

Marcus & Millichap



Third Quarter 2017 Earnings Conference Call

November 7, 2017

Forward-Looking Statements

Certain statements in this presentation are “forward-looking statements” within the meaning of the federal securities laws, including our business outlook for 2017 and beyond and expectations for market share growth. Statements about our beliefs and expectations and statements containing the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend,” “well-positioned” and similar expressions constitute forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results and performance in future periods to be materially different from any future results or performance suggested in forward-looking statements in this earnings press release. Investors are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements speak only as of the date of this earnings press release and, except to the extent required by applicable securities laws, the Company expressly disclaims any obligation to update or revise any of them to reflect actual results, any changes in expectations or any change in events. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements. Factors that could cause results to differ materially include, but are not limited to: (1) general economic conditions and commercial real estate market conditions, including the conditions in the global markets and, in particular, the U.S. debt markets; (2) the Company’s ability to attract and retain transaction professionals; (3) the Company’s ability to retain its business philosophy and partnership culture; (4) competitive pressures; (5) the Company’s ability to integrate new agents and sustain its growth; and (6) other factors discussed in the Company’s public filings, including the risk factors included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2017.

Conference Call Participants



Hessam Nadji

*President, Chief Executive
Officer & Director*



Marty Louie

Chief Financial Officer

MMI Financial Highlights

2017 Third Quarter Highlights

Financial Highlights

			<u>YOY</u>
Revenues	\$183.3 million	↑	1.5%
Net Income	\$15.5 million	↑	2.2%
Adjusted EBITDA	\$28.5 million	↑	1.4%

Operational Highlights

			<u>YOY</u>
Sales Volume ⁽¹⁾	\$10.1 billion	↓	(9.0)%
Transaction Closings	2,278	↓	(4.7)%
Investment Sales & Financing Professionals as of September 30, 2017	1,757	↑	5.1%

(1) Decrease in total sales volume is driven by a reduction in sales volume from consulting and advisory services.

Year-to-Date Highlights

Financial Highlights

			<u>YOY</u>
Revenues	\$516.9 million	↓	(2.2)%
Net Income	\$43.0 million	↓	(9.3)%
Adjusted EBITDA	\$79.6 million	↓	(8.5)%

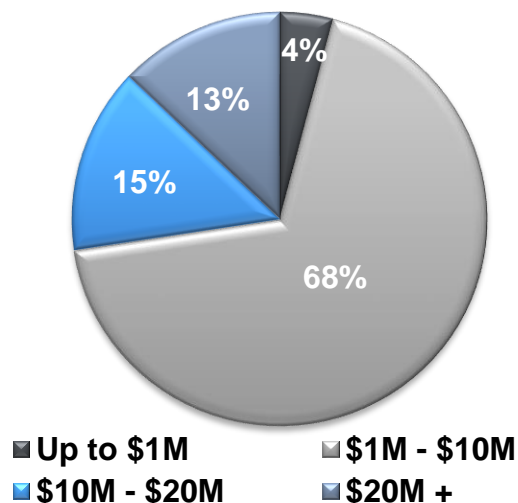
Operational Highlights

			<u>YOY</u>
Sales Volume	\$29.9 billion	↓	(4.6)%
Transaction Closings	6,536	↓	(2.2)%
Investment Sales & Financing Professionals as of September 30, 2017	1,757	↑	5.1%

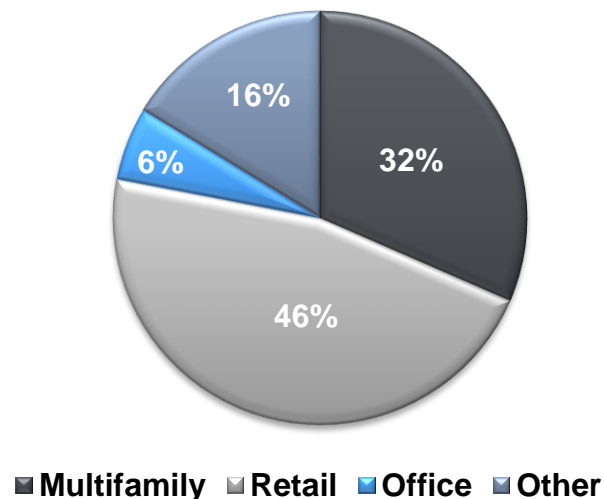
2017 Third Quarter Brokerage Highlights

Sales Volume	\$8.0 billion	↑	^{YOY} 5.2%
Transaction Closings	1,697	↑	4.0%
Investment Sales Professionals as of September 30, 2017	1,665	↑	6.1%
Real Estate Brokerage Commissions Revenue	\$169.4 million	↑	2.2%

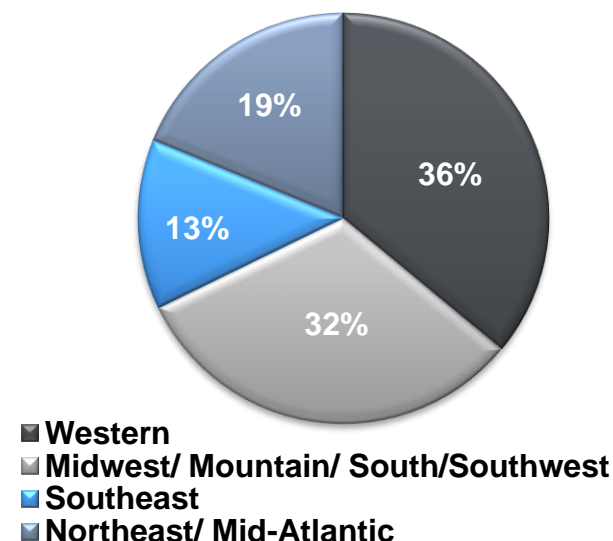
Revenue by Transaction Size



Transactions by Property Type



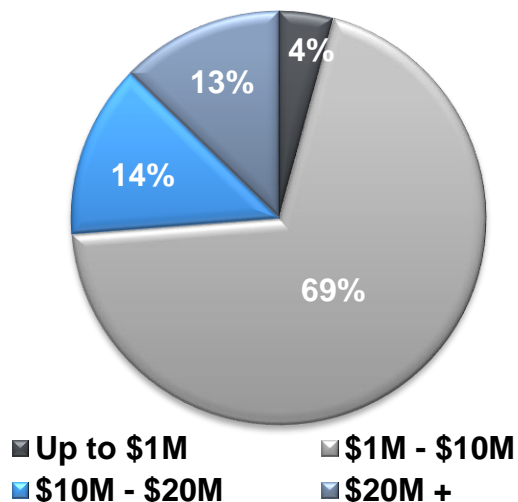
Transactions by Region



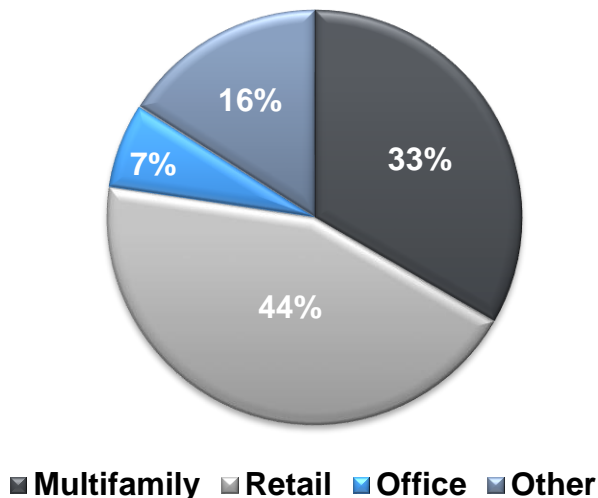
Year-to-Date Brokerage Highlights

Sales Volume⁽¹⁾	\$21.8 billion	↓	YOY (8.1)%
Transaction Closings	4,810	↑	0.1%
Investment Sales Professionals as of September 30, 2017	1,665	↑	6.1%
Real Estate Brokerage Commissions Revenue	\$472.1 million	↓	(3.6)%

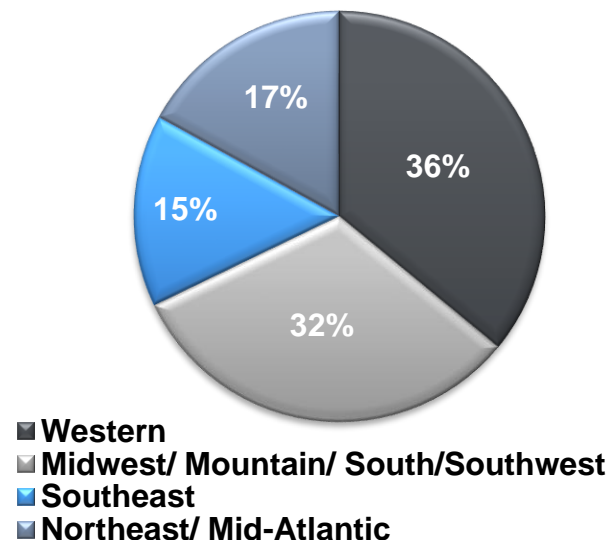
Revenue by Transaction Size



Transactions by Property Type



Transactions by Region

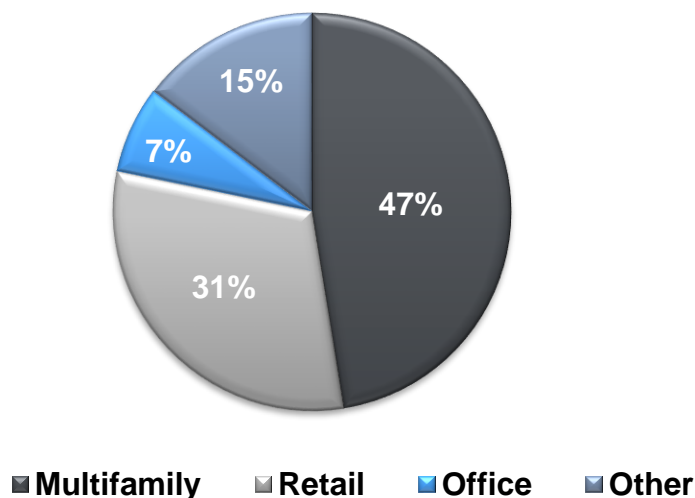


(1) Normalized sales volume, adjusting for one transaction in 1Q 2016, represents year over year reduction of 6.1%.

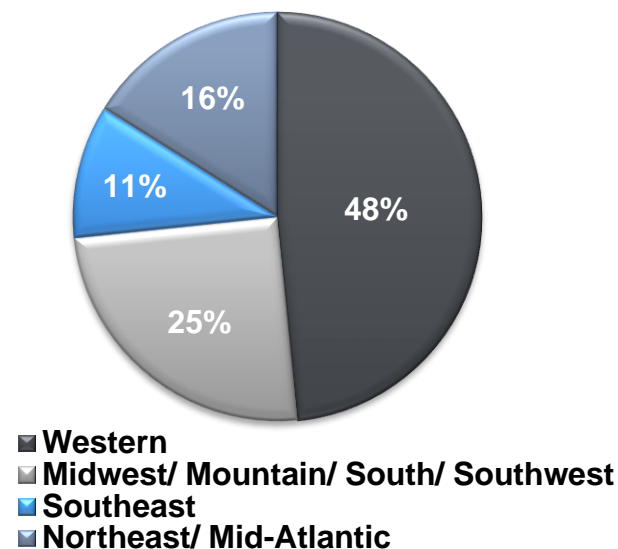
2017 Third Quarter Financing Highlights

Sales Volume	\$1.3 billion	↑	<u>YOY</u> 2.3%
Transaction Closings	409	↓	(6.0)%
Financing Professionals as of September 30, 2017	92	↓	(8.9)%
Financing Fees Revenue	\$11.4 million	↑	0.4%

Transactions by Property Type



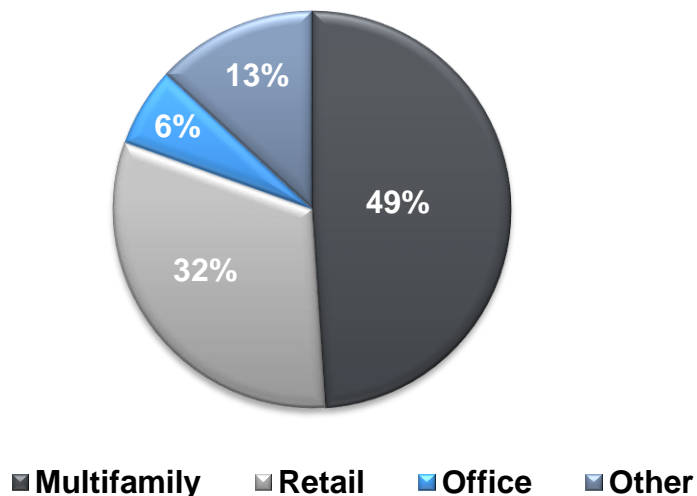
Transactions by Region



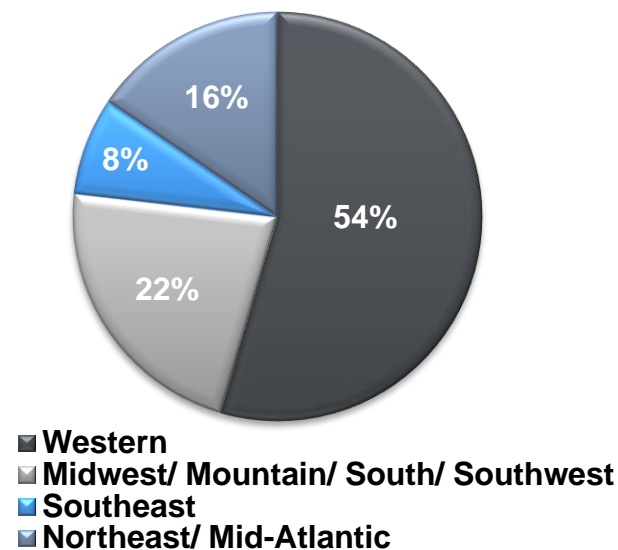
Year-to-Date Financing Highlights

Sales Volume	\$3.9 billion	↑	YOY 5.0%
Transaction Closings	1,208	↓	(0.2)%
Financing Professionals as of September 30, 2017	92	↓	(8.9)%
Financing Fees Revenue	\$34.1 million	↑	10.9%

Transactions by Property Type



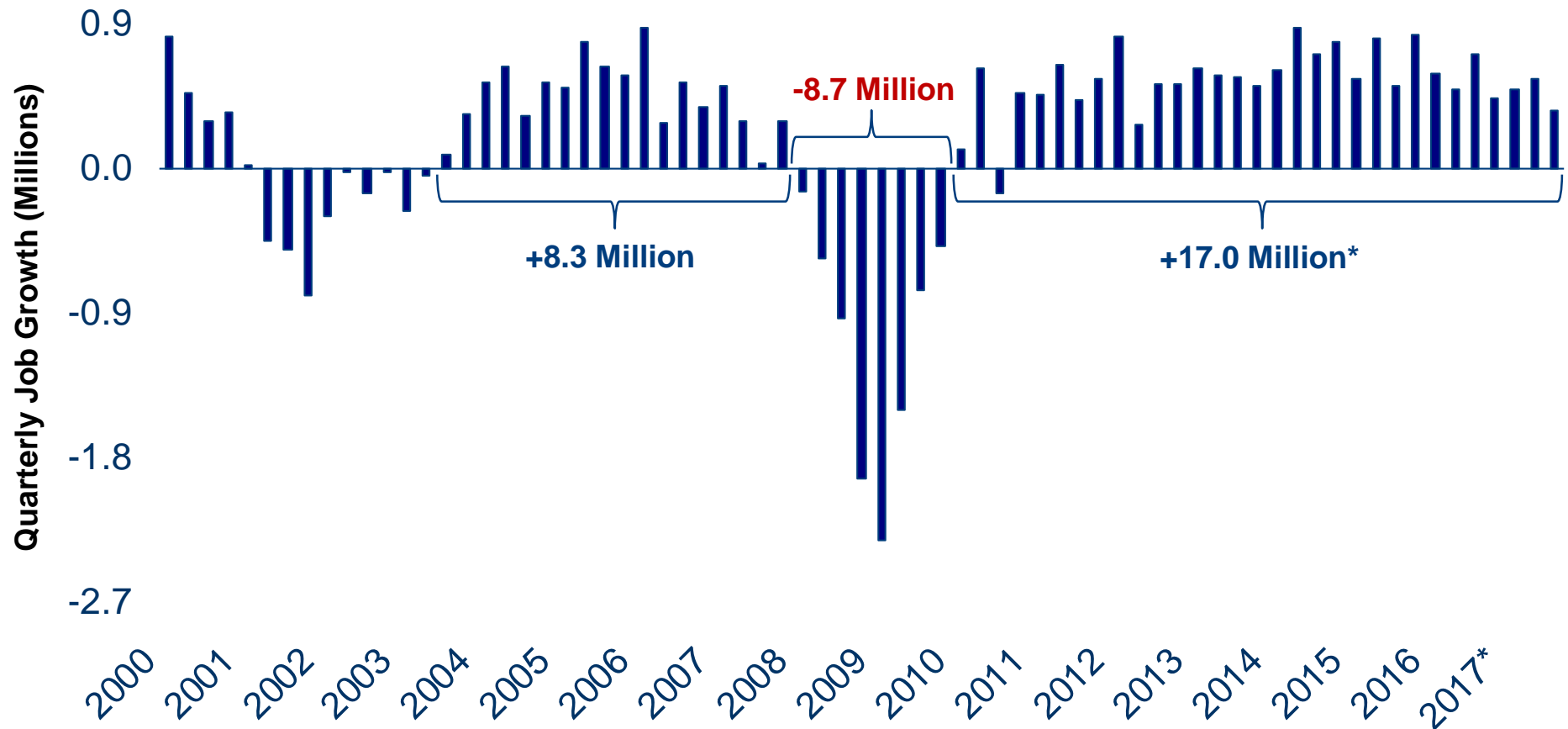
Transactions by Region



Market Highlights

U.S. Employment Gains Driving Real Estate Demand

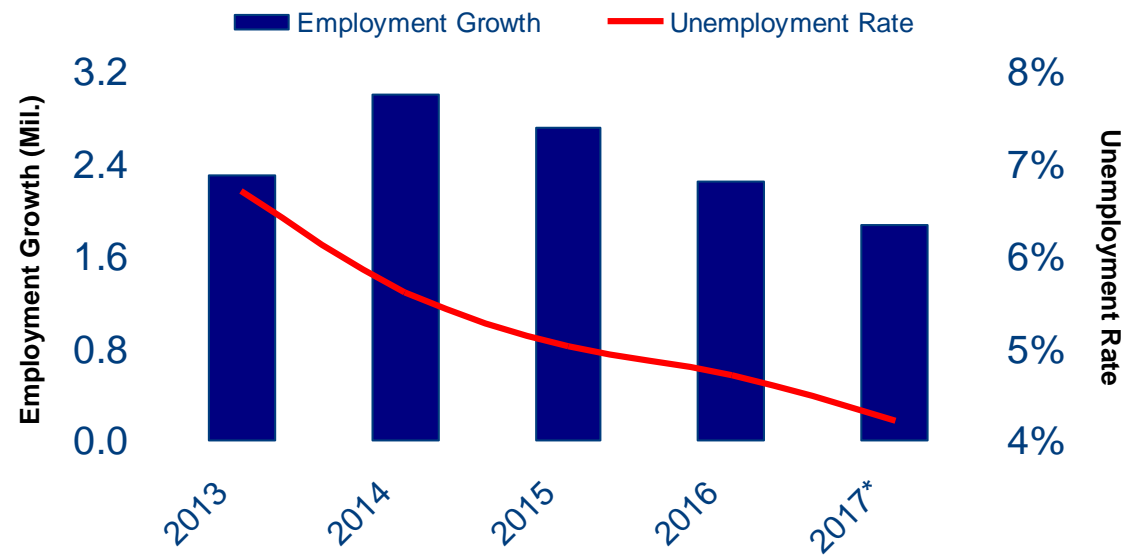
- U.S. employment has expanded well above prior peak
- 2017 forecast to add 2.1 million jobs**



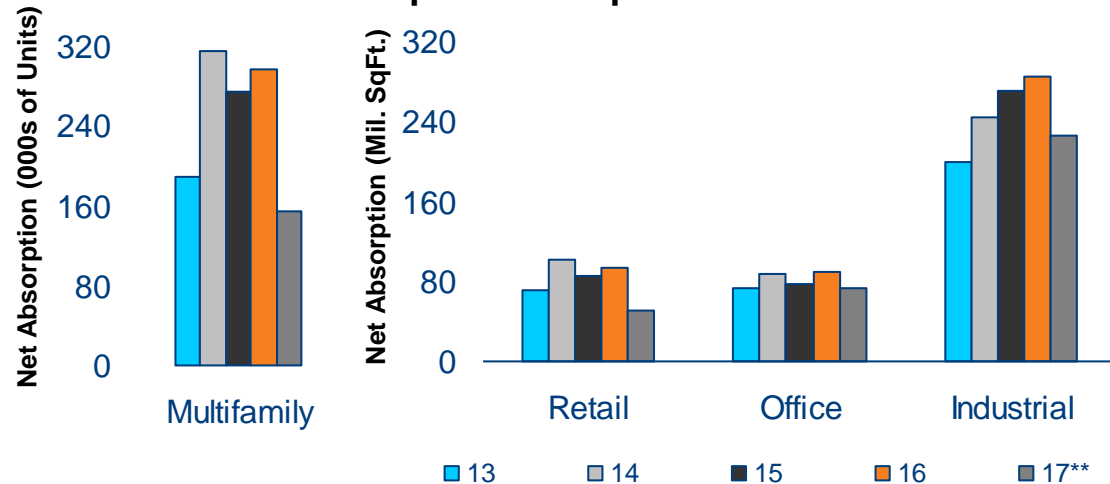
Labor Market at Full Employment; Absorption Trends Vary by Sector

- Employment growth totaled nearly 1.9 million jobs in the past 12 months
- Total employment stands 8.3 million above the pre-recession peak
- Unemployment rate is down 250 basis points since 2013
- Space absorption for office and industrial remain solid
- Apartment and retail absorption variation widening by location, type and age of property

Employment Growth vs. Unemployment Rate



Space Absorption Trends



Sources: BLS, CoStar Group, Inc., MPF Research

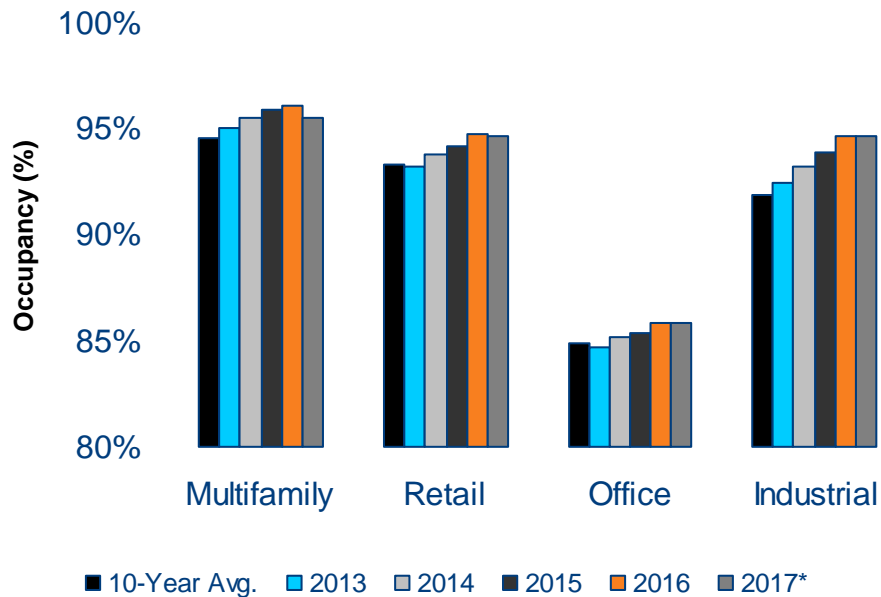
* Through 3Q; trailing 12-months through 3Q for employment growth

** Preliminary estimate for trailing 12-months through 3Q

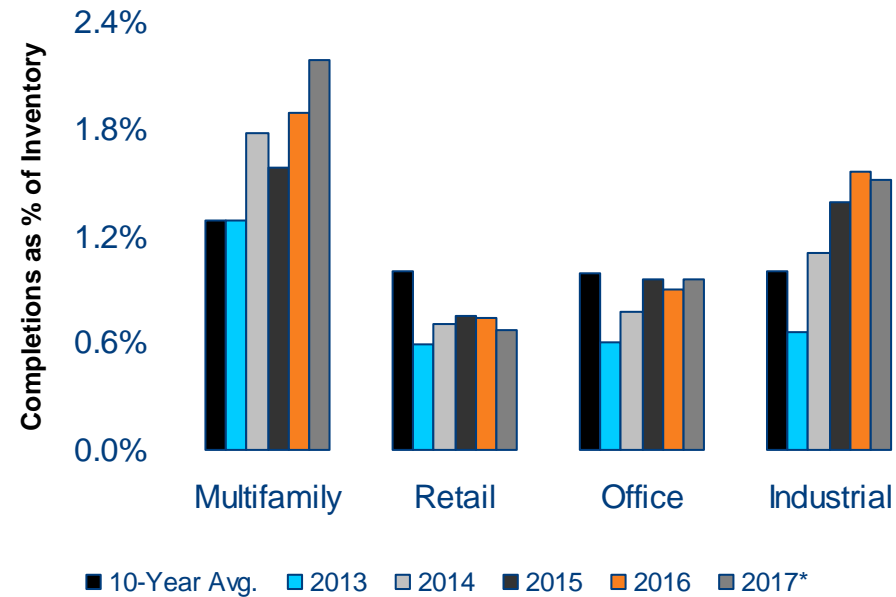
Property Fundamentals Remain Healthy; Construction Trends Vary

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

Occupancy Trends



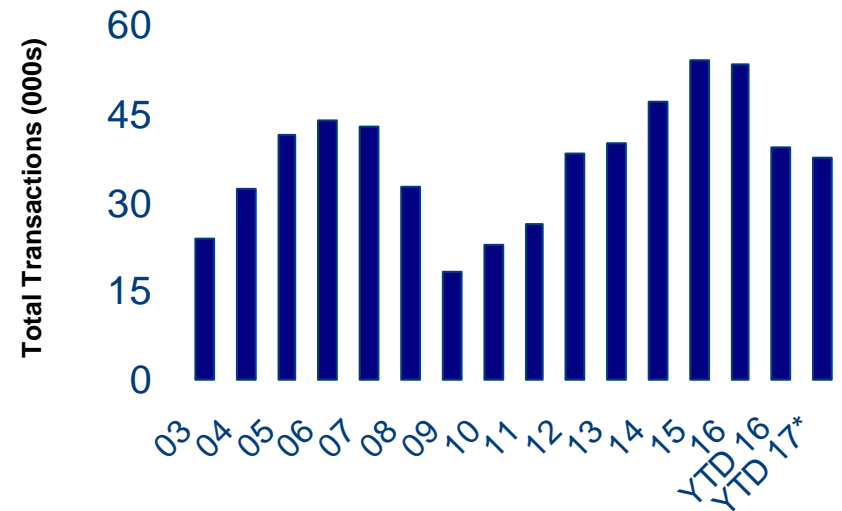
Construction Trends



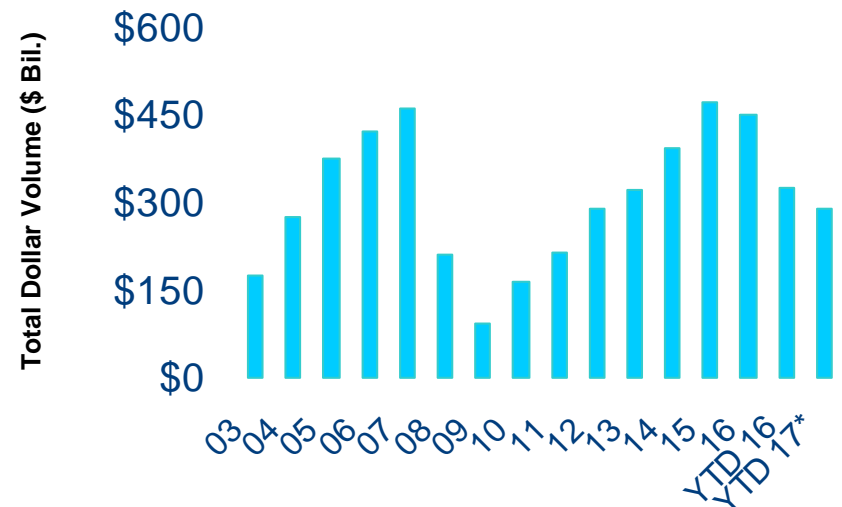
Investment Sales Market Still Active Despite Recent Slowdown

- Post-election interest rate volatility, uncertainty regarding tax reform and economic initiatives, tempering transactions in the short-term
- Throughout 2017, transactional activity has been declining by 5%-7%⁽¹⁾ with dollar volume lower by 10%-14%⁽¹⁾
- Healthy fundamentals and eventual policy clarity expected to improve real estate capital flows

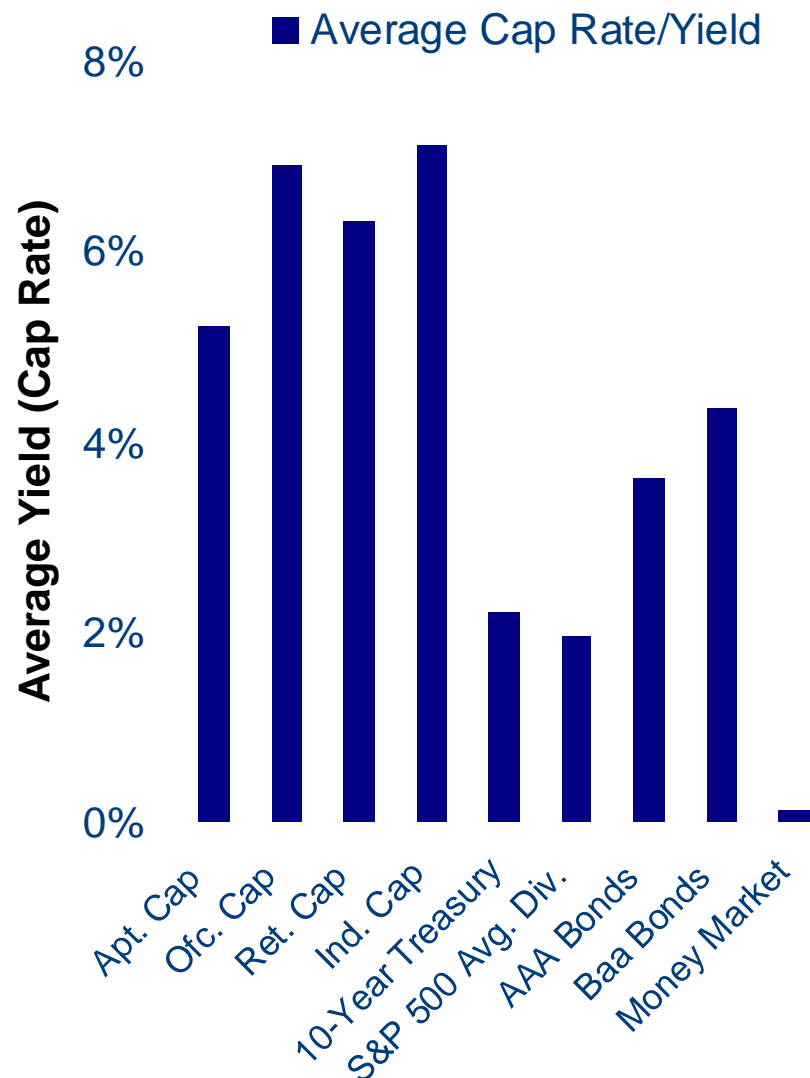
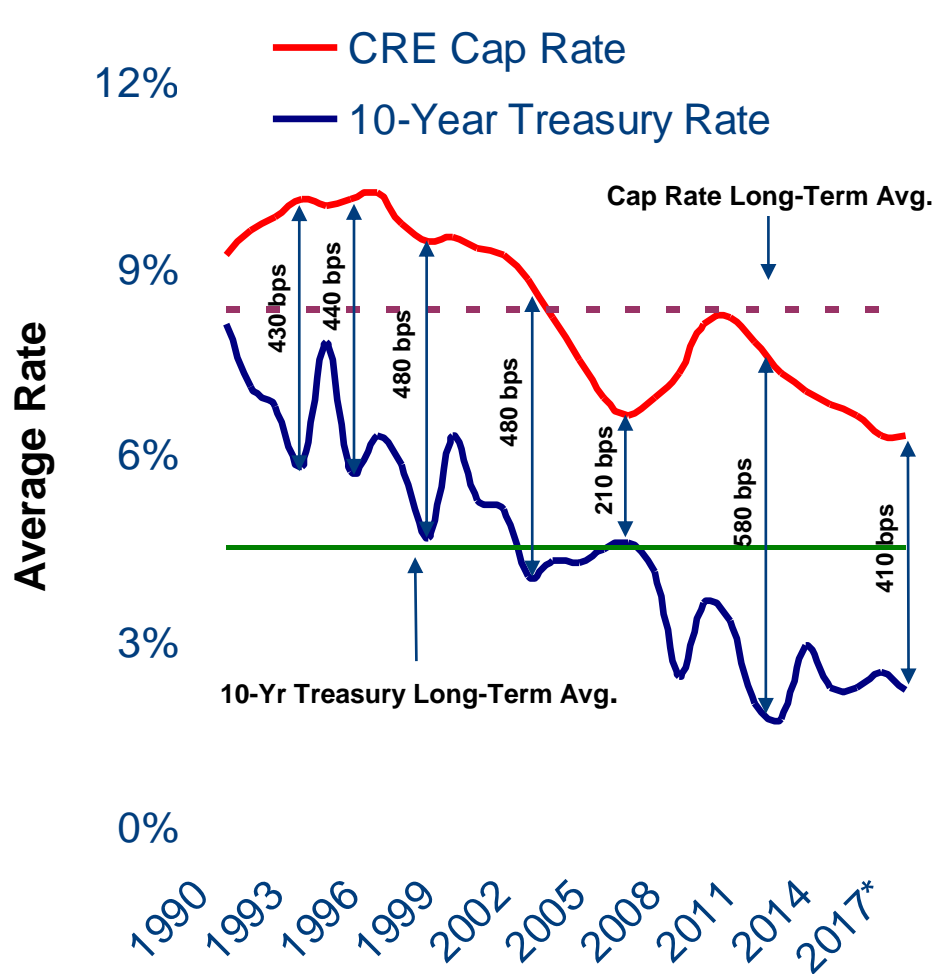
U.S. Commercial Real Estate - Total Transactions ⁽¹⁾



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

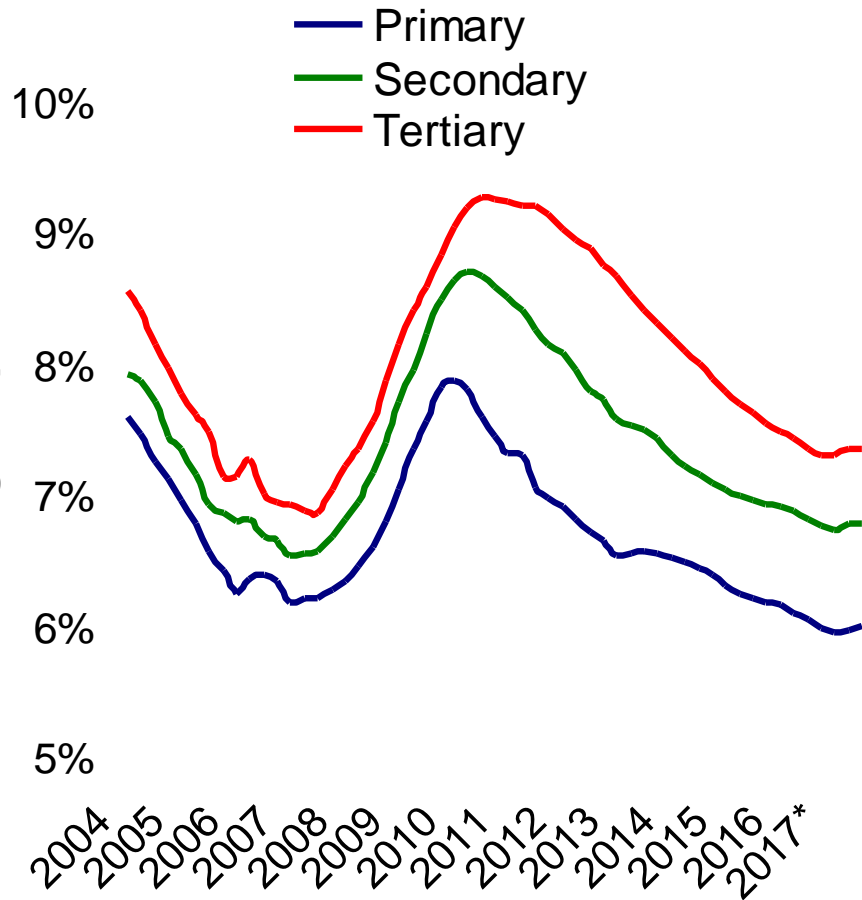


Commercial Real Estate Yields Compelling

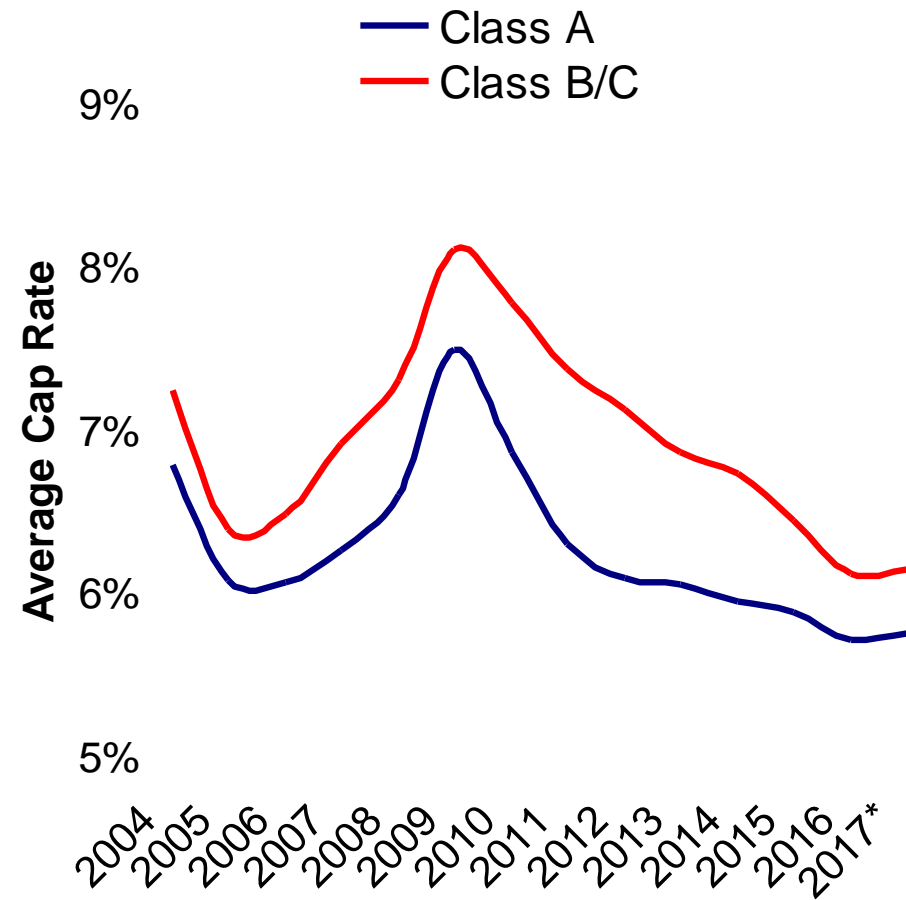


Commercial Real Estate Cap Rate Trends

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

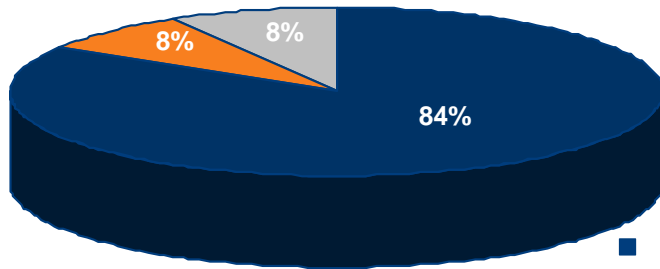
MMI Market Position

Private Client Market Segment – Largest Sales and Commission Pool Opportunity

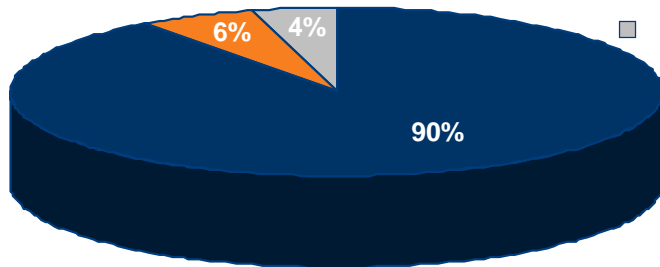
- Market segment consists of sales \$1 million - \$10 million; is the largest and most active, accounting for 80%+ of transactions
- Primarily driven by high-net worth individuals, partnerships and smaller private fund managers
- Influenced by personal drivers that result in buying/selling/refinancing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

Transactions by Investor Segment ⁽¹⁾

Commercial Real Estate Market

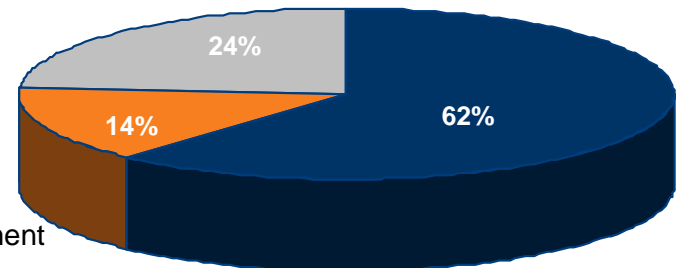


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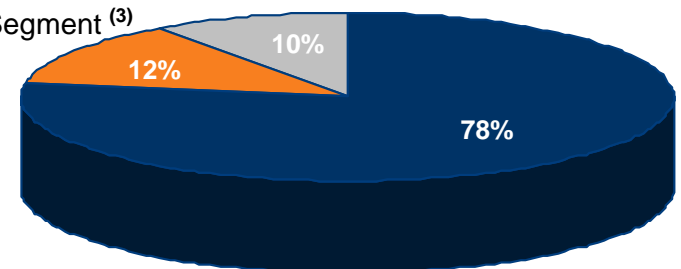


Commission Pool by Investor Segment ^{(1) (2)}

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 2017; 3Q preliminary estimate for market total.

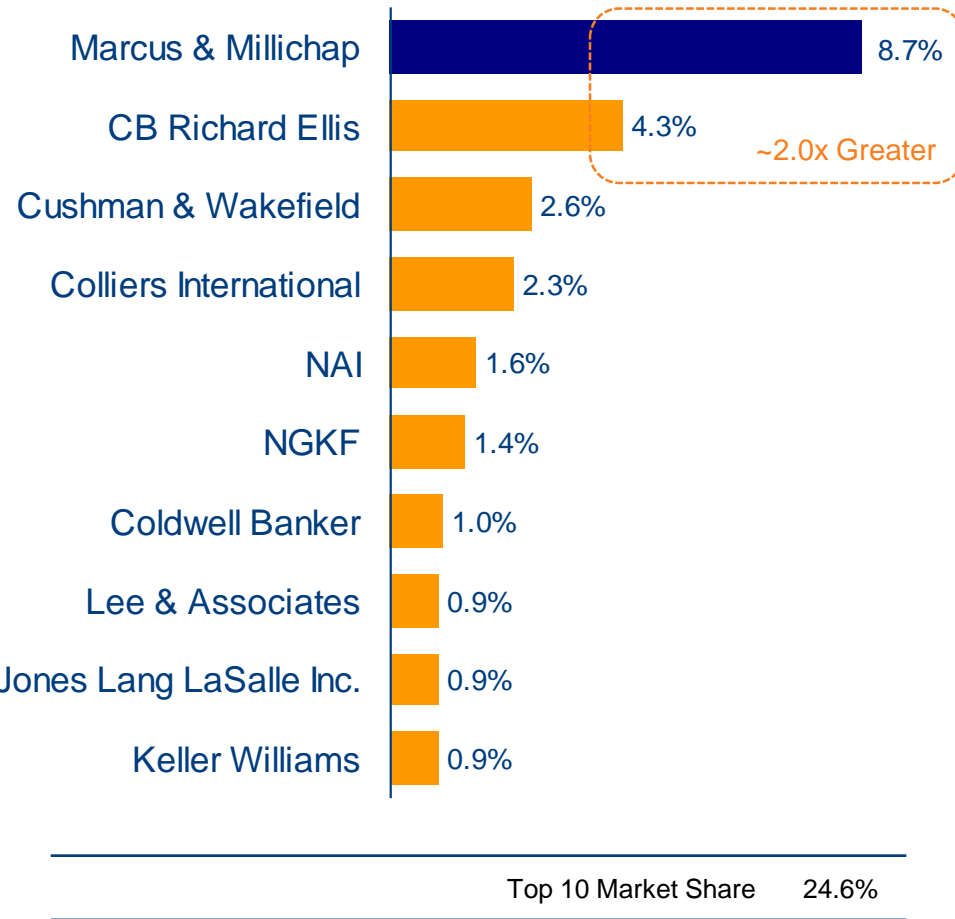
Commercial Real Estate market totaled an estimated 51,102 transactions, with \$7.7 billion in total commission pool.

(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.

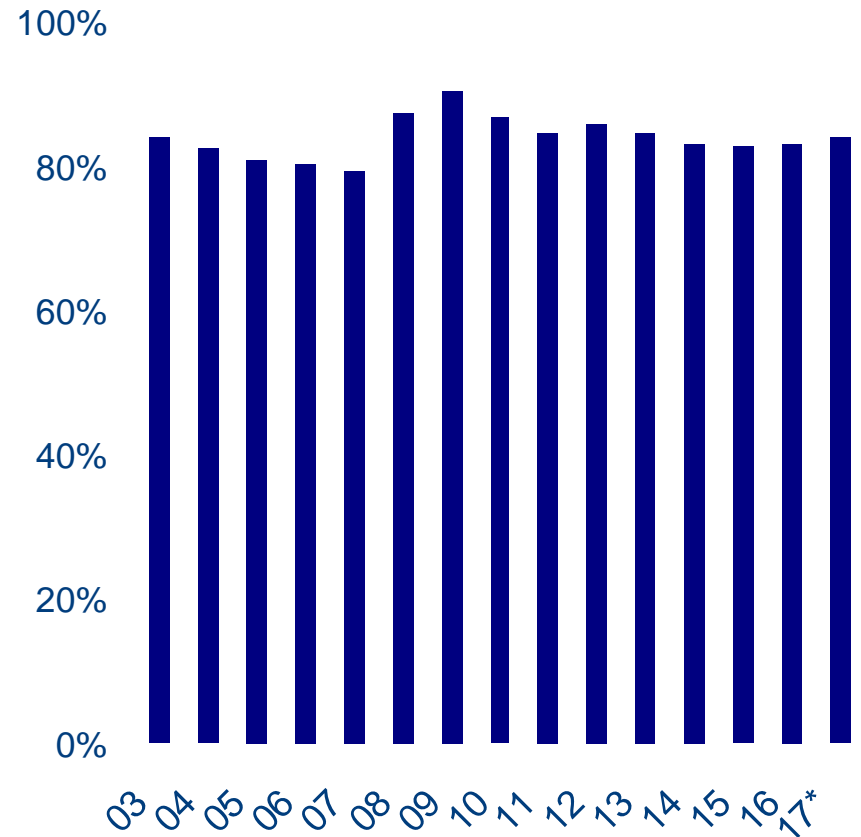
(3) Middle Market segment (previously referred to as hybrid segment) and Larger Transaction Market segment (previously referred to as Institutional Market segment).

MMI – Private Client Market Leader with Growth Opportunity

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



**Private Client Market Segment (\$1M - \$10M)
Transactions as Percentage of Total Transactions ⁽²⁾**



Market Share Growth Opportunity by Property Type

MMI YTD 3Q 2017 Transactions by Property Type ⁽¹⁾

Property Type	Transactions	Volume (\$Billion)
Multifamily	2,357	\$15.0
Retail	2,651	\$8.5
Office	484	\$2.0
Industrial	255	\$0.9
Hospitality	164	\$0.8
Self-Storage	143	\$0.8
Land	210	\$0.5
Manufactured Housing	63	\$0.4
Seniors Housing	41	\$0.4
Mixed - Use / Other	168	\$0.6
Total	6,536	\$29.9

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

(1) Includes investment sales, financing and other transactions in YTD 3Q 2017

MMI Financial Detail

Q3 2017 Total Revenues Increased By 1.5% From Prior Year

Revenues
(\$ in millions)



Year-to-Date Total Revenues Decreased By 2.2% From Prior Year

Revenues

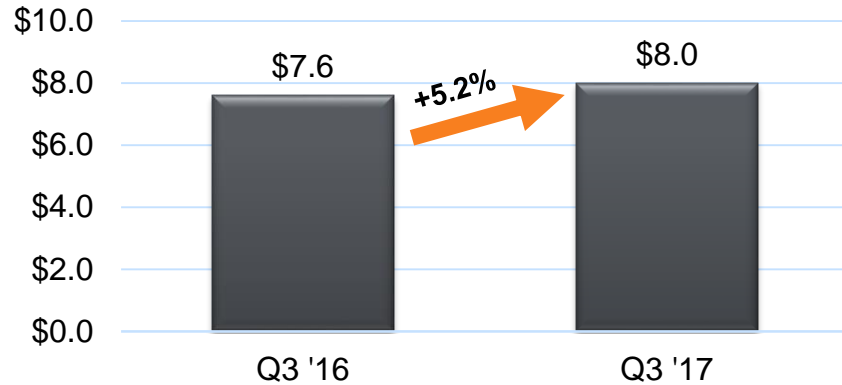
(\$ in millions)



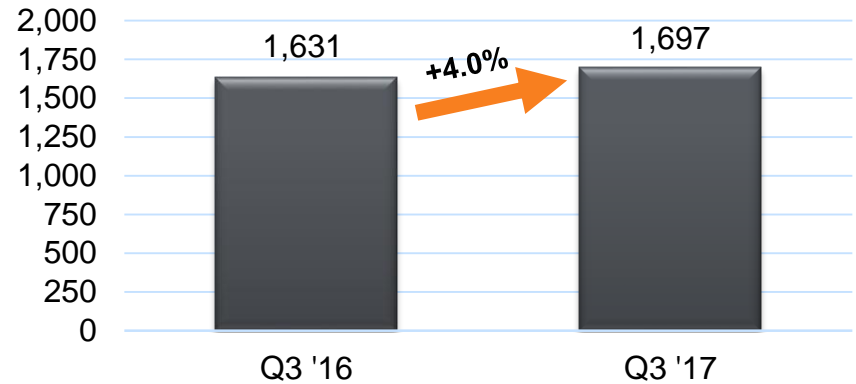
Q3 2017 Brokerage Operating Metrics

Total Sales Volume

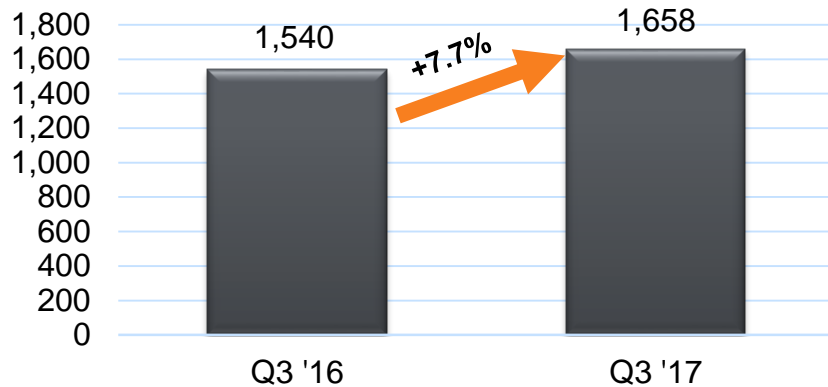
(\$ in billions)



Total Number Of Sales Transactions

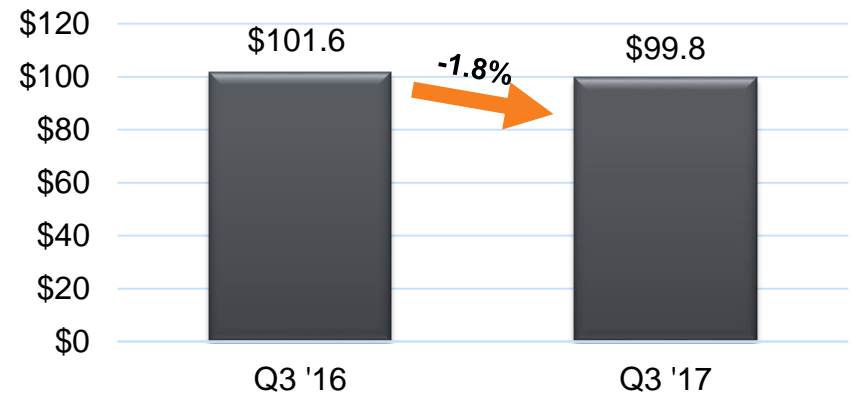


Average Investment Sales Professionals



Average Commission Per Transaction

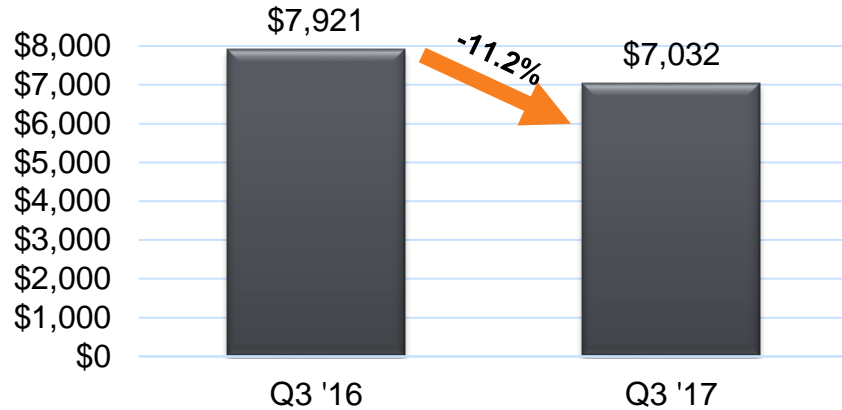
(\$ in thousands)



Q3 2017 Brokerage Revenue by Market Segment

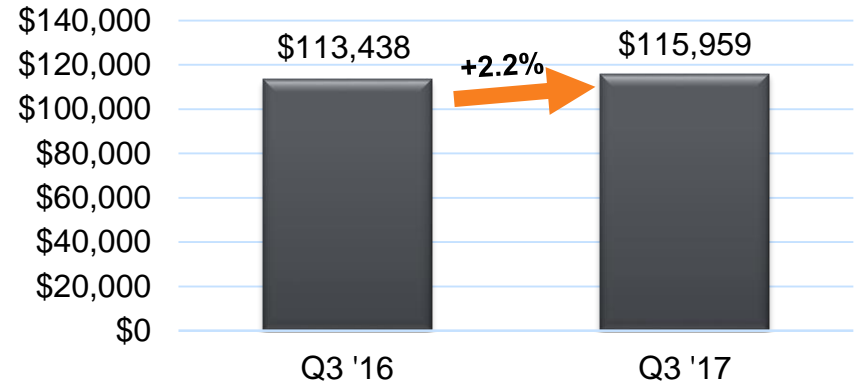
<\$1 million

(\$ thousands)



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

(\$ thousands)



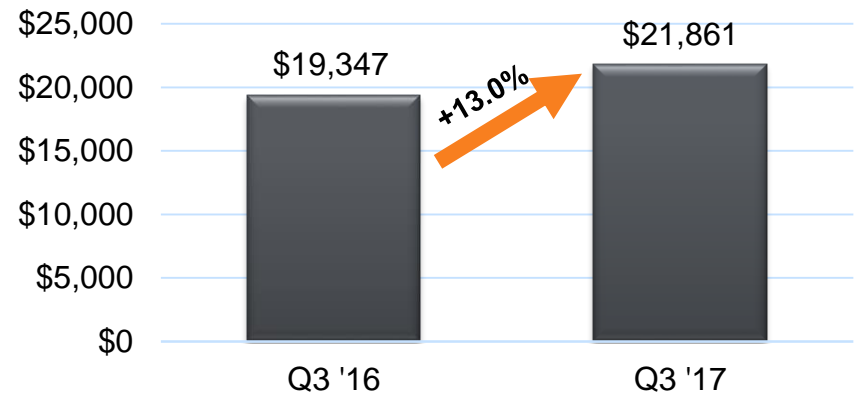
Middle Market (≥ \$10 - \$20 million)

(\$ thousands)



Larger Transaction Market (≥ \$20 million)

(\$ in thousands)



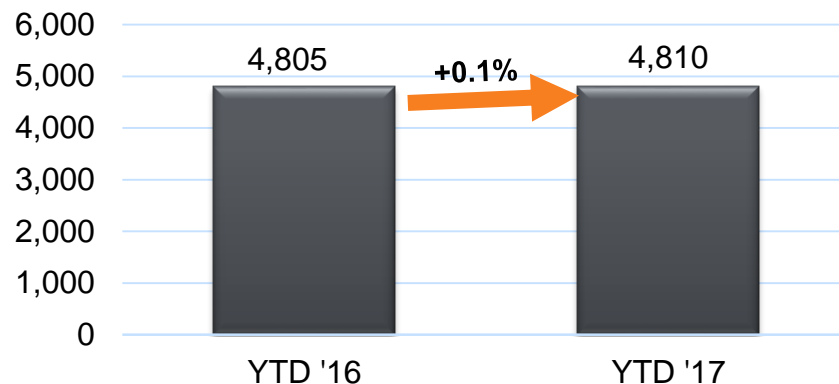
Year-to-Date Brokerage Operating Metrics

Total Sales Volume

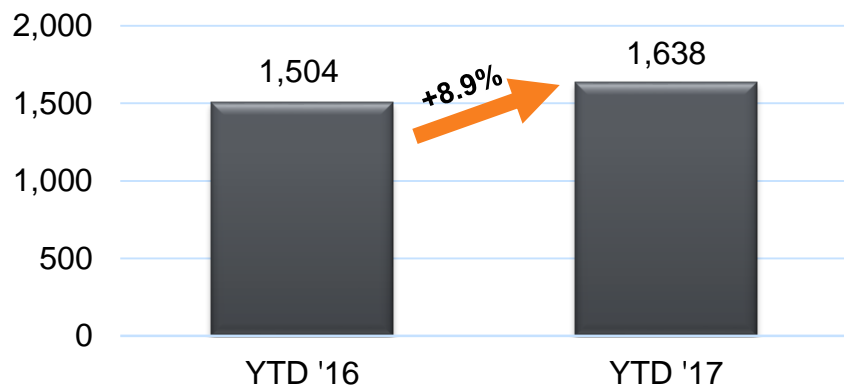
(\$ in billions)



Total Number Of Sales Transactions



Average Sales Professionals



Average Commission Per Transaction

(\$ in thousands)



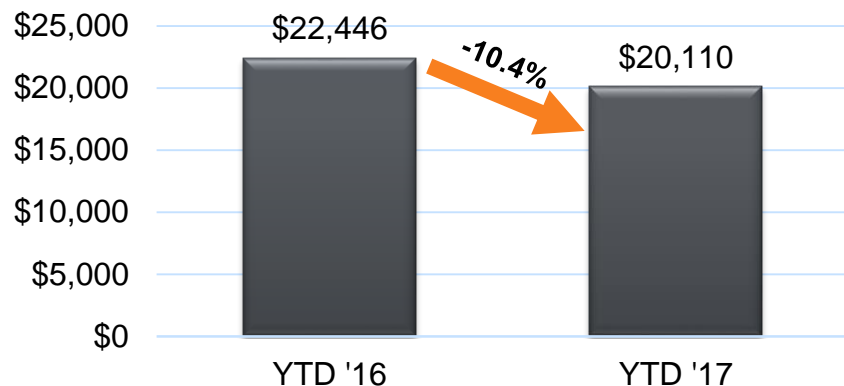
(1) Normalized sales volume, adjusting for one large transaction in 1Q 2016, represents year over year reduction of 6.1%

(2) Normalized average commission per transaction, adjusting for one large transaction in 1Q 2016, represents year over year reduction of 3.3%

Year-to-Date Brokerage Revenue by Market Segment

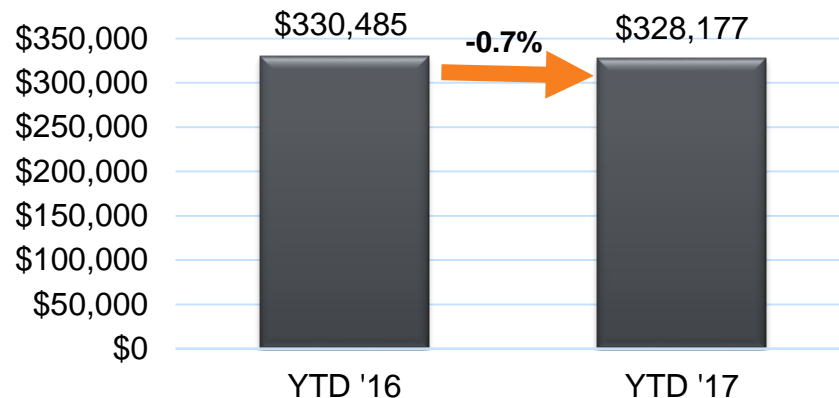
<\$1 million

(\$ thousands)



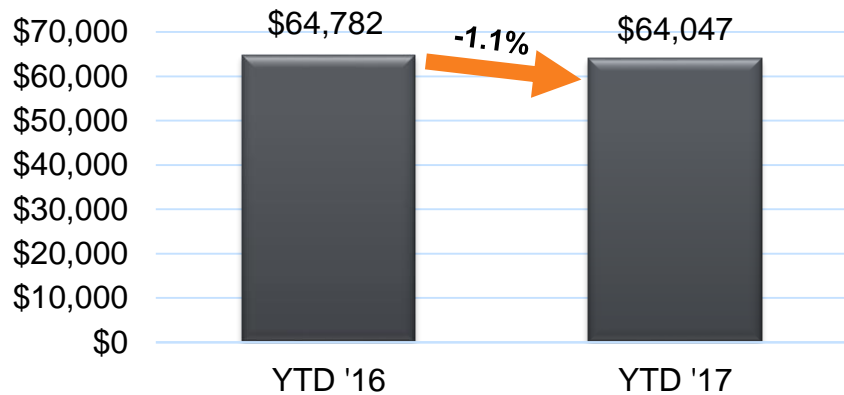
Private Client Market (\$1 - \$10 million)

(\$ thousands)



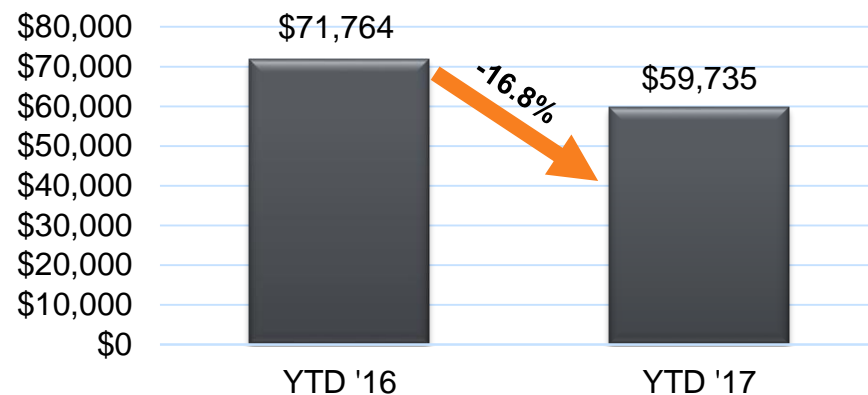
Middle Market (≥ \$10 - \$20 million)

(\$ thousands)



Institutional Market (≥ \$20 million)

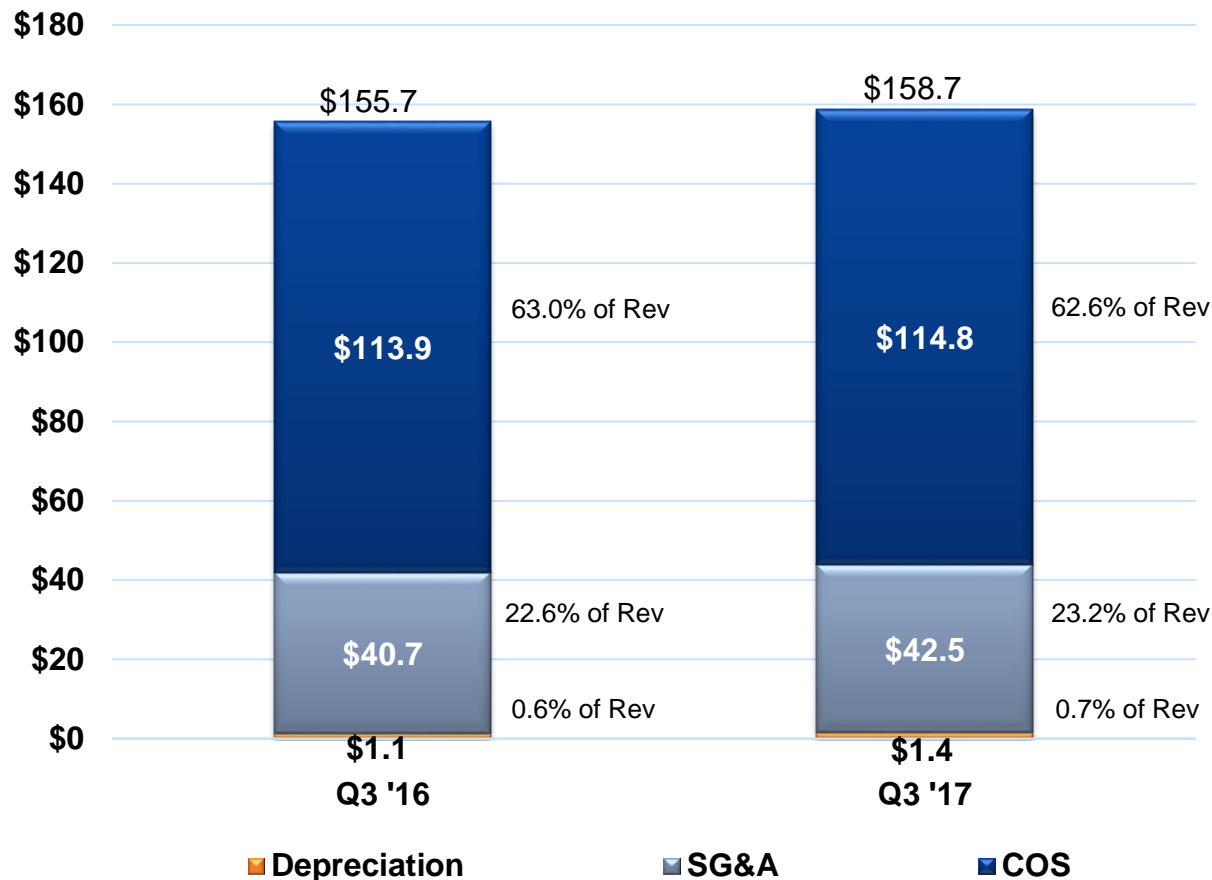
(\$ in thousands)



Q3 2017 Operating Expenses

Operating Expenses

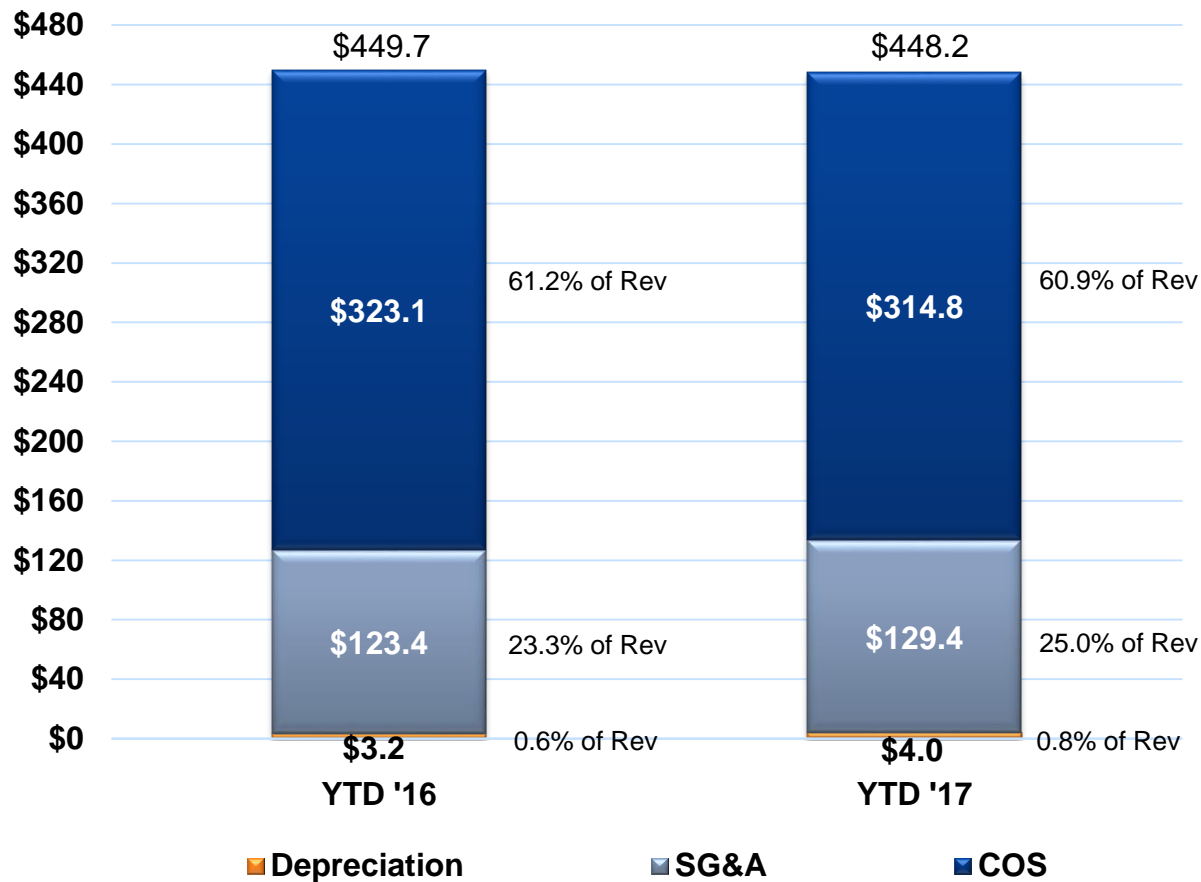
(\$ in millions)



Year-to-Date Operating Expenses

Operating Expenses

(\$ in millions)



Q3 2017 Net Income and Adjusted EBITDA Performance

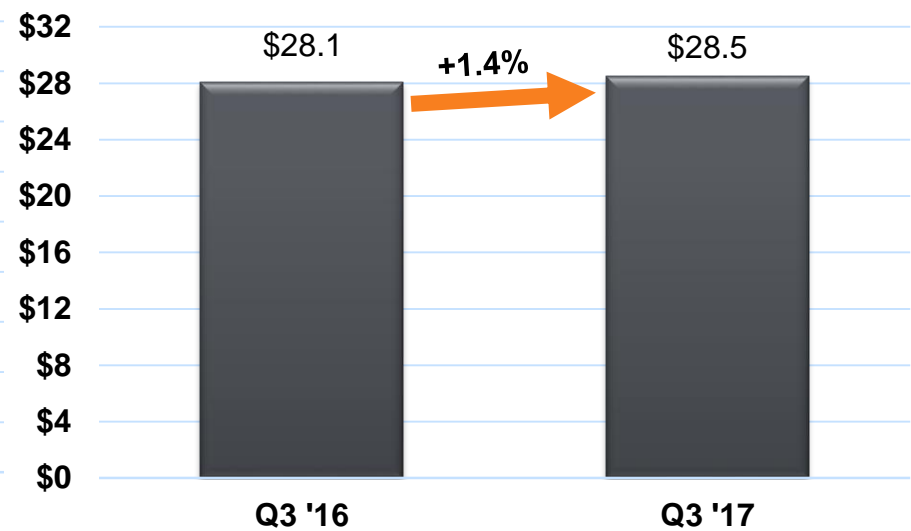
Net Income

(\$ 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

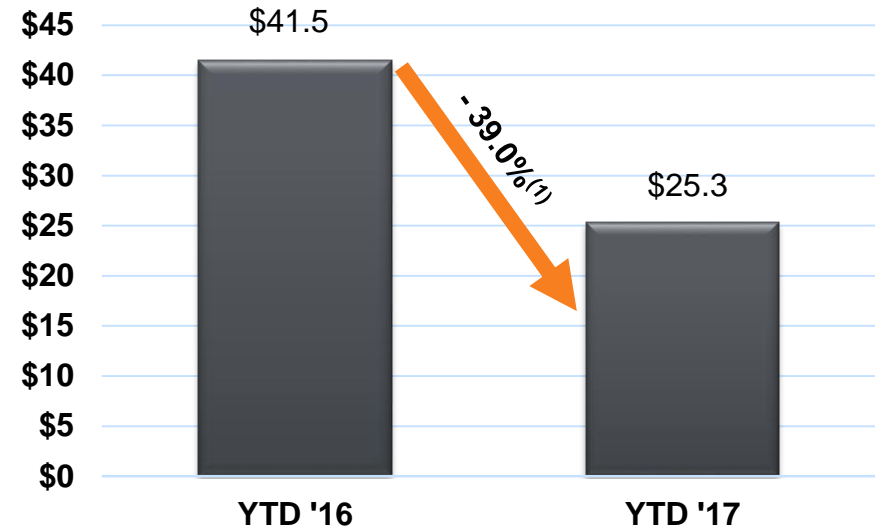
QTD Cash Flow Provided by Operating Activities

(\$ in millions)



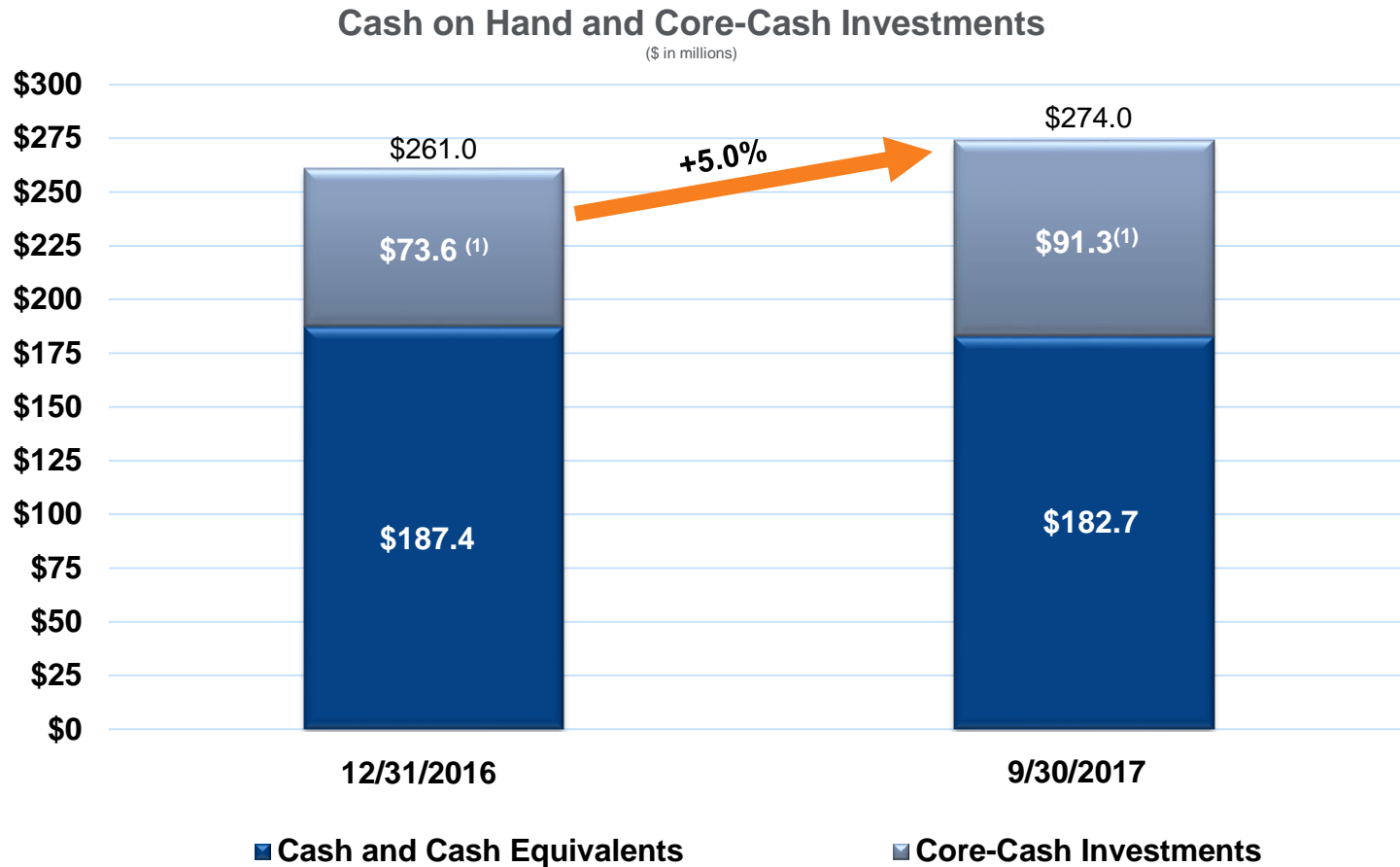
YTD Cash Flow Provided by Operating Activities

(\$ in millions)



(1) Net cash provided by operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The decrease in cash provided by operating activities was primarily due to an increase in advances to the Company's investment sales and financing professionals, a decrease in bonus payments due to reduced bonus accruals, a reduction in the deferral of certain discretionary and other commissions and payments for SARs liability.

Strong Liquid Capital Position



(1) Relates to investments designated by the Company as core-cash investments in fixed and variable debt securities, in accordance with our investment policy approved by the Board of Directors with weighted average maturity of 0.50 years and 1.16 years for the periods ended 9/30/2017 and 12/31/2016, respectively.

Appendix

Adjusted EBITDA Reconciliation

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	\$ 15,475	\$ 15,144	\$ 43,044	\$ 47,483
Adjustments:				
Interest income and other ⁽¹⁾	(923)	(514)	(2,293)	(1,245)
Interest expense	370	380	1,126	1,155
Provision for income taxes	10,010	10,100	27,564	31,524
Depreciation and amortization	1,375	1,149	3,975	3,164
Stock-based compensation	2,192	1,833	6,173	4,933
Adjusted EBITDA ⁽²⁾	<u>\$ 28,499</u>	<u>\$ 28,092</u>	<u>\$ 79,589</u>	<u>\$ 87,014</u>

(1) Other for the three and nine months ended September 30, 2017 and 2016 includes net realized gains (losses) on marketable securities, available-for-sale.

(2) The slight increase in Adjusted EBITDA for the three months ended September 30, 2017, compared to the same period in the prior year is primarily due to higher total revenues. The decrease in Adjusted EBITDA for the nine months ended September 30, 2017, compared to the same period in the prior year is primarily due to lower total revenues and a higher proportion of operating expenses compared to revenues.

Company Overview

National Platform Focused on Investment Brokerage

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

Market Leader in the Private Client Market Segment

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

Platform Built for Maximizing Investor Value

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

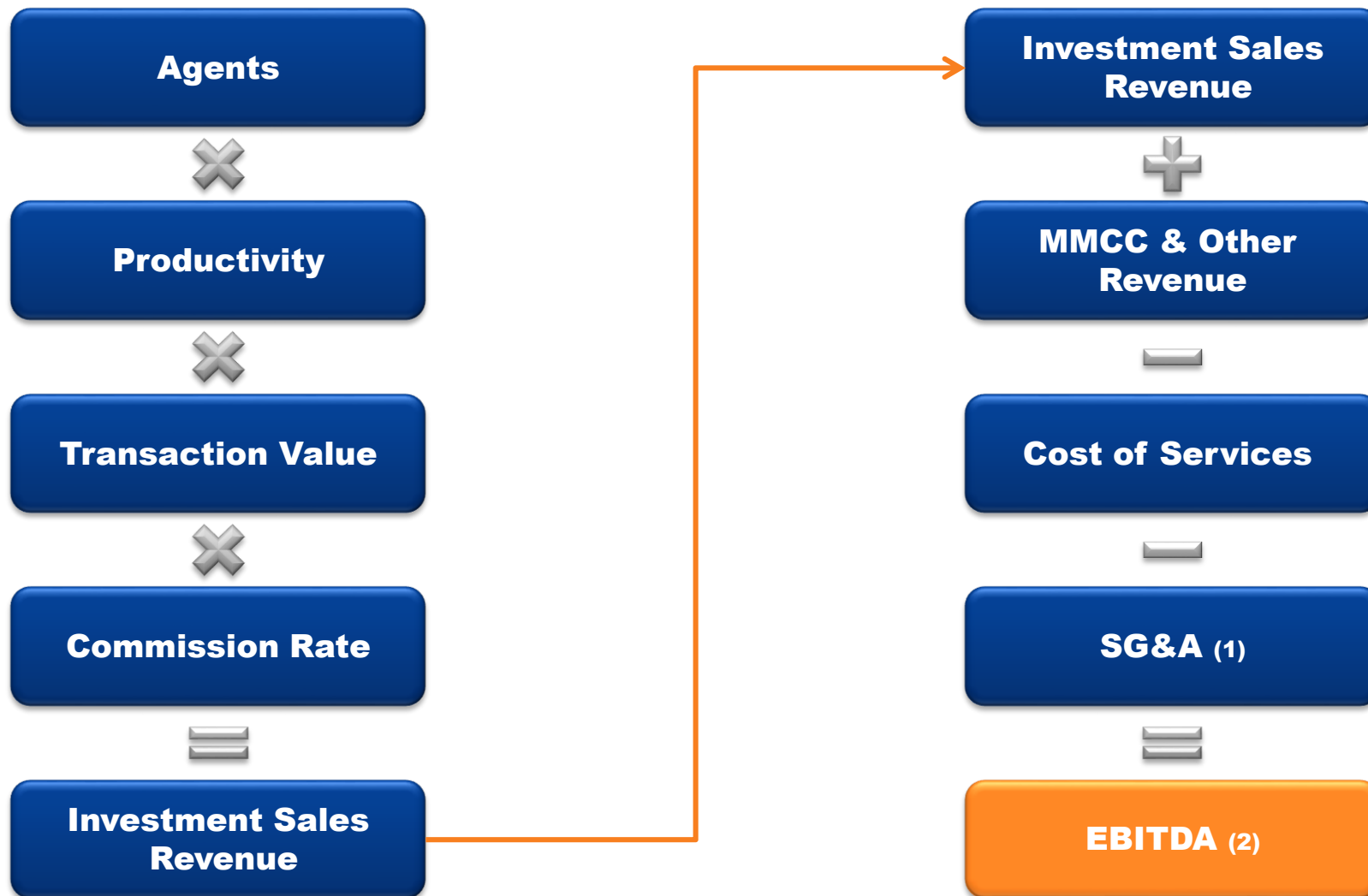
Management With Significant Investment Brokerage Experience

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

Well Positioned to Execute on Strategic Growth Plan

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

Illustrative MMI Earnings Model



(1) Includes stock-based compensation

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