UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________ to __________

Commission File Number: 001-36155

MARCUS & MILLICHAP, INC.
(Exact name of registrant as specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**35-2478370** **(I.R.S. Employer Identification No.)**
23975 Park Sorrento, Suite 400 **Calabasas, California** **(Address of Principal Executive Offices)**	**91302** **(Zip Code)**

(818) 212-2250
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, par value $0.0001 per share, of the registrant issued and outstanding as of August 2, 2016 was 37,607,636.

MARCUS & MILLICHAP, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollar amounts in thousands, except per share amounts)

	June 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 92,437	$ 96,185
Commissions receivable	4,549	3,342
Prepaid expenses	5,474	7,542
Income tax receivable	—	4,049
Marketable securities, available-for-sale	81,775	79,860
Other assets, net	4,938	5,136
Total current assets	189,173	196,114
Prepaid rent	11,483	9,075
Property and equipment, net	14,303	11,579
Marketable securities, available-for-sale	64,178	54,395
Assets held in rabbi trust	7,106	5,661
Deferred tax assets, net	33,903	35,285
Other assets	9,657	9,116
Total assets	$ 329,803	$ 321,225
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,343	$ 9,135
Notes payable to former stockholders	986	939
Commissions payable	23,540	34,091
Income tax payable	5,303	—
Accrued bonuses and other employee related expenses	14,995	30,846
Total current liabilities	53,167	75,011
Deferred compensation and commissions	38,580	43,678
Notes payable to former stockholders	8,686	9,671
Deferred rent and other liabilities	4,336	3,875
Total liabilities	104,769	132,235
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at June 30, 2016, and December 31, 2015, respectively	—	—
Common stock, $0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 37,607,636 and 37,396,456 at June 30, 2016, and December 31, 2015, respectively	4	4
Additional paid-in capital	83,155	80,591
Stock notes receivable from employees	(4)	(4)
Retained earnings	140,281	107,942
Accumulated other comprehensive income	1,598	457
Total stockholders' equity	225,034	188,990
Total liabilities and stockholders' equity	$ 329,803	$ 321,225

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE INCOME
(dollar and share amounts in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Real estate brokerage commissions	$170,118	$160,221	$323,782	$294,414
Financing fees	10,726	11,150	19,459	19,181
Other revenues	2,543	2,111	4,418	6,428
Total revenues	183,387	173,482	347,659	320,023
Operating expenses:				
Cost of services	113,126	105,557	209,279	191,715
Selling, general and administrative expense	40,420	37,589	82,675	73,418
Depreciation and amortization expense	1,009	807	2,015	1,587
Total operating expenses	154,555	143,953	293,969	266,720
Operating income	28,832	29,529	53,690	53,303
Other income (expense), net	618	362	848	487
Interest expense	(384)	(386)	(775)	(969)
Income before provision for income taxes	29,066	29,505	53,763	52,821
Provision for income taxes	11,542	11,949	21,424	21,596
Net income	17,524	17,556	32,339	31,225
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities, net of tax of $271, $332, $721 and $206 for the three months ended June 30, 2016, and 2015 and the six months ended June 30, 2016, and 2015, respectively	426	(493)	1,106	(305)
Foreign currency translation (loss) gain, net of tax of $0, $31, $0 and $86 for the three months ended June 30, 2016, and 2015 and the six months ended June 30, 2016, and 2015, respectively	(12)	(46)	35	127
Total other comprehensive income (loss)	414	(539)	1,141	(178)
Comprehensive income	$ 17,938	$ 17,017	$ 33,480	$ 31,047
Earnings per share:				
Basic	$ 0.45	$ 0.45	$ 0.83	$ 0.80
Diluted	$ 0.45	$ 0.45	$ 0.83	$ 0.80
Weighted average common shares outstanding:				
Basic	38,918	38,870	38,905	38,858
Diluted	39,054	39,057	39,008	39,006

See accompanying notes to condensed consolidated financial statements.

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MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(dollar amounts in thousands)
(Unaudited)

	Preferred Stock		Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Stock Notes Receivable From Employees	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of December 31, 2015	—	$ —	37,396,456	$ 4	$ 80,591	$ (4)	$107,942	$ 457	$188,990
Net and comprehensive income	—	—	—	—	—	—	32,339	1,141	33,480
Stock-based award activity									
Stock-based compensation	—	—	—	—	3,100	—	—	—	3,100
Shares issued pursuant to employee stock purchase plan	—	—	17,940	—	402	—	—	—	402
Issuance of common stock for unvested restricted stock awards	—	—	14,742	—	—	—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	218,906	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(40,408)	—	(1,109)	—	—	—	(1,109)
Windfall tax benefit from stock-based award activity	—	—	—	—	171	—	—	—	171
Balance as of June 30, 2016	—	$ —	37,607,636	$ 4	$ 83,155	$ (4)	$140,281	$ 1,598	$225,034

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities		
Net income	$ 32,339	$ 31,225
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	2,015	1,587
Provision for bad debt expense	3	79
Stock-based compensation	3,100	4,582
Deferred taxes, net	661	1,203
Net realized losses (gains) on marketable securities, available-for-sale	135	(130)
Tax benefit from stock-based award activity	171	4,834
Excess tax benefit from stock-based award activity	(171)	(4,834)
Other non-cash items	243	(16)
Changes in operating assets and liabilities:		
Commissions receivable	(1,207)	(1,719)
Prepaid expenses	2,068	1,030
Prepaid rent	(2,408)	(1,691)
Contributions to rabbi trust	(1,263)	(1,368)
Other assets	(216)	(2,244)
Accounts payable and accrued expenses	(1,533)	(106)
Income tax receivable/payable	9,352	7,097
Commissions payable	(10,551)	(7,120)
Accrued bonuses and other employee related expenses	(15,653)	(11,473)
Deferred compensation and commissions	(5,286)	(152)
Deferred rent obligation and other liabilities	461	1,083
Net cash provided by operating activities	12,260	21,867
Cash flows from investing activities		
Purchases of marketable securities, available-for-sale	(60,839)	(98,262)
Proceeds from sales and maturities of marketable securities, available-for-sale	50,847	10,023
Payments received on employee notes receivable	2	—
Issuances of employee notes receivable	(307)	(99)
Purchase of property and equipment	(4,252)	(2,201)
Proceeds from sale of property and equipment	15	—
Net cash used in investing activities	(14,534)	(90,539)
Cash flows from financing activities		
Proceeds from issuance of shares pursuant to employee stock purchase plan	402	502
Taxes paid related to net share settlement of stock-based awards	(1,109)	(731)
Excess tax benefit from stock-based award activity	171	4,834
Principal payments on notes payable to former stockholders	(938)	(894)
Net cash (used in) provided by financing activities	(1,474)	3,711
Net decrease in cash and cash equivalents	(3,748)	(64,961)
Cash and cash equivalents at beginning of period	96,185	149,159
Cash and cash equivalents at end of period	$ 92,437	$ 84,198

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MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(dollar amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2016	**2015**
Supplemental disclosures of cash flow information		
Interest paid during the period	$ 563	$ 803
Income taxes paid, net	$11,240	$8,463
Supplemental disclosures of noncash investing and financing activities		
Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable	$ 198	$ 208
Change in property and equipment included in accounts payable and accrued expenses	$ 741	$ 305
Settlements of deferred compensation obligation with trust assets	$ —	$ 19

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of business, basis of presentation and recent accounting pronouncements

Description of Business

Marcus & Millichap, Inc., (the "Company", "Marcus & Millichap", or "MMI"), a Delaware corporation, is a brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. As of June 30, 2016, MMI operates 81 offices in the United States and Canada through its wholly-owned subsidiary, Marcus & Millichap Real Estate Investment Services, Inc. ("MMREIS"), which includes the operations of Marcus & Millichap Capital Corporation ("MMCC").

Reorganization and Initial Public Offering

MMI was formed in June 2013 in preparation for Marcus & Millichap Company ("MMC") to spin-off its majority owned subsidiary, MMREIS ("Spin-Off"). Prior to the initial public offering ("IPO") of MMI, all of the preferred and common stockholders of MMREIS (including MMC and employees of MMREIS) contributed all of their outstanding shares to MMI in exchange for new MMI common stock. As a result, MMREIS became a wholly-owned subsidiary of MMI. Thereafter, MMC distributed 80.0% of the shares of MMI common stock to MMC's shareholders and exchanged the remaining portion of its shares of MMI common stock for cancellation of indebtedness of MMC. MMI completed its IPO on October 30, 2013.

Basis of Presentation

The financial information presented in the accompanying unaudited condensed consolidated financial statements, has been prepared in accordance with rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements and notes include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2015 included in the Company's Annual Report on Form 10-K filed on March 15, 2016 with the SEC. The results of the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2016, or for other interim periods or future years.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current period presentation. These changes had no impact on the previously reported condensed consolidated results of operations, financial condition, stockholders' equity or on cash flows subtotals.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, due from independent contractors (included under other assets, net current and other assets non-current captions), investments in marketable securities, available-for-sale, security deposits (included under other assets, non-current caption) and commissions receivables. Cash is placed with high-credit quality financial institutions and invested high-credit quality money market funds.

MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To reduce its credit risk, the Company monitors the credit standing of the financial institutions that hold the Company's cash and cash equivalents. The Company historically has not experienced any losses related to cash and cash equivalents.

The Company derives its revenues from a broad range of real estate investors, owners and users in the United States and Canada, none of which individually represents a significant concentration of credit risk. The Company performs credit evaluations of its customers and debtors and requires collateral on a case-by-case basis. The Company maintains allowances, as needed, for estimated credit losses based on management's assessment of the likelihood of collection. For the three and six months ended June 30, 2016 and 2015, no transaction represented 10% or more of total revenues. Further, while one or more transactions may represent 10% or more of commissions receivable at any reporting date, amounts due are typically collected within 10 days of settlement and therefore do not expose the Company to significant credit risk.

The Company's Canadian operations represented less than 1.0% of total revenues in each period presented.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09,*Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes virtually all of the current revenue recognition guidance under U.S. GAAP, and requires entities to recognize revenue for transfer to customer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. Subsequent to the issuance of ASU 2014-09, the FASB issued ASU No. 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, ASU No. 2016-08, *Revenue from Contacts with Customers: Principal Versus Agent Considerations*, ASU No. 2016-10,*Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, ASU No. 2016-12,*Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. The additional ASU's clarified certain provision of ASU 2014-09 in response to recommendations from the Transition Resources Group established by the FASB and extended the required adoption of ASU 2014-09 which is now effective for reporting periods beginning after December 15, 2017 and early adoption is permitted as of the original effective date.

ASU 2014-09 permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. For the Company, the new standard will be effective January 1, 2018. The Company does not have multiple-element arrangements, variable consideration, licenses and long-term contracts with customers. Accordingly, the Company does not expect this standard to have a significant effect in the manner or timing of its revenue recognition. The Company is in the process of completing the evaluation of the impact of this new standard and will select a transition method when the effect is determined.

In August 2014, the FASB issued ASU No. 2014-15,*Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). Currently, there is no guidance under U.S. GAAP regarding management's responsibility to assess whether there is substantial doubt about an entity's ability to continue as a going concern. Under ASU 2014-15, the Company will be required to assess its ability to continue as a going concern each interim and annual reporting period and provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern, including management's plan to alleviate the substantial doubt. ASU 2014-15 is effective for reporting periods beginning after December 15, 2016 and early adoption is permitted. For the Company, the new standard will be effective January 1, 2017. The Company does not anticipate that the adoption will have an impact on the Company's condensed consolidated financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02,*Leases*, to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company is still evaluating the impact of the new standard. It is anticipated that the Company will be required to adopt the new standard in 2019 and the Company's condensed consolidated balance sheets will be impacted by the recording of a lease liability and right of use asset for virtually all of its current operating leases, the amount of which and potential impact on the condensed consolidated statements of net and comprehensive income and condensed consolidated statements of cash flows has yet to be determined. As of June 30, 2016, the Company has future operating lease obligations for autos and office spaces, which aggregate approximately $80.3 million. Accordingly, we anticipate that the adoption of the new standard will have a material impact on the Company's condensed consolidated balance sheet.

MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The ASU changes the accounting for share-based payment awards issued to employees in the following areas:

1. Accounting for income taxes upon vesting or settlement of awards
2. Presentation of excess tax benefits on the statement of cash flows
3. Accounting for forfeitures
4. Minimum statutory withholding requirements
5. Presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet minimum statutory withholding requirements
6. Private company practical expedients

ASU 2016-09 is effective for reporting periods beginning after December 15, 2016 and early adoption is permitted. For the Company, the new standard will be effective January 1, 2017. The Company is currently evaluating the impact of ASU 2016-09 and timeframe for adoption. Since the Company issues stock-based awards to its employees and independent contractors and has recognized windfall tax benefits in additional paid in capital, it is anticipated that the ASU, when adopted, will impact (i) the Company's provision for income taxes, and therefore net and comprehensive income and related earnings per share amounts, (ii) amounts presented in the condensed consolidated statement of stockholders' equity and condensed consolidated statements of cash flows and (iii) to a lesser extent the timing of our stock-based compensation expense. See Note 9 – "Stock-Based Compensation Plans" for additional information.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* ("ASU 2016-13"). ASU 2016-13 is effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. For the Company, the new standard will be effective January 1, 2020. Under ASU 2016-13, the Company will be required to use an expected-loss model for its marketable securities, available-for sale, which requires that credit losses be presented as an allowance rather than as a write-down. Reversals of credit losses (in situations in which the estimate of credit losses declines) is permitted in the reporting period the change occurs. Current U.S. GAAP prohibits reflecting reversals of credit losses in current period earnings. The Company is currently evaluating the impact of this new standard.

2. Property and Equipment

Property and equipment, net consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Computer software and hardware equipment	$ 12,399	$ 10,973
Furniture, fixtures, and equipment	19,109	17,047
Less: accumulated depreciation and amortization	(17,205)	(16,441)
	$ 14,303	$ 11,579

During the six months ended June 30, 2016 and 2015, the Company wrote off approximately $1.5 million and $2.0 million, respectively, of fully depreciated computer software and hardware and furniture, fixtures and equipment.

The Company leases all of its facilities under operating lease agreements. Lease agreements may contain periods of free rent or reduced rent or contain predetermined fixed increases in the minimum rent. The Company recognizes the minimum lease payments as rent expense on a straight-line basis over the noncancellable term of the lease. The Company records the difference between the amount charged to rent expense and the rent paid as a deferred rent obligation. The Company typically leases general purpose built-out office space, which reverts to the lessor upon termination of the lease. Any payments for improvements, net of incentives received, are recorded as prepaid rent. Prepaid rent is amortized using the straight-line method over the expected lease term as a charge to rent expense.

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MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Selected Balance Sheet Data

Other Assets

Other assets consisted of the following (in thousands):

	Current		Non-Current	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Due from independent contractors, net (1) (2)	$ 1,857	$ 2,545	$ 8,142	$ 7,358
Security deposits	—	—	1,073	1,425
Employee notes receivable (3)	364	224	112	158
Customer trust accounts and other	2,717	2,367	330	175
	$ 4,938	$ 5,136	$ 9,657	$ 9,116

(1) Represents amounts advanced, notes receivable and other receivables due from the Company's investment sales and financing professionals. The notes receivable along with interest, are typically collected from future commissions and are generally due in one to five years.

(2) Includes allowance for doubtful accounts related to current receivables of $297 and $359 as of June 30, 2016 and December 31, 2015, respectively. The Company recorded a (recovery) provision for bad debt expense of $(13) and $58 and wrote off $11 and $29 of these receivables for the three months ended June 30, 2016 and 2015, respectively. The Company recorded a provision for bad debt expense of $3 and $79 and wrote off $65 and $35 of these receivables for the six months ended June 30, 2016 and 2015, respectively.

(3) See Note 6 – "Related-Party Transactions" for additional information.

Deferred Compensation and Commissions

Deferred compensation and commissions consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
SARs liability	$21,856	$ 21,399
Commissions payable to investment sales and financing professionals	10,010	17,015
Deferred compensation liability	6,714	5,264
	$38,580	$ 43,678

SARs Liability

Prior to the IPO, certain employees of the Company were granted stock appreciation rights ("SARs") under a stock-based compensation program assumed by MMC. In connection with the IPO, the SARs agreements were revised, the MMC liability of $20.0 million for the SARs was frozen at March 31, 2013, and was transferred to MMI through a capital distribution. The SARs liability will be settled with each participant in installments upon retirement or termination from service. Under the revised agreements, MMI is required to accrue interest on the outstanding balance beginning on January 1, 2014 at a rate based on the 10-year treasury note plus 2%. The rate resets annually. The rates at January 1, 2016 and 2015 were 4.273% and 4.173%, respectively. MMI recorded interest expense related to this liability of $228,000 and $214,000, for the three months ended June 30, 2016 and 2015, respectively and $457,000 and $428,000 for the six months ended June 30, 2016 and 2015, respectively.

Commissions Payable

Certain investment sales professionals have the ability to earn additional commissions after meeting certain annual revenue thresholds. These commissions are recognized as cost of services in the period in which they are earned. The Company has the ability to defer payment of certain commissions, at its election, for up to three years. Commissions payable that are not expected to be paid within twelve months are classified as long-term.

Deferred Compensation Liability

A select group of management is eligible to participate in a Deferred Compensation Plan. The plan is a 409A plan and permits the participant to defer compensation up to limits as determined by the plan. The Company elected to fund the Deferred Compensation Plan through company owned variable life insurance policies. The Deferred Compensation Plan is managed by a third-party institutional fund manager, and the deferred compensation and investment earnings are held as a Company asset in a rabbi trust, which is recorded in assets held in rabbi trust in the accompanying condensed consolidated balance sheets. The assets in the trust are restricted unless the Company becomes insolvent, as defined in the Deferred Compensation Plan, in which case the trust assets are subject to the claims of MMI's creditors. The Company may also, in its sole and absolute discretion, elect to withdraw at any time a portion of the trust assets by an amount by which the fair market value of the trust assets exceeds 110% of the aggregate deferred compensation liability represented by the participants' accounts.

MARCUS & MILLICHAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The net change in the carrying value of the assets held in the rabbi trust and the net change in the carrying value of the deferred compensation liability, each exclusive of additional contributions, distributions and trust expenses consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Increase (decrease) in the carrying value of the assets held in the rabbi trust[1]	$ 150	$ (104)	$ 184	$ 11
Increase (decrease) in the carrying value of the deferred compensation obligation [2]	$ 151	$ (94)	$ 188	$ 59

(1) Recorded in other income (expense), net in the condensed consolidated statements of net and comprehensive income.
(2) Recorded in selling, general and administrative expense in the condensed consolidated statements of net and comprehensive income.

4. Investments in Marketable Securities

Amortized cost and fair value of marketable securities, available-for-sale, by type of security consisted of the following (in thousands):

	June 30, 2016				December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:								
U.S. Treasuries	$ 53,278	$ 35	$ —	$53,313	$ 62,343	$ —	$ (71)	$62,272
U.S. Government Sponsored Entities	8,509	7	—	8,516	17,571	—	(12)	17,559
Corporate debt securities	19,939	7	—	19,946	29	—	—	29
	$ 81,726	$ 49	$ —	$81,775	$ 79,943	$ —	$ (83)	$79,860
Long-term investments:								
U.S. Treasuries	$ 21,176	$ 250	$ —	$21,426	$ 15,283	$ —	$ (112)	$15,171
U.S. Government Sponsored Entities	15,919	48	—	15,967	12,107	—	(85)	12,022
Corporate debt securities	16,412	503	(39)	16,876	17,219	5	(519)	16,705
Asset-backed securities and other	9,839	128	(58)	9,909	10,649	—	(152)	10,497
	$ 63,346	$ 929	$ (97)	$64,178	$ 55,258	$ 5	$ (868)	$54,395

The amortized cost and fair value of the Company's investments in available-for-sale securities that have been in a continuous unrealized loss position consisted of the following (in thousands):

	June 30, 2016		December 31, 2015	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Less than 12 months	$ (72)	$ 4,607	$ (951)	$129,117
12 months or longer	$ (25)	$ 1,879	$ —	$ —

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Gross realized gains and gross realized losses from the sales of the Company's available-for-sale securities consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Gross realized gain [1]	$ 20	$ 56	$ 20	$ 133
Gross realized loss [1]	$ —	$ —	$ (155)	$ (3)

(1) Recorded in other income (expense), net in the condensed consolidated statements of net and comprehensive income. The cost basis of securities sold were determined on the specific identification method.

The Company may sell certain of its marketable securities, available-for-sale prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration, duration management and when a security no longer meets the criteria of the Company's investment policy. During the six months ended June 30, 2016, the Company sold one security, which no longer met the requirements of its investment policy, for a loss of $152,000.

The Company considers the declines in market value of its marketable securities, available-for-sale to be temporary in nature and does not consider any of its investments other-than-temporarily impaired. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss and matching long-term liabilities. When evaluating an investment for other-than-temporary impairment the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis.

Amortized cost and fair value of marketable securities, available-for-sale, by contractual maturity consisted of the following (in thousands):

	June 30, 2016		December 31, 2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 81,726	$ 81,775	$ 79,943	$ 79,860
Due after one year through five years	40,259	40,473	28,634	28,465
Due after five years through ten years	15,002	15,529	18,020	17,466
Due after ten years	8,085	8,176	8,604	8,464
	$ 145,072	$145,953	$ 135,201	$134,255
Weighted average contractual maturity	3.0 years		3.3 years	

Actual maturities may differ from contractual maturities because certain borrowers have the right to prepay certain obligations with or without prepayment penalties.

5. Notes Payable to Former Stockholders

In conjunction with the Spin-Off and IPO, notes payable to certain former stockholders of MMREIS were issued in settlement of restricted stock and SARs awards that were redeemed by MMREIS upon the termination of employment by these former stockholders ("the Notes"), which had been previously assumed by MMC, and were transferred to the Company. The Notes are unsecured and bear interest at 5% with annual principal and interest installments and a final principal payment due during the second quarter of 2020. During each of the six months ended June 30, 2016 and 2015, the Company made total payments on the Notes of $1.5 million.

Accrued interest pertaining to the Notes consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Accrued interest [1]	$ 94	$ 367

(1) Recorded in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

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Interest expense pertaining to the Notes consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest expense	$ 126	$ 137	$ 259	$ 281

6. Related-Party Transactions

Shared and Transition Services

Prior to October 2013, the Company operated under a shared services arrangement with MMC whereby the Company was charged for actual costs specifically incurred on behalf of the Company or allocated to the Company on a pro rata basis. Beginning in October 2013, certain services are provided to the Company under a Transition Services Agreement ("TSA") between MMC and the Company, which replaced the pre-IPO shared services arrangement. The TSA is intended to provide certain services until the Company acquires the services separately. During the three months ended June 30, 2016 and 2015, the Company incurred $54,000 and $59,000 under the TSA. During the six months ended June 30, 2016 and 2015, the Company incurred $124,000 and $109,000 under the TSA. These amounts are included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income. As of June 30, 2016 and December 31, 2015, $103,000 and $96,000, respectively, remains unpaid and is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

Brokerage and Financing Services with the Subsidiaries of MMC

MMC has wholly or majority owned subsidiaries that buy and sell commercial real estate properties. The Company performs certain brokerage and financing services related to transactions of the subsidiaries of MMC. For the three months ended June 30, 2016 and 2015, the Company generated real estate brokerage commissions and financing fees of $793,000 and $238,000, respectively, from subsidiaries of MMC. The Company incurred cost of services of $476,000 and $143,000, respectively, related to these revenues. For the six months ended June 30, 2016 and 2015, the Company generated real estate brokerage commissions and financing fees of $2.4 million and $1.3 million, respectively, from subsidiaries of MMC. The Company incurred cost of services of $1.4 million and $770,000, respectively, related to these revenues.

Operating Lease with MMC

The Company has an operating lease with MMC for a single story office building located in Palo Alto, California, which was amended in 2016 to extend the expiration date to May 31, 2022. Rent expense for this lease aggregated $253,000 and $146,000 for the three months ended June 30, 2016 and 2015, respectively. Rent expense for this lease aggregated $506,000 and $255,500 for the six months ended June 30, 2016 and 2015, respectively. Rent expense is included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income.

Other

The Company makes advances to non-executive employees from time-to-time. At June 30, 2016 and December 31, 2015, the aggregate principal amount for employee loans outstanding was $476,000 and $382,000, respectively, which is included in other assets, net current and other assets non-current captions in the accompanying condensed consolidated balance sheets.

As of June 30, 2016, George M. Marcus, the Company's founder and Co-Chairman, beneficially owned 55.2% of the Company's issued and outstanding common stock, including shares owned by Phoenix Investments Holdings, LLC ("Phoenix") and the George and Judy Marcus Family Foundation.

7. Fair Value Measurements

U.S. GAAP defines the fair value of a financial instrument as the amount that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company is responsible for the determination of the value of the investment carried and fair value and the supporting methodologies and assumptions. The Company uses various pricing sources to validate the values utilized.

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The degree of judgment used in measuring the fair value of financial instruments is generally inversely correlates with the level of observable valuation inputs. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

Assets recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of the three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Recurring Fair Value Measurements

The Company values its investments including assets held in rabbi trust, money market funds and investments in marketable securities, available-for-sale at fair value on a recurring basis.

Investments carried at fair value are categorized into one of the three categories described above and consisted of the following (in thousands):

	June 30, 2016				December 31, 2015			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets held in rabbi trust	$ 7,106	$ —	$ 7,106	$ —	$ 5,661	$ —	$ 5,661	$ —
Money market funds (1)	$56,802	$56,802	$ —	$ —	$ 5,987	$ 5,987	$ —	$ —
Marketable securities, available-for-sale:								
Short-term investments:								
U.S. Treasuries	$53,313	$53,313	$ —	$ —	$62,272	$62,272	$ —	$ —
U.S. Government Sponsored Entities	8,516	—	8,516	—	17,559	—	17,559	—
Corporate debt securities	19,946	—	19,946	—	29	—	29	—
	$81,775	$53,313	$28,462	$ —	$79,860	$62,272	$17,588	$ —
Long-term investments:								
U.S. Treasuries	$21,426	$21,426	$ —	$ —	$15,171	$15,171	$ —	$ —
U.S. Government Sponsored Entities	15,967	—	15,967	—	12,022	—	12,022	—
Corporate debt securities	16,876	—	16,876	—	16,705	—	16,705	—
Asset-backed securities and other	9,909	—	9,909	—	10,497	—	10,497	—
	$64,178	$21,426	$42,752	$ —	$54,395	$15,171	$39,224	$ —

(1) Included in cash and cash equivalents.

There were no transfers in or out of Level 1 and Level 2 during the three and six months ended June 30, 2016.

MARCUS & MILLICHAP, INC.
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Assets and Liabilities not Measured at Fair Value

The Company's cash and cash equivalents, commissions receivable, amounts due from employees (included in other assets, net current and other assets non-current captions) and investment sales and financing professionals (included in other assets, net current caption), accounts payable and accrued expenses and commissions payable are carried at cost, which approximates fair value based on their immediate or short-term maturities and terms which approximate current market rates and are considered to be in the Level 1 classification.

As the Company's obligations under notes payable to former stockholders bear fixed interest rates that approximate current interest rates for debt instruments with similar terms and maturities, the Company has determined that the carrying value on these instruments approximates fair value. As the Company's obligations under SARs liability (included in deferred compensation and commission's caption) bear interest at a variable rate based on U.S. Treasuries, the Company has determined that the carrying value approximates the fair value. These are considered to be in the Level 2 classification.

8. Stockholders' Equity

Common Stock

As of June 30, 2016 and December 31, 2015, there were 37,607,636 and 37,396,456 shares of common stock, $0.0001 par value, issued and outstanding, which includes unvested restricted stock awards issued to non-employee directors, respectively. See Note 11 – "Earnings per Share" for additional information.

The Company currently does not intend to pay a regular dividend. The Company will evaluate its dividend policy in the future. Any declaration and payment of future dividends to holders of the Company's common stock will be at the discretion of the board of directors and will depend on many factors, including the Company's financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends and other considerations that the board of directors deems relevant.

Preferred Stock

The Company has 25,000,000 authorized shares of preferred stock with a par value $0.0001 per share. At June 30, 2016 and December 31, 2015, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income as of June 30, 2016, by component, net of income taxes consisted of the following (in thousands):

	Unrealized gains and (losses) of available-for-sale securities	Foreign currency translation (2)	Total
Beginning balance, December 31, 2015	$ (568)	$ 1,025	$ 457
Other comprehensive income before reclassifications	1,200	35	1,235
Amounts reclassified from accumulated other comprehensive income (1)	(94)	—	(94)
Net current-period other comprehensive income	1,106	35	1,141
Ending balance, June 30, 2016	$ 538	$ 1,060	$1,598

(1) Included as a component of other income (expense), net in the condensed consolidated statements of net and comprehensive income. The reclassifications were determined on a specific identification basis.

(2) The Company has not provided for U.S. taxes on unremitted earnings of its foreign subsidiary as it is operating at a loss and has no earnings and profits to remit. As a result, deferred taxes were not provided related to the cumulative foreign currency translation adjustments.

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9. Stock-Based Compensation Plans

2013 Omnibus Equity Incentive Plan

In October 2013, the board of directors adopted the 2013 Plan, which became effective upon the Company's IPO. The 2013 Plan, in general, authorizes for the granting of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance units and performance shares to the Company's and subsidiary corporations' employees, independent contractors, directors and consultants. Grants are made from time to time by the Company's board of directors at its discretion subject to certain restrictions as to the number and value of shares that may be granted to any individual.

Upon adoption of the 2013 Plan, 5,500,000 shares of common stock were reserved for the issuance of awards under the 2013 Plan. Pursuant to the automatic increase provided for in the 2013 Plan, the board of directors have approved share reserve increases aggregating 2,200,000. As of June 30, 2016, there were 4,383,914 shares available for future grants under the Plan.

Awards Granted in Connection with the IPO

In November 2013, MMI issued the following equity awards under the 2013 Plan: (i) Deferred stock units ("DSUs") for an aggregate of 2,192,413 shares granted as replacement awards related to the prior SARs program to the MMREIS managing directors and (ii) DSUs for 83,334 shares granted to the Company's Co-chairman of the board of directors, William A. Millichap. The DSU's are fully vested and shares will be issued ratably over 5 years (see "Amendments to Restricted Stock and SARs" section below). In addition, 30,000 shares, in the form of RSAs, were granted to the Company's non-employee directors. The shares vest ratably over 3 years. All the above awards were granted based on the IPO price of $12.00.

Awards Granted and Settled Subsequent to the IPO

Under the 2013 Plan, the Company has issued RSA's to non-employee directors and RSU's to employees and independent contractors. All RSAs vest in equal annual installments over a three year period from the date of grant. All RSUs vest in equal annual installments over a five year period from the date of grant. Any unvested awards are canceled upon termination of service. Awards accelerate upon death subject to approval by the compensation committee.

During the six months ended June 30, 2016, 229,904 shares of RSAs and RSUs vested and 40,408 shares of common stock were withheld to pay applicable required employee statutory withholding taxes based on the market value of the shares on the vesting date. The amount remitted to the tax authorities for the employees' tax obligation was reflected in the taxes paid related to net share settlement of stock-based awards caption in the financing section of the condensed consolidated statements of cash flows. The shares withheld for taxes were returned to the share reserve and are available for future issuance in accordance with provisions of the 2013 Plan.

During the six months ended June 30, 2016, the Company recorded windfall tax benefits, net in the amount of $171,000 resulting from settlement of stock-based award activity. Such windfall tax benefits, net, are excluded from the provision for income taxes, and included as a component of additional paid-in capital in the accompanying condensed consolidated balance sheets and in cash flows provided by (used in) financing activities in the accompanying condensed consolidated statement of cash flows.

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Outstanding Awards

Activity under the 2013 Plan consisted of the following (dollars in thousands, except per share data):

	RSA Grants to Non-employee Directors	RSU Grants to Employees	RSU Grants to Independent Contractors	Total	Weighted-Average Grant Date Fair Value Per Share
Nonvested shares at December 31, 2015	35,364	468,969	521,780	1,026,113	$ 21.17
Granted					
February 2016	—	*172,496*	*8,856*	*181,352*	
March 2016	—	*30,000*	—	*30,000*	
May 2016	*14,742*	*11,051*	*8,188*	*33,981*	
Total Granted	14,742	213,547	17,044	245,333	23.18
Vested	(10,998)	(101,040)	(117,866)	(229,904)	19.13
Transferred	—	—	—	—	—
Forfeited/canceled	—	(6,974)	(4,135)	(11,109)	21.50
Nonvested shares at June 30, 2016 (1)	39,108	574,502	416,823	1,030,433	$ 22.11
Unrecognized stock-based compensation expense as of June 30, 2016 (2)	$ 705	$ 11,897	$ 8,556	$ 21,158	
Weighted average remaining vesting period (years) as of June 30, 2016	2.09	3.81	2.80	3.35	

(1) Nonvested RSU's will be settled through the issuance of new shares of common stock.
(2) The total unrecognized compensation expense is expected to be recognized over a weighted-average period of approximately 3.35 years.

As of June 30, 2016, 1,365,445 fully vested DSUs remained outstanding.

Employee Stock Purchase Plan

In 2013, the Company adopted the 2013 Employee Stock Purchase Plan ("ESPP Plan"). The ESPP Plan qualifies under Section 423 of the IRS Code and provides for consecutive, non-overlapping 6-month offering periods. The offering periods generally start on the first trading day on or after May 15 and November 15 of each year. The first offering period began on May 15, 2014. Qualifying employees may purchase shares of the Company's stock at a 10% discount based on the lower of the market price at the beginning or end of the offering period, subject to IRS limitations. The Company determined that the ESPP Plan was a compensatory plan and is required to expense the fair value of the awards over each 6-month offering period.

The ESPP Plan has 366,667 shares of common stock reserved and 289,244 shares of common stock available for issuance as of June 30, 2016. The ESPP Plan provides for annual increases in the number of shares available for issuance under the ESPP. Pursuant to the provisions of the ESPP Plan, the board of directors determined a share reserve increase was not needed in 2015. As of June 30, 2016, total unrecognized compensation cost related to the ESPP Plan was $81,000 and is expected to be recognized over a weighted average period of 0.38 years.

Amendments to Restricted Stock and SARs

Restricted Stock

In connection with the IPO, the formula settlement value of all outstanding shares of stock held by the plan participants was removed, and all such shares of stock are subject to sales restrictions that lapse at a rate of 20% per year for five years if the participant remains employed by the Company. In the event of death or termination of employment after reaching the age of 67, 100% of the shares of stock will be released from the resale restriction. 100% of the shares of stock will be released from the resale restriction upon the consummation of a change of control of the Company.

SARs

Prior to the IPO, certain employees were granted SARs. As of March 31, 2013, the outstanding SARs were frozen at the liability amount, and will be paid out to each participant in installments upon retirement or departure under the terms of the revised SARs agreements. To replace beneficial ownership in the SARs, the difference between the book value liability and the fair value of the awards was granted to plan participants in the form of DSUs, which were fully vested upon receipt and will be settled in actual stock at a rate of 20% per year if the participant remains employed by the Company during that period (otherwise all unsettled shares of stock upon termination from service will be settled five years from the termination date). In the event of death or termination of service after reaching the age of 67, 100% of the DSUs will be settled.

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Summary of Stock-Based Compensation

Components of stock-based compensation included in selling, general and administrative expense in the condensed consolidated statements of net and comprehensive income consisted of the following (in thousands, except common stock price):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Employee stock purchase plan	$ 60	$ 66	$ 108	$ 128
RSAs – non-employee directors	109	78	198	137
RSUs – employees	818	552	1,476	1,079
RSUs – independent contractors (1)	788	1,979	1,318	3,238
	$1,775	$2,675	$3,100	$4,582
Common stock price at beginning of period	$25.39	$37.48	$29.14	$33.25
Common stock price at end of period	$25.41	$46.14	$25.41	$46.14
Increase (decrease) in stock price	$ 0.02	$ 8.66	$ (3.73)	$12.89

(1) The Company grants RSUs to independent contractors (i.e. investment sales and financing professionals), who are considered non-employees under ASC 718. Accordingly, such awards are required to be measured at fair value at the end of each reporting period until settlement. Stock-based compensation expense is therefore impacted by the changes in the Company's common stock price during each reporting period.

10. Income Taxes

The Company's effective tax rate for the three and six months ended June 30, 2016 was 39.7% and 39.8%, compared to 40.5% and 40.9% for the three and six months ended June 30, 2015. The Company provides for the effects of income taxes in interim financial statements based on the Company's estimate of its annual effective tax rate for the full year, which is based on forecasted income by jurisdiction where the Company operates, adjusted for the tax effects of items that relate discretely to the period, if any. The difference between the statutory tax rate and the Company's effective tax rate is largely attributable to state income taxes and a full valuation allowance with respect to the deferred tax assets of the Company's Canadian operations.

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11. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2016 and 2015, respectively (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator (Basic and Diluted):				
Net income	$17,524	$17,556	$32,339	$31,225
Denominator:				
Basic				
Weighted average common shares issued and outstanding	37,591	37,092	37,576	37,080
Deduct: Unvested RSAs (1)	(38)	(44)	(36)	(44)
Add: Fully vested DSUs (2)	1,365	1,822	1,365	1,822
Weighted Average Common Shares Outstanding	38,918	38,870	38,905	38,858
Basic earnings per common share	$ 0.45	$ 0.45	$ 0.83	$ 0.80
Diluted				
Weighted Average Common Shares Outstanding from above	38,918	38,870	38,905	38,858
Add: Dilutive effect of RSUs, RSAs & ESPP	136	187	103	148
Weighted Average Common Shares Outstanding	39,054	39,057	39,008	39,006
Diluted earnings per common share	$ 0.45	$ 0.45	$ 0.83	$ 0.80
Antidilutive shares excluded from diluted earnings per common share (3)	244	59	449	535

(1) RSAs were issued and outstanding to the non-employee directors and have a three year vesting term subject to service requirements. See Note 9 – “Stock-Based Compensation Plans” for additional information.

(2) Shares are included in weighted average common shares outstanding as the shares are fully vested but have not yet been delivered. See Note 8 – “Stockholders’ Equity” for additional information.

(3) Primarily pertaining to RSU grants to the Company’s independent contractors.

12. Commitments and Contingencies

Credit Agreement

On June 18, 2014, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association (“Bank”), dated as of June 1, 2014 (the “Credit Agreement”). The Credit Agreement provides for a $60.0 million principal amount senior secured revolving credit facility that is guaranteed by all of the Company’s domestic subsidiaries (the “Credit Facility”), which, as amended, matures on June 1, 2018. The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full.

Borrowings under the Credit Agreement are available for general corporate purposes and working capital. The Credit Facility includes a $10.0 million sublimit for the issuance of standby letters of credit, of which, $533,000 was utilized at June 30, 2016. Borrowings under the Credit Facility bear interest, at the Company’s option, at either the (i) Base Rate (defined as the highest of (a) the Bank’s prime rate, (b) the Federal Funds Rate plus 1.5% and (c) one-month LIBOR plus 1.5%), or (ii) at a variable rate between 0.875% and 1.125% above LIBOR, based upon the total funded debt to EBITDA ratio. In connection with executing the Credit Agreement, as amended, the Company paid bank fees and other expenses, which are being amortized over the remaining term of the Credit Agreement. The Company pays a commitment fee of up to 0.1% per annum, payable quarterly, based on the amount of unutilized commitments under the Credit Facility. The amortization and commitment fee is included in interest expense in the accompanying condensed consolidated statements of net and comprehensive income and was $29,000 and $34,000 during the three months ended June 30, 2016 and 2015, respectively and $59,000 and $68,000 during the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, there were no amounts outstanding under the Credit Agreement.

The Credit Facility contains customary covenants, including financial and other covenant reporting requirements and events of default. Financial covenants require the Company, on a combined basis with its guarantors, to maintain (i) an EBITDAR Coverage Ratio (as defined in the Credit Agreement) of not less than 1.25:1.0 as of each quarter end and (ii) total funded debt to EBITDA not greater than 2.0:1.0 as of each quarter end both on a rolling 4-quarter basis. The Credit Facility is secured by substantially all assets of the Company, including pledges of 100% of the stock or other equity interest of each subsidiary except for the capital stock of a controlled foreign corporation (as defined in the Internal Revenue Code). As of June 30, 2016, the Company was in compliance with all financial and non-financial covenants.

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Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, some of which involve claims for damages that are substantial in amount. Most of these litigation matters are covered by insurance which contain deductibles, exclusions, claim limits and aggregate policy limits. While the ultimate liability for these legal proceeding cannot be determined, the Company reviews the need for its accrual for loss contingencies quarterly and records an accrual for litigation related losses where the likelihood of loss is both probable and estimable. The Company believes that the ultimate resolution of the legal proceedings will not have a material adverse effect on its financial condition or results of operations. The Company accrues legal fees for litigation as the legal services are provided.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Unless the context requires otherwise, the words “Marcus & Millichap,” “Marcus & Millichap Real Estate Investment Services,” “MMREIS,” “we,” the “Company,” “us” and “our” refer to Marcus & Millichap, Inc., Marcus & Millichap Real Estate Investment Services, Inc. and its other consolidated subsidiaries.

Forward-Looking Statements

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2016, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Form 10-Q and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 15, 2016, including the “Risk Factors” section and the consolidated financial statements and notes included therein.

Overview

We are a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. We have been the top commercial real estate investment broker in the United States based on the number of investment transactions over the last 10 years.

As of June 30, 2016, we had more than 1,600 investment sales and financing professionals operating in 81 offices who provide real estate brokerage and financing services to sellers and buyers of commercial real estate. We also offer market research, consulting and advisory services to our clients. During the three and six months ended June 30, 2016, we closed 2,257 and 4,295 sales, financing and other transactions with total sales volume of approximately $10.6 billion and $20.3 billion, respectively. During the year ended December 31, 2015, we closed 8,715 sales, financing and other transactions with total volume of approximately $37.8 billion.

We generate revenues by collecting real estate brokerage commissions upon the sale, and fees upon the financing, of commercial properties and by providing consulting and advisory services. Real estate brokerage commissions are typically based upon the value of the property, and financing fees are typically based upon the size of the loan. For each of the three and six months ended June 30, 2016, approximately 93% of our revenues were generated from real estate brokerage commissions, 6% from financing fees and 1% from other revenues. During the year ended December 31, 2015, approximately 92% of our revenues were generated from real estate brokerage commissions, 6% from financing fees and 2% from other revenues, including consulting and advisory services.

We divide commercial real estate into four major market segments, characterized by price:

- Properties with prices less than $1 million;
- *Private client market:* properties priced from $1 million up to $10 million;
- *Middle market:* properties priced from $10 million up to $20 million; and
- *Institutional market:* properties priced from $20 million and above.

Our strength is in serving private clients in the $1-$10 million private client market segment, which contributed approximately 66% and 67% of our real estate brokerage commissions during the three months ended June 30, 2016 and 2015, respectively and approximately 67% and 69% of our real estate brokerage commissions during the six months ended June 30, 2016 and 2015, respectively. The following tables set forth the number of transactions, sales volume and revenue by commercial real estate market segment for real estate brokerage:

	Three Months Ended June 30,								
	2016			2015			Change		
Real Estate Brokerage	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)
<$1 million	284	$ 182	$ 7,935	306	$ 184	$ 7,768	(22)	$ (2)	$ 167
Private Client Market ($1 - $10 million)	1,216	3,759	112,578	1,097	3,641	108,131	119	118	4,447
Middle Market (³$10 - $20 million)	101	1,364	22,739	90	1,171	22,776	11	193	(37)
Institutional Market (³$20 million)	74	3,235	26,866	59	2,347	21,546	15	888	5,320
	1,675	$ 8,540	$ 170,118	1,552	$ 7,343	$ 160,221	123	$ 1,197	$ 9,897

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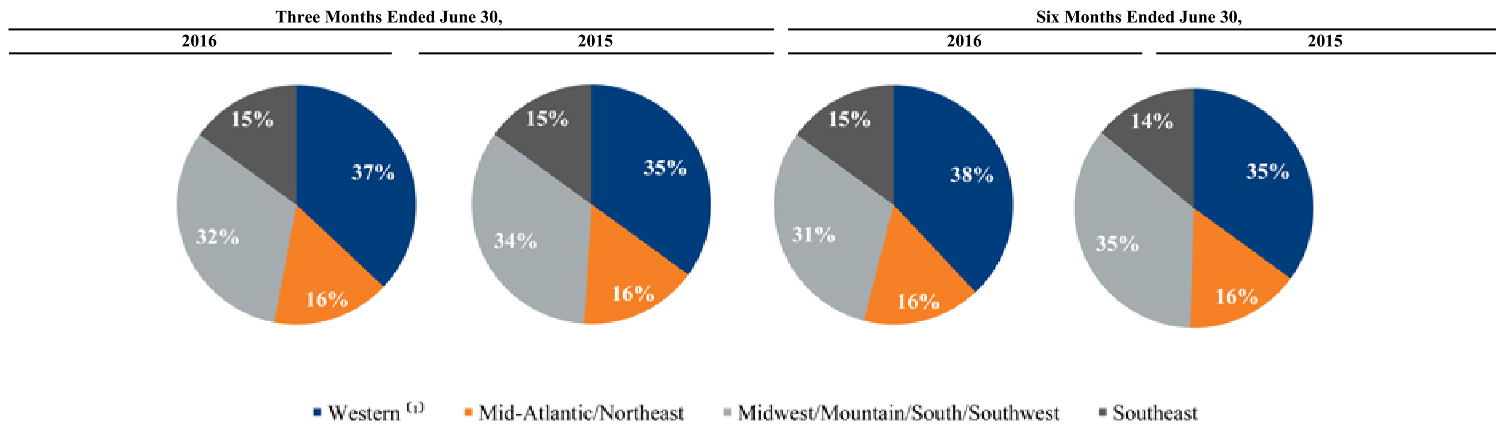
Real Estate Brokerage	Six Months Ended June 30, 2016 Number	2016 Volume (in millions)	2016 Revenues (in thousands)	2015 Number	2015 Volume (in millions)	2015 Revenues (in thousands)	Change Number	Change Volume (in millions)	Change Revenues (in thousands)
<$1 million	537	$ 341	$ 14,526	570	$ 344	$ 14,445	(33)	$ (3)	$ 81
Private Client Market ($1 - $10 million)	2,328	7,344	217,047	2,101	6,962	203,290	227	382	13,757
Middle Market (³$10 - $20 million)	174	2,366	39,792	158	2,125	40,553	16	241	(761)
Institutional Market (³$20 million)	135	6,014	52,417	97	4,046	36,126	38	1,968	16,291
	3,174	$ 16,065	$ 323,782	2,926	$ 13,477	$ 294,414	248	$ 2,588	$ 29,368

We continue to increase our presence in the United States and Canada through execution of our growth strategies by targeting markets based on population, employment, level of commercial real estate sales, inventory and competitive landscape opportunities where we believe the markets will benefit from our business model. The following charts set forth the percentage of transactions by region for real estate brokerage.



(1) Includes our Canadian operations, which represented less than 1% of our total revenues in each period presented.

Execution of Our Growth Strategy

We continue to see consistent increases in the number of brokerage transactions (10.8%) and volumes (5.5%) in the private client market segment during the first six months of 2016. Our focused and targeted office expansion and an increase in the number of our specialized investment sales professionals, continues to expand our position in this significant market segment.

We achieved an overall increase in the number of transactions (13.1%) and volume (41.7%) in our specialty property types in the first six months of 2016 due to the work of our specialty directors in partnership with our regional managers supporting our sales force and driving growth of activities in these property types. The brokerage, financing and other activities in the middle market and institutional market segments continued to show growth in the number of transactions (6.5% and 38.8%, respectively) and volume (8.1% and 46.0%, respectively) during the first six months of 2016 as a result of deployment of our proprietary marketing tools and development of strong credentials of our Institutional Property Advisors (IPA) division.

Continued expansion and integration of our financing services at the office level has provided our clients with a broad range of financing opportunities. This strategy has produced growth both in the number of transactions (6.7%) and volume (12.8%) of financings during the first six months of 2016.

Factors Affecting Our Business

Our business and our operating results, financial condition and liquidity are significantly affected by the number and size of commercial real estate investment sales and financing transactions we close in any period. The number and size of these transactions is affected by our ability to recruit and retain investment sales and financing professionals, identify and contract properties for sale and those that need financing and refinancing as well as the general trends in the economy and real estate industry, including:

Economic and commercial real estate market conditions

Our business is dependent on economic conditions and the demand for commercial real estate and related services in the markets in which we operate. Changes in the economy on a national, regional or local basis can have a positive or a negative impact on our business. Fluctuations in acquisition and disposition activity, as well as general commercial real estate investment activity, can impact commissions for arranging such transactions, as well as impacting fees for arranging financing for acquirers and property owners that are seeking to refinance their existing properties. Stock market and commodity price volatility along with the Brexit vote during the first six months of 2016 have created heightened uncertainty in the domestic and global markets. In addition, a maturing real estate sales cycle and more underwriting caution by buyers and lenders are contributing to a flattening trend in market sales. We believe an attractive investment backdrop continues in the commercial real estate market despite these events; albeit with lower growth rates. In the aggregate, we saw growth in both total transactions (6.2%) and total sales volume (16.1%) during the first six months of 2016. We believe driving this activity is the continued but moderate growth in key economic indicators of the general U.S. economy and commercial real estate fundamentals as compared to other asset classes. We expect solid property fundamentals across all property types and construction and development balanced with strong demand for space. The private client market segment in particular offers further growth opportunity for the Company as it has proved to be less volatile over the long-term due to the personal nature of transaction drivers such as death, divorce, partnership breakups and other factors that cause high net-worth individuals and partnership to buy or sell real estate assets typically in the $1-$10 million price range.

Credit and liquidity in the financial markets

Because real estate purchases are often financed with debt, credit and liquidity issues in the financial markets have a direct impact on flow of capital to the commercial real estate market and, as a result, impact transaction activity and prices. We continue to see disciplined underwriting from lenders as well as ample liquidity in the market. However, we have seen transactions taking longer to close in late 2015 and in 2016. We believe the additional diligence results in a more stable environment for investors with capital continuing to be available for properties with good economic fundamentals over the long-term but will continue to limit transaction velocity in the short-term.

Fluctuations in interest rates

Changes in interest rates, as well as steady and protracted movements of interest rates in one direction (increases or decreases) could adversely or positively affect the operations and income potential of commercial real estate properties, as well as the demand from investors for commercial real estate investments. Mixed indications from the Federal Reserve about U.S. interest rates, global concerns about economic growth and the continued downward trend of long term interest rates globally have created uncertainty about the future of interest rates. Despite this uncertainty, financing costs for commercial real estate investments, generally, have not significantly increased, and we believe the current interest rate environment continues to support an active real estate market.

Demand for investment in commercial real estate

The willingness of investors to invest in or sell commercial real estate is affected by factors beyond our control, including the performance of real estate assets when compared with the performance of other investments. Currently, commercial real estate yields remain compelling for investors in all market segments. We believe the continued strong economic fundamentals of commercial real estate coupled with the downward trend in long term interest rates continues to support an asset class with compelling yields compared to other investment assets, such as stocks or bonds. Investors looking to reap the gains of the current cycle and those seeking diversified investment options continue to support market demand and, therefore, demand for our brokerage and financing service offerings.

Seasonality

Our real estate brokerage commissions and financing fees have tended to be seasonal and, combined with other factors, can affect an investor's ability to compare our financial condition and results of operations on a quarter-by-quarter basis. Historically, this seasonality has generally caused our revenue, operating income, net income and cash flows from operating activities to be lower in the first half of the year and higher in the second half of the year, particularly in the fourth quarter. The concentration of earnings and cash flows in the last six months of the year, particularly in the fourth quarter, is due to an industry-wide focus of clients to complete transactions towards the end of the calendar year. This historical trend can be disrupted both positively and negatively by major economic or political events impacting investor sentiment for a particular property type or location, volatility in financial markets, current and future projections of interest rates, attractiveness of other asset classes, market liquidity and the extent of limitations or availability of capital allocations for larger property buyers, among others. Private client investors may accelerate or delay transactions due to personal or business related reasons unrelated to economic events. In addition, our operating margins are typically lower during the second half of each year due to our commission structure for some of our senior investment sales and financing professionals. These senior investment sales and financing professionals are on a graduated commission schedule that resets annually in which higher commissions are paid for higher sales volumes. Our historical pattern of seasonality may or may not continue to the same degree experienced in prior years.

Operating Segments

Management has determined that each of the Company's offices represent individual operating segments with similar economic characteristics that meet the criteria for aggregation into a single reportable segment for financial statement purposes. The Company's financing operations do not meet the thresholds to be presented as a separate reportable segment.

Key Financial Measures and Indicators

Revenues

Our revenues are primarily generated from our real estate investment sales business. In addition to real estate brokerage commissions, we generate revenues from financing fees and from other revenues, which are primarily comprised of consulting and advisory fees.

Our business is transaction oriented and, as such, we rely on investment sales and financing professionals to continually develop leads, identify properties to sell, market those properties and close the sale timely to generate a consistent flow of revenue. While our sales volume is impacted by the seasonality factors discussed above, the timing of closings is also dependent on many market and personal factors unique to a particular client or transaction, particularly clients transacting in the $1-$10 million private client market segment. These factors can cause transactions to be accelerated or delayed beyond our control. Further, commission rates earned are generally inversely related to the value of the property sold. As a result of our expansion into the middle and institutional market segments, we have seen our overall commission rates fluctuate from period-to-period as a result of changes in the relative mix of the number and volume of transactions closed in the middle and institutional market segments as compared to the $1-$10 million private client market segment. These factors may result in period-to-period variations in our revenues different from historical patterns.

A small percentage of our transactions include retainer fees and/or breakage fees. Retainer fees are credited against a success-based fee upon the closing of a transaction or a breakage fee. Transactions that are terminated before completion will sometimes generate breakage fees, which are usually calculated as a set amount or a percentage of the fee we would have received had the transaction closed.

Real estate brokerage commissions

We earn real estate brokerage commissions by acting as a broker for commercial real estate owners seeking to sell or investors seeking to buy properties. Revenues from real estate brokerage commissions are typically recognized at the close of escrow.

Financing fees

We earn financing fees by securing financing on purchase transactions or by securing refinancing of our clients' existing mortgage debt. We recognize financing fee revenues at the time the loan closes and we have no remaining significant obligations for performance in connection with the transaction. To a lesser extent, we also earn ancillary fees associated with financing activities.

Other revenues

Other revenues include fees generated from consulting and advisory services performed by our investment sales professionals, as well as referral fees from other real estate brokers. Revenues from these services are recognized as they are performed and completed.

Operating Expenses

Our operating expenses consist of cost of services, selling, general and administrative expenses and depreciation and amortization. The significant components of our expenses are further described below.

Cost of services

The majority of our cost of services expense is commission expense. Commission expenses are directly attributable to providing services to our clients for investment sales and financing services. Most of our investment sales and financing professionals are independent contractors and are paid commissions; however, there are some who are initially paid a salary and certain of our financing professionals are employees and, as such, costs of services also include employee-related compensation, employer taxes and benefits for those employees. The commission rates we pay to our investment sales and financing professionals vary based on individual contracts negotiated and are generally higher for the more experienced professionals. Some of our most senior investment sales and financing professionals also have the ability to earn additional commissions after meeting certain annual revenue thresholds. These additional commissions are recognized as cost of services in the period in which they are earned. Payment of a portion of these additional commissions are generally deferred for a period of three years, at the Company's election and paid at the beginning of the fourth calendar year. Cost of services also includes referral fees paid to other real estate brokers where the Company is the principal service provider. Cost of services, therefore, can vary based on the commission structure of the independent contractors that closed transactions in any particular period.

Selling, general & administrative expenses

The largest expense component within selling, general and administrative expenses is personnel expenses for our management team and sales and support staff. In addition, these costs include facilities costs (excluding depreciation and amortization), staff related expenses, sales, marketing, legal, telecommunication, network, data sources and other administrative expenses. Also included in selling, general and administrative are expenses for stock-based compensation to non-employee directors, employees and independent contractors (i.e. investment sales and financing professionals) under the 2013 Omnibus Equity Incentive Plan ("2013 Plan") and the 2013 Employee Stock Purchase Plan ("2013 ESPP Plan").

Depreciation and amortization expense

Depreciation and amortization expense consists of depreciation and amortization recorded on our computer software and hardware and furniture, fixture and equipment. Depreciation and amortization are provided over estimated useful lives ranging from three to seven years for owned assets or over the lesser of the asset estimated useful lives or the related lease term for leasehold improvements.

Other Income (Expense), Net

Other income (expense), net primarily consists of net gains or losses on our deferred compensation plan assets, interest income and realized gains and losses on our marketable securities, available-for-sale, foreign currency gains and losses and other non-operating gains and losses.

Interest Expense

Interest expense primarily consists of interest expense associated with the SARs liability, notes payable to former stockholders and our credit agreement.

Provision for Income Taxes

We are subject to U.S. and Canadian federal taxes and individual state and local taxes based on the income generated in the jurisdictions in which we operate. Our effective tax rate fluctuates as a result of the change in the mix of our activities in the jurisdictions we operate due to differing tax rates in those jurisdictions. Our provision for income taxes excludes the windfall benefits from shares issued in connection with our 2013 Plan and 2013 ESPP Plan.

Key Metrics

Transaction Activity by Property Type

We have a long history and significant expertise in our core property types of multifamily, retail, office and industrial. We have expanded our expertise in the specialty property types by hiring and assigning specialty directors to coordinate our national presence in these property types and expand our market share. The following tables set forth the number and sales volume (dollars in billions) of investment sales, financing and other transactions for the three and six months ended June 30, 2016 compared to the same periods in 2015 by property type:

	Three Months Ended June 30,					
	2016		2015		Change	
	Number	Volume	Number	Volume	Number	Volume
Core Property Types:						
Multifamily	837	$ 5.3	896	$ 4.5	(59)	$ 0.8
Retail	904	3.1	795	2.6	109	0.5
Office	155	0.6	153	0.7	2	(0.1)
Industrial	60	0.2	48	0.3	12	(0.1)
Total Core Property Types	1,956	$ 9.2	1,892	$ 8.1	64	$ 1.1
Specialty Property Types:						
Hospitality	67	$ 0.3	60	$ 0.3	7	$ —
Seniors Housing	15	0.2	15	0.3	—	(0.1)
Self-Storage	41	0.2	47	0.2	(6)	—
Manufactured Housing	65	0.2	24	0.1	41	0.1
Land	23	0.1	71	0.1	(48)	—
Mixed - Use / Other	90	0.4	57	0.3	33	0.1
Total Specialty Property Types	301	$ 1.4	274	$ 1.3	27	$ 0.1
	2,257	$ 10.6	2,166	$ 9.4	91	$ 1.2

	Six Months Ended June 30,				Change	
	2016		2015			
	Number	Volume	Number	Volume	Number	Volume
Core Property Types:						
Multifamily	1,562	$ 9.6	1,625	$ 8.4	(63)	$ 1.2
Retail	1,746	5.8	1,515	5.0	231	0.8
Office	278	1.1	267	1.2	11	(0.1)
Industrial	122	0.4	117	0.5	5	(0.1)
Total Core Property Types	3,708	$ 16.9	3,524	$ 15.1	184	$ 1.8
Specialty Property Types:						
Seniors Housing	31	$ 0.9	35	$ 0.4	(4)	$ 0.5
Hospitality	125	0.7	104	0.5	21	0.2
Self-Storage	93	0.6	103	0.5	(10)	0.1
Land	122	0.4	45	0.2	77	0.2
Manufactured Housing	62	0.2	125	0.2	(63)	—
Mixed - Use / Other	154	0.6	107	0.6	47	—
Total Specialty Property Types	587	$ 3.4	519	$ 2.4	68	$ 1.0
	4,295	$ 20.3	4,043	$ 17.5	252	$ 2.8

Operating Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. During the three months ended June 30, 2016 and 2015, we closed more than 2,200 and 2,100 sales, financing and other transactions with total volume of approximately $10.6 billion and $9.4 billion, respectively. During the six months ended June 30, 2016 and 2015, we closed more than 4,200 and 4,000 sales, financing and other transactions with total volume of approximately $20.3 billion and $17.5 billion, respectively. Such key metrics for real estate brokerage and financing activities are as follows:

Real Estate Brokerage	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Average Number of Investment Sales Professionals	1,496	1,410	1,487	1,417
Average Number of Transactions per Investment Sales Professional	1.12	1.10	2.13	2.06
Average Commission per Transaction	$101,563	$103,235	$102,011	$100,620
Average Commission Rate	1.99%	2.18%	2.02%	2.18%
Average Transaction Size (in thousands)	$ 5,098	$ 4,732	$ 5,061	$ 4,606
Total Number of Transactions	1,675	1,552	3,174	2,926
Total Sales Volume (in millions)	$ 8,540	$ 7,343	$ 16,065	$ 13,477

Financing	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Average Number of Financing Professionals	97	84	97	83
Average Number of Transactions per Financing Professional	4.18	4.94	7.99	8.75
Average Fee per Transaction	$ 26,484	$ 26,867	$ 25,108	$ 26,420
Average Fee Rate	0.79%	0.89%	0.81%	0.90%
Average Transaction Size (in thousands)	$ 3,367	$ 3,009	$ 3,095	$ 2,930
Total Number of Transactions	405	415	775	726
Total Dollar Volume (in millions)	$ 1,363	$ 1,249	$ 2,399	$ 2,128

Results of Operations

Following is a discussion of our results of operations for the three and six months ended June 30, 2016 and 2015. The tables included in the period comparisons below provide summaries of our results of operations. The period-to-period comparisons of financial results are not necessarily indicative of future results.

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Comparison of Three Months Ended June 30, 2016 and 2015

Below are key operating results for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 (dollar and share amounts in thousands, except per share amounts):

	Three Months Ended June 30, 2016	Percentage of Revenue	Three Months Ended June 30, 2015	Percentage of Revenue	Change	
					Dollar	Percentage
Revenues:						
Real estate brokerage commissions	$170,118	92.8%	$160,221	92.4%	$ 9,897	6.2%
Financing fees	10,726	5.8	11,150	6.4	(424)	(3.8)
Other revenues	2,543	1.4	2,111	1.2	432	20.5
Total revenues	183,387	100.0	173,482	100.0	9,905	5.7
Operating expenses:						
Cost of services	113,126	61.7	105,557	60.8	7,569	7.2
Selling, general, and administrative expense	40,420	22.0	37,589	21.7	2,831	7.5
Depreciation and amortization expense	1,009	0.6	807	0.5	202	25.0
Total operating expenses	154,555	84.3	143,953	83.0	10,602	7.4
Operating income	28,832	15.7	29,529	17.0	(697)	(2.4)
Other income (expense), net	618	0.3	362	0.2	256	70.7
Interest expense	(384)	(0.2)	(386)	(0.2)	2	(0.5)
Income before provision for income taxes	29,066	15.8	29,505	17.0	(439)	(1.5)
Provision for income taxes	11,542	6.2	11,949	6.9	(407)	(3.4)
Net income	17,524	9.6%	$ 17,556	10.1%	$ (32)	(0.2)%
Adjusted EBITDA (1)	$ 31,755	17.3%	$ 33,034	19.0%	$ (1,279)	(3.9)%
Earnings per share:						
Basic	$ 0.45		$ 0.45			
Diluted	$ 0.45		$ 0.45			
Weighted average common shares outstanding:						
Basic	38,918		38,870			
Diluted	39,054		39,057			

(1) Adjusted 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 measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see “Non-GAAP Financial Measure.”

Revenues

Our total revenues were $183.4 million for the three months ended June 30, 2016 compared to $173.5 million for the same period in 2015, an increase of $9.9 million, or 5.7%. Total revenues increased primarily as a result of increases in real estate brokerage commissions, which contributed substantially all of the total increase. An increase in other revenues, partially offset by a decrease in financing fees contributed the remaining change in total revenues.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased to $170.1 million for the three months ended June 30, 2016 from $160.2 million for the same period in 2015, an increase of $9.9 million, or 6.2%. The increase was driven by a combination of the growth in the number of investment sales transactions (7.9%) and average transaction size (7.8%), partially offset by a decrease in average commission rates (19 basis points) due to a larger proportion of our transactions that closed in the ≥$20 million institutional market segment, which generate lower commission rates.

Financing fees. Revenues from financing fees decreased to $10.7 million for the three months ended June 30, 2016 from $11.2 million for the same period in 2015, a decrease of $0.4 million or 3.8%. The decrease was driven by a decrease in the number of loan transactions (2.4%) due to a decrease in productivity levels of financing professionals and a decrease in average fee rates (10 basis points) due in part to fees from certain larger loan transactions during the three months ended June 30, 2016 as compared to the same period in 2015. Larger loan transactions generally earn a lower fee percentage.

Other revenues. Other revenues increased to $2.5 million for the three months ended June 30, 2016 from $2.1 million for the same period in 2015, an increase of $0.4 million or 20.5%.

Total operating expenses

Our total operating expenses were $154.6 million for the three months ended June 30, 2016 compared to $144.0 million for the same period in 2015, an increase of $10.6 million, or 7.4%. Expenses increased primarily due to an increase in cost of services, which is predominantly variable commissions paid to our investment sales professionals and compensation-related costs related to our financing activities. Selling, general and administrative costs increased as well, as described below.

Cost of services. Cost of services for the three months ended June 30, 2016 increased $7.6 million, or 7.2% to $113.1 million from $105.6 million for the same period in 2015. The increase was primarily due to increased commission expenses driven by the related increased revenues noted above. Cost of services as a percent of total revenues increased to 61.7% for the three months ended June 30, 2016 compared to 60.8% for the same period in 2015 primarily due to increase in proportion of transactions closed by our more senior investment sales professionals who are compensated generally at higher commissions rates, partially offset by a reduction in referral fees.

Selling, general and administrative expense. Selling, general and administrative expense for the three months ended June 30, 2016 increased $2.8 million, or 7.5%, to $40.4 million from $37.6 million for the same period in 2015. The increase was primarily due to (i) a $2.2 million increase in salaries and related benefits as a result of increases in headcount in corporate and sales office support in connection with our growth and expansion of services supporting our investment sales and financing professionals; (ii) a $1.6 million increase in facilities expenses due to expansion of existing offices; (iii) a $0.9 million increase in sales and promotional marketing expenses to support increased sales activity and (iv) a $0.5 million increase in other expense categories, net, primarily driven by our expansion and growth. The increases were partially offset by (i) a $1.2 million decrease in management performance related compensation driven by a reduction in bonus accruals due to management exceeding performance criteria during the second quarter of 2015; (ii) a $0.9 million decrease in stock-based compensation expense due to a decline in the Company’s stock price partially offset by incremental stock-based awards granted since the second quarter of 2015 and (iii) a $0.3 million decrease in legal costs and accruals.

Depreciation and amortization expense. Depreciation and amortization expense increased to $1.0 million for the three months ended June 30, 2016 from $0.8 million for the same period in 2015, an increase of $0.2 million, or 25.0%. The increase is primarily driven by our expansion and growth.

Other income (expense), net

Other income (expense), net increased to $0.6 million for the three months ended June 30, 2016 from $0.4 million for the same period in 2015. The increase was primarily driven by an increase in the value of our deferred compensation plan assets held in the rabbi trust and interest income on our investments in marketable securities, available-for-sale. The increase was partially offset by foreign currency losses related to our Canadian operations and realized losses on our investments in marketable securities, available-for-sale.

Interest expense

Interest expense was $0.4 million for each of the three months ended June 30, 2016 and 2015.

Provision for income taxes

The provision for income taxes was $11.5 million for the three months ended June 30, 2016 as compared to $11.9 million in the same period in 2015, a decrease of $0.4 million or 3.4%. The effective income tax rate for the three months ended June 30, 2016 was 39.7%, compared with 40.5% for the same period in 2015. The decrease in the effective tax rate was due to a decrease in the effective state tax rate primarily as a result of changes in the Company’s state apportionment.

We calculate our provision for income taxes using an annual effective tax rate based on projected taxable income for the year adjusted for the effects of permanent and discrete items. Deferred taxes are adjusted for significant changes in temporary items in the period in which they occur. The future effective tax rate may vary from this estimated annual effective rate due to several factors, including but not limited to, the level of state and foreign jurisdiction activity, future changes in tax laws, the amount of future book versus income tax items that are permanent in nature and changes, if any, in a valuation allowance related to deferred tax assets.

The provisions for income taxes excludes the difference in book and tax deductions associated with the settlement of shares under the Company’s 2013 Plan and disqualifying dispositions of shares issued from our 2013 ESPP Plan. Such tax benefits were recorded directly to additional paid-in capital.

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Comparison of Six Months Ended June 30, 2016 and 2015

Below are key operating results for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 (dollar and share amounts in thousands, except per share amounts):

	Six Months Ended June 30, 2016	Percentage of Revenue	Six Months Ended June 30, 2015	Percentage of Revenue	Change	
					Dollar	Percentage
Revenues:						
Real estate brokerage commissions	$323,782	93.1%	$294,414	92.0%	$29,368	10.0%
Financing fees	19,459	5.6	19,181	6.0	278	1.4
Other revenues	4,418	1.3	6,428	2.0	(2,010)	(31.3)
Total revenues	347,659	100.0	320,023	100.0	27,636	8.6
Operating expenses:						
Cost of services	209,279	60.2	191,715	59.9	17,564	9.2
Selling, general, and administrative expense	82,675	23.8	73,418	22.9	9,257	12.6
Depreciation and amortization expense	2,015	0.6	1,587	0.5	428	27.0
Total operating expenses	293,969	84.6	266,720	83.3	27,249	10.2
Operating income	53,690	15.4	53,303	16.7	387	0.7
Other income (expense), net	848	0.3	487	0.1	361	74.1
Interest expense	(775)	(0.2)	(969)	(0.3)	194	(20.0)
Income before provision for income taxes	53,763	15.5	52,821	16.5	942	1.8
Provision for income taxes	21,424	6.2	21,596	6.7	(172)	(0.8)
Net income	32,339	9.3%	$ 31,225	9.8%	$ 1,114	3.6%
Adjusted EBITDA (1)	$ 58,922	16.9%	$ 59,285	18.5%	$ (363)	(0.6)%
Earnings per share:						
Basic	$ 0.83		$ 0.80			
Diluted	$ 0.83		$ 0.80			
Weighted average common shares outstanding:						
Basic	38,905		38,858			
Diluted	39,008		39,006			

(1) Adjusted 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 measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see “Non-GAAP Financial Measure.”

Revenues

Our total revenues were $347.7 million for the six months ended June 30, 2016 compared to $320.0 million for the same period in 2015, an increase of $27.6 million, or 8.6%. Total revenues increased primarily as a result of increases in real estate brokerage commissions, which contributed substantially all of the total increase. A slight increase in financing fees, partially offset by a decrease in other revenues contributed the remaining change in total revenues.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased to $323.8 million for the six months ended June 30, 2016 from $294.4 million for the same period in 2015, an increase of $29.4 million, or 10.0%. The increase was driven by a combination of the growth in the number of investment sales transactions (8.5%) and average transaction size (9.9%), partially offset by a decrease in average commission rates (16 basis points) due to a larger proportion of our transactions that closed in the ≥$20 million institutional market segment, which generate lower commission rates.

Financing fees. Revenues from financing fees increased to $19.5 million for the six months ended June 30, 2016 from $19.2 million for the same period in 2015, an increase of $0.3 million or 1.4%. The increase was driven by an increase in the number of loan transactions (6.7%) and an increase in average transaction size (5.6%), partially offset by a decrease in average fee rates (9 basis points) due in part to fees from certain larger loan transactions during the six months ended June 30, 2016 as compared to the same period in 2015. Larger loan transactions generally earn a lower fee percentage.

Other revenues. Other revenues decreased to $4.4 million for the six months ended June 30, 2016 from $6.4 million for the same period in 2015, a decrease of $2.0 million or 31.3%. The decrease was primarily driven by a decrease in consulting and advisory services during the six months ended June 30, 2016 as compared to the same period in 2015.

Total operating expenses

Our total operating expenses were $294.0 million for the six months ended June 30, 2016 compared to $266.7 million for the same period in 2015, an increase of $27.2 million, or 10.2%. Expenses increased primarily due to an increase in cost of services, which is predominantly variable commissions paid to our investment sales professionals and compensation-related costs related to our financing activities. Selling, general and administrative costs increased as well, as described below.

Cost of services. Cost of services for the six months ended June 30, 2016 increased approximately $17.6 million, or 9.2% to $209.3 million from $191.7 million for the same period in 2015. The increase was primarily due to increased commission expenses driven by the related increased revenues noted above. Cost of services as a percent of total revenues increased to 60.2% for the six months ended June 30, 2016 compared to 59.9% for the same period in 2015 primarily due to increase in proportion of transactions closed by our more senior investment sales professionals who are compensated generally at higher commissions rates, partially offset by a reduction in referral fees.

Selling, general and administrative expense. Selling, general and administrative expense for the six months ended June 30, 2016 increased $9.3 million, or 12.6%, to $82.7 million from $73.4 million for the same period in 2015. The increase was primarily due to (i) a $3.8 million increase in salaries and related benefits as a result of increases in headcount in corporate and sales office support in connection with our growth and expansion of services supporting our investment sales and financing professionals; (ii) a $3.3 million increase in sales and promotional marketing expenses to support increased sales activity and our annual sales recognition event; (iii) a $3.2 million increase in facilities expenses due to expansion of existing offices; (iv) a $0.5 million increase in legal costs and accruals and (v) a $1.4 million increase in other expense categories, net, primarily driven by our expansion and growth. The increases were partially offset by (i) a $1.5 million decrease in stock-based compensation expense due to a decline in the Company’s stock price partially offset by incremental stock-based awards granted since the second quarter of 2015 and (ii) a $1.4 million decrease in management performance related compensation driven by a reduction in bonus accruals due to management exceeding performance criteria during the first six months of 2015.

Depreciation and amortization expense. Depreciation and amortization expense increased to $2.0 million for the six months ended June 30, 2016 from $1.6 million for the same period in 2015, an increase of $0.4 million, or 27.0%. The increase is primarily driven by our expansion and growth.

Other income (expense), net

Other income (expense), net increased to $0.8 million for the six months ended June 30, 2016 from $0.5 million for the same period in 2015. The increase was primarily driven by an increase in interest income on our investments in marketable securities, available-for-sale, foreign currency gains related to our Canadian operations and the value of our deferred compensation plan assets held in the rabbi trust. The increase was partially offset by realized losses on our investments in marketable securities, available-for-sale, primarily due to a security sold which no longer met criteria of our investment policy.

Interest expense

Interest expense decreased to $0.8 million for the six months ended June 30, 2016 from $1.0 million for the same period in 2015, a decrease of $0.2 million, or 20.0%.

Provision for income taxes

The provision for income taxes was $21.4 million for the six months ended June 30, 2016 as compared to $21.6 million in the same period in 2015, a decrease of $0.2 million or 0.8%. The effective income tax rate for the six months ended June 30, 2016 was 39.8%, compared with 40.9% for the same period in 2015. The decrease in the effective tax rate was due to a decrease in the effective state tax rate primarily as a result of changes in the Company’s state apportionment.

We calculate our provision for income taxes using an annual effective tax rate based on projected taxable income for the year adjusted for the effects of permanent and discrete items. Deferred taxes are adjusted for significant changes in temporary items in the period in which they occur. The future effective tax rate may vary from this estimated annual effective rate due to several factors, including but not limited to, the level of state and foreign jurisdiction activity, future changes in tax laws, the amount of future book versus income tax items that are permanent in nature and changes, if any, in a valuation allowance related to deferred tax assets.

The provisions for income taxes excludes the difference in book and tax deductions associated with the settlement of shares under the Company's 2013 Plan and disqualifying dispositions of shares issued from our 2013 ESPP Plan. Such tax benefits, which aggregated $171,000 and $524,000 during the six months ended June 30, 2016 and 2015, respectively, were recorded directly to additional paid-in capital.

Non-GAAP Financial Measure

In this quarterly report on Form 10-Q, we include a non-GAAP financial measure, adjusted earnings before interest income/expense, taxes, depreciation and amortization and stock-based compensation, or Adjusted EBITDA. We define Adjusted EBITDA as net income before (i) interest income/expense, (ii) net realized gains on marketable securities, available-for-sale, (iii) income tax expense, (iv) depreciation and amortization and (v) stock-based compensation expense. We use Adjusted EBITDA in our business operations to, among other things, evaluate the performance of our business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use Adjusted EBITDA as supplemental measures to evaluate our 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 our results as reported under U.S. generally accepted accounting principles ("U.S. GAAP"). We find 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, we do not rely solely on Adjusted EBITDA as a performance measure and also consider our U.S. GAAP results. Adjusted 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 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.

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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$17,524	$17,556	$32,339	$31,225
Adjustments:				
Interest income and other (1)	(479)	(339)	(731)	(674)
Interest expense	384	386	775	969
Provision for income taxes	11,542	11,949	21,424	21,596
Depreciation and amortization	1,009	807	2,015	1,587
Stock-based compensation	1,775	2,675	3,100	4,582
Adjusted EBITDA(2)	$31,755	$33,034	$58,922	$59,285

(1) Other for the three months ended June 30, 2016, and 2015 includes $20 and $56 of net realized gains on marketable securities, available-for-sale. Other for the six months ended June 30, 2016, and 2015 includes $(135) and $130 of net realized (losses) gains on marketable securities, available-for-sale.

(2) The decrease in Adjusted EBITDA for the three and six months ended June 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.

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, cash flows from operations, marketable securities, available-for-sale and, if necessary, borrowings under our credit agreement. In order to enhance yield to us, we have invested a portion of our cash in money market funds and in fixed and variable income debt securities, in accordance with our investment policy approved by the board of directors. Although we have historically funded our operations through operating cash flows, there can be no assurance that we can continue to meet our cash requirements entirely through our operations, cash and cash equivalents, proceeds from the sale of marketable securities, available-for-sale or availability under our credit agreement.

Cash held in our Canadian operations aggregated $794,000 and $763,000 at June 30, 2016 and December 31, 2015, respectively.

Cash Flows

Our total cash and cash equivalents balance decreased by $3.7 million to $92.4 million at June 30, 2016, compared to $96.2 million at December 31, 2015. The following table sets forth our summary cash flows for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,	
	2016	2015
Net cash provided by operating activities	$ 12,260	$ 21,867
Net cash used in investing activities	(14,534)	(90,539)
Net cash (used in) provided by financing activities	(1,474)	3,711
Net decrease in cash and cash equivalents	(3,748)	(64,961)
Cash and cash equivalents at beginning of period	$ 96,185	149,159
Cash and cash equivalents at end of period	$ 92,437	$ 84,198

Operating Activities

Cash flows provided by operating activities were $12.3 million for the six months ended June 30, 2016, as compared to $21.9 million for the same period in 2015. 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 $9.6 million decrease in cash flows provided by operating activities for the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to differences in timing of payments and receipts, a reduction in the deferral of certain discretionary commissions and a reduction in bonus accruals due to management exceeding performance criteria in the first six months of 2015.

Investing Activities

Cash flows used in investing activities were $14.5 million for the six months ended June 30, 2016, as compared to $90.5 million cash flows used in investing activities for the same period in 2015. The decrease in cash flows used in investing activities for the six months ended June 30, 2016, as compared to the same period in 2015 was primarily due to $10.0 million in net purchases of marketable securities, available-for-sale for the six months ended June 30, 2016 compared to $88.2 million for the same period in 2015.

Financing Activities

Cash flows used in financing activities were $1.5 million for the six months ended June 30, 2016, as compared to cash flows provided by financing activities of $3.7 million for the same period in 2015. The change in cash flows (used in) provided by financing activities for the six months ended June 30, 2016 compared to the same period in 2015, was primarily impacted by net changes in stock-based award activity, including excess tax benefit from stock-based award activity. See Note 9 – “Stock-Based Compensation Plans” of our Notes to Condensed Consolidated Financial Statements for additional information.

Liquidity

We believe that our existing balances of cash and cash equivalents, cash flows expected to be generated from our operations, proceeds from the sale of marketable securities, available-for-sale and borrowings available under the credit agreement will be sufficient to satisfy our operating requirements for at least the next twelve months. If we need to raise additional capital through public or private debt or equity financings, strategic relationships or other arrangements, this capital might not be available to us in a timely manner, on acceptable terms, or at all. Our failure to raise sufficient capital when needed could prevent us from, among other factors, the ability to fund acquisitions or to otherwise finance our growth or operations. In addition, our notes payable to former stockholders and SARs liability have provisions, which could accelerate repayment of outstanding principal and accrued interest and adversely impact our liquidity.

Contractual Obligations and Commitments

There have been no material changes in our commitments under contractual obligations, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015 other than an acceleration of payments of the SARs liability and Deferred Compensation Plan liability due to the retirement of certain participants. Anticipated payments increased $3.8 million (1-3 years) and $3.6 million (3-5 years) and decreased $7.2 million (more than 5 years) and $3.6 million (other) from those reported as of December 31, 2015.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Inflation

Our commissions and other variable costs related to revenue are primarily affected by real estate market supply and demand, which may be affected by general economic conditions including inflation. However, to date, we do not believe that general inflation has had a material impact upon our operations.

Critical Accounting Policies; Use of Estimates

We prepare our financial statements in accordance with U.S. GAAP. In applying many of these accounting principles, we make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and our actual results may change based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. There were no material changes in our critical accounting policies, as disclosed in in our Annual Report on Form 10-K for the year ended December 31, 2015.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 1 – “Description of business, basis of presentation and recent accounting pronouncements” of our Notes to Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We maintain a portfolio of investments in a variety of fixed and variable rate securities, including U.S. government and federal agency securities, corporate debt securities and asset backed securities. As of June 30, 2016, the fair value of investments in marketable securities, available-for-sale was $146.0 million. The primary objective of our investment activity is to maintain the safety of principal, provide for future liquidity requirements while maximizing yields without significantly increasing risk. While some investments may be securities of companies in foreign countries, all investments are denominated and payable in U.S. Dollars. We do not enter into investments for trading or speculative purposes. While our intent is not to sell these investment securities prior to maturity, we may choose to sell any of the securities based on market opportunities to enhance our overall yield or maintain compliance with our investment policy. We do not use derivatives or similar instruments to manage our interest rate risk. We seek to invest in high quality investments, with a weighted average rating (exclusive of cash and cash equivalents) of AA+ as of June 30, 2016. Maturities are maintained consistent with our short, medium and long-term liquidity objectives.

Currently, our portfolio of investments predominantly consists of fixed interest rate debt securities; however, a portion of our investment portfolio may consist of variable interest rate debt securities. Our investments in fixed interest rate debt securities are subject to market risk. Changes in prevailing interest rates may adversely impact their fair market value should interest rates generally rise or fall. Accordingly, we also may have interest rate risk with the variable rate debt securities as the income produced may decrease if interest rates fall. The following table sets forth the impact on the fair value of our investments from changes in interest rates based on the duration of the securities (dollars in thousands):

Change in Interest Rates	Approximate Change in Fair Value of Investments
2% Decrease	$ 3,560
1% Decrease	$ 2,143
1% Increase	$ (2,475)
2% Increase	$ (4,950)

Due to the nature of our business and the manner in which we conduct our operations, we believe we do not face any material interest rate risk with respect to other assets and liabilities, equity price risk or other market risks. The functional currency of our Canadian operations is the Canadian dollar. We are exposed to foreign currency exchange rate risk for the settlement of transactions of the Canadian operations as well as unrealized translation adjustments. To date, realized foreign currency exchange rate gains and losses have not been material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2016, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2016, our disclosure controls and procedures were effective in ensuring that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, including ensuring that such material information is accumulated by and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in claims and legal actions arising in the ordinary course of our business some of which involve claims for damages that are substantial in amount. Most of these litigation matters are covered by insurance which contain deductibles, exclusions, claim limits and aggregate policy limits. Such litigation and other proceedings may include, but are not limited to, actions relating to commercial relationships, standard brokerage disputes like the alleged failure to disclose physical or environmental defects or property expenses or contracts, the alleged inadequate disclosure of matters relating to the transaction like the relationships among the parties to the transaction, potential claims or losses pertaining to the asset, vicarious liability based upon conduct of individuals or entities outside of our control, general fraud claims, conflicts of interest claims, employment law claims, including claims challenging the classification of our sales professionals as independent contractors, claims alleging violations of state consumer fraud statutes and intellectual property. While the ultimate liability for these legal proceeding cannot be determined, the Company reviews the need for its accrual for loss contingencies quarterly and records an accrual for litigation related losses where the likelihood of loss is both probable and estimable. We do not believe, based on information currently available to us, that the final outcome of these proceedings will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

For information on our legal proceedings, see Note 12 – "Commitments and Contingencies" of our Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes from the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The documents listed in the Exhibit Index of this quarterly report on Form 10-Q are incorporated by reference or are filed with this quarterly report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Marcus & Millichap, Inc.

Date: August 8, 2016

By: /s/ Hessam Nadji
Hessam Nadji
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2016

By: /s/ Martin E. Louie
Martin E. Louie
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.22*	Retirement Agreement and Release of All Claims between the Company and John J. Kerin dated as of June 13, 2016
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document

* Filed herewith.

Exhibit 10.22

Execution Copy

RETIREMENT AGREEMENT AND RELEASE OF ALL CLAIMS

This Retirement Agreement and Release of All Claims (the "***Agreement***") is entered into by and between **JOHN J. KERIN** (referred to hereinafter as "***you***" or the "***Executive***") and **MARCUS & MILLICHAP, INC.**, a Delaware corporation (the "***Company***"). The Executive and the Company hereinafter collectively referred to as the "***Parties***."

RECITALS

WHEREAS, the Executive previously served as the Company's Chief Executive Officer;

WHEREAS, the Executive retired effective March 31, 2016 (the "***Retirement Date***");

WHEREAS, the Parties agreed that the Executive will provide consulting services (the "***Consulting Services***"), which commenced on April 1, 2016 and that are anticipated to end on March 31, 2017 (the period from April 1, 2016 until the actual date that the Executive ceases to provide Consulting Services, the "***Consulting Period***"), as described more fully herein;

WHEREAS, the Company previously granted the Executive 416,124 Deferred Stock Units (the "***DSU Award***"), as set forth in the Deferred Stock Unit Award Agreement dated November 5, 2013 (the "***DSU Award Agreement***");

WHEREAS, on November 4, 2013, the Company and the Executive entered into three separate Amendment, Restatement and Freezing of Stock Appreciation Rights Agreements (the "***SAR Agreements***") that provide for deferred compensation payable to the Executive in the aggregate amount of $8,561,296.08, as of the date of such SAR Agreements as subsequently adjusted for earnings through December 31, 2015, (the amount subject to the SAR Agreements, the "***SAR Account Balance***"), a portion of which is subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the regulations and guidance promulgated thereunder ("***Section 409A***") and a portion of which is exempt from the requirements of Section 409A;

WHEREAS, on November 4, 2013, the Company and the Executive entered into a Sale Restriction Agreement (the "***Sale Restriction Agreement***") whereby Executive agreed to restrictions on his ability to sell the 1,225,249 shares of common stock of the Company that he held as of such date (the "***Restricted Shares***"), which such sale restriction lapses over time as set forth in the Sale Restriction Agreement;

WHEREAS, the Executive is a participant in the Company's Deferred Compensation Plan as restated effective January 1, 2014 (the "***Deferred Compensation Plan***"); and

WHEREAS, the Parties desire to formalize the terms and conditions related to Executive's retirement and his provision of Consulting Services following his retirement, in each case, pursuant to this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth herein, and for other good and sufficient consideration, the sufficiency of which is hereby acknowledged, the Company and the Executive agree as follows:

AGREEMENT

1. **Executive's Retirement**.

(a) The Executive resigns his current position and active employment with the Company effective as of the Retirement Date and thereafter will become a paid consultant of the Company effective April 1, 2016. The Executive understands that effective as of the Retirement Date, the Executive will cease to be the Chief Executive Officer of the Company.

(b) Effective as of the Retirement Date, the Executive will cease to be an employee of, or have any connection with, or claims against the Company (except for payments or benefits due hereunder). The Executive's right to participate in the employee benefits offered by the Company shall cease on the Retirement Date, except as set forth herein or as required by applicable law.

(c) Additionally, effective as of the Retirement Date, the Executive resigns as a member of the Board of Directors of the Company.

2. **Accrued Benefits**. As of the Retirement Date, Executive was paid all of the Executive's salary, all accrued, but unused, vacation and all other wages earned through the Retirement Date, less all applicable withholdings and required deductions. The Executive agrees that as of the Retirement Date, the Executive has been paid all compensation due the Executive as of the Retirement Date by virtue of the Executive's employment, in keeping with the Company's policy and practice, except any payments or rights pursuant to this Agreement that will be paid following the Retirement Date.

3. **Restrictive Covenants**. Section 5 or 7 of the SAR Agreements, as applicable, and Section 7 of the Sale Restriction Agreement contain certain restrictive covenants applicable to the Executive (the "***Restrictive Covenants***"), which shall remain in full force and effect. For purposes of applying the Restrictive Covenants, the three (3) year period described in the Restrictive Covenants shall commence after the end of the Consulting Services.

4. **Retirement Benefits; Consideration**. If the Executive timely signs and does not revoke this Agreement, continues to comply with the Restrictive Covenants and complies with this Agreement, he will be eligible for the benefits set forth below in consideration of his Consulting Services, cooperation with the Company and release of claims in favor of the Company, as describe in Section 5 below (the "***Release***"):

(a) *Retirement Benefits*. The Executive will be entitled to the following retirement benefits:

(i) If the Executive is eligible for, and timely elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as

amended ("***COBRA***"), the Company will reimburse the Executive for, or pay on his behalf, the full amount of the COBRA premiums for such coverage for the Executive and the Executive's covered dependents for twelve (12) months following the Retirement Date; provided, however, notwithstanding any other provision of this Agreement, Executive shall be entitled to exercise his statutorily mandated rights to elect and receive COBRA coverage, as required by applicable law.

(ii) The Company will provide the Executive with the continued use of the Company's leased automobile currently in his possession until the earlier of (x) twelve (12) months following the Retirement Date or (y) the termination of the Consulting Agreement (as defined below) and will continue to cover the insurance, maintenance and fuel costs associated with the leased automobile, on the same basis as was applicable for Executive prior to the Retirement Date; and

(iii) If needed, as mutually agreed between the Company and the Executive, until the earlier of (x) twelve (12) months following the Retirement Date or (y) the termination of the Consulting Agreement, the Company will either bear the cost of leased office space for Executive or, if Executive elects to use his home office in lieu of leased office space, pay Executive an additional $1,000 per month and either supply or bear the cost of secretarial assistance, at Executive's choosing.

(b) *Post-Retirement Consulting*.

(i) Consulting Services ("***Consulting Agreement***"). The Executive agrees that during the Consulting Period, the Executive shall provide Consulting Services as reasonably requested by the Company, through, and only through, its Chief Executive Officer (CEO) or any other person designated by the CEO, (a) the Company shall provide the Executive with reasonable advance notice when requesting such services or assistance, (b) the Company shall exercise reasonable efforts to schedule any services or assistance requested and the Executive shall exercise reasonable efforts to fulfill the Company's consulting requests in a timely manner, notwithstanding his personal and other business commitments. The Consulting Agreement may be terminated, extended or modified by mutual agreement of the Parties. The Consulting Agreement may be terminated by the Company at any time with thirty (30) days' notice to the Executive if the Executive either breaches any provision of this Agreement, including, without limitation the Restrictive Covenants, or refuses or is unable to fulfill his consulting obligations hereunder, including, without limitation, by reason of death, disability, or resignation. Subject to the preceding sentences, the Consulting Services shall in no way prohibit the Executive's right and ability to find and commence alternative full-time employment or to provide consulting services to another organization; it being understood that the Executive's acceptance of such alternative full-time employment or consulting services shall not constitute a refusal or inability to fulfill the Consulting Services. If the Consulting Agreement terminates for any reason, the Consulting Period shall similarly end on the date of the termination of the Consulting Agreement for all purposes hereunder.

(ii) Consulting Services Compensation. During the Consulting Period, the Executive shall be paid an annual consulting fee of $680,000, which will be paid bi-monthly in arrears at the rate of $28,333 on the 15th and the last day of each month during the Consulting Period; provided that the first payment hereunder shall be made on the first scheduled payment date after the Effective Date of this Agreement and shall include all amounts that would have been paid had payment commence on the first schedule payment date after the Retirement Date.

(iii) Time Commitment. The Executive shall not be required to provide more than one hundred and twenty (120) hours of Consulting Services to the Company per month during the Consulting Period. At any point during the Consulting Period that the Parties agree that the Executive will provide less than thirty-four hours of Consulting Services per month during the remainder of the Consulting Period, the Executive will be deemed to have incurred a "separation from service" within the meaning of Section 409A as of the beginning of the first month in which the Executive provides less than thirty-four hours of Consulting Services (the "***Section 409A Separation Date***"). The Section 409A Separation Date shall be the separation from service or termination of employment date under the SAR Agreements, the DSU Award Agreement and the Deferred Compensation Plan with respect to any "nonqualified deferred compensation," within the meaning of Section 409A, payable to the Executive thereunder.

(iv) Reimbursement of Consulting Expenses. Pursuant to and in accordance with the Company expense policies then in effect, the Company shall promptly reimburse the Executive, upon receipt of reasonable documentation, for all out-of-pocket expenses necessarily incurred by the Executive, including reasonable expenses for travel and accommodations (but, in each case, only to the extent that the Executive has been requested or authorized, in accordance with the terms hereof, to incur such expenses in relation to his consulting responsibilities) for the purpose of providing any Consulting Services required under this Section 4(b).

(v) Status as a Consultant. The Executive will not be treated as an employee of the Company for any purpose with respect to such Consulting Services, including for purposes of any of the Company's benefit plans.

(vi) Non-Competition. During the Consulting Period, the Executive shall not directly or indirectly, either as an employee, employer, consultant, agent, principal, owner, partner, stockholder, corporate officer, director, or in any other individual or representative capacity, engage or participate in any business that is in competition in any manner whatsoever with the business of the Company or the Company's subsidiaries (the "***Non-Compete Covenant***").

(vii) Confidentiality; Invention Assignment. Coincident with the execution of this Agreement, the Executive shall execute a new Confidentiality and Non-Disclosure Agreement (the "***Consulting Confidentiality Agreement***") to cover the Consulting Period.

(viii) <u>SEC Matters</u>. The Company shall make all filings on behalf of the Executive with respect to his equity holdings in the Company, including, without limitation, any filings on Forms 3, 4, 5 or pursuant to Section 16. The Company acknowledges that the Executive shall not be subject to the Company's stock ownership or stock sale guidelines; provided, however, the Executive acknowledge that he will remain subject to any blackout or window trading periods following the Retirement Date if it is determined, in the discretion of the Company, that the Executive is receiving non-public information regarding the Company's financial results or other material non-public information.

(c) *<u>SAR Agreements</u>*.

(i) **Grandfathered Amounts**. As of the date hereof, $7,858,893.08 of the SAR Account Balance, as adjusted for earnings, is exempt from the requirements of Section 409A (the "***Grandfathered SAR Amount***"). Pursuant to the SAR Award Agreements, the Grandfathered SAR Amount will be distributed to the Executive in ten (10) annual installments. On January 10, 2017 (the "***Grandfathered SAR Initial Payment Date***"), the Company shall make the first payment to the Executive in an amount equal to ten percent (10%) of the Grandfathered SAR Amount, as determined on January 10, 2017. Within thirty (30) days of each of the nine (9) anniversaries of the Grandfathered SAR Initial Payment Date, an additional payment will be made to the Executive equal to (x) the value of the Grandfather SAR Amount, as adjusted for earnings, on the payment date *divided by* (y) the number of remaining installment payments (i.e., within thirty (30) days of January 10, 2018, 1/9th of the then-current Grandfathered SAR Amount will be distributed to the Executive). The undistributed Grandfathered SAR Amount will continue to be credited with earnings pursuant to the SAR Award Agreements.

(ii) **Non-Grandfathered Amounts**. As of the date hereof, $702,403.00 of the SAR Account Balance, as adjusted for earnings, is subject to the requirements of Section 409A (the "***Non-Grandfathered SAR Amount***"). Pursuant to the SAR Award Agreements, the Non-Grandfathered SAR Amount will be distributed to the Executive in ten (10) annual installments. On a date determined by the Company within thirty (30) days of the end of the calendar year including the Executive's Section 409A Separation Date (the "***Non-Grandfathered SAR Initial Payment Date***"), the Company shall calculate the amount of the first payment to the Executive, an amount equal to ten percent (10%) of the Non-Grandfathered SAR Amount as of the Non-Grandfathered SAR Initial Payment Date; provided that such payment shall not be made until the date that is six (6) months and one (1) day after the Section 409A Separation Date (for example, if the Section 409A Separation Date is December 1, 2016, the first payment will be made on June 2, 2017). Within thirty (30) days of each of the nine (9) anniversaries of the Non-Grandfathered SAR Initial Payment Date, an additional payment will be made to the Executive equal to (x) the value of the Non-Grandfather SAR Amount, as adjusted for earnings, on the payment date *divided by* (y) the number of remaining installment payments (for example, if the Section 409A Separation Date occurs during calendar year 2016, the second payment will be made within thirty (30) days of January 1, 2018, in an amount equal to 1/9th of the then-current Non-Grandfathered SAR Amount will be distributed to the Executive). The undistributed Non-Grandfathered SAR Amount will continue to be credited with earnings pursuant to the SAR Award Agreements.

(d) *Sale Restriction Agreement*. Pursuant to the terms of the Sale Restriction Agreement, twenty percent (20%) of the Restricted Shares are released from the Sale Restriction (as defined in the Sale Restriction Agreement) on each anniversary of November 4, 2013, subject to the Executive's continued service to the Company. The following shall apply to the release of the Sale Restriction with respect to the Restricted Shares:

(i) Forty percent (40%) of the Restricted Shares have been released from the Sale Restriction as of the date hereof.

(ii) An additional twenty percent (20%) of the Restricted Shares will be released from the Sale Restriction on each remaining anniversary of November 4, 2013 (i.e., November 4, 2016, November 4, 2017 and November 4, 2018).

(iii) If you violate the Non-Compete Covenant prior to the last release date on November 4, 2018, then the portion of your Restricted Shares that have not been released as of the date of such violation will be delayed and not released from the Sale Restriction until the fifth anniversary of the date you cease to provide services to the Company.

(e) *DSU Award*. Pursuant to the terms of the DSU Award Agreement, twenty percent (20%) of the Deferred Stock Units subject to the DSU Award are settled on each anniversary of November 5, 2013, subject to the Executive's continued service to the Company. The following shall apply to the settlement of the Deferred Stock Units subject to the DSU Award:

(i) Forty percent (40%) of the Deferred Stock Units subject to the DSU Award have been settled as of the date hereof.

(ii) Until the Section 409A Separation Date, an additional twenty percent (20%) of the Deferred Stock Units subject to the DSU Award will be settled on each remaining scheduled settlement date under the DSU Award Agreement (i.e., November 5, 2016, November 5, 2017 and November 5, 2018).

(iii) On the fifth (5th) anniversary of Section 409A Separation Date, all Deferred Stock Units not previously settled in accordance with the DSU Agreement and this Agreement will be settled.

(f) *Deferred Compensation Plan*. The Executive's account balance under the Deferred Compensation Plan (the "***DCP Account Balance***") will be distributed in accordance with the elections previously made by the Executive under the Deferred Compensation Plan; provided, however, that for determining the timing of distributions with respect to any portion of the DCP Account Balance that is subject to Section 409A, the following shall apply:

(i) the date of termination of employment shall mean the Section 409A Separation Date; and

(ii) any distributions scheduled to be made during the first six (6) months following the Section 409A Separation Date shall be delayed and paid on the date that is six (6) months and one (1) day after the Section 409A Separation Date.

5. **General Releases and Waivers of Claims**.

(a) *General Release*. Except as otherwise provided in Section 5(c), in return for the consideration set forth in Section 4 above, the Executive, on behalf of himself, as well as the Executive's heirs, beneficiaries, successors, representatives, trustees, administrators and assigns, freely and voluntarily hereby waives and releases the Company, and each of its past, present and future officers, directors, shareholders, the employees, consultants, accountants, attorneys, agents, managers, insurers, sureties, parent and sister corporations, divisions, subsidiary corporations and entities, partners, joint venturers and affiliates (and each of their respective beneficiaries, successors, representatives and assigns) and all persons acting in concert with them (collectively, "***Affiliates***") from any and all claims, demands, damages, debts, liabilities, controversies, obligations, actions or causes of action of any nature whatsoever, including without limitation, any claims as an officer, director or owner of equity in the Company, whether based on tort, statute, contract, indemnity, rescission or any other theory of recovery, and whether for compensatory, punitive, equitable or other relief, whether known, unknown, suspected or unsuspected, against the Company and/or its Affiliates, including without limitation claims which may have arisen or may in the future arise in connection with any event that occurred on or before the date of the Executive's execution of this Release.

These claims include but are not limited to claims arising under federal, state and local statutory or common law, including, but not limited to the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq. ("***ADEA***"); Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq.; Equal Pay Act, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq.; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; the False Claims Act, 31 U.S.C. § 3729 et seq.; the Employee Retirement Income Security Act, 29 U.S.C. § 1001 et seq.; the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 et seq.; the California Fair Employment and Housing Act, Cal. Lab. Code § 12940 et seq.; the California Equal Pay Law, Cal. Lab. Code §§ 1197.5(a),1199.5; the Moore-Brown-Roberti Family Rights Act of 1991, Cal. Gov't Code §§12945.2, 19702.3; the California WARN Act, Cal. Lab. Code § 1400 et seq,; the California Labor Code; the California Constitution; (all as amended) claims arising out of any legal restrictions on the Company's right to terminate its employees; or claims arising under state and federal whistleblower statutes to the maximum extent permitted by law. Nothing herein shall be construed to impede the Executive from communicating directly with, cooperating with or providing information to any government regulator.

(b) *Unknown Claims*. The Executive expressly waives any right or claim of right to assert hereafter that any claim, demand, obligation and/or cause of action has, through ignorance, oversight or error, been omitted from the terms of this Release. The Executive makes

this waiver with full knowledge of his rights and with specific intent to release both his known and unknown claims, and therefore specifically waives his rights under Section 1542 of the Civil Code of California or other similar provisions of any other applicable law (collectively, "***Section 1542***"), which reads as follows:

> **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his settlement with the debtor."**

The Executive understands and acknowledges the significance and consequence of this Release and of such specific waiver of Section 1542, and expressly agrees that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those relating to unknown and unsuspected claims, demands, obligations and causes of action herein above specified.

(c) *Claims Not Released*.

(i) This Release does not waive rights or claims under federal or state law that the Executive cannot waive by private agreement, including, but not limited to those he may have under Sections 2800 and 2802 of the California Labor Code, the Executive's right to file a claim for unemployment benefits, worker's compensation benefits, claims under the Fair Labor Standards Act, health insurance benefits under COBRA, or claims with regards to vested benefits under a retirement plan governed by ERISA. Further, Executive does not waive rights or claims with respect to his right to indemnification under California Labor Code § 2802 California Corporations Code §317, the Company's bylaws, any indemnification agreement between the Company and Executive, or any other federal or state statute, law, regulation or provision that confers upon Executive a right to defense or indemnification arising out of the services he performed for the Company.

(ii) Nothing in this Agreement, including but not limited to this Section 5, shall be interpreted to mean or imply that Executive is waiving, or has waived, is releasing or has released, any claim (1) arising from any right or benefit arising under this Agreement, including but not limited to rights or benefits to be paid, vested or accrued after March 31, 2016 under the DSU Award Agreement, the SAR Agreements, the Sale Restriction Agreement, the Deferred Compensation Plan and/or Consulting Agreement; (2) otherwise arising as a result of a breach by the Company and/or any of its Affiliates, of this Agreement; (3) arising under federal or state law that Executive cannot waive by private agreement, including but not limited to, Sections 2800 and 2802 of the California Labor Code, the Executive's right to file a claim for unemployment benefits, worker's compensation benefits; (4) the Fair Labor Standards Act, health insurance benefits under COBRA, and/or the Employee Retirement Income Security Act of 1974, as amended.

(d) *Review and Revocation*. In accordance with the Older Workers Benefit Protection Act, the Executive acknowledges and agrees this Agreement includes a waiver and release of all claims that the Executive have or may have under the ADEA. With respect to the release of claims under the ADEA, the Executive acknowledges that:

(i) This Agreement is written in a manner calculated to be understood by the Executive and the Executive understands it.

(ii) The waiver and release of claims under the ADEA contained in this Agreement does not cover rights or claims that may arise after the date on which the Executive signs this Agreement.

(iii) This Agreement provides for consideration in addition to anything of value to which the Executive is already entitled.

(iv) The Executive is hereby advised to consult an attorney before signing this Agreement.

(v) The Executive has been granted twenty-one (21) days after receiving this Agreement to decide whether or not to sign this Agreement. If the Executive signs this Agreement prior to the expiration of the twenty-one (21) day period, the Executive does so voluntarily and after having had the opportunity to consult with an attorney, and the Executive hereby waives the remainder of the twenty-one (21) day period.

(vi) The Executive has the right to revoke this Agreement within seven (7) days of signing this Agreement, and this Agreement shall not be enforceable or effective until the eighth (8th) day after he signs this Agreement (the "***Effective Date***").

(vii) In the event this Agreement is revoked, this Agreement will be null and void in its entirety, and the Executive will not be entitled to the benefits provided in Section 4 of this Agreement. If the Executive wishes to revoke this Agreement, the Executive must deliver written notice stating his intent to revoke this Agreement to Bob Kennis, the Company's General Counsel, on or before 5:00 p.m. on the seventh (7th) day after the date on which the Executive signed this Agreement.

6. **No Admission**. Nothing contained in this Agreement shall constitute or be treated as an admission by the Executive or the Company of any liability, wrongdoing, or violation of law.

7. **No Future Actions**. To the extent permitted by law, the Executive agrees that the Executive shall not encourage, cooperate in, or initiate any suit or action of any kind, or voluntarily participate in same, individually or as a representative, witness or member of a class, under contract, law or regulation, federal, state or local, pertaining to any matter related to his employment with the Company. The Executive represents that he has not, to date, initiated (or caused to be initiated) any such suit or action.

The Executive agrees that if he, or anyone purporting to act on his behalf or under any assignment of claims from the Executive, hereafter commences any suit arising out of, based upon, or relating to any of the claims released by the Agreement or in any manner asserts against the Company and/or its Affiliates, any of the claims released hereunder, then, to the maximum extent permitted by law, the Executive will pay to the Company and/or its Affiliates, as applicable, in addition to any other damages caused to them thereby, all attorneys' fees incurred by the Company and/or its Affiliates, as applicable, in defending or otherwise responding to said suit or claim.

The foregoing shall not apply if the Executive is required to participate by legal process or other requirement of applicable law, provided that the Executive gives the Company notice if legal process is served on the Executive; or to any challenge by the Executive to the validity of any release herein of ADEA claims or to any to suit or action brought by the Executive to assert such a challenge.

Additionally, nothing in this Release precludes the Executive from participating in any investigation or proceeding before any federal or state agency, or governmental body, including, but not limited to, the Equal Employment Opportunity Commission, the Securities and Exchange Commission, and/or the Department of Justice. However, while the Executive may file a charge, provide information, or participate in any investigation or proceeding, by signing this Release, the Executive, to the maximum extent permitted by law, waives any right to bring a lawsuit against the Company, and waives any right to any individual monetary recovery in any such proceeding or lawsuit or in any proceeding brought based on any communication by the Executive to any federal, state or local government agency or department.

8. **Cooperation with the Company**. In addition, the Executive shall, without further compensation, cooperate with and assist the Company in the investigation of, preparation for or defense of any actual or threatened third party claim, investigation or proceeding involving the Company or its predecessors or affiliates and arising from or relating to, in whole or in part, the Executive's employment with the Company or its predecessors or affiliates for which the Company requests the Executive's assistance, which cooperation and assistance shall include, but not be limited to, providing truthful testimony and assisting in information and document gathering efforts. In connection herewith, it is agreed that the Company will use its reasonable best efforts to assure that any request for such cooperation will not unduly interfere with the Executive's other material business and personal obligations and commitments.

9. **Confidential Information**. To the maximum extent permitted by law, the Executive shall not, without the Company's written consent by an authorized representative, at any time prior or subsequent to the execution of this Release, disclose, use, remove or copy any Confidential Information, trade secret or proprietary information he acquired during the course of his employment by the Company. "***Confidential Information***," for purposes of this Agreement, includes any information not previously published or generally in the public domain. Confidential Information, trade secrets and proprietary information includes without limitation, any technical, actuarial, economic, financial, procurement, provider, enrollee, customer, underwriting, contractual, managerial, marketing or other information of any type regarding the business in which the Company is engaged, but not including any previously published information or other information generally in the public domain. The Executive also agrees that

he shall not without the Company's written consent by an authorized representative, directly or indirectly use the Company's trade secret information, including but not limited to customer lists, to solicit business of any customers of the Company (other than on behalf of the Company). The Executive acknowledges and agrees that any "***Invention***," including without limitation, any developments or discoveries by the Executive during the course of his employment with the Company through the date of execution of this Release resulting in patents, lists of customers, trade secrets, specialized know-how or other intellectual property useful in the then-current business of the Company and any original works of authority are the property of the Company and shall be used for the sole benefit of the Company. If not previously assigned to the Company, the Executive hereby assigns ownership of any and all Inventions to the Company, provided, however, that the provisions of this Agreement requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code section 2870, which provides as follows.

"(a) Any provision in an employment agreement which provides that an the Executive shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the Executive developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by the Executive for the employer.

(b) To the extent a provision in an employment agreement purports to require an the Executive to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

This provision shall supplement, but not limit or supersede any other agreement between the Executive and the Company concerning any Confidential Information or other intellectual property.

10. **Return of Property**. The Executive agrees that, as of the Retirement Date, the Executive has returned to the Company any and all Company property in your possession or control, including, without limitation, equipment, documents (in paper and electronic form), credit cards, and phone cards and/or you have returned or destroyed all Company property that you stored in electronic form or media (including, but not limited to, any Company property stored in your personal computer, USB drives or in a cloud environment). This Section 10 shall not apply to any items that the Company determines are necessary for you to provide the Consulting Services; provided that any such items shall instead be returned as of the end of the Consulting Period).

11. **Opportunity to Consult with Counsel**. The Executive acknowledges that he has had an opportunity to consult with and be represented by counsel of the Executive's choosing in the review of this Agreement, that you have been advised by the Company to do so, that the

Executive is fully aware of the contents of the Agreement and of its legal effect, that the preceding paragraphs recite the sole consideration for this Agreement, and that the Executive enters into this Agreement freely, without duress or coercion, and based on the Executive's own judgment and wishes and not in reliance upon any representation or promise made by the Company, other than those contained herein.

12. **Non-Disparagement**. The Executive agrees not to disparage the Company or to do anything in a manner likely to portray the Company, its products or personnel in a negative light or that might injure the Company's business or affairs. This would include, but is not limited to, disparaging remarks about the Company as well as its shareholders, officers, directors, employees, agents, advisors, partners, affiliates, consultants, products, services, formulae, business practices, corporate structure or organization, and marketing methods. The Company, limited to its current executive officers and directors, for so long as such executive officer is an employee of the Company or director remains as a director of the Company, agrees to instruct such officers and directors to not make any oral or written public statements disparaging Executive. The parties agree that the provisions of this Paragraph 12 are material terms of this Agreement. Nothing herein shall in any way prohibit the Company from disclosing such information as may be required by law, or by judicial or administrative process or order or the rules of any securities exchange or similar self-regulatory organization applicable to Executive.

13. **No Reemployment**. The Executive acknowledge that the Executive will have no right to employment with the Company after the Retirement Date and that the Executive shall not apply for reemployment with the Company after the Retirement Date.

14. **Section 409A**. The Executive and the Company intend that all payments made under this Agreement are exempt from, or compliant with, the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or to comply. In no event will the Company reimburse you for any taxes or other penalties that may be imposed on you as a result of Section 409A.

15. **Entire Agreement**. The Executive agrees that the Sale Restriction Agreement, the DSU Award Agreement, the SAR Agreements and the Deferred Compensation Plan will continue to govern your rights thereunder, including, without limitation, any vesting or payment acceleration provisions application upon a change in control or otherwise, as set forth therein, except to the extent modified pursuant to this Agreement (as so modified, the "***Modified Compensation Agreements***"). Further, the Executive agrees that except for the Modified Compensation Agreements and the Consulting Confidentiality Agreement, and except as otherwise expressly provided in this Agreement, this Agreement renders null and void any and all prior or contemporaneous agreements between the Executive and the Company or any affiliate of the Company. The Executive and the Company agree that this Agreement constitutes the entire agreement between the Executive and the Company and any affiliate of the Company regarding the subject matter of this Agreement, and that this Agreement may be modified only in a written document signed by the Executive and a duly authorized officer of the Company.

16. **Choice of Law**. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

17. **Severability**. The provisions of this Agreement are severable. If any provision of this Agreement is held invalid or unenforceable, such provision shall be deemed deleted from this Agreement and such invalidity or unenforceability shall not affect any other provision of this Agreement, the balance of which will remain in and have its intended full force and effect; provided, however that if such invalid or unenforceable provision may be modified so as to be valid and enforceable as a matter of law, such provision shall be deemed to have been modified so as to be valid and enforceable to the maximum extent permitted by law.

18. **Reformation**. In the event any part, term or provision herein is not enforceable including because its geographic scope, length or subject matter is determined to be excessive, then such part, term or provision shall be reformed to the minimum extent necessary to make such part, term or provision enforceable.

19. **Headings**. The headings of the Sections of this Agreement are provided for convenience only. They do not alter or limit, in any way, the text of any Section of this Agreement.

20. **Execution in Counterparts**. You agree that this Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one agreement. Execution of a facsimile copy or scanned image shall have the same force and effect as execution of an original, and a facsimile signature or scanned image of a signature shall be deemed an original and valid signature.

21. **Execution Deadline**.

(a) You have until 5:00 p.m. PT on June 27, 2016 (the "***Release Deadline***") to accept the terms of this Agreement, which provides you with twenty-one (21) days to review the Agreement. The Executive acknowledges that this Agreement does not apply to any new claims that may arise after this Agreement is executed by the Executive.

(b) If the Agreement does not become effective and irrevocable by the 8th day following the Release Deadline, the Executive will forfeit any right to benefits under this Agreement.

[*Signature Page Follows*]

To accept this Agreement, please sign and date this Agreement and return it to Bob Kennis. You have until 5:00 p.m. PT on June 27, 2016 to review and consider this Agreement and to provide Bob Kennis with an executed copy thereof. Please indicate your agreement with the above terms by signing below.

Sincerely,

MARCUS & MILLICHAP, INC.

By: /s/ Hessam Nadji
(Signature)
Name: Hessam Nadji
Title: President and Chief Executive Officer

You have up to 21 days after receipt of this Agreement within which to review it and to discuss with an attorney of your own choosing, at your own expense, whether or not you wish to sign it. Furthermore, you have 7 days after you have signed this Agreement during which time you may revoke this Agreement. If you wish to revoke this Agreement, you may do so by delivering a letter of revocation to Bob Kennis, no later than the close of business on the 7th day after you sign this Agreement. Because of the revocation period, if you don't revoke this Agreement, you understand that this Agreement shall not become effective or enforceable until the 8th day after the date you sign this Agreement (the "***Effective Date***").

My agreement with the terms of this Agreement is signified by my signature below. Furthermore, I acknowledge that I have read and understand this Agreement and that I sign this release of all claims voluntarily, with full appreciation that at no time in the future may I pursue any of the rights I have waived in this Agreement.

Signed /s/ John J. Kerin
John J. Kerin

Dated: June 13, 2016

Exhibit 31.1

Certification of Chief Executive Officer of Marcus & Millichap, Inc. pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Hessam Nadji, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ Hessam Nadji

Hessam Nadji
President and Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer of Marcus & Millichap, Inc. pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Martin E. Louie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2016

/s/ Martin E. Louie

Martin E. Louie
Chief Financial Officer

Exhibit 32.1

Certifications of Chief Executive Officer and Chief Financial Officer of Marcus & Millichap, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Marcus & Millichap, Inc. on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Hessam Nadji, President and Chief Executive Officer of the Company, and Martin E. Louie, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2016

/s/ Hessam Nadji
Hessam Nadji
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2016

/s/ Martin E. Louie
Martin E. Louie
Chief Financial Officer
(Principal Financial Officer)