

# 2024

Marcus & Millichap

Earnings Conference  
Call May 8, 2024

**First Quarter  
2024**



## FORWARD-LOOKING STATEMENTS

This release includes forward-looking statements, including our expectations regarding the long-term outlook of the commercial real estate transaction market and our positioning within it, our belief relating to the Company's long-term growth, our assessment of the key factors influencing the Company's business outlook for 2024 and the execution of our capital return program, including a semi-annual dividend and the stock repurchase program. 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.

## CONFERENCE CALL PARTICIPANTS



**Hessam Nadji**  
President, Chief Executive Officer  
and Director



**Steve DeGennaro**  
Chief Financial Officer

# MMI Financial Highlights

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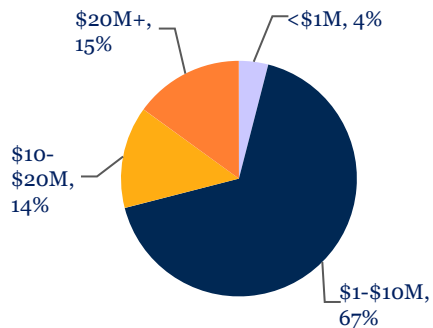
## 2024 FIRST QUARTER HIGHLIGHTS

Financial Highlights		YoY
Revenue	\$129.1 million	(16.6)%
Net Loss	\$(10.0) million	71.2 %
Adjusted EBITDA	\$(10.1) million	35.8 %
Operational Highlights		YoY
Sales Volume	\$9.7 billion	(7.0)%
Transaction Closings	1,564	(13.4)%
Number of Investment Sales and Financing Professionals as of March 31, 2024	1,722	(7.6)%

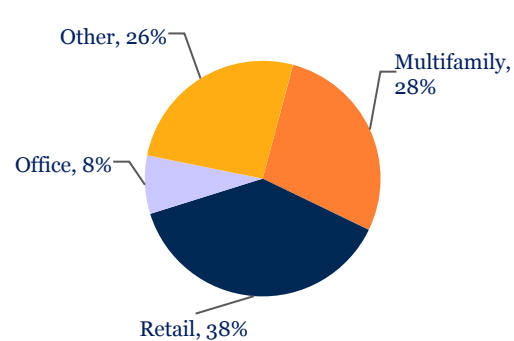
## 2024 FIRST QUARTER BROKERAGE HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$5.7 billion	(20.6)%
<b>Transaction Closings</b>	1,102	(13.8)%
<b>Number of Investment Sales Professionals as of March 31, 2024</b>	1,624	(8.4)%
<b>Real Estate Brokerage Commissions Revenue</b>	\$109.5 million	(18.9)%

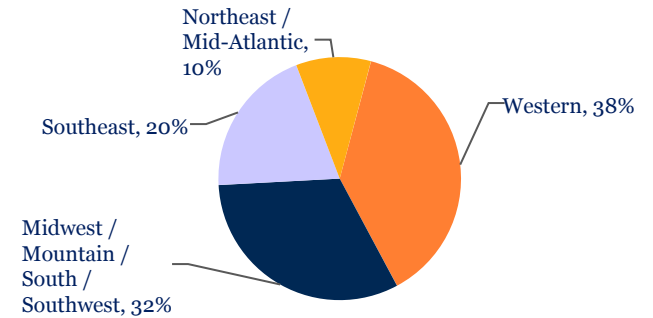
**Revenue by Transaction Size**



**Transactions by Property Type**



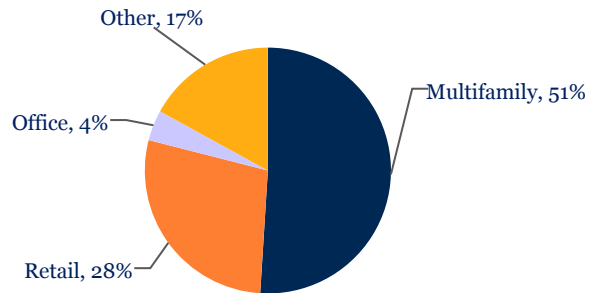
**Transactions by Region**



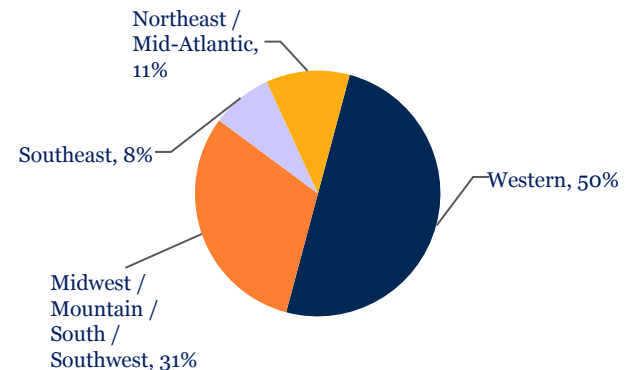
## 2024 FIRST QUARTER FINANCING HIGHLIGHTS

		YoY
<b>Sales Volume</b>	\$1.6 billion	(3.9)%
<b>Transaction Closings</b>	234	(16.1)%
<b>Number of Financing Professionals as of March 31, 2024</b>	98	6.5%
<b>Financing Fees Revenue</b>	\$14.4 million	(9.1)%

**Transactions by Property Type**



**Transactions by Region**



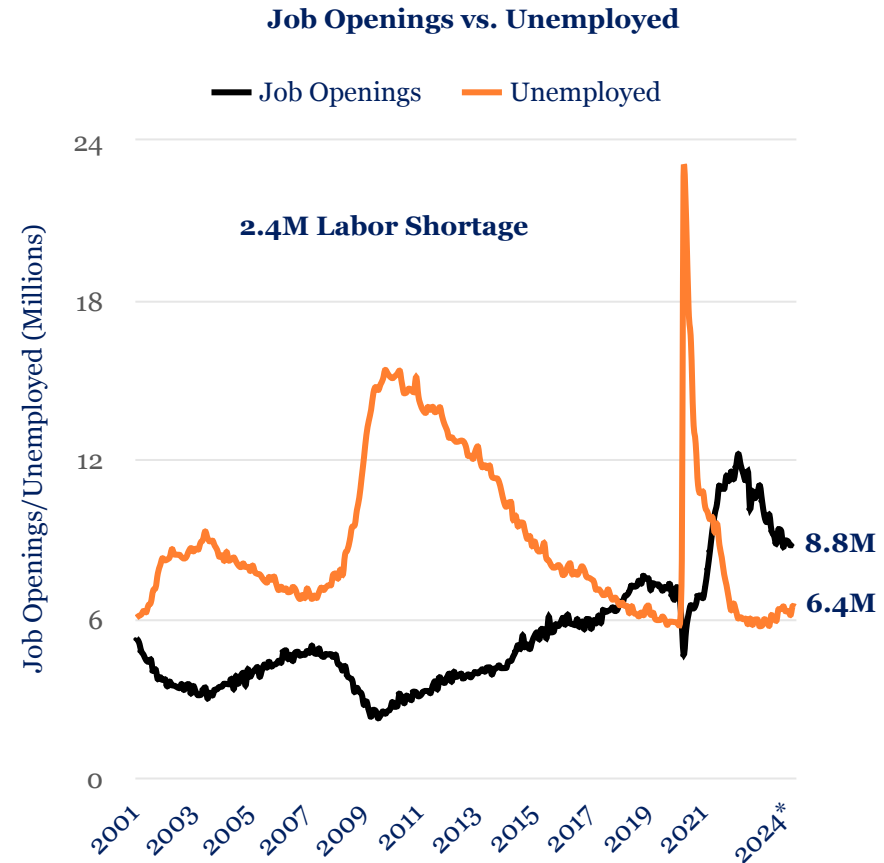
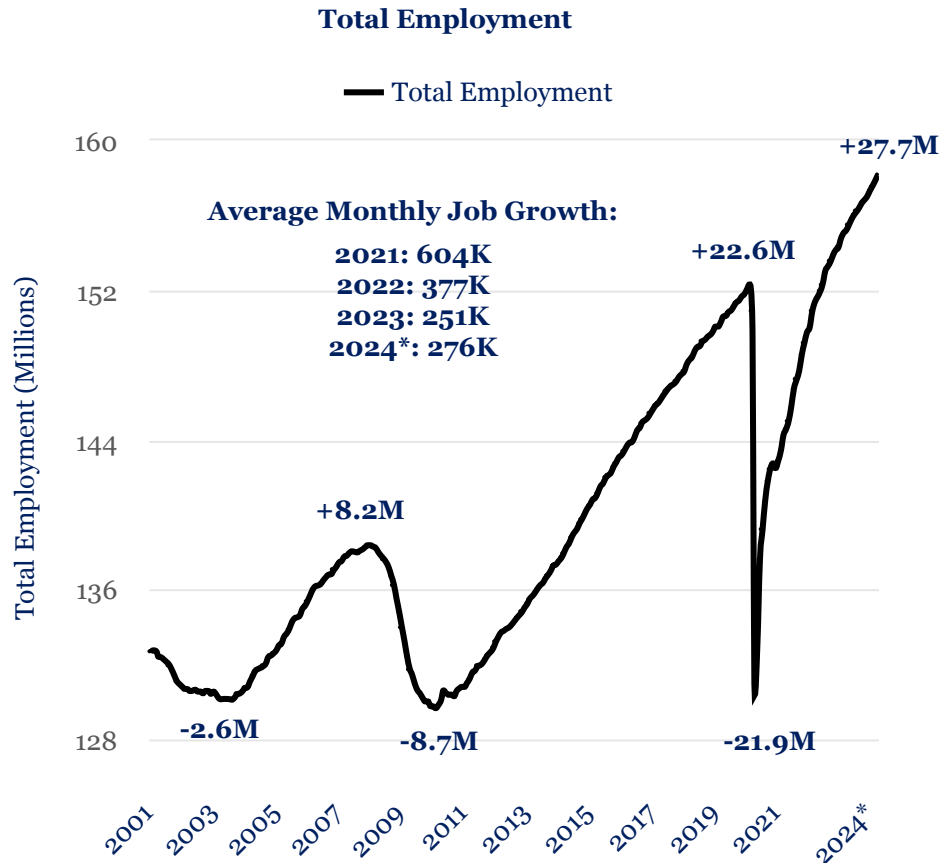


# Market Highlights

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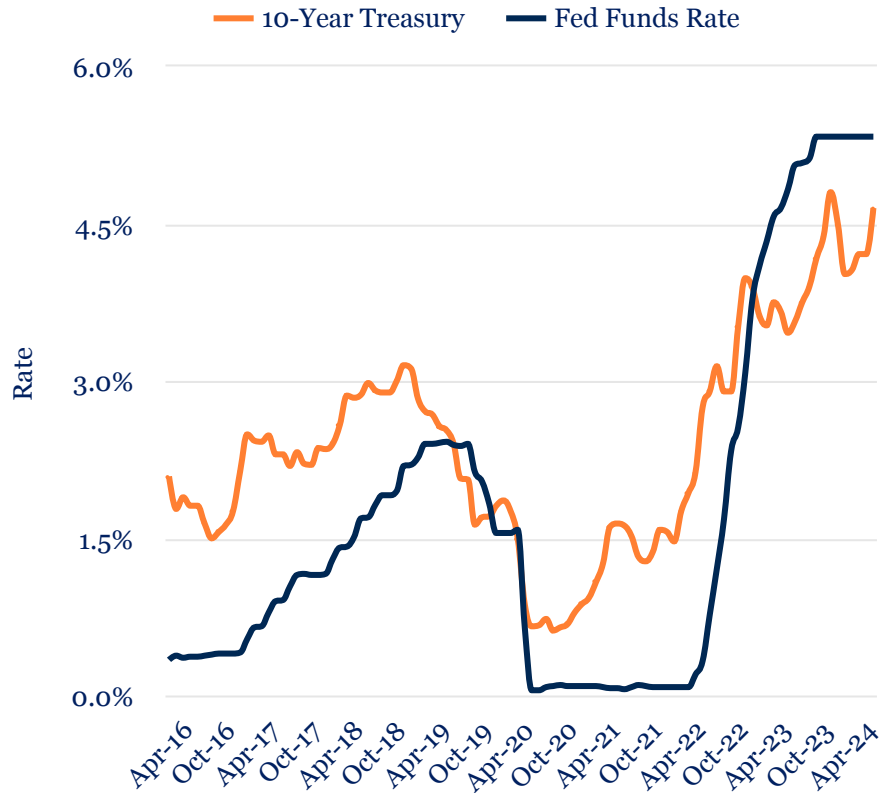
# TOTAL EMPLOYMENT WELL ABOVE PRE-PANDEMIC LEVEL, RECENT GROWTH PACE A FACTOR IN DELAYED FED RATE EASING



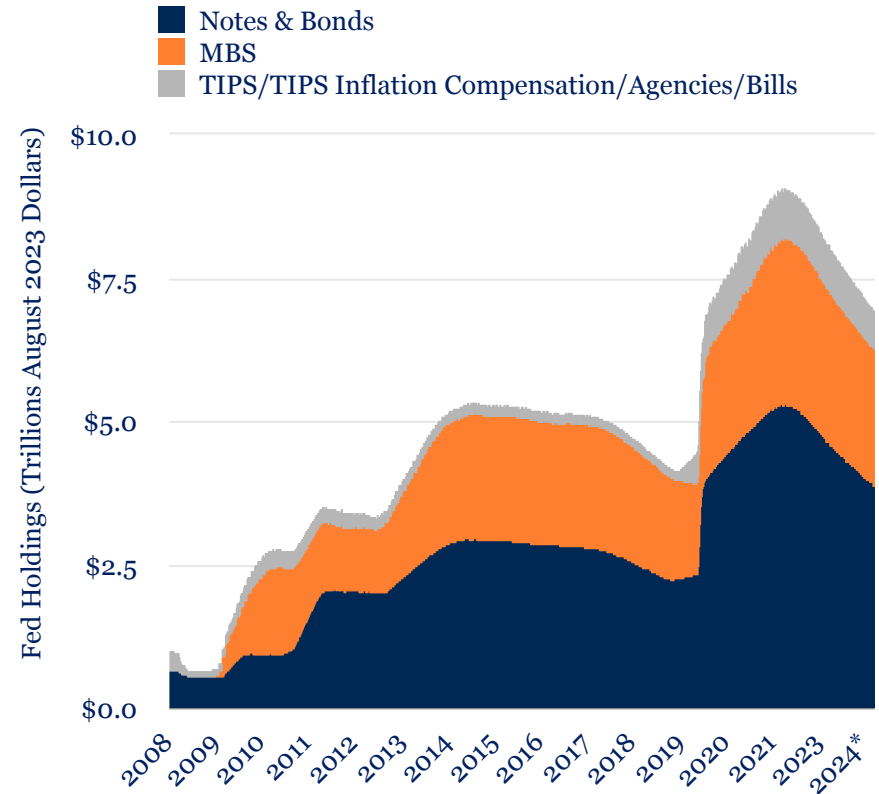
\* Through March; job openings through February  
Sources: BLS

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

## 10-Year Treasury vs. Fed Funds Rate



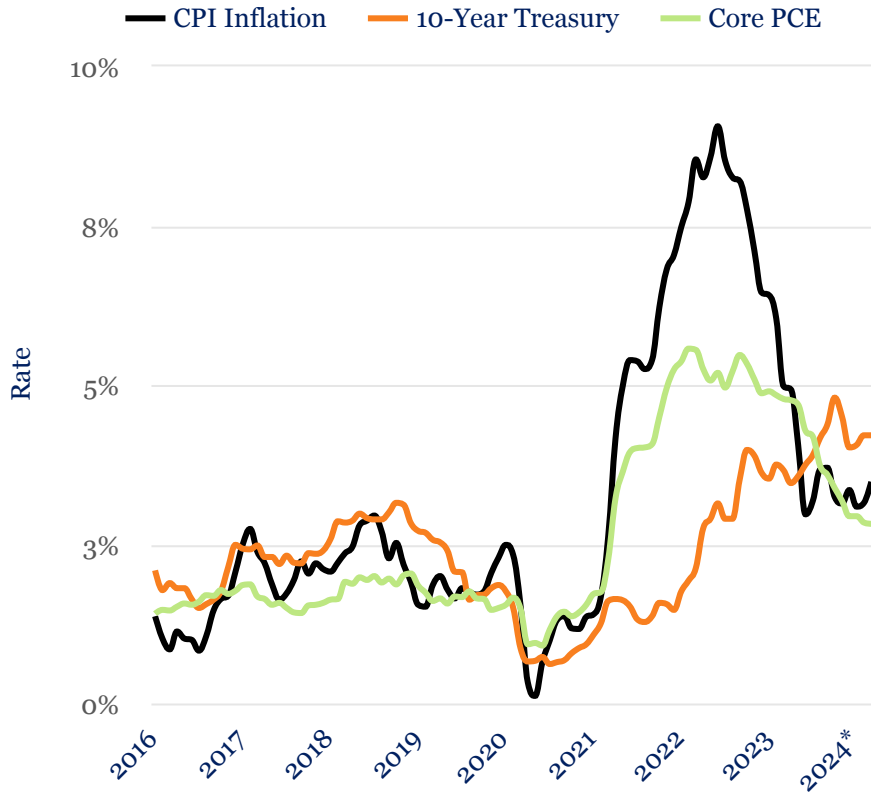
## Inflation Adjusted Fed Balance Sheet



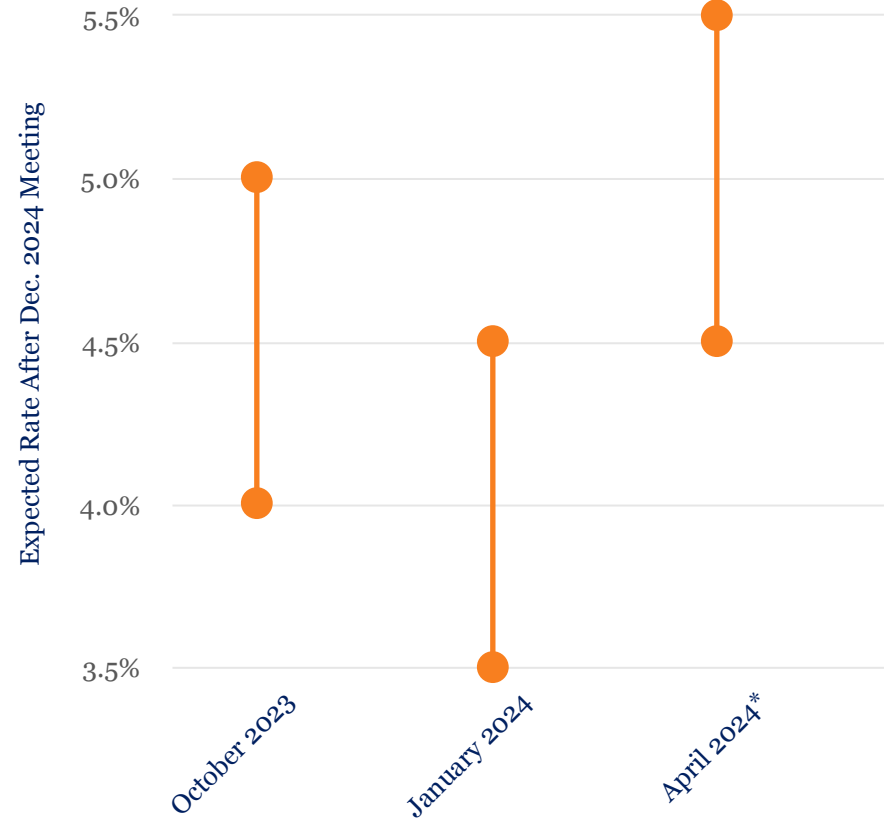
\* Through April 17  
 10-Year treasury and Fed Funds rate through April 24  
 Adjusted for inflation using Core PCE  
 Sources: Real Capital Analytics, Federal Reserve

# INFLATION HAS TRENDED LOWER, BUT STILL ABOVE TARGET; RECENT RISE IN 10-YEAR TREASURY CHALLENGING VALUATIONS

**Inflation vs. 10-Year Treasury**



**Expected Year-End 2024 Fed Funds Rate Range\*\***

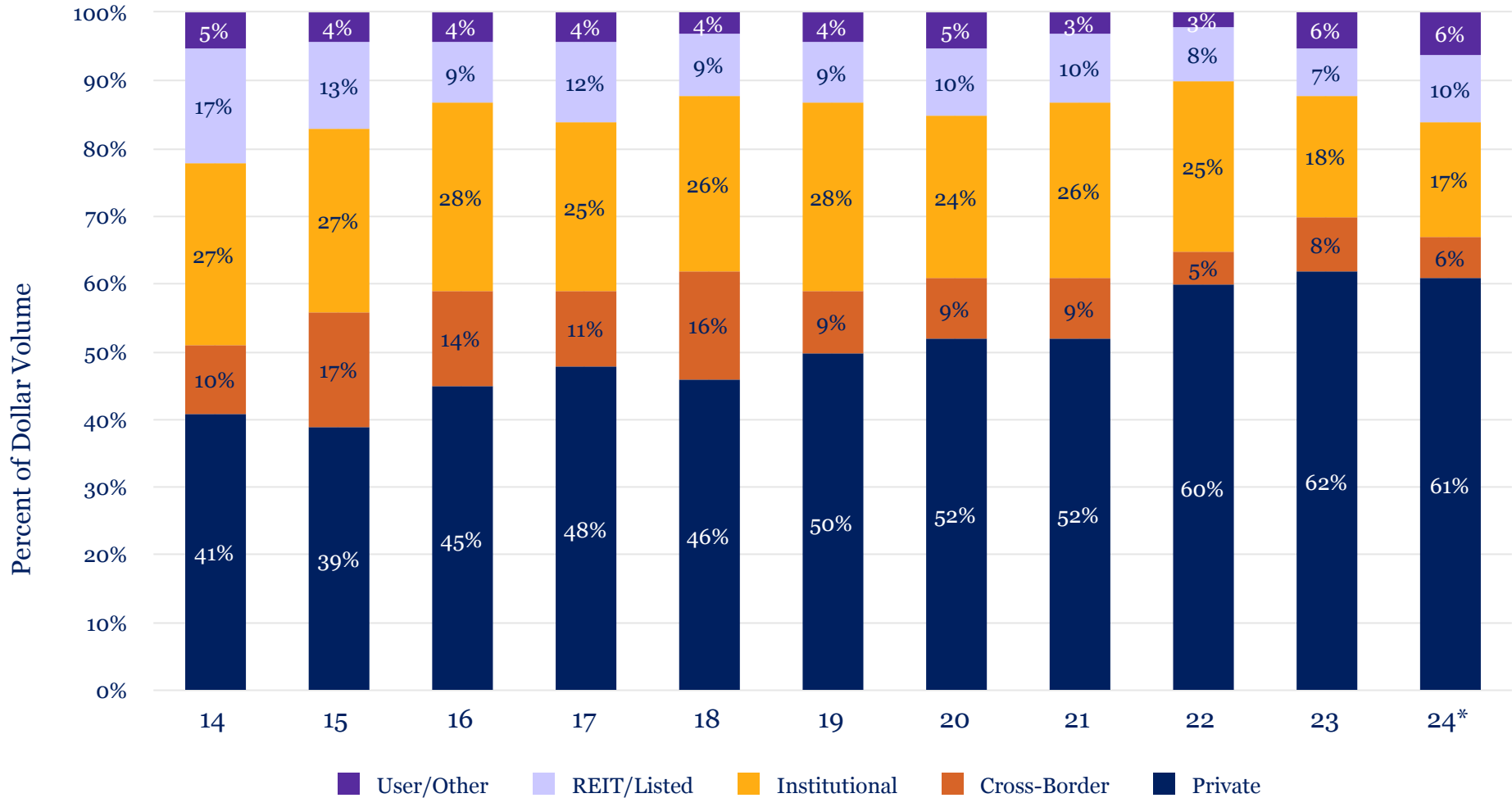


\* Through March; \*\* As of April 17

Probability of specific fed rate must exceed 5% to be included in the expected range

Sources: BLS, Federal Reserve, BEA, CME Group

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

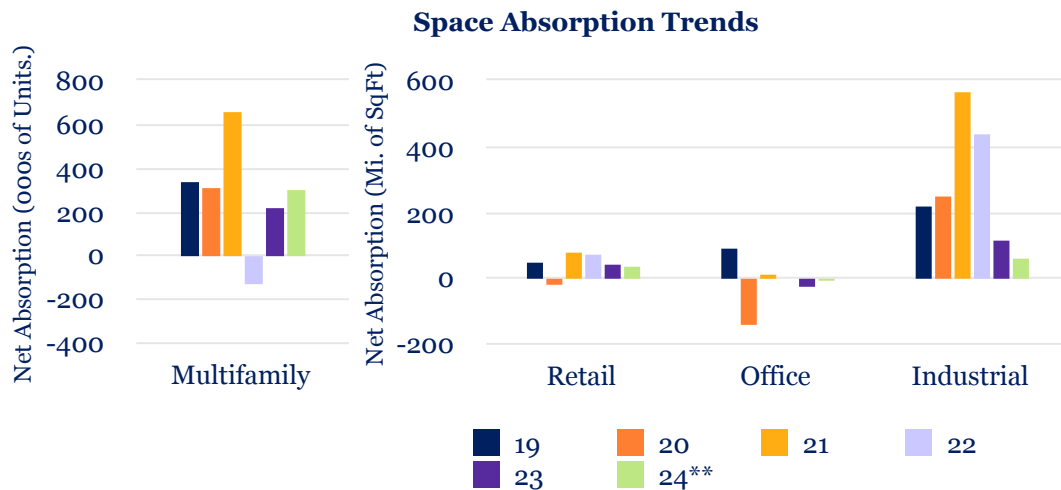
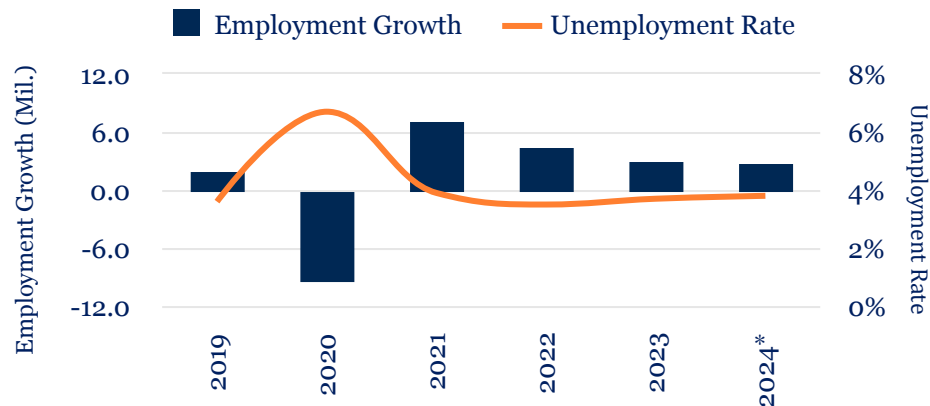


\* Trailing 12-months through 1Q  
Includes sales \$2.5 million and greater for multifamily, retail, office, industrial, hotel, seniors housing, and land  
Source: Real Capital Analytics

## EMPLOYMENT REMAINS POSITIVE; SPACE DEMAND VARIES BY PROPERTY TYPE

- Labor shortage still restraining employment growth; 4.5 million jobs added in 2022, 3.1 million in 2023, and 830,000 in 1Q 2024.
- 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 negative as companies adapt to hybrid models. Market variation widening by property class and urban vs. suburban location.
- Apartment rental demand robust, after period of softening.
- Retail and industrial demand moderating, but still positive.

Employment Growth vs. Unemployment Rate



\* Through 1Q; trailing 12-months through 1Q 2024 for employment growth

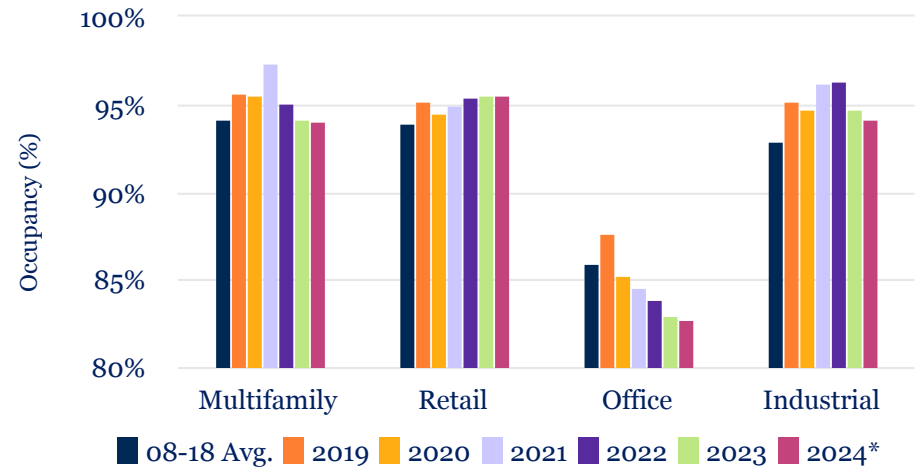
\*\* Preliminary estimate for trailing 12-months through 1Q 2024

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

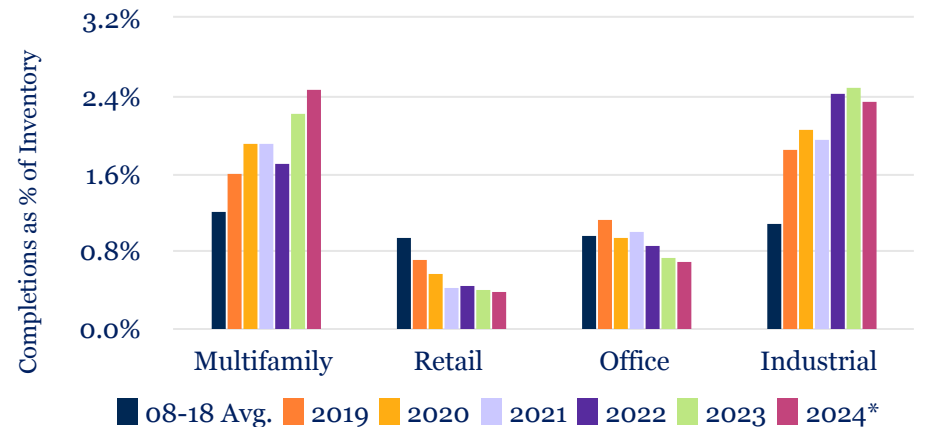
## PROPERTY FUNDAMENTALS GENERALLY SOUND BY HISTORICAL STANDARDS; HOWEVER, VARIATIONS WIDENING

- 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 plans to return to the office remain in question and economic uncertainty restrains commitments.
- Retail and office new supply pipeline remain low by historical standards.

### Occupancy Trends



### Construction Trends



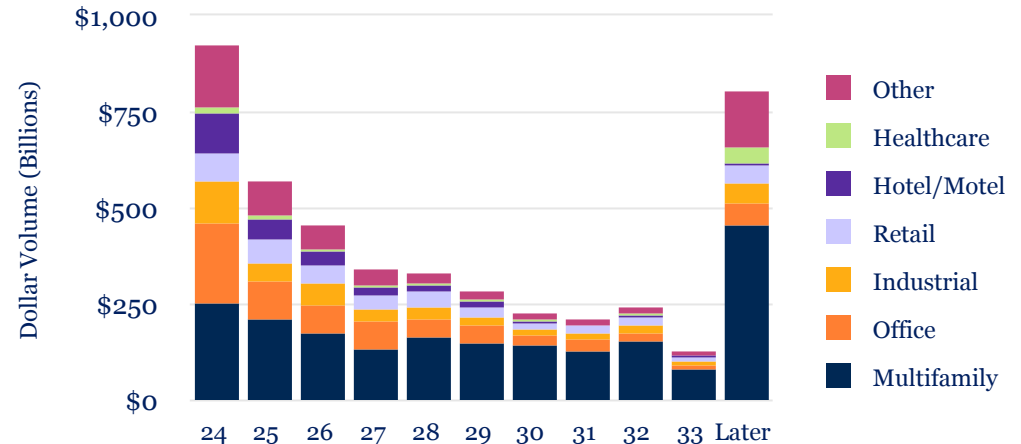
\* Preliminary estimate through 1Q; trailing 12-months through 1Q for construction

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

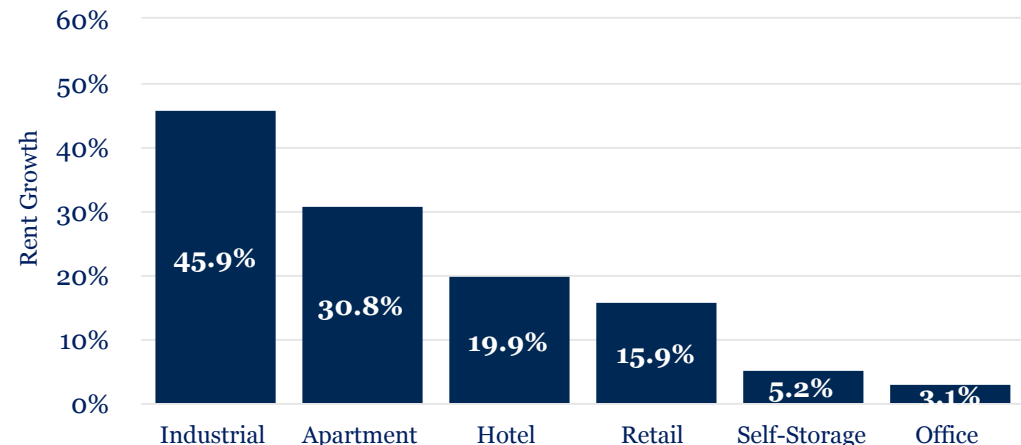
## MATURING CRE LOAN VOLUMES CONCERNING; MOST LENDERS EXTENDING TERMS/WORK-OUTS

- 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 and other lenders.
- 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.
- 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 loan performance 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: 1Q 2019 to 1Q 2024\*\*



\* For loans outstanding as of 2023

\*\* Trailing 12-month ADR for Hotel from March 2019 through March 2024

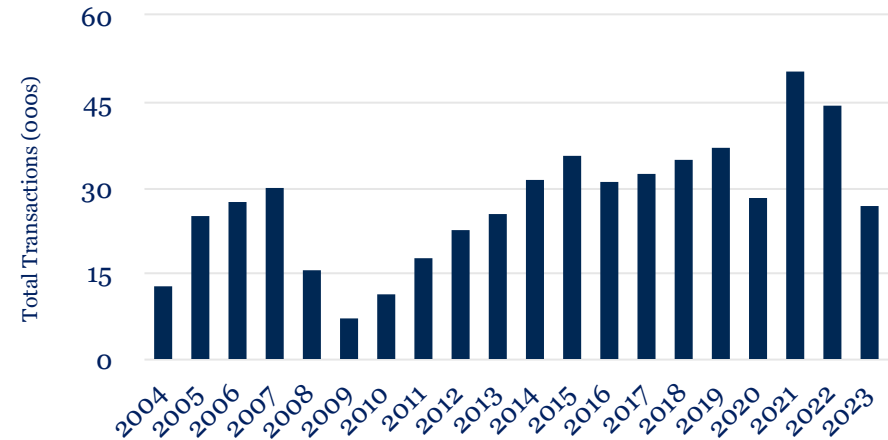
Sources: CoStar Group, Inc., RealPage, Inc., Yardi Matrix, Mortgage Bankers Association



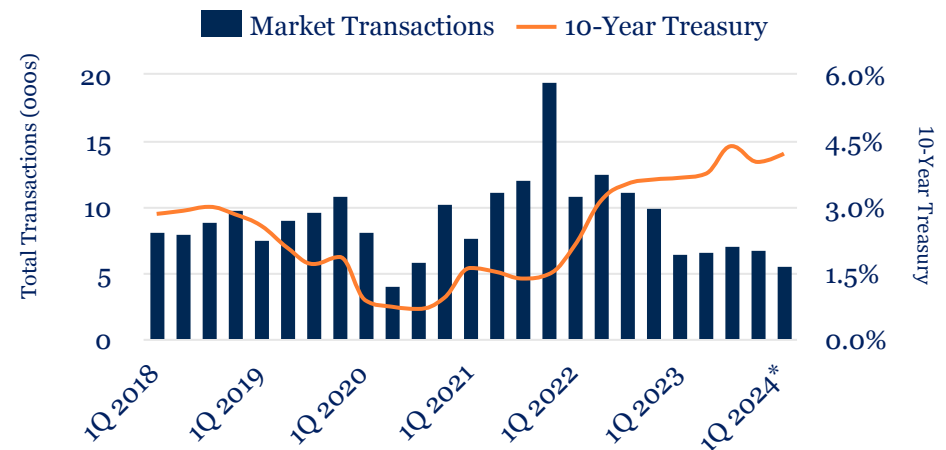
## LENDER CAUTION AND TIGHTENED UNDERWRITING, WIDENED BID/ASK SPREAD HAMPERING SALES/ FINANCING TRANSACTIONS

- Transaction count in 2023 dipped 40% year-over-year; dollar volume dropped by 51%.
- In 1Q 2024 transactions fell an estimated 13% year-over-year, while dollar volume declined 19% 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, Federal Reserve'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

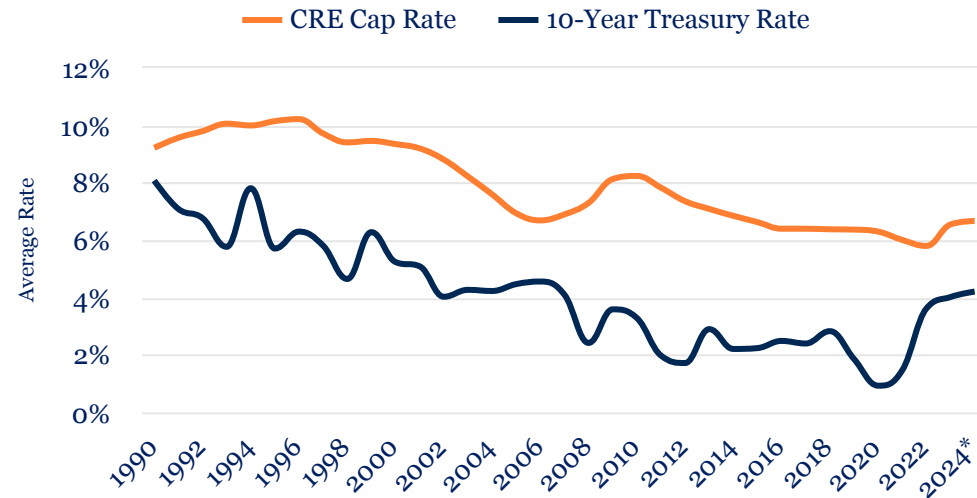
Excludes STORE Capital acquisition in 1Q 2023; Realty Income merger with Spirit Realty Capital in 1Q 2024

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

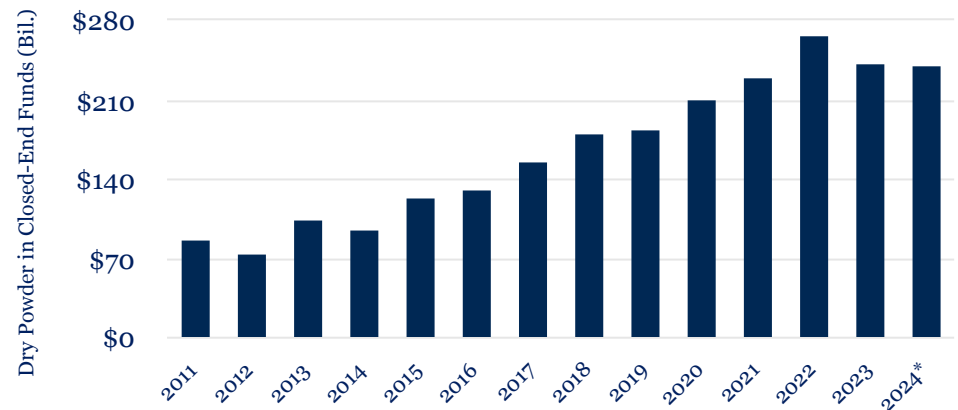
## COMMERCIAL REAL ESTATE YIELD SPREADS CHALLENGED; PRICING RECALIBRATING TO HIGHER INTEREST RATES

- 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.
- 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, Federal Reserve’s easing is encouraging.

Cap Rate/10-Year Treasury Spreads



Pent-up Capital Demand Near All-time High



\* Through 1Q; pent-up capital as of January

Cap rates for sales \$1 million and greater

Sources: CoStar Group, Inc., Real Capital Analytics, Federal Reserve, Prequin

# MMI Market Position

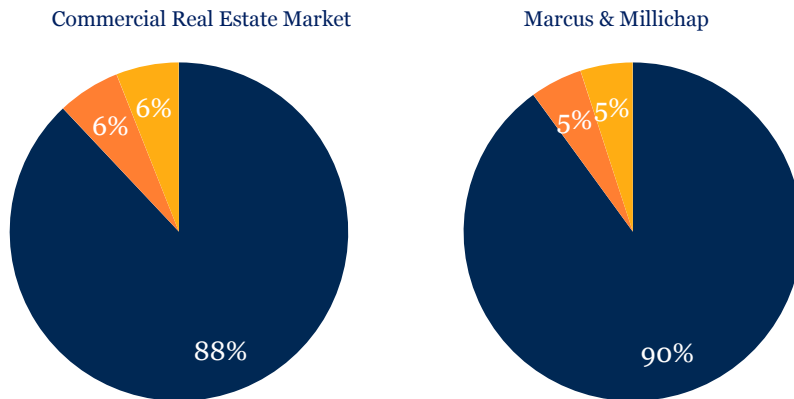
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# PRIVATE CLIENT MARKET

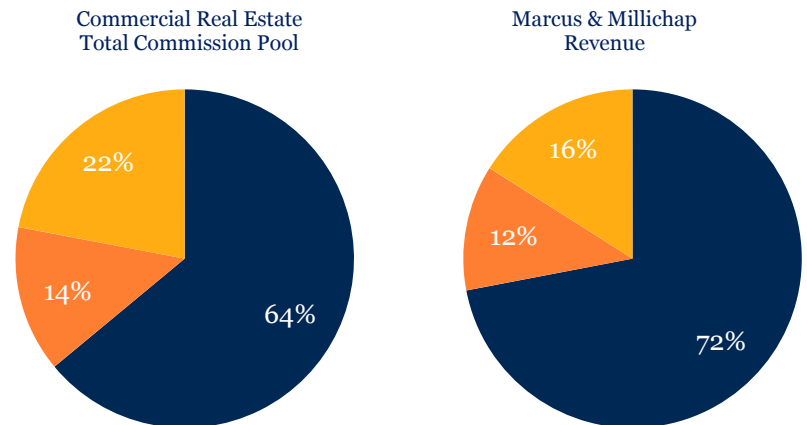
## Largest Transaction and Commission Pool Opportunity

- 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) (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 the trailing 12-months through 1Q 2024; 1Q preliminary estimate for market total.

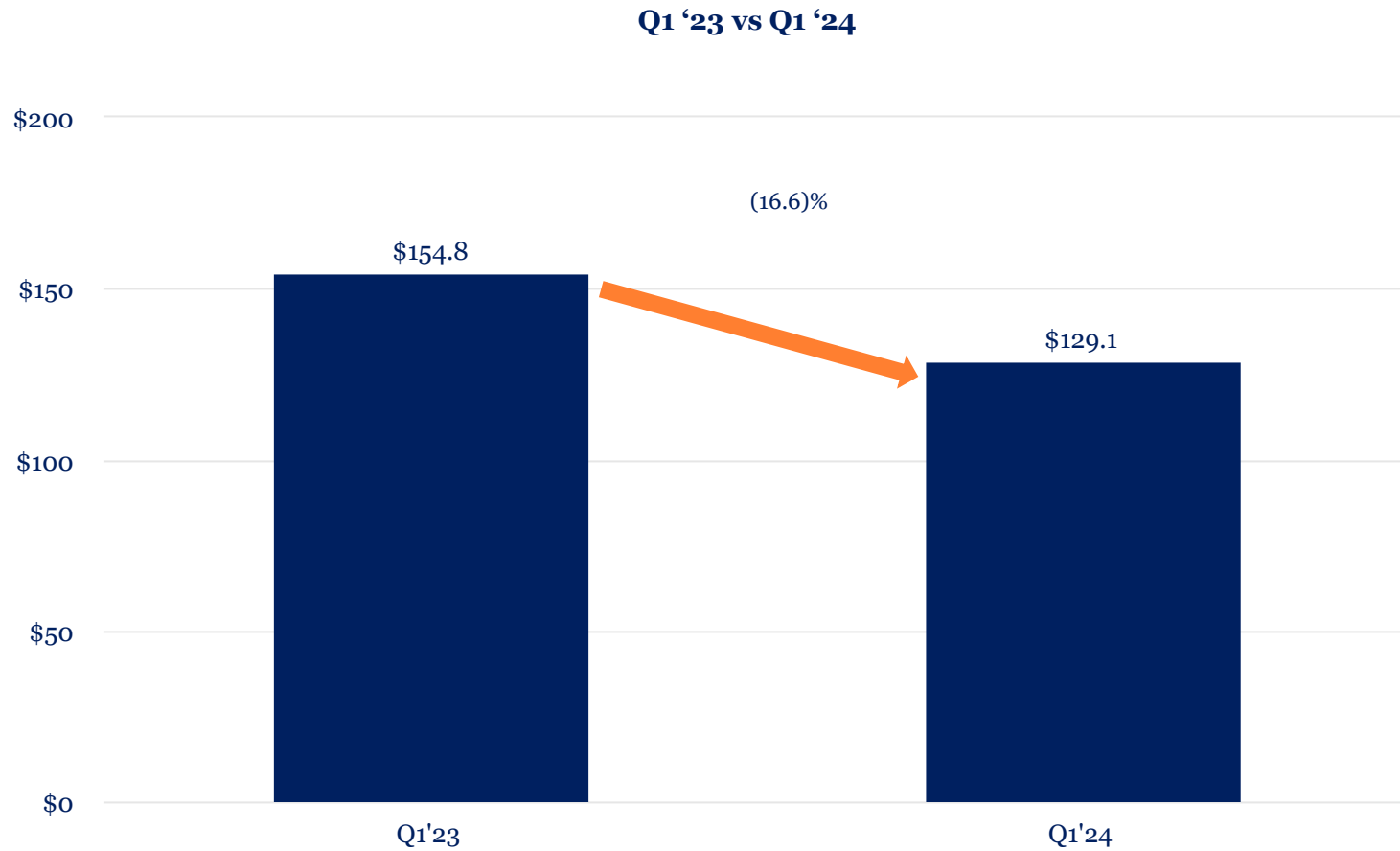
(2) Estimate based on industry averages: 2.7% commission rate for Private Client Market, 1.7% rate for Middle Market and 0.7% for Larger Transaction Market.

# MMI Financial Details

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# TOTAL REVENUE

(\$ IN MILLIONS)

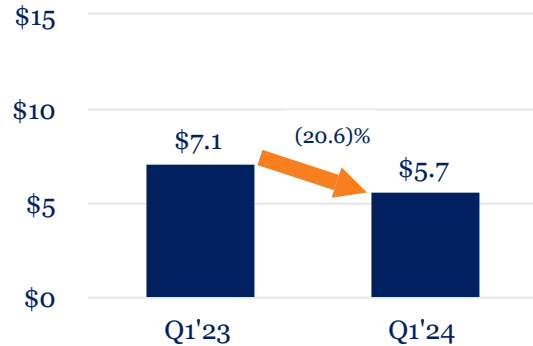


# BROKERAGE OPERATING METRICS

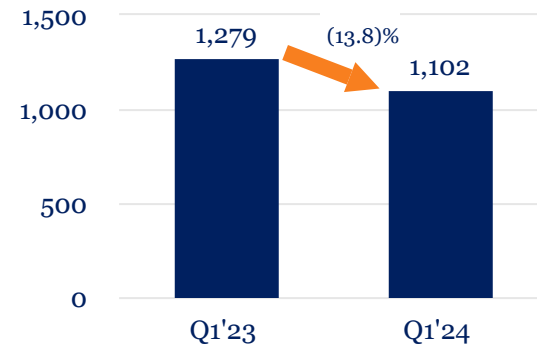
Q1 2023 vs Q1 2024

**Total Sales Volume**

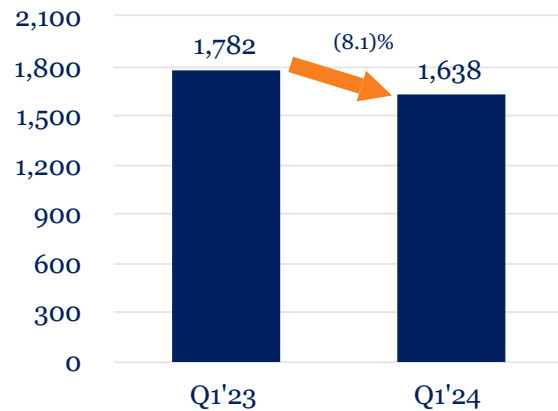
(\$ in billions)



**Total Number of Transactions**

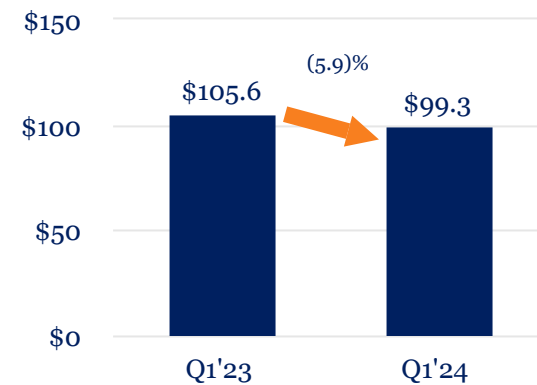


**Average Number of Investment Sales Professionals**



**Average Commission Per Transaction**

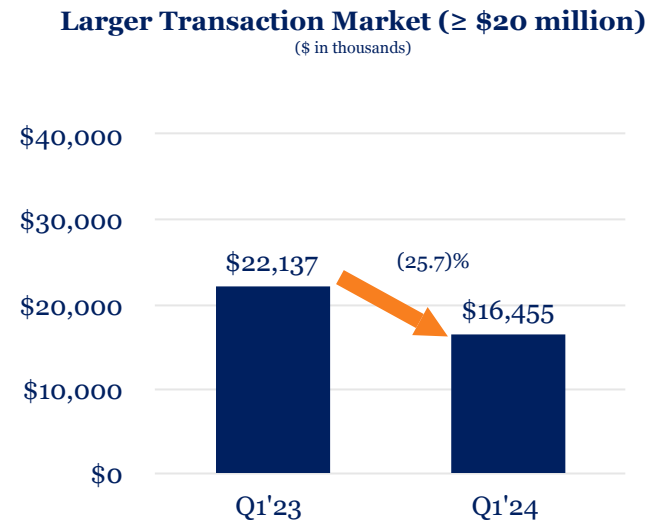
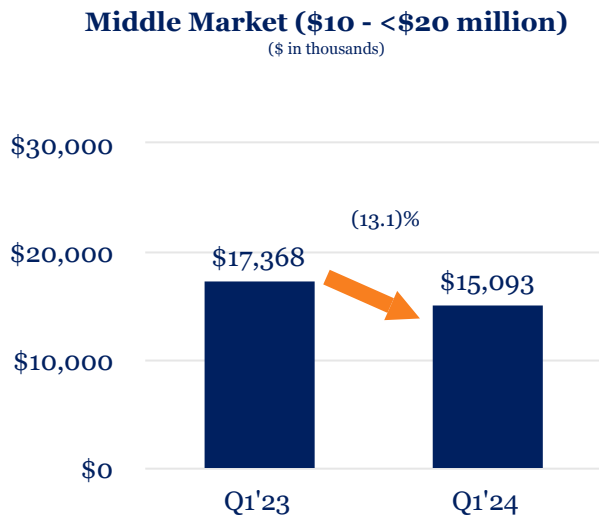
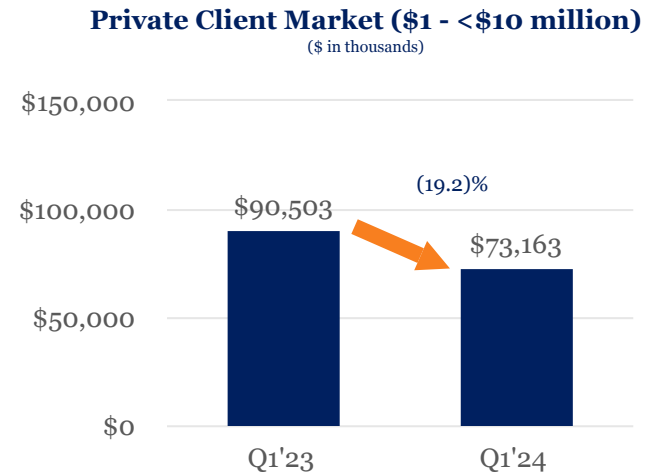
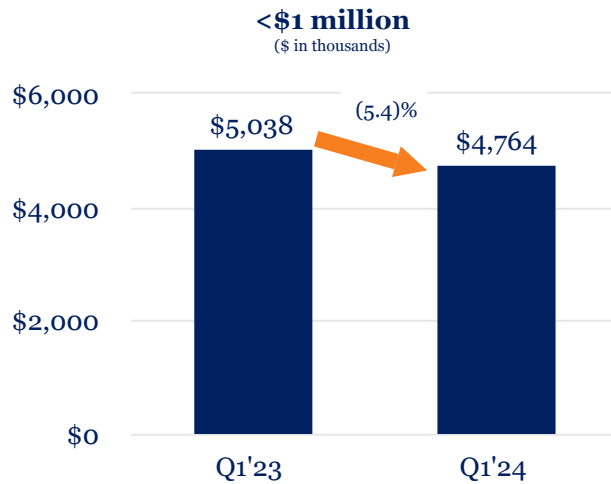
(\$ in thousands)





# BROKERAGE REVENUE BY MARKET SEGMENT

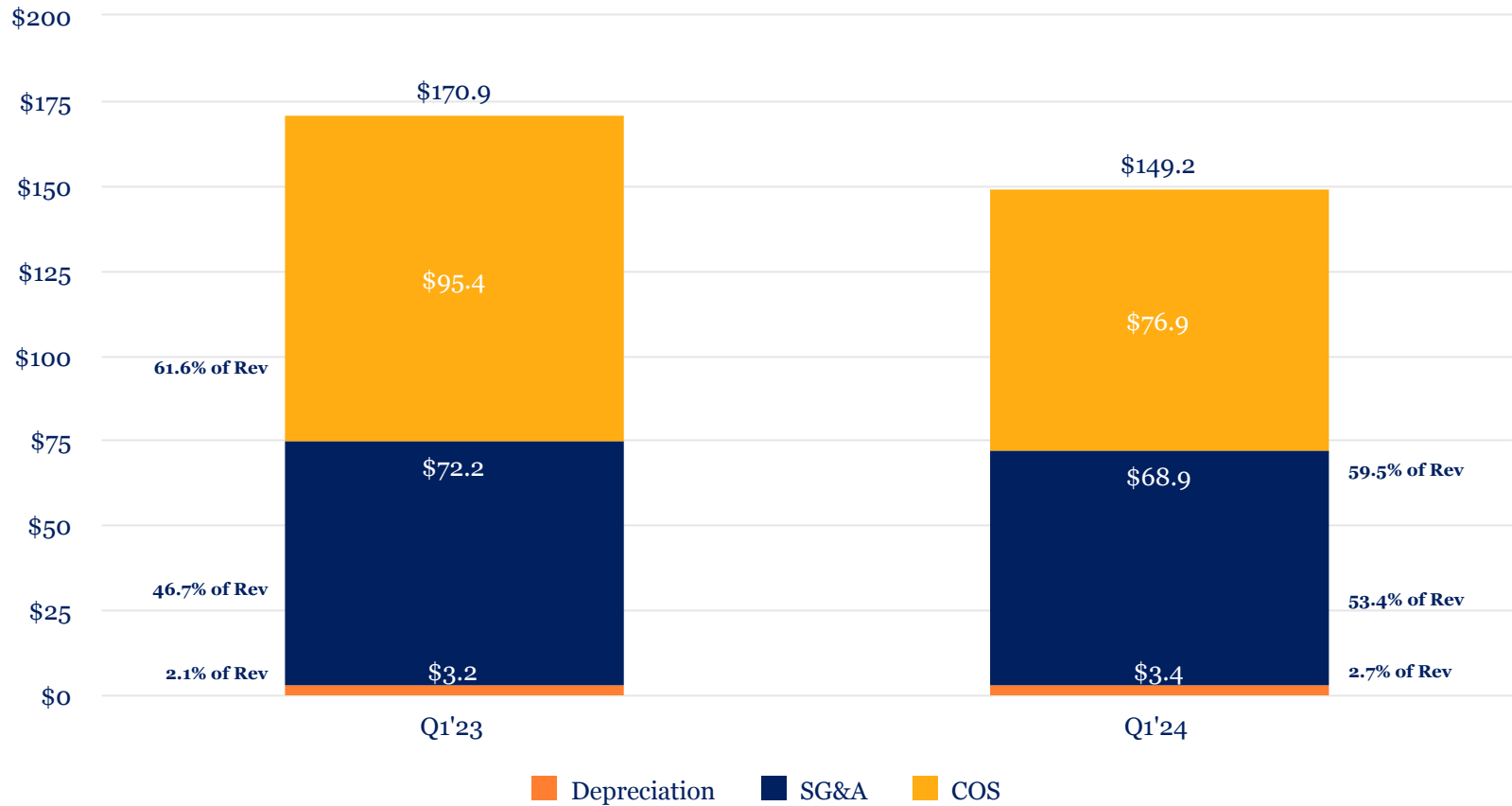
Q1 2023 vs Q1 2024



# OPERATING EXPENSE

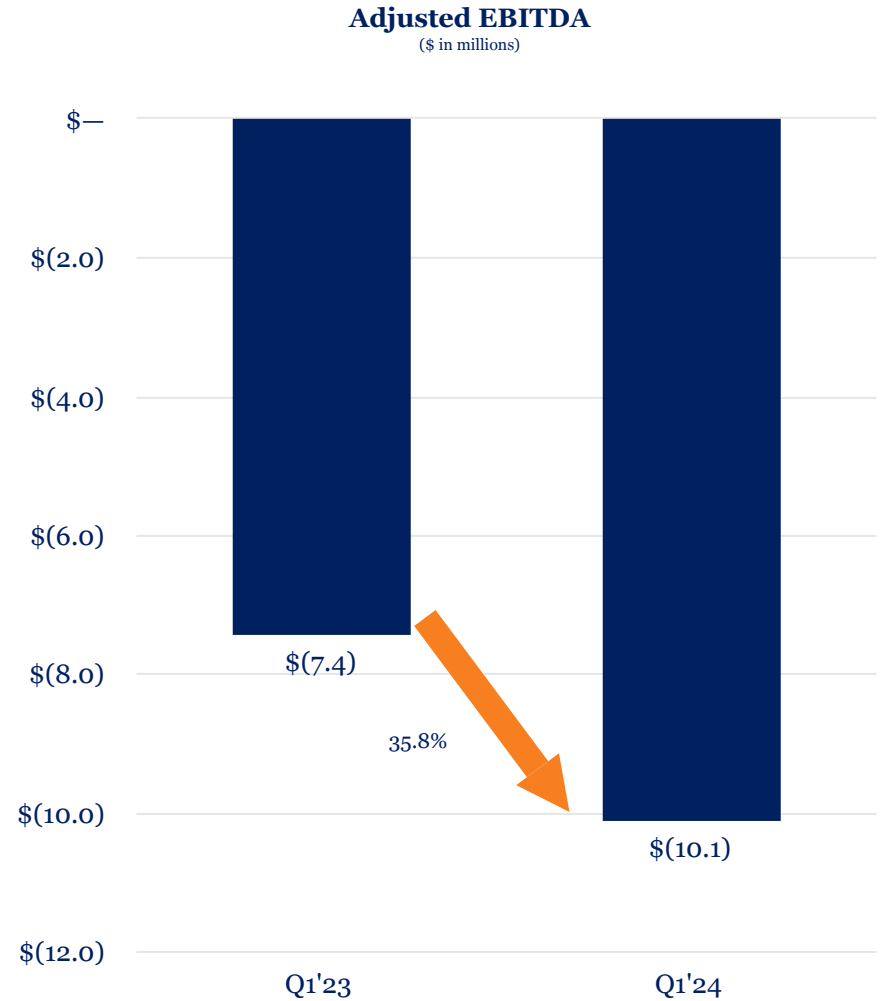
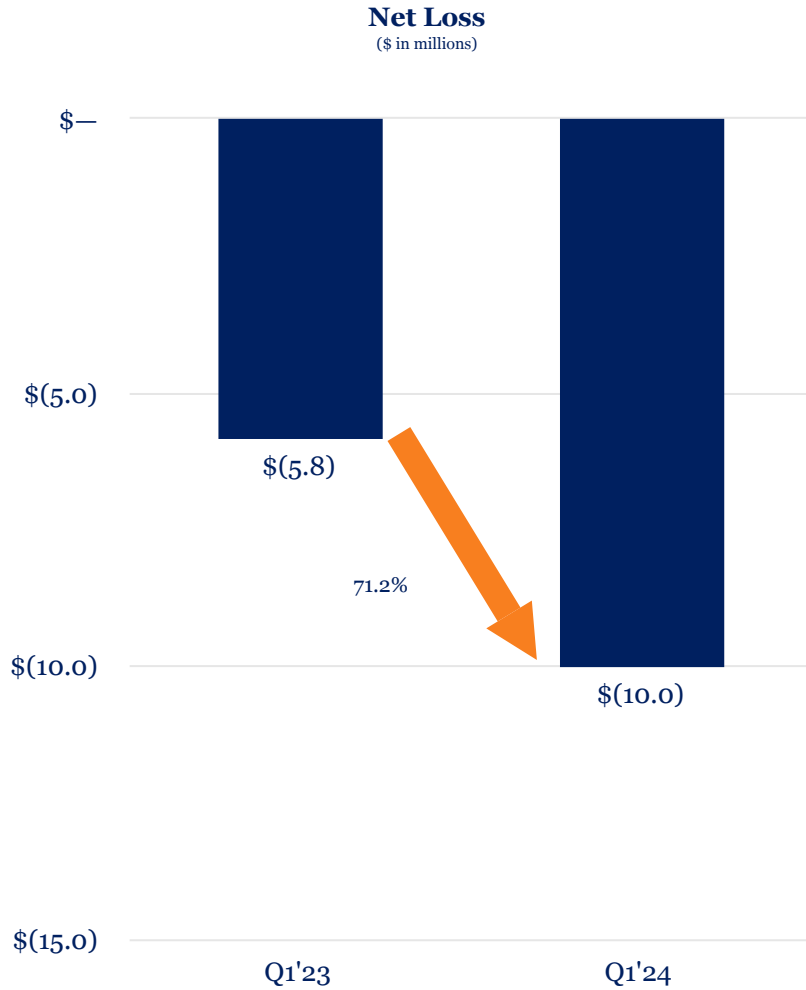
(\$ IN MILLIONS)

Q1 2023 vs Q1 2024

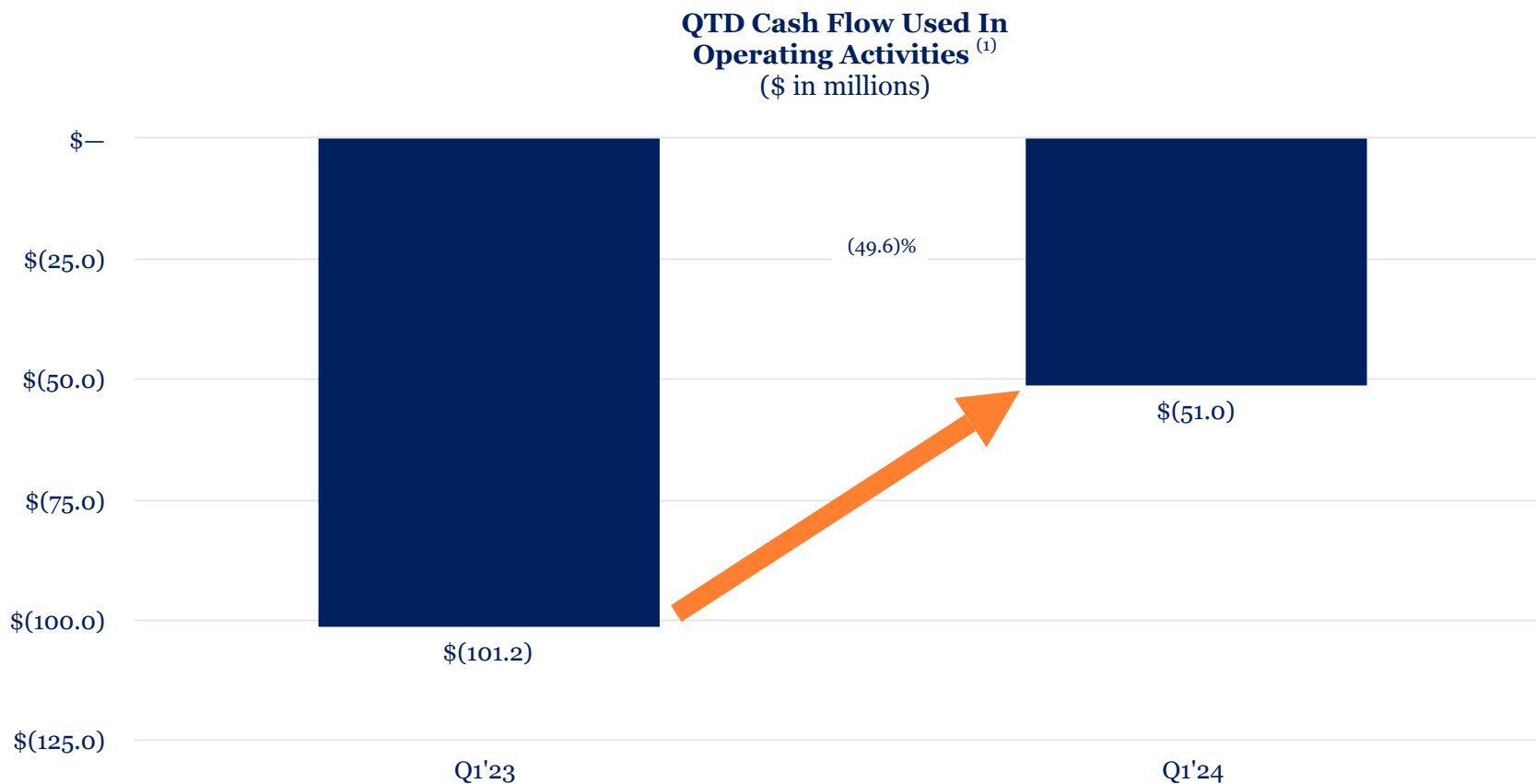


# NET LOSS AND ADJUSTED EBITDA PERFORMANCE

Q1 2023 vs Q1 2024

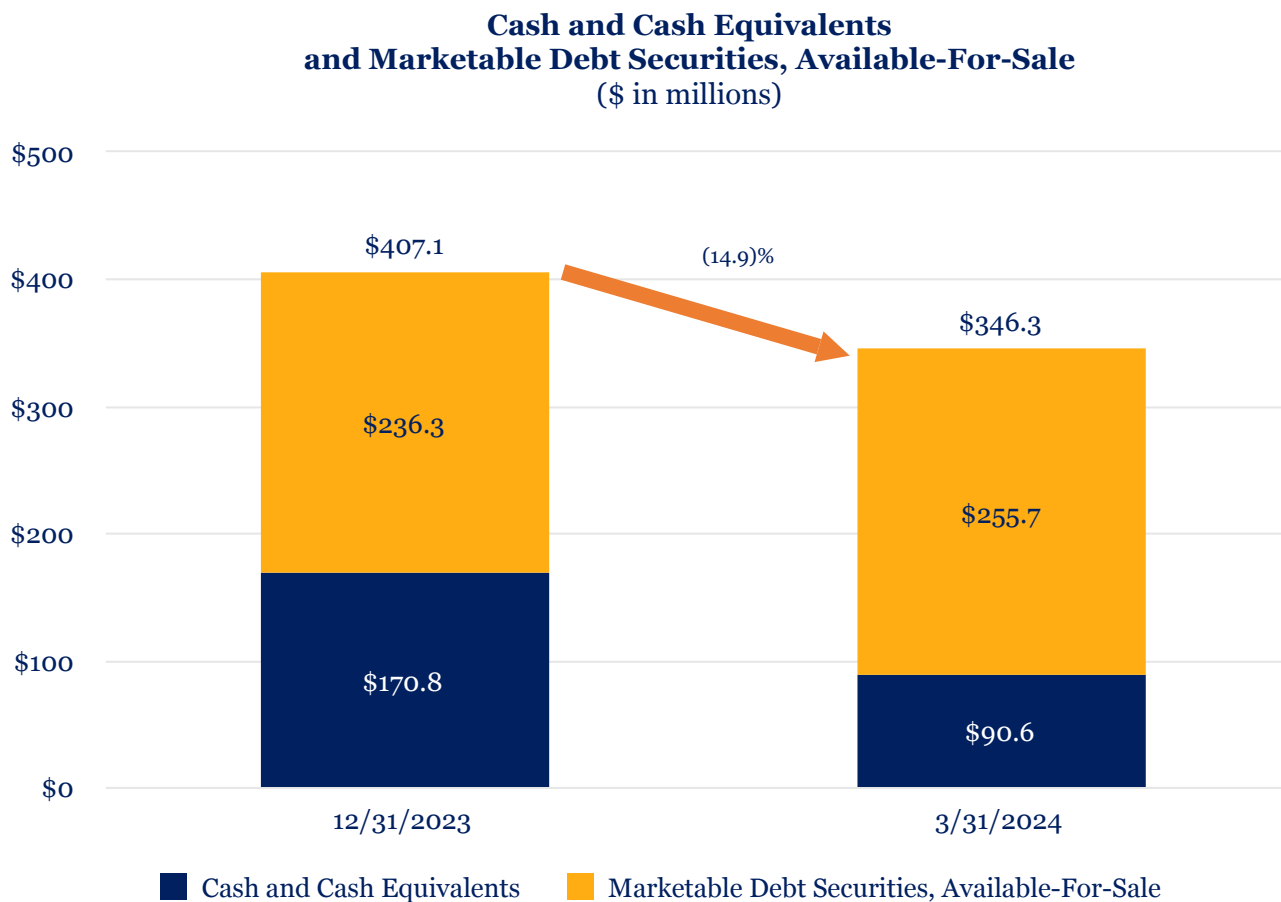


# CASH FLOW USED IN OPERATING ACTIVITIES



- (1) Cash flows used in operating activities were \$51.0 million for the three months ending March 31, 2024 compared to \$101.2 million for the same period in 2023. The \$50.2 million decrease in cash flows used in operating activities for the three months ended March 31, 2024 compared to the same period in 2023 was primarily due to decreased bonus, deferred commission and compensation and advances and loans payments, partially offset by 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



# Appendix

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## ADJUSTED EBITDA RECONCILIATION

Adjusted EBITDA, which the Company defines as net (loss) income before (i) interest income; (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,	
	2024	2023
<b>Net loss</b>	\$(9,987)	\$(5,833)
<b>Adjustments:</b>		
<b>Interest income</b>	(4,765)	(4,390)
<b>Interest expense</b>	199	215
<b>Benefit for income taxes</b>	(4,746)	(5,633)
<b>Depreciation and amortization</b>	3,422	3,207
<b>Stock-based compensation</b>	5,795	5,011
<b>Adjusted EBITDA</b>	<b>\$(10,082)</b>	<b>\$(7,423)</b>





## 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

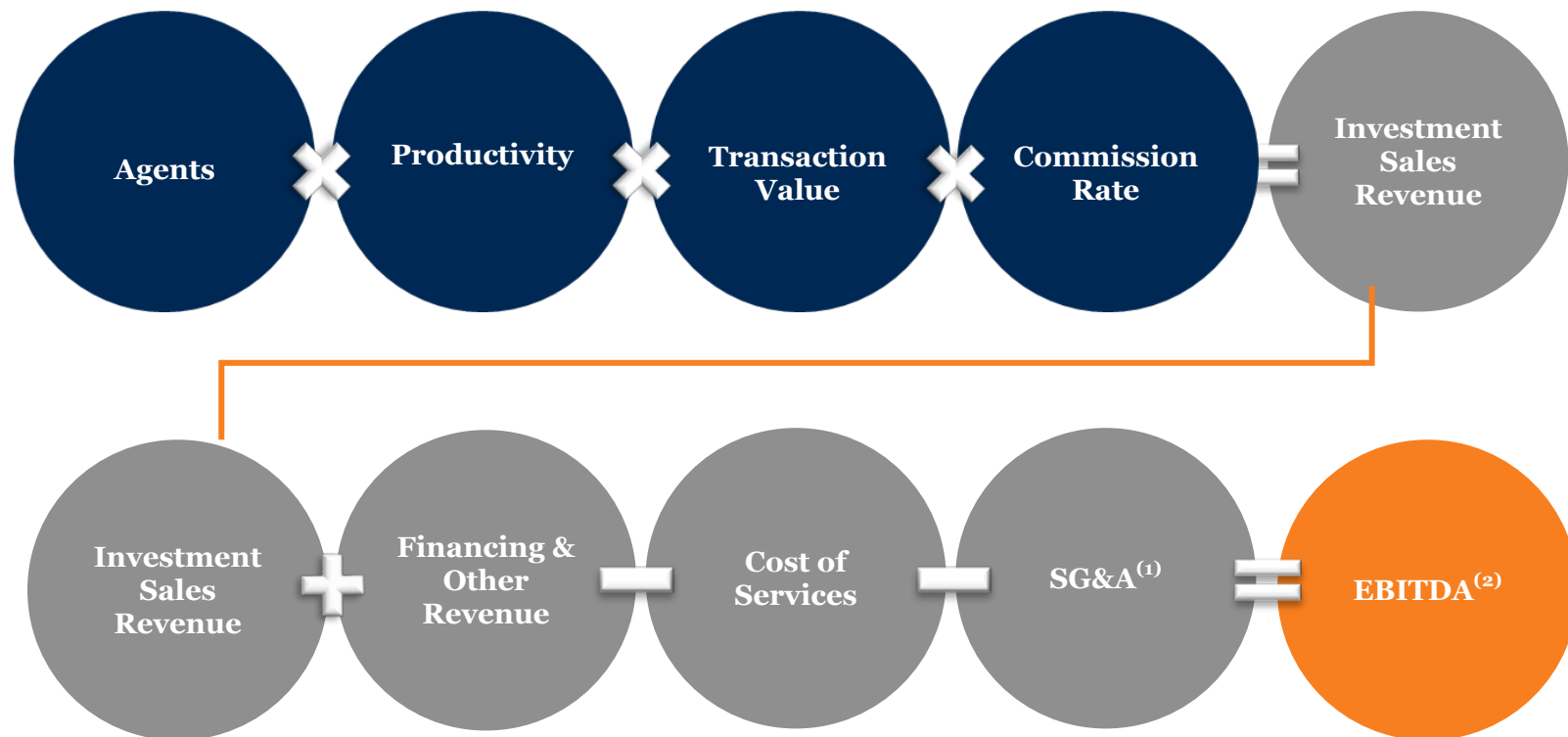
### **MANAGEMENT WITH SIGNIFICANT INVESTMENT BROKERAGE EXPERIENCE**

- 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

# First Quarter 2024