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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 September 30, 2021

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	**MMI**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-accelerated filer, a 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	☐	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 November 2, 2021 was39,667,728 shares.

MARCUS & MILLICHAP, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for shares and par value)

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 281,007	$ 243,152
Commissions receivable, net	15,377	10,391
Prepaid expenses	9,232	10,153
Marketable debt securities, available-for-sale (includes amortized cost of $116,852 and $158,148 at September 30, 2021 and December 31, 2020, respectively, and $0 allowance for credit losses)	116,902	158,258
Advances and loans, net	3,017	2,413
Other assets	4,436	4,711
Total current assets	429,971	429,078
Property and equipment, net	22,890	23,436
Operating lease right-of-use assets, net	85,250	84,024
Marketable debt securities, available-for-sale (includes amortized cost of $128,788 and $45,181 at September 30, 2021 and December 31, 2020, respectively, and $0 allowance for credit losses)	130,502	47,773
Assets held in rabbi trust	11,056	10,295
Deferred tax assets, net	24,410	21,374
Goodwill and other intangible assets, net	48,974	52,053
Advances and loans, net	108,709	106,913
Other assets	13,318	4,176
Total assets	$ 875,080	$ 779,122
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and other liabilities	$ 20,025	$ 18,288
Deferred compensation and commissions	53,068	58,106
Income tax payable	5,658	3,726
Operating lease liabilities	19,745	19,190
Accrued bonuses and other employee related expenses	32,066	21,007
Total current liabilities	130,562	120,317
Deferred compensation and commissions	38,638	38,745
Operating lease liabilities	60,970	59,408
Other liabilities	12,641	13,816
Total liabilities	242,811	232,286
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at September 30, 2021 and December 31, 2020, respectively	—	—
Common stock, $0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 39,666,785 and 39,401,976 at September 30, 2021 and December 31, 2020, respectively	4	4
Additional paid-in capital	118,974	113,182
Retained earnings	511,544	431,076
Accumulated other comprehensive income	1,747	2,574
Total stockholders' equity	632,269	546,836
Total liabilities and stockholders' equity	$ 875,080	$ 779,122

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Real estate brokerage commissions	$299,759	$140,844	$ 715,458	$ 416,044
Financing fees	29,391	15,620	75,448	43,674
Other revenues	3,233	2,111	10,400	6,974
Total revenues	332,383	158,575	801,306	466,692
Operating expenses:				
Cost of services	219,194	99,707	506,882	287,207
Selling, general and administrative	64,673	49,722	178,147	148,101
Depreciation and amortization	2,850	2,606	8,806	7,822
Total operating expenses	286,717	152,035	693,835	443,130
Operating income	45,666	6,540	107,471	23,562
Other income (expense), net	323	1,615	2,737	4,224
Interest expense	(144)	(199)	(436)	(695)
Income before provision for income taxes	45,845	7,956	109,772	27,091
Provision for income taxes	11,921	1,916	29,304	7,875
Net income	33,924	6,040	80,468	19,216
Other comprehensive (loss) income:				
Marketable debt securities, available-for-sale:				
Change in net unrealized gains	(240)	(30)	(715)	687
Less: reclassification adjustment for net losses included in other income (expense), net	23	8	26	32
Net change, net of tax of $(75), $(7), $(239) and $246 for the three and nine months ended September 30, 2021 and 2020, respectively	(217)	(22)	(689)	719
Foreign currency translation gain (loss), net of tax of $0 for each of the three and nine months ended September 30, 2021 and 2020, respectively	192	(214)	(138)	254
Total other comprehensive (loss) income	(25)	(236)	(827)	973
Comprehensive income	$ 33,899	$ 5,804	$ 79,641	$ 20,189
Earnings per share:				
Basic	$ 0.85	$ 0.15	$ 2.02	$ 0.49
Diluted	$ 0.84	$ 0.15	$ 2.00	$ 0.48
Weighted average common shares outstanding:				
Basic	39,940	39,681	39,859	39,617
Diluted	40,241	39,727	40,148	39,676

See accompanying notes to condensed consolidated financial statements.

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MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for shares)
(Unaudited)

	Three Months Ended September 30, 2021								
	Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Notes Receivable From Employees	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
Balance at June 30, 2021	—	$ —	39,578,360	$ 4	$ 117,457	$ —	$477,620	$ 1,772	$596,853
Net and comprehensive income (loss)	—	—	—	—	—	—	33,924	(25)	33,899
Stock-based award activity									
Stock-based compensation	—	—	—	—	2,703	—	—	—	2,703
Issuance of common stock for settlement of deferred stock units	—	—	60,373	—	—	—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	58,411	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(30,359)	—	(1,186)	—	—	—	(1,186)
Balance as of September 30, 2021	—	$ —	39,666,785	$ 4	$ 118,974	$ —	$511,544	$ 1,747	$632,269

	Three Months Ended September 30, 2020								
	Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Notes Receivable From Employees	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
Balance at June 30, 2020	—	$ —	39,328,017	$ 4	$ 108,308	$ —	$401,414	$ 3,187	$512,913
Net and comprehensive income (loss)	—	—	—	—	—	—	6,040	(236)	5,804
Stock-based award activity									
Stock-based compensation	—	—	—	—	2,383	—	—	—	2,383
Issuance of common stock for vesting of restricted stock units	—	—	50,912	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(2,452)	—	(66)	—	—	—	(66)
Balance as of September 30, 2020	—	$ —	39,376,477	$ 4	$ 110,625	$ —	$407,454	$ 2,951	$521,034

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except for shares)
(Unaudited)

	Nine Months Ended September 30, 2021								
	Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Notes Receivable From Employees	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	—	$ —	39,401,976	$ 4	$ 113,182	$ —	$431,076	$ 2,574	$546,836
Net and comprehensive income (loss)	—	—	—	—	—	—	80,468	(827)	79,641
Stock-based award activity									
Stock-based compensation	—	—	—	—	7,653	—	—	—	7,653
Shares issued pursuant to employee stock purchase plan	—	—	11,635	—	369	—	—	—	369
Issuance of common stock for settlement of deferred stock units	—	—	60,373	—	—	—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	241,726	—	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards	—	—	12,492	—	—	—	—	—	—
Issuance of common stock for stock settled deferred consideration	—	—	27,481	—	1,000	—	—	—	1,000
Shares withheld related to net share settlement of stock-based awards	—	—	(88,898)	—	(3,230)	—	—	—	(3,230)
Balance as of September 30, 2021	—	$ —	39,666,785	$ 4	$ 118,974	$ —	$511,544	$ 1,747	$632,269

	Nine Months Ended September 30, 2020								
	Preferred Stock		Common Stock		Additional Paid-In Capital	Stock Notes Receivable From Employees	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2019	—	$ —	39,153,195	$ 4	$ 104,658	$ (4)	$388,271	$ 1,978	$494,907
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	—	—	(33)	—	(33)
Balance at January 1, 2020, as adjusted	—	—	39,153,195	4	104,658	(4)	388,238	1,978	494,874
Net and comprehensive income	—	—	—	—	—	—	19,216	973	20,189
Stock-based award activity									
Stock-based compensation	—	—	—	—	7,551	—	—	—	7,551
Shares issued pursuant to employee stock purchase plan	—	—	15,923	—	371	—	—	—	371
Issuance of common stock for vesting of restricted stock units	—	—	248,391	—	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards	—	—	19,516	—	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(60,548)	—	(1,955)	—	—	—	(1,955)
Reduction of stock notes receivable from employees	—	—	—	—	—	4	—	—	4
Balance as of September 30, 2020	—	$ —	39,376,477	$ 4	$ 110,625	$ —	$407,454	$ 2,951	$521,034

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Cash flows from operating activities		
Net income	$ 80,468	$ 19,216
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,806	7,822
Amortization of right-of-use assets	17,773	16,883
Credit loss recovery	25	55
Stock-based compensation	7,653	7,551
Deferred taxes, net	(2,847)	6,050
Unrealized foreign exchange (gains) losses	(298)	276
Net realized gains on marketable debt securities, available-for-sale	(78)	(180)
Other non-cash items	361	930
Changes in operating assets and liabilities:		
Commissions receivable	(5,297)	(1,928)
Prepaid expenses	925	1,988
Advances and loans	(2,434)	(36,905)
Other assets	(1,076)	(1,087)
Accounts payable and other liabilities	4,020	(1,373)
Income tax receivable/payable	1,932	(5,024)
Accrued bonuses and other employee related expenses	11,223	(12,145)
Deferred compensation and commissions	(4,499)	(17,593)
Operating lease liabilities	(15,889)	(13,504)
Other liabilities	(1,175)	702
Net cash provided by (used in) operating activities	99,593	(28,266)
Cash flows from investing activities		
Acquisition of businesses, net of cash received	229	(11,821)
Purchases of marketable debt securities, available-for-sale	(291,063)	(179,221)
Proceeds from sales and maturities of marketable debt securities, available-for-sale	248,540	175,226
Purchases of securities, held-to-maturity	(9,500)	—
Issuances of employee notes receivable	(40)	(243)
Payments received on employee notes receivable	290	90
Purchase of property and equipment	(4,238)	(5,412)
Net cash used in investing activities	(55,782)	(21,381)
Cash flows from financing activities		
Taxes paid related to net share settlement of stock-based awards	(3,230)	(1,955)
Proceeds from issuance of shares pursuant to employee stock purchase plan	369	371
Principal payments on notes payable to former stockholders	—	(6,564)
Principal payments on stock appreciation rights liability	(1,481)	(1,251)
Principal payments on contingent and deferred consideration	(1,739)	(420)
Net cash used in financing activities	(6,081)	(9,819)
Effect of currency exchange rate changes on cash and cash equivalents	125	(92)
Net increase (decrease) in cash and cash equivalents	37,855	(59,558)
Cash and cash equivalents at beginning of period	243,152	232,670
Cash and cash equivalents at end of period	$ 281,007	$ 173,112
Supplemental disclosures of cash flow information		
Interest paid during the period	$ 734	$ 1,208
Income taxes paid, net	$ 30,168	$ 6,849

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 September 30, 2021, MMI operates 82 offices in the United States and Canada through its wholly-owned subsidiaries, including the operations of Marcus & Millichap Capital Corporation.

Reorganization and Initial Public Offering

MMI was formed in June 2013 in preparation for Marcus & Millichap Company (“MMC”) to spin-off its majority-owned subsidiary, Marcus & Millichap Real Estate Investment Services, Inc. (“MMREIS”). 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 in November 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, including the Company’s accounting policies for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K filed on March 1, 2021 with the SEC. The results of the nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021, for other interim periods or for future years.

Considerations Related to the COVID-19 Pandemic

The Company may continue to experience operational and financial impacts due to the ongoing COVID-19 pandemic. Actual results may differ from the Company’s current estimates and historical trends due to the uncertainty around the economic impact and spread of COVID-19, as well as the impact of vaccine mandates on our workforce.

See Note 5 – “Acquisitions, Goodwill and Other Intangible Assets” and Note 8 – “Fair Value Measurements” for further discussions on the potential impacts of COVID-19.

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, investments in marketable debt securities, available-for-sale, security deposits (included under other assets, non-current) and commissions receivable, net. Cash and cash equivalents are placed with high-credit quality financial institutions and invested in high-credit quality money market funds and commercial paper. Concentrations and ratings of marketable debt securities, available-for-sale are limited by the approved investment policy.

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

To reduce its credit risk, the Company monitors the credit standing of the financial institutions money market funds that represent amounts recorded as 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 maintains allowances, as needed, for estimated credit losses based on management's assessment of the likelihood of collection. For the three and nine months ended September 30, 2021 and 2020, 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.

During each of the three and nine months ended September 30, 2021, the Company's Canadian operations represented2.2% of total revenues, respectively. During the three and nine months ended September 30, 2020, the Company's Canadian operations represented 1.50% and 1.9% of total revenues, respectively.

During each of the three and nine months ended September 30, 2021 and 2020,no office represented 10% or more of total revenues.

Recent Accounting Pronouncements

Pending Adoption

In March 2020, the FASB issued Accounting Standards Update ("ASU")No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides temporary optional exceptions to the guidance in U.S. GAAP on contract modifications to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). ASU 2020-04 is effective for all entities upon issuance and may be applied prospectively to contract modifications through December 31, 2022. The guidance applies to the Company's Credit Agreement (see Note 13 – "Commitments and Contingencies"), which references LIBOR, and will generally allow it to account for and present a modification as an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. As of September 30, 2021, the Company has not drawn funds from the credit facility. The Company continues to evaluate the impact of this new standard but does not expect ASU 2020-04 to have a material effect on its condensed consolidated financial statements.

2. Property and Equipment, Net

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

	September 30, 2021	December 31, 2020
Computer software and hardware equipment	$ 32,766	$ 30,955
Furniture, fixtures and equipment	23,946	23,418
Less: accumulated depreciation and amortization	(33,822)	(30,937)
	$ 22,890	$ 23,436

During the nine months ended September 30, 2021 and 2020, the Companywrote-off approximately $2.5 million and $968,000, respectively, of fully depreciated computer software and hardware equipment and furniture, fixtures and equipment.

As of September 30, 2021 and 2020, property and equipment additions incurred but not yet paid included in accounts payable and other liabilities were $786,000 and $430,000, respectively.

3. Operating Leases

The Company has operating leases for all of its facilities and autos. As of September 30, 2021 and December 31, 2020, operating leaseright-of-use ("ROU") assets were $143.3 million and $126.9 million, respectively, and the related accumulated amortization was $58.0 million and $42.9 million, respectively.

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

The operating lease cost, included in selling, general and administrative expense in the condensed consolidated statement of net and comprehensive income, consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease cost:				
Lease cost [1]	$ 6,549	$ 6,355	$ 19,650	$ 18,959
Variable lease cost [2]	1,355	1,485	3,996	4,096
Sublease income	(206)	(50)	(258)	(216)
	$ 7,698	$ 7,790	$ 23,388	$ 22,839

(1) Includes short-term lease cost and ROU asset amortization.
(2) Primarily relates to common area maintenance, property taxes, insurance, utilities and parking.

Maturities of lease liabilities by year consisted of the following (in thousands):

	September 30, 2021
Remainder of 2021	$ 5,958
2022	20,560
2023	17,256
2024	14,769
2025	12,462
Thereafter	15,603
Total future minimum lease payments	86,608
Less imputed interest	(5,893)
Present value of operating lease liabilities	$ 80,715

Supplemental cash flow information and noncash activity related to the operating leases consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Operating cash flow information:		
Cash paid for amounts included in the measurement of operating lease liabilities	$ 17,697	$ 15,566
Noncash activity:		
ROU assets obtained in exchange for operating lease liabilities	$ 18,003	$ 7,771
Tenant improvements owned by lessor related to ROU assets[1]	$ 1,005	$ 949

(1) Reclassification from other assets current.

Other information related to the operating leases consisted of the following:

	September 30, 2021	December 31, 2020
Weighted average remaining operating lease term	4.71 years	4.70 years
Weighted average discount rate	2.9%	3.1%

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

4. Investments in Marketable Debt Securities, Available for Sale

Amortized cost, allowance for credit losses, gross unrealized gains/losses in accumulated other comprehensive income/loss and fair value of marketable debt securities, available-for-sale, by type of security consisted of the following (in thousands):

	September 30, 2021				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:					
U.S. treasuries	$ 19,984	$ —	$ 7	$ —	$ 19,991
Corporate debt	96,868	—	43	—	96,911
	$ 116,852	$ —	$ 50	$ —	$116,902
Long-term investments:					
U.S. treasuries	$ 86,893	$ —	$ 190	$ (26)	$ 87,057
U.S. government sponsored entities	797	—	27	(2)	822
Corporate debt	33,845	—	1,422	(33)	35,234
Asset-backed securities (“ABS”) and other	7,253	—	141	(5)	7,389
	$ 128,788	$ —	$ 1,780	$ (66)	$130,502

	December 31, 2020				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:					
U.S. treasuries	$ 75,887	$ —	$ 88	$ (5)	$ 75,970
U.S. government sponsored entities	32,439	—	8	—	32,447
Corporate debt	49,822	—	20	(1)	49,841
	$ 158,148	$ —	$ 116	$ (6)	$158,258
Long-term investments:					
U.S. treasuries	$ 3,375	$ —	$ 266	$ —	$ 3,641
U.S. government sponsored entities	1,114	—	38	—	1,152
Corporate debt	34,183	—	2,137	(33)	36,287
ABS and other	6,509	—	195	(11)	6,693
	$ 45,181	$ —	$ 2,636	$ (44)	$ 47,773

The Company’s investments in marketable debt securities, available-for-sale, that have been in a continuous unrealized loss position, for which an allowance for credit losses has not been recorded, by type of security consisted of the following (in thousands):

	September 30, 2021					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. treasuries	$ 44,428	$ (26)	$—	$ —	$44,428	$ (26)
U.S. government sponsored entities	123	(2)	—	—	123	(2)
Corporate debt	12,501	(33)	—	—	12,501	(33)
ABS and other	1,129	(4)	221	(1)	1,350	(5)
	$ 58,181	$ (65)	$221	$ (1)	$58,402	$ (66)

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	December 31, 2020					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. treasuries	$41,702	$ (5)	$—	$ —	$41,702	$ (5)
Corporate debt	29,810	(34)	—	—	29,810	(34)
ABS and other	546	(6)	157	(5)	703	(11)
	$72,058	$ (45)	$157	$ (5)	$72,215	$ (50)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gross realized gains [(1)]	$ 68	$ 97	$ 78	$ 229
Gross realized losses [(1)]	$ —	$ (34)	$ —	$ (49)

(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 based on the specific identification method.

The Company invests its excess cash in a diversified portfolio of fixed and variable rate debt securities to meet current and future cash flow needs. All investments are made in accordance with the Company's approved investment policy. As of September 30, 2021, the portfolio had an average credit rating of AA and weighted term to contractual maturity of 1.9 years, with 37 securities in the portfolio with an unrealized loss aggregating $66,000, or 0.1% of amortized cost, and a weighted average credit rating of AA+.

As of September 30, 2021, the Company performed an impairment analysis and determined an allowance for credit losses was not required. The Company determined that it did not have an intent to sell and it was not more likely than not that the Company would be required to sell any security based on its current liquidity position, or to maintain compliance with its investment policy, specifically as it relates to minimum credit ratings. The Company evaluated the securities with an unrealized loss considering severity of loss, credit ratings, specific credit events during the period since acquisition, overall likelihood of default, market sector, potential impact from the current economic environment and a review of an issuer's and securities' liquidity and financial strength, as needed. The Company concluded that it would receive all scheduled interest and principal payments. The Company, therefore, determined qualitatively that the unrealized loss was related to changes in interest rates and other market factors and therefore no allowance for credit losses was required.

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

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$116,852	$ 116,902	$158,148	$ 158,258
Due after one year through five years	112,288	113,167	30,604	32,041
Due after five years through ten years	11,618	12,334	10,022	11,044
Due after ten years	4,882	5,001	4,555	4,688
	$245,640	$ 247,404	$203,329	$ 206,031
Weighted average contractual maturity		1.9 years		1.6 years

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

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5. Acquisitions, Goodwill and Other Intangible Assets

During the nine months ended September 30, 2021, the Company recognized measurement period adjustments, including additional cash expected to be received in excess of the provisional amounts that were recognized at the acquisition date for businesses acquired during 2020. Measurement period adjustments reflect new information obtained about facts and circumstances that existed as of the acquisition dates that, if known, would have affected the measurement of the amounts recognized as of the acquisition date. The impact to amortization expense not previously recognized related to these changes in estimates was not material.

The goodwill recorded as part of the acquisitions primarily arose from the acquired assembled workforce and brokerage and financing sales platforms. The Company expects all of the goodwill to be tax deductible, with the tax-deductible amount of goodwill related to the contingent and deferred consideration to be determined once the cash payments are made to settle any contingent and deferred consideration. The goodwill resulting from acquisitions is allocated to the Company's one reporting unit.

Goodwill and intangible assets, net consisted of the following (in thousands):

	September 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Goodwill and intangible assets:						
Goodwill	$34,071	$ —	$34,071	$33,375	$ —	$33,375
Intangible assets [(1)]	23,974	(9,071)	14,903	24,745	(6,067)	18,678
	$58,045	$ (9,071)	$48,974	$58,120	$ (6,067)	$52,053

(1) Total weighted average amortization period was 5.53 years and 5.57 years as of September 30, 2021 and December 31, 2020, respectively.

The changes in the carrying amount of goodwill consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Beginning balance	$33,375	$15,072
Additions from acquisitions [(1)]	696	9,247
Impairment losses	—	—
Ending balance	$34,071	$24,319

(1) The 2021 addition represents a measurement period adjustment.

Estimated amortization expense for intangible assets by year for the next five years and thereafter consisted of the following (in thousands):

	September 30, 2021
Remainder of 2021	$ 869
2022	3,474
2023	3,407
2024	2,891
2025	2,671
Thereafter	1,591
	$ 14,903

The Company evaluates goodwill for impairment annually in the fourth quarter. In addition to the annual impairment evaluation, the Company evaluates at least quarterly whether events or circumstances have occurred in the period subsequent to the annual impairment testing, which indicate that it is more likely than not an impairment loss has occurred. The Company evaluates its intangible assets that have finite useful lives whenever an event or change in circumstances indicates that the carrying value of the asset may not be recoverable.

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As of September 30, 2021, the Company considered the impact ofCOVID-19 pandemic and evaluated its goodwill and intangible assets for impairment testing. The Company estimated the recoverability of the intangible assets by comparing the carrying amount of each asset to the future undiscounted cash flows that the Company expects the asset to generate. The sum of the undiscounted expected future cash flows was greater than the carrying amount of the intangible assets. The Company concluded that as of September 30, 2021, there wasno impairment of its goodwill and intangible assets.

6. Selected Balance Sheet Data

Advances and Loans, Net and Commissions Receivable, Net

Allowance for credit losses for advances and loans and commissions receivable consisted of the following (in thousands):

	Advances and Loans	Commissions Receivable	Total
Beginning balance as of January 1, 2021	$ 563	$ 94	$ 657
Credit loss (recovery)	116	(91)	25
Write-offs	(60)	—	(60)
Ending balance as of September 30, 2021	$ 619	$ 3	$ 622

	Advances and Loans	Commissions Receivable	Total
Beginning balance as of January 1, 2020	$ 512	$ 32[(1)]	$ 544
Credit loss expense	13	42	55
Write-offs	(50)	—	(50)
Ending balance as of September 30, 2020	$ 475	$ 74	$ 549

(1) Includes cumulative-effect adjustment related to the adoption of ASUNo. 2016-13, *Financial Instruments - Credit Losses*.

Other Assets

Other assets consisted of the following (in thousands):

	Current		Non-Current	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Mortgage servicing rights ("MSRs"), net of amortization	$ —	$ —	$ 1,919	$ 1,897
Security deposits	—	—	1,445	1,461
Employee notes receivable [(1)]	66	185	—	246
Securities, held-to-maturity	—	—	9,500	—
Customer trust accounts and other	4,370	4,526	454	572
	$ 4,436	$ 4,711	$ 13,318	$ 4,176

(1) Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable were $10 and $0 for the nine months ended September 30, 2021 and 2020, respectively. See Note 7 – "Related-Party Transactions" for additional information.

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MSRs

The net change in the carrying value of MSRs consisted of the following (in thousands):

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Beginning balance	$1,897	$ 2,002
Additions	421	425
Amortization	(399)	(404)
Ending balance	$1,919	$ 2,023

The portfolio of loans serviced by the Company aggregated $1.7 billion and $1.6 billion for the periods ended September 30, 2021 and December 31, 2020, respectively. See Note 8 – "Fair Value Measurements" for additional information on MSRs.

In connection with MSR activities, the Company holds funds in escrow for the benefit of the lenders. These funds, which totaled $3.1 million and $3.2 million as of September 30, 2021 and December 31, 2020, respectively, and the offsetting obligations are not presented in the Company's condensed consolidated financial statements as they do not represent assets and liabilities of the Company.

Deferred Compensation and Commissions

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

	Current		Non-Current	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Stock appreciation rights ("SARs") liability [(1)]	$ 2,241	$ 2,162	$ 14,796	$ 16,671
Commissions payable to investment sales and financing professionals	49,175	54,082	17,012	15,306
Deferred compensation liability [(1)]	1,132	1,519	6,830	6,768
Other	520	343	—	—
	$ 53,068	$ 58,106	$ 38,638	$ 38,745

(1) The SARs and deferred compensation liability become subject to payout as a result of a participant no longer being considered a service provider. As a result of the retirement of certain participants, estimated amounts to be paid to the participants within the next twelve months have 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 as of 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, or in full upon consummation of a change in control of the Company.

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, 2021 and 2020 were 2.930% and 3.920%, respectively. MMI recorded interest expense related to this liability of $122,000 and $178,000 for the three months ended September 30, 2021 and 2020, respectively, and $366,000 and $533,000 for the nine months ended September 30, 2021 and 2020, respectively.

Estimated payouts within the next twelve months for participants that have separated from service have been classified as current During the nine months ended September 30, 2021 and 2020, the Company made total payments of $2.2 million and $2.1 million, consisting of principal and accumulated interest, respectively.

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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 the Marcus & Millichap Deferred Compensation Plan (the "Deferred Compensation Plan"). The Deferred Compensation Plan is a non-qualified deferred compensation plan that is intended to comply with Section 409A of the Internal Revenue Code and permits participants to defer compensation up to the limits set forth in the Deferred Compensation 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, in which case the trust assets are subject to the claims of the Company'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 or elected in service payout have been classified as current. During each of the nine months ended September 30, 2021 and 2020, the Company made total payments to participants of $1.2 million, respectively.

The assets held in the rabbi trust are carried at the cash surrender value of the variable life insurance policies, which represents its fair valueThe net change in the carrying value of the assets held in the rabbi trust and the net change in the carrying value of the deferred compensation liability, each exclusive of additional contributions, distributions and trust expenses consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(Decrease) increase in the carrying value of the assets held in the rabbi trust[(1)]	$ (59)	$ 434	$ 932	$ 170
(Decrease) increase in the net carrying value of the deferred compensation obligation[(2)]	$ (43)	$ 388	$ 720	$ 88

(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.

Other Liabilities

Other liabilities consisted of the following (in thousands):

	Non-Current	
	September 30, 2021	December 31, 2020
Deferred consideration [(1) (2)]	$ 5,809	$ 8,582
Contingent consideration [(1) (2)]	5,812	4,219
Other	1,020	1,015
	$ 12,641	$ 13,816

(1) The current portions of deferred consideration in the amounts of $5,418 and $6,666 as of September 30, 2021 and December 31, 2020, respectively, are included in accounts payable and other liabilities in the condensed consolidated balance sheets. The current portions of contingent consideration in the amounts of $2,286 and $1,353 as of September 30, 2021 and December 31, 2020, respectively, are included in accounts payable and other liabilities in the condensed consolidated balance sheets.
(2) Includes a measurement period adjustment and a reduction in deferred consideration settled in stock made during the nine months ended September 30, 2021, which represents a noncash investing activity. See Note 5 – "Acquisitions, Goodwill and Other Intangible Assets" for additional information.

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7. Related-Party Transactions

Shared and Transition Services

Certain services are provided to the Company under a Transition Services Agreement ("TSA") between MMC and the Company. The TSA is intended to provide certain services until the Company acquires these services separately. Under the TSA, the Company incurred net costs (charge-back) during the three months ended September 30, 2021 and 2020 of $(11,000) and $10,000, respectively, and during the nine months ended September 30, 2021 and 2020 of $4,000 and $52,000, 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 September 30, 2021 and 2020, the Company earned real estate brokerage commissions and financing fees of $603,000 and $225,000, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of $363,000 and $130,000, respectively, related to these revenues. For the nine months ended September 30, 2021 and 2020, the Company earned real estate brokerage commissions and financing fees of $1.4 million and $1.9 million, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of $840,000 and $1.1 million, 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. The related operating lease cost was $333,000 for each of the three months ended September 30, 2021 and 2020, respectively, and $998,000 for each of the nine months ended September 30, 2021 and 2020, respectively. Operating lease cost is included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income. See Note 3 – "Operating Leases" for additional information.

Accounts Payable and Other Liabilities with MMC

As of September 30, 2021 and December 31, 2020, accounts payable and other liabilities with MMC totaling $86,000 and $89,000, respectively, remain unpaid and are included in accounts payable and other liabilities in the accompanying condensed consolidated balance sheets.

Other

The Company makes advances to non-executive employees from time-to-time. At September 30, 2021 and December 31, 2020, the aggregate principal amount for employee notes receivable was $66,000 and $431,000, respectively, which is included in other assets (current and non-current) in the accompanying condensed consolidated balance sheets. See Note 6 – "Selected Balance Sheet Data" for additional information.

As of September 30, 2021, George M. Marcus, the Company's founder and Chairman, beneficially owned approximately 38% of the Company's issued and outstanding common stock, including shares owned by Phoenix Investments Holdings, LLC and the Marcus Family Foundation II.

8. 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 fair value and the supporting methodologies and assumptions. The Company uses various pricing sources and third parties to provide and validate the values utilized.

The degree of judgment used in measuring the fair value of financial instruments is generally inversely correlated 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:* Unobservable 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. Management estimates include certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

The Company values its investments including commercial paper and floating NAV money market funds recorded in cash and cash equivalents, investments in marketable debt securities, available-for-sale, assets held in the rabbi trust, deferred compensation liability and contingent and deferred consideration at fair value on a recurring basis.

Fair values for investments included in cash and cash equivalents and marketable debt securities,available-for-sale were determined for each individual security in the investment portfolio and all these securities are Level 1 or 2 measurements as appropriate.

Fair values for assets held in the rabbi trust and related deferred compensation liability were determined based on the cash surrender value of the company owned variable life insurance policies and underlying investments in the trust, and are Level 2 and Level 1 measurements, respectively.

Contingent consideration in connection with acquisitions, is carried at fair value and determined on acontract-by-contract basis, calculated using unobservable inputs based on a probability of achieving EBITDA and other performance requirements, and is a Level 3 measurement. Deferred consideration in connection with acquisitions is carried at fair value and calculated using a discounted cash flow estimate with the only remaining condition on such payments being the passage of time, and is a Level 2 measurement.

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Assets and liabilities carried at fair value on a recurring basis consisted of the following (in thousands):

	September 30, 2021				December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
Assets held in rabbi trust	$ 11,056	$ —	$11,056	$ —	$ 10,295	$ —	$10,295	$ —
Cash equivalents [1]:								
Commercial paper	$ —	$ —	$ —	$ —	$ 9,399	$ —	$ 9,399	$ —
Money market funds	223,678	223,678	—	—	158,271	158,271	—	—
	$223,678	$223,678	$ —	$ —	$167,670	$158,271	$ 9,399	$ —
Marketable debt securities, available-for-sale:								
Short-term investments:								
U.S. treasuries	$ 19,991	$ 19,991	$ —	$ —	$ 75,970	$ 75,970	$ —	$ —
U.S. government sponsored entities	—	—	—	—	32,447	—	32,447	—
Corporate debt	96,911	—	96,911	—	49,841	—	49,841	—
	$116,902	$ 19,991	$96,911	$ —	$158,258	$ 75,970	$82,288	$ —
Long-term investments:								
U.S. treasuries	$ 87,057	$ 87,057	$ —	$ —	$ 3,641	$ 3,641	$ —	$ —
U.S. government sponsored entities	822	—	822	—	1,152	—	1,152	—
Corporate debt	35,234	—	35,234	—	36,287	—	36,287	—
ABS and other	7,389	—	7,389	—	6,693	—	6,693	—
	$130,502	$ 87,057	$43,445	$ —	$ 47,773	$ 3,641	$44,132	$ —
Liabilities:								
Contingent consideration	$ 8,098	$ —	$ —	$8,098	$ 5,572	$ —	$ —	$5,572
Deferred consideration	$ 11,227	$ —	$11,227	$ —	$ 15,248	$ —	$15,248	$ —
Deferred compensation liability	$ 7,962	$ 7,962	$ —	$ —	$ 8,287	$ 8,287	$ —	$ —

(1) Included in cash and cash equivalents on the accompanying condensed consolidated balance sheets.

There were no transfers in or out of Level 3 during the nine months ended September 30, 2021 and 2020.

During the nine months ended September 30, 2021, the Company considered current and future interest rates on the probability of achieving EBITDA and other performance targets in its determination of fair value for the contingent consideration. The Company is uncertain as to the extent of the volatility in the unobservable inputs in the foreseeable future. Deferred consideration in connection with acquisitions is carried at fair value and calculated using a discounted cash flow estimate with the only remaining condition on such payments being the passage of time.

As of September 30, 2021 and December 31, 2020, contingent and deferred consideration had a maximum undiscounted payment to be settled in cash or stock of $30.3 million and $33.2 million, respectively. Assuming the achievement of the applicable performance criteria and/or service and time requirements, the Company anticipates these payments will be made over the next one to six-year period. Changes in fair value are included in selling, general and administrative expense in the condensed consolidated statements of net and comprehensive income.

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A reconciliation of contingent consideration measured at fair value on a recurring basis consisted of the following (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Beginning balance	$ 5,572	$ 3,387
Contingent consideration in connection with acquisitions[1]	(100)	1,800
Change in fair value of contingent consideration	3,246	134
Payments of contingent consideration	(620)	(638)
Ending balance	$ 8,098	$ 4,683

(1) Contingent consideration in connection with acquisitions represents a noncash investing activity. Nine months ended September 30, 2021 relates to a measurement period adjustment. See Note 5 – "Acquisitions, Goodwill and Other Intangible Assets" for additional information.

Quantitative information about the valuation technique and significant unobservable inputs used in the valuation of the Company's Level 3 financial liabilities measured at fair value on a recurring basis consisted of the following (dollars in thousands):

	Fair Value at September 30, 2021	Valuation Technique	Unobservable inputs	Range (Weighted Average) [1]
Contingent consideration	$ 8,098	Discounted cash flow	Expected life of cash flows	1.7-6.1 years (3.7 years)
			Discount rate	1.8%-3.6% (2.8%)
			Probability of achievement	26.9%-100.0% (94.9%)

	Fair Value at December 31, 2020	Valuation Technique	Unobservable inputs	Range (Weighted Average) [1]
Contingent consideration	$ 5,572	Discounted cash flow	Expected life of cash flows	2.4-6.8 years (4.4 years)
			Discount rate	2.6%-4.3% (3.4%)
			Probability of achievement	50.0%-100.0% (86.1%)

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

Nonrecurring Fair Value Measurements

In accordance with U.S. GAAP, from time to time, the Company measures certain assets at fair value on a nonrecurring basis. The Company reviews the carrying value of MSRs, intangibles, goodwill and other assets for indications of impairment at least annually. When indications of potential impairment are identified, the Company may be required to determine the fair value of those assets and record an adjustment for the carrying amount in excess of the fair value determined. Any fair value determination would be based on valuation approaches, which are appropriate under the circumstances and utilize Level 2 and Level 3 measurements as required.

MSRs are recorded at fair value upon acquisition of a servicing contract. The Company has elected the amortization method for the subsequent measurement of MSRs. MSRs are carried at the lower of amortized cost or fair value. MSRs are a Level 3 measurement. The Company's MSRs do not trade in an active, open market with readily observable prices. The estimated fair value of the Company's MSRs were developed using a discounted cash flow model that calculates the present value of estimated future net servicing income. The model considers contractual provisions and assumptions of market participants including specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. The Company periodically reassesses and adjusts, when necessary, the underlying inputs and assumptions used to reflect observable market conditions and assumptions that a market participant would consider in valuing an MSR asset. Management uses assumptions in the determination of fair value for MSRs after considering default, severity, prepayment and discount rates related to the specific types and underlying collateral of the various serviced loans, interest rates, refinance rates, and current government and private sector responses on the economic impact of the COVID-19 pandemic. MSRs are carried at the lower of amortized cost or fair value. The fair value of the MSRs approximated the carrying value at September 30, 2021 and December 31, 2020 after consideration of the revisions to the various assumptions. See Note 6 – "Selected Balance Sheet Data – Other Assets – MSRs" for additional information.

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Quantitative information about the valuation technique and significant unobservable inputs used in the valuation of the Company's Level 3 financial assets measured at fair value on a nonrecurring basis consisted of the following (dollars in thousands):

	Fair Value at September 30, 2021	Valuation Technique	Unobservable inputs	Range (Weighted Average) [1]
MSRs	$ 2,351	Discounted cash flow	Constant prepayment rates	0.0%-20.0% (10.0%)
			Constant default rate	0.3%-4.7% (1.2%)
			Loss severity	26.2%-31.4% (28.0%)
			Discount rate	10.0%-10.0% (10.0%)

	Fair Value at December 31, 2020	Valuation Technique	Unobservable inputs	Range (Weighted Average) [1]
MSRs	$ 2,135	Discounted cash flow	Constant prepayment rates	0.0%-20.0% (10.0%)
			Constant default rate	0.3%-4.1% (1.1%)
			Loss severity	26.2%-31.4% (28.0%)
			Discount rate	10.0%-10.0% (10.0%)

(1) Weighted average is based on the 10% constant prepayment rate scenario which the Company uses as the reported fair value.

9. Stockholders' Equity

Common Stock

As of September 30, 2021 and December 31, 2020, there were 39,666,785 and 39,401,976 shares of common stock, $0.0001 par value, issued and outstanding, which include unvested restricted stock awards ("RSAs") issued to non-employee directors, respectively. See Note 12 – "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 September 30, 2021 and December 31, 2020, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive Income/Loss

Amounts reclassified from accumulated other comprehensive income/loss include marketable debt securities, available for sale are included as a component of other income (expense), net or selling, general and administrative expense, as applicable, in the condensed consolidated statements of net and comprehensive income. The reclassifications were determined on a specific identification basis.

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.

10. Stock-Based Compensation Plans

2013 Omnibus Equity Incentive Plan

The Company's board of directors adopted the 2013 Omnibus Equity Incentive Plan (the "2013 Plan"), which became effective upon the Company's IPO. In February 2017, the board of directors amended and restated the 2013 Plan, which was approved by the Company's stockholders in May 2017. Grants are made from time to time by the compensation committee of 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. In addition, non-employee directors receive annual grants under a director compensation policy. As of September 30, 2021, there were 4,672,675 shares available for future grants under the 2013 Plan.

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Awards Granted and Settled

Under the 2013 Plan, the Company has issued RSAs tonon-employee directors and restricted stock units ("RSUs") to employees and independent contractors. RSAs vest over a one-year period from the date of grant, subject to service requirements. RSUs generally vest in equal annual installments over a five-year period from the date of grant or earlier as approved by the compensation committee of the Company's board of directors. Any unvested awards are canceled upon termination as a service provider. As of September 30, 2021, there were no issued or outstanding options, SARs, performance units or performance share awards under the 2013 Plan.

During the nine months ended September 30, 2021,241,726 shares of RSUs vested and60,373 shares of deferred stock units ("DSUs") were settled and 88,898 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.

Outstanding Awards

Activity under the 2013 Plan consisted of the following (dollars in thousands, except weighted average 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, 2020(1)	16,728	637,650	264,001	918,379	$ 33.73
Granted	12,492	269,474	81,566	363,532	$ 38.74
Vested	(16,728)	(163,758)	(77,968)	(258,454)	$ 31.93
Transferred	—	(9,057)	9,057	—	$ 34.49
Forfeited/canceled	—	(25,470)	(6,345)	(31,815)	$ 33.06
Nonvested shares at September 30, 2021 (1)	12,492	708,839	270,311	991,642	$ 35.52
Unrecognized stock-based compensation expense as of September 30, 2021 (2)	$ 265	$ 22,090	$ 8,499	$ 30,854	
Weighted average remaining vesting period (years) as of September 30, 2021	0.59	3.60	3.44	3.53	

(1) Nonvested RSUs 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 approximately3.53 years.

Employee Stock Purchase Plan

In 2013, the Company adopted the 2013 Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to qualify under Section 423 of the Internal Revenue 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 a10% 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 was a compensatory plan and is required to expense the fair value of the awards over each 6-month offering period.

The ESPP initially had 366,667 shares of common stock reserved, and165,242 shares of common stock remain available for issuance as of September 30, 2021. The ESPP 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 compensation committee of the board of directors. Pursuant to the provisions of the ESPP, the board of directors has determined to not provide for any annual increases to date. At September 30, 2021, total unrecognized compensation cost related to the ESPP was $16,000 and is expected to be recognized over a weighted average period of0.13 years.

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SARs and DSUs

Prior to the IPO, certain employees were granted SARs. As ofMarch 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. As of September 30, 2021, 281,193 shares of fully vested DSUs remained to be settled in 2022.

Summary of Stock-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
ESPP	$ 33	$ 62	$ 107	$ 145
RSAs – non-employee directors	114	120	338	493
RSUs – employees	1,731	1,413	4,932	4,583
RSUs – independent contractors	825	788	2,276	2,330
	$ 2,703	$ 2,383	$ 7,653	$ 7,551

11. Income Taxes

The Company’s effective tax rate for the three and nine months ended September 30, 2021 was26.0% and 26.7%, respectively, compared to 24.1% and 29.1%, respectively, for the three and nine months ended September 30, 2020. 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 any tax effects of items that relate discretely to the period, if any.

The provision for income taxes differs from the amount computed by applying the U.S. federal statutory rate to income before provision for income taxes and consisted of the following (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax expense at the federal statutory rate	$ 9,627	21.0%	$ 1,671	21.0%	$ 23,052	21.0%	$ 5,689	21.0%
State income tax expense, net of federal benefit	2,111	4.6%	453	5.7%	5,157	4.7%	1,403	5.2%
(Windfall) shortfall tax benefits, net related to stock-based compensation	(443)	(1.0)%	130	1.6%	(522)	(0.5)%	203	0.7%
Change in valuation allowance	55	0.1%	134	1.7%	243	0.2%	594	2.2%
Permanent and other items [1]	571	1.3%	(472)	(5.9)%	1,374	1.3%	(14)	—
	$ 11,921	26.0%	$ 1,916	24.1%	$ 29,304	26.7%	$ 7,875	29.1%

(1) Permanent items relate principally to compensation charges, qualified transportation fringe benefits and meals and entertainment.

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12. Earnings per Share

Basic and diluted earnings per share for the three and nine months ended September 30, 2021 and 2020, respectively consisted of the following (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator (Basic and Diluted):				
Net income	$ 33,924	$ 6,040	$ 80,468	$ 19,216
Change in value for stock settled consideration	(2)	—	8	—
Adjusted net income	$ 33,922	$ 6,040	$ 80,476	$ 19,216
Denominator:				
Basic				
Weighted average common shares issued and outstanding	39,634	39,357	39,539	39,293
Deduct: Unvested RSAs [1]	(13)	(18)	(14)	(18)
Add: Fully vested DSUs [2]	319	342	334	342
Weighted average common shares outstanding	39,940	39,681	39,859	39,617
Basic earnings per common share	$ 0.85	$ 0.15	$ 2.02	$ 0.49
Diluted				
Weighted average common shares outstanding from above	39,940	39,681	39,859	39,617
Add: Dilutive effect of RSUs, RSAs & ESPP	188	46	176	59
Add: Contingently issuable shares [3]	113	—	113	—
Weighted average common shares outstanding	40,241	39,727	40,148	39,676
Diluted earnings per common share	$ 0.84	$ 0.15	$ 2.00	$ 0.48
Antidilutive shares excluded from diluted earnings per common share [4]	112	696	363	719

(1) RSAs were issued and outstanding to the non-employee directors and have a one-year vesting term subject to service requirements. See Note 10 – "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 10 – "Stock-Based Compensation Plans" for additional information.

(3) Relates to contingently issuable stock settled consideration.

(4) Primarily pertaining to RSU grants to the Company's employees and independent contractors.

13. Commitments and Contingencies

Credit Agreement

On June 18, 2014, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association (the "Bank"), as amended and restated on May 28, 2019, and further, amended on November 27, 2019 and on February 9, 2021 (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") and matures on June 1, 2022. 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. Upon the expiration of the use of the LIBOR as a benchmark, the benchmark will be replaced with the SOFR plus a spread adjustment.

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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 September 30, 2021. Borrowings under the Credit Facility will bear interest, at the Company's option, at either (i) a fluctuating rate per annum 2.00% below the Base Rate (defined as the highest of (a) the Bank's prime rate, (b) one-month LIBOR plus 1.50%, and (c) the federal funds rate plus 1.50%), or (ii) at a fixed rate per annum determined by Bank to be between 0.875% to 1.125% above LIBOR. In connection with the amendments of the Credit Agreement, 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 $21,000 and $22,000 for the three months ended September 30, 2021 and 2020, respectively, and $65,000 for each of the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, 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, determined on a rolling four-quarter basis, and (ii) total funded debt to EBITDA not greater than 1.5:1.0 as of each quarter end, determined on a rolling four-quarter basis, and also limits investments in foreign entities and certain other loans.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), in which case no such pledge is required. As of September 30, 2021, the Company was in compliance with all financial and non-financial covenants and has not experienced any limitation in its operations as a result of the covenants.

Other

In connection with certain agreements with investment sales and financing professionals, the Company may agree to advance amounts to certain such professionals upon reaching certain time and performance goals. Such commitments as of September 30, 2021 aggregated $15.9 million.

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

Unless the context requires otherwise, the words "Marcus & Millichap," "MMI," "we," the "Company," "us" and "our" refer to Marcus & Millichap, Inc., and its 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, including but not limited to any continuing impact of the COVID-19 pandemic. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Item 1 of this Form 10-Q and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 1, 2021, 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 for more than 15 years. As of September 30, 2021, we had 1,982 investment sales and financing professionals that are primarily exclusive independent contractors operating in 82 offices, who provide real estate brokerage and financing services to sellers and buyers of commercial real estate assets. During the three and nine months ended September 30, 2021, we closed 3,325 and 8,942 investment sales, financing and other transactions with total sales volume of approximately $20.8 billion and $50.2 billion, respectively. During the year ended December 31, 2020, we closed 8,954 investment sales, financing and other transactions with total sales volume of approximately $43.4 billion.

We generate revenues by collecting real estate brokerage commissions upon the sale, and fees upon the financing, of commercial properties, and by providing equity advisory services, loan sales and 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. During the three months ended September 30, 2021, approximately 90% of our revenues were generated from real estate brokerage commissions, 9% from financing fees and 1% from other real estate related services. During the nine months ended September 30, 2021, approximately 89% of our revenues were generated from real estate brokerage commissions, 10% from financing fees and 1% from other real estate related services. During the year ended December 31, 2020, approximately 88% of our revenues were generated from real estate brokerage commissions, 10% from financing fees and 2% from other real estate related services.

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

- Properties priced less than $1 million;
- *Private client market:* properties priced from $1 million to up to but less than $10 million;
- *Middle market:* properties priced from $10 million to up to but less than $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 61% and 69% of our real estate brokerage commissions during the three months ended September 30, 2021 and 2020, respectively, and approximately 62% and 68% of our real estate brokerage commissions during the nine months ended September 30, 2021 and 2020, respectively. The following table sets forth the number of transactions, sales volume and revenues by commercial real estate market segment for real estate brokerage:

	Three Months Ended September 30,								
	2021			2020			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	267	$ 183	$ 7,419	241	$ 156	$ 6,290	26	$ 27	$ 1,129
Private client market ($1 - <$10 million)	1,894	6,296	183,033	1,168	3,592	97,856	726	2,704	85,177
Middle market ($10 - <$20 million)	136	1,940	35,353	70	945	17,643	66	995	17,710
Larger transaction market (≥$20 million)	159	8,088	73,954	48	2,302	19,055	111	5,786	54,899
	2,456	$ 16,507	$ 299,759	1,527	$ 6,995	$ 140,844	929	$ 9,512	$ 158,915

Real Estate Brokerage	Nine Months Ended September 30, 2021			2020			Change		
	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)
<$1 million	791	$ 532	$ 21,175	649	$ 410	$ 16,550	142	$ 122	$ 4,625
Private client market ($1 - <$10 million)	4,861	15,639	446,592	3,203	10,207	282,937	1,658	5,432	163,655
Middle market ($10 - <$20 million)	370	5,141	97,699	204	2,785	51,902	166	2,356	45,797
Larger transaction market (≥$20 million)	352	17,619	149,992	161	7,459	64,655	191	10,160	85,337
	6,374	$ 38,931	$ 715,458	4,217	$ 20,861	$ 416,044	2,157	$ 18,070	$ 299,414

COVID-19

We are closely monitoring the continuing impact of the COVID-19 pandemic on all aspects of our business and in the regions we operate. We continue to follow the local guidelines in cities where our offices are located, and all of our offices have re-opened.

Our business was impacted by the COVID-19 pandemic during most of 2020, with the total number of transactions and total revenues declining 7.9% and 11.1%, respectively, in the year ended December 31, 2020 compared to the same period in 2019. During the nine months ended September 30, 2021, total revenues and total number of transactions increased 71.7% and 49.6%, respectively, compared to the same period in 2020 and 40.9% and 29.2%, respectively, compared to the same period in 2019. While our total revenues were significantly above prior years' levels, some uncertainty exists in our ability to sustain the growth rates experienced during the three and nine months ended September 30, 2021.

Due to the continuing uncertainty around the COVID-19 pandemic, we are unable to predict its potential impact on our financial condition, results of operations and cash flows. These uncertainties include the scope, severity and duration of the pandemic; variants in the virus, vaccination rates and the effects thereof; expectation gaps among buyers and sellers on pricing and property operation, vulnerability to economic weakness and/or slow recovery; the direct and indirect economic effects of the actions taken by state and local governments to continue to contain the pandemic or mitigate its impact; and the impact of these and other factors on our employees, independent contractors, clients and potential clients.

Cybersecurity

In August 2021, we were subject to a cybersecurity attack on our information technology systems. We immediately engaged cybersecurity experts to secure and restore all essential systems and were able to do so with no material disruption to our business. At this time, there is no evidence of any material risk or misuse relating to personal information.

We continue to work with our external cybersecurity experts to assess and enhance the security of our systems and personal information. We maintained cyber insurance, which has covered the majority of costs related to this incident.

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 that 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 identify those that need financing and refinancing. We principally monitor the commercial real estate market through four factors, which generally drive our business. The factors are the economy, commercial real estate supply and demand, capital markets and investor sentiment 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, retail spending and confidence trends can have a positive or a negative impact on our business. Overall market conditions, including global trade, interest rate changes and job creation, can affect investor sentiment and, ultimately, the demand for our services from investors in real estate.

The U.S. economy maintained strong growth through the third quarter as consumer spending and corporate investment fueled gains. Job creation has been robust, with the economy adding 5.1 million jobs through the first three quarters of 2021. However, only 78% of the 22.4 million jobs lost during the pandemic have been recovered thus far, and the economy faces a labor shortage that has begun to restrain job additions. As of August 2021, according to the Bureau of Labor Statistics, there were 10.4 million job openings in the U.S., but just 8.4 million people were looking for work. The labor shortage has generated increased wage pressure across all industries, fueling increased inflation. Increased pricing pressure has been further aggravated by supply chain bottlenecks that have resulted in manufacturing component and consumer product shortages. Combined, these and other inflationary pressures could spur a response from the Federal Reserve that places upward pressure on interest rates. Although heightened inflation risk exists, we believe that commercial real estate tends to be a comparatively strong inflation hedge relative to many other investment classes. This combination, along with elevated liquidity, supported strong investor activity in the third quarter of 2021. Additional headwinds could still emerge, however, as the U.S. Congress negotiates tax policy revisions that could affect commercial real estate investments.

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 many 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 investment alternatives, such as stocks and bonds.

Space demand for virtually all commercial property types accelerated in the third quarter. Apartment demand reached a record level, while self-storage and industrial properties delivered strong gains. Office, retail, hotel and seniors housing properties delivered more modest gains, but we believe the momentum is pointing toward broad-based commercial real estate demand growth. By the same token, materials shortages and elevated construction costs have restrained construction levels for all property types except apartments and industrial space, the two property types that could see record space deliveries in 2021. The mitigated supply risk for most property types is a positive factor supporting the commercial real estate outlook. Demand drivers continue to favor suburban areas and metros across the southeast and southwest that are benefiting from elevated in-migration. Although major urban gateway markets like New York and San Francisco were disproportionately impacted by the health crisis, they generated positive commercial real estate space demand in the third quarter, supporting a potential future recovery in these areas as well. The positive momentum of commercial real estate fundamentals has attracted increased capital to the sector, creating an active bid climate for many marketed assets, especially those in markets demonstrating particularly favorable growth metrics. The rising demand for assets has supported increased transaction flow and has placed upward pressure on prices at a macro level.

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 increases or decreases, could adversely or positively affect the operations and income potential of commercial real estate properties, as well as lender and equity underwriting for real estate investments. These changes generally influence the demand of investors for commercial real estate investments.

Both equity and debt capital remains very liquid, with financing broadly available for most property types in most markets. Banks continue to be the leading source of financing, but commercial mortgage-backed security (CMBS) financing has become increasingly available. CMBS financing was virtually non-existent at the outset of the pandemic, but by the second quarter of 2021 CMBS comprised 18% of the lender composition pool, exceeding traditional levels. The broad array of financing sources and the competition to place capital, together with low underlying treasury rates, has helped keep lending rates low through the first three quarters of the year. However, the Federal Reserve has begun to signal that they will taper their quantitative easing programs very soon. As the Federal Reserve reduces their $120 billion monthly investments into treasuries and mortgage-backed securities, we believe risk-free interests rates such as the 10-year treasury may experience upward pressure. This in turn could cause commercial real estate lending rates to rise. Nonetheless, interest rates remain well-below the historical norm, keeping the cost of debt capital below the first-year return rate on most acquisitions. Barring a major capital markets disruption, we believe the pool of capital seeking placement in commercial real estate should sustain strong transaction activity through 2021 and into 2022.

Investor Sentiment and 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.

Third quarter commercial real estate transaction activity was notably strong, well above the pandemic restrained third quarter of 2020 and even surpassing the third quarter of 2019 for most property types. Positive market and economic factors including rising commercial real estate space demand, strong liquidity, low interest rates, expectations of a robust economic momentum and positive demographics aligned to spur investor optimism. The demand for several types of commercial real estate, particularly in growth markets was robust. Buyers often compete to place capital, driving record pricing for some property types in select markets. Although property types hard-hit by the pandemic are still going through price discovery, momentum remains strong. Office property sales face the greatest uncertainty due to questions about corporate strategies for returning to the offices. Office pricing has recently become more stable, but we believe another COVID-19 surge could potentially disrupt the return to office timetable again, creating a new round of pricing instability. Another area of investor uncertainty centers on potential tax reform, but recent communications from the House of Representatives suggests that changes to very important commercial real estate focused tax policies such as the 1031 tax deferred exchange and the step-up basis are improbable at this time. This has bolstered investor confidence, but until the final version of any tax policy changes are officially adopted, commercial real estate investors could remain wary. Despite these areas of uncertainty, we believe the overall enthusiasm for commercial real estate investment as demonstrated by increasing transaction activity remains positive.

Seasonality

Our real estate brokerage commissions and financing fees have tended to be seasonal and, combined with other factors, can affect an investor’s ability to compare our financial condition and results of operations on a quarter-by-quarter basis. Historically, this seasonality has generally caused our revenue, operating income, net income and cash flows from operating activities to be lower in the first half of the year and higher in the second half of the year, particularly in the fourth quarter. The concentration of earnings and cash flows in the last six months of the year, particularly in the fourth quarter, is due to an industry-wide focus of clients to complete transactions towards the end of the calendar year. This historical trend can be disrupted both positively and negatively by major economic events, political events, natural disasters or pandemics such as the COVID-19 pandemic, which may impact, among other things, investor sentiment for a particular property type or location, volatility in financial markets, current and future projections of interest rates, attractiveness of other asset classes, market liquidity and the extent of limitations or availability of capital allocations for larger property buyers, among others. Private client investors may accelerate or delay transactions due to personal or business-related reasons unrelated to economic events. In addition, our operating margins are typically lower during the second half of each year due to our commission structure for some of our senior investment sales and financing professionals. These senior investment sales and financing professionals are on a graduated commission schedule that resets annually, pursuant to which higher commissions are paid for higher sales volumes. Our historical pattern of seasonality may or may not continue to the same degree experienced in prior years.

Operating Segments

We follow the guidance for segment reporting, which requires reporting information on operating segments in interim and annual financial statements. Substantially all of our operations involve the delivery of commercial real estate services to our customers including real estate investment sales, financing and consulting and advisory services. Management makes operating decisions, assesses performance and allocates resources based on an ongoing review of these integrated operations, which constitute only one operating segment for financial reporting 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.

Because our business is transaction oriented, we rely on investment sales and financing professionals to continually develop leads, identify properties to sell and finance, market those properties and close the sale timely to generate a consistent flow of revenue. While our sales volume is impacted by seasonality factors, 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 investment sales 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 in period-to-period variations in our revenues that differ 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 paid 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 mortgage servicing revenue, mortgage servicing fees, equity advisory services, loan sales and ancillary fees associated with financing activities. We recognize mortgage servicing revenues upon the acquisition of a servicing obligation. We generate mortgage servicing fees through the provision of collection, remittance, recordkeeping, reporting and other related mortgage servicing functions, activities and services.

Other Revenues

Other revenues include fees generated from consulting, advisory and other real estate 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 variable commissions paid to our investment sales professionals and compensation-related costs related to our financing activities. 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, because there are some who are initially paid a salary and certain of our financing professionals are employees, 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 financial 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 one or three years, at our election, and paid at the beginning of the second or fourth calendar year. Cost of services also includes referral fees paid to other real estate brokers where we are 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 and 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, transaction costs related to acquisitions, changes in fair value for contingent and deferred consideration 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 Amended and Restated 2013 Omnibus Equity Incentive Plan ("2013 Plan") and the 2013 Employee Stock Purchase Plan ("ESPP").

Depreciation and Amortization Expense

Depreciation expense consists of depreciation recorded on our computer software and hardware and furniture, fixture and equipment. Depreciation is provided over estimated useful lives ranging from three to seven years for assets. Amortization expense consists of (i) amortization recorded on our mortgage servicing rights ("MSRs") using the interest method over the period that servicing income is expected to be received and (ii) amortization recorded on intangible assets amortized on a straight-line basis using a useful life between one and seven years.

Other Income (Expense), Net

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

Interest Expense

Interest expense primarily consists of interest expense associated with the stock appreciation rights ("SARs") liability, notes payable to former stockholders (through the second quarter of 2020 when fully repaid) 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 the impact of permanent items, including compensation charges, qualified transportation fringe benefits, uncertain tax positions, meals and entertainment and tax-exempt deferred compensation plan assets. Our provision for income taxes includes the windfall tax benefits and shortfall expenses, net, from shares issued in connection with our 2013 Plan and ESPP.

We record deferred taxes, net based on the tax rate expected to be in effect at the time those items are expected to be recognized for tax purposes.

Results of Operations

Following is a discussion of our results of operations for the three and nine months ended September 30, 2021 and 2020. 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.

Key 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. We also believe these metrics are relevant to investors' and others' assessment of our financial condition and results of operations. During the three months ended September 30, 2021 and 2020, we closed more than 3,300 and 2,100 investment sales, financing and other transactions, respectively, with total sales volume of approximately $20.8 billion and $9.1 billion, respectively. During the nine months ended September 30, 2021 and 2020, we closed more than 8,900 and 5,900 investment sales, financing and other transactions, respectively, with total sales volume of approximately $50.2 billion and $27.8 billion, respectively. Such key metrics for real estate brokerage and financing activities (excluding other transactions) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Real Estate Brokerage	2021	2020	2021	2020
Average Number of Investment Sales Professionals	1,909	1,917	1,934	1,911
Average Number of Transactions per Investment Sales Professional	1.29	0.80	3.30	2.21
Average Commission per Transaction	$ 122,052	$ 92,236	$ 112,246	$ 98,659
Average Commission Rate	1.82%	2.01%	1.84%	1.99%
Average Transaction Size (in thousands)	$ 6,721	$ 4,581	$ 6,108	$ 4,947
Total Number of Transactions	2,456	1,527	6,374	4,217
Total Sales Volume (in millions)	$ 16,507	$ 6,995	$ 38,931	$ 20,861

	Three Months Ended September 30,		Nine Months Ended September 30,	
Financing (1)	2021	2020	2021	2020
Average Number of Financing Professionals	86	82	86	86
Average Number of Transactions per Financing Professional	6.98	5.39	20.67	15.13
Average Fee per Transaction	$ 42,319	$ 33,531	$ 36,126	$ 31,607
Average Fee Rate	0.77%	0.88%	0.82%	0.89%
Average Transaction Size (in thousands)	$ 5,503	$ 3,828	$ 4,390	$ 3,533
Total Number of Transactions	600	442	1,778	1,301
Total Financing Volume (in millions)	$ 3,302	$ 1,692	$ 7,806	$ 4,597

(1) Operating metrics exclude certain financing fees not directly associated to transactions.

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Comparison of Three Months Ended September 30, 2021 and 2020

Below are key operating results for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 (dollars in thousands):

	Three Months Ended September 30, 2021	Percentage of Revenue	Three Months Ended September 30, 2020	Percentage of Revenue	Change Dollar	Change Percentage
Revenues:						
Real estate brokerage commissions	$ 299,759	90.2%	$ 140,844	88.8%	$158,915	112.8%
Financing fees	29,391	8.8	15,620	9.9	13,771	88.2%
Other revenues	3,233	1.0	2,111	1.3	1,122	53.2%
Total revenues	332,383	100.0	158,575	100.0	173,808	109.6%
Operating expenses:						
Cost of services	219,194	65.9	99,707	62.9	119,487	119.8%
Selling, general and administrative	64,673	19.5	49,722	31.4	14,951	30.1%
Depreciation and amortization	2,850	0.9	2,606	1.6	244	9.4%
Total operating expenses	286,717	86.3	152,035	95.9	134,682	88.6%
Operating income	45,666	13.7	6,540	4.1	39,126	*nm* (2)
Other income (expense), net	323	0.1	1,615	1.0	(1,292)	(80.0)%
Interest expense	(144)	0.0	(199)	(0.1)	55	(27.6)%
Income before provision for income taxes	45,845	13.8	7,956	5.0	37,889	*nm* (2)
Provision for income taxes	11,921	3.6	1,916	1.2	10,005	*nm* (2)
Net income	$ 33,924	10.2%	$ 6,040	3.8%	$ 27,884	*nm* (2)
Adjusted EBITDA (1)	$ 50,985	15.3%	$ 12,229	7.7%	$ 38,756	*nm* (2)

(1) Adjusted EBITDA is not a measurement of our financial performance under U.S. generally accepted accounting principles ("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."

(2) Not meaningful

Revenues

Our total revenues were $332.4 million for the three months ended September 30, 2021 compared to $158.6 million for the same period in 2020, an increase of $173.8 million, or 109.6%. Total revenues increased as a result of increases in real estate brokerage commissions, financing fees and other revenues, as described below.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased to $299.8 million for the three months ended September 30, 2021 from $140.8 million for the same period in 2020, an increase of $158.9 million, or 112.8%. The increase was primarily driven by a 136.0% increase in overall sales volume generated by a 60.8% increase in the number of investment sales transactions and a 46.7% increase in average transaction size, partially offset by a 19 basis points reduction in average commission rates due to a larger proportion of transactions closed from the Larger Transaction Market segment.

Financing fees. Revenues from financing fees increased to $29.4 million for the three months ended September 30, 2021 from $15.6 million for the same period in 2020, an increase of $13.8 million, or 88.2%, in part spurred by growth from our recent acquisitions and other ancillary financing fees. The increase was driven by a 95.2% increase in financing volume, partially offset by an 11 basis points decrease in average commission rates due in part to fees from certain larger loan transactions. Financing volume was impacted by a 35.7% increase in the number of financing transactions and a 43.8% increase in average transaction size.

Other revenues. Other revenues increased to $3.2 million for the three months ended September 30, 2021 from $2.1 million for the same period in 2020, an increase of $1.1 million, or 53.2%. The increase was primarily driven by increases in consulting and advisory services during the three months ended September 30, 2021, compared to the same period in 2020.

Total Operating Expenses

Our total operating expenses were $286.7 million for the three months ended September 30, 2021 compared to $152.0 million for the same period in 2020, an increase of $134.7 million, or 88.6%. The increase was due to increases in cost of services, which are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities, selling, general and administrative costs and depreciation and amortization expense, as described below.

Cost of services. Cost of services increased to $219.2 million for the three months ended September 30, 2021 from $99.7 million for the same period in 2020, an increase of $119.5 million, or 119.8%. The increase was primarily due to increased commission expenses driven by the related increased revenues noted above. Cost of services as a percent of total revenues increased to 65.9% compared to 62.9% for the same period in 2020 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier than anticipated.

Selling, general and administrative expense. Selling, general and administrative expense for the three months ended September 30, 2021 increased $15.0 million, or 30.1%, to $64.7 million from $49.7 million for the same period in 2020. The change was primarily due to increases in (i) compensation related costs, primarily driven by increases in management performance compensation due to a significant year-over-year growth in operating results; (ii) business development, marketing and other support related to the long-term retention of our sales and financing professionals; (iii) facilities expenses due to expansion of existing offices; and (iv) legal costs.

Depreciation and amortization expense. Depreciation and amortization expense increased to $2.9 million for the three months ended September 30, 2021 from $2.6 million for the same period in 2020, an increase of $0.2 million, or 9.4%.

Other Income (Expense), Net

Other income (expense), net decreased to $0.3 million for the three months ended September 30, 2021 from $1.6 million for the same period in 2020. The decrease was primarily driven by (i) an unfavorable change in the value of our deferred compensation plan assets that are held in a rabbi trust; (ii) a reduction in interest income on our investments in marketable debt securities, available-for-sale due to an overall decrease in interest rates; and (iii) a foreign currency loss related to our Canadian operations.

Interest Expense

Interest expense decreased to $0.1 million for the three months ended September 30, 2021 from $0.2 million for the same period in 2020. The decrease for the three months ended September 30, 2021 was primarily due to a decrease in interest expense on SARs liability.

Provision for Income Taxes

The provision for income taxes was $11.9 million for the three months ended September 30, 2021 compared to $1.9 million in the same period in 2020, an increase of $10.0 million. The effective income tax rate for the three months ended September 30, 2021 was 26.0% compared to 24.1% for the same period in 2020. The effective income tax rate increased primarily due the change in the relationship of permanent nondeductible items to income before provision for income taxes, partially offset by an increase in windfall tax benefits, net related to the settlement of stock-based awards and a decrease in Canadian losses, which are subject to a full valuation allowance.

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Comparison of Nine Months Ended September 30, 2021 and 2020

Below are key operating results for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 (dollars in thousands):

	Nine Months Ended September 30, 2021	Percentage of Revenue	Nine Months Ended September 30, 2020	Percentage of Revenue	Change	
					Dollar	Percentage
Revenues:						
Real estate brokerage commissions	$ 715,458	89.3%	$ 416,044	89.1%	$ 299,414	72.0%
Financing fees	75,448	9.4	43,674	9.4	31,774	72.8%
Other revenues	10,400	1.3	6,974	1.5	3,426	49.1%
Total revenues	801,306	100.0	466,692	100.0	334,614	71.7%
Operating expenses:						
Cost of services	506,882	63.3	287,207	61.5	219,675	76.5%
Selling, general and administrative	178,147	22.2	148,101	31.7	30,046	20.3%
Depreciation and amortization	8,806	1.1	7,822	1.8	984	12.6%
Total operating expenses	693,835	86.6	443,130	95.0	250,705	56.6%
Operating income	107,471	13.4	23,562	5.0	83,909	*nm* (2)
Other income (expense), net	2,737	0.3	4,224	0.9	(1,487)	(35.2)%
Interest expense	(436)	(0.1)	(695)	(0.1)	259	(37.3)%
Income before provision for income taxes	109,772	13.6	27,091	5.8	82,681	*nm* (2)
Provision for income taxes	29,304	3.7	7,875	1.7	21,429	*nm* (2)
Net income	$ 80,468	9.9%	$ 19,216	4.1%	$ 61,252	*nm* (2)
Adjusted EBITDA (1)	$ 124,790	15.6%	$ 38,757	8.3%	$ 86,033	*nm* (2)

(1) Adjusted EBITDA is not a measurement of our financial performance under U.S. generally accepted accounting principles ("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."

(2) Not meaningful

Revenues

Our total revenues were $801.3 million for the nine months ended September 30, 2021 compared to $466.7 million for the same period in 2020, an increase of $334.6 million, or 71.7%. Total revenues increased as a result of increases in real estate brokerage commissions, financing fees and other revenues, as described below.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased to $715.5 million for the nine months ended September 30, 2021, from $416.0 million for the same period in 2020, an increase of $299.4 million, or 72.0%. The increase was primarily driven by an 86.6% increase in sales volume generated by a 51.2% increase in the number of investment sales transactions and a 23.5% increase in the average transaction size. These increases were partially offset by a 15 basis points reduction in average commission rates due to a larger proportion of transactions closed from the Larger Transaction Market segment.

Financing fees. Revenues from financing fees increased to $75.4 million for the nine months ended September 30, 2021 from $43.7 million for the same period in 2020, an increase of $31.8 million, or 72.8%, in part spurred by growth from our recent acquisitions and other ancillary financing fees. The increase was driven by a 69.8% increase in financing volume, partially offset by a 7 basis points reduction in average commission rates due in part to fees from certain larger loan transactions. Financing volume was impacted by a 24.3% increase in average transaction size and a 36.7% increase in the number of financing transactions.

Other revenues. Other revenues increased to $10.4 million for the nine months ended September 30, 2021 from $7.0 million for the same period in 2020, an increase of $3.4 million, or 49.1%. The increase was primarily driven by an increase in consulting and advisory services during the nine months ended September 30, 2021, compared to the same period in 2020.

Total Operating Expenses

Our total operating expenses were $693.8 million for the nine months ended September 30, 2021 compared to $443.1 million for the same period in 2020, an increase of $250.7 million, or 56.6%. The increase was due to increases in cost of services, which are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities, selling, general and administrative costs and depreciation and amortization expense, as described below.

Cost of services. Cost of services increased to $506.9 million for the nine months ended September 30, 2021 from $287.2 million for the same period in 2020, an increase of $219.7 million, or 76.5%. The increase was primarily due to increased commission expenses driven by the related increased revenues noted above. Cost of services as a percent of total revenues increased to 63.3% compared to 61.5% for the same period in 2020 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier than prior years and a higher proportion of transactions closed by our more senior investment sales and financing professionals.

Selling, general and administrative expense. Selling, general and administrative expense for the nine months ended September 30, 2021 increased $30.0 million, or 20.3%, to $178.1 million from $148.1 million for the same period in 2020. The increase was primarily due to increases in (i) compensation related costs, primarily driven by increases in management performance compensation due to a significant year-over-year increase in operating results; (ii) business development, marketing and other support related to the long-term retention of our sales and financing professionals; (iii) facilities expenses due to expansion of existing offices; and (iv) net change in value of contingent and deferred consideration in connection with our acquisition activities. These increases were partially offset by decreases in (i) sales operations support and promotional marketing expenses primarily due to the cancellation of the Company's annual sales recognition event typically held during the first quarter of 2021 due to ongoing concerns about the pandemic; and (ii) legal costs.

Depreciation and amortization expense. Depreciation and amortization expense increased to $8.8 million for the nine months ended September 30, 2021 from $7.8 million for the same period in 2020, an increase of $1.0 million, or 12.6%. The increase was primarily driven by capital expenditures due to our growth.

Other Income (Expense), Net

Other income (expense), net decreased to $2.7 million for the nine months ended September 30, 2021 from $4.2 million for the same period in 2020. The decrease was primarily driven by a reduction in interest income on our investments in marketable debt securities, available-for-sale due to an overall decrease in interest rates. This decrease was partially offset by (i) a favorable change in the value of our deferred compensation plan assets that are held in a rabbi trust; and (ii) a foreign currency gain related to our Canadian operations.

Interest Expense

Interest expense decreased to $0.4 million for the nine months ended September 30, 2021 from $0.7 million for the same period in 2020. The decrease for the nine months ended September 30, 2021 was primarily due to a decrease in interest expense on SARs liability and no interest expense related to notes payable to former stockholders, which were fully repaid during the second quarter of 2020.

Provision for Income Taxes

The provision for income taxes was $29.3 million for the nine months ended September 30, 2021 compared to $7.9 million in the same period in 2020, an increase of $21.4 million, or 272.1%. The effective income tax rate for the nine months ended September 30, 2021 was 26.7% compared to 29.1% for the same period in 2020. The effective income tax rate decreased primarily due to an increase in windfall tax benefits, net related to the settlement of stock-based awards and a decrease in Canadian losses which are subject to a full valuation allowance, partially offset by a net increase in permanent and other items.

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, stock-based compensation and other non-cash items, or Adjusted EBITDA. We define Adjusted EBITDA as net income before (i) interest income and other, including net realized gains (losses) on marketable debt securities, available-for-sale and cash and cash equivalents, (ii) interest expense, (iii) provision for income taxes, (iv) depreciation and amortization, (v) stock-based compensation, and (vi) non-cash MSR activity. 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 a supplemental metric and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. We find Adjusted EBITDA to be a useful management metric to assist in evaluating performance, because Adjusted EBITDA eliminates items related to capital structure, taxes and non-cash items. In light of the foregoing limitations, 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	$ 33,924	$ 6,040	$ 80,468	$ 19,216
Adjustments:				
Interest income and other [1]	(503)	(889)	(1,470)	(4,090)
Interest expense	144	199	436	695
Provision for income taxes	11,921	1,916	29,304	7,875
Depreciation and amortization	2,850	2,606	8,806	7,822
Stock-based compensation	2,703	2,383	7,653	7,551
Non-cash MSR activity [2]	(54)	(26)	(407)	(312)
Adjusted EBITDA [3]	$ 50,985	$ 12,229	$ 124,790	$ 38,757

(1) Other includes net realized gains (losses) on marketable debt securities,available-for-sale.

(2) Non-cash MSR activity includes the assumption of servicing obligations.

(3) The increase in Adjusted EBITDA for the three and nine months ended September 30, 2021, compared to the same period in 2020 is primarily due to an increase in total revenues and a lower proportion of operating expenses compared to total revenues.

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, cash flows from operations, marketable debt 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 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 net asset value and may impose fees on redemptions and/or gating fees. To date, the Company has not experienced any restrictions or gating fees on its ability to redeem funds from money market funds. 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 debt securities, available-for-sale or availability under our credit agreement.

Cash Flows

Our total cash and cash equivalents balance increased by $37.9 million to $281.0 million at September 30, 2021, compared to $243.2 million at December 31, 2020. The following table sets forth our summary cash flows for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	$ 99,593	$ (28,266)
Net cash used in investing activities	(55,782)	(21,381)
Net cash used in financing activities	(6,081)	(9,819)
Effect of currency exchange rate changes on cash and cash equivalents	125	(92)
Net increase (decrease) in cash and cash equivalents	37,855	(59,558)
Cash and cash equivalents at beginning of period	243,152	232,670
Cash and cash equivalents at end of period	$ 281,007	$ 173,112

Operating Activities

Cash flows provided by operating activities were $99.6 million for the nine months ended September 30, 2021 compared to cash flows used in operating activities of $28.3 million for the same period in 2020. Net cash provided by operating activities is driven by our net income adjusted for non-cash items and changes in operating assets and liabilities. The $127.9 million improvement in operating cash flows for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily due to higher total revenues and a lower proportion of operating expenses compared to total revenues, differences in timing of certain payments and receipts, a reduction in advances to our investment sales and financing professionals and lower bonus payments paid during the first quarter of 2021 compared to the same period in 2020 due to the significant decline in operating results for the year ended December 31, 2020. The improvement in operating cash flows was partially offset by a reduction in the deferral of certain discretionary commissions.

Investing Activities

Cash flows used in investing activities were $55.8 million for the nine months ended September 30, 2021 compared to $21.4 million for the same period in 2020. The $34.4 million increased usage in investing activities for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily due to a $38.5 million increase in net purchases of marketable debt securities and a $9.5 million purchase of held-to-maturity securities, with no such comparable outflow for the same period in 2020. The increased usage in investing cash flows was partially offset by a $12.1 million reduction in cash used in acquisitions of businesses, net of cash received during the nine months ended September 30, 2021 compared to the same period in 2020.

Financing Activities

Cash flows used in financing activities were $6.1 million for the nine months ended September 30, 2021 compared to $9.8 million for the same period in 2020. The $3.7 million reduction in cash flows used in financing activities for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily impacted by principal payments on notes payable to former stockholders, which were fully repaid during the second quarter of 2020, partially offset by increases in principal payments on contingent and deferred consideration in connection with acquisitions and taxes paid related to net share settlement of stock-based awards.

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 debt securities, available-for-sale and borrowings available under the Credit Agreement (defined below) will be sufficient to satisfy our operating requirements for at least the next 12 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 funding acquisitions or otherwise financing our growth or operations. As of September 30, 2021, cash and cash equivalents and marketable debt securities, available-for-sale, aggregated $528.4 million, and we had $59.5 million of borrowing capacity under our credit agreement.

Credit Agreement

We have a Credit Agreement with Wells Fargo Bank, National Association for a $60.0 million principal amount senior secured revolving credit facility that is guaranteed by all of our domestic subsidiaries and matures on June 1, 2022 (the “Credit Agreement”). See Note 13 – “Commitments and Contingencies” of our Notes to Condensed Consolidated Financial Statements for additional information on the Credit Agreement.

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, 2020 through the date the condensed consolidated financial statements were issued.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Inflation

Our revenues and other variable costs related to revenue are primarily affected by real estate market supply and demand, which may be affected by uncertain or changing economic and market conditions, including inflation/deflation arising in connection with and in response to the COVID-19 pandemic. The actual economic impact from inflation/deflation to our business remains unknown at this time.

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 condensed 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 significant changes in our critical accounting policies, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

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. Although we do not believe any of the other accounting pronouncements listed in that note will have a significant impact on our business, we are still in the process of determining the impact of the new pronouncements may have on our 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 debt rate securities, including U.S. Treasuries, U.S. government sponsored entities, corporate debt, asset-backed securities and other. As of September 30, 2021, the fair value of investments in marketable debt securities, available-for-sale was $247.4 million. The primary objective of our investment activity is to maintain the safety of principal, and to 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 their stated maturities, we may choose to sell any of the securities for strategic reasons including, but not limited to, anticipated capital requirements, anticipation of credit deterioration, duration management and because a security no longer meets the criteria of 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. The weighted average rating (exclusive of cash and cash equivalents) was AA as of September 30, 2021. 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 various market risks. Changes in prevailing interest rates may adversely or positively impact their fair market value should interest rates generally rise or fall. Accordingly, we also may have interest rate risk with variable interest rate debt securities as the income produced may decrease if interest rates fall. Contraction in market liquidity may adversely affect the value of portions of our portfolio and affect our ability to sell securities in the time frames required and at acceptable prices. Uncertainty in future market conditions may raise market participant's expectations of returns, thus impacting the value of securities in our portfolio as well. The following table sets forth the impact on the fair value of our investments as of September 30, 2021 from changes in interest rates based on the weighted average duration of the debt securities in our portfolio (in thousands):

Change in Interest Rates	Approximate Change in Fair Value of Investments Increase (Decrease)
2% Decrease	$ 2,604
1% Decrease	$ 1,788
1% Increase	$ (3,299)
2% Increase	$ (6,597)

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f), including maintenance of (i) records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, and (ii) policies and procedures that provide reasonable assurance that (a) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, (b) our receipts and expenditures are being made only in accordance with authorizations of management and our board of directors and (c) we will prevent or timely detect unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, with the supervision and participation of our chief executive officer ("CEO") and chief financial officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act, as of the end of the period covered by this Form 10-Q, based on the criteria established under the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on such evaluation, our management has concluded that as of September 30, 2021, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that a significant number of our employees and independent contractors are still working remotely due to the COVID-19 pandemic. The design of our processes and controls allow for remote execution with accessibility to secure data. We are continually monitoring and assessing the COVID-19 situation to minimize the impact, if any, on the design and operating effectiveness on our internal controls.

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 our insurance policies, which contain deductibles, exclusions, claim limits and aggregate policy limits. Such litigation and other proceedings may include, but are not limited to, actions relating to commercial relationships, standard brokerage disputes like the alleged failure to disclose physical or environmental defects or property expenses or contracts, the alleged inadequate disclosure of matters relating to the transaction like the relationships among the parties to the transaction, potential claims or losses pertaining to the asset, vicarious liability based upon conduct of individuals or entities outside of our control, general fraud claims, conflicts of interest claims, employment law claims, including claims challenging the classification of our sales professionals as independent contractors, claims alleging violations of state consumer fraud statutes and intellectual property. While the ultimate liability for these legal proceedings cannot be determined, we review the need for an accrual for loss contingencies quarterly and record 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.

Item 1A. Risk Factors

There have been no material changes from the risk factors described in our Annual Report onForm 10-K for the year ended December 31, 2020, other than the updated risk factors below relating to the Technology and Cybersecurity.

Technology and Cybersecurity Risks

If we do not respond to technological innovations or changes or upgrade our technology systems, our growth prospects and results of operations could be adversely affected.

To remain competitive, we must continue to enhance and improve the functionality, features and security of our technology infrastructure. Infrastructure upgrades may require significant capital investment outside of the normal course of business. In the future, we will likely need to improve and upgrade our technology, database systems and network infrastructure in order to allow our business to grow in both size and scope. Without such improvements, our operations might suffer from unanticipated system disruptions, slow performance or unreliable service levels, any of which could negatively affect our ability to provide rapid customer service. We may face significant delays in introducing new services, investment sales professional tools and enhancements. Moreover, if we do not keep pace with the rapid innovations and changes taking place in information technology in our industry, we could be at a competitive disadvantage. If competitors introduce new products and services using new technologies, our proprietary technology and systems may become less competitive, and our business may be harmed. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance that our business will improve.

Interruption, data security breaches, or failure of our information technology, communications systems or data services could hurt our ability to effectively provide our services, which could damage our reputation and harm our operating results.

Our business requires the continued operation of information technology and communication systems and network infrastructure. Our ability to conduct our national business may be adversely impacted by disruptions or breaches to these systems or infrastructure. Our information technology and communications systems are vulnerable to damage or disruption from fire, power loss, telecommunications failure, system malfunctions, computer viruses, third-party misconduct or penetration and criminal acts, natural disasters such as hurricanes, earthquakes, wildfires and floods, acts of war or terrorism, or other events which are beyond our control. For example, in August 2021, we were subject to a cybersecurity attack on our information technology systems. We immediately engaged cybersecurity experts to secure and restore all essential systems and were able to do so with no material disruption to our business.

In addition, the operation and maintenance of these systems and networks is, in some cases, dependent on third-party technologies, systems and service providers for which there is no certainty of uninterrupted availability. Any of these events could cause system interruption, delays, and loss of critical data or intellectual property (such as our client lists and information, business methods and research) and may also disrupt our ability to provide services to or interact with our clients, and we may not be able to successfully implement contingency plans that depend on communication or travel. We have business continuity plans and backup systems to reduce the potentially adverse effect of such events, but our business continuity planning may not be sufficient and cannot account for all eventualities. A catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected. Our business relies significantly on the use of commercial real estate data. We produce much of this data internally, but a significant portion is purchased from third-party providers for which there is no certainty of uninterrupted availability. A disruption of our ability to provide data to our professionals and/or clients could damage our reputation, and our operating results could be adversely affected.

Failure to maintain the security of our information and technology networks, including personally identifiable and client information could adversely affect us.

Security breaches and other disruptions could compromise our information and expose us to liability, which could cause our business and reputation to suffer. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property and that of our clients and personally identifiable information of our employees and contractors, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure have been subject to, and may in the future be vulnerable to, various cyber-attacks, such as hacking, spoofing and phishing attacks and ransomware attacks, or our systems may be breached due to employee error, malfeasance or other disruptions. A significant actual or potential theft, loss, fraudulent use or misuse of client, employee or other personally identifiable data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could result in significant costs, fines, litigation or regulatory actions against us. Such an event could additionally disrupt our operations and the services we provide to clients, damage our reputation, and cause a loss of confidence in our services, which could adversely affect our business, revenues and competitive position. Additionally, we increasingly rely on third-party data storage providers, including cloud storage solution providers, resulting in less direct control over our data. Such third parties may also be vulnerable to security breaches and compromised security systems, which could adversely affect our reputation.

We rely on the collection and use of personally identifiable information from clients to conduct our business. We disclose our information collection and dissemination practices in a published privacy statement on our websites, which we may modify from time to time. We may be subject to legal claims, government action, including under the Racketeer Influenced and Corrupt Organizations Act, and damage to our reputation if we act or are perceived to be acting inconsistently with the terms of our privacy statement, client expectations or the law. In the event we or the vendors with which we contract to provide services on behalf of our clients were to suffer a breach of personally identifiable information, our customers could terminate their business with us. Further, we may be subject to claims to the extent individual employees or investment sales and financing professionals breach or fail to adhere to company policies and practices and such actions jeopardize any personally identifiable information. In addition, concern among potential buyers or sellers about our privacy practices could keep them from using our services or require us to incur significant expense to alter our business practices or educate them about how we use personally identifiable information. We maintain cyber security insurance, but there can be no assurance that it will be adequate to cover past or future incidents.

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

Exhibit No.	Description
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*	The following financial statements from the Company's Quarterly Report on Form10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Net and Comprehensive Income, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished, not filed.

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SIGNATURES

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

Marcus & Millichap, Inc.

Date:	November 5, 2021	By:	/s/ Hessam Nadji
			Hessam Nadji President and Chief Executive Officer (Principal Executive Officer)
Date:	November 5, 2021	By:	/s/ Steven F. DeGennaro
			Steven F. DeGennaro Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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

I, Hessam Nadji, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/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, Steven F. DeGennaro, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marcus & Millichap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2021

/s/ Steven F. DeGennaro

Steven F. DeGennaro
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 September 30, 2021 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 Steven F. DeGennaro, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 5, 2021

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

Date: November 5, 2021

/s/ Steven F. DeGennaro
Steven F. DeGennaro
Chief Financial Officer
(Principal Financial Officer)