)



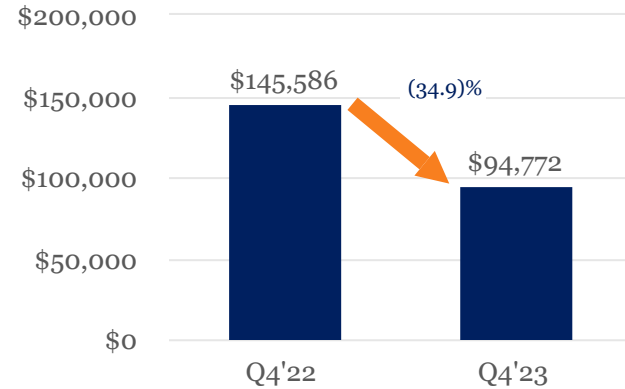
# BROKERAGE REVENUE BY MARKET SEGMENT

Q4 2022 vs Q4 2023

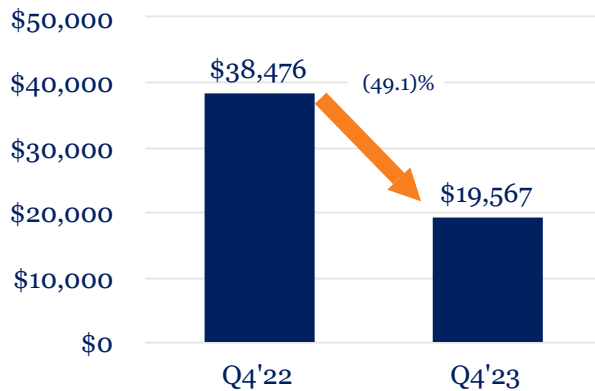
**<\$1 million**  
(\$ in thousands)



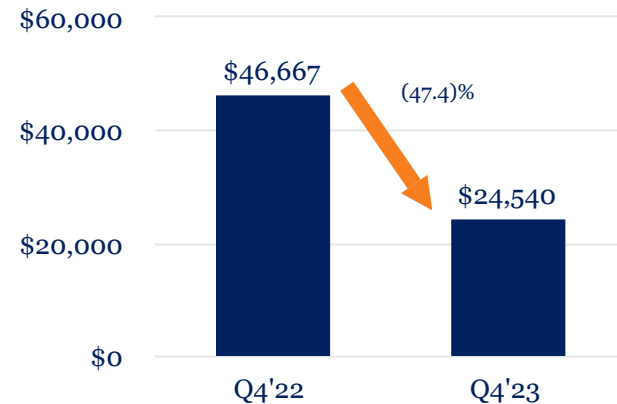
**Private Client Market (\$1 - <\$10 million)**  
(\$ in thousands)



**Middle Market (\$10 - <\$20 million)**  
(\$ in thousands)



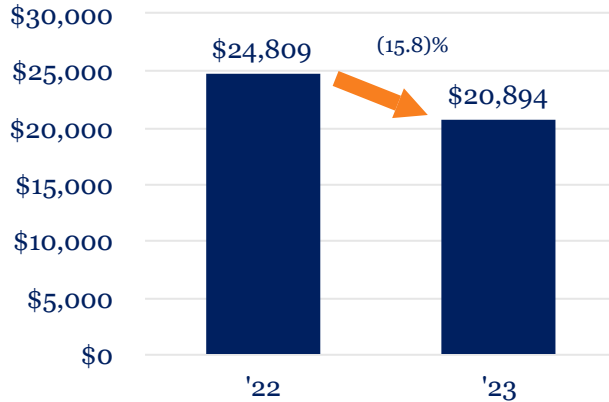
**Larger Transaction Market (≥ \$20 million)**  
(\$ in thousands)



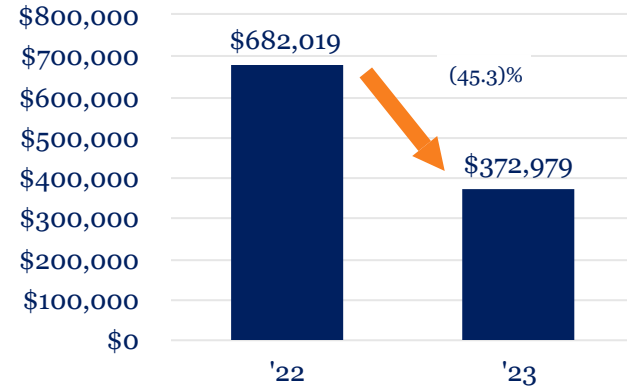
# BROKERAGE REVENUE BY MARKET SEGMENT

FULL-YEAR 2022 vs 2023

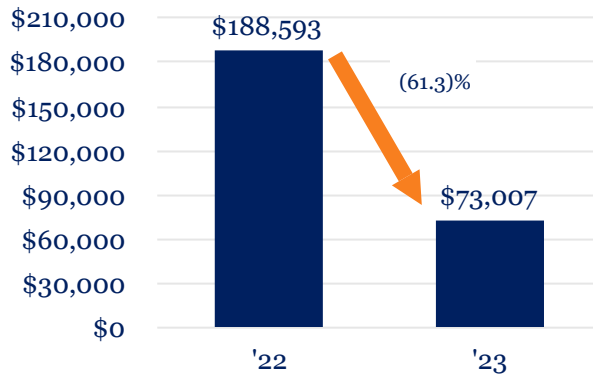
**<\$1 million**  
(\$ in thousands)



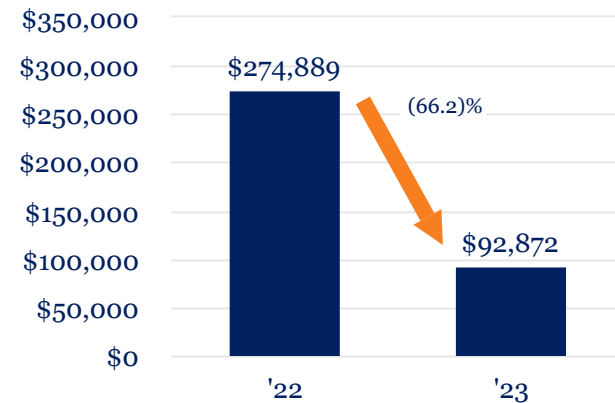
**Private Client Market (\$1 - <\$10 million)**  
(\$ in thousands)



**Middle Market (\$10 - <\$20 million)**  
(\$ in thousands)



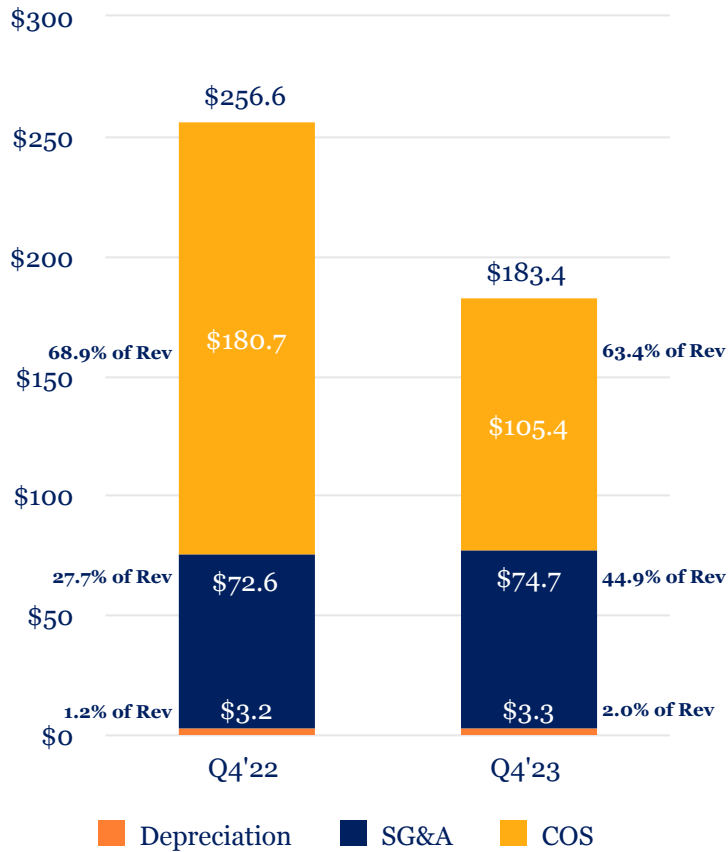
**Larger Transaction Market (≥ \$20 million)**  
(\$ in thousands)



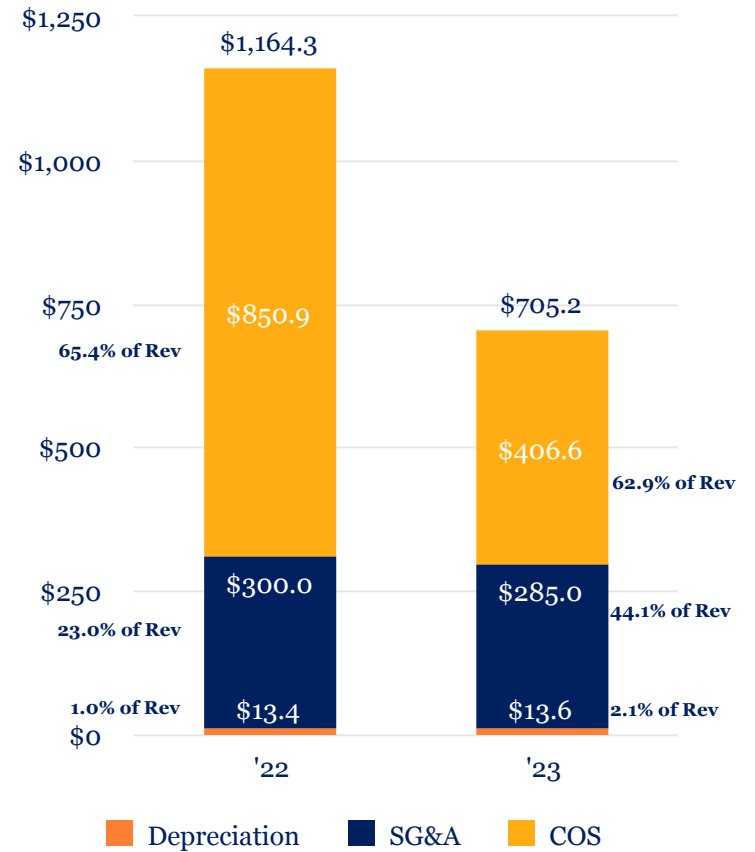
# OPERATING EXPENSE

(\$ IN MILLIONS)

Q4'22 vs Q4'23



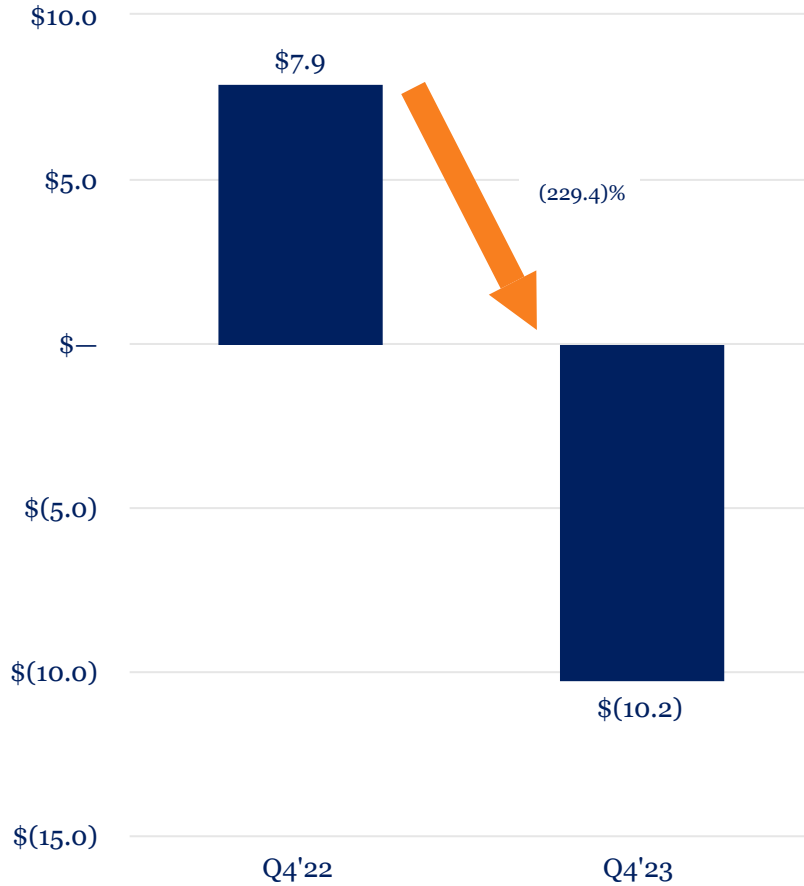
'22 vs '23



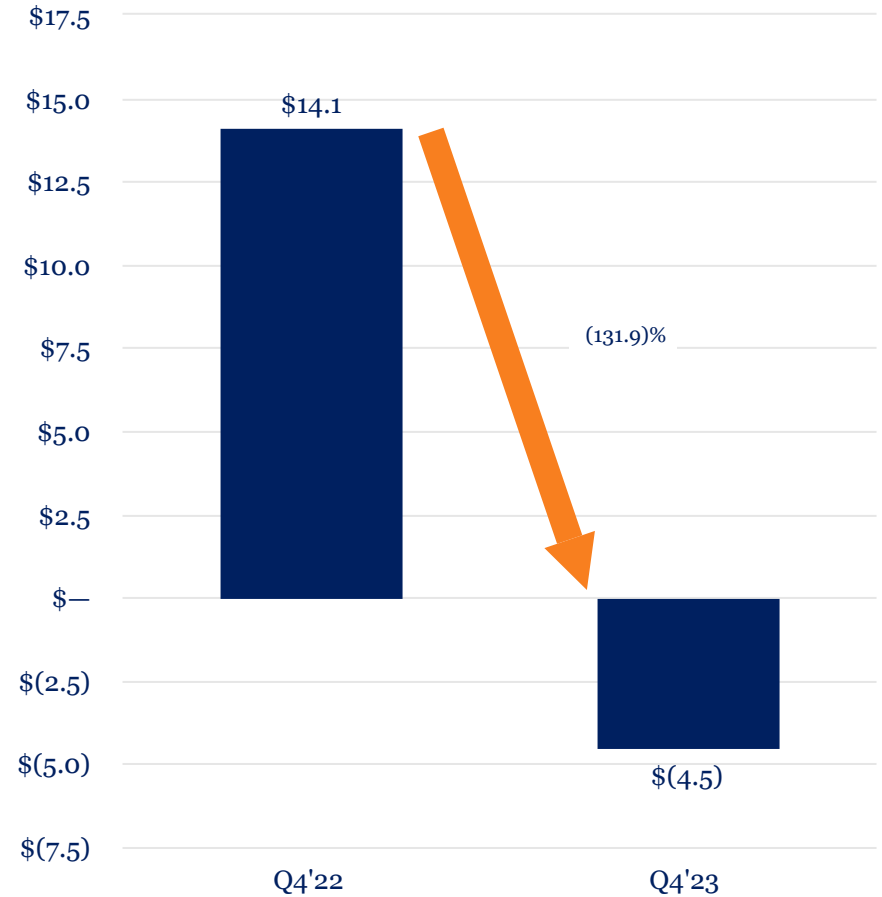
# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

Q4 2022 vs Q4 2023

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



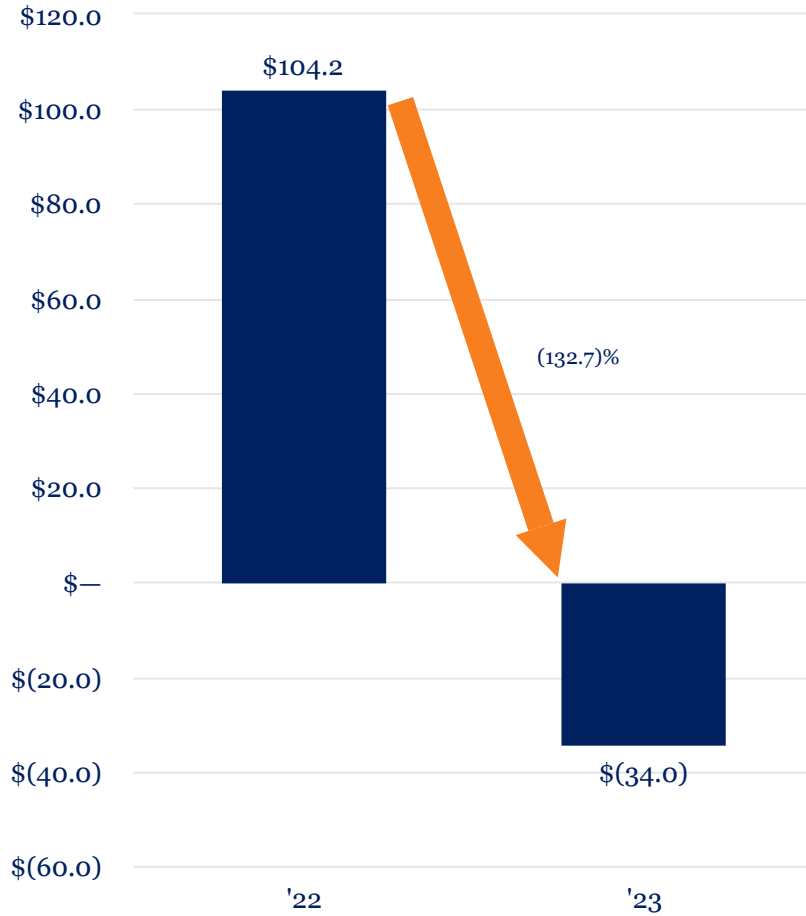
**Adjusted EBITDA**  
(\$ in millions)



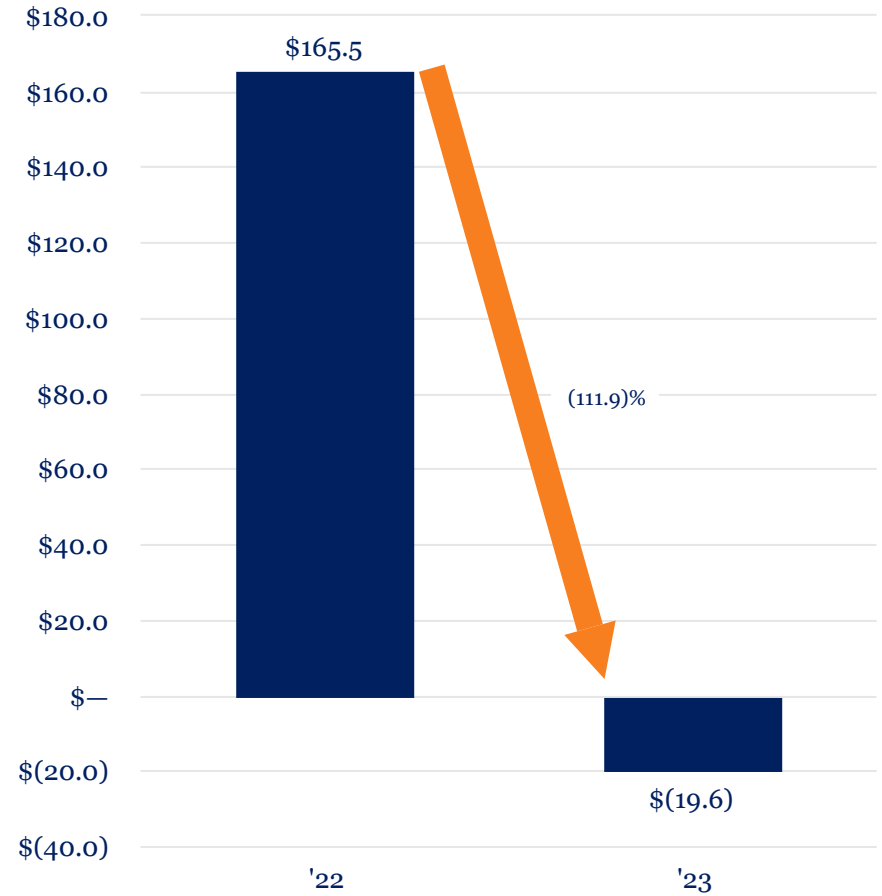
# NET INCOME AND ADJUSTED EBITDA PERFORMANCE

FULL-YEAR 2022 vs 2023

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

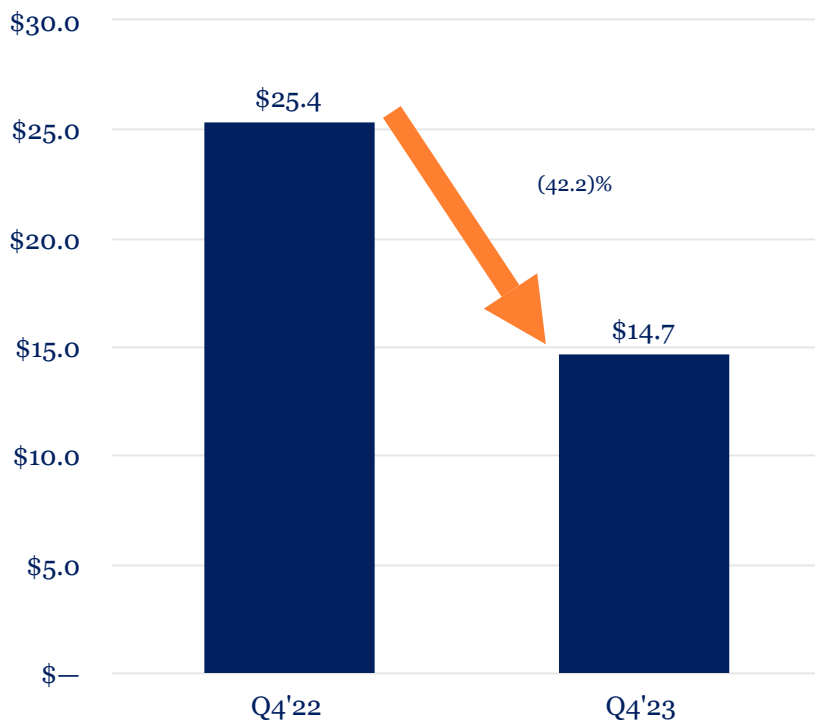


**Adjusted EBITDA**  
(\$ in millions)



# CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES

**Q4 Cash Flows Provided By Operating Activities**  
(\$ in millions)



**Annual Cash Flows Provided By (Used In) Operating Activities<sup>(1)</sup>**  
(\$ in millions)

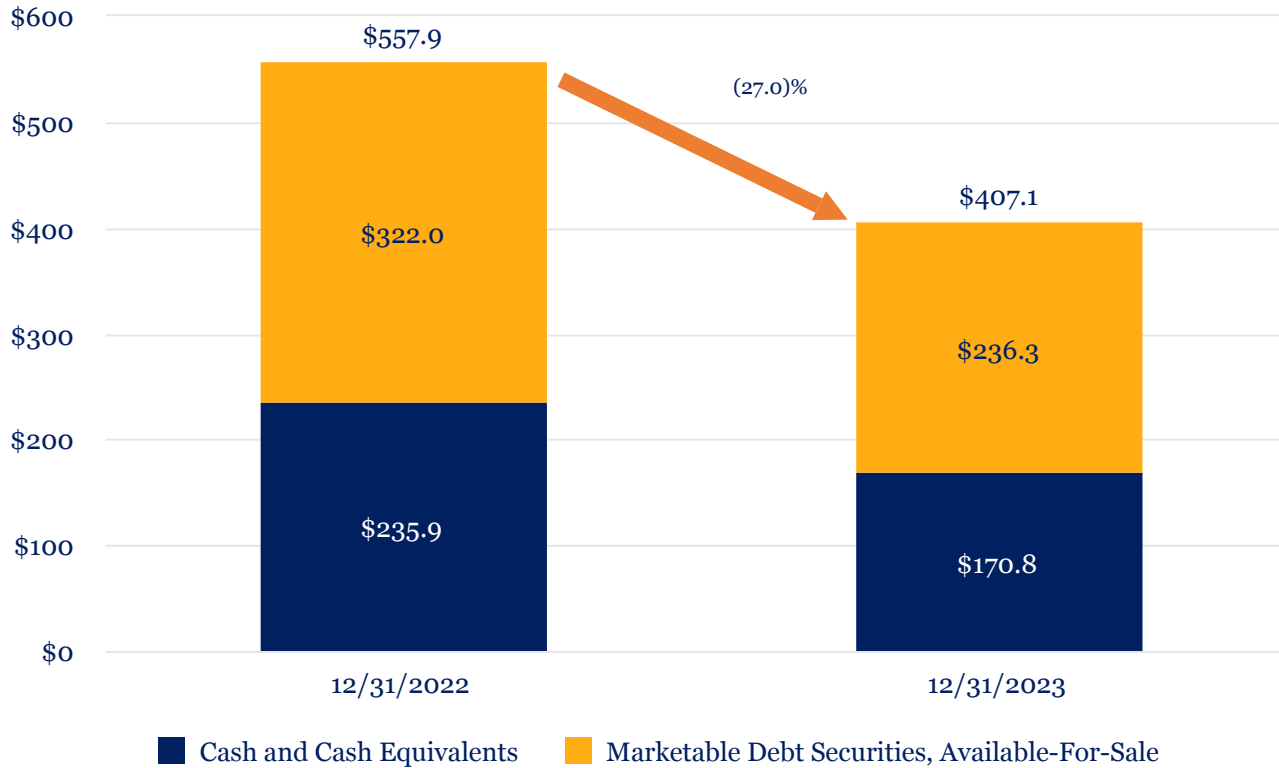


(1) Cash flows used in operating activities were \$72.4 million in 2023 compared to cash flow provided by operating activities of \$13.6 million in 2022. The \$86.0 million decrease in cash flows from operating activities in 2023 compared to 2022 was primarily due to decreased operating income as discussed 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 December 31, 2023 was \$407.1 million, after return of capital to shareholders of \$59.5 million for the year <sup>(1)</sup>.

(1) Including the payment of \$20.1 million of dividends and \$39.4 million in stock repurchases.

# Appendix

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## 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, cash equivalents, and restricted cash; (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 December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
<b>Net (loss) income</b>	\$(10,233)	\$7,911	\$(34,035)	\$104,225
<b>Adjustments:</b>				
<b>Interest income and other (1)</b>	(4,689)	(3,992)	(17,890)	(7,951)
<b>Interest expense</b>	216	161	888	708
<b>(Benefit) provision for income taxes</b>	(1,451)	2,153	(6,366)	37,804
<b>Depreciation and amortization</b>	3,315	3,239	13,627	13,406
<b>Stock-based compensation</b>	8,338	4,637	24,146	17,312
<b>Adjusted EBITDA</b>	<b>\$(4,504)</b>	<b>\$14,109</b>	<b>\$(19,630)</b>	<b>\$165,504</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 for over a decade

### **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

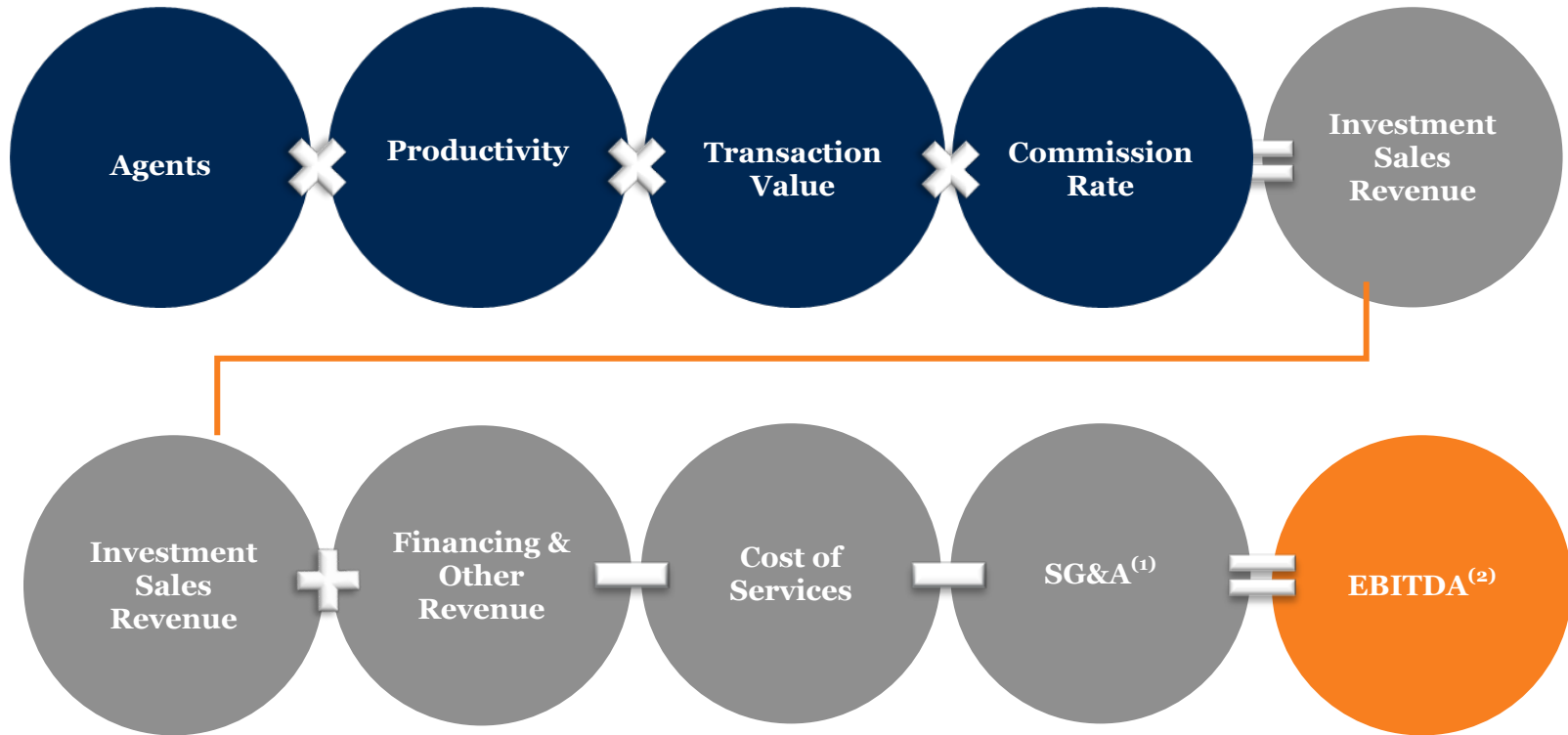
### **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- 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 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

Marcus & Millichap

# Fourth Quarter 2023