

Marcus & Millichap



Third Quarter 2016 Earnings Conference Call

November 3, 2016

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 2016. 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 15, 2016.

Conference Call Participants



Hessam Nadji
*President & Chief
Executive Officer*



Marty Louie
Chief Financial Officer

2016 Third Quarter Highlights

Financial Highlights

		<u>YOY</u>
Revenue	\$180.6 million	↑ 8.9%
Net Income	\$15.1 million	↓ (0.2%)
Adjusted EBITDA	\$28.1 million	↓ (5.1%)

Operational Highlights

		<u>YOY</u>
Sales Volume	\$11.1 billion	↑ 18.5%
Transaction Closings	2,391	↑ 8.1%
Investment Sales & Financing Professionals as of September 30, 2016	1,671	↑ 10.2%

Year-to-Date Highlights

Financial Highlights

		<u>YOY</u>
Revenue	\$528.3 million	↑ 8.7%
Net Income	\$47.5 million	↑ 2.3%
Adjusted EBITDA	\$87.0 million	↓ (2.1%)

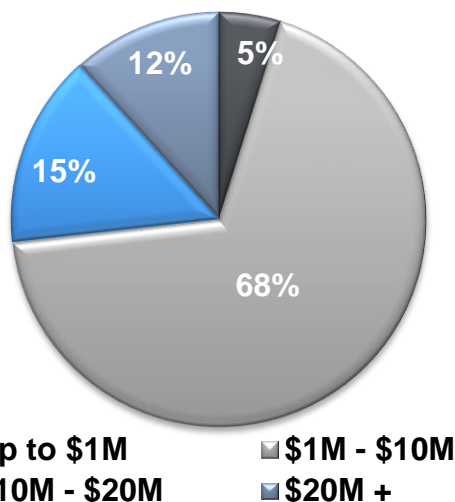
Operational Highlights

		<u>YOY</u>
Sales Volume	\$31.4 billion	↑ 16.9%
Transaction Closings	6,686	↑ 6.9%
Investment Sales & Financing Professionals as of September 30, 2016	1,671	↑ 10.2%

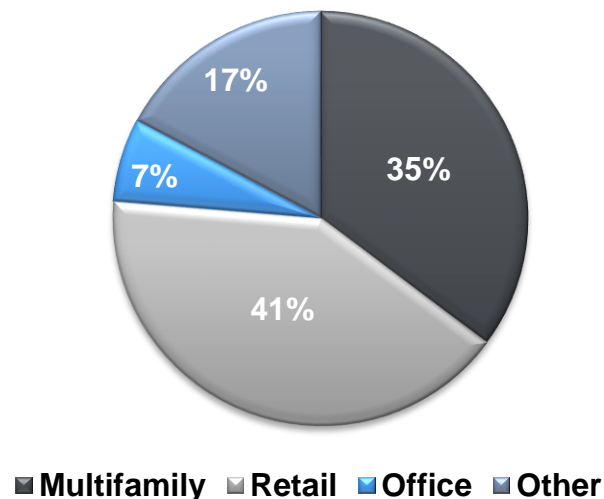
2016 Third Quarter Brokerage Highlights

Sales Volume	\$7.6 billion	↑ ^{YOY} 18.9%
Transaction Closings	1,631	↑ 2.2%
Investment Sales Professionals as of September 30, 2016	1,570	↑ 9.6%
Real Estate Brokerage Commissions Revenue	\$165.7 million	↑ 9.1%

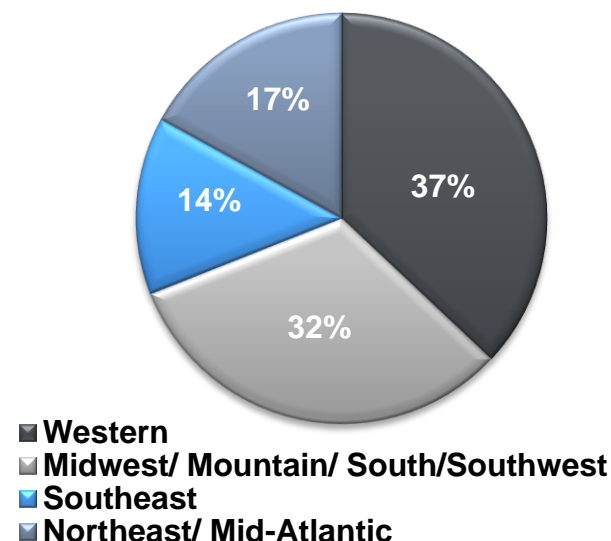
Revenue by Transaction Size



Transactions by Property Type



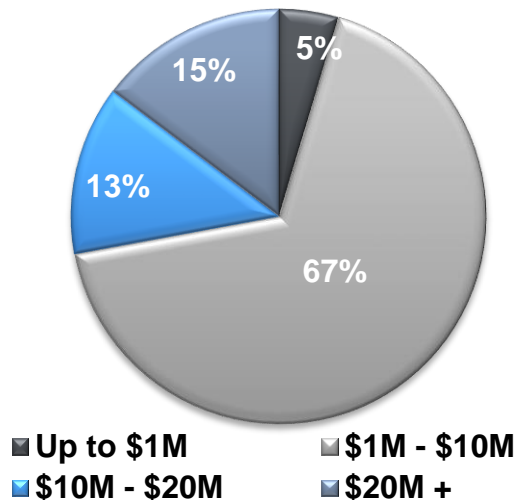
Transactions by Region



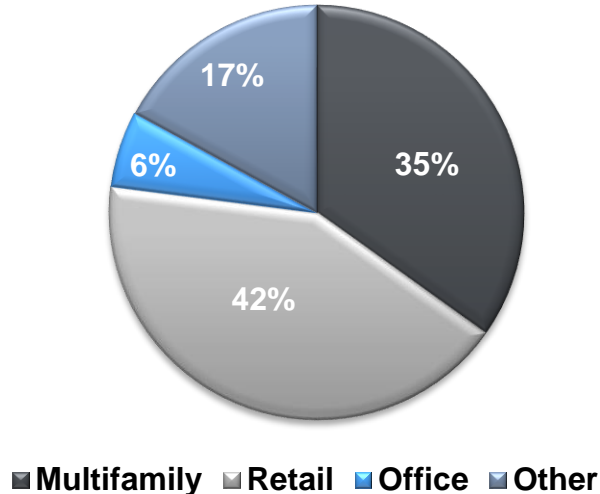
Year-to-Date Brokerage Highlights

Sales Volume	\$23.7 billion	<u>YOY</u> ↑ 19.1%
Transaction Closings	4,805	↑ 6.3%
Investment Sales Professionals as of September 30, 2016	1,570	↑ 9.6%
Real Estate Brokerage Commissions Revenue	\$489.5 million	↑ 9.7%

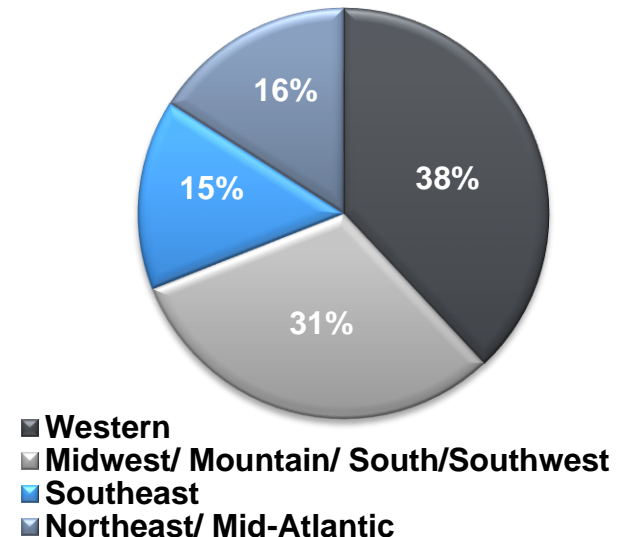
Revenue by Transaction Size



Transactions by Property Type



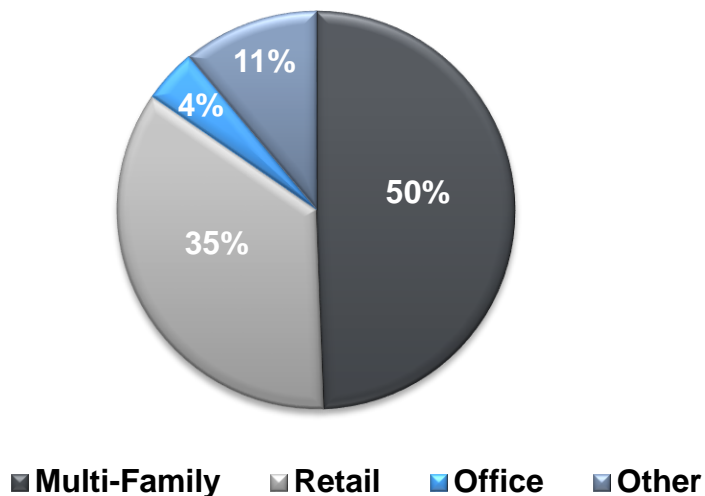
Transactions by Region



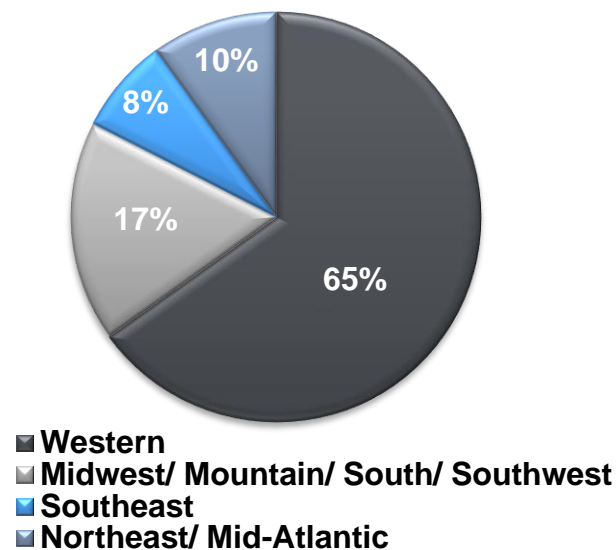
2016 Third Quarter Financing Highlights

Sales Volume	\$1.3 billion	↑ 5.7%
Transaction Closings	435	↑ 6.4%
Financing Professionals as of September 30, 2016	101	↑ 21.7%
Financing Fees	\$11.3 million	↑ 4.2%

Transactions by Property Type



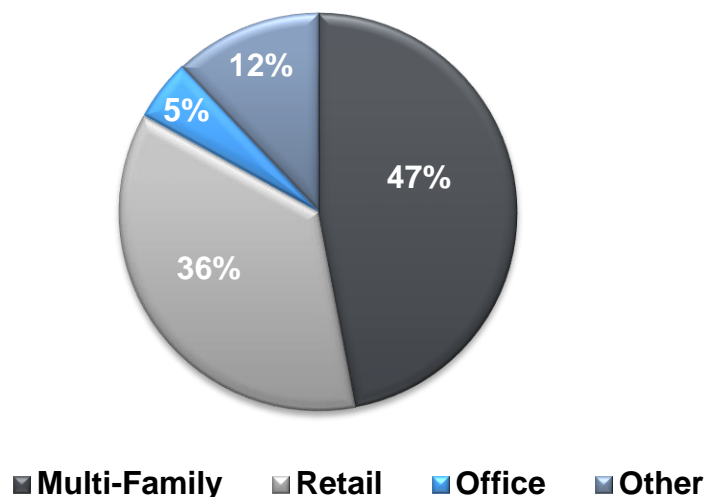
Transactions by Region



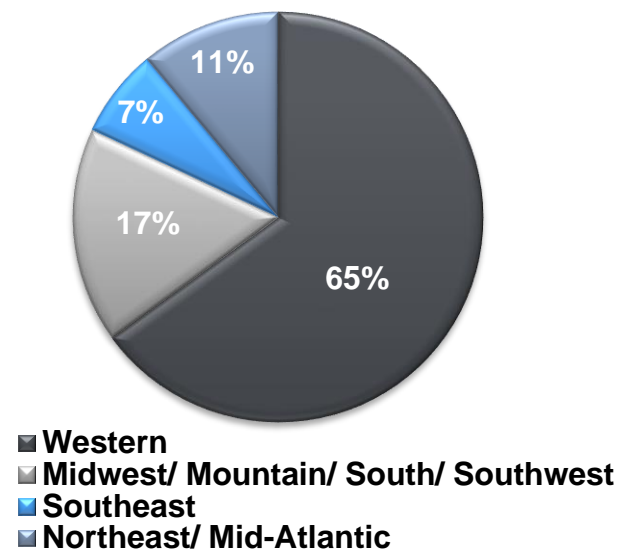
Year-to-Date Financing Highlights

Sales Volume	\$3.7 billion	<u>YOY</u> ↑ 10.1%
Transaction Closings	1,210	↑ 6.6%
Financing Professionals as of September 30, 2016	101	↑ 21.7%
Financing Fees	\$30.8 million	↑ 2.4%

Transactions by Property Type

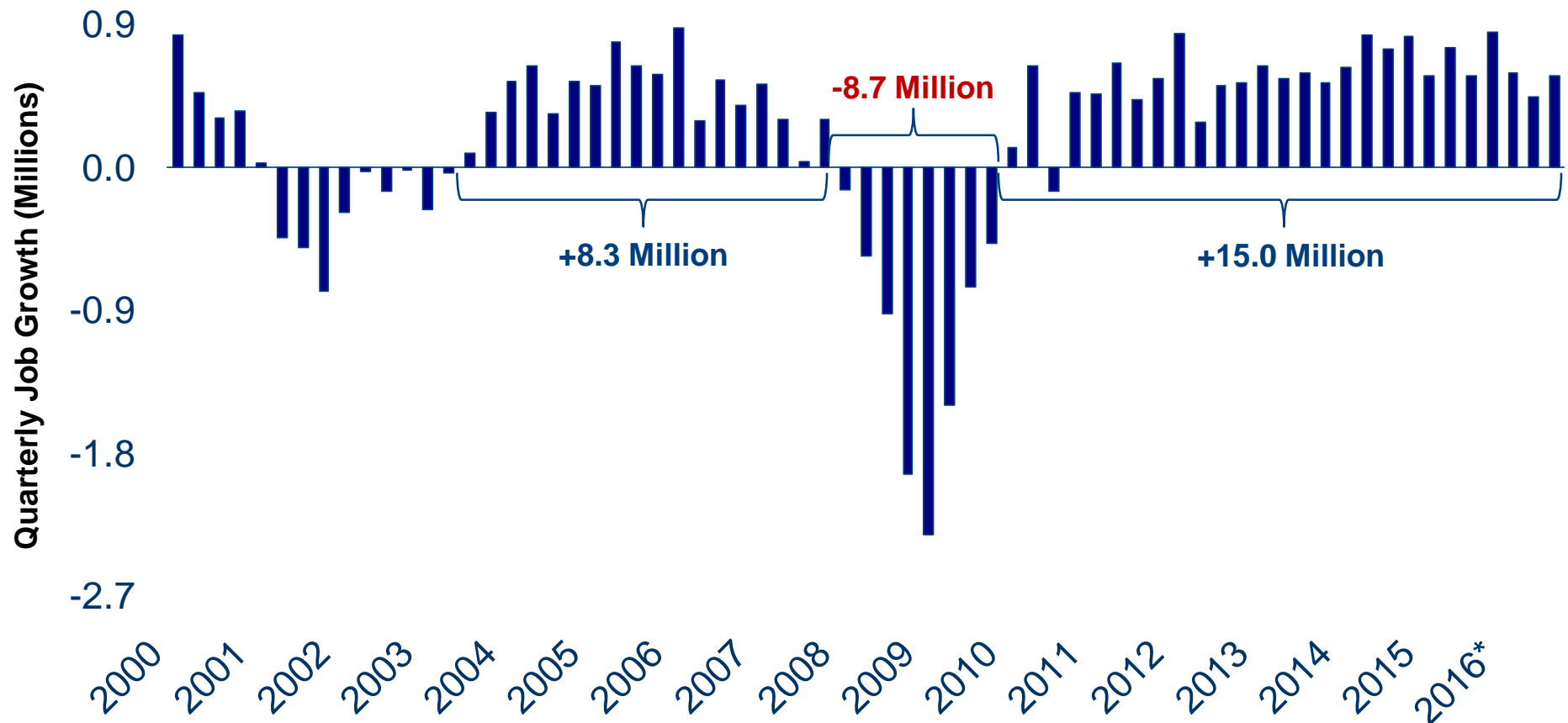


Transactions by Region



U.S. Employment Gains Driving Real Estate Demand

- U.S. employment has expanded well above prior peak
- 2016 forecast to add 2.2 million jobs**



* Through 3Q

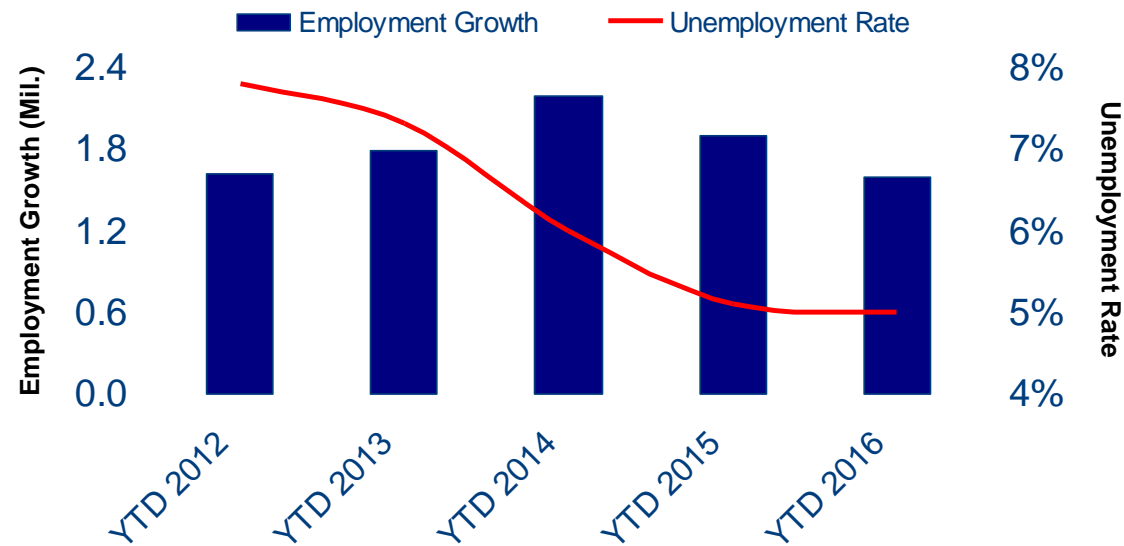
** Forecast per Economy.com

Sources: BLS

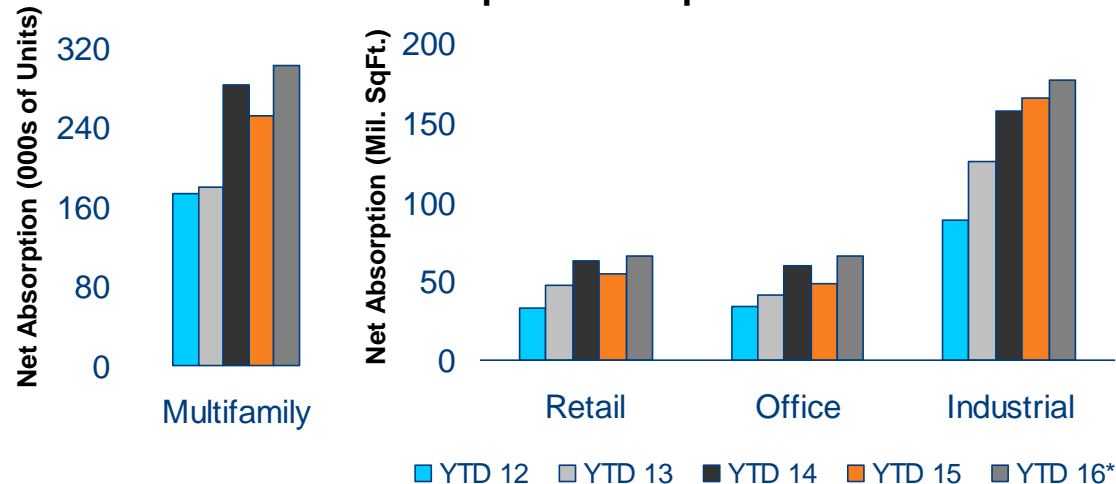
Employment and Demand Remain Strong

- Employment growth totaled nearly 2.5 million jobs in the past 12 months
- Total employment stands 6.3 million above the pre-recession peak
- Unemployment rate is down 280 basis points since 3Q 2012
- Space absorption remains robust in all property types

YTD 3Q Employment Growth vs. Unemployment Rate



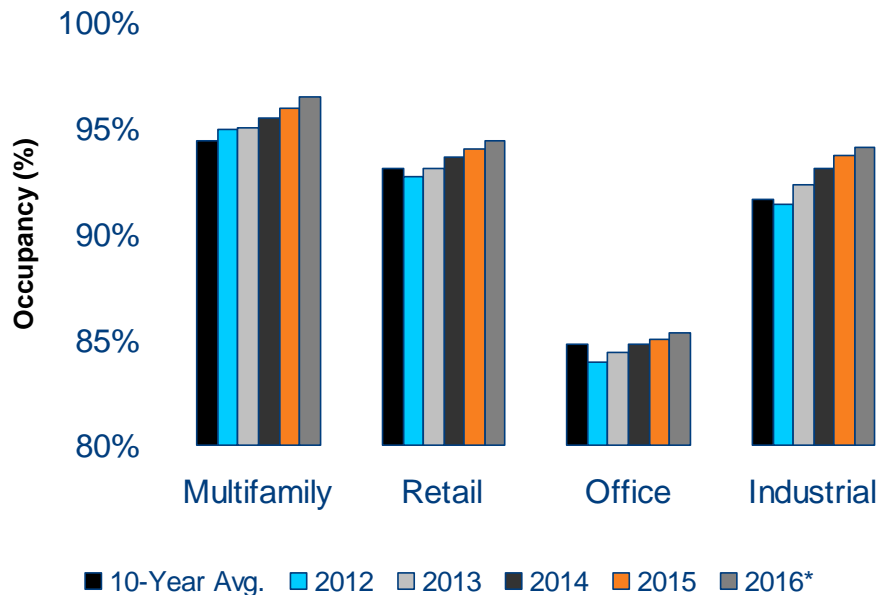
YTD 3Q Space Absorption Trends



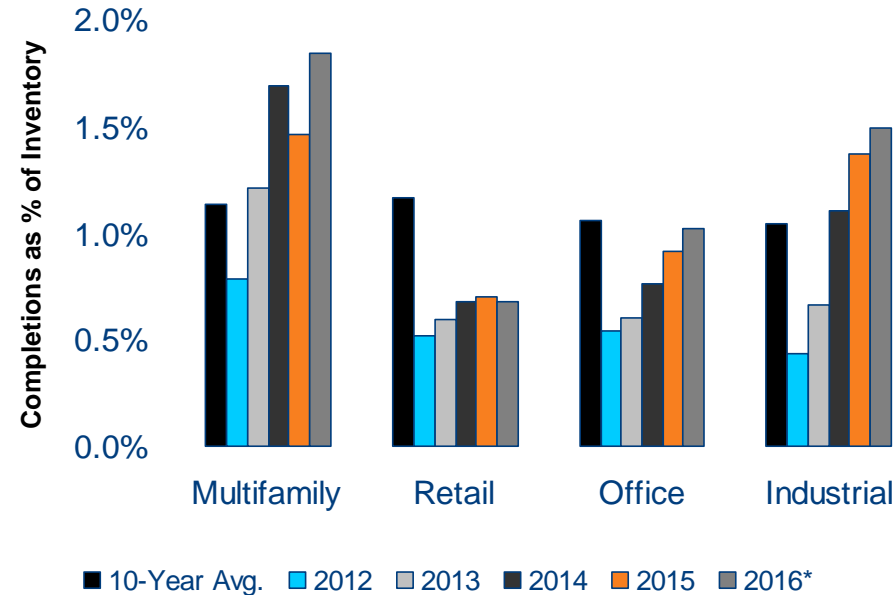
Property Fundamentals Remain Healthy; Construction Trends Vary

- Property fundamentals showing healthy performance across all property types
- Multifamily properties led the recovery; increased construction currently balanced with strong demand at macro level
- Select markets showing signs of apartment oversupply
- New supply rising, but still below long-term trends for retail and office sectors

Occupancy Trends



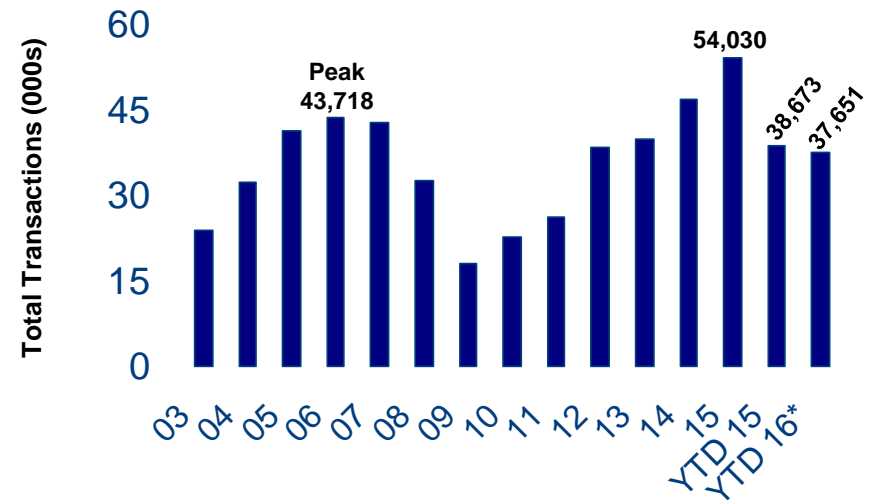
Construction Trends



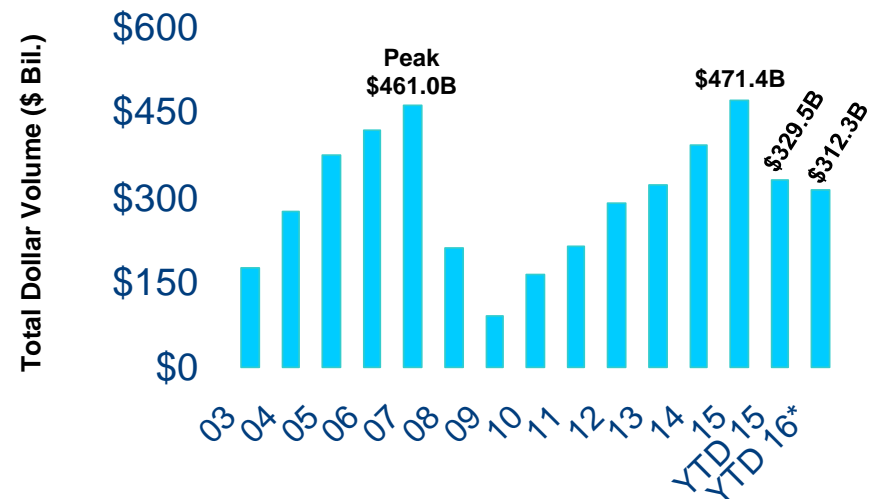
Investment Sales Market Still Active Despite Recent Slowdown

- Preliminary estimates for the first three quarters show a decline of 3% in transactions and 5% in sales volume over same period in 2015
- Low interest rates, attractive comparative yields and healthy property fundamentals are supporting elevated sales activity

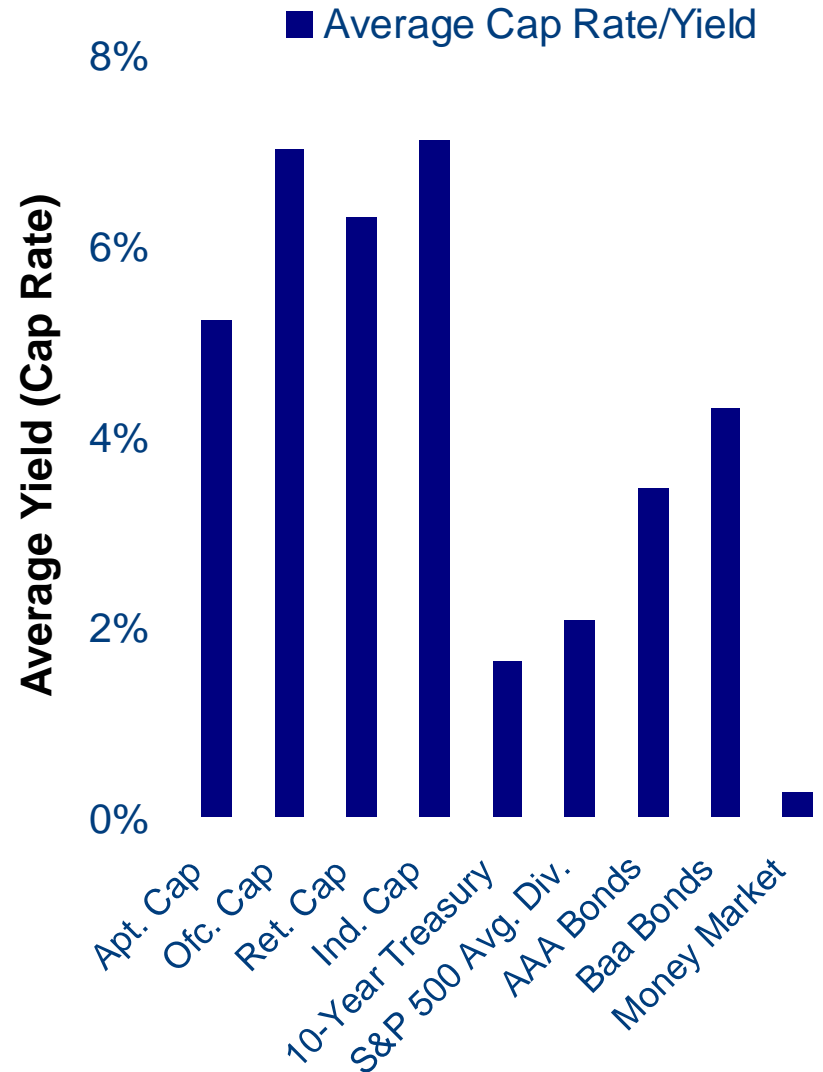
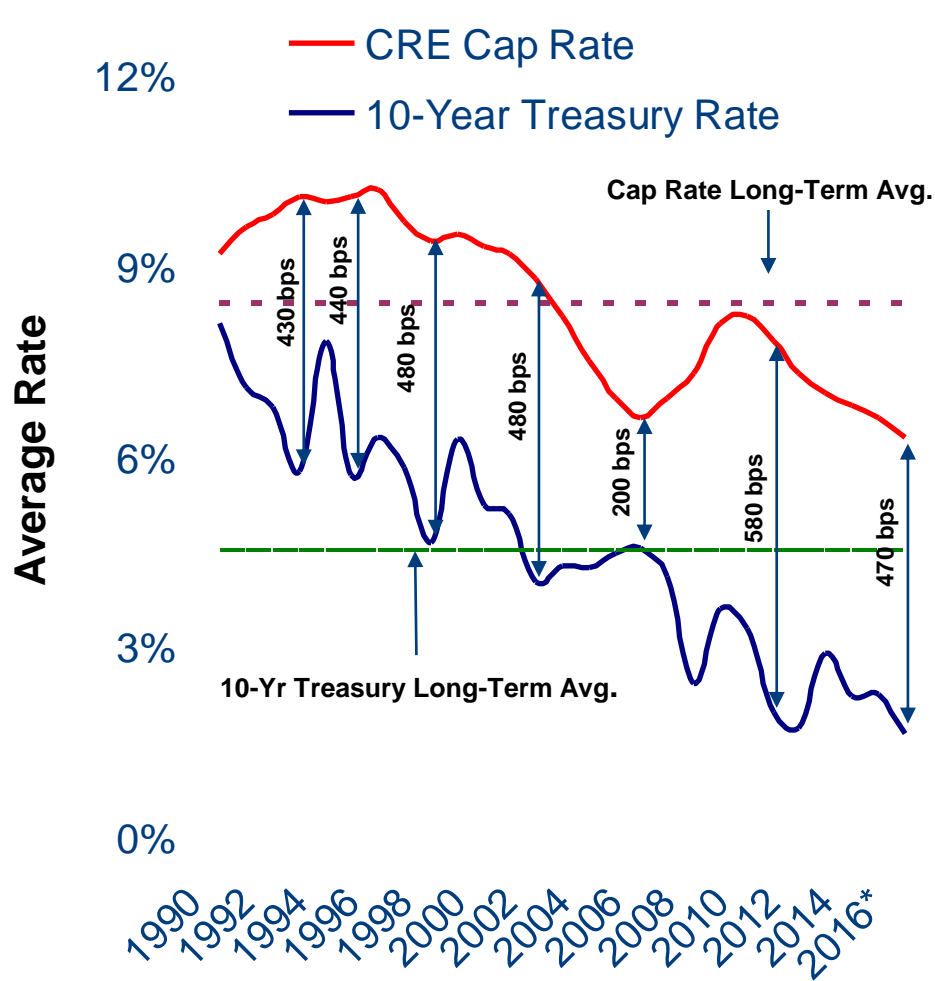
U.S. Commercial Real Estate - Total Transactions ⁽¹⁾



U.S. Commercial Real Estate - Total Dollar Volume ⁽¹⁾

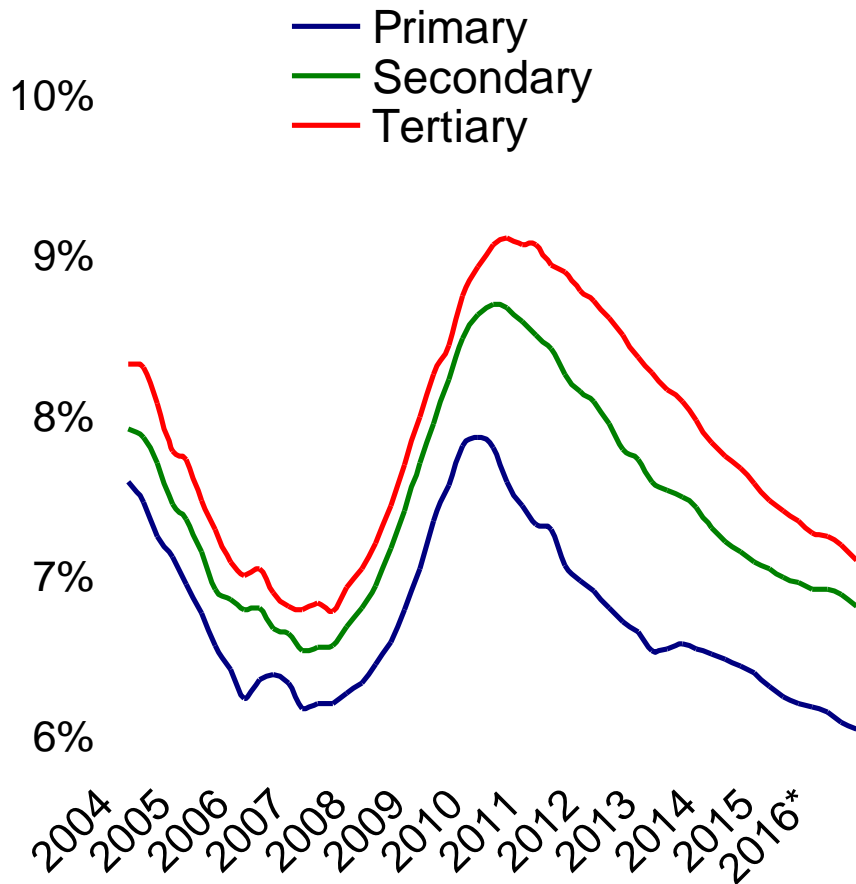


Commercial Real Estate Yields Compelling

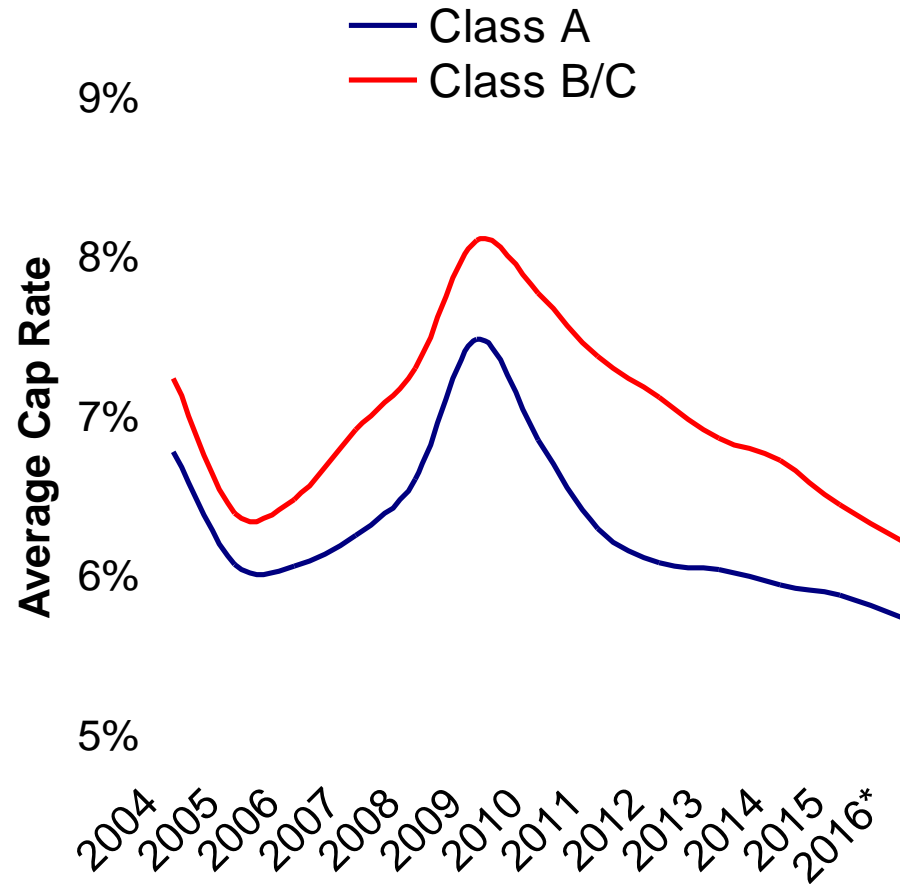


Commercial Real Estate Cap Rate Trends

Cap Rates by Market Type ⁽¹⁾



Cap Rates by Class ⁽²⁾



Sources: CoStar Group, Inc., Real Capital Analytics

* Preliminary estimate through 3Q

(1) Includes apartment, retail, office, and industrial sales \$1 million and greater

(2) Includes apartment and office sales \$1 million and greater

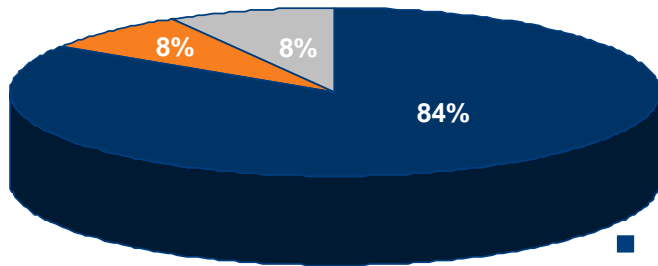
MMI Market Position

Private Client Market Segment – Largest Sales and Commission Pool Opportunity

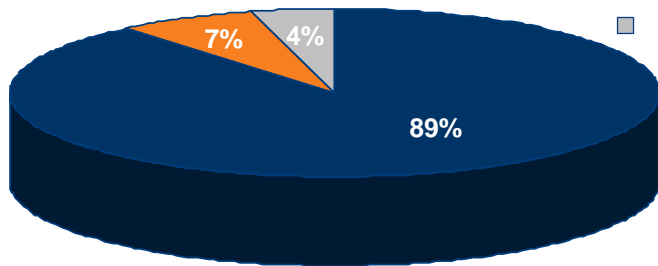
- Segment consists of sales \$1 million - \$10 million; is the largest and most active, accounting for 80%+ of transactions
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers
- Most active market segment due to personal drivers that result in buying/selling/refinancing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

Transactions by Investor Segment ⁽¹⁾

Commercial Real Estate Market

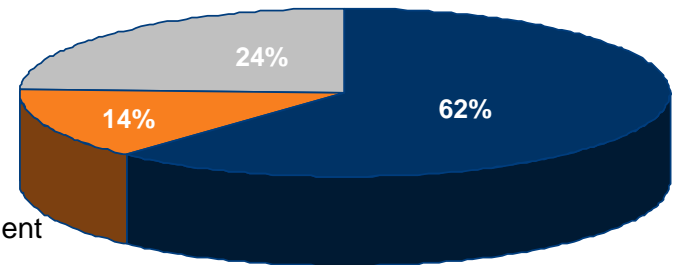


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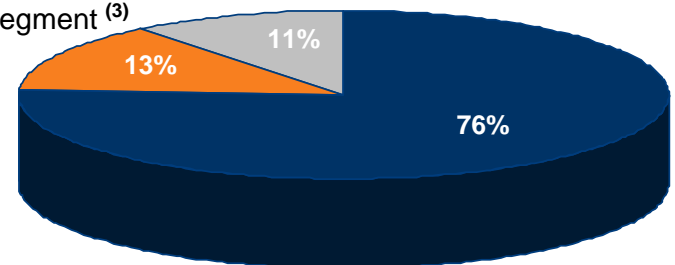


Commission Pool by Investor Segment ^{(1) (2)}

Commercial Real Estate Market



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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 3Q 2016; 3Q preliminary estimate for market total.

Commercial Real Estate market totaled an estimated 53,008 transactions, with \$8.4 billion in total commission pool.

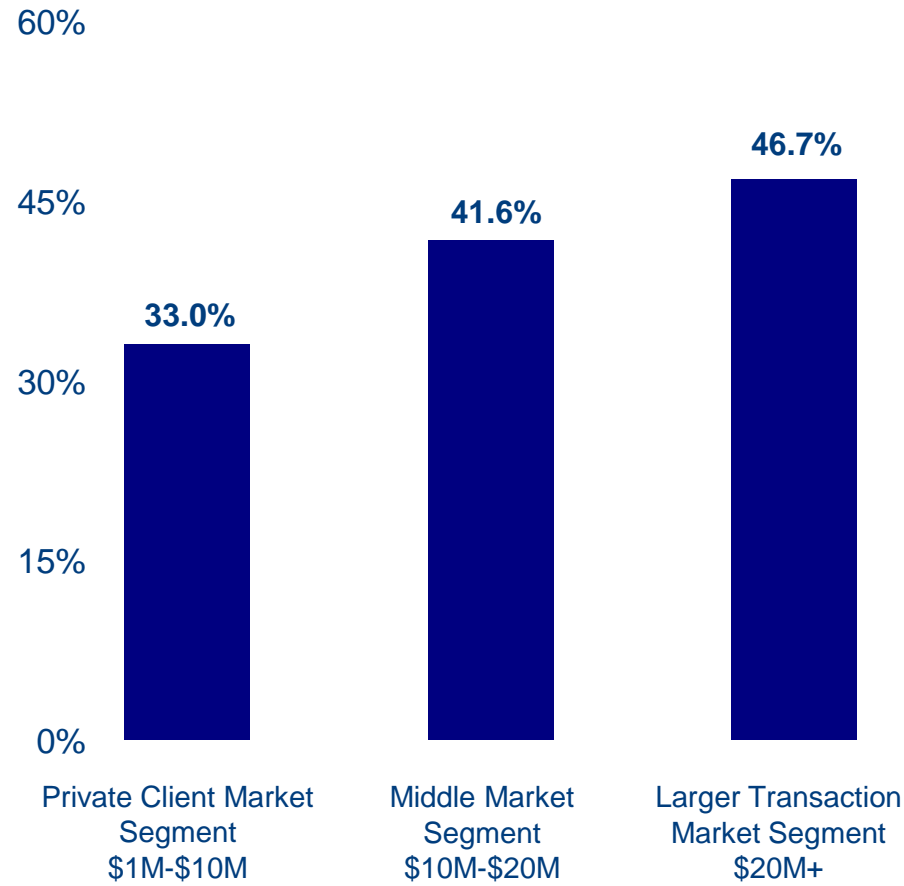
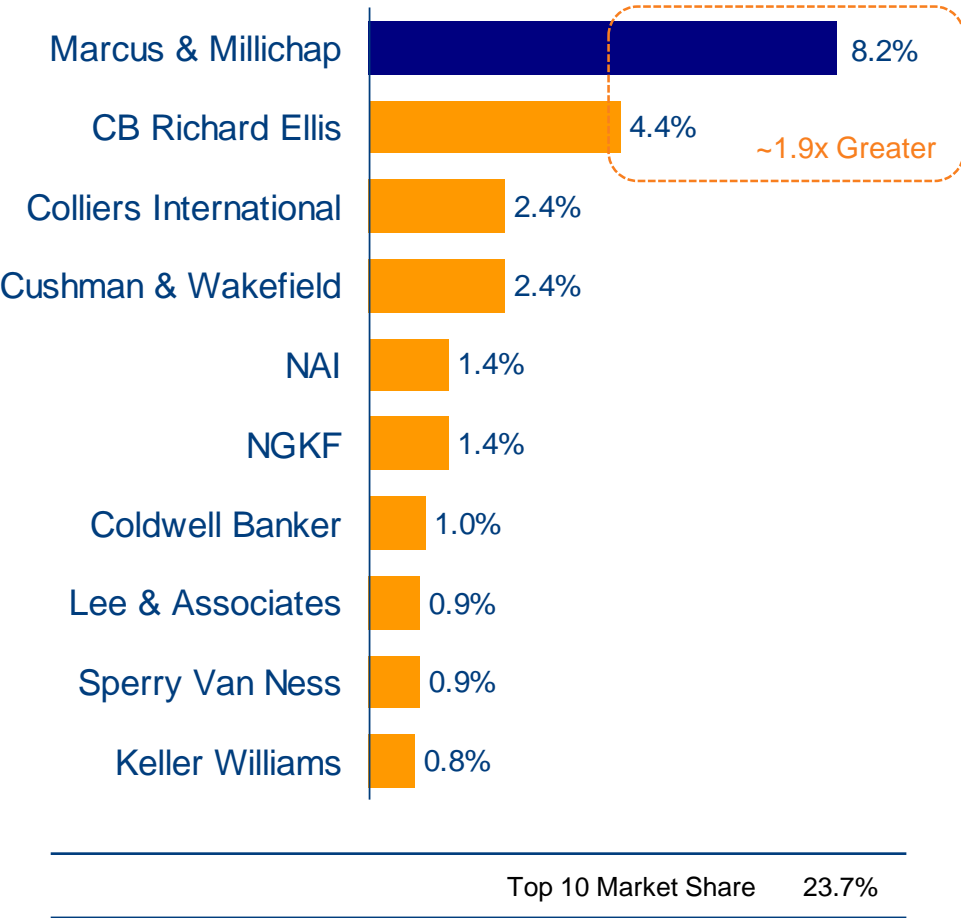
(2) Estimate based on industry averages: 3.7% commission rate for private client market segment, 2.0% rate for middle market segment and 0.8% for larger transaction market segment.

(3) Middle market segment (previously referred to as hybrid segment) and larger transaction market segment (previously referred to as institutional market segment).

MMI – Private Client Market Leader with Growth Opportunity

**Top 10 U.S. Brokerage Firms by Market Share
(Private Client Market Segment \$1M - \$10M)⁽¹⁾**

**Variance From Long-Term Average Sales*
CRE Sales by Price Tranche 2000-3Q 2016**



Sources: CoStar Group, Inc., Real Capital Analytics

* Long-term average: 2000-3Q 2016; 3Q 2016 preliminary estimate; includes multifamily, retail, office, and industrial sales \$1 million and greater
Variance from long-term average measures the average quarterly percent variance in sales transactions from the 2000-3Q 2016 average number of sales
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 2Q 2016 in which the brokerage firms represented the seller.

Market Share Growth Opportunity by Property Type

MMI YTD 3Q 2016 Transactions by Property Type ⁽¹⁾

Property Type	Transactions	Volume (\$Billion)
Multifamily	2,491	\$15.15
Retail	2,660	\$8.84
Office	432	\$1.68
Seniors Housing	65	\$1.33
Hospitality	173	\$0.91
Self-Storage	151	\$0.84
Industrial	184	\$0.67
Land	203	\$0.60
Manufactured Housing	91	\$0.34
Mixed - Use / Other	236	\$1.01
Total	6,686	\$31.37

- **Leverage platform, relationships, brand to grow in various sectors**
- **Growth opportunity remains in leading sectors (multifamily and retail)**
- **Expanding multi-tenant office, industrial presence**
- **Expanding presence in specialty property types and larger transactions**
 - **National specialty divisions led by tenured executives**

Q3 2016 Total Revenue Increases By 8.9% From Prior Year

Revenue

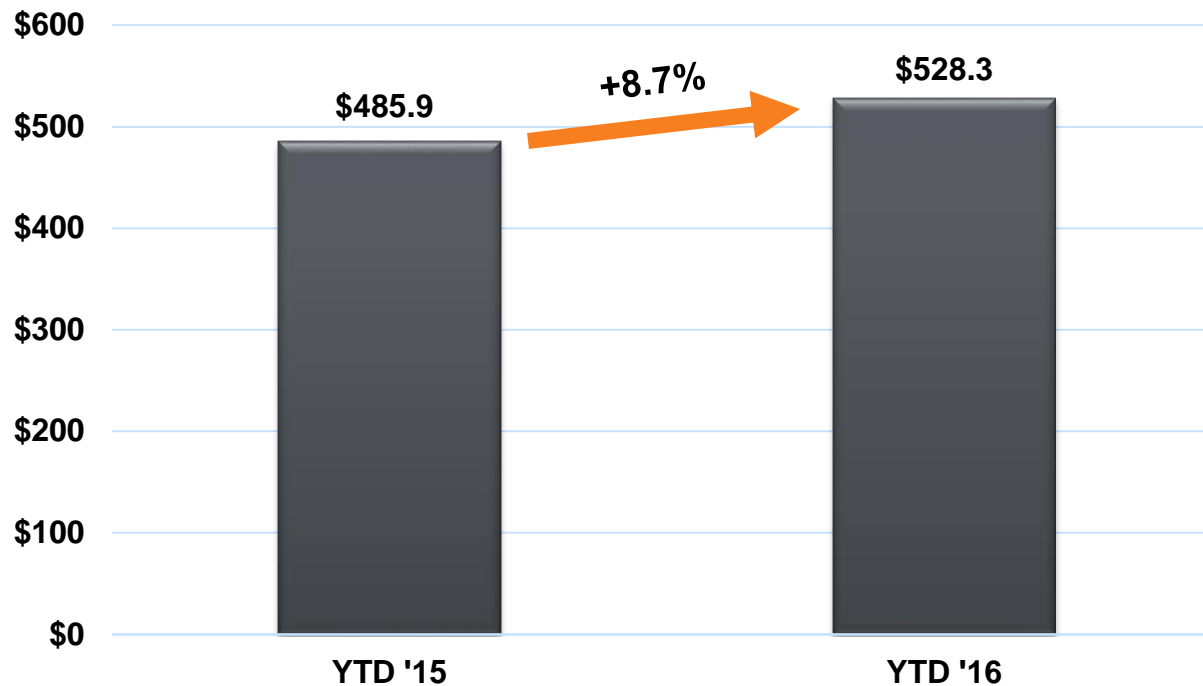
(\$ in millions)



Year-to-Date Total Revenue Increases By 8.7% From Prior Year

Revenue

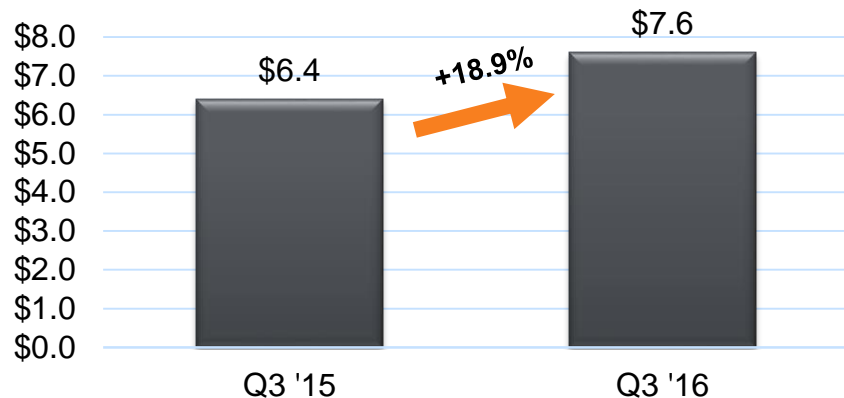
(\$ in millions)



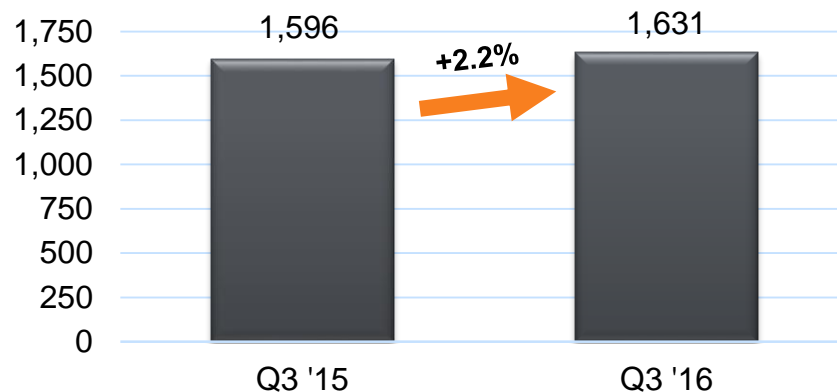
Q3 2016 Brokerage Operating Metrics

Total Sales Volume

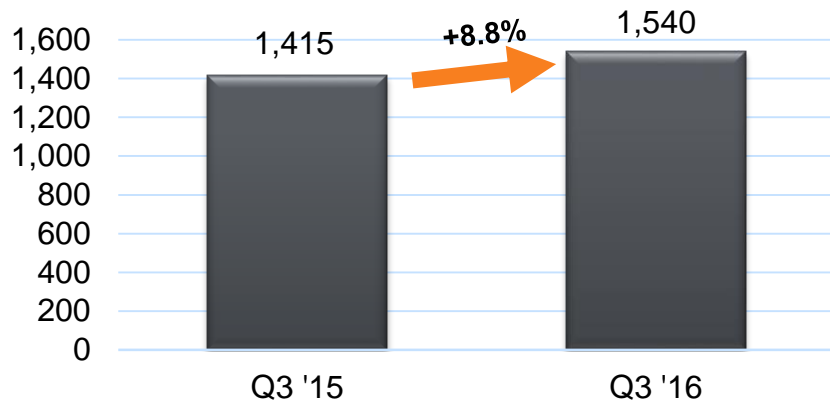
(\$ in billions)



Total Number Of Sales Transactions

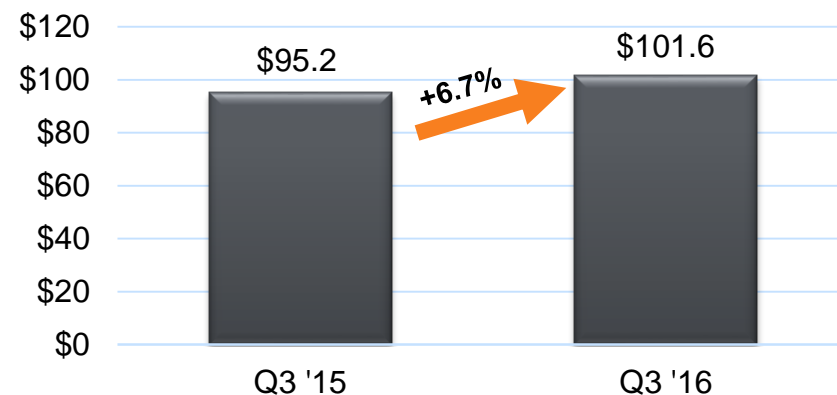


Average Investment Sales Professionals



Average Commission Per Transaction

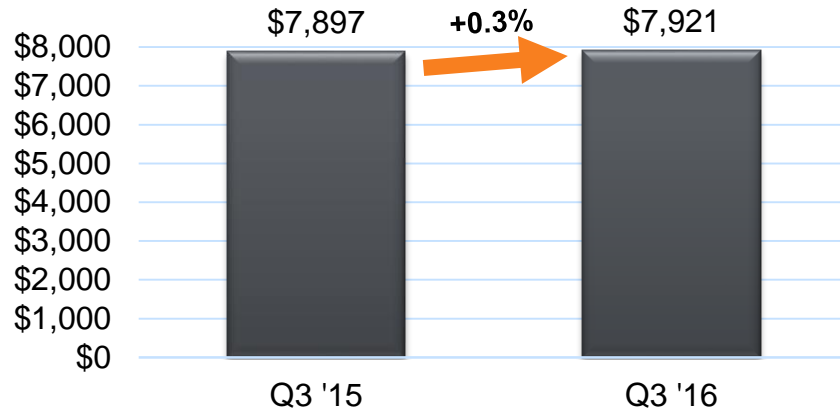
(\$ in thousands)



Q3 2016 Brokerage Revenue by Market Segment

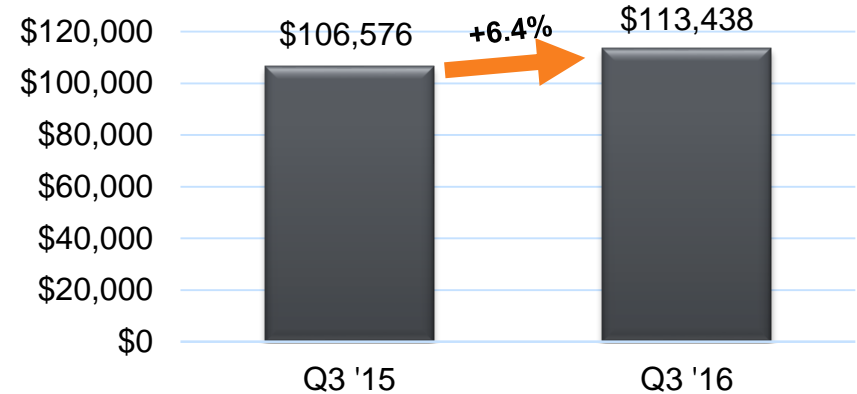
<\$1 million

(\$ thousands)



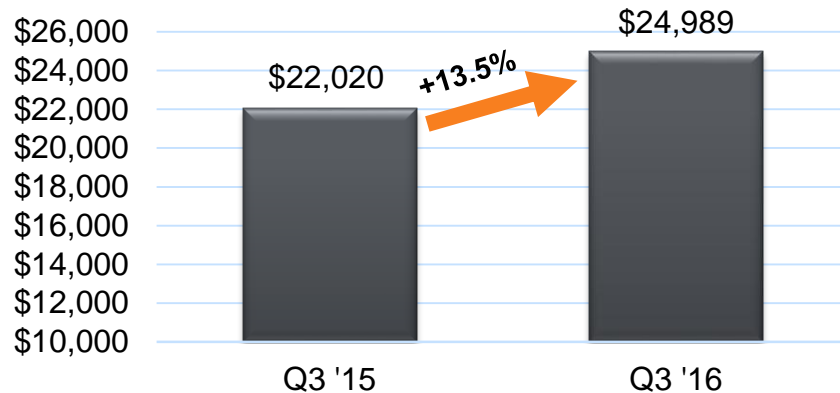
Private Client Market (\$1 - \$10 million)

(\$ thousands)



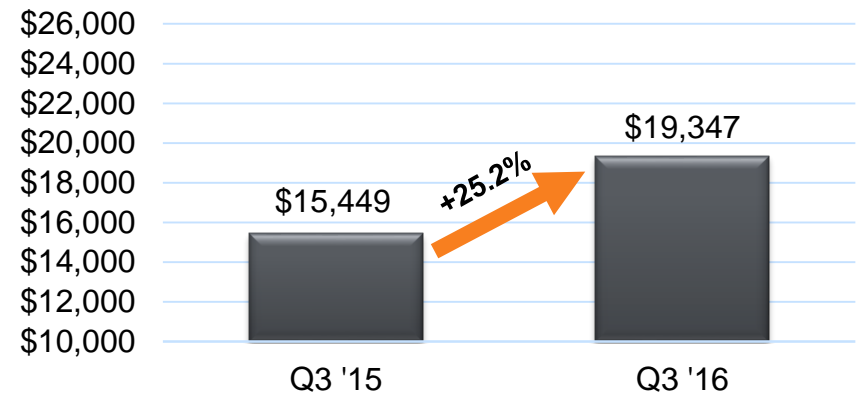
Middle Market (≥\$10 - \$20 million)

(\$ thousands)



Larger Transaction Market (≥\$20 million)

(\$ in thousands)



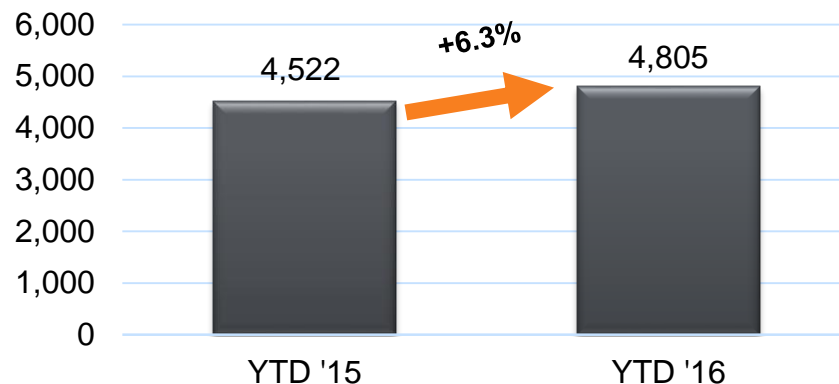
Year-to-Date Brokerage Operating Metrics

Total Sales Volume

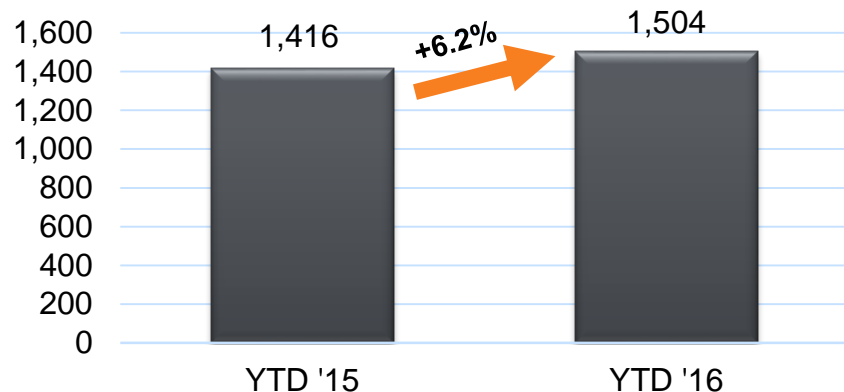
(\$ in billions)



Total Number Of Sales Transactions

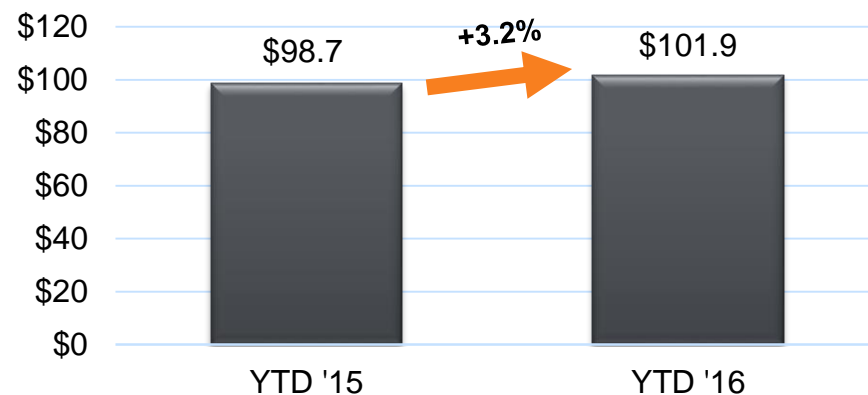


Average Investment Sales Professionals



Average Commission Per Transaction

(\$ in thousands)



Year-to-Date Brokerage Revenue by Market Segment

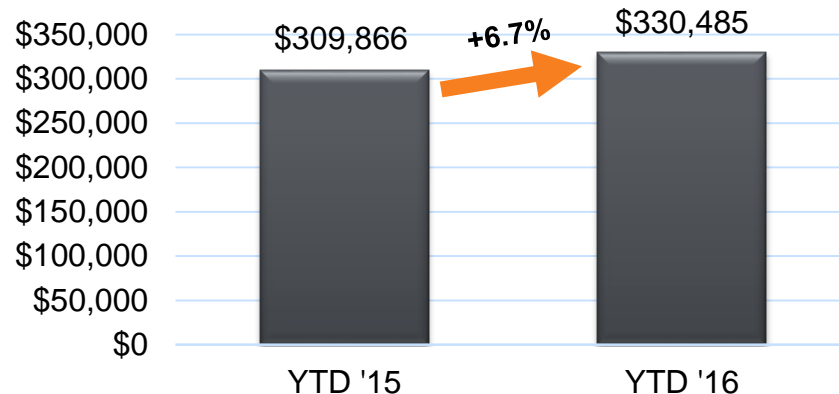
<\$1 million

(\$ thousands)



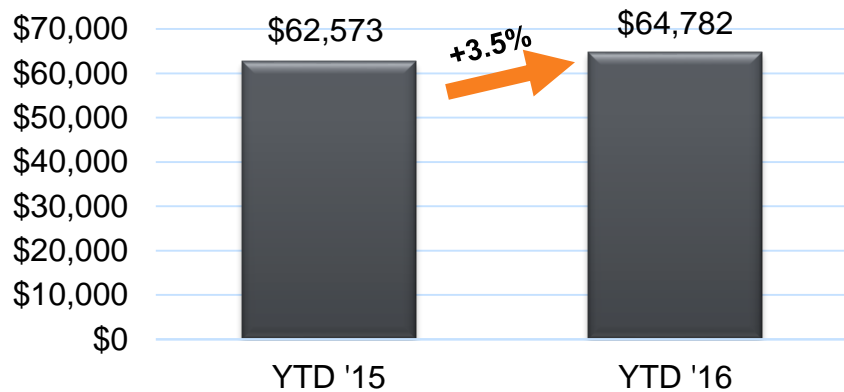
Private Client Market (\$1 - \$10 million)

(\$ thousands)



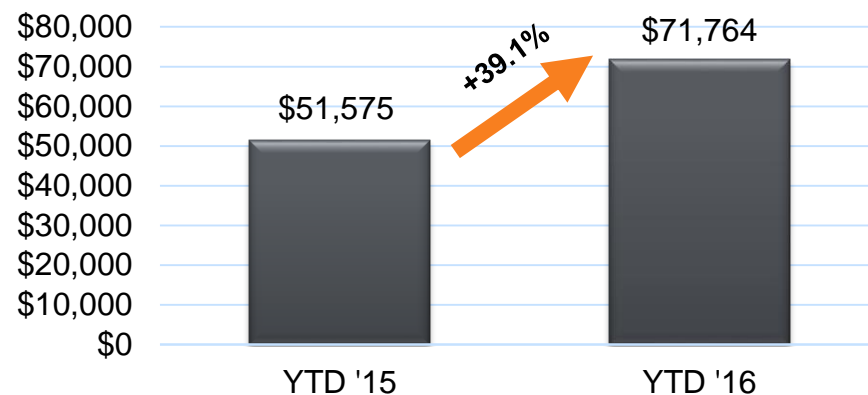
Middle Market (≥\$10 - \$20 million)

(\$ thousands)



Larger Transaction Market (≥\$20 million)

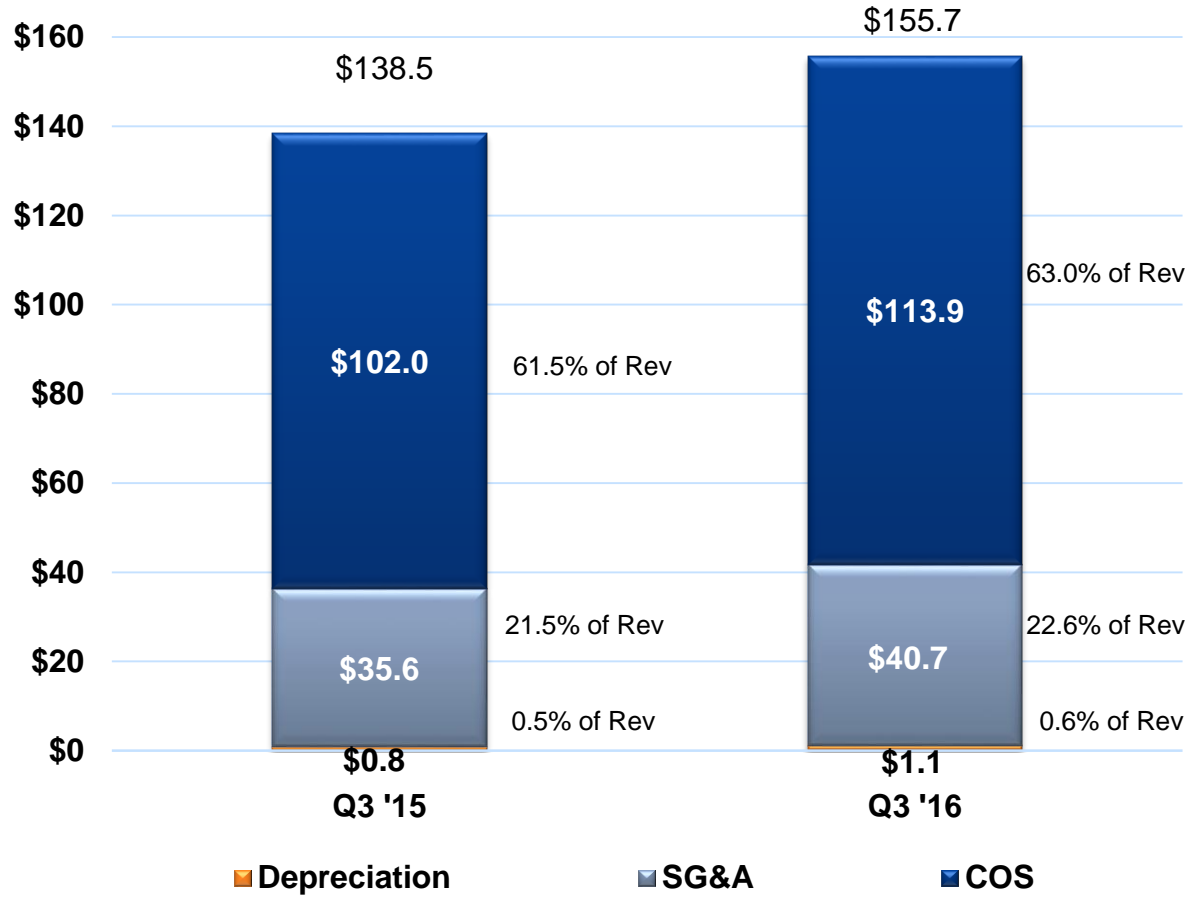
(\$ in thousands)



Q3 2016 Operating Expenses

Operating Expense

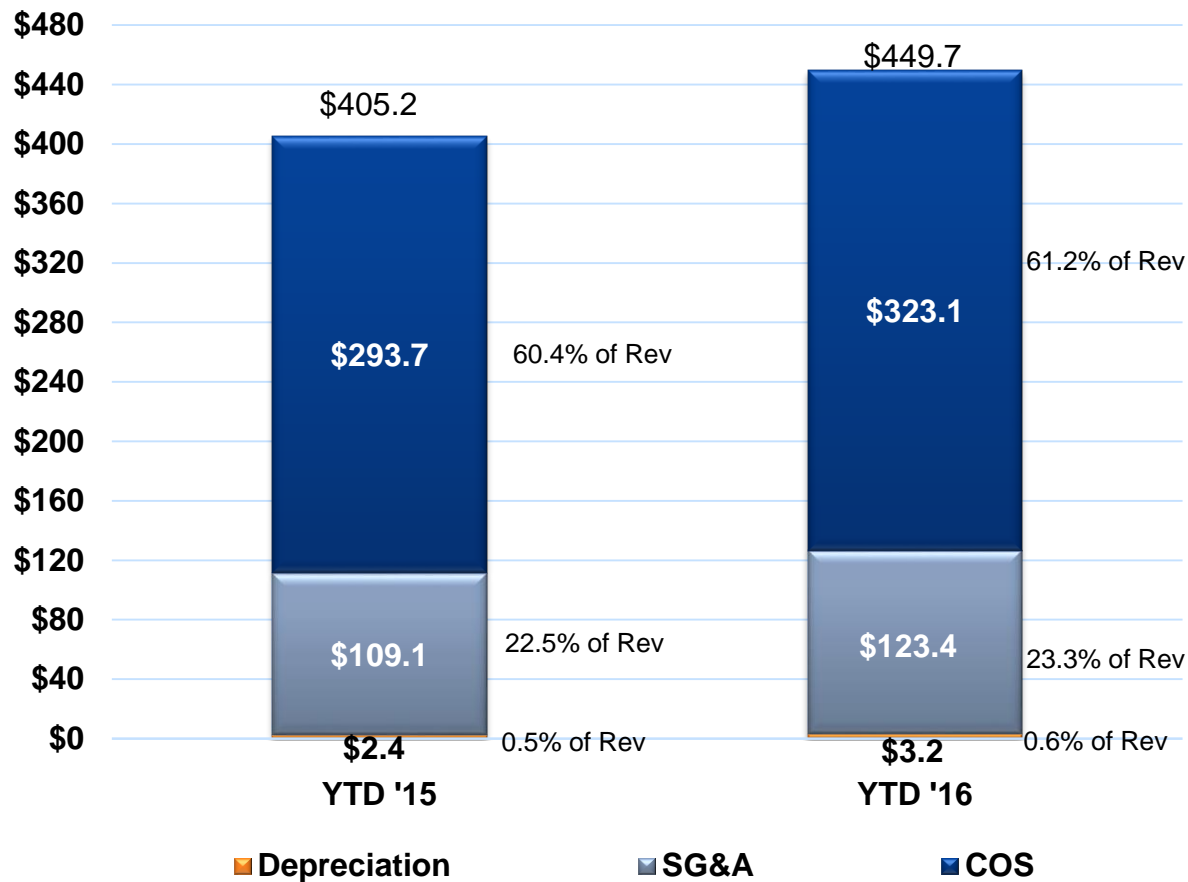
(\$ in millions)



Year-to-Date Operating Expenses

Operating Expense

(\$ in millions)



Q3 2016 Net Income and Adjusted EBITDA Performance

Net Income

(\$ in millions)



Adjusted EBITDA

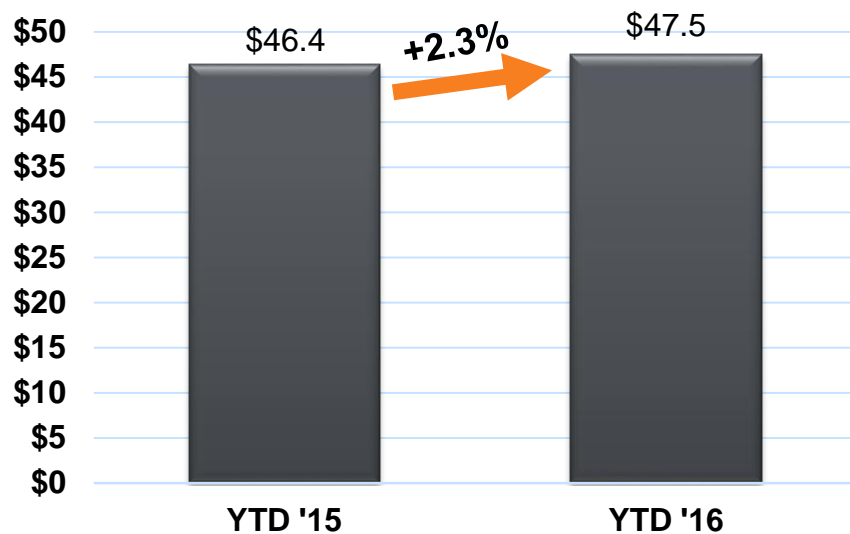
(\$ in millions)



Year-to-Date Net Income and Adjusted EBITDA Performance

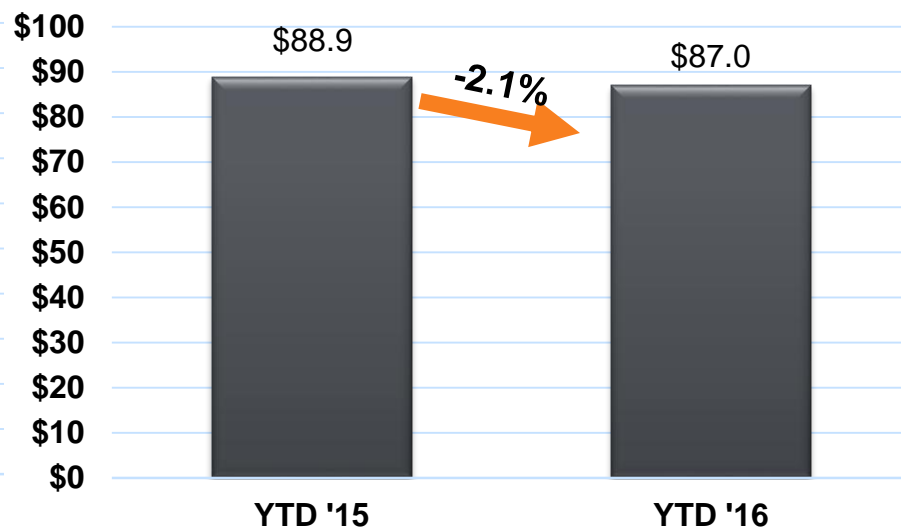
Net Income

(\$ in millions)



Adjusted EBITDA

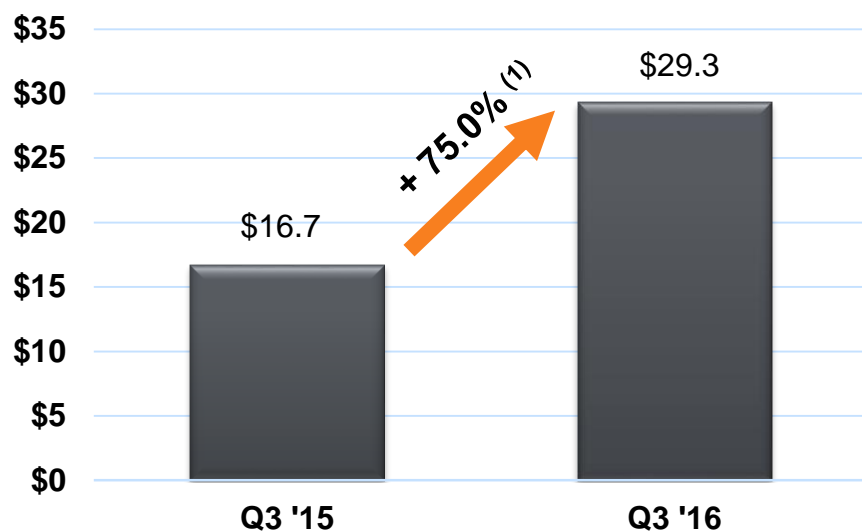
(\$ in millions)



Cash Flow Provided by Operating Activities

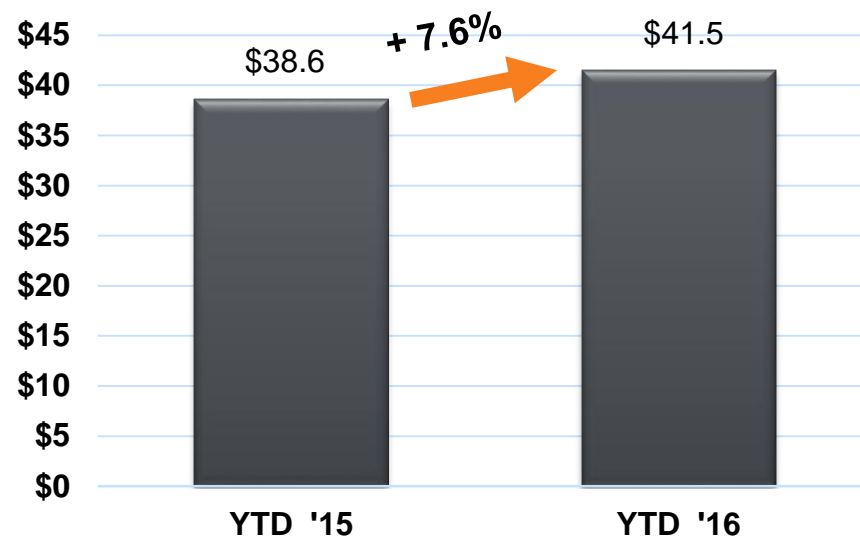
QTD Cash Flow Provided by Operating Activities

(\$ in millions)



YTD Cash Flow Provided by Operating Activities

(\$ in millions)

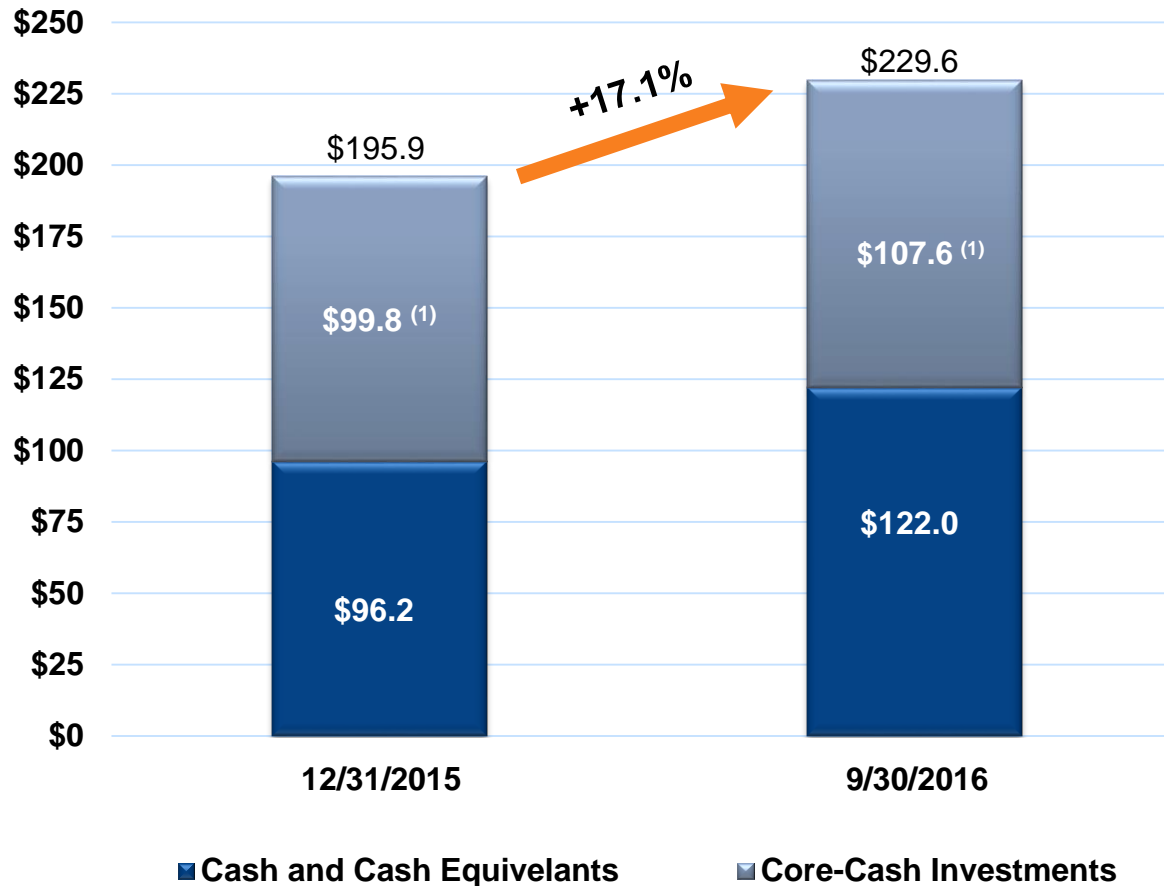


(1) Increase primarily due to differences in timing of payments and receipts.

Strong Liquid Capital Position

Cash on Hand and Core-Cash Investments

(\$ in millions)



(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 1.08 years and 0.65 years for the periods ended 9/30/16 and 12/31/15, respectively.

Appendix

Adjusted EBITDA Reconciliation

Adjusted EBITDA, which the Company defines as net income before interest income/expense, taxes, net realized gains on marketable securities, available for sale, depreciation and amortization and stock-based compensation is a non-GAAP financial measure. The Company uses Adjusted EBITDA in its business operations to, among other things, evaluate the performance of its business, develop budgets and measure its performance against those budgets. 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 it 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.

A reconciliation of the most directly comparable GAAP financial measure, net income, to Adjusted EBITDA is as follows (in thousands):

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 15,144	\$ 15,176	\$ 47,483	\$ 46,401
Adjustments:				
Interest income and other ⁽¹⁾	(514)	(323)	(1,245)	(997)
Interest expense	380	380	1,155	1,349
Provision for income taxes	10,100	11,398	31,524	32,994
Depreciation and amortization	1,149	802	3,164	2,389
Stock-based compensation	1,833	2,168	4,933	6,750
Adjusted EBITDA ⁽²⁾	\$ 28,092	\$ 29,601	\$ 87,014	\$ 88,886

(1) Other for the three months ended September 30, 2016 and 2015 includes \$16 and \$0 of net realized gains on marketable securities, available-for-sale. Other for the nine months ended September 30, 2016 and 2015 includes \$(119) and \$130 of net realized (losses) gains on marketable securities, available-for-sale.

(2) The decrease in Adjusted EBITDA for the three and nine months ended September 30, 2016, compared to the same period in the prior year is primarily due to lower stock-based compensation expense and a higher proportion of operating expenses compared to revenues.

Company Overview

National Platform Focused on Investment Brokerage

- 45-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 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

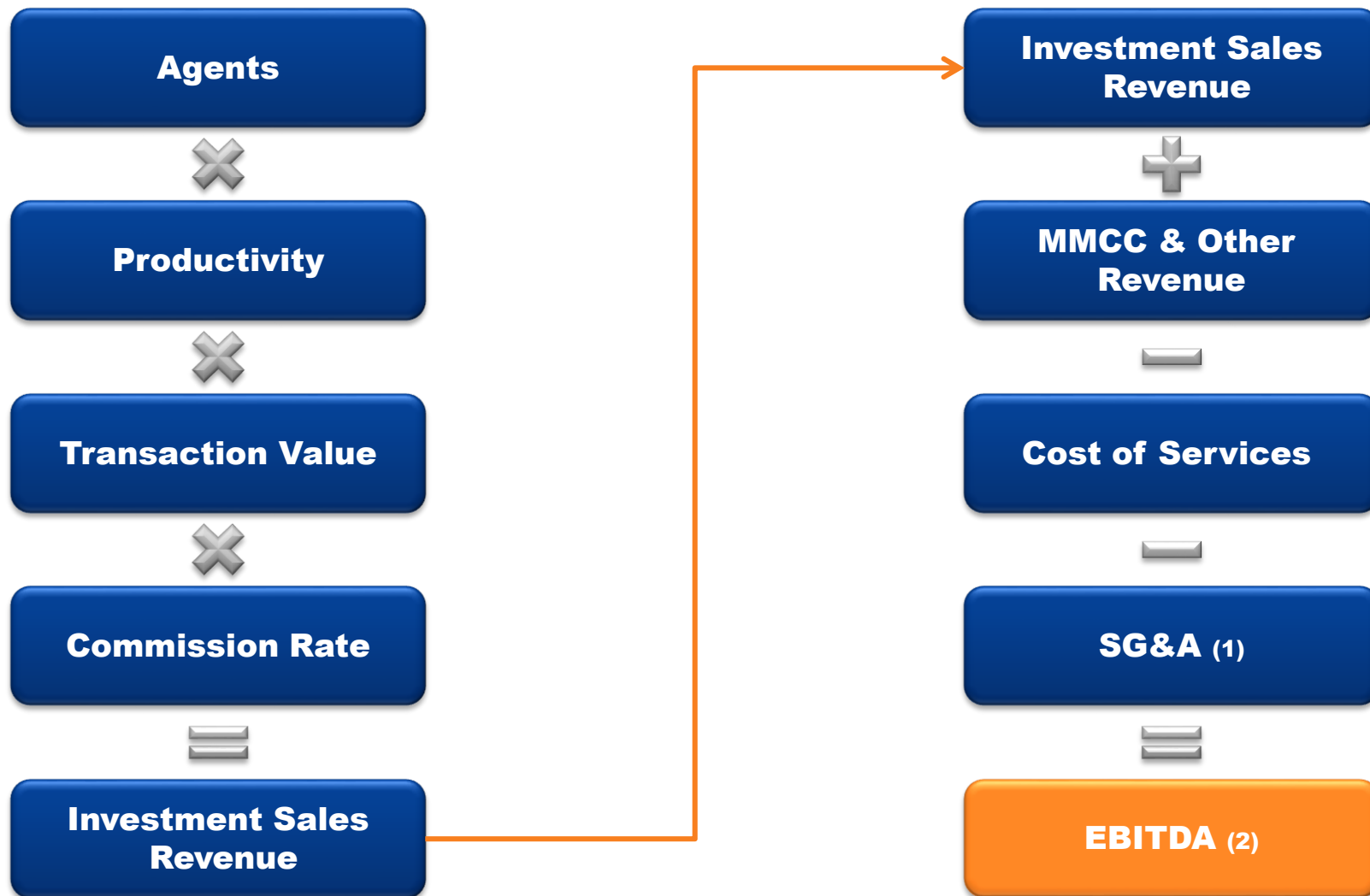
Management With Significant Investment Brokerage Experience

- 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 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.