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 March 31, 2017

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, anon-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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 May 4, 2017 was 38,075,543 shares.

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)

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 129,032	$ 187,371
Commissions receivable	3,309	4,809
Prepaid expenses	6,486	8,094
Income tax receivable	4,677	1,182
Marketable securities, available-for-sale	56,910	27,454
Other assets, net	4,531	5,102
Total current assets	204,945	234,012
Prepaid rent	14,600	13,285
Property and equipment, net	16,267	16,355
Marketable securities, available-for-sale	66,473	77,475
Assets held in rabbi trust	7,506	7,337
Deferred tax assets, net	34,360	35,571
Other assets	19,336	9,981
Total assets	$ 363,487	$ 394,016
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,610	$ 10,133
Notes payable to former stockholders	986	986
Deferred compensation and commissions	23,365	44,754
Accrued bonuses and other employee related expenses	7,955	22,303
Total current liabilities	40,916	78,176
Deferred compensation and commissions	37,949	44,455
Notes payable to former stockholders	8,686	8,686
Deferred rent and other liabilities	4,499	3,845
Total liabilities	92,050	135,162
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at March 31, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 38,071,798 and 37,882,266 at March 31, 2017 and December 31, 2016, respectively	4	4
Additional paid-in capital	86,035	85,445
Stock notes receivable from employees	(4)	(4)
Retained earnings	184,547	172,599
Accumulated other comprehensive income	855	810
Total stockholders' equity	271,437	258,854
Total liabilities and stockholders' equity	$ 363,487	$ 394,016

See accompanying notes to condensed consolidated financial statements.

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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 March 31, 2017	Three Months Ended March 31, 2016
Revenues:		
Real estate brokerage commissions	$140,137	$153,664
Financing fees	10,054	8,733
Other revenues	3,021	1,875
Total revenues	153,212	164,272
Operating expenses:		
Cost of services	89,647	96,153
Selling, general, and administrative expense	43,220	42,255
Depreciation and amortization expense	1,297	1,006
Total operating expenses	134,164	139,414
Operating income	19,048	24,858
Other income (expense), net	836	230
Interest expense	(382)	(391)
Income before provision for income taxes	19,502	24,697
Provision for income taxes	7,502	9,882
Net income	12,000	14,815
Other comprehensive income:		
Unrealized gains on marketable securities, net of tax of $65 and $450 for the three months ended March 31, 2017 and 2016, respectively	47	680
Foreign currency translation (loss) gain, net of tax of $0 for each of the three months ended March 31, 2017 and 2016	(2)	47
Total other comprehensive income	45	727
Comprehensive income	$ 12,045	$ 15,542
Earnings per share:		
Basic	$ 0.31	$ 0.38
Diluted	$ 0.31	$ 0.38
Weighted average common shares outstanding:		
Basic	38,948	38,891
Diluted	39,108	38,956

See accompanying notes to condensed consolidated financial statements.

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, 2016	—	$ —	37,882,266	$ 4	$ 85,445	$ (4)	$172,599	$ 810	$258,854
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	85	—	(52)	—	33
Balance at January 1, 2017, as adjusted	—	—	37,882,266	4	85,530	(4)	172,547	810	258,887
Net and comprehensive income	—	—	—	—	—	—	12,000	45	12,045
Stock-based award activity									
Stock-based compensation	—	—	—	—	1,866	—	—	—	1,866
Issuance of common stock for vesting of restricted stock units	—	—	238,526	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(48,994)	—	(1,361)	—	—	—	(1,361)
Balance as of March 31, 2017	—	$ —	38,071,798	$ 4	$ 86,035	$ (4)	$184,547	$ 855	$271,437

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Cash flows from operating activities		
Net income	$ 12,000	$ 14,815
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization expense	1,297	1,006
(Recovery) provision for bad debt expense	(44)	16
Stock-based compensation	1,866	1,325
Deferred taxes, net	1,179	1,393
Net realized losses on marketable securities, available-for-sale	—	155
Tax benefit from stock-based award activity	—	167
Excess tax benefit from stock-based award activity	—	(167)
Other non-cash items	(8)	130
Changes in operating assets and liabilities:		
Commissions receivable	1,500	482
Prepaid expenses	1,608	2,094
Prepaid rent	(1,315)	(1,101)
Asset held in rabbi trust	—	(1,263)
Other assets	(8,728)	349
Accounts payable and accrued expenses	(1,381)	(16)
Income tax (payable) receivable	(3,495)	708
Accrued bonuses and other employee related expenses	(14,113)	(21,611)
Deferred compensation and commissions	(28,106)	(17,782)
Deferred rent obligation and other liabilities	654	277
Net cash used in operating activities	(37,086)	(19,023)
Cash flows from investing activities		
Purchases of marketable securities, available-for-sale	(23,014)	(14,024)
Proceeds from sales and maturities of marketable securities, available-for-sale	4,741	17,137
Issuances of employee notes receivable	(265)	(92)
Payments received on employee notes receivable	3	—
Proceeds from sale of property and equipment	10	—
Purchase of property and equipment	(1,367)	(2,332)
Net cash (used in) provided by investing activities	(19,892)	689
Cash flows from financing activities		
Taxes paid related to net share settlement of stock-based awards	(1,361)	(1,084)
Excess tax benefit from stock-based award activity	—	167
Net cash used in financing activities	(1,361)	(917)
Net decrease in cash and cash equivalents	(58,339)	(19,251)
Cash and cash equivalents at beginning of period	187,371	96,185
Cash and cash equivalents at end of period	$129,032	$ 76,934

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

	Three Months Ended March 31,	
	2017	2016
Supplemental disclosures of cash flow information		
Interest paid during the period	$ 15	$ 15
Income taxes paid, net	$ 9,818	$ 7,614
Supplemental disclosures of noncash investing and financing activities		
Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable	$ 235	$ 199
Change in property and equipment included in accounts payable and accrued expenses	$ (142)	$ (299)

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 March 31, 2017, MMI operates 80 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") tospin-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 condensed 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, 2016 included in the Company's Annual Report on Form 10-K filed on March 16, 2017 with the SEC. The results of the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2017, 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 condensed 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 condensed 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 in the condensed consolidated statements of cash flows have been reclassified to conform to the current period presentation. These changes had no impact on the previously reported cash flow 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 and cash equivalents are placed with high-credit quality financial institutions and invested in high-credit quality money market funds and commercial paper.

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 significant 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 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 months ended March 31, 2017 and 2016, 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.

For the three months ended March 31, 2017 and 2016, no office represented 10% or more of total revenues.

Recent Accounting Pronouncements

Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU")No. 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 changes the accounting for share-based payment awards issued to employees. ASU2016-09 is effective for reporting periods beginning after December 15, 2016 and early adoption is permitted. The Company adopted this new standard effective on January 1, 2017. The Company adopted the provisions of ASU 2016-09 on a prospective basis except for the change in the accounting for forfeitures, where the Company adopted the provision on a modified retrospective basis with a cumulative-effect adjustment as of January 1, 2017. The adoption of the new standard did not have a material impact on the Company's condensed consolidated financial position or results of operations.

As a result of the adoption, in periods subsequent to December 31, 2016, windfall tax benefits, net are recorded as a discrete item in the Company's provision for income taxes. See "Note 10 – "Income Taxes" for additional information. Prior to the adoption, any windfall tax benefits, net were recorded in additional paid in capital. Additionally, in periods subsequent to December 31, 2016, excess tax benefits for share-based payments were included in cash flow from operating activities rather than cash flows from financing activities. Further, the Company changed its accounting for forfeitures from estimating awards that are not expected to vest to recording forfeitures when they actually occur. The cumulative effect adjustment as of January 1, 2017 related to forfeitures was a charge to retained earnings of approximately $52,000 (net of tax) and is expected to have a minor impact on the timing of stock based compensation subsequent to January 1, 2017. See Note 9 – "Stock-Based Compensation Plans" for additional information.

Pending Adoption

In May 2014, the FASB issued ASUNo. 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*, and ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. The additional ASU's clarified certain provisions of ASU2014-09 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 or long-term contracts with customers. Accordingly, the adoption of ASU 2014-09, as clarified, will not have a significant effect in the manner or timing of its revenue recognition. As a result, the Company will not be required to select a transition method.

In February 2016, the FASB issued ASUNo. 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. 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. As of March 31, 2017, the Company has remaining contractual obligations for operating leases (autos and office), which aggregate approximately $86.3 million. Accordingly, we anticipate that the adoption of the new standard will have a material impact on the Company's condensed consolidated balance sheet. 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.

In June 2016, the FASB issued ASUNo. 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 an impairment 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. At March 31, 2017, the Company had $123.4 million in marketable securities, available for sale which would be subject to this new standard. As of March 31, 2017, these marketable securities, available for sale have an average credit rating of AA and no impairment write-downs have been recorded. The Company is currently evaluating the impact of this new standard on its investment policy and investments.

2. Property and Equipment

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

	March 31, 2017	December 31, 2016
Computer software and hardware equipment	$ 14,769	$ 14,583
Furniture, fixtures, and equipment	20,151	20,066
Less: accumulated depreciation and amortization	(18,653)	(18,294)
	$ 16,267	$ 16,355

During the three months ended March 31, 2017 and 2016, the Company wrote off approximately $949,000 and $1.0 million, respectively, of fully depreciated computer software and hardware and furniture, fixtures and equipment.

3. Selected Balance Sheet Data

Other Assets

Other assets consisted of the following (in thousands):

	Current		Non-Current	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Due from independent contractors, net (1) (2)	$ 1,296	$ 2,231	$ 17,923	$ 8,702
Security deposits	—	—	1,092	1,059
Employee notes receivable (3)	221	314	246	132
Customer trust accounts and other	3,014	2,557	75	88
	$ 4,531	$ 5,102	$ 19,336	$ 9,981

(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 $253 and $313 as of March 31, 2017 and December 31, 2016, respectively. The Company recorded a (recovery) provision for bad debt expense of $(44) and $16 and wrote off $16 and $54 of these receivables for the three months ended March 31, 2017 and 2016, respectively. Any cash receipts on notes are applied first to unpaid principal balance prior to any income being recognized.

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

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

Deferred Compensation and Commissions

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

	Current		Non-Current	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Stock appreciation rights (“SARs”) liability [1]	$ 1,734	$ 1,366	$ 19,447	$ 20,949
Commissions payable to investment sales and financing professionals	20,872	42,781	11,006	17,101
Deferred compensation liability [1]	759	607	7,496	6,405
	$ 23,365	$ 44,754	$ 37,949	$ 44,455

(1) The SARs and deferred compensation liability become subject to payout as a result of a participant no longer being considered as an employee service provider. As a result of the retirement of certain participants, estimated amounts to be paid to the participants within the next twelve months has been classified as current.

SARs Liability

Prior to the IPO, certain employees of the Company were granted 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 ten annual installments in January of each year 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, 2017 and 2016 were 4.446% and 4.273%, respectively. MMI recorded interest expense related to this liability of $233,000 and $229,000, for the three months ended March 31, 2017 and 2016, respectively.

Estimated payouts within the next twelve months for participants that have separated from service have been classified as current. During the three months ended March 31, 2017, the Company made total payments (consisting of accumulated interest) of $1.4 million classified as an operating cash flow in the deferred compensation and commissions caption in the accompanying condensed consolidated statements of cash flow.

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 as they relate to specific transactions closed. 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. Amounts are paid out generally when the participant is no longer a service provider; however, an in-service payout election is available to participants. Participants may elect to receive payouts as a lump sum or quarterly over a two to fifteen-year period. 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. Estimated payouts within the next twelve months for participants that have separated from service have been classified as current. During the three months ended March 31, 2017, the Company made total payments of $37,000.

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):

	March 31, 2017	March 31, 2016
Increase in the carrying value of the assets held in the rabbi trust(1)	$199	$ 34
Increase in the carrying value of the deferred compensation obligation(2)	$211	$ 37

(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):

	March 31, 2017				December 31, 2016			
	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	$ 48,604	$ 2	$ (93)	$48,513	$ 24,987	$ —	$ (30)	$24,957
U.S. government sponsored entities	1,998	—	(2)	1,996	2,497	—	—	2,497
Corporate debt securities	6,403	2	(4)	6,401	—	—	—	—
	$ 57,005	$ 4	$ (99)	$56,910	$ 27,484	$ —	$ (30)	$27,454
Long-term investments:								
U.S. treasuries	$ 24,539	$ —	$ (162)	$24,377	$ 40,865	$ —	$ (229)	$40,636
U.S. government sponsored entities	12,553	—	(67)	12,486	12,618	—	(58)	12,560
Corporate debt securities	22,526	108	(104)	22,530	17,841	74	(165)	17,750
Asset-backed securities and other	7,090	22	(32)	7,080	6,557	18	(46)	6,529
	$ 66,708	$ 130	$ (365)	$66,473	$ 77,881	$ 92	$ (498)	$77,475

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):

	March 31, 2017		December 31, 2016	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Less than 12 months	$ (437)	$ 87,634	$ (491)	$ 86,105
12 months or longer	$ (27)	$ 709	$ (37)	$ 721

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

	March 31, 2017	March 31, 2016
Gross realized gains (1)	$ —	$ —
Gross realized losses (1)	$ —	$ (155)

(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.

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

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, anticipated capital requirements, anticipation of credit deterioration, duration management and when a security no longer meets the criteria of the Company's investment policy.

As of March 31, 2017, 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):

	March 31, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 57,005	$ 56,910	$ 27,484	$ 27,454
Due after one year through five years	44,397	44,307	57,309	57,144
Due after five years through ten years	15,549	15,469	14,992	14,841
Due after ten years	6,762	6,697	5,580	5,490
	$ 123,713	$ 123,383	$ 105,365	$ 104,929
Weighted average contractual maturity	3.1 years		3.5 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 the 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.

Accrued interest included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets pertaining to the Notes consisted of the following (in thousands):

	March 31, 2017	December 31, 2016
Accrued interest	$ 459	$ 337

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

	March 31,	
	2017	2016
Interest expense	$122	$133

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 March 31, 2017 and 2016, the Company incurred $82,000 and $70,000 under the TSA, respectively. These amounts are included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income.

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 March 31, 2017 and 2016, the Company generated real estate brokerage commissions and financing fees of $203,000 and $1.6 million, respectively, from subsidiaries of MMC. The Company incurred cost of services of $122,000 and $944,000, 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 expires on May 31, 2022. Rent expense for this lease aggregated $253,000 for each of the three months ended March 31, 2017 and 2016. Rent expense is included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income.

Accounts Payable and Accrued Expenses with MMC

As of March 31, 2017 and December 31, 2016, accounts payable and accrued expenses with MMC totaling $119,000 and $303,000, respectively, remains unpaid and is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

Other

The Company makes advances to non-executive employees from time-to-time. At March 31, 2017 and December 31, 2016, the aggregate principal amount for employee loans outstanding was $467,000 and $446,000, respectively, which is included in other assets, net current and other assets non-current captions in the accompanying condensed consolidated balance sheets.

As of March 31, 2017, George M. Marcus, the Company's founder andCo-Chairman, beneficially owned approximately 53% of the Company's issued and outstanding common stock, including shares owned by Phoenix Investments Holdings, LLC, the George and Judy Marcus Family Foundation and the 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.

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.

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

Investment in marketable securities, available-for-sale and assets held in the rabbi trust are carried at fair value based on observable inputs available. All these securities are measured as Levels 1 or 2 as appropriate. The Company has no investments measured as Level 3.

Recurring Fair Value Measurements

The Company values its investments including assets held in rabbi trust, commercial paper, money market funds and investments in marketable securities, available-for-sale at fair value on a recurring basis. Fair values were determined for each individual security in the investment portfolio.

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

	March 31, 2017				December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets held in rabbi trust	$ 7,506	$ —	$ 7,506	$ —	$ 7,337	$ —	$ 7,337	$ —
Cash equivalents (1):								
Commercial paper	$13,978	$ —	$13,978	$ —	$ 9,987	$ —	$ 9,987	$ —
Money market funds	82,730	82,730	—	—	142,503	142,503	—	—
	$96,708	$82,720	$13,978	$ —	$152,490	$142,503	$ 9,987	$ —
Marketable securities, available-for-sale:								
Short-term investments:								
U.S. treasuries	$48,513	$48,513	$ —	$ —	$ 24,957	$ 24,957	$ —	$ —
U.S. government sponsored entities	1,996	—	1,996	—	2,497	—	2,497	—
Corporate debt securities	6,401	—	6,401	—	—	—	—	—
	$56,910	$48,513	$ 8,397	$ —	$ 27,454	$ 24,957	$ 2,497	$ —
Long-term investments:								
U.S. treasuries	$24,377	$24,377	$ —	$ —	$ 40,636	$ 40,636	$ —	$ —
U.S. government sponsored entities	12,486	—	12,486	—	12,560	—	12,560	—
Corporate debt securities	22,530	—	22,530	—	17,750	—	17,750	—
Asset-backed securities and other	7,080	—	7,080	—	6,529	—	6,529	—
	$66,473	$24,377	$42,096	$ —	$ 77,475	$ 40,636	$36,839	$ —

(1) Included in cash and cash equivalents.

There were no transfers in or out of Level 1 and Level 2 during the three months ended March 31, 2017.

Assets and Liabilities not Measured at Fair Value

The Company’s cash held in financial institutions, commissions receivable, amounts due from employees and investment sales and financing professionals (included in other assets, net current caption and other assets non-current captions), 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, or for money market funds, quoted market rates, and are considered to be in the Level 1 classification.

The Company’s obligations under notes payable to former stockholders bear fixed interest rates. 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 commissions current and non-current captions) bear interest at a variable rate based on U.S. Treasuries, the Company has determined that the carrying value approximates the fair value.

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

8. Stockholders' Equity

Common Stock

As of March 31, 2017 and December 31, 2016, there were 38,071,798 and 37,882,266 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.

Preferred Stock

The Company has 25,000,000 authorized shares of preferred stock with a par value $0.0001 per share. At March 31, 2017 and December 31, 2016, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income as of March 31, 2017, 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, 2016	$ (255)	$ 1,065	$ 810
Other comprehensive income (loss) before reclassifications	47	(2)	45
Amounts reclassified from accumulated other comprehensive income (loss) (1)	—	—	—
Net current-period other comprehensive income (loss)	47	(2)	45
Ending balance, March 31, 2017	$ (208)	$ 1,063	$ 855

(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.

9. Stock-Based Compensation Plans

2013 Omnibus Equity Incentive Plan

The board of directors adopted the 2013 Omnibus Equity Incentive Plan ("2013 Plan"), which became effective upon the Company's IPO. In February 2017, the board of directors approved an amendment to the 2013 Plan subject to shareholder approval, which was obtained in May 2017. 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 initially reserved for the issuance of awards. Pursuant to the automatic increase provided for in the 2013 Plan, the board of directors have approved share reserve increases aggregating 3,300,000. At March 31, 2017 there were 5,528,976 shares available for future grants under the Plan.

Awards Granted and Settled

Under the 2013 Plan, the Company has issued restricted stock awards ("RSAs") tonon-employee directors and restricted stock units ("RSUs") 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 three months ended March 31, 2017, 239,368 shares of RSUs vested of which 238,526 were delivered and 48,994 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 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 year ended December 31, 2016, the Company recorded windfall tax benefits, net in the amount of $2.7 million, including $167,000 recorded during the three months ended March 31, 2016 resulting from settlement of stock-based award activity. For the year ended December 31, 2016, such windfall tax benefits, net were excluded from the provision for income taxes, and included as a component of additional paid-in capital when the awards were settled. During the three months ended March 31, 2017, as a result of the adoption of ASU 2016-09, any windfall tax benefits, net were recorded as a discrete item in the Company's provision for income taxes. See "Note 10 – "Income Taxes" for additional information.

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, 2016	29,112	566,480	454,838	1,050,430	$ 22.38
Granted					
February 2017	—	*139,013*	*7,272*	*146,285*	
Total Granted	—	139,013	7,272	146,285	27.50
Vested	—	(129,594)	(109,774)	(239,368)	19.70
Transferred	—	(24,302)	24,302	—	26.63
Forfeited/canceled	—	(2,713)	—	(2,713)	20.62
Nonvested shares at March 31, 2017 (1)	29,112	548,884	376,638	954,634	$ 23.84
Unrecognized stock-based compensation expense as of March 31, 2017 (2)	$ 393	$ 13,331	$ 8,006	$ 21,730	
Weighted average remaining vesting period (years) as of March 31, 2017	1.70	3.66	2.61	3.24	

(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 3.24 years.

As of March 31, 2017, 930,419 fully vested deferred stock units ("DSUs") remained outstanding. See "Amendments to Restricted Stock and SARs" section below and Note 11 – "Earnings Per Share" for additional information. Future share settlements by year consisted of the following:

	March 31, 2017
2017	351,801
2018	351,796
2021	60,373
2022	166,449
	930,419

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. Qualifying employees may purchase shares of the Company 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 initially had 366,667 shares of common stock reserved and 277,104 shares of common stock remain available for issuance at March 31, 2017. The ESPP Plan provides for annual increases in the number of shares available for issuance under the ESPP, equal to the least of (i) 366,667 shares, (ii) 1% of the outstanding shares on such date, or (iii) an amount determined by the board. Pursuant to the provisions of the ESPP Plan, the board of directors determined a share reserve increase was not required in the prior years. At March 31, 2017, total unrecognized compensation cost related to the ESPP Plan was $23,000 and is expected to be recognized over a weighted average period of 0.12 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. Of the original 3,689,326 shares subject to resale restriction, 1,475,730 shares remain subject to sales restriction at March 31, 2017.

SARs and DSUs

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, unless otherwise agreed to by the Company). In the event of death or termination of service after reaching the age of 67, 100% of the DSUs will be settled.

Summary of Stock-Based Compensation

The Company adopted ASU 2016-09 on January 1, 2017 and changed its accounting for forfeitures on a prospective basis from estimating awards that are not expected to vest to recording forfeitures when they actually occur. Components of stock-based compensation are 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 March 31,	
	2017	**2016**
Employee stock purchase plan	$ 46	$ 48
RSAs – non-employee directors	89	89
RSUs – employees	914	658
RSUs – independent contractors (1)	817	530
	$1,866	$1,325
Common stock price at beginning of period	$26.72	$29.14
Common stock price at end of period	$24.58	$25.39
Decrease in stock price	$ (2.14)	$ (3.75)

(1) The Company grants RSUs to independent contractors (i.e. investment sales and financing professionals), who are considered non-employees under the accounting standards. 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 months ended March 31, 2017 and 2016 was 38.5% and 40.0%, respectively. 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.

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The provision for income taxes differs from the amount computed by applying the statutory federal corporate income tax rate of 35% to income before provision for income taxes and consisted of the following (in thousands):

	Three Months Ended March 31,			
	2017		2016	
	Amount	Rate	Amount	Rate
Income tax expense at the federal statutory rate of 35%	$ 6,826	35.0%	$ 8,644	35.0%
State income tax expense, net of federal benefit	768	3.9%	986	4.0%
Foreign rate differential	22	0.1%	59	0.2%
Windfall tax benefits, net related to stock-based compensation	(156)	(0.7)%	—	—
Change in valuation allowance	54	0.3%	146	0.6%
Other	(12)	(0.1)%	47	0.2%
	$ 7,502	38.5%	$ 9,882	40.0%

11. Earnings per Share

Basic and diluted earnings per share for the three months ended March 31, 2017 and 2016, respectively consisted of the following (in thousands, except per share data):

	Three Months Ended March 31,	
	2017	2016
Numerator (Basic and Diluted):		
Net income	$12,000	$14,815
Denominator:		
Basic		
Weighted average common shares issued and outstanding	38,047	37,561
Deduct: Unvested RSAs (1)	(29)	(35)
Add: Fully vested DSUs (2)	930	1,365
Weighted Average Common Shares Outstanding	38,948	38,891
Basic earnings per common share	$ 0.31	$ 0.38
Diluted		
Weighted Average Common Shares Outstanding from above	38,948	38,891
Add: Dilutive effect of RSUs, RSAs & ESPP	160	65
Weighted Average Common Shares Outstanding	39,108	38,956
Diluted earnings per common share	$ 0.31	$ 0.38
Antidilutive shares excluded from diluted earnings per common share (3)	299	417

(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 9 – "Stock-Based Compensation Plans" for additional information.
(3) Primarily pertaining to RSU grants to the Company's employees and 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, 2019. 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.

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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 March 31, 2017. Borrowings under the Credit Facility will 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 $27,000 and $30,000 during the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017, 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 March 31, 2017, the Company was in compliance with all financial and non-financial covenants.

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.

Other

In connection with certain agreements with investment sales and financing professionals, the Company may agree to advance amounts to its investment sales and financing professionals upon reaching certain performance goals. Such commitments as of March 31, 2017 aggregated $1.0 million.

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 months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2017, 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 Form10-K for the year ended December 31, 2016 filed with the SEC on March 16, 2017, 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 March 31, 2017, we had 1,736 investment sales and financing professionals that are primarily exclusive independent contractors operating in 80 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 months ended March 31, 2017, we closed 2,067 investment sales, financing and other transactions with total volume of approximately $8.5 billion. During the year ended December 31, 2016, we closed 8,995 sales, financing and other transactions with total volume of approximately $42.3 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 the three months ended March 31, 2017, approximately 91% of our revenues were generated from real estate brokerage commissions, 7% from financing fees and 2% from other revenues, including consulting and advisory services. During the year ended December 31, 2016, 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.

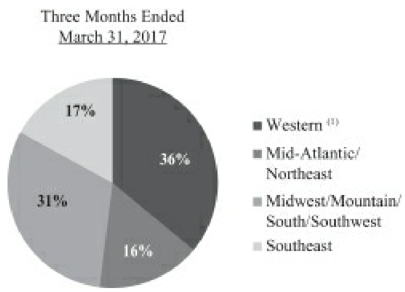
We divide commercial real estate into four major market segments, characterized by price:

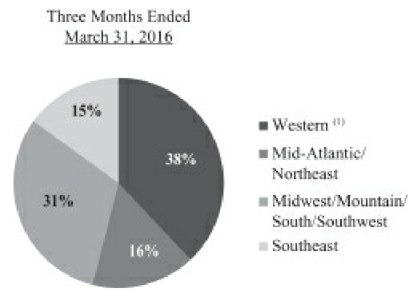
- Properties with prices less than $1 million;
- *Private client market:* properties priced from $1 million up to $10 million;
- *Middle market:* properties priced from $10 million up to $20 million; and
- *Larger transaction market:* properties priced from $20 million and above.

Our strength is in serving private clients in the $1-$10 million private client market segment, which contributed approximately 71% and 68% of our real estate brokerage commissions during the three months ended March 31, 2017 and 2016, respectively. The following tables set forth the number of transactions, sales volume and revenues by commercial real estate market segment for real estate brokerage:

	Three Months Ended March 31,								
	2017			2016			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	242	$ 142	$ 5,994	253	$ 159	$ 6,591	(11)	$ (17)	$ (597)
Private client market ($1 - $10 million)	1,121	3,398	99,750	1,112	3,585	104,469	9	(187)	(4,719)
Middle market (³$10 - $20 million)	88	1,202	19,154	73	1,002	17,053	15	200	2,101
Larger transaction market (³$20 million)	38	1,748	15,239	61	2,780	25,551	(23)	(1,032)	(10,312)
	1,489	$ 6,490	$ 140,137	1,499	$ 7,526	$ 153,664	(10)	$ (1,036)	$ (13,527)

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 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 1.0% of our total revenues in each period presented.

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 are 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. We monitor the commercial real estate market through the four factors, which generally drive our business. They include the economy, commercial real estate supply and demand, capital markets and investment activity.

The Economy

Our business is dependent on economic conditions within the markets in which we operate. Changes in the economy on a global, national, regional or local basis can have a positive or a negative impact on our business. Economic indicators and projections related to job growth, unemployment, interest rates, construction and vacancies can have a positive or a negative impact on our business. Overall market conditions can have an effect on investor sentiment and, ultimately, the demand for our services from investors in real estate. Our national footprint allows us to support our clients in balancing the opportunities and risks of changing regional economic conditions. We believe the U.S. economy continues to show durability and growth. The U.S. generated moderate growth in the first quarter of 2017, with unemployment levels falling and steady wage growth momentum. Sentiment about economic expansion in 2017 has been elevated, but uncertainty surrounding fiscal policy, taxes, deregulation and other initiatives by the Trump administration could continue to weigh on sentiment.

Commercial Real Estate Supply and Demand

Our business is dependent on the willingness of investors to invest in or sell commercial real estate, which is affected by factors beyond our control. These factors include the supply of commercial real estate coupled with user demand for these properties and the performance of real estate assets when compared with other investments alternatives, such as stocks and bonds. Despite the economic growth cycle over the past eight years, we believe an investment in real estate continues to be a compelling investment for investors as real estate fundamentals generally remain balanced. The moderate economic growth has generated demand and reasonable construction levels for most property types that has been the basis of the longevity and durability of the current real estate cycle. We believe the maturing cycle, combined with the current uncertainty around forecasted growth, rising inflation and higher interest rate trends have required investors and lenders to recalibrate their underwriting assumptions in the short-term and have resulted in a slowdown in sales. Furthermore, many investors are delaying transactions in anticipation of more clarity regarding tax reform, regulatory easing and economic initiatives. We believe a positive boost to investor sentiment is possible with clarity on government policies and growth initiatives. We believe that these factors should continue to support long-term commercial real estate investor demand and therefore, demand for our brokerage and financing services.

Capital Markets

Credit and liquidity issues in the financial markets have a direct impact on the flow of capital to the commercial real estate market. Real estate purchases are often financed with debt and, as a result, credit and liquidity impact transaction activity and prices. Changes in interest rates, as well as steady and protracted movements of interest rates in one direction, whether increase or decrease, could adversely or positively affect the operations and income potential of commercial real estate properties. These changes also influence the demand of investors for commercial real estate investments. We believe indications from the U.S. Federal Reserve of future interest rate increases, the uncertainty as to the impact of new fiscal policies and the recent volatility in longer term interest rates has created a short-term headwind for real estate transactions. 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 since late 2016, with buyers exhibiting increased caution in their acquisition process.

Investment Activity

We rely on investors to buy and sell properties in order to generate commissions. Investors' desires to engage in real estate transactions are dependent on many factors that are beyond our control. The economy, supply and demand for properly positioned properties, available credit and market events impact investor sentiment and therefore, transaction velocity. In addition, our private clients are often motivated to buy, sell and/or refinance properties due to personal circumstances such as death, divorce, partnership breakups and estate planning. We believe that we are in a maturing real estate cycle. Thus far in 2017, the sales transaction market has continued to step-down from peak levels set in 2015. The combination of interest rate increases together with uncertainty surrounding the Trump administration's tax reform, regulatory easing and infrastructure initiatives have caused many investors to assume a more wait-and-see attitude toward investment decisions. Once additional clarity regarding these policies begins to emerge, we believe investors will begin to revive their activity levels based on their ability to better understand the market for commercial real estate. We believe that the healthy property fundamentals and lack of over-leveraging during the past several years support an active, but more tempered, market environment.

Operating Segments

Management has determined that each of the Company's offices on a consolidated basis represent individual operating segments with similar economic characteristics that meet the criteria for aggregation into a single reportable segment for financial statement purposes.

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 larger transaction 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 larger transaction market segments as compared to the $1-$10 million private client market segment. These factors may result inperiod-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, as amended ("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 stock appreciation rights ("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 and other permanent items. Prior to December 31, 2016, windfall benefits, net from shares issued in connection with our 2013 Plan and 2013 ESPP Plan were recorded to additional paid in capital. Effective January 1, 2017, as a result of the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), any windfall tax benefits, net are recorded in the Company's provision for income taxes.

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 months ended March 31, 2017 compared to the same periods in 2016 by property type:

	Three Months Ended March 31,					
	2017		2016		Change	
	Number	Volume	Number	Volume	Number	Volume
Core Property Types:						
Multifamily	759	$ 4.0	725	$ 4.2	34	$ (0.2)
Retail	803	2.5	842	2.6	(39)	(0.1)
Office	172	0.6	123	0.5	49	0.1
Industrial	78	0.3	62	0.3	16	—
Total Core Property Types	1,812	$ 7.4	1,752	$ 7.6	60	$ (0.2)
Specialty Property Types:						
Seniors Housing	16	$ 0.2	16	$ 0.7	—	$ (0.5)
Hospitality	41	0.2	58	0.4	(17)	(0.2)
Self-Storage	44	0.2	52	0.4	(8)	(0.2)
Land	83	0.2	57	0.1	26	0.1
Manufactured Housing	18	0.1	39	0.2	(21)	(0.1)
Mixed - Use / Other	53	0.2	64	0.2	(11)	—
Total Specialty Property Types	255	$ 1.1	286	$ 2.0	(31)	$ (0.9)
	2,067	$ 8.5	2,038	$ 9.6	29	$ (1.1)

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 each of the three months ended March 31, 2017 and 2016, we closed more than 2,000 investment sales, financing and other transactions with total volume of approximately $8.5 billion and $9.6 billion, respectively. Such key metrics for real estate brokerage and financing activities are as follows:

	Three Months Ended March 31,	
Real Estate Brokerage	**2017**	**2016**
Average Number of Investment Sales Professionals	1,629	1,477
Average Number of Transactions per Investment Sales Professional	0.91	1.01
Average Commission per Transaction	$94,115	$102,511
Average Commission Rate	2.16%	2.04%
Average Transaction Size (in thousands)	$ 4,359	$ 5,020
Total Number of Transactions	1,489	1,499
Total Sales Volume (in millions)	$ 6,490	$ 7,526

	Three Months Ended March 31,	
Financing	**2017**	**2016**
Average Number of Financing Professionals	100	97
Average Number of Transactions per Financing Professional	3.91	3.81
Average Fee per Transaction	$25,714	$ 23,603
Average Fee Rate	0.86%	0.84%
Average Transaction Size (in thousands)	$ 2,990	$ 2,798
Total Number of Transactions	391	370
Total Dollar Volume (in millions)	$ 1,169	$ 1,035

Results of Operations

Following is a discussion of our results of operations for the three months ended March 31, 2017 and 2016. 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.

Comparison of Three Months Ended March 31, 2017 and 2016

Below are key operating results for the three months ended March 31, 2017 compared to the three months ended March 31, 2016 (dollar and share amounts in thousands, except per share amounts):

	Three Months Ended March 31, 2017	Percentage of Revenue	Three Months Ended March 31, 2016	Percentage of Revenue	Change	
					Dollar	Percentage
Revenues:						
Real estate brokerage commissions	$140,137	91.5%	$153,664	93.5%	$(13,527)	(8.8)%
Financing fees	10,054	6.6	8,733	5.3	1,321	15.1
Other revenues	3,021	1.9	1,875	1.2	1,146	61.1
Total revenues	153,212	100.0	164,272	100.0	11,060	(6.7)
Operating expenses:						
Cost of services	89,647	58.5	96,153	58.5	(6,506)	(6.8)
Selling, general, and administrative expense	43,220	28.2	42,255	25.7	965	2.3
Depreciation and amortization expense	1,297	0.9	1,006	0.7	291	28.9
Total operating expenses	134,164	87.6	139,414	84.9	(5,250)	(3.8)
Operating income	19,048	12.4	24,858	15.1	(5,810)	(23.4)
Other income (expense), net	836	0.5	230	0.1	606	nm
Interest expense	(382)	(0.2)	(391)	(0.2)	9	(2.3)
Income before provision for income taxes	19,502	12.7	24,697	15.0	(5,195)	(21.0)
Provision for income taxes	7,502	4.9	9,882	6.0	(2,380)	(24.1)
Net income	$ 12,000	7.8%	$ 14,815	9.0%	$ (2,815)	(19.0)%
Adjusted EBITDA (1)	$ 22,422	14.6%	$ 27,167	16.5%	$ (4,745)	(17.5)%
Earnings per share:						
Basic	$ 0.31		$ 0.38			
Diluted	$ 0.31		$ 0.38			
Weighted average common shares outstanding:						
Basic	38,948		38,891			
Diluted	39,108		38,956			

(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 $153.2 million for the three months ended March 31, 2017 compared to $164.3 million for the same period in 2016, a decrease of $11.1 million, or 6.7%. Total revenues decreased primarily as a result of decrease in real estate brokerage commissions, partially offset by increases in financing fees and other revenues.

Real estate brokerage commissions. Revenues from real estate brokerage commissions decreased to $140.1 million for the three months ended March 31, 2017 from $153.7 million for the same period in 2016, a decrease of $13.5 million, or 8.8%. The decrease was driven by the decrease in sales volume (13.8%) and to a lesser extent, number of investment sales transactions (0.7%). These decreases were partially offset by an increase in average commission rates (12 basis points) due to a smaller proportion of our transactions that closed in the ≥$20 million larger transaction market segment, which generate lower commission rates.

Financing fees. Revenues from financing fees increased to $10.1 million for the three months ended March 31, 2017 from $8.7 million for the same period in 2016, an increase of $1.3 million, or 15.1%. The increase was driven by growth in the number of loan transactions (5.7%) due to an increase in the average number of financing professionals (3.1%) combined with an increase in their productivity levels (2.6%), average transaction size (6.9%) and average fee rates (2 basis points).

Other revenues. Other revenues increased to $3.0 million for the three months ended March 31, 2017 from $1.9 million for the same period in 2016, an increase of $1.1 million, or 61.1%. The increase was primarily driven by an increase in consulting and advisory services during the three months ended March 31, 2017 compared to the same period in 2016.

Total operating expenses

Our total operating expenses were $134.2 million for the three months ended March 31, 2017 compared to $139.4 million for the same period in 2016, a decrease of $5.3 million, or 3.8%. The decrease was primarily driven by a 6.8% decrease in cost of services, which are variable commissions paid to the Company's investment sales professionals and compensation related costs in connection with our financing activities. The decrease in cost of services was partially offset by an increase in selling, general and administrative costs and to a lesser extent depreciation and amortization, as described below.

Cost of services. Cost of services for the three months ended March 31, 2017 decreased $6.5 million, or 6.8% to $89.6 million from $96.2 million for the same period in 2016. The decrease was primarily due to decreased commission expenses driven by the related decreased revenues noted above. Cost of services as a percent of total revenues remained consistent at 58.5% for the three months ended March 31, 2017 compared to the same period in 2016. Traditionally, cost of services as a percent of total revenues is lower during the three-month periods ended March 31 as certain investment professionals may earn additional commissions later in the year after meeting annual revenue thresholds.

Selling, general and administrative expense. Selling, general and administrative expense for the three months ended March 31, 2017 increased $1.0 million, or 2.3%, to $43.2 million from $42.3 million for the same period in 2016. Increases in our selling, general and administrative expense have been driven by our growth plans and investments in technology, sales and marketing tools and marketing and expansion of our services supporting our investment sales and financing professionals. These initiatives have primarily driven (i) a $0.8 million increase in facilities expenses due to expansion of existing offices; (ii) a $0.6 million increase in stock based compensation expense due to fluctuations in our stock price and incremental stock-based awards since first quarter of 2016; (iii) a $0.4 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; and a (iv) a $0.6 million increase in other expense categories, net. These increases were partially offset by a $1.1 million decrease in management performance-related compensation driven by reduced bonus accruals due to our reduced operating results and a $0.3 million decrease in legal costs.

Depreciation and amortization expense. Depreciation and amortization expense increased to $1.3 million for the three months ended March 31, 2017 from $1.0 million for the same period in 2016, an increase of $0.3 million, or 28.9%. The increase is primarily driven by our expansion and growth plans.

Other income (expense), net

Other income (expense), net increased to $0.8 million for the three months ended March 31, 2017 from $0.2 million for the same period in 2016. The increase was primarily driven by an increase in interest income on our investments in marketable securities, available-for-sale, value of our deferred compensation plan assets held in the rabbi trust and realized losses on our investments in marketable securities, available-for-sale from a security sold during the three months ended March 31, 2016. This security no longer met our investment policy criteria.

Interest expense

There were no significant changes in interest expenses for the three months ended March 31, 2017 compared to the same period in 2016.

Provision for income taxes

The provision for income taxes was $7.5 million for the three months ended March 31, 2017 compared to $9.9 million in the same period in 2016, a decrease of $2.4 million, or 24.1%. The effective income tax rate for the three months ended March 31, 2017 was 38.5% compared with 40.0% for the same period in 2016. The decrease in the effective tax rate was primarily due to a lower valuation allowance required for our Canadian operations in 2017 and an increase in discrete tax benefits, including the effect of tax windfalls, net from our 2013 Plan and 2013 ESPP Plan.

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 for the three months ended March 31, 2016 excludes the difference in book and tax deductions associated with the settlement of shares under the Company's 2013 Plan and certain disqualifying dispositions of shares issued under our 2013 ESPP Plan. Such tax benefits were recorded directly to additional paid-in capital. As a result of the adoption of ASU2016-09, effective as of January 1, 2017, these differences are included in the provision for income taxes for the three months ended March 31, 2017.

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 and other, including net realized gains (losses) on marketable securities, available-for-sale and cash and cash equivalents, (ii) interest expense, (iii) provision for income taxes, (iv) depreciation and amortization and (v) stock-based compensation expense. We use Adjusted EBITDA in our business operations to evaluate the performance of our business, develop budgets and measure our performance against those budgets, among other things. We also believe that analysts and investors use Adjusted EBITDA as a supplemental measure 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 Adjusted EBITDA eliminates items related to capital structure, 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 March 31,	
	2017	2016
Net income	$12,000	$14,815
Adjustments:		
Interest income and other [(1)]	(625)	(252)
Interest expense	382	391
Provision for income taxes	7,502	9,882
Depreciation and amortization	1,297	1,006
Stock-based compensation	1,866	1,325
Adjusted EBITDA [(2)]	$22,422	$27,167

(1) Other for the three months ended March 31, 2017 and 2016 includes $7 and $(155), respectively, of net realized gains (losses) on marketable securities, available-for-sale and cash and cash equivalents.

(2) The decrease in Adjusted EBITDA for the three months ended March 31, 2017 compared to the same period in the prior year is primarily due to lower total revenues and a higher proportion of operating expenses compared to revenues.

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. Certain of our investments in money market funds may not maintain a stable NAV and may impose fees on redemptions and/or gate fees. 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 $108,000 and $404,000 at March 31, 2017 and December 31, 2016, respectively.

Cash Flows

Our total cash and cash equivalents balance decreased by $58.3 million to $129.0 million at March 31, 2017, compared to $187.4 million at December 31, 2016. The following table sets forth our summary cash flows for the three months March 31, 2017 and 2016 (in thousands):

	Three Months Ended March 31,	
	2017	2016
Net cash used in operating activities	$ (37,086)	$(19,023)
Net cash (used in) provided by investing activities	(19,892)	689
Net cash used in financing activities	(1,361)	(917)
Net decrease in cash and cash equivalents	(58,339)	(19,251)
Cash and cash equivalents at beginning of period	$187,371	$ 96,185
Cash and cash equivalents at end of period	$129,032	$ 76,934

Operating Activities

Cash flows used in operating activities were $37.1 million for the three months ended March 31, 2017 compared to $19.0 million for the same period in 2016. Net cash used in operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The $18.1 million decrease in cash flows used in operating activities for the three months ended March 31, 2017 compared to the same period in 2016 was primarily due to differences in timing of payments and receipts, a reduction in the deferral of certain discretionary commissions, a decrease in bonus accruals related to our reduced operating results and an increase in advances to the Company's investment sales and financing professionals. Additionally, the Company made distributions of $1.4 million of the SARs liability for the three months ended March 31, 2017 with no such comparable payments during the three months ended March 31, 2016. We traditionally experience net cash used in operating actives during the three-month periods ended March 31 since bonuses and certain deferred commissions related to the prior year(s) are typically paid during the first quarter of the year.

Investing Activities

Cash flows used in investing activities were $19.9 million for the three months ended March 31, 2017 compared to cash flows provided by investing activities of $0.7 million for the same period in 2016. The change in cash flows used in investing activities for the three months ended March 31, 2017 compared to the same period in 2016 was primarily due to $18.3 million in net purchases of marketable securities, available-for-sale for the three months ended March 31, 2017 compared to $3.1 million net proceeds of marketable securities, available-for sale for the same period in 2016.

Financing Activities

Cash flows used in financing activities were $1.4 million for the three months ended March 31, 2017 compared to $0.9 million for the same period in 2016. The change in cash flows used in financing activities for the three months ended March 31, 2017 compared to the same period in 2016 was primarily impacted by net changes in stock-based award activity and taxes paid related to net share settlement of stock-based awards. 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, 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 Form10-K for the year ended December 31, 2016 other than an increase of operating lease obligations of approximately $10.0 million due to new or extended leases.

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, 2016.

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 March 31, 2017, the fair value of investments in marketable securities, available-for-sale was $123.4 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 March 31, 2017. 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 Increase (Decrease)	
2% Decrease	$	4,265
1% Decrease	$	2,490
1% Increase	$	(2,492)
2% Increase	$	(4,984)

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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017 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 investment 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 Form10-K for the year ended December 31, 2016.

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 Form10-Q are incorporated by reference or are filed with this quarterly report on Form10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

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: May 10, 2017

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

Date: May 10, 2017

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

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EXHIBIT INDEX

Exhibit No.	Description
10.24*	Retirement Agreement and Release of All Claims between the Company and Gene A. Berman dated as of January 25, 2017
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 10.24

RETIREMENT AGREEMENT AND RELEASE OF ALL CLAIMS

This Retirement Agreement and Release of All Claims (the "***Agreement***") is entered into by and between **GENE A. BERMAN** (referred to herein 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 Executive Vice President;

WHEREAS, the Executive will retire effective January 31, 2017 (the "***Retirement Date***");

WHEREAS, the Parties agreed that the Executive will provide consulting services (the "***Consulting Services***"), which will commence on February 1, 2017 and that are anticipated to end on December 31, 2017, unless extended pursuant to Section 4 (b) (i) below (the period from February 1, 2017 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 573,728 Deferred Stock Units (the "***DSU Award***"), pursuant to 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 six (6) 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 $ 1,384,534.00, as of the date of such SAR Agreements as subsequently adjusted for a FICA adjustment and earnings through December 31, 2016, (the amount subject to the SAR Agreements, the " ***SAR Account Balance***"), all 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***");

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 certain 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 February 1, 2017. The Executive understands that effective as of the Retirement Date, the Executive will cease to be an officer of the Company, and that he will not be provided access to non-public Company financial or operational information. It is acknowledged that the Executive will not trade Company stock during the current blackout period as determined by the Company, but that thereafter subsequent blackout periods and the Company stock sale guidelines will be inapplicable to the Executive. Notwithstanding the foregoing, the Executive's trading in Company stock shall be governed by rules and regulations prohibiting or limiting stock trades on material information regarding the Company which has not been disclosed to the public.

(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 an officer and/or a member of the Board of Directors of any of the Company's subsidiaries.

2. **Accrued Benefits**. As of the Retirement Date, Executive was paid all of the Executive's salary, all incentive or bonus payments (including without limitation payment under the Executive Short Term Incentive Plan or any fiscal year incentive programs or commitments), 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 or incentive payments 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 7 of the SAR Agreements, as applicable, and Section 5 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. The timing of the three (3) year period set out above in this Section 3 shall have no impact on the Initial Payment Date as defined below under the SAR Agreements or on the commencement of the payment of the DCP Account Balance defined in Section 4 (f) below.

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) 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) the termination of the existing lease of the automobile currently in the Executive's possession or (y) the end of the Consulting Period 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

(ii) If needed, as mutually agreed between the Company and the Executive, until the termination of the Consulting Period, the Company will at its cost provide suitable office and secretarial support.

(b) *Post-Reirement 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 (without the opportunity to cure) to the Executive if the Executive either (i) breaches any provision of this Agreement, including, without limitation any of the provisions of sections 3, 4, 8, 9, or 12 of this Agreement, or (ii) refuses to, fails to, or otherwise is unable to, fulfill his consulting obligations hereunder within the time period requested by the CEO, including, without limitation, by reason of death, disability, or resignation, or (iii) refuses or fails to appropriately support the CEO in his lawful business activities pursuant to the other terms of this Agreement, including without limitation providing work product hereunder which is deemed by the CEO to be of little use or of poor quality. 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. The Consulting Period and the terms and compensation of the Consulting Agreement may be extended and amended upon the mutual written agreement of the parties hereto which is formalized in a fully executed Amendment to this Agreement. This Agreement shall not be extended by implication or otherwise without such written Amendment executed by the parties hereto.

(ii) Consulting Services Compensation. During the Consulting Period, the Executive shall be paid a monthly consulting fee of $15,000, which will be paid in arrears on the last day of each month during the Consulting Period, following the submission of a written invoice detailing the work performed during the month.

(iii) Time Commitment. The parties intend that the Executive work on assignments designated by the CEO in an amount approximating 16 hours per week or 64 hours 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***"). It is acknowledged that during the projected term of the Consulting Agreement, the Executive shall be entitled to take up to four weeks leave which shall not be considered a reduction in service impacting a determination under Section 409 A. 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/Non-Solicitation.

(a) During the Consulting Period, and for a period of three years after the termination of 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***"). For purposes of this Agreement, the Business of the Company means the brokerage of and/or providing other advisory services for real estate investment sales or the brokerage or origination of loans secured by real estate in North America. The Parties agree that this restrictive covenant is reasonably necessary and vital to protect Company's legitimate business interests, including the protection of Company's trade secrets, proprietary and confidential information, substantial business relationships, customer and client goodwill throughout the geographic territory where Company and its subsidiaries transact business, and the extraordinary training which Executive received and which Executive provided to Company's officers, employees and agents during the scope of Executive's employment with Company.

(b) During the Consulting Period, and for a period of three years after the termination of the Consulting Period, Executive agrees not to solicit any officer, director, shareholder, employee, broker, salesman, customer, supplier, vendor, or service-provider of the Company or any of its affiliates or subsidiaries, to alter or terminate their employment, or contractual or business relationship, as applicable, with the Company and/or its affiliates or subsidiaries for any reason or otherwise interfere with any employment or contractual relationships of the Company or its affiliates or subsidiaries. Executive further agrees not to induce, cause or solicit any officer, director, shareholder, employee, broker, salesman, customer, supplier, vendor, or service-provider to dissociate from of Company or its affiliates or subsidiaries for the purpose of joining a business competitive to Company or its affiliates or subsidiaries.

(c) *Covenants Independent*. Each restrictive covenant on the part of the Executive set forth in this Agreement shall be construed as a covenant independent of any other covenant or provisions of this Agreement or any other agreement which the Executive and the Company, and the existence of any claim or cause of action by the Executive against the Company, whether predicated upon another covenant or provision of the Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any restriction or restraint set forth herein.

(d) Executive recognizes and agrees that the Company will suffer irreparable harm in the event that Executive violates any of the provisions of this Section 4. Accordingly, Executive agrees that Company will have the right to obtain an immediate injunction against any breach or threatened breach of this Agreement, as well as the right to pursue any and all other rights and remedies available at law or in equity for such a breach. Executive hereby waives to the fullest extent permitted by law any requirement for the posting of a bond or other security in connection with the granting to Company of such injunctive.

(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) SEC Matters. 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.

(ix) Mutual Indemnification.

(1) The Executive agrees to indemnify and hold harmless the Company and its Affiliates (as defined below), and their respective officers, directors, employees and agents (each, an "***Indemnified Person***") from and against any and all losses, claims, damages, expenses and liabilities arising out of, or in connection any activity contemplated by the Consulting Agreement, or any other services rendered in connection therewith, except for losses, claims, damages, expenses or liabilities that have resulted directly from an Indemnified Party's gross negligence, misrepresentation(s) or willful misconduct. The Executive also agrees that no Indemnified Person shall have any liability to the Executive for or in connection with the Consulting Services, except for any such liability for losses, claims, damages, expenses or liabilities incurred by the Executive that directly result from the gross negligence or willful misconduct of such Indemnified Person.

(2) The Company agrees to indemnify and hold harmless the Executive from and against any and all losses, claims, damages, expenses and liabilities arising out of, or in connection any activity contemplated by the Consulting Agreement, or any other services rendered in connection therewith, except for losses, claims, damages, expenses or liabilities that have resulted directly from the Executive's gross negligence or willful misconduct. The Company also agrees that the Executive shall not have any liability to the Company for or in connection with the Consulting Agreement, except for any such liability for losses, claims, damages, expenses or liabilities incurred by the Company that directly result from the gross negligence or willful misconduct of the Executive, or Executive's breach of this Agreement.

(3) Neither the Company nor Executive shall be obligated to indemnify and hold harmless the other party for any claims or demands relating to Section 409 A.

(c) *SAR Agreements*. As of the date hereof, the entire amount of the SAR Account Balance, as adjusted for earnings and a FICA adjustment, 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 if the Executive is a "specified employee" on such Separation Date as determined by the Company. By 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. 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) Sixty percent (60%) 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, 2017 and November 4, 2018).

(iii) If the Executive violates 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) Sixty percent (60%) 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, 2017 and November 5, 2018).

(iii) On the fifth (5^{th}) 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) if required under Section 409A, 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 Gene Allen Berman Trust Dated 5/9/06, 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 United States Constitution, 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, the Florida Civil Rights Act, Fla. Stat. §760.10 and similar county, city and/or local ordinances that prohibit discrimination in employment based on protected classes *(i.e.,* race. Color, national origin, disability, ancestry, religion, marital status, or gender); Florida's Whistleblower Act, Fla. Stat. 448.101, et seq.; Florida's Drug Free

Workplace Act, Fla. Stat. §440.105(5); Florida's Workers' Compensation law, Fla. Stat. §440.205, prohibiting retaliatory discharge; Florida's General Labor Regulations, Fla. Stat. §448.01, et seq.; the Florida 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 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 February 1, 2017 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 or subsidiaries, of this Agreement; (3) arising under federal or state law that Executive cannot waive by private agreement; (4) the Fair Labor Standards Act, health insurance benefits under COBRA, and/or the Employee Retirement Income Security Act of 1974, as amended.

(iii) Notwithstanding the foregoing, as a material inducement to Company entering into this Agreement, Executive asserts, warrants and represents that Executive is unaware of any claim which may exist which would give rise to a claim for relief under against the Company under this paragraph 5.

(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 has 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 5:00p.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 Agreement 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 Agreement, 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 Agreement, disclose, use, remove or copy any Confidential Information, trade secret or proprietary information he acquired during the course of his employment and affiliation with the Company. "***Confidential Information***," for purposes of this Agreement, includes any oral, written and/or electronic information not previously published or generally available 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, strategic planning 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 Confidential Information, trade secrets and proprietary 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 Executive's 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 Executive's 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 Executive 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 Executive has 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 services, 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, lawyers, 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. Any dispute hereunder shall be filed and adjudicated in the appropriate federal or state court in Los Angeles County, 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. **Survival**. The provisions of this Agreement that are intended, by their nature, to survive the expiration or termination of this Agreement, shall so survive such expiration or termination.

21. **Attorney's Fees.** In the event of litigation between the parties regarding their respective obligations under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fee and court costs incurred in connection with such litigation.

22. **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.

23. **Execution Deadline**.

(a) You have until 5:00 p.m. PT on February 21, 2017 (the "***Release Deadline***") to accept the terms of this Agreement, which provide 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 8^{th} 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 February 21, 2017 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: 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/ Gene A. Berman
Gene A. Berman

Dated: January 25, 2017

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 Rules13a-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: May 10, 2017

/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 Rules13a-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: May 10, 2017

/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 Form10-Q for the period ended March 31, 2017 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

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

Date: May 10, 2017

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

Date: May 10, 2017

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