
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 August 1, 2022 was 39,964,292 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)

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 211,651	\$ 382,140
Commissions receivable, net	14,138	17,230
Prepaid expenses	10,046	13,220
Marketable debt securities, available-for-sale (includes amortized cost of \$254,487 and \$183,915 at June 30, 2022 and December 31, 2021, respectively, and \$0 allowance for credit losses)	253,040	183,868
Advances and loans, net	3,605	6,403
Other assets, current	5,880	5,270
Total current assets	498,360	608,131
Property and equipment, net	25,338	23,192
Operating lease right-of-use assets, net	84,351	81,528
Marketable debt securities, available-for-sale (includes amortized cost of \$80,767 and \$111,858 at June 30, 2022 and December 31, 2021, respectively, and \$0 allowance for credit losses)	77,588	112,610
Assets held in rabbi trust	9,587	11,508
Deferred tax assets, net	35,233	33,736
Goodwill and other intangible assets, net	58,263	48,105
Advances and loans, net	164,469	113,242
Other assets, non-current	13,573	13,146
Total assets	\$ 966,762	\$ 1,045,198
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 13,022	\$ 15,487
Deferred compensation and commissions	55,387	114,685
Income tax payable	2,848	17,853
Operating lease liabilities	18,632	18,973
Accrued bonuses and other employee related expenses	30,586	49,848
Other liabilities, current	7,567	8,784
Total current liabilities	128,042	225,630
Deferred compensation and commissions	48,096	53,536
Operating lease liabilities	63,366	58,334
Other liabilities, non-current	10,088	11,394
Total liabilities	249,592	348,894
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at June 30, 2022 and December 31, 2021, respectively	—	—
Common stock, \$0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 39,964,292 and 39,692,373 at June 30, 2022 and December 31, 2021, respectively	4	4
Additional paid-in capital	123,767	121,844
Retained earnings	596,361	573,546
Accumulated other comprehensive income (loss)	(2,962)	910
Total stockholders' equity	717,170	696,304
Total liabilities and stockholders' equity	\$ 966,762	\$ 1,045,198

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>Revenues:</i>				
Real estate brokerage commissions	\$354,685	\$252,903	\$641,594	\$415,699
Financing fees	36,811	28,214	63,264	46,057
Other revenues	4,461	3,829	10,563	7,167
Total revenues	395,957	284,946	715,421	468,923
<i>Operating expenses:</i>				
Cost of services	256,042	178,585	452,810	287,688
Selling, general and administrative	79,841	61,797	154,376	113,474
Depreciation and amortization	3,332	2,959	7,243	5,956
Total operating expenses	339,215	243,341	614,429	407,118
Operating income	56,742	41,605	100,992	61,805
Other (expense) income, net	(461)	1,370	(11)	2,414
Interest expense	(158)	(146)	(318)	(292)
Income before provision for income taxes	56,123	42,829	100,663	63,927
Provision for income taxes	13,955	11,297	25,712	17,383
Net income	\$ 42,168	\$ 31,532	\$ 74,951	\$ 46,544
<i>Other comprehensive loss:</i>				
Marketable debt securities, available-for-sale:				
Change in net unrealized gains/losses	(1,558)	146	(3,915)	(475)
Less: reclassification adjustment for net gains included in other income (expense), net	7	3	(77)	3
Net change, net of tax of \$528 and \$1,366 for the three and six months ended June 30, 2022, and \$(51) and \$164 for the three and six months ended June 30, 2021, respectively	(1,551)	149	(3,992)	(472)
Foreign currency translation gain (loss), net of tax of \$0 for each of the three and six months ended June 30, 2022 and 2021, respectively	179	(217)	120	(330)
Total other comprehensive loss	(1,372)	(68)	(3,872)	(802)
Comprehensive income	\$ 40,796	\$ 31,464	\$ 71,079	\$ 45,742
<i>Earnings per share:</i>				
Basic	\$ 1.05	\$ 0.79	\$ 1.87	\$ 1.17
Diluted	\$ 1.04	\$ 0.78	\$ 1.85	\$ 1.16
Weighted average common shares outstanding:				
Basic	40,048	39,877	40,018	39,817
Diluted	40,342	40,139	40,390	40,112

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30, 2022							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at March 31, 2022	—	\$ —	39,795,399	\$ 4	\$122,782	\$554,193	\$ (1,590)	\$675,389
Net and comprehensive income (loss)	—	—	—	—	—	42,168	(1,372)	40,796
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	4,275	—	—	4,275
Shares issued pursuant to employee stock purchase plan	—	—	11,089	—	414	—	—	414
Issuance of common stock for settlement of deferred stock units	—	—	166,449	—	—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	44,971	—	—	—	—	—
Issuance of common stock for stock settled deferred consideration	—	—	28,673	—	1,417	—	—	1,417
Issuance of common stock for unvested restricted stock awards	—	—	11,494	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(93,783)	—	(5,121)	—	—	(5,121)
Balance as of June 30, 2022	—	\$ —	39,964,292	\$ 4	\$123,767	\$596,361	\$ (2,962)	\$717,170

	Three Months Ended June 30, 2021							
	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at Mach 31, 2021	—	\$ —	39,500,966	\$ 4	\$113,737	\$446,088	\$ 1,840	\$561,669
Net and comprehensive income (loss)	—	—	—	—	—	31,532	(68)	31,464
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	2,662	—	—	2,662
Shares issued pursuant to employee stock purchase plan	—	—	11,635	—	369	—	—	369
Issuance of common stock for vesting of restricted stock units	—	—	34,198	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards	—	—	12,492	—	—	—	—	—
Issuance of common stock for stock settled deferred consideration	—	—	27,481	—	1000	—	—	1,000
Shares withheld related to net share settlement of stock-based awards	—	—	(8,412)	—	(311)	—	—	(311)
Balance as of June 30, 2021	—	\$ —	39,578,360	\$ 4	\$117,457	\$477,620	\$ 1,772	\$596,853

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 2022							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	—	\$ —	39,692,373	\$ 4	\$ 121,844	\$ 573,546	\$ 910	\$ 696,304
Net and comprehensive income (loss)	—	—	—	—	—	74,951	(3,872)	71,079
Dividends	—	—	—	—	—	(52,136)	—	(52,136)
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	8,131	—	—	8,131
Shares issued pursuant to employee stock purchase plan	—	—	11,089	—	414	—	—	414
Issuance of common stock for settlement of deferred stock units	—	—	166,449	—	—	—	—	—
Issuance of common stock for vesting of restricted stock units	—	—	212,234	—	—	—	—	—
Issuance of common stock for stock settled deferred consideration	—	—	28,673	—	1,417	—	—	1,417
Issuance of common stock for unvested restricted stock awards	—	—	11,494	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(158,020)	—	(8,039)	—	—	(8,039)
Balance as of June 30, 2022	—	\$ —	39,964,292	\$ 4	\$ 123,767	\$ 596,361	\$ (2,962)	\$ 717,170

	Six Months Ended June 30, 2021							
	Preferred Stock		Common Stock		Additional Paid-In Capital	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)	—	—	—	—	—	46,544	(802)	45,742
<i>Stock-based award activity</i>								
Stock-based compensation	—	—	—	—	4,950	—	—	4,950
Shares issued pursuant to employee stock purchase plan	—	—	11,635	—	369	—	—	369
Issuance of common stock for vesting of restricted stock units	—	—	183,315	—	—	—	—	—
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	—	—	(58,539)	—	(2,044)	—	—	(2,044)
Balance as of June 30, 2021	—	\$ —	39,578,360	\$ 4	\$ 117,457	\$ 477,620	\$ 1,772	\$ 596,853

See accompanying notes to condensed consolidated financial statements.

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

	<u>Six Months Ended June 30,</u>	
	2022	2021
Cash flows from operating activities		
Net income	\$ 74,951	\$ 46,544
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,243	5,956
Noncash lease expense	11,944	11,850
Credit loss recovery	(28)	(137)
Stock-based compensation	8,131	4,950
Deferred taxes, net	(130)	780
Unrealized foreign exchange losses (gains)	403	(560)
Net realized gains on marketable debt securities, available-for-sale	(96)	(10)
Other non-cash items	(22)	196
Changes in operating assets and liabilities:		
Commissions receivable	2,922	(4,781)
Prepaid expenses	3,177	(239)
Advances and loans	(48,539)	(7,086)
Other assets	(2,818)	(2,138)
Accounts payable and accrued expenses	(2,684)	4,988
Income tax receivable/payable	(15,005)	(1,345)
Accrued bonuses and other employee related expenses	(19,260)	3,005
Deferred compensation and commissions	(61,047)	(15,968)
Operating lease liabilities	(9,759)	(10,557)
Other liabilities	(1,223)	(1,982)
Net cash (used in) provided by operating activities	(51,840)	33,466
Cash flows from investing activities		
Acquisition of businesses, net of cash received	(12,500)	229
Purchases of marketable debt securities, available-for-sale	(174,259)	(199,513)
Proceeds from sales and maturities of marketable debt securities, available-for-sale	135,206	159,968
Issuances of employee notes receivable	(71)	(40)
Payments received on employee notes receivable	71	276
Purchase of property and equipment	(5,022)	(2,770)
Net cash used in investing activities	(56,575)	(41,850)
Cash flows from financing activities		
Taxes paid related to net share settlement of stock-based awards	(8,039)	(2,044)
Proceeds from issuance of shares pursuant to employee stock purchase plan	414	369
Dividends paid	(50,082)	—
Principal payments on stock appreciation rights liability	(1,761)	(1,481)
Principal payments on deferred and contingent consideration	(2,431)	(1,302)
Net cash used in financing activities	(61,899)	(4,458)
Effect of currency exchange rate changes on cash and cash equivalents	(175)	104
Net decrease in cash and cash equivalents	(170,489)	(12,738)
Cash and cash equivalents at beginning of period	382,140	243,152
Cash and cash equivalents at end of period	<u>\$ 211,651</u>	<u>\$ 230,414</u>
Supplemental cash flow disclosures:		
Interest paid during the period	\$ 514	\$ 714
Income taxes paid, net	\$ 40,046	\$ 17,897
Supplemental disclosures of noncash investing and financing activities:		
Unpaid purchases of property and equipment	\$ 1,196	\$ 250
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 15,169	\$ 14,254
Issuance of stock for the settlement of deferred consideration	\$ 1,417	\$ 1,000
Measurement period adjustment of acquisition related contingent consideration	\$ —	\$ (100)

See accompanying notes to condensed consolidated financial statements.

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

1. Description of Business, Basis of Presentation and Recent Accounting Pronouncements

Description of Business

Marcus & Millichap, Inc. (the “Company,” “Marcus & Millichap,” or “MMI”), a Delaware corporation, is a brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. As of June 30, 2022, 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, 2021 included in the Company’s Annual Report on Form 10-K filed on March 1, 2022 with the SEC. The results of the three months and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022, for other interim periods or for future years.

The Company reclassified certain items within accounts payable and accrued expenses to other liabilities, current in the December 31, 2021 condensed consolidated balance sheet to conform with current period presentation.

Considerations Related to the COVID-19 Pandemic

The Company may continue to experience operational and financial impacts due to the ongoing COVID-19 pandemic and actual results may differ from the Company’s current estimates and historical trends because of that uncertainty.

Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All 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 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.

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.

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

In September 2021, the Company entered into a Strategic Alliance (“Strategic Alliance”) with M&T Realty Capital Corporation (“MTRCC”) pursuant to which the Company has agreed to provide loan opportunities that may be funded through MTRCC’s Delegated Underwriting and Servicing Agreement (“DUS Agreement”) with the Federal National Mortgage Association (“Fannie Mae”) and which requires MTRCC to guarantee a portion of each loan funded. On a loan-by-loan basis, the Company, at its option, can indemnify a portion of MTRCC’s guarantee obligation of loan opportunities presented to and closed by MTRCC through the DUS Agreement. The Company manages and limits the concentration of risk related to the guarantees assumed by monitoring the underlying property type, geographic location, credit of the borrowers, underlying debt service coverage, and loan to value ratios.

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 six months ended June 30, 2022 and 2021, 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 both the three and six months ended June 30, 2022, the Company’s Canadian operations represented 2.2% of total revenues. During the three and six months ended June 30, 2021, the Company’s Canadian operations represented approximately 2.4% and 2.2% of total revenues, respectively.

During each of the three and six months ended June 30, 2022 and 2021, no office represented 10% or more of total revenues.

Revenue Recognition

The Company generates real estate brokerage commissions by acting as a broker for real estate owners or investors seeking to buy or sell interests in commercial properties and generates financing fees from securing financing on purchase transactions, from refinancing its clients’ existing mortgage debt and other ancillary fees associated with financing activities, including, but not limited to, mortgage servicing, debt and equity advisory services, loan sales, due diligence services, guarantee fees, loan performance fees and other consulting. The Company’s contracts, except as noted below, do not contain multiple-element arrangements, variable consideration, financing components, significant noncash consideration, licenses, long-term contracts with customers or other items affecting the transaction price.

Real Estate Brokerage Commissions

Contracts for representing buyers and sellers of real estate are usually negotiated on a transaction-by-transaction basis. The consideration associated with the successful outcome remains constrained until the completion of a transaction which, in almost all cases, is at the close of escrow. At that time, the Company recognizes revenue related to the transaction. The Company’s fee agreements do not include terms or conditions that require the Company to perform any service or fulfill any obligation once the transaction closes.

Financing Fees

Contracts for representing potential borrowers are usually negotiated on a transaction-by-transaction basis. The consideration associated with the successful outcome remains constrained until the completion of a transaction which, in almost all cases, is at the time the loan closes. At that time, the Company recognizes revenue related to the transaction. The Company’s fee arrangements, with certain exceptions, do not include terms or conditions that require the Company to perform any service or fulfill any obligation once the loan closes.

Loan Performance Fees - For loans originated through the Strategic Alliance with MTRCC, the Company receives variable consideration in the form of loan performance fees based on a portion of the servicing fees expected to be received under the servicing contract for servicing the loan. As the Company is not obligated to perform any servicing functions and has no further obligations related to the transaction giving rise to the loan performance fees, the estimated value of the loan performance fees to be received is recorded at the time the loan closes and are collected over the estimated term of the related loan. Any changes in the estimate of loan performance fees to be received are recorded in revenue in the period the estimate changes.

Guarantee Obligations - For certain loans originated through the Strategic Alliance with MTRCC, the Company may agree, at its option, to indemnify MTRCC for a portion of MTRCC’s obligations for loans sold to Fannie Mae. For these loans, the Company allocates a portion of the transaction price and records a loan guarantee obligation based on its fair value. Revenue for this stand ready obligation is recorded on a straight-line basis over the term of the estimated guarantee period and is recorded in financing fees in the condensed consolidated statements of net and comprehensive income. The guarantee obligation is capped at 16.7% of the unpaid principal balance in excess of the collateral securing such loan. For these loans, the Company also records an allowance for loss-sharing obligations based on the unpaid balance of the loan for its portion of the obligation guaranteed to MTRCC.

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

Mortgage Servicing - The Company recognizes mortgage servicing revenues upon the acquisition of a servicing contract. The Company records servicing fees when earned provided the loans are current and the debt service payments are made by the borrowers.

Other Revenues

Other revenues include fees generated from consulting and advisory services, as well as referral fees from other real estate brokers, and are recognized when services are provided, or upon closing of the transaction.

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 12 – “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 June 30, 2022, the Company has not drawn funds from the credit facility. The Company evaluated this new standard and determined that ASU 2020-04 will have no impact on its condensed consolidated financial statements.

2. Property and Equipment, Net

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

	June 30, 2022	December 31, 2021
Computer software and hardware equipment	\$ 38,204	\$ 33,819
Furniture, fixtures and equipment	25,613	24,511
Less: accumulated depreciation and amortization	(38,479)	(35,138)
	<u>\$ 25,338</u>	<u>\$ 23,192</u>

Depreciation expense for property and equipment was \$1.8 million for each of the three months ended June 30, 2022 and 2021, and \$3.7 million and \$3.6 million for the six months ended June 30, 2022 and 2021, respectively.

MARCUS & MILLICHAP, INC.
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3. 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):

	June 30, 2022				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>Short-term investments:</i>					
U.S. treasuries	\$123,715	\$ —	\$ —	\$ (1,233)	\$122,482
Corporate debt	129,913	—	—	(206)	129,707
Asset-backed securities (“ABS”) and other	859	—	1	(9)	851
	<u>\$254,487</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ (1,448)</u>	<u>\$253,040</u>
<i>Long-term investments:</i>					
U.S. treasuries	\$ 40,827	\$ —	\$ —	\$ (619)	\$ 40,208
U.S. government sponsored entities	646	—	—	(42)	604
Corporate debt	31,956	—	1	(2,100)	29,857
ABS and other	7,338	—	3	(422)	6,919
	<u>\$ 80,767</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ (3,183)</u>	<u>\$ 77,588</u>

	December 31, 2021				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>Short-term investments:</i>					
U.S. treasuries	\$ 35,767	\$ —	\$ —	\$ (34)	\$ 35,733
Corporate debt	148,148	—	22	(35)	148,135
	<u>\$183,915</u>	<u>\$ —</u>	<u>\$ 22</u>	<u>\$ (69)</u>	<u>\$183,868</u>
<i>Long-term investments:</i>					
U.S. treasuries	\$ 70,902	\$ —	\$ 128	\$ (263)	\$ 70,767
U.S. government sponsored entities	726	—	22	(3)	745
Corporate debt	33,197	—	962	(146)	34,013
ABS and other	7,033	—	82	(30)	7,085
	<u>\$111,858</u>	<u>\$ —</u>	<u>\$ 1,194</u>	<u>\$ (442)</u>	<u>\$112,610</u>

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):

	June 30, 2022					
	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	\$162,281	\$ (1,852)	\$ —	\$ —	\$162,281	\$ (1,852)
U.S. government sponsored entities	506	(27)	96	(16)	602	(43)
Corporate debt	157,965	(2,225)	592	(80)	158,557	(2,305)
ABS and other	6,342	(431)	—	—	6,342	(431)
	<u>\$327,094</u>	<u>\$ (4,535)</u>	<u>\$ 688</u>	<u>\$ (96)</u>	<u>\$327,782</u>	<u>\$ (4,631)</u>

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	December 31, 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	\$103,019	\$ (297)	\$ —	\$ —	\$103,019	\$ (297)
U.S. government sponsored entities	115	(3)	—	—	115	(3)
Corporate debt	115,908	(173)	146	(8)	116,054	(181)
ABS and other	2,915	(30)	—	—	2,915	(30)
	<u>\$221,957</u>	<u>\$ (503)</u>	<u>\$ 146</u>	<u>\$ (8)</u>	<u>\$222,103</u>	<u>\$ (511)</u>

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		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Gross realized gains ⁽¹⁾	<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ 114</u>	<u>\$ 10</u>
Gross realized losses ⁽¹⁾	<u>\$ (17)</u>	<u>\$ —</u>	<u>\$ (17)</u>	<u>\$ —</u>

⁽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 June 30, 2022, the portfolio had an average credit rating of AA+ and a weighted term to contractual maturity of 1.3 years, with 216 securities in the portfolio representing an unrealized aggregate loss of \$4.6 million or 1% of amortized cost, and a weighted average credit rating of AA+.

As of June 30, 2022, 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, including interest rates, geopolitical unrest 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):

	June 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	Due in one year or less	\$254,487	\$ 253,040	\$183,915
Due after one year through five years	64,064	62,267	96,035	96,257
Due after five years through ten years	11,588	10,546	11,129	11,601
Due after ten years	5,115	4,775	4,694	4,752
	<u>\$335,254</u>	<u>\$ 330,628</u>	<u>\$295,773</u>	<u>\$ 296,478</u>
Weighted average contractual maturity		1.3 years		1.5 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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4. Acquisitions, Goodwill and Other Intangible Assets

During the six months ended June 30, 2022, the Company expanded its network of financing professionals and provided further diversification to its financing services.

The Company completed an acquisition of a business that was accounted for as a business combination, and the results have been included in the condensed consolidated financial statements beginning on the acquisition date. Terms of the acquisition principally included cash paid at closing.

The goodwill recorded as part of the Company's 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):

	June 30, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Goodwill and intangible assets:						
Goodwill	\$38,101	\$ —	\$38,101	\$34,071	\$ —	\$34,071
Intangible assets ⁽¹⁾	32,444	(12,282)	20,162	23,974	(9,940)	14,034
	<u>\$70,545</u>	<u>\$ (12,282)</u>	<u>\$58,263</u>	<u>\$58,045</u>	<u>\$ (9,940)</u>	<u>\$48,105</u>

⁽¹⁾ Total weighted average amortization period was 4.9 years and 4.4 years as of June 30, 2022 and December 31, 2021, respectively.

The Company recorded amortization expense for intangible assets of \$1.1 million and \$1.0 million for the three months ended June 30, 2022 and 2021, respectively, and \$2.3 million and \$2.1 million for the six months ended June 30, 2022 and 2021, respectively.

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

	Six Months Ended June 30,	
	2022	2021
Beginning balance	\$34,071	\$33,375
Additions from acquisitions ⁽¹⁾	4,030	696
Impairment losses	—	—
Ending balance	<u>\$38,101</u>	<u>\$34,071</u>

⁽¹⁾ The 2021 addition represents a measurement period adjustment for an acquisition made in 2020.

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

	June 30, 2022
Remainder of 2022	\$ 2,341
2023	4,617
2024	4,101
2025	3,881
2026	2,156
Thereafter	3,066
	<u>\$ 20,162</u>

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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.

As of June 30, 2022, the Company considered the impact of the continuing COVID-19 pandemic and geopolitical unrest 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 June 30, 2022, there was no impairment of its intangible assets or goodwill.

5. Selected Balance Sheet Data

Allowances on Advances and Loans, and Commissions Receivable

Allowance for credit losses for advances and loans and commissions receivable as of June 30, 2022 and December 31, 2021 was \$1,110,000 and \$794,000, respectively.

Other Assets

Other assets consisted of the following (in thousands):

	Current		Non-Current	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Mortgage servicing rights (“MSRs”), net of amortization	\$ —	\$ —	\$ —	\$ 1,855
Security deposits	—	—	1,681	1,395
Employee notes receivable	16	40	—	—
Securities, held-to-maturity ⁽¹⁾	—	—	9,500	9,500
Customer trust accounts and other	5,864	5,230	2,392	396
	<u>\$ 5,880</u>	<u>\$ 5,270</u>	<u>\$ 13,573</u>	<u>\$ 13,146</u>

⁽¹⁾ Securities, held-to-maturity, are expected to mature on September 1, 2024 and accrue interest based on the 1-year treasury rate.

MSRs

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

	Six Months Ended June 30,	
	2022	2021
Beginning balance	\$ 1,855	\$ 1,897
Additions	—	366
Amortization	(1,275)	(270)
Reclassification to assets held for sale	(280)	—
Loss on sale	(300)	—
Ending balance	<u>\$ —</u>	<u>\$ 1,993</u>

In the six months ended June 30, 2022, the Company received cancellation notices on certain servicing contracts. Amortization of those contracts was adjusted to reflect the cancellations. In June 2022, the Company determined to discontinue its servicing activities and signed an agreement to sell the remaining servicing rights. The sale closed on July 21, 2022. The Company recorded a loss on the sale of the remaining rights in the second quarter 2022 and has reclassified the remaining carrying value of the MSRs to assets held for sale. The loss on sale has been recorded within selling, general and administrative expenses within the condensed consolidated statements of net and comprehensive income.

The portfolio of loans serviced by the Company aggregated \$1.7 billion for the period ended December 31, 2021.

MARCUS & MILLICHAP, INC.
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Deferred Compensation and Commissions

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

	Current		Non-Current	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Stock appreciation rights (“SARs”) liability ⁽¹⁾	\$ 2,323	\$ 2,241	\$ 12,866	\$ 14,918
Commissions payable to investment sales and financing professionals	52,316	110,769	28,813	31,697
Deferred compensation liability ⁽¹⁾	622	1,080	6,417	6,921
Other	126	595	—	—
	<u>\$ 55,387</u>	<u>\$ 114,685</u>	<u>\$ 48,096</u>	<u>\$ 53,536</u>

- (1) The SARs and deferred compensation liabilities become subject to payout at the time the participant is no longer considered a service provider. As a result of the retirement of certain participants, estimated amounts to be paid to 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, 2022 and 2021 were 3.63% and 2.93%, respectively. MMI recorded interest expense related to this liability of \$136,000 and \$122,000 for the three months ended June 30, 2022 and 2021, respectively, and \$271,000 and \$244,000 for the six months ended June 30, 2022 and 2021, respectively.

Estimated payouts within the next twelve months for participants that have separated from service have been classified as current. During each of the six months ended June 30, 2022 and 2021, the Company made total payments of \$2.2 million, consisting of principal and accumulated interest.

Commissions Payable

Certain investment sales and financing professionals can 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 may defer payment of certain commissions, at its election, for up to three years. Commissions 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 an in-service payout have been classified as current. During the six months ended June 30, 2022 and 2021, the Company made total payments to participants of \$625,000 and \$815,000, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
(Decrease) increase in the carrying value of the assets held in the rabbi trust ⁽¹⁾	\$(1,259)	\$ 657	\$(1,784)	\$ 990
Decrease (increase) in the net carrying value of the deferred compensation obligation ⁽²⁾	\$ 1,259	\$ (503)	\$ 1,791	\$ (763)

- (1) Recorded in other (expense) income, 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):

	Current		Non-Current	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Deferred consideration	\$ 2,863	\$ 5,112	\$ 3,300	\$ 4,689
Contingent consideration	2,466	2,681	5,313	6,631
Dividends payable	612	—	1,443	—
Other	1,626	991	32	74
	<u>\$ 7,567</u>	<u>\$ 8,784</u>	<u>\$ 10,088</u>	<u>\$ 11,394</u>

6. 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 six months ended June 30, 2022 and 2021 of (\$18,000) and (\$4,000), 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 June 30, 2022 and 2021, the Company earned real estate brokerage commissions and financing fees of \$912,000 and \$337,000, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of \$547,000 and \$203,000, respectively, related to these revenues. For the six months ended June 30, 2022 and 2021, the Company earned real estate brokerage commissions and financing fees of \$2,510,000 and \$794,000, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of \$1,501,000 and \$477,000, respectively, related to these revenues.

Operating Lease with MMC

The Company extended its operating lease with MMC for a single-story office building located in Palo Alto, California, which now expires in May of 2032. The related operating lease cost was \$320,000 and \$332,000 for the three months ended June 30, 2022 and 2021, respectively, and \$653,000 and \$665,000 for the six months ended June 30, 2022 and 2021, respectively. Operating lease cost is included in selling, general and administrative expense in the accompanying condensed consolidated statements of net and comprehensive income.

Accounts Payable and Accrued Expenses with MMC

As of June 30, 2022 and December 31, 2021, the Company owed MMC \$11,000 and \$93,000, respectively. These amounts are included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheets.

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Other

The Company makes advances to non-executive employees from time-to-time. At June 30, 2022 and December 31, 2021, the aggregate principal amount for employee notes receivable was \$16,000 and \$40,000, respectively, which is included in other assets (current and non-current) in the accompanying condensed consolidated balance sheets. See Note 5 – “Selected Balance Sheet Data” for additional information.

As of June 30, 2022, 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.

7. Fair Value Measurements

U.S. GAAP defines the fair value of a financial instrument as the amount that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. The Company is responsible for the determination of 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 net asset value 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 a contract-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):

	June 30, 2022				December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
Assets held in rabbi trust	\$ 9,587	\$ —	\$ 9,587	\$ —	\$ 11,508	\$ —	\$ 11,508	\$ —
Cash equivalents ⁽¹⁾ :								
Commercial paper	\$ 35,932	\$ —	\$ 35,932	\$ —	\$ 8,948	\$ —	\$ 8,948	\$ —
Money market funds	80,910	80,910	—	—	210,985	210,985	—	—
	<u>\$ 116,842</u>	<u>\$ 80,910</u>	<u>\$ 35,932</u>	<u>\$ —</u>	<u>\$ 219,933</u>	<u>\$ 210,985</u>	<u>\$ 8,948</u>	<u>\$ —</u>
Marketable debt securities, available-for-sale:								
<i>Short-term investments:</i>								
U.S. treasuries	\$ 122,482	\$ 122,482	\$ —	\$ —	\$ 35,733	\$ 35,733	\$ —	\$ —
Corporate debt	129,707	—	129,707	—	—	—	—	—
ABS and other	851	—	851	—	148,135	—	148,135	—
	<u>\$ 253,040</u>	<u>\$ 122,482</u>	<u>\$ 130,558</u>	<u>\$ —</u>	<u>\$ 183,868</u>	<u>\$ 35,733</u>	<u>\$ 148,135</u>	<u>\$ —</u>
<i>Long-term investments:</i>								
U.S. treasuries	\$ 40,208	\$ 40,208	\$ —	\$ —	\$ 70,767	\$ 70,767	\$ —	\$ —
U.S. government sponsored entities	604	—	604	—	745	—	745	—
Corporate debt	29,857	—	29,857	—	34,013	—	34,013	—
ABS and other	6,919	—	6,919	—	7,085	—	7,085	—
	<u>\$ 77,588</u>	<u>\$ 40,208</u>	<u>\$ 37,380</u>	<u>\$ —</u>	<u>\$ 112,610</u>	<u>\$ 70,767</u>	<u>\$ 41,843</u>	<u>\$ —</u>
Liabilities:								
Contingent consideration	\$ 7,779	\$ —	\$ —	\$ 7,779	\$ 9,312	\$ —	\$ —	\$ 9,312
Deferred consideration	\$ 6,163	\$ —	\$ 6,163	\$ —	\$ 9,801	\$ —	\$ 9,801	\$ —
Deferred compensation liability	\$ 7,039	\$ 7,039	\$ —	\$ —	\$ 8,001	\$ 8,001	\$ —	\$ —

⁽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 three months ended June 30, 2022 and 2021.

During the six months ended June 30, 2022, the Company considered current and future interest rates and 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 June 30, 2022 and December 31, 2021, contingent and deferred consideration had a maximum undiscounted payment to be settled in cash or stock of \$23.8 million and \$28.6 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 five-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):

	Six Months Ended June 30,	
	2022	2021
Beginning balance	\$ 9,312	\$ 5,572
Contingent consideration in connection with acquisitions	—	(100)
Change in fair value of contingent consideration	(493)	1,345
Payments of contingent consideration	(1,040)	—
Ending balance	<u>\$ 7,779</u>	<u>\$ 6,817</u>

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 June 30, 2022	Valuation Technique	Unobservable inputs	Range (Weighted Average) ⁽¹⁾
	Contingent consideration			\$ 7,779
			Discount rate	5.8%-6.3% (6.0%)
			Probability of achievement	0.0%-100.0% (98.1%)

	Fair Value at December 31, 2021	Valuation Technique	Unobservable inputs	Range (Weighted Average) ⁽¹⁾
	Contingent consideration			\$ 9,312
			Discount rate	2.2%-3.5% (2.9%)
			Probability of achievement	29.0%-100.0% (95.2%)

⁽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. In June 2022, the Company determined to discontinue its servicing activities and signed an agreement to sell the remaining servicing rights. The sale closed on July 21, 2022. See Note 5 – "Selected Balance Sheet Data" for additional information.

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8. Stockholders' Equity

Common Stock

As of June 30, 2022 and December 31, 2021, there were 39,964,292 and 39,692,373 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 11 – "Earnings per Share" for additional information.

On February 16, 2022, The Board of Directors declared a semi-annual regular dividend of \$0.25 per share and a special dividend of \$1.00 per share, payable on April 4, 2022, to stockholders of record at the close of business on March 8, 2022. The Company accrued a dividend payable of \$52.1 million, including dividend equivalents aggregating \$2.5 million to be paid upon vesting for unvested restricted stock and deferred stock units granted under the 2013 Omnibus Equity Incentive Plan. During the six months ended June 30, 2022, the Company paid \$0.1 million in dividends and dividend equivalents to outstanding shareholders. As of June 30, 2022, accrued dividend equivalents related to unvested RSUs aggregated to \$2.0 million and are recorded in other liabilities, current and other liabilities, non-current in the condensed consolidated balance sheets. See Note 5 – "Selected Balance Sheet Data."

Preferred Stock

The Company has 25,000,000 authorized shares of preferred stock with a par value \$0.0001 per share. At June 30, 2022 and December 31, 2021, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive Income (Loss)

Amounts reclassified from accumulated other comprehensive income (loss) are included as a component of other (expense) income, 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.

9. 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. The compensation committee of the Company's board of directors has the option to grant dividend equivalents to unvested grants. Any dividend equivalents granted to unvested awards are paid to the participant at the time the related grants vest. As of June 30, 2022, there were 3,990,582 shares available for future grants under the 2013 Plan.

On February 16, 2022, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share and a special dividend of \$1.00 per share payable on April 4, 2022, to stockholders of record at the close of business on March 8, 2022. The Compensation Committee granted dividend equivalents to all unvested grants as of the record date. The Company accrued dividend equivalents on unvested grants outstanding as of the record date of \$2.5 million.

Awards Granted and Settled

Under the 2013 Plan, the Company has issued RSAs to non-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. Dividend equivalents granted for unvested stock awards are paid at the time the stock awards vest. Any unvested awards and dividend equivalents are canceled upon termination as a service provider. As of June 30, 2022, there were no issued or outstanding options, SARs, performance units or performance share awards under the 2013 Plan.

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During the six months ended June 30, 2022, 225,557 shares of RSUs vested and 79,405 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. Unvested RSUs will be settled through the issuance of new shares of common stock.

Outstanding Awards

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

	Shares	Weighted- Average Grant Date Fair Value Per Share
Nonvested shares at December 31, 2021 ⁽¹⁾	980,936	\$ 36.58
Granted	848,629	47.16
Vested	(225,557)	36.44
Forfeited/canceled	(14,050)	36.79
Nonvested shares at June 30, 2022 ⁽¹⁾	<u>1,589,958</u>	<u>\$ 42.45</u>
Unrecognized stock-based compensation expense as of June 30, 2022	<u>\$ 60,111</u>	
Unrecognized compensation expense is expected to be recognized over a weighted-average period (years) of approximately	<u>4.03</u>	
Weighted average remaining vesting period (years) as of June 30, 2022	<u>4.03</u>	

⁽¹⁾ Nonvested RSUs will be settled through the issuance of new shares of common stock.

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 a 10% discount based on the lower of the market price at the beginning or end of the offering period, subject to IRS limitations. The Company determined that the ESPP 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, and 145,636 shares of common stock remain available for issuance as of June 30, 2022. 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 June 30, 2022, total unrecognized compensation cost related to the ESPP was \$98,000 and is expected to be recognized over a weighted average period of 0.38 years.

SARs and DSUs

Prior to the IPO, certain employees were granted SARs. As of March 31, 2013, the outstanding SARs were frozen at the liability amount, and will be paid out to each participant in installments upon retirement or departure under the terms of the revised SARs agreements. To replace beneficial ownership in the SARs, the difference between the book value liability and the fair value of the awards was granted to plan participants in the form of deferred stock units (“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. During the six months ended June 30, 2022, 166,449 DSUs were settled, and 78,615 shares of common stock were withheld to pay applicable required employee statutory withholding taxes based on the market value of the DSUs on the settlement date. As of June 30, 2022, 114,744 shares of fully vested DSUs remained to be settled in 2022.

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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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
ESPP	\$ 29	\$ 24	\$ 85	\$ 74
RSUs and RSAs	4,246	2,638	8,046	4,876
	<u>\$4,275</u>	<u>\$2,662</u>	<u>\$8,131</u>	<u>\$4,950</u>

10. Income Taxes

The Company's effective tax rate for the three and six months ended June 30, 2022 was 24.9% and 25.5%, respectively, compared to 26.4% and 27.2% respectively, for the three and six months ended June 30, 2021. 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 June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax expense at the federal statutory rate	\$11,786	21.0%	\$ 8,994	21.0%	\$21,139	21.0%	\$13,425	21.0%
State income tax expense, net of federal benefit	2,389	4.3%	1,999	4.7%	4,422	4.4%	3,046	4.8%
(Windfall) shortfall tax benefits, net related to stock-based compensation	(1,758)	(3.1)%	(52)	(0.1)%	(2,064)	(2.1)%	(79)	(0.1)%
Change in valuation allowance	23	0.0%	17	0.0%	(81)	(0.1)%	188	0.3%
Permanent and other items ⁽¹⁾	1,515	2.7%	339	0.8%	2,296	2.3%	803	1.2%
	<u>\$13,955</u>	<u>24.9%</u>	<u>\$11,297</u>	<u>26.4%</u>	<u>\$25,712</u>	<u>25.5%</u>	<u>\$17,383</u>	<u>27.2%</u>

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

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11. Earnings per Share

Basic and diluted earnings per share for the three and six months ended June 30, 2022 and 2021, respectively consisted of the following (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator (Basic and Diluted):				
Net income	\$42,168	\$31,532	\$74,951	\$46,544
Change in value for stock settled consideration	(24)	(42)	(38)	10
Adjusted net income	<u>\$42,144</u>	<u>\$31,490</u>	<u>\$74,913</u>	<u>\$46,554</u>
Denominator:				
<i>Basic</i>				
Weighted average common shares issued and outstanding	39,936	39,549	39,829	39,491
Deduct: Unvested RSAs ⁽¹⁾	(12)	(14)	(13)	(16)
Add: Fully vested DSUs ⁽²⁾	124	342	202	342
Weighted average common shares outstanding	<u>40,048</u>	<u>39,877</u>	<u>40,018</u>	<u>39,817</u>
Basic earnings per common share	<u>\$ 1.05</u>	<u>\$ 0.79</u>	<u>\$ 1.87</u>	<u>\$ 1.17</u>
<i>Diluted</i>				
Weighted average common shares outstanding from above	40,048	39,877	40,018	39,817
Add: Dilutive effect of RSUs, RSAs & ESPP	213	149	291	182
Add: Contingently issuable shares ⁽³⁾	81	113	81	113
Weighted average common shares outstanding	<u>40,342</u>	<u>40,139</u>	<u>40,390</u>	<u>40,112</u>
Diluted earnings per common share	<u>\$ 1.04</u>	<u>\$ 0.78</u>	<u>\$ 1.85</u>	<u>\$ 1.16</u>
Antidilutive shares excluded from diluted earnings per common share ⁽⁴⁾	<u>843</u>	<u>48</u>	<u>843</u>	<u>275</u>

- (1) RSAs were issued and outstanding to the non-employee directors and have a one-year vesting term subject to service requirements. See Note 9 – “Stock-Based Compensation Plans” for additional information.
- (2) Shares are included in weighted average common shares outstanding as the shares are fully vested but have not yet been delivered. See Note 9 – “Stock-Based Compensation Plans” for additional information.
- (3) Relates to contingently issuable stock settled consideration.
- (4) Primarily pertaining to RSU grants to the Company’s employees and independent contractors.

12. Commitments and Contingencies

Credit Agreement

On June 18, 2014, the Company entered into a credit agreement with Wells Fargo Bank, National Association (the “Credit Agreement”). On May 31, 2022 the Company executed an amended and restated Credit Agreement (the “First Amended and Restated Credit Agreement”) to extend the maturity date of the Credit Agreement on substantially the same terms and conditions as the original credit facility. The First Amended and Restated Credit Agreement provides for a \$60.0 million principal amount senior secured revolving credit facility that is guaranteed by all of the Company’s domestic subsidiaries (the “Credit Facility”), which was scheduled to mature on August 1, 2022. Prior to the maturity date, the Company entered into the Second Amended and Restated Credit Agreement principally on the same terms, to further extend the maturity date to June 1, 2025. Refer to Note 13 – “Subsequent Events” for additional information.

The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. Borrowings under the Credit Agreement are available for general corporate purposes and working capital. The Credit Facility includes a \$10.0 million sublimit for the issuance of standby letters of credit of which \$533,000 was utilized at June 30, 2022. Borrowings under the Credit Facility will bear interest at the Daily Simple SOFR rate plus a spread of between 1.00% to 1.25% depending on the Company’s total funded debt to EBITDA as defined in the Credit Agreement. In connection with the amendments of the Credit Agreement, the Company paid bank fees and other expenses,

MARCUS & MILLICHAP, INC.
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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 \$22,000 and \$20,000 for the three months ended June 30, 2022 and 2021, respectively and \$47,000 and \$44,000, respectively, during the six months ended June 30, 2022 and 2021. As of June 30, 2022, 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 2.0:1.0 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 June 30, 2022, 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.

Strategic Alliance

The Company, in connection with the Strategic Alliance with MTRCC, has agreed to provide loan opportunities that may be funded through MTRCC's agreement with Fannie Mae and which requires MTRCC to guarantee a portion of each funded loan. On a loan-by-loan basis, the Company, at its option, can indemnify a portion of MTRCC's guarantee obligation of loan opportunities presented to and closed by MTRCC. As of June 30, 2022, the Company has agreed to a maximum aggregate guarantee obligation of \$25.4 million relating to loans with an unpaid balance of \$152.6 million. The maximum guarantee obligation is not representative of the actual loss the Company would incur. The Company would be liable for this amount only if all of the loans for which it is providing a guarantee to MTRCC were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

Other

In connection with certain agreements with investment sales and financing professionals, the Company may agree to advance amounts to such professionals upon reaching certain time and performance goals. Such commitments as of June 30, 2022 aggregated to \$20.9 million.

13. Subsequent Events

On August 2, 2022, the Board of Directors declared a semi-annual regular dividend of \$0.25 per share, or approximately \$10.4 million, payable on October 6, 2022 to stockholders of record at the close of business on September 15, 2022. Any and all future dividends are subject to review and approval by the Board of Directors.

In addition, the Board of Directors authorized and approved a stock repurchase program ("Repurchase Program") authorizing up to \$70 million in stock repurchases. The stock repurchase program has not yet commenced, does not obligate us to repurchase any dollar amount or number of shares, and our Board of Directors may modify, suspend, or discontinue authorization of the Repurchase Program at any time.

On July 28, 2022, the Company entered into the Second Amended and Restated Credit Agreement, which provides for a three-year extension of its Credit Facility with Wells Fargo Bank, National Association on principally the same terms and conditions as the extension signed in May 2022. The new agreement matures on June 1, 2025.

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

Unless the context requires otherwise, the words “Marcus & Millichap,” “MML,” “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, further interest rate changes and rising inflation. The results of operations for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022, 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, 2021 filed with the SEC on March 1, 2022, 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 June 30, 2022, we had 1,901 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 six months ended June 30, 2022, we closed 3,636 and 6,540 investment sales, financing and other transactions with total sales volume of approximately \$26.4 billion and \$47.4 billion, respectively. During the year ended December 31, 2021, we closed 13,255 investment sales, financing and other transactions with total sales volume of approximately \$84.4 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, loan guarantees 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 June 30, 2022, and the year ended December 31, 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.

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.

We are the industry leader in serving private clients in the \$1-\$10 million private client market segment, which contributed approximately 59% and 63% of our real estate brokerage commissions during the three months ended June 30, 2022 and 2021, respectively, and approximately 58% and 63% of our real estate brokerage commissions during the six months ended June 30, 2022 and 2021, respectively. The following table sets forth the number of transactions, sales volume and revenues by commercial real estate market segment for real estate brokerage:

Real Estate Brokerage	Three Months Ended June 30,						Change		
	2022			2021			Number	Volume (in millions)	Revenues (in thousands)
	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)			
<\$1 million	279	\$ 168	\$ 6,672	297	\$ 200	\$ 7,618	(18)	\$ (32)	\$ (946)
Private Client Market (\$1 – <\$10 million)	2,021	7,348	209,868	1,767	5,675	158,136	254	1,673	51,732
Middle Market (\$10 – <\$20 million)	209	2,819	56,456	156	2,134	41,745	53	685	14,711
Larger Transaction Market (≥\$20 million)	176	9,533	81,689	110	5,551	45,404	66	3,982	36,285
	<u>2,685</u>	<u>\$ 19,868</u>	<u>\$ 354,685</u>	<u>2,330</u>	<u>\$ 13,560</u>	<u>\$ 252,903</u>	<u>355</u>	<u>\$ 6,308</u>	<u>\$ 101,782</u>

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Real Estate Brokerage	Six Months Ended June 30,								
	2022			2021			Change		
	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)	Number	Volume (in millions)	Revenues (in thousands)
<\$1 million	485	\$ 296	\$ 12,459	524	\$ 349	\$ 13,756	(39)	\$ (53)	\$ (1,297)
Private Client Market (\$1 – <\$10 million)	3,627	13,044	370,899	2,967	9,343	263,559	660	3,701	107,340
Middle Market (\$10 – <\$20 million)	393	5,322	103,216	234	3,201	62,346	159	2,121	40,870
Larger Transaction Market (≥\$20 million)	317	18,411	155,020	193	9,531	76,038	124	8,880	78,982
	<u>4,822</u>	<u>\$ 37,073</u>	<u>\$ 641,594</u>	<u>3,918</u>	<u>\$ 22,424</u>	<u>\$ 415,699</u>	<u>904</u>	<u>\$ 14,649</u>	<u>\$ 225,895</u>

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 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 negative impact on our business. Overall market conditions, including global trade, interest rate changes, inflation, and job creation, can affect investor sentiment and, ultimately, the demand for our services from investors in real estate.

Following last year's 5.7% increase in GDP, the U.S. economy has displayed a variety of mixed signals in the first half of 2022. Underlying inflation drivers including supply chain disruptions, oil and gas price surges and rapidly shifting inventory levels have aligned with financial market turbulence and weakening consumer confidence to weigh on investor sentiment. At the same time, positive economic indicators including the addition of more than 2.7 million jobs in the first six months of the year, near-record-low unemployment and underemployment rates and a 5.5% gain in core retail sales through just the first half of the year all suggest the economy remains sound. These mixed messages will likely empower the Federal Reserve to continue the inflation-battling monetary policies they initiated in late 2021. The Federal Reserve has signaled an acceleration of their quantitative tightening program is forthcoming as they double the pace of their balance sheet drawdown. They have also signaled steady increases of the Federal Funds rate through the remainder of 2022, which many believe will lift the overnight rate by a total of 300 to 400 basis points in 2022. The Federal Reserve's actions are placing upward pressure on the cost of debt financing, adding to the complexity of investor underwriting and acquisition strategies. The unique blend of economic crosscurrents in 2022 has created additional choppiness in the commercial real estate market, causing each property type and geographic region to operate in a unique micro-climate significantly influenced by both national and local economic forces.

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.

The economic choppiness translated to mixed results for commercial real estate space demand. Occupied multifamily housing units tapered, giving back some of the first quarter gains that had driven the national vacancy rate to a record low. Office space demand remained positive for a fifth consecutive quarter, but absorption fell short of construction completions resulting in a modest vacancy gain. Retail space demand sustained momentum, delivering a seventh consecutive quarter of positive absorption and a quarterly vacancy rate decline. Industrial vacancy rates also declined, pushing deeper into record territory with a 3.6% vacancy rate. The hotel sector also achieved growth, with occupancy rates surpassing 70% in June, nearly back to 2019 levels, supporting record-high average daily rates. These performance metrics reiterate the highly localized, property-specific trends in the commercial real estate sector that are challenging real estate investors to closely assess each market and each asset. Financial market turbulence, economic crosscurrents and rising interest rates have the potential to create additional hurdles for investors in the second half of 2022.

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 increasing or decreasing, 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 investor demand for commercial real estate investments.

In their effort to battle inflation, the Federal Reserve has aggressively increased the overnight rate, placing upward pressure on the broader interest rate climate. However, it appears some of these efforts have been offset by financial market volatility as an increasing amount of capital has moved toward safer investments including long-term bonds. As a result, short-term interest rates have risen faster than long-term rates, keeping debt financing comparatively stable. Long-term rates may begin to rise in September when the Federal Reserve is scheduled to accelerate its quantitative tightening program. Both equity and debt capital remain very liquid, supporting an active commercial real estate transaction market. However, we believe that if interest rates increase significantly in a short period of time, they could restrain transaction activity as the higher cost of capital widens the expectation gap between buyers and sellers. Lenders have remained active in both the placement and pricing of capital, but caution has risen over the last quarter. Based on Federal Reserve Chairman Powell comments, many believe the Federal Reserve's overnight rate could be lifted by a total of 300 to 400 basis points in 2022. While many investors believe the Federal Reserve rate increases will translate to higher commercial real estate mortgage costs, other factors could come into play. Federal Reserve action and long-term interest rates tend to not have a one-to-one movement relationship and can even move contrary to each other on occasion. Should there be a significant financial market or geopolitical disruption, an investor flight to safety could act as a meaningful counterbalance to upward pressure from the benchmark rate.

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, who make up the largest source of revenue, are often motivated to buy, sell and/or refinance properties due to personal circumstances, such as death, divorce, partnership breakups and estate planning.

Commercial real estate sales dollar volume set a record high in 2021, and the momentum largely carried into the first half of 2022. However, rising interest rates have begun to modestly restrain transaction flow moving the market back toward traditional levels. Assets trading at historically high prices in the most sought-after markets have in many cases generated fewer bids than last year while properties offering higher yields in slower growth metros have largely sustained momentum thus far. The rising cost of debt capital, perceptions of rising recession risk and the tempering of occupancy gains and rent growth relative to 2021 have led investors to more carefully calibrate their underwriting assumptions. In some cases, this has widened the buyer/seller expectation gap, in turn moderating investment activity. Industrial and apartment properties have remained in high demand, with hotels, self-storage and necessity-based retail centers also attracting investor attention. Interest in office properties and seniors housing has remained softer by historical standards as investors continue to consider the impact of COVID-19 and work-from-home business models. Looking forward, elevated inflation and stock market volatility could bolster interest in commercial real estate investments as many believe the sector offers increased inflation resistance and stability. This may at least partially offset the headwind posed by rising interest rates.

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.

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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 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 in connection with the transaction.

To a lesser extent, we also earn fees on loan performance, equity advisory services, loan sales, loan guarantees and ancillary services associated with financing activities. We recognize guarantee fees over the term of the guarantee and other fees when we have no further obligations, generally upon the closing of a transaction. We previously generated mortgage servicing fees through the provision of collection, remittance, recordkeeping, reporting and other related mortgage servicing functions, activities and services. We recognized mortgage servicing revenues upon the acquisition of a servicing obligation.

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 can also 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 to three years, at our election, and paid at the beginning of the second, third 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.

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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 (Expense) Income, Net

Other income, 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, 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 in which 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 six months ended June 30, 2022 and 2021. 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 June 30, 2022 and 2021, we closed more than 3,600 and 3,200 investment sales, financing and other transactions, respectively, with total sales volume of approximately \$26.4 billion and \$17.4 billion, respectively. During the six months ended June 30, 2022 and 2021, we closed more than 6,500 and 5,600 investment sales, financing and other transactions, respectively, with total sales volume of approximately \$47.4 billion and \$29.4 billion, respectively. Such key metrics for real estate brokerage and financing activities (excluding other transactions) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>Real Estate Brokerage</i>				
Average Number of Investment Sales Professionals	1,822	1,934	1,839	1,946
Average Number of Transactions per Investment Sales Professional	1.47	1.20	2.62	2.01
Average Commission per Transaction	\$132,099	\$108,542	\$133,056	\$106,100
Average Commission Rate	1.79%	1.87%	1.73%	1.85%
Average Transaction Size (in thousands)	\$ 7,399	\$ 5,820	\$ 7,688	\$ 5,723
Total Number of Transactions	2,685	2,330	4,822	3,918
Total Sales Volume (in millions)	\$ 19,868	\$ 13,560	\$ 37,073	\$ 22,424
	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<i>Financing⁽¹⁾</i>				
Average Number of Financing Professionals	87	85	86	86
Average Number of Transactions per Financing Professional	8.01	8.05	14.15	13.70
Average Fee per Transaction	\$ 44,985	\$ 34,783	\$ 44,198	\$ 32,972
Average Fee Rate	0.70%	0.82%	0.75%	0.86%
Average Transaction Size (in thousands)	\$ 6,453	\$ 4,228	\$ 5,882	\$ 3,824
Total Number of Transactions	697	684	1,217	1,178
Total Financing Volume (in millions)	\$ 4,498	\$ 2,892	\$ 7,158	\$ 4,504

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

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Comparison of Three Months Ended June 30, 2022 and 2021

Below are key operating results for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 (dollars in thousands):

	Three Months	Percentage	Three Months	Percentage	Change	
	Ended June 30, 2022	of Revenue	Ended June 30, 2021	of Revenue	Dollar	Percentage
Revenues:						
Real estate brokerage commissions	\$ 354,685	89.6%	\$ 252,903	88.8%	\$101,782	40.2%
Financing fees	36,811	9.3	28,214	9.9	8,597	30.5%
Other revenues	4,461	1.1	3,829	1.3	632	16.5%
Total revenues	395,957	100.0	284,946	100.0	111,011	39.0%
Operating expenses:						
Cost of services	256,042	64.7	178,585	62.7	77,457	43.4%
Selling, general and administrative	79,841	20.2	61,797	21.7	18,044	29.2%
Depreciation and amortization	3,332	0.8	2,959	1.0	373	12.6%
Total operating expenses	339,215	85.7	243,341	85.4	95,874	39.4%
Operating income	56,742	14.3	41,605	14.6	15,137	36.4%
Other (expense) income, net	(461)	(0.1)	1,370	0.5	(1,831)	(133.6)%
Interest expense	(158)	0.0	(146)	0.0	(12)	8.2%
Income before provision for income taxes	56,123	14.2	42,829	15.1	13,294	31.0%
Provision for income taxes	13,955	3.5	11,297	4.0	2,658	23.5%
Net income	\$ 42,168	10.6%	\$ 31,532	11.1%	\$ 10,636	33.7%
Adjusted EBITDA ⁽¹⁾	\$ 62,909	15.9%	\$ 48,110	16.9%	\$ 14,799	30.8%

⁽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.”

Revenues

Our total revenues were \$396.0 million for the three months ended June 30, 2022 compared to \$284.9 million for the same period in 2021, an increase of \$111.0 million, or 39%. 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 \$354.7 million for the three months ended June 30, 2022 from \$252.9 million for the same period in 2021, an increase of \$101.8 million, or 40.2%. The increase was primarily driven by a 46.5% increase in overall sales volume generated by a 15.2% increase in the number of investment sales transactions and a 27.1% increase in average transaction size. The revenue from the combined Middle Market and Larger Transaction Market increased 58.5% in the second quarter of 2022 as compared to the same period last year and represented 38.9% of the brokerage revenue in the second quarter of 2022 versus 34.5% of the brokerage revenue in the second quarter of 2021. The average commission rates in the second quarter of 2022 decreased by 8 basis points compared to the same period last year primarily as a result of the increase in average transaction size as larger transactions typically earn lower commission rates.

Financing fees. Revenues from financing fees increased to \$36.8 million for the three months ended June 30, 2022 from \$28.2 million for the same period in 2021, an increase of \$8.6 million, or 30.5%, resulting primarily from the 52.6% increase in average transaction size as the number of financing transactions remained relatively flat. The average fee rate declined by 12 basis points due to the larger size of financing transactions as larger transactions typically earn lower commission rates.

Other revenues. Other revenues increased to \$4.5 million for the three months ended June 30, 2022 from \$3.8 million for the same period in 2021, an increase of \$0.6 million, or 16.5%. The increase was primarily driven by increases in consulting and advisory services during the three months ended June 30, 2022, compared to the same period in 2021.

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Total Operating Expenses

Our total operating expenses were \$339.2 million for the three months ended June 30, 2022 compared to \$243.3 million for the same period in 2021, an increase of \$95.9 million, or 39.4%. 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 \$256.0 million for the three months ended June 30, 2022 from \$178.6 million for the same period in 2021, an increase of \$77.5 million, or 43.4%. 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 64.7% compared to 62.7% for the same period in 2021 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier due to the increase in sales volume.

Selling, general, and administrative expense. Selling, general and administrative expense for the second quarter of 2022 increased to \$79.8 million, from \$61.8 million compared to the same period in the prior year, an increase of \$18.0 million or 29.2%. The change was primarily due to increases in (i) compensation related costs, primarily driven by increases in management performance compensation due to 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; and (iii) return to in-person agent and client business events, conferences, and meetings.

Depreciation and amortization expense. Depreciation and amortization expense increased to \$3.3 million for the three months ended June 30, 2022, from \$3.0 million for the same period in 2021, an increase of \$0.4 million, or 12.6%, principally related to additional amortization of intangible assets related to recent acquisitions and additional amortization of mortgage servicing rights due to the cancellation notices received on certain servicing contracts.

Other (Expense) Income, Net

Other (expense) income, net decreased to a net expense of \$0.5 million for the three months ended June 30, 2022 from income of \$1.4 million for the same period in 2021. The decrease was primarily driven by an unfavorable change in the value of our deferred compensation plan assets that are held in a rabbi trust and due to the \$0.3 million loss on sale of the remaining mortgage servicing rights.

Interest Expense

Interest expense was comparable for the three months ended June 30, 2022 and 2021, and primarily relates to interest expense on the Company's stock appreciation rights liability.

Provision for Income Taxes

The provision for income taxes was \$14.0 million for the three months ended June 30, 2022, compared to \$11.3 million for the same period in 2021, an increase of \$2.7 million. The effective income tax rate for the three months ended June 30, 2022, was 24.9% compared to 26.4% for the same period in 2021. The effective income tax rate decreased primarily due to an increase in windfall tax benefits, net related to the settlement of stock-based awards, partially offset by an increase in permanent items that are not tax deductible.

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Comparison of Six Months Ended June 30, 2022 and 2021

Below are key operating results for the six months ended June 30, 2022 compared to the six months ended June 30, 2021 (dollars in thousands):

	Six Months Ended	Percentage of	Six Months Ended	Percentage of	Change	
	June 30, 2022	Revenue	June 30, 2021	Revenue	Dollar	Percentage
Revenues:						
Real estate brokerage commissions	\$ 641,594	89.7%	\$ 415,699	88.7%	\$225,895	54.3%
Financing fees	63,264	8.8	46,057	9.8	17,207	37.4%
Other revenues	10,563	1.5	7,167	1.5	3,396	47.4%
Total revenues	715,421	100.0	468,923	100.0	246,498	52.6%
Operating expenses:						
Cost of services	452,810	63.3	287,688	61.4	165,122	57.4%
Selling, general and administrative	154,376	21.6	113,474	24.2	40,902	36.0%
Depreciation and amortization	7,243	1.0	5,956	1.3	1,287	21.6%
Total operating expenses	614,429	85.9	407,118	86.9	207,311	50.9%
Operating income	100,992	14.1	61,805	13.1	39,187	63.4%
Other (expense) income, net	(11)	0.0	2,414	0.5	(2,425)	(100.5)%
Interest expense	(318)	0.0	(292)	0.0	(26)	8.9%
Income before provision for income taxes	100,663	14.1	63,927	13.6	36,736	57.5%
Provision for income taxes	25,712	3.6	17,383	3.7	8,329	47.9%
Net income	\$ 74,951	10.5%	\$ 46,544	9.9%	\$ 28,407	61.0%
Adjusted EBITDA	\$ 114,761	16.0%	\$ 73,805	15.7%	\$ 40,956	55.5%

Revenues

Our total revenues were \$715.4 million for the six months ended June 30, 2022 compared to \$468.9 million for the same period in 2021, an increase of \$246.5 million, or 52.6%. 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 \$641.6 million for the six months ended June 30, 2022 from \$415.7 million for the same period in 2021, an increase of \$225.9 million, or 54.3%. The increase was primarily driven by a 65.3% increase in overall sales volume generated by a 23.1% increase in the number of investment sales transactions and a 34.3% increase in average transaction size. The revenue from the combined Middle Market and Larger Transaction Market increased 86.6% for the six months ended June 30, 2022 as compared to the same period last year and represented 40.2% of the brokerage revenue for the six months ended June 30, 2022, versus 33.3% of the brokerage revenue for the six months ended June 30, 2021. The average commission rates in the six months ended June 30, 2022 decreased by 12 basis points compared to the same period last year, primarily as a result of the increase in average transaction size as larger transactions typically earn lower commission rates.

Financing fees. Revenues from financing fees increased to \$63.3 million for the six months ended June 30, 2022 from \$46.1 million for the same period in 2021, an increase of \$17.2 million, or 37.4%, resulting primarily from the 53.8% increase in average transaction size, and to a lesser extent, a 3.3% increase in the number of financing transactions. The average fee rate declined by 11 basis points as larger transactions typically earn lower commission rates.

Other revenues. Other revenues increased to \$10.6 million for the six months ended June 30, 2022 from \$7.2 million for the same period in 2021, an increase of \$3.4 million, or 47.4%. The increase was primarily driven by increases in consulting and advisory services during the six months ended June 30, 2022, compared to the same period in 2021.

Total Operating Expenses

Our total operating expenses were \$614.4 million for the six months ended June 30, 2022 compared to \$407.1 million for the same period in 2021, an increase of \$207.3 million, or 50.9%. 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.

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Cost of services. Cost of services increased to \$452.8 million for the six months ended June 30, 2022 from \$287.7 million for the same period in 2021, an increase of \$165.1 million, or 57.4%. 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 61.4% for the same period in 2021 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier due to the increase in sales volume.

Selling, general, and administrative expense. Selling, general and administrative expense for six months ended June 30, 2022 increased to \$154.4 million from \$113.5 million compared to the same period in 2021, an increase of \$40.9 million, or 36.0%. The change was primarily due to increases in (i) compensation related costs, primarily driven by increases in management performance compensation due to 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; and (iii) return to in-person agent and client business events, conferences, and meetings.

Depreciation and amortization expense. Depreciation and amortization expense increased to \$7.2 million for the six months ended June 30, 2022 from \$6.0 million for the same period in 2021, an increase of \$1.3 million, or 21.6%, principally related to additional amortization of intangible assets related to recent acquisitions and additional amortization of mortgage servicing rights due to the cancellation notices received on certain servicing contracts.

Other (Expense) Income, Net

Other (expense) income, net decreased to a net expense of \$11,000 for the six months ended June 30, 2022 from \$2.4 million of income for the same period in 2021. The decrease was primarily driven by an unfavorable change in the value of our deferred compensation plan assets that are held in a rabbi trust and due to the \$0.3 million loss on sale of the remaining mortgage servicing rights.

Interest Expense

Interest expense was comparable for the six months ended June 30, 2022 and 2021, and primarily relates to interest expense on the Company's stock appreciation rights liability.

Provision for Income Taxes

The provision for income taxes was \$25.7 million for the six months ended June 30, 2022, compared to \$17.4 million for the same period in 2021, an increase of \$8.3 million. The effective income tax rate for the six months ended June 30, 2022, was 25.5% compared to 27.2% for the same period in 2021. The effective income tax rate decreased primarily due to an increase in windfall tax benefits, net related to the settlement of stock-based awards, partially offset by an increase in permanent items that are not tax deductible.

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 Mortgage Servicing Rights ("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):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$42,168	\$31,532	\$ 74,951	\$46,544
Adjustments:				
Interest income and other ⁽¹⁾	(979)	(436)	(1,594)	(967)
Interest expense	158	146	318	292
Provision for income taxes	13,955	11,297	25,712	17,383
Depreciation and amortization	3,332	2,959	7,243	5,956
Stock-based compensation	4,275	2,662	8,131	4,950
Non-cash MSR activity ⁽²⁾	—	(50)	—	(353)
Adjusted EBITDA	<u>\$62,909</u>	<u>\$48,110</u>	<u>\$ 114,761</u>	<u>\$73,805</u>

⁽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.

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 decreased by \$170.5 million to \$211.6 million at June 30, 2022, compared to \$382.1 million at December 31, 2021. The following table sets forth our summary cash flows for the six months ended June 30, 2022 and 2021 (in thousands):

	Six Months Ended June 30,	
	2022	2021
Net cash flows (used in) provided by operating activities	\$ (51,840)	\$ 33,466
Net cash flows used in investing activities	(56,575)	(41,850)
Net cash flows used in financing activities	(61,899)	(4,458)
Effect of currency exchange rate changes on cash and cash equivalents	(175)	104
Net decrease in cash and cash equivalents	(170,489)	(12,738)
Cash and cash equivalents at beginning of period	382,140	243,152
Cash and cash equivalents at end of period	<u>\$ 211,651</u>	<u>\$230,414</u>

Operating Activities

Cash flows used in operating activities were \$51.8 million for the six months ended June 30, 2022 compared to cash flows provided by operating activities of \$33.5 million for the same period in 2021. The \$85.3 million decrease in operating cash flows for the six months ended June 30, 2022 compared to the same period in 2021 was primarily due to an increase in advances to our investment sales and financing professionals, higher amount of deferred discretionary commissions paid, and higher bonus payments, partially offset by increased cash flows from increased sales and financing volume.

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Investing Activities

Cash flows used in investing activities were \$56.6 million for the six months ended June 30, 2022 compared to cash flows used in investing activities of \$41.9 million for the same period in 2021. The \$14.7 million increase in cash flow used in investing activities for the six months ended June 30, 2022 compared to the same period in 2021 was primarily due to a \$12.7 million increase in cash used in acquisitions of businesses, net of cash received during the six months ended June 30, 2022 compared to the same period in 2021.

Financing Activities

Cash flows used in financing activities were \$61.9 million for the six months ended June 30, 2022 compared to \$4.5 million for the same period in 2021. The \$57.4 million additional cash flow used in financing activities for the six months ended June 30, 2022 compared to the same period in 2021 was primarily due to a payment of \$50.1 million of dividends in the second quarter and an increase of \$6.0 million of 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 June 30, 2022, cash and cash equivalents and marketable debt securities, available-for-sale, aggregated \$542.3 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, 2025 (the "Credit Agreement"). See Note 12 – "Commitments and Contingencies" of our Notes to Condensed Consolidated Financial Statements for additional information on the Credit Agreement.

Off Balance Sheet Arrangements

The Company, in connection with the Strategic Alliance with M&T Realty Capital Corporation ("MTRCC"), has agreed to provide loan opportunities that may be funded through MTRCC's agreement with Fannie Mae which requires MTRCC to guarantee a portion of each funded loan. On a loan-by-loan basis, the Company, at its option, can assume a portion of MTRCC's guarantee obligation to Fannie Mae of loan opportunities presented to and closed by MTRCC. As of June 30, 2022, the Company has agreed to a maximum aggregate guarantee obligation of \$25.4 million relating to loans with an unpaid balance of \$152.6 million. The maximum guarantee obligation is not representative of the actual loss we would incur. The Company would be liable for this amount only if all of the loans for which it is providing a guarantee to MTRCC were to default and all of the collateral underlying these loans was determined to be without value at the time of settlement.

Material Cash Requirements

There have been no material changes in our commitments under contractual obligations, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 through the date the condensed consolidated financial statements were issued, other than for the payment of dividends and dividend equivalents declared by our board of directors in the first quarter of 2022, aggregating \$52.1 million, and a semi-annual regular dividend of \$0.25 per share of outstanding common stock declared on August 2, 2022.

Inflation

Our commissions and other variable costs related to revenue are primarily affected by real estate market supply and demand, which may be affected by uncertain or changing economic and market conditions, including inflation/deflation arising in connection with and in response to various macroeconomic factors, including the effects of the COVID-19 pandemic on the broader economy.

The Federal Reserve has begun to combat inflation through monetary policy including ramping-up quantitative tightening and by raising the Federal Funds Rate. While commercial real estate investments are generally considered to be relatively inflation resistant, the upward pressure on interest rates has the potential to affect investor activity and therefore transactional activity from which we generate revenues. Investor activity could depend on the magnitude of changes in interest rates relative to the elevated level of capital liquidity targeting commercial real estate. The actual economic impact from inflation 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, 2021.

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 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 June 30, 2022, the fair value of investments in marketable debt securities, available-for-sale was \$330.6 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 June 30, 2022. 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 June 30, 2022 from changes in interest rates based on the weighted average duration of the debt securities in our portfolio (in thousands):

<u>Change in Interest Rates</u>	<u>Approximate Change in Fair Value of Investments Increase (Decrease)</u>
2% Decrease	\$ 5,729
1% Decrease	\$ 2,873
1% Increase	\$ (2,872)
2% Increase	\$ (5,743)

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 June 30, 2022, 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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2022 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 on Form 10-K for the year ended December 31, 2021.

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

On April 30, 2022, we issued 28,673 shares of our common stock, par value \$0.0001 per share, at a price per share of \$49.41 in connection with the settlement of consideration related to a prior business acquisition.

The issuance of the above securities was exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering and/or the private offering safe harbor provision of Rule 506 of Regulation D promulgated under the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1*	<u>Second Amended and Restated Credit Agreement dated July 28, 2022, by and between Marcus & Millichap, Inc. and Wells Fargo Bank, National Association.</u>
10.2*	<u>Employment Agreement by and between John David Parker and Marcus & Millichap, Inc., dated August 4, 2022.</u>
10.3*	<u>Employment Agreement by and between Richard Matricaria and Marcus & Millichap, Inc., dated August 4, 2022.</u>
31.1*	<u>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.</u>
31.2*	<u>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.</u>
32.1**	<u>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.</u>
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, 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.

SIGNATURES

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

Marcus & Millichap, Inc.

Date: August 5, 2022

By: /s/ Hessam Nadji

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

Date: August 5, 2022

By: /s/ Steven F. DeGennaro

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

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this “Agreement”) dated July 28, is by and between MARCUS & MILLICHAP, INC., a Delaware corporation (“Borrower”), and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”). This Agreement amends, restates and supersedes in its entirety, and is given as a replacement for, and not in satisfaction of or as a novation with respect to, that certain Amended and Restated Credit Agreement dated May 28, 2019 by and between Borrower and Bank, as such may have been amended from time to time prior to the date hereof.

RECITALS

Borrower has requested that Bank extend or continue credit to Borrower as described below, and Bank has agreed to provide such credit to Borrower on the terms and conditions contained herein.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

ARTICLE I
CREDIT TERMS

SECTION 1.1. LINE OF CREDIT.

(a) Line of Credit. Subject to the terms and conditions of this Agreement, Bank hereby agrees to make advances to Borrower from time to time up to and including the Maturity Date, not to exceed at any time the aggregate principal amount of Sixty Million Dollars (\$60,000,000) (“Line of Credit”), the proceeds of which shall be used to finance Borrower’s working capital requirements and general corporate needs (including, without limitation, mergers and acquisitions and international expansion permitted or not prohibited under this Agreement). Borrower’s obligation to repay advances under the Line of Credit shall be evidenced by a promissory note dated July 28, 2022, as modified from time to time (“Line of Credit Note”).

(b) Borrowing and Repayment. Borrower may from time to time during the term of the Line of Credit borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions contained herein or in the Line of Credit Note; provided however, that the total outstanding borrowings under the Line of Credit shall not at any time exceed the maximum principal amount available thereunder, as set forth herein.

(c) Letter of Credit Subfeature. As a subfeature under the Line of Credit, Bank agrees from time to time during the term thereof to issue or cause a branch, a subsidiary or an affiliate to issue standby letters of credit and sight commercial letters of credit for the account of Borrower (“Subfeature Letters of Credit”); provided however, that the aggregate undrawn amount of all outstanding Subfeature Letters of Credit shall not at any time exceed Ten Million Dollars (\$10,000,000). Bank shall have no obligation to issue a Subfeature Letter of Credit if (i) any order, judgment, or decree of any governmental authority or arbitrator shall, by its terms, purport to enjoin or restrain Bank from issuing such Subfeature Letter of Credit, or any law applicable to Bank or any request or directive (whether or not having the force of law) from any governmental authority with jurisdiction over Bank shall prohibit or request that Bank refrain from the issuing of letters of credit generally or such Subfeature Letter of Credit in particular, or (ii) such Subfeature Letter of Credit would violate one or more policies of Bank applicable to



letters of credit generally, or (iii) amounts demanded to be paid under any Subfeature Letter of Credit will not or may not be in United States Dollars. The form and substance of each Subfeature Letter of Credit shall be subject to approval by Bank, in its sole but reasonable discretion. No Subfeature Letter of Credit shall have an expiration date more than three hundred sixty five (365) days beyond the maturity date of the Line of Credit. The undrawn amount of all Subfeature Letters of Credit shall be reserved under the Line of Credit and shall not be available for borrowings thereunder. Each Subfeature Letter of Credit shall be subject to the additional terms and conditions of Bank's standard standby letter of credit agreement or Bank's standard commercial letter of credit agreement and all applications and related documents required by Bank in connection with the issuance thereof. Each drawing paid under a Subfeature Letter of Credit shall be deemed an advance under the Line of Credit and shall be repaid by Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then Borrower shall immediately pay to Bank the full amount drawn, together with interest thereon from the date such drawing is paid to the date such amount is fully repaid by Borrower, at the rate of interest applicable to advances under the Line of Credit.

SECTION 1.2. INTEREST/FEES.

(a) Interest. The outstanding principal balance of each credit subject hereto shall bear interest at the rate of interest set forth in each promissory note or other instrument or document executed in connection therewith. The promissory notes or other instruments or documents executed in connection with the credit(s) subject to this Agreement may calculate interest at a rate equal to the sum of an index rate of interest plus a margin rate of interest. In the event any index rate of interest would be less than zero percent (0.0%), then the index rate of interest shall be deemed to be zero percent (0.0%) and the applicable promissory note or other instrument or document shall bear interest at a rate equal to the margin rate of interest.

(b) Computation and Payment. Interest shall be computed on the basis set forth in each promissory note or other instrument or document required hereby. Interest shall be payable at the times and place set forth in each promissory note or other instrument or document required hereby.

(c) Commitment Fee. Borrower shall pay to Bank a non-refundable annual commitment fee for the Line of Credit equal to Thirty Five Thousand Dollars (\$35,000) for each year, which fee shall be due and payable in full on each July 1 during the term of this Agreement.

(d) Unused Commitment Fee. For any day in which the usage amount of the Line of Credit falls below the daily unused percentage range set forth below, Borrower shall pay to Bank a fee equal to the percentage per annum (computed on the basis of a 360-day year, actual days elapsed) set forth below on the daily unused amount of the Line of Credit, which fee shall be calculated on a quarterly basis by Bank and shall be due and payable by Borrower in arrears on the first Business Day of each fiscal quarter, commencing on July 1, 2022. As used herein, the term "Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of California are authorized or required to close.

Unused Percentage of Line of Credit	Unused Commitment Fee
66.7% to 100%	0.10%
33.4% to 66.6%	0.05%
0.0% to 33.3%	0.00%

SECTION 1.3. COLLECTION OF PAYMENTS. Except to the extent expressly specified otherwise in any Loan Document other than this Agreement, Borrower authorizes Bank to collect all amounts due to Bank from Borrower under this Agreement or any other Loan Document (whether for principal, interest or fees, or as reimbursement of drafts paid or other payments made by Bank under any credit subject to this Agreement) by debiting any business purpose deposit account maintained by Borrower with Bank for the full amount thereof. Should there be insufficient funds in Borrower's business purpose deposit accounts with Bank to pay all such sums when due, or if any such payment is collected but is subsequently reversed or rendered ineffective, or Bank is required to turn over, restore, or otherwise return any such paid amount to Borrower, a trustee-in-bankruptcy, or anyone else, due to a bankruptcy or for any other reason, the full amount of such deficiency, or the full amount reversed, rendered ineffective, turned over, restored or otherwise returned, as applicable, shall be immediately due and payable by Borrower. The determination of whether any such payment must be turned over, restored or otherwise returned shall be made by Bank in its sole discretion; provided however, that if Bank chooses (but in no event shall Bank be obligated) to contest any such matter at the request of Borrower, Borrower agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection therewith, including without limitation, in any litigation with respect thereto (other than arising as a result of Bank's gross negligence or willful misconduct). For purposes hereof, a "business purpose deposit account" is any deposit account other than a deposit account established primarily for personal, family or household purposes.

The foregoing authorization shall remain in full force and effect until written revocation from Borrower has been received by Bank at its address for notices set forth in Section 7.2. hereof. In order to commence application of said cancellation with respect to a payment due date or payoff of a loan, Bank must be notified of said cancellation at least three (3) business days prior to such payment due date or payoff.

SECTION 1.4. COLLATERAL.

As security for all indebtedness and other obligations of Borrower to Bank arising under this Agreement and the other Loan Documents, other than indebtedness that is excluded from such secured obligations by the terms of the security agreement(s) required hereunder, Borrower shall grant to Bank security interests of first priority (subject to Permitted Liens) in all Borrower's personal property assets other than (i) the M&T Realty Capital Collateral Account and (ii) any such property that constitutes the capital stock of a controlled foreign corporation (as defined in the Internal Revenue Code).

As security for all indebtedness and other obligations of Borrower to Bank arising under this Agreement and the other Loan Documents, other than indebtedness that is excluded from such secured obligations by the terms of the security agreement(s) required hereunder, Borrower shall cause each domestic corporate guarantor to grant to Bank security interests of first priority in all of its personal property assets; except to the extent any such property constitutes the capital stock of a controlled foreign corporation (as defined in the Internal Revenue Code) in which case no such pledge shall be required.

All of the foregoing shall be evidenced by and subject to the terms of such security agreements, financing statements, deeds or mortgages, and other documents as Bank shall reasonably require, all in form and substance reasonably satisfactory to Bank. Borrower shall pay to Bank within ten (10) days after written demand the full amount of all documented charges, costs and expenses (to include fees paid to third parties and all allocated costs of Bank personnel), expended or incurred by Bank in connection with any of the foregoing security, including without limitation, filing and recording fees and costs of appraisals, audits and title insurance.

SECTION 1.5. GUARANTIES. The payment and performance of all indebtedness and other obligations of Borrower to Bank shall be guaranteed jointly and severally by all of Borrower's domestic subsidiaries, currently existing and formed in the future, as evidenced by and subject to the terms of guaranties in form and substance reasonably satisfactory to Bank.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Bank, on the date hereof, on the date of Borrower's execution hereof, and on the date of each subsequent request for any extension of credit hereunder (including, without limitation, the issuance of any product under any subfeature contained herein, to the extent applicable), which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect until the full and final payment, and satisfaction and discharge, of all obligations of Borrower to Bank subject to this Agreement.

SECTION 2.1. LEGAL STATUS. (a) Borrower is a corporation, duly organized and existing and in good standing under the laws of Delaware, and is qualified or licensed to do business (and is in good standing as a foreign corporation, if applicable) in all jurisdictions in which such qualification or licensing is required or in which the failure to so qualify or to be so licensed could reasonably be expected to have a material adverse effect on Borrower; and (b) no member of the Borrowing Group (as defined below) is a Sanctioned Target (as defined below) of economic or financial sanctions, sectoral sanctions, secondary sanctions, trade embargoes or restrictions and anti-terrorism laws imposed, administered or enforced from time to time by the United States of America, the United Nations Security Council, the European Union, the United Kingdom, any other governmental authority with jurisdiction over Borrower or any member of the Borrowing Group (collectively, "Sanctions"). As used herein, "Borrowing Group" means: (i) Borrower, (ii) any direct or indirect parent of Borrower, (iii) any affiliate or subsidiary of Borrower, (iv) any Third Party Obligor (as defined below), and (v) any officer, director or agent acting on behalf of any of the parties referred to in items (i) through and including (iv) with respect to the obligations hereunder, this Agreement or any of the other Loan Documents. "Sanctioned Target" means any target of Sanctions, including (i) persons on any list of targets identified or designated pursuant to any Sanctions, (ii) persons, countries, or territories that are the target of any territorial or country-based Sanctions program, (iii) persons that are a target of Sanctions due to their ownership or control by any Sanctioned Target(s), or (iv) persons otherwise a target of Sanctions, including vessels and aircraft, that are designated under any Sanctions program.

SECTION 2.2. AUTHORIZATION AND VALIDITY. This Agreement and each promissory note, contract, instrument and other document required hereby or at any time hereafter delivered to Bank in connection herewith (collectively, the "Loan Documents") have been duly authorized, and upon their execution and delivery in accordance with the provisions

hereof will constitute legal, valid and binding agreements and obligations of Borrower or the party which executes the same, enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditor's rights.

SECTION 2.3. NO VIOLATION. The execution, delivery and performance by Borrower of each of the Loan Documents do not violate any provision of any law or regulation, or contravene any provision of the organizational and governing documents of Borrower, or result in any breach of or default under any contract, obligation, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.

SECTION 2.4. LITIGATION. There are no pending, or to the best of Borrower's knowledge threatened, actions, claims, investigations, suits or proceedings by or before any governmental authority, arbitrator, court or administrative agency in which the amount in controversy is greater than the Material Amount, individually or in the aggregate, other than (a) those disclosed by Borrower to Bank in writing prior to the date hereof, and (b) those covered by insurance.

SECTION 2.5. CORRECTNESS OF FINANCIAL STATEMENT AND OTHER INFORMATION. The annual financial statements of Borrower dated March 1, 2022, and all interim financial statements delivered to Bank since said date, true copies of which have been delivered by Borrower to Bank prior to the date hereof, (a) are complete and correct and present fairly in all material respects the financial condition of Borrower, (b) disclose all liabilities of Borrower that are required to be reflected or reserved against under GAAP, whether liquidated or unliquidated, fixed or contingent, and (c) have been prepared in accordance with GAAP consistently applied. Since the dates of such financial statements there has been no material adverse change in the financial condition of Borrower, nor has Borrower mortgaged, pledged, granted a security interest in or otherwise encumbered any of its assets or properties except in favor of Bank or as otherwise permitted herein or by Bank in writing or pursuant to this Agreement. All information provided from time to time by Borrower or any Third Party Obligor to Bank for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes was complete and correct in all material respects at the time such information was provided and, except as specifically identified to Bank in a subsequent writing, remains complete and correct in all material respects today.

SECTION 2.6. INCOME TAX RETURNS. Borrower has no knowledge of any pending assessments or adjustments of its income tax payable with respect to any year in excess of the Material Amount in the aggregate.

SECTION 2.7. NO SUBORDINATION. There is no agreement, indenture, contract or instrument to which Borrower is a party or by which Borrower may be bound that requires the subordination in right of payment of any of Borrower's obligations subject to this Agreement to any other obligation of Borrower.

SECTION 2.8. PERMITS, FRANCHISES. Borrower possesses, and will hereafter possess, all permits, consents, approvals, franchises and licenses required and rights to all trademarks, trade names, patents, and fictitious names, if any, necessary to enable it to conduct the business in which it is now engaged in compliance with applicable law.

SECTION 2.9. ERISA. Borrower is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"); Borrower has not violated any provision of any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by Borrower (each, a "Plan"); no Reportable Event or Prohibited Transaction (as those terms are defined in ERISA), or a or funding deficiency with respect to any Plan initiated by Borrower has occurred and is continuing, other than a violation, Reportable Event, Prohibited Transaction or funding deficiency which, individually or in the aggregate with other pending violations, Reportable Events, Prohibited Transactions or funding deficiencies, would result in liability that is less than \$100,000 or is corrected within 30 days following the occurrence of such violation, Reportable Event, Prohibited Transaction or funding deficiency; Borrower has met its minimum funding requirements under ERISA with respect to each Plan; and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under GAAP.

SECTION 2.10. OTHER OBLIGATIONS. Borrower is not in default on any obligation for borrowed money in excess of a Material Amount, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 2.11. ENVIRONMENTAL MATTERS. Except as disclosed by Borrower to Bank in writing prior to the date hereof, Borrower is in compliance in all material respects with all applicable federal or state environmental, hazardous waste, health and safety statutes, and any rules or regulations adopted pursuant thereto, which govern or affect any of Borrower's operations and/or owned properties, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Resource Conservation and Recovery Act of 1976, and the Federal Toxic Substances Control Act, as any of the same may be amended, modified or supplemented from time to time. None of the operations of Borrower is the subject of any federal or state investigation evaluating whether any remedial action involving a material expenditure is needed to respond to a release of any toxic or hazardous waste or substance into the environment. Borrower has no material contingent liability in connection with any release of any toxic or hazardous waste or substance into the environment.

SECTION 2.12 SANCTIONS, ANTI-MONEY LAUNDERING AND ANTI-CORRUPTION LAWS. (a) each member of the Borrowing Group has instituted, maintains and complies with policies, procedures and controls reasonably designed to assure compliance with Anti-Money Laundering Laws and Anti-Corruption Laws (each as defined below), and Sanctions; and (b) to the best of Borrower's knowledge, after due care and inquiry, no member of the Borrowing Group is under investigation for an alleged violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws by a governmental authority that enforces such laws. As used herein: "Anti-Corruption Laws" means: (i) the U.S. Foreign Corrupt Practices Act of 1977, as amended; (ii) the U.K. Bribery Act 2010, as amended; and (iii) any other anti-bribery or anti-corruption laws, regulations or ordinances in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business. "Anti-Money Laundering Laws" means applicable laws or regulations in any jurisdiction in which the Borrower or any member of the Borrowing Group is located or doing business that relates to money laundering, any predicate crime to money laundering, or any financial record keeping and reporting requirements related thereto.

ARTICLE III
CONDITIONS

SECTION 3.1. CONDITIONS TO THE EFFECTIVENESS OF THIS AGREEMENT. The effective date of this Agreement shall be (a) the date that each of the following conditions set forth in this Section 3.1 have been satisfied or waived, as determined by Bank, or (b) such alternative date to which Bank and Borrower may mutually agree, in each case as evidenced by Bank's system of record. Notwithstanding the occurrence of the effective date of this Agreement, Bank shall not be obligated to extend credit under this Agreement or any other Loan Document until all conditions to each extension of credit set forth in Section 3.2 have been fulfilled to Bank's satisfaction.

- (a) Approval of Bank Counsel. All legal matters incidental to the effectiveness of this Agreement shall be satisfactory to Bank's counsel.
- (b) Documentation. Bank shall have received, in form and substance satisfactory to Bank, each of the following, duly executed by all parties:
 - (i) This Agreement and each promissory note or other instrument or document required hereby.
 - (ii) Security agreements from Borrower and each corporate guarantor.
 - (iii) Guarantors' Consent and Reaffirmation from each guarantor.
 - (iv) Corporate resolutions and certificates of incumbency from Borrower and Marcus & Millichap Real Estate Investment Services, Inc.
 - (v) Such other documents as Bank may reasonably require under any other Section of this Agreement.
- (c) Satisfaction of Regulatory and Compliance Requirements. In addition to any requirements set forth above, and notwithstanding Borrower's execution or delivery of this Agreement or any other Loan Document, all regulatory and compliance requirements, standards and processes shall be completed to the satisfaction of Bank.
- (d) Final Credit Approval. Bank shall have obtained the final internal credit approval for this transaction.

SECTION 3.2. CONDITIONS OF EACH EXTENSION OF CREDIT. The obligation of Bank to make each extension of credit requested by Borrower hereunder shall be subject to the fulfillment to Bank's satisfaction of each of the following conditions:

(a) Compliance. The representations and warranties contained herein and in each of the other Loan Documents shall be true in all material respects on and as of the date of the signing of this Agreement and on the date of each extension of credit by Bank pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Documentation. Bank shall have received all additional documents which may be required in connection with such extension of credit including without limitation, the following:

(i) Letter of Credit Documentation. Prior to the issuance of any letter of credit, Bank shall have received a Letter of Credit Agreement and any other letter of credit documentation required by Bank, in each case completed and duly executed by Borrower.

(c) Payment of Fees. Bank shall have received payment in full of any fee required by any of the Loan Documents to be paid at the time such credit extension is made.

(d) Financial Condition. There shall have been no material adverse change, as determined by Bank in its sole but reasonable discretion, in the financial condition or business of Borrower or any Third Party Obligor hereunder, if any, nor any material decline, as determined by Bank in its sole but reasonable discretion, in the market value of any collateral required hereunder or a substantial or material portion of the assets of Borrower or any such Third Party Obligor, if any.

ARTICLE IV AFFIRMATIVE COVENANTS

Borrower covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower shall, unless Bank otherwise consents in writing:

SECTION 4.1. PUNCTUAL PAYMENTS. Punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Bank, the amount by which the outstanding principal balance of any credit subject hereto at any time exceeds any limitation on borrowings applicable thereto.

SECTION 4.2. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with GAAP consistently applied, and permit any representative of Bank, at any reasonable time upon reasonable notice, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of Borrower. If at any time any change in GAAP would affect the computation of any covenant (including the computation of any financial covenant) and/or pricing grid set forth in this Agreement or any other Loan Document, Borrower and Bank shall negotiate in good faith to amend such covenant and/or pricing grid to preserve the original intent in light of such change; provided, that, until so amended, (i) such covenant and/or pricing grid shall continue to be computed in accordance with the application of GAAP prior to such change and (ii) Borrower shall provide to Bank a written reconciliation in form and substance reasonably satisfactory to Bank, between calculations of such covenant and/or pricing grid made before and after giving effect to such change in GAAP.

SECTION 4.3. FINANCIAL STATEMENTS AND OTHER INFORMATION. Provide to Bank all of the following, in form and detail reasonably satisfactory to Bank:

(a) not later than 90 days after and as of the end of each fiscal year, the consolidated financial statements of Borrower (including the other Obligors as required by GAAP) including (i) balance sheet, (ii) income statement (and/or statement of comprehensive income, as required by GAAP); (iii) statement of cash flows and (iv) notes thereto, all prepared in accordance with GAAP. The financial statements will include an opinion of the Borrower's certified public accountants (to be a firm recognized by the Public Company Accounting Oversight Board);

(b) not later than 45 days after and as of the end of each fiscal quarter, the condensed consolidated financial statements of Borrower (including the other Obligors as required by GAAP) including (i) balance sheet, (ii) income statement (and/or statement of comprehensive income as required by GAAP); (iii) statement of cash flows and (iv) notes thereto, all prepared in accordance with GAAP as required by the Securities and Exchange Commission for interim reporting;

(c) contemporaneously with each annual and quarterly financial statement of Borrower required hereby, a certificate of the president, chief financial officer or chief accounting officer of Borrower that (i) said financial statements present fairly in all material respects the financial condition, results of operations and cash flows of the Borrower in accordance with GAAP; (ii) Borrower and Obligors are in compliance with all financial covenants in this Agreement (as evidenced by supporting calculations in reasonable detail attached to such certificate), and (iii) there exists no Event of Default nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(d) not later than 90 days after each fiscal year of Borrower, a budget for the then current fiscal year, including balance sheet, income statement, and statement of cash flows;

(e) filings on Form 10-K, 10Q, and 8-K, and such other similar filings as are required to be filed by Borrower with the Securities and Exchange Commission, concurrently with such filings; and

(f) from time to time such other information as Bank may request for the purpose of enabling Bank to fulfill its regulatory and compliance requirements, standards and processes.

Documents required to be delivered pursuant to clauses (a), (b) and (e) above may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto on Borrower's website on the internet at the website address "www.marcusmillichap.com" (or any successor page notified to Bank).

SECTION 4.4. COMPLIANCE. Preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary for the conduct of its business; and comply with the provisions of all documents pursuant to which Borrower is organized and/or which govern Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to Borrower and/or its business so long as the failure to comply could not reasonably be expected to have a material adverse effect on the Borrower in any respect.

SECTION 4.5. INSURANCE. (a) Maintain and keep in force, for each business in which Borrower is engaged, insurance of the types and in amounts customarily carried in similar lines of business, including but not limited to (as applicable) fire, extended coverage, commercial general liability, flood, and, if required by governmental regulation or Bank, hurricane, windstorm, seismic property damage, workers' compensation, marine cargo insurance, and specific hazards affecting any real property, including terrorism, with all such insurance carried in amounts satisfactory to Bank and where required by Bank, with replacement cost, mortgagee loss payable and lender loss payable endorsements in favor of

Bank, and (b) deliver to Bank prior to the date hereof, and from time to time at Bank's request, schedules setting forth all insurance then in effect, together with a lender's loss payee endorsement for all such insurance naming Bank as a lender loss payee. Such insurance may be obtained from an insurer or through an insurance agent of Borrower's choice, provided that any insurer chosen by Borrower is acceptable to Bank on such reasonable grounds as may be permitted under applicable law.

SECTION 4.6. FACILITIES. Keep all properties useful or necessary to Borrower's business in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 4.7. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which Borrower has made provision, to Bank's satisfaction, for eventual payment thereof in the event Borrower is obligated to make such payment.

SECTION 4.8. LITIGATION. Promptly give notice in writing to Bank of any litigation pending or threatened against Borrower with recorded claims as required under GAAP in excess of the Material Amount which are not covered by insurance.

SECTION 4.9. FINANCIAL CONDITION. Maintain Borrower's financial condition as follows using GAAP consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Total Funded Debt to EBITDA not greater than 2.0 to 1.0 as of each quarter end, determined on a rolling4-quarter basis, with "Total Funded Debt" defined as the sum of (i) all obligations for borrowed money (including subordinated debt), (ii) all capital lease obligations, (iii) all outstanding letters of credit, (iv) guarantees, except for the guarantees for M&T Realty Capital mortgage loans, (v) Adjusted DUS Loan Loss Liability, and (vi) contingent liabilities valued in accordance with GAAP, and with "EBITDA" defined as net profit before tax plus (i) interest expense (net of capitalized interest expense), (ii) depreciation and amortization expense, (iii) non-cash stock-based compensation expense, and (iv) non-cash loan loss reserve expense associated with the guarantees for M&T Realty Capital mortgage loans, less (i) non-cash MSR revenue and (ii) non-cash loan loss reserve income.

(b) EBITDAR Coverage Ratio not less than 1.25 to 1.0 as of each quarter end, determined on a rolling4-quarter basis, with "EBITDAR" defined as net profit before tax plus the sum of (i) interest expense (net of capitalized interest expense), (ii) depreciation and amortization expense, (iii) non-cash stock-based compensation expense, (iv) non-cash loan loss reserve expense associated with the guarantees for M&T Realty Capital mortgage loans, and (v) rent expense, less (i) tax expenses of Borrower, (ii) non-operating income or gain on sale, (iii) non-cash MSR revenue, (iv) non-cash loan loss reserve income, (v) capital expenditures, and (vi) dividends accrued, and with "EBITDAR Coverage Ratio" defined as EBITDAR divided by the sum of (i) total interest expense (ii) rent expense, (iii) current portion of long-term debt, (iv) current portion of capital lease obligations, and (v) current portion of subordinated debt.

SECTION 4.10. NOTICE TO BANK. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter and in no event more than one (1) business day after the occurrence of each such event or matter described below with respect to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws) give written notice to Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of Borrower, including, by illustration, merger, conversion or division; (c) the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in ERISA, or any funding deficiency with respect to any Plan; (d) any termination or cancellation of any insurance policy which Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting Borrower's property in excess of an aggregate of the Material Amount; or (e) any breach of any covenant contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws or the Borrower's inability to make the representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws on any date, or the failure of any representations and warranties contained herein related to Sanctions, Anti-Money Laundering Laws, and Anti-Corruption Laws to be true and correct in all respects on or as of any date.

ARTICLE V
NEGATIVE COVENANTS

Borrower further covenants that so long as Bank remains committed to extend credit to Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of Borrower to Bank under any of the Loan Documents remain outstanding, and until payment in full of all obligations of Borrower subject hereto, Borrower will not without Bank's prior written consent:

SECTION 5.1. USE OF FUNDS. SOURCES OF REPAYMENT AND COLLATERAL.

(a) Use, or permit any member of the Borrowing Group to use, any of the proceeds of any credit extended hereunder except for the purposes stated in Article I hereof, or directly or indirectly use any such proceeds to fund, finance or facilitate any activities, business or transactions: (i) that are prohibited by Sanctions; (ii) that would be prohibited by Sanctions if conducted by Bank or any of Bank's affiliates; or (iii) that would be prohibited by any Anti-Money Laundering Laws or Anti-Corruption Laws.

(b) Fund any repayment of the obligations hereunder or under any other Loan Document with proceeds, or provide any property as collateral for any such obligations, or permit any third party to provide any property as collateral for any such obligations, that is directly or indirectly derived from any transaction or activity that is prohibited by any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws, or that could otherwise cause Bank or any of Bank's affiliates to be in violation of any Sanctions, Anti-Money Laundering Laws or Anti-Corruption Laws.

SECTION 5.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of Borrower to Bank, (b) purchase money indebtedness, other indebtedness relating to capital expenditures on credit, and operating lease liabilities, (c) all liabilities of Borrower listed on Schedule 5.2 attached hereto, (d) trade indebtedness incurred in the ordinary course of

business, (e) extensions, refinancings and renewals of any items described in clauses (b) and (c) above, provided that the terms shall not be modified in a manner adverse to the interests of Bank (it being understood that, among other things, such extension, refinancing or renewal (1) shall not increase the principal amount of such indebtedness, (2) shall not shorten the maturity date or accelerate the amortization schedule of such indebtedness, (3) shall not be secured unless the indebtedness being refinanced was secured (and in such event, only to such extent such Indebtedness was secured), and (4) shall be subordinated to the extent that the indebtedness being refinanced is subordinated, and (f) any loan loss reserve that is booked as a liability in accordance with GAAP and guarantees related to M&T Realty Capital mortgage loans.

SECTION 5.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity (provided that any Obligor other than Borrower may merge into any other Obligor); make any substantial change in the nature of such Obligor's business as conducted as of the date hereof; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of such Obligor's assets except in the ordinary course of its business and except for transfers of assets that would qualify as a Permitted Acquisition or Approved Acquisition under Section 5.4 or an investment that would be permitted under Section 5.6.

SECTION 5.4 ACQUISITIONS. Make any Acquisition, except for one of the following Acquisitions (each of which shall be subject to Section 5.6):

(a) "Permitted Acquisition": any Acquisition by Borrower or an Obligor of all or substantially all of the operating assets or shares or other equity securities of any person or entity so long as all of the following conditions are satisfied: (i) if an equity Acquisition, the acquired entity becomes a guarantor of the debt hereunder and grants a first-priority security interest to Bank in all of its personal property assets, and executes and delivers such agreements and documents as Bank reasonably requires to evidence the same, (ii) both before and after any such Acquisition Borrower has Unencumbered Liquid Assets plus availability under the Line of Credit of not less than \$30,000,000, (iii) there exists no Event of Default, nor any act, condition or event which with the giving of notice or the passage of time or both would constitute an Event of Default, and no such Event of Default or potential Event of Default results after giving effect to the Acquisition, (iv) Total Funded Debt to EBITDA on a Pro Forma Basis will not exceed 1.5:1.0, (v) if the value of such Acquisition exceeds \$30,000,000 Borrower provides Bank with a courtesy notice of the Acquisition at least ten (10) Business Days prior thereto (the failure to give a courtesy notice shall not constitute a breach of this Agreement unless such failure was due to the bad faith or willful misconduct of Borrower), and (vi) neither Borrower nor any other Obligor incurs any debt or grants any security interests in its assets in connection with such Acquisition that is not otherwise permitted herein, other than to Bank, without Bank's prior written consent.

(b) "Approved Acquisition": any Acquisition which is not a Permitted Acquisition and (i) Borrower shall provide to Bank not less than 15 business days prior to the consummation of such Acquisition the name of the target entity, a description of the target's business, projections for the combined entities and any other information reasonably requested by Bank, and (ii) Bank shall have delivered to Borrower not less than 5 business days prior to the consummation of such Acquisition a written approval of the Acquisition (as determined by Bank in its reasonable discretion).

SECTION 5.5. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any assets of Borrower as security for, any liabilities or obligations of any other person or entity, except (a) any of the foregoing in favor of Bank; (b) Borrower's guaranties on behalf of Obligor in the ordinary course of business; and (c) additional unsecured guaranties in amounts not to exceed an aggregate of \$10,000,000 at any time outstanding, excluding any guaranties, recorded or unrecorded, for third-party M&T Realty Capital mortgage loans in the normal course of business.

SECTION 5.6. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any person or entity, including any of the foregoing accomplished by a division or similar transaction, except (a) any of the foregoing existing as of, and disclosed to Bank prior to, the date hereof; (b) loans and advances to or in one or more persons or entities, which are considered employees or independent contractors, so long as all of the following conditions are satisfied: (x) both before and after any such loan or advance Borrower has Unencumbered Liquid Assets plus availability under the Line of Credit of not less than \$50,000,000, (y) there exists no Event of Default, nor any act, condition or event which with the giving of notice or the passage of time or both would constitute an Event of Default, and no such Event of Default or potential Event of Default results after giving effect to the loan or advance, and (z) Total Funded Debt to EBITDA on a Pro Forma Basis will not exceed 1.5:1.0; (c) loans, advances and investments to or in non-Obligor entities that are organized outside the United States up to an aggregate amount not to exceed \$60,000,000 outstanding at any one time; and (d) investments in marketable securities pursuant to Borrower's investment policy as approved by its Board of Directors from time to time.

SECTION 5.7. DIVIDENDS, DISTRIBUTIONS. Declare or pay any dividend or distribution either in cash, stock or any other property on such Obligor's stock now or hereafter outstanding, nor redeem, retire, repurchase or otherwise acquire any shares of any class of such Obligor's stock now or hereafter outstanding; provided however, that (a) any direct or indirect subsidiary of Borrower may pay dividends to Borrower without restriction, and (b) Borrower may pay cash dividends or distributions to its shareholders and/or repurchase any class of its stock in any fiscal year so long as all of the following conditions are satisfied: (x) both before and after any such loan or advance Borrower has Unencumbered Liquid Assets plus availability under the Line of Credit of not less than \$30,000,000, (y) there exists no Event of Default, nor any act, condition or event or the passage of time or both would constitute an Event of Default, and no such Event of Default or potential Event of Default results after giving effect to the dividends, distributions or repurchase. Borrower shall provide to Bank, upon request, any documentation required by Bank to substantiate the appropriateness of amounts paid or to be paid.

SECTION 5.8. PLEDGE OF ASSETS. Mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of Borrower's assets now owned or hereafter acquired, except any of the foregoing (i) in favor of Bank, (ii) in connection with Borrower's guaranties of the M&T Realty Capital mortgage loans, or (iii) in connection with other indebtedness or obligations of the type permitted pursuant to Section 5.2 (collectively, "Permitted Liens").

SECTION 5.9. ACCOUNTING CHANGES; ORGANIZATIONAL DOCUMENTS.

(a) Change its Fiscal Year end, or make (without the consent of Bank) any material change in its accounting policies and reporting practices except as required by GAAP.

(b) Amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document(s) or amend, modify or change its bylaws (or other similar documents) in any manner materially adverse to the rights or interests of Bank.

SECTION 5.10. TRANSACTIONS WITH AFFILIATES. Enter into or permit to exist any transaction or series of transactions with any Affiliate of such Obligor except for (i) transactions that are in the ordinary course of such Obligor's business, upon fair and reasonable terms that are no less favorable to such Obligor than would be obtained in an arm's length transaction with a non-affiliated person or entity and (ii) transactions contemplated pursuant to the Transition Services Agreement between Borrower and The Marcus & Millichap Company.

SECTION 5.11. BURDENSOME AGREEMENTS. Enter into, or permit to exist, any contractual obligation that encumbers or restricts the ability of Borrower to (i) make any dividends or distributions or other payments in connection with its equity, (ii) pay any indebtedness or obligation owed to Borrower, (iii) make loans or advances to any Obligor, (iv) transfer any of its property to any Obligor, or (v) pledge its property pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extensions thereof except as may be restricted pursuant to any Permitted Liens.

SECTION 5.12. ORGANIZATION DOCUMENTS; FISCAL YEAR; LEGAL NAME, STATE OF FORMATION AND FORM OF ENTITY.

(a) Amend, modify or changes its organization documents in a manner materially adverse to Bank.

(b) Without providing ten days prior written notice to Bank, change its name, state of formation or form of organization.

SECTION 5.13. OWNERSHIP OF SUBSIDIARIES. Notwithstanding any other provisions of this Agreement to the contrary, (a) permit any person or entity (other than an Obligor) to own any equity interests of any subsidiary of such Obligor, or (b) permit any subsidiary of such Obligor to issue or have outstanding any shares of preferred equity interests not owned by Borrower or any other Obligor.

SECTION 5.14. SANCTIONS. Directly or indirectly, use the proceeds of any advances under the Line of Credit or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any country or territory that is subject to Sanctions that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity (including any individual or entity participating in the transaction) of Sanctions. Further, such Obligor shall not (a) have any of its assets in a country that is subject to any Sanctions applicable to such Obligor in the possession, custody or control of a person in violation of any applicable Anti-Terrorism Laws; (b) do business in or with, or derive any of its income from its investments in or transactions with, any country subject to any applicable Sanctions or in the possession, custody or control of a person in violation of any applicable Anti-Terrorism Laws; (c) engage in any dealings or transactions prohibited by any applicable Anti-Terrorism Law; or (d) use the proceeds of any advance under the Line of Credit to fund any operations in, finance any investments or activities in, or make any payments to a

country subject to any applicable Sanctions or in the possession, custody or control of a person in violation of any applicable Anti-Terrorism Laws. As used herein, the terms “Anti-Terrorism Laws” and “Sanctions” shall have the following meanings:

“Anti-Terrorism Laws” means any Laws applicable to, and that have jurisdiction over, Borrower and/or its subsidiaries relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering or bribery and any regulation, order or directive promulgated, issued or enforced pursuant to such Laws, all as amended, supplemented or replaced from time to time.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law, and in each case to the extent applicable to, and having jurisdiction over, Borrower and/or its subsidiaries.

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government, including OFAC, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority, in each case to the extent applicable to, and having jurisdiction over, Borrower and/or its subsidiaries.

ARTICLE VI
EVENTS OF DEFAULT

SECTION 6.1. The occurrence of any of the following shall constitute an “Event of Default” under this Agreement:

(a) Borrower shall fail to pay within three (3) days after the due date any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Bank in connection with, or any representation or warranty made by Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an “Event of Default” in this Section 6.1, and with respect to any such default that by its nature can be cured, such default shall continue for a period of thirty (30) Business Days after the earliest of occurrence thereof, Borrower receiving notice thereof or any officer of Borrower having knowledge thereof.

(d) Any default in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those defaults specifically described as constituting an "Event of Default" under any other subsection of this Section 6.1.), and with respect to such default(s) that by their nature can be cured (excluding any defaults specifically described as constituting an "Event of Default" under any other subsection of this Section 6.1, none of which shall be subject to a cure period), such default shall continue for a period of thirty (30) Business Days from its occurrence.

(e) Any default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which Borrower, any guarantor hereunder, the owner of any collateral securing the obligations hereunder or under any other Loan Document, or any general partner or joint venturer in Borrower if a partnership or joint venture (with each such guarantor, owner of pledged collateral, general partner and/or joint venturer referred to herein as a "Third Party Obligor") has incurred any debt or other liability to any person or entity in an aggregate principal amount of at least the Material Amount, including Bank.

(f) Borrower or any Third Party Obligor shall become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; Borrower or any Third Party Obligor shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Reform Act, Title 11 of the United States Code, as amended or recodified from time to time ("Bankruptcy Code"), or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or Borrower or any Third Party Obligor shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or Borrower or any Third Party Obligor shall be adjudicated a bankrupt, or an order for relief shall be entered against Borrower or any Third Party Obligor by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors.

(g) The filing of a notice of judgment lien against Borrower or any Third Party Obligor; or the recording of any abstract or transcript of judgment against Borrower or any Third Party Obligor in any county or recording district in which Borrower or such Third Party Obligor has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Borrower or any Third Party Obligor; or the entry of a judgment against Borrower or any Third Party Obligor for the payment of money in an amount, individually or in the aggregate, of at least the Material Amount; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against Borrower or any Third Party Obligor.

(h) There shall exist or occur any event or condition that Bank in good faith believes impairs, or is substantially likely to impair, the prospect of payment or performance by Borrower, or any Third Party Obligor, of its obligations under any of the Loan Documents.

(i) The death or incapacity of Borrower or any Third Party Obligor if an individual. The withdrawal, resignation or expulsion of any one or more of the general partners in Borrower or any Third Party Obligor if a partnership. The dissolution, division, or liquidation of Borrower or

any Third Party Obligor if a corporation, partnership, joint venture or other type of entity; or Borrower or any such Third Party Obligor, or any of its directors, stockholders or members, shall take action seeking to effect the dissolution, division, or liquidation of Borrower or such Third Party Obligor.

(j) Change of Control.

(i) any person or two or more persons acting in concert (other than Permitted Holders), shall have acquired beneficial ownership, directly or indirectly, of equity interests of Borrower (or other securities convertible into such equity interests) representing 45% or more of the combined voting power of all equity interests of Borrower entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Board of Directors of Borrower;

(ii) any person or two or more persons acting in concert (other than Permitted Holders), shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Borrower or control over the equity interests of such person entitled to vote for members of the Board of Directors of Borrower on a fully-diluted basis (and taking into account all such equity interests that such person or group has the right to acquire pursuant to any option right) representing 30% or more of the combined voting power of such equity interests;

(iii) during any period of 24 consecutive months commencing on or after the date hereof, the occurrence of a change in the composition of the Board of Directors of Borrower such that a majority of the members of such Board of Directors are not Continuing Directors;

(iv) Borrower fails to own and control, directly or indirectly, 100% of the equity interests of each other Loan Party,

SECTION 6.2. REMEDIES. Upon the occurrence and during the continuance of any Event of Default: (a) all principal, unpaid interest outstanding and other indebtedness of Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Bank's option and without notice (except as expressly provided in any mortgage or deed of trust pursuant to which Borrower has provided Bank a lien on any real property collateral) become immediately due and payable without presentment, demand, protest or any notices of any kind, including without limitation, notice of nonperformance, notice of protest, notice of dishonor, notice of intention to accelerate or notice of acceleration, all of which are hereby expressly waived by Borrower; (b) the obligation, if any, of Bank to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Bank shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. All rights, powers and remedies of Bank may be exercised at any time by Bank and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VII
MISCELLANEOUS

SECTION 7.1. NO WAIVER. No delay, failure or discontinuance of Bank in exercising any right, power or remedy under any of the Loan Documents shall affect or operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 7.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address:

BORROWER: MARCUS & MILLICHAP, INC.
23975 Park Sorrento, Suite 400
Calabasas, CA 91302
Attention: Corporate Secretary and Chief Financial Officer

BANK: WELLS FARGO BANK, NATIONAL ASSOCIATION
350 W Colorado Blvd, 4th Floor
Pasadena, CA 91105
Attention: Patrick Drum

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 7.3. COSTS, EXPENSES AND ATTORNEYS' FEES. Borrower shall pay to Bank immediately within ten (10) Business Days after written demand the full amount of all payments, advances, charges, costs and expenses, including, to the extent permitted by applicable law, reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel to the extent permissible), expended or incurred by Bank in connection with (a) the negotiation and preparation of this Agreement and the other Loan Documents, Bank's continued administration hereof and thereof, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Bank's rights and/or the collection of any amounts which become due to Bank under any of the Loan Documents, whether or not suit is brought, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity. Notwithstanding anything in this Agreement to the contrary, reasonable attorneys' fees shall not exceed the amount permitted by law.

SECTION 7.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors

and assigns of the parties; provided however, that Borrower may not assign or transfer its interests or rights hereunder without Bank's prior written consent. Bank reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Bank's rights and benefits under each of the Loan Documents to any person or entity that is not a direct competitor of Borrower (as determined by Bank in its reasonable discretion). In connection therewith, Bank may disclose all documents and information which Bank now has or may hereafter acquire relating to any credit subject hereto, Borrower or its business, any guarantor hereunder or the business of such guarantor, if any, or any collateral required hereunder.

SECTION 7.5. ENTIRE AGREEMENT; AMENDMENT. To the full extent permitted by law, this Agreement and the other Loan Documents constitute the entire agreement between Borrower and Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 7.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns, and no other person or entity shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 7.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 7.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 7.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 7.10. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of California (such State, Commonwealth or District is referred to herein as the "State"), but giving effect to federal laws applicable to national banks, without reference to the conflicts of law or choice of law principles thereof.

SECTION 7.11. BUSINESS PURPOSE. Borrower represents and warrants that each credit subject hereto is made for (a) a business, commercial, investment, agricultural or other similar purpose, (b) the purpose of acquiring or carrying on a business, professional or commercial activity, or (c) the purpose of acquiring any real or personal property as an investment and not primarily for a personal, family or household use.

SECTION 7.12. RIGHT OF SETOFF; DEPOSIT ACCOUNTS. Upon and after the occurrence and during the continuance of an Event of Default, (a) Borrower hereby authorizes Bank, at any time and from time to time, without notice, which is hereby expressly waived by Borrower, and whether or not Bank shall have declared any credit subject hereto to be due and payable in accordance with the terms hereof, to set off against, and to appropriate and apply to

the payment of, Borrower's obligations and liabilities under the Loan Documents (whether matured or unmatured, fixed or contingent, liquidated or unliquidated), any and all amounts owing by Bank to Borrower (whether payable in U.S. dollars or any other currency, whether matured or unmatured, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced), and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as Bank, in its sole discretion, may elect. Bank may exercise this remedy regardless of the adequacy of any collateral for the obligations of Borrower to Bank and whether or not the Bank is otherwise fully secured. Borrower hereby grants to Bank a security interest in all deposits and accounts maintained with Bank to secure the payment of all obligations and liabilities of Borrower to Bank under the Loan Documents.

SECTION 7.13. ARBITRATION.

(a) Arbitration. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to (i) any credit subject hereto, or any of the Loan Documents, and their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party's right to demand arbitration being automatically terminated.

(b) Governing Rules. Any arbitration proceeding will (i) proceed in a location in the State selected by the American Arbitration Association ("AAA"); (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by the AAA, or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. §91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. The arbitrator will be a neutral attorney licensed in the State or a neutral retired judge of the state or federal judiciary of the State, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all disputes in accordance with the substantive law of the State and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the corresponding rules of civil practice and procedure applicable in the State or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties who have executed any Loan Document, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment of Arbitration Costs and Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral: Judicial Reference. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration, or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such

indebtedness and obligations, shall remain fully valid and enforceable. If any such dispute is not submitted to arbitration, the dispute shall be referred to a referee in accordance with California Code of Civil Procedure Section 638 et seq., and this general reference agreement is intended to be specifically enforceable in accordance with said Section 638. A referee with the qualifications required herein for arbitrators shall be selected pursuant to the AAA's selection procedures. Judgment upon the decision rendered by a referee shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(i) Miscellaneous. To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to the Loan Documents or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of any of the Loan Documents or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

ARTICLE VIII DEFINITIONS

SECTION 8.1 DEFINITIONS. As used in this Agreement, the following terms shall have the following definitions:

"Acquisition" means a transaction or series of transactions consummated in accordance with applicable law, resulting in the acquisition of (a) a business, division, or substantially all assets of an entity; or (b) a record or beneficial ownership of 50% or more of the equity interests of an entity; directly or indirectly by Borrower or an Obligor.

"Adjusted DUS Loan Loss Liability" means, in connection with Borrower's guarantees of the M&T Realty Capital mortgage loans, the loan loss reserve, recorded in accordance with GAAP, less the outstanding balance in Borrower's collateral account held at M&T Bank, to the extent that such amount is greater than, or equal to, zero.

"Affiliate" means, with respect to any person or entity, any other person or entity directly or indirectly controlling (including but not limited to all directors and officers of such person), controlled by, or under direct or indirect common control with such person or entity. A person or entity shall be deemed to control another person or entity for the purposes of the definition of Affiliate if such person or entity possesses, directly or indirectly, the power (i) to vote 20% or more of the equity interests having ordinary voting power for the election of directors or managers of such other person or entity or (ii) to direct or cause the direction of the management and policies of such other person or entity, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Bank” has the meaning set forth in the preamble to this Agreement.

“Board of Directors” means, as to any entity, the board of directors (or comparable managers) of such entity, or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

“Borrower” has the meaning set forth in the preamble to this Agreement.

“Business Day” has the meaning set forth in Section 1.2(d).

“Continuing Director” means (a) any member of the Board of Directors who was a director (or comparable manager) of Borrower on the Closing Date, and (b) any individual who becomes a member of the Board of Directors after the date hereof if such individual was approved, appointed or nominated for election to the Board of Directors by either the Permitted Holder or a majority of the Continuing Directors.

“EBITDA” has the meaning set forth in Section 4.9(a).

“EBITDAR” has the meaning set forth in Section 4.9(b).

“EBITDAR Coverage Ratio” has the meaning set forth in Section 4.9(b).

“Event of Default” has the meaning set forth in Section 6.1.

“GAAP” means, at any time, generally accepted accounting principles in the United States of America as in effect at such time, applied in accordance with the consistency requirements thereof (excluding in the case of unaudited financial statements footnotes)

“Line of Credit” has the meaning set forth in Section 1.1(a).

“Line of Credit Note” has the meaning set forth in Section 1.1(a).

“Loan Documents” has the meaning set forth in Section 2.2.

“M&T Realty Capital” means M&T Realty Capital Corporation.

“Material Amount” means \$6,500,000.

“Maturity Date” means June 1, 2025.

“Non-cash MSR” means non-cash mortgage service rights.

“Obligors” means Borrower and present and future guarantors.

“Permitted Acquisition” means an Acquisition that satisfies the conditions contained in Section 5.4.

“Permitted Holder” means George Marcus, members of his immediate family and his spouse and issue, the respective heirs and estates of the foregoing and, other than interests of remote contingent beneficiaries referenced in the relevant trust documents, any trusts created solely for the benefit of the foregoing.

“Pro Forma Basis” means, with respect to any determination for any period, that such determination shall be made giving pro forma effect to each Acquisition or disposition consummated during such period, together with all transactions relating thereto consummated during such period (including any incurrence, assumption, refinancing or repayment of indebtedness), as if such Acquisition or disposition and related transactions had been consummated on the first day of such period, in each case based on historical results accounted for in accordance with GAAP (but without giving effect to any step-up in basis of inventory or other assets resulting from such Acquisition).

“Subfeature Letters of Credit” has the meaning set forth in Section 1.1(c).

“Total Funded Debt” has the meaning set forth in Section 4.9(b).

“Unencumbered Liquid Assets” means cash, cash equivalents and/or other liquid investments made in accordance with Borrower’s investment policy as approved by its Board of Directors from time to time, free of any lien or other encumbrance. Retirement account assets held in a fiduciary capacity by Borrower shall not qualify as Unencumbered Liquid Assets.

SECTION 8.2. OTHER DEFINITIONAL PROVISIONS. References to “Sections”, “subsections”, “Exhibits,” and “Schedules” shall be to Sections, subsections, Exhibits, and Schedules, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in Section 8.1 may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. In this Agreement, words importing any gender include the other genders; the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement; references to any person includes their respective permitted successors and assigns or people succeeding to the relevant functions of such persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

[Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first written above.

MARCUS & MILLICHAP, INC.

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Steve DeGennaro

Name: Steve DeGennaro
Title: Executive Vice President and CFO

By: /s/ Patrick Drum

Name: Patrick Drum
Title: Senior Vice President

By: /s/ Kurt Schwarz

Name: Kurt Schwarz
Title: Vice President Finance and Chief Accounting Officer

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GUARANTORS' CONSENT AND REAFFIRMATION

Each of the undersigned guarantors of all indebtedness of MARCUS & MILLICHAP, INC. to WELLS FARGO BANK, NATIONAL ASSOCIATION hereby: (i) consents to the foregoing Second Amended and Restated Credit Agreement; (ii) reaffirms its obligations under its respective Continuing Guaranty; (iii) reaffirms its waivers of each and every one of the defenses to such obligations as set forth in its respective Continuing Guaranty; and (iv) reaffirms that its obligations under its respective Continuing Guaranty are separate and distinct from the obligations of any other party under said Second Amended and Restated Credit Agreement and the other Loan Documents described therein.

GUARANTORS:

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF NORTH CAROLINA, INC.

/s/ Mark Cortell
Name: Mark Cortell
Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald
Name: Tyler Theobald
Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF NEVADA, INC.

/s/ Mark Cortell
Name: Mark Cortell
Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald
Name: Tyler Theobald
Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES, INC.

/s/ Mark Cortell
Name: Mark Cortell
Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald
Name: Tyler Theobald
Title: Secretary

MARCUS & MILLICHAP CAPITAL CORPORATION

/s/ Mark Cortell

Name: Mark Cortell

Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald

Name: Tyler Theobald

Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF FLORIDA, INC.

/s/ Mark Cortell

Name: Mark Cortell

Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald

Name: Tyler Theobald

Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF CHICAGO, INC.

/s/ Mark Cortell

Name: Mark Cortell

Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald

Name: Tyler Theobald

Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF ATLANTA, INC.

/s/ Mark Cortell

Name: Mark Cortell

Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald

Name: Tyler Theobald

Title: Secretary

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES OF SEATTLE, INC.

/s/ Mark Cortell

Name: Mark Cortell

Title: SVP, Chief Legal Officer & Secretary

/s/ Tyler Theobald

Name: Tyler Theobald

Title: Secretary

PERMITTED INDEBTEDNESS

None.

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Schedule 5.2
Permitted Indebtedness

THIRD AMENDED AND RESTATED REVOLVING LINE OF CREDIT NOTE
(Daily Simple SOFR)

\$60,000,000

Los Angeles, California
July 28, 2022

FOR VALUE RECEIVED, the undersigned MARCUS & MILLICHAP, INC., a Delaware corporation (“Borrower”) promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION (“Bank”) at its office at 21255 Burbank Blvd., Suite 110, Woodland Hills, CA 91367, or at such other place as the holder hereof may designate, in lawful money of the United States of America and in immediately available funds, the principal sum of Sixty Million Dollars (\$60,000,000), or so much thereof as may be advanced and be outstanding, with interest thereon, to be computed on each advance from the date of its disbursement as set forth herein. This Note amends, restates and replaces in full that certain Second Amended and Restated Revolver Line of Credit Note, dated as of May 31, 2022, in the principal amount of up to \$60,000,000 made by Borrower and payable to the order of Bank previously issued in respect of that certain Amended and Restated Credit Agreement between Borrower and Bank dated as of May 28, 2019, as amended from time to time (the “Credit Agreement”).

INTEREST.

1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement. As used herein, the following terms shall have the meanings set forth after each, and any other term defined in this Note shall have the meaning set forth at the place defined:

(a) “Benchmark Floor” means a rate of interest equal to zero percent (0%).

(b) “Daily Simple SOFR” means, with respect to any day (a “SOFR Rate Day”), a rate per annum equal to SOFR for the day (such day, the “SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to (i) if such SOFR Rate Day is a U.S. Government Securities Business Day, such SOFR Rate Day or (ii) if such SOFR Rate Day is not a U.S. Government Securities Business Day, the U.S. Government Securities Business Day immediately preceding such SOFR Rate Day, in each case, as such SOFR is published by the SOFR Administrator on the SOFR Administrator’s Website; provided, however, that if Daily Simple SOFR determined as provided above would be less than the Benchmark Floor, then Daily Simple SOFR shall be deemed to be the Benchmark Floor. If by 5:00 p.m. (New York City time) on the second (2nd) U.S. Government Securities Business Day immediately following any SOFR Determination Day, SOFR in respect of such SOFR Determination Day has not been published on the SOFR Administrator’s Website and a Benchmark Replacement Date with respect to Daily Simple SOFR has not occurred, then SOFR for such SOFR Determination Day will be SOFR as published in respect of the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website; provided that any SOFR determined pursuant to this sentence shall be utilized for purposes of calculation of Daily Simple SOFR for no more than three (3) consecutive SOFR Rate Days.

(c) "Federal Reserve Business Day" means any day that is not a Saturday, Sunday or other day on which the Federal Reserve Bank of New York is closed.

(d) "Prime Rate" means at any time the rate of interest most recently announced within Bank at its principal office as its prime rate, with the understanding that the Prime Rate is one of Bank's base rates and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto, and is evidenced by the recording thereof after its announcement in such internal publication or publications as Bank may designate; provided, however, that any borrowings hereunder accruing interest determined in relation to the Prime Rate shall not be less than one percent (1%) at any time, regardless of fluctuations in the Prime Rate that may cause the rate of interest applicable to this Note to be less than one percent (1%).

(e) "SOFR" means a rate per annum equal to the secured overnight financing rate as administered by the SOFR Administrator.

(f) "SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

(g) "SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

(h) "U.S. Government Securities Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association, or any successor thereto, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

Any capitalized terms not defined herein shall have those meanings set forth in the Credit Agreement (as that term is defined below).

2. Interest. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a rate per annum determined by Bank to be the Applicable Margin plus the Daily Simple SOFR in effect from time to time. The Bank shall be permitted to estimate the amount of accrued interest that is payable at any time hereunder on the applicable invoice provided by Bank to Borrower in respect thereof, in which case Borrower shall pay such estimated amount and Bank shall to the extent necessary, include on the next invoice an adjustment to correct any difference between the amount on the applicable invoice and the amount of interest that actually accrued pursuant to the terms of this Note. Bank is hereby authorized to note the date, principal amount and interest rate applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to this Note, which notations shall be prima facie evidence of the accuracy of the information noted. "Applicable Margin" means, as of any date of determination and with the applicable margin set forth in the following table that corresponds to the Total Funded Debt to EBITDA ratio for the most recently completed quarter; provided, that any time an Event of Default has occurred and is continuing, the Applicable Margin shall be set at the margin in the row styled "Level 3":

Level	Total Funded Debt/EBITDA	Applicable Margin
1	less than 1.00x	1.000%
2	1.01x to 1.50x	1.125%
3	1.51x or greater	1.250%

The Applicable Margin will be re-determined as of the first business day of Borrower's fiscal quarter following the quarter during which Bank receives and reviews Borrower's most current fiscal quarter-end financial statements in accordance with any requirements established by Bank for the preparation and delivery thereof.

3. Taxes and Regulatory Costs. Borrower shall pay to Bank immediately upon demand, in addition to any other amounts due or to become due hereunder, any and all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to SOFR or Daily Simple SOFR, and (ii) costs, expenses and liabilities arising from or in connection with reserve percentages prescribed by the Board of Governors of the Federal Reserve System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System, as amended), assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority or resulting from compliance by Bank with any request or directive (whether or not having the force of law) from any central bank or other governmental authority and related in any manner to SOFR or Daily Simple SOFR and (iii) taxes, stamp taxes, and insurance payable by reason of the execution and delivery of this Note, the Credit Agreement, and any loan documents. In determining which of the foregoing are attributable to any SOFR or Daily Simple SOFR option available to Borrower hereunder, any reasonable allocation made by Bank among its operations shall be conclusive and binding upon Borrower.

4. Payment of Interest. Interest accrued on this Note shall be payable on the first day of each calendar month, commencing August 1, 2022.

5. Default Interest. From and after the Maturity Date of this Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, or upon the occurrence, and during the continuance of an Event of Default, then at the option of the Bank the outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at an increased rate per annum equal to two percent (2%) above the rate of interest from time to time applicable to this Note.

6. Inability to Determine Interest Rates; Illegality. Subject to the Benchmark Replacement Provisions below, if Bank determines (any determination of which shall be conclusive and binding on Borrower) that either (i) Daily Simple SOFR cannot be determined pursuant to the definition thereof other than as a result of a Benchmark Transition Event (an "Inability Determination") or (ii) any law has made it unlawful, or that any governmental authority has asserted that it is unlawful, for Bank to make or maintain

an advance based on SOFR or Daily Simple SOFR, or to determine or charge interest rates based upon SOFR or Daily Simple SOFR (an “Illegality Determination”), then Bank will so notify Borrower. The outstanding principal balance of this Note shall bear interest (computed on the basis of a 360-day year, actual days elapsed) at a rate per annum determined by Bank to be equal to the Prime Rate in effect from time to time, from the date of an Inability Determination or an Illegality Determination until Bank revokes such Inability Determination or notifies Borrower that the circumstances giving rise to such Illegality Determination no longer exist, as applicable. When interest is determined in relation to the Prime Rate, each change in the rate of interest hereunder shall become effective on the date each Prime Rate change is announced within Bank. Notwithstanding any of the foregoing to the contrary, if a Benchmark Replacement is subsequently determined in accordance with applicable Benchmark Replacement Provisions, that Benchmark Replacement, plus any applicable margin, will become effective on the Benchmark Replacement Date and will then supersede the Prime Rate and margin determined in accordance with this provision.

BENCHMARK REPLACEMENT PROVISIONS:

Notwithstanding anything to the contrary contained in this Note or in any related loan document (for the purposes of these Benchmark Replacement Provisions, a swap agreement by and between Borrower and Bank or any of its affiliates is not a loan document):

(a) Benchmark Replacement. If a Benchmark Transition Event occurs, the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes under this Note or under any related loan document. Any Benchmark Replacement will become effective on the applicable Benchmark Replacement Date without any further action or consent of Borrower.

(b) Benchmark Replacement Conforming Changes. Bank will have the right to make Benchmark Replacement Conforming Changes from time to time and any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Borrower.

(c) Notices: Standards for Decisions and Determinations. Bank will promptly notify Borrower of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by Bank pursuant to these Benchmark Replacement Provisions, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and will be made in its sole discretion and without Borrower consent.

(d) Certain Defined Terms. As used in this Note, each of the following capitalized terms has the meaning given to such term below:

“Benchmark” means, initially, Daily Simple SOFR; provided, however, that if a Benchmark Transition Event has occurred with respect to Daily Simple SOFR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to the provisions of this Note.

“Benchmark Administrator” means, initially, the SOFR Administrator or any successor administrator of the then-current Benchmark or any insolvency or resolution official with authority over such administrator.

“Benchmark Replacement” means the sum of: (A) the alternate rate of interest that has been selected by Bank as the replacement for the then-current Benchmark; and (B) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Bank, in each case, giving due consideration to (x) any selection or recommendation by the Relevant Governmental Body at such time for a replacement rate, the mechanism for determining such a rate, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such rate, or (y) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the then-current Benchmark, the methodology or conventions applicable to such rate, or the spread adjustment, or method for calculating or determining such spread adjustment, for such alternate rate for U.S. dollar-denominated syndicated or bilateral credit facilities at such time; provided, however, that if the Benchmark Replacement as determined as provided above would be less than the Benchmark Floor, then the Benchmark Replacement shall be deemed to be the Benchmark Floor, subject to any other applicable floor rate provision.

“Benchmark Replacement Conforming Changes” means any technical, administrative or operational changes (including, without limitation, changes to the timing and frequency of determining rates and making payments of interest, prepayment provisions and other technical, administrative or operational matters) that Bank decides may be appropriate to reflect the adoption and implementation of a Benchmark Replacement and to permit the administration thereof by Bank.

“Benchmark Replacement Date” means the date specified by Bank in a notice to Borrower following a Benchmark Transition Event.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark: a public statement or publication of information by or on behalf of the Benchmark Administrator or a regulatory supervisor for the Benchmark Administrator announcing that (A) the Benchmark Administrator has ceased or will cease to provide the Benchmark permanently or indefinitely or (B) the Benchmark is no longer, or as of a specified future date will no longer be, representative of underlying markets.

“Relevant Governmental Body” means the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System and/or the Federal Reserve Bank of New York or any successor thereto.

BORROWING AND REPAYMENT.

1. Borrowing and Repayment. Borrower may from time to time during the term of this Note borrow, partially or wholly repay its outstanding borrowings, and

reborrow, subject to all of the limitations, terms and conditions of this Note and of any document executed in connection with or governing this Note; provided however, that the total outstanding borrowings under this Note shall not at any time exceed the principal amount stated above. The unpaid principal balance of this obligation at any time shall be the total amounts advanced hereunder by the holder hereof less the amount of principal payments made hereon by or for Borrower, which balance may be endorsed hereon from time to time by the holder.

2. Advances. Advances hereunder, to the total amount of the principal sum stated above and subject to the terms and conditions of the Credit Agreement defined below, may be made by the holder at the written request of (i) Borrower's Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, any one acting alone, who are authorized to request advances and direct the disposition of any advances until written notice of the revocation of such authority is received by the holder at the office designated above, or (ii) any person, with respect to advances deposited to the credit of any deposit account of Borrower, which advances, when so deposited, shall be conclusively presumed to have been made to or for the benefit of Borrower regardless of the fact that persons other than those authorized to request advances may have authority to draw against such account. The holder shall have no obligation to determine whether any person requesting an advance is or has been authorized by Borrower.

3. Application of Payments. Each payment made on this Note shall be credited first, to any interest and fees then due and second, to the outstanding principal balance hereof.

4. Maturity Date Payment in Full. Borrower shall pay all remaining unpaid principal and accrued interest due and payable in full on the earlier of demand by the Bank on the occurrence of an Event of Default or June 1, 2025, (the "Maturity Date").

PAYMENTS. If any payment of principal or interest to be made pursuant to this Note, other than a prepayment or a payment due on the Maturity Date of this Note, shall fall due on a day that is not a Federal Reserve Business Day, payment shall be made on the next succeeding Federal Reserve Business Day, except that, if such next succeeding Federal Reserve Business Day would fall in the next calendar month, such payment shall be made on the immediately preceding Federal Reserve Business Day. Any extension or contraction of time shall be reflected in computing interest or fees, as the case may be.

SWAP AGREEMENT. Borrower understands and acknowledges that (i) any Swap Agreement constitutes an independent agreement between Borrower and Bank and will be unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Note, except as otherwise expressly provided in the Swap Agreement, (ii) nothing in this Note shall be construed as a modification of a Swap Agreement or create an obligation to amend a Swap Agreement, (iii) Borrower may incur losses or reductions in benefits related to differences between the economic terms and characteristics of this Note and those of a related Swap Agreement (including, without limitation, differences with respect to maturity dates, payment dates and methods for determining interest rates and differences between borrowings hereunder and the notional amount of a Swap Agreement), and Bank is under no obligation to ensure that there are no differences or that differences will not arise hereafter, including, without limitation, differences between usage hereunder and the notional amount of a Swap Agreement, and (iv) Bank has no obligation to modify, renew or extend the Maturity Date of this Note to match the maturity

date of a Swap Agreement. For the purposes of this Note, "Swap Agreement" means any existing or future swap agreement by and between Borrower and Bank or any of its affiliates.

EVENTS OF DEFAULT. This Note is made pursuant to and is subject to the terms and conditions of the Credit Agreement. Any default in the payment or performance of any obligation under this Note, or any defined event of default under the Credit Agreement, shall constitute an "Event of Default" under this Note.

MISCELLANEOUS.

1. Remedies. Upon the sale, transfer, hypothecation, assignment, or other encumbrance, whether voluntary, involuntary or by operation of law, of all or any interest in any real property securing this Note, or upon the occurrence of any Event of Default, the holder of this Note, at the holder's option, may declare all sums of principal and interest outstanding hereunder to be immediately due and payable without presentment, demand, notice of nonperformance, notice of protest, protest or notice of dishonor, all of which are expressly waived by Borrower, and the obligation, if any, of the holder to extend any further credit hereunder shall immediately cease and terminate. Borrower shall pay to the holder immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of the holder's in-house counsel), expended or incurred by the holder in connection with the enforcement of the holder's rights and/or the collection of any amounts which become due to the holder under this Note, and the prosecution or defense of any action in any way related to this Note, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Borrower or any other person or entity.

2. Collateral Exclusion. No lien or security interest created by or arising under any deed of trust, mortgage, security deed, or similar real estate collateral agreement ("Lien Document") shall secure the Note Obligations unless such Lien Document specifically describes the promissory note(s), instrument(s) or agreement(s) evidencing Note Obligations as a part of the indebtedness secured thereby. This exclusion shall apply notwithstanding (i) the fact that such Lien Document may appear to secure the Note Obligations by virtue of a cross-collateralization provision or other provisions expanding the scope of the secured obligations, and (ii) whether such Lien Document was entered into prior to, concurrently with, or after the date hereof. As used herein, "Note Obligations" means any obligations under this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time, or under any other evidence of indebtedness that has been modified, renewed or extended in whole or in part by this Note, as amended, extended, renewed, refinanced, supplemented or otherwise modified from time to time.

3. Obligations Joint and Several. The obligations of Borrower under this Note and the other Loan Documents shall be joint and several with all other obligors hereof and thereof.

4. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California, without reference to the conflicts of law or choice of law principles thereof.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the date first written above.

MARCUS & MILLICHAP, INC.

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: Vice President Finance and Chief Accounting Officer

EMPLOYMENT AGREEMENT

This Agreement is made effective the 4th day of August, 2022 (“Effective Date”) by and between Marcus & Millichap, Inc. (the “Company”) and John David Parker (“Employee”) with respect to the following:

- A. The Parties desire to enter into an at-will Employment Agreement whereby the Employee will serve in the capacity of Chief Operating Officer – Eastern Division, based in the Company’s Manhattan, NY office.
- B. The Parties agree that Employee’s employment shall be governed by the terms set forth herein, including the arbitration provision, the Employee Manual, and the Company’s policies and procedures.

THEREFORE, the Parties agree as follows:

1. **Term of At-Will Employment.** This Agreement shall be in effect commencing on August 4, 2022. The Company and Employee hereby agree that Employee’s employment with the Company is at-will. Either party may terminate this Agreement with or without cause. Such termination shall not prejudice any remedy which either party may have against the other at law, in equity, or under this Agreement.
2. **Designation and Duties.** Beginning on May 4, 2021, Employee was appointed Chief Operating Officer – Eastern Division. Subject to the control and direction of the Chief Executive Officer and/or the Board of Directors (or one of its Committees), Employee shall serve as an officer of the Company, and shall be responsible for oversight of the Company’s investment sales activities in the eastern United States, and other responsibilities. From time-to-time, these duties may be modified by the Chief Executive Officer and/or the Board of Directors in their reasonable discretion. Employee is not guaranteed, has not been promised, and has no expectation of any promotion or any other position with the Company other than the one stated in this Agreement. Employee shall serve the Company diligently and according to Employee’s best abilities in all respects, and generally do all things for the best interest of the Company as are usually done by persons occupying similar positions in similar businesses.
3. **Manner of Performance.** Employee shall at all times faithfully, industriously, and to the best of Employee’s ability, experience, and talent, perform all duties that may be required of and from Employee, pursuant to the express and implicit terms hereof, to the reasonable satisfaction of the Company. Such duties shall be rendered at the above-mentioned premises and at such other place or places as the Company shall require or as the interests, needs, business, and opportunities of the Company shall require or make advisable. Employee acknowledges that Employee has received and has read a copy of the Company’s Employee Policy Manual and Code of Ethics and agrees to abide by all terms and conditions, including all future amendments or modifications thereto. The Company reserves the right to amend and revise its policies at any time and from time to time. The Company will notify Employee of all such material changes. Employee agrees to read, comply with, and be bound by all such amendments, revisions and/or modifications.

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4. **Compensation and Fringe Benefits.** The compensation and fringe benefits to be received by Employee in consideration of the services to be rendered by Employee are set forth in Exhibit "A" attached hereto. The provisions of Exhibit "A" are incorporated into this Agreement by reference as if fully set forth herein. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to employees.
 5. **Effect of Termination on Compensation.** Employee shall be entitled to the base salary earned by Employee prior to the date of termination, computed pro rata up to the date of termination. Employee shall not be entitled to any further salary or other compensation after the date of termination. Except as expressly modified in Exhibit A, on termination of this Agreement Employee shall not be deemed to have earned any incentive compensation not already declared and paid by the Company because such compensation is not for services rendered, and employment on the date of payment is an express requirement to be deemed to have earned any such compensation. Unless otherwise agreed-to in writing, Employee shall be obligated to return to the Company within ten (10) days after the termination of Employee's employment any draws or other advance payments (of incentive compensation or otherwise) made to him during the annual period in which such termination occurs. Unless otherwise agreed-to in writing, interest shall accrue on the sum of any such advances at the rate of ten percent (10%) per annum after said ten-day period.
 6. **Business Expenses.** The Company will promptly reimburse Employee for reasonable business expenses incurred by Employee in promoting the business of the Company, including expenditures for entertainment, gifts and travel, provided that: (i) Each such expenditure is of a nature qualifying it as a proper deduction on the Federal and State income tax returns of the Company; and (ii) Employee furnishes to the Company, in accordance with the Company's established policy, adequate records and other documentary evidence required by Federal and State statutes and regulations issued by the appropriate taxing authorities for the substantiation of such expenditures as income tax deductions.
 7. **Confidentiality and Restrictive Covenants.**
 - (i) **Confidentiality.** Employee understands that based upon Employee's senior position within the Company and for the Employee to perform the duties successfully, that it is necessary to provide Employee with access to the Company's confidential and/or proprietary information ("Confidential Information" as further defined below).
 - (a) Employee shall not, at any time during or after the Term, reproduce or use for Employee's own purposes or disclose to anyone else, for any reason or purpose, any Confidential Information, other than during the performance of services in Employee's capacity as an employee of the Company. Employee agrees to exercise reasonable care in safeguarding and maintaining Confidential Information against loss, theft or other inadvertent disclosure.

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- (b) “Confidential Information” means confidential or proprietary information or trade secrets of or relating to the Company or any of its affiliates or that the Company has received from a client, customer or other third party doing business with the Company or its affiliates, including, without limitation: (A) intellectual property in the form of patents, trademarks, copyrights and applications thereof, ideas, inventions, works, discoveries, improvements, information, documents, formulae, practices, processes, methods, developments, source code, modifications, technology, techniques, data, programs, other know-how or materials, in each case, that are confidential and/or proprietary and owned, developed or possessed by the Company, whether in tangible or intangible form; (B) information concerning the Company’s operations, regulatory status, processes, products, inventions, business practices, strategies, unique business methods, services or products, business plans, joint ventures, business alliances, finances, financial analysis and data, profit margins, marketing methods, costs, prices, financial arrangements with contractors, employees, salespersons, or vendors, Company proprietary information, policies, and policy manuals; and (C) information concerning principals, sales persons, employees, vendors, suppliers, customers, client lists, investors, potential customers, potential investors, contractual relationships, prospects and confidential personnel information including compensation paid to employees, brokers, independent contractors, consultants, or other terms of retention or employment.
- (c) Confidential Information shall not include: (A) any of the foregoing items which have become publicly known through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved, or that were known to Employee prior to Employee’s employment by the Company or its affiliates (although any information provided to Employee by the Company prior to such date in connection with Employee’s proposed employment shall constitute Confidential Information, and in the event of a dispute, Employee shall have the burden of establishing such prior knowledge); and (B) any information that Employee is required to disclose to, or by, any governmental or judicial authority; provided, that Employee gives the Company prompt written notice thereof so that the Company may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Agreement.
- (d) In accordance with the Defend Trade Secrets Act, Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under

seal in a lawsuit or other proceeding. In addition, if Employee files a lawsuit for retaliation for reporting a suspected violation of law, Employee may disclose trade secrets of the Company to Employee's attorney and use the trade secret information in the court proceeding provided that Employee: (i) files any document containing the trade secret under seal; and (ii) does not otherwise disclose the trade secret, except pursuant to a court order.

- (e) Employee agrees not to disclose this Agreement to any third party, other than Employee's attorneys, accountants, financial advisors, to members of Employee's immediate family; provided, that the terms of this Paragraph shall not be construed to prohibit any disclosure required or allowed by law or in any proceeding to enforce the terms and conditions of this Agreement. Employee may disclose Employee's obligations under this Agreement to a prospective employer.
 - (f) Return of Company Property, including Confidential Information. Upon the earlier of the Company's request and the termination of employment, Employee shall immediately (within three (3) days of such request and/or termination) turn over to the Company all documents, papers and other material, including all copies thereof, in Employee's possession or under Employee's control, which may constitute, contain or be derived from Confidential Information, whether in written, digital or machine-readable form, together with all Company property, documents, notes and other work product which is connected with or derived from Employee's employment with the Company.
- (ii) Non-Solicitation of Employees/Contractors/Consultants. During the Term and ending **three (3) years** after the Term (the "Personnel Restricted Period"), Employee shall not, directly or indirectly, individually or acting as an employee, owner, partner, investor, officer, director, independent contractor, supplier, consultant, principal, agent or otherwise, recruit, solicit or hire any employee, independent contractor or consultant of the Company or its affiliates or anyone who was an employee, independent contractor or consultant of the Company or its affiliates twelve (12) months prior to Employee's termination of employment (collectively a "Restricted Person"), or request, advise or otherwise induce a Restricted Person to terminate their employment with, or otherwise cease their relationship with the Company or any of its affiliates. This prohibition shall include, but not be limited to, activity done personally, directly, or indirectly by Employee, or through agents or employees acting on behalf of Employee, or for Employee's direct or indirect benefit.
 - (iii) Non-Solicitation of Customers/Clients. During the Term and ending **three (3) years** after the Term ("Client Restricted Period") Employee shall not directly or indirectly, individually or acting as an employee, owner, partner, investor, officer, director, independent contractor, supplier, consultant, principal, agent or otherwise: (a) divert, or otherwise solicit or accept as a

customer or client for the purpose of engaging in a competitive manner with the Company's brokerage and financing businesses, any customer or client of the Company or its affiliates whom the Company or its affiliates conducted business during the twenty-four (24) month period immediately prior to Employee's termination of employment with the Company, or (b) divert, or otherwise solicit or accept as a customer or client for purposes of engaging in a competitive manner with the Company's brokerage and financing businesses, any prospective customer or client of the Company or its affiliates whom the Company or its affiliates was pursuing within six (6) months prior to Employee's termination of employment. Notwithstanding the foregoing, the portion of the Client Restricted Period that applies after termination of employment shall be reduced from three (3) years to six (6) months if: (x) Employee is terminated without "Cause" by the Company, or (y) Employee is terminated by the Company within one-year of, and as the result of, a sale or change-in control.

- (iv) Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, engage in any conduct, or make any statement disparaging or criticizing in any way, the Company or any of its affiliates, or any personnel of the Company or any of its affiliates, or engage in any other conduct or make any other statement that could be reasonably expected to impair the goodwill or reputation of the Company or any of its affiliates, in each case, except that is required by law, and then only after consultation with the Company to the extent possible.
- (v) Acknowledgements.
 - (a) Employee acknowledges that the Company's Confidential Information constitutes valuable, special and unique commercial and proprietary assets of the Company, is not public and is of a highly sensitive nature. Employee further acknowledges that disclosure of the Company's Confidential Information would severely and adversely impact the Company's business and provide the recipient with a substantial and unfair competitive advantage.
 - (b) Employee recognizes that the restrictions and limitations set forth in Paragraph 7 of this Agreement (the "Restrictive Covenants"), are independent and separate obligations of one another. Employee acknowledges and agrees that the Restrictive Covenants are legitimate, fair and reasonable, including with respect to time and geographic scope necessary to protect legitimate business interests of the Company, including goodwill, client relationships, and Confidential and proprietary information, and because of Employee's special, extraordinary, and unique services. The Restrictive Covenants are a material condition of employment with the Company. The Company's obligations set forth herein, including compensation and material and beneficial change in Employee's role as evidenced in this Agreement, constitutes fair and reasonable consideration.

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- (c) Notwithstanding any term to the contrary, if Employee breaches, or threatens to commit a breach of any of the Restrictive Covenants, the Company will be entitled to all available forms of equitable relief, including, without limitation, injunctive relief and specific performance, from any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages alone will not provide an adequate remedy to the Company. Employee agrees and consents that, in addition to any other remedies available to it, the Company shall be entitled to equitable relief without posting a bond. Employee agrees that the existence of this right to seek injunctive and other equitable relief shall not limit any other rights or remedies that the Company may have in law or in equity including, without limitation, the right to monetary, compensatory and punitive damages.
- (d) Should Employee violate any obligation imposed in this Agreement, Employee acknowledges and agree that the obligation will be extended by the length of time during which Employee is in breach of such obligation. Each of the Restrictive Covenants shall be construed as an agreement independent of any other provision in this Agreement and the existence of any claim or cause of action by Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any such covenants.
- (e) If any Restrictive Covenant is determined not enforceable in the manner set forth herein, the Parties agree that it is the intention of the parties that such provision be modified by the court or arbitrator, as applicable, and should be enforceable to the maximum extent possible under applicable law.
- (f) Cause. For purposes of this Agreement, Cause shall be defined as: (A) material violation of Company's policies or the Agreement following notice and thirty (30) days opportunity to cure where such breach is capable of cure; (B) material violation of Company's policies or this Agreement where such breach is not capable of cure; (C) failure to perform Employee's duties in a manner equal to or exceeding that which is reasonable and customary for individuals holding the same or similar title for similar companies in the United States; (D) failure to comply with the reasonable requests and directives of Employee's supervisor; (E) commission of, plea of guilt or no-contest to, or conviction for any felony or crime of moral turpitude; (F) commission of fraud; (G) commission of any conduct for which punitive damages are awarded; or (H) commission of any act which materially and negatively affects the Company's brand, reputation, standing, or licensure.

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- (g) **Affiliated Entities.** For the purpose of this Agreement, the affiliates or affiliated entities of the Company consist of the Company and all entities which are subsidiaries or related parties of the Company.
8. **Employee's Representations.** Employee shall never use any Confidential Information belonging to any of the Employee's former employers in the course of Employee's duties for the Company.
9. **Ownership of Records.** All documents and other materials relating to the Company's or its affiliates' accounts, customers, real estate listings, employees, sales personnel, computer programs, investments, finances, strategies and business plans, financial statements, training programs or any other type of Confidential Information, and all copies thereof, whether prepared by Employee or otherwise coming into Employee's possession, are the exclusive property of the Company. All such documents shall be immediately returned by Employee to the Company upon termination of Employee's employment.
10. **Mutual Arbitration Agreement. READ CAREFULLY**
- (i) Employee and the Company (which is inclusive of all parent, related, and subsidiary entities) agree that all past, present, or future disputes or claims arising from or relating to this Agreement or Employee's affiliation with the Company, including disputes or claims relating to any contract between the Company and Employee, shall be decided exclusively through mutual, binding arbitration before a single arbitrator of the American Arbitration Association ("AAA"), who is a retired state or federal judge, in accordance with its commercial rules and procedures ("Rules"), except where modified herein. AAA's Expedited Procedures shall not apply. A copy of the Rules may be found on AAA's website at www.adr.org, and shall be provided by the Company upon request.
- (ii) The Parties understand and agree that all claims, disputes, or controversies between Employee and the Company (including owners, directors, managers, employees, parent or subsidiary entities) shall be resolved exclusively through binding arbitration in conformance with the Federal Arbitration Act ("FAA") and the procedures of any applicable State arbitration act. The Parties agree their relationship and work relates to and substantially affects interstate commerce, and that the FAA governs the enforcement and interpretation of this arbitration provision.
- (iii) The Agreement applies to all claims arising from or relating in any fashion to Employee's affiliation with the Company, including claims asserted under statute, equitable law, common law, regulations, ordinances, tort or contract law, or any other basis, and includes, but is not limited to, claims for breach of contract, unpaid commissions, unfair business practices, discrimination, harassment, retaliation, unpaid wages, unpaid benefits, failure to reimburse business expenses, wage statement violations, misclassification, wrongful discharge, defamation, misrepresentation, fraud, assault/battery, and infliction of emotional distress. This Agreement excludes claims arising under the National Labor Relations Act that are

brought before the National Labor Relations Board, State medical and disability benefits, State workers compensation benefits, State unemployment benefits, and any other claim excluded from arbitration under State or Federal law.

- (iv) The Parties understand and agree that they hereby waive their rights to a jury trial on any covered claim. The Parties further understand and agree that they may bring claims on behalf of themselves, and themselves only. The Parties hereby waive the right to bring, or otherwise participate in any fashion in, a claim or action on a class, collective or representative basis to the fullest extent allowed by law. The Parties understand and agree that this Agreement shall not be construed to allow or permit, and the arbitrator shall have no authority to allow or permit, the consolidation or joinder of other claims or controversies involving other individuals, or to order any action to proceed on a class, collective, or representative basis. Notwithstanding the foregoing, if a court or arbitrator determines a certain matter may proceed by law as a class, representative, or collective action, that action shall proceed in court only, and shall be stayed until the final disposition of all arbitrable claims.
- (v) The arbitrator shall have the authority to make orders regarding discovery, including depositions, written discovery, and document production, consistent with State law and as necessary for fair disposition of claims. The arbitrator shall apply all rules of evidence that would apply to an action brought in a State court. The arbitrator shall hear and issue written rulings on all dispositive motions, including, but not limited to demurrers, motions for summary judgment or adjudication, or motions for terminating sanctions. The arbitrator shall extend times for notices or hearings as required for the Parties full use and benefit of this Agreement. The arbitrator may award any type of relief that would otherwise be available in court. Issues of arbitrability shall be determined in conformity with the FAA. On all other issues of substantive law, the arbitrator shall apply the law that would apply to the claims and defenses if they were brought in court, and shall issue a written, reasoned opinion/award. The Company shall pay all costs unique to arbitration that Employee would not otherwise be required to pay if the matter were litigated in court, including the cost of the arbitrator.
- (vi) The arbitration shall occur in the county where the Company's office from which Employee is or was based is located. This is the entire agreement regarding the resolution of disputes. The Parties intend that this agreement for arbitration be enforced to the fullest extent allowed by law, and the Parties therefore agree the Court or arbitrator should construe it in a manner that renders it enforceable.

By initialing below, the Parties acknowledge that they have read, considered, and understand the foregoing arbitration agreement, and agree to be bound by it.

Initials:

/s/ Hessam Nadji
Company

/s/ John David Parker
Employee

11. **Notices.** Any notices to be given hereunder by either party to the other may be affected either by personal delivery in writing or by certified mail. Mailed notices shall be addressed to the parties at the addresses appearing just under their signature on the execution page of this Agreement, but each party may change their address by giving written notice thereof to the other party.
12. **Entire Agreement.** This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by the Company and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification of this Agreement will be effective only if it is in writing signed by all parties. This Agreement does not, however, modify (i) the terms of the equity agreements provided under the Company's Omnibus Equity Incentive Plan; (ii) the terms of the Company's Change in Control Policy; and (iii) the terms of the Company's Death & Disability Policy.
13. **Partial Invalidity.** The Parties intend that this Agreement be interpreted to render it enforceable. If any part of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, it shall be severed or where possible modified by the court or arbitrator and the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.
14. **Attorneys' Fees.** Where not disallowed by state laws, in the event litigation is instituted by either party concerning any aspect of this Agreement, the prevailing party shall be entitled to receive from the other party all costs and reasonable attorneys' fees in addition to any other appropriate relief in accordance with state law.
15. **Additional Terms.** Electronic, or electronically transmitted, signatures shall be deemed to be originals. The Parties have been advised to seek counsel regarding the terms of this Agreement and having had that opportunity now knowingly and voluntarily wish to enter into it. Both parties have participated in the negotiation and drafting of this Agreement, such that it will not be construed more strictly against the drafting party.
16. **Applicable Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of New York. As used herein, "State" refers to New York.

IN WITNESS WHEREOF, the Parties understand and agree to the foregoing terms.

EMPLOYEE

MARCUS & MILLICHAP, INC.

/s/ John David Parker
JOHN DAVID PARKER
COO – Eastern Division
260 Madison Avenue, 5th Floor
New York, NY 10016

By: /s/ HESSAM NADJI
HESSAM NADJI
President / CEO
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

Date:

Date:

EMPLOYMENT AGREEMENT

EXHIBIT A

This document is Exhibit A of the Employment Agreement (hereinafter called the "Agreement") between Marcus & Millichap, Inc. (the "Company") and John David Parker ("Employee"). The provisions hereof are an integral part of said Agreement and are fully incorporated into the Agreement. The Compensation and Fringe Benefits to be paid to the Employee pursuant to this Employment Agreement (and as described below) are as of the Effective Date and will be reassessed annually by the Chief Executive Officer and Compensation Committee of the Company's Board of Directors (the "Board").

Compensation and Fringe Benefits of Employee.

The compensation and fringe benefits to be paid to Employee for 2022 are as follows:

1. **Compensation and Special Conditions.**

- i. **Salary.** Employee shall be entitled to receive from the Company a base monthly salary of Thirty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$33,333.33), payable in semi-monthly installments, pro-rated for less than a full year of service. In the event employment is terminated, the base salary amount will be paid on a pro-rata basis up to the date of termination in accordance with state law, with no salary due or earned after the date of termination.
- ii. **Bonus Potential:** Employee will be eligible to receive an annual discretionary cash incentive bonus targeted at One Million Five Hundred and Fifty Thousand Dollars (\$1,550,000) per calendar year for 2022 (with eligible bonus for 2022 paid by the target date of February 2023) and continuing annually thereafter. This bonus will be sixty percent (60%) based on Company financial and non-financial performance against goals, and forty percent (40%) based on personal goals that will be set with Employee's input (%'s subject to change in the reasonable discretion of the Chief Executive Officer). It will be determined based on Employee's performance review with the Chief Executive Officer and paid, if awarded, in February after the Compensation Committee meeting and approval process. If in any given year, the Company does not meet a minimum of fifty percent (50%) of its pre-tax income goal, no bonuses will be paid to Employee for that year, unless special considerations are determined by the Compensation Committee. The actual annual discretionary cash incentive bonus paid to Employee for any given year will be both objective and subjective in nature, will be heavily dependent on both the Company's financial performance and Employees performance against his pre-established performance goals, and may end up being higher or lower than Employee's annual discretionary cash incentive bonus target.

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- iii. **Restricted Stock Units**: Subject to approval by the Compensation Committee, as a senior leader of the Company, as set forth below contingent upon Employee's continued employment and good standing, Employee will be eligible for long term incentive compensation in the form of restricted stock units ("RSUs"). All RSUs require the approval of the Compensation Committee and shall be governed by the Company's Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement, except as modified and approved by the Compensation Committee.
- a. **LTP1 and LTP2 RSU Grant**: Subject to approval of the Compensation Committee, and Employee being in good standing, beginning with any discretionary cash bonus paid in 2023, Employee will be eligible in the Company's discretion to receive an RSU grant potential equivalent of up to fifty percent (50%) of Employee's actual discretionary cash bonus earned and paid each year. Twenty-five percent (25%) will be based on the year's overall results including the Company's performance and Employee's individual performance ("LTP1") (LTP1 % subject to change in the reasonable discretion of the Chief Executive Officer). Twenty-five percent (25%) will be based on progress toward achieving the Company's long-term goals and Employee's contribution toward them ("LTP2") (LTP2 % subject to change in the reasonable discretion of the Chief Executive Officer). These RSU grants will be part of the annual review process, with amounts determined by the Company, in its discretion, in February based on the prior calendar year. The RSU grants will be subject to a 5-year vesting schedule.
2. **Performance-Based Compensation Clawback**. Employee acknowledges and agrees that the Company will be entitled, pursuant to any policy it adopts to comply with the clawback rules implemented by the Securities and Exchange Commission and/or our exchange listing standards, to recover from Employee, regardless of fault, that portion of performance-based compensation which was based on financial information required to be reported under securities laws that would not have been paid in the three completed fiscal years preceding the year(s) in which an accounting restatement is required to be filed to correct a material error. Subject to applicable law, the Compensation Committee may seek to recoup such performance-based compensation by requiring Employee to repay such amount to the Company; by set-off; by reducing future compensation; or by such other means or combination of means as the Compensation Committee, in its sole discretion, determines to be appropriate.
3. **Cellular Phone Allowance**. Employee shall be entitled to a monthly cellular phone allowance in the amount of \$150.00, reimbursed through regular and timely Expense Report submittal.
4. Employee will be eligible for the Company's auto lease program in accordance with the Company's applicable policies.
5. **Insurance and Retirement**. Employee shall be entitled to participate in insurance packages (medical, dental, and life) in accordance with the terms of Company

Insurance Plan(s) available to eligible Company employees. Additionally, Employee shall be entitled to participate in a retirement savings plan in accordance with the terms of Company 401(K) Plan(s) available to eligible Company employees.

6. **Paid Time Off (PTO):** Marcus & Millichap PTO policy for Employee's position does not provide for a specific amount of time off, but rather is open-ended and variable, depending on the demands and requirements of the office. The timing and amount of vacation Employee takes requires the express approval of Employee's supervisor and does not accrue in any way.

EMPLOYEE

MARCUS & MILLICHAP, INC.

/s/ John David Parker

JOHN DAVID PARKER
COO – Eastern Division
260 Madison Avenue, 5th Floor
New York, NY 10016

Date:

By: /s/ Hessam Nadji

HESSAM NADJI
President / CEO
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

Date:

EMPLOYMENT AGREEMENT

This Agreement is made effective the 4th day of August, 2022 (“Effective Date”) by and between Marcus & Millichap, Inc. (the “Company”) and Richard Matricaria (“Employee”) with respect to the following:

- A. The Parties desire to enter into an at-will Employment Agreement whereby the Employee will serve in the capacity of Chief Operating Officer – Western Division, based in the Company’s Calabasas, CA office.
- B. The Parties agree that Employee’s employment shall be governed by the terms set forth herein, including the arbitration provision, the Employee Manual, and the Company’s policies and procedures.

THEREFORE, the Parties agree as follows:

1. **Term of At-Will Employment**. This Agreement shall be in effect commencing on August 4, 2022. The Company and Employee hereby agree that Employee’s employment with the Company is at-will. Either party may terminate this Agreement with or without cause. Such termination shall not prejudice any remedy which either party may have against the other at law, in equity, or under this Agreement.
2. **Designation and Duties**. Beginning on May 4, 2021, Employee was appointed Chief Operating Officer – Western Division. Subject to the control and direction of the Chief Executive Officer and/or the Board of Directors (or one of its Committees), Employee shall serve as an officer of the Company, and shall be responsible for oversight of the Company’s investment sales activities in the western United States, and other responsibilities. From time-to-time, these duties may be modified by the Chief Executive Officer and/or the Board of Directors in their reasonable discretion. Employee is not guaranteed, has not been promised, and has no expectation of any promotion or any other position with the Company other than the one stated in this Agreement. Employee shall serve the Company diligently and according to Employee’s best abilities in all respects, and generally do all things for the best interest of the Company as are usually done by persons occupying similar positions in similar businesses.
3. **Manner of Performance**. Employee shall at all times faithfully, industriously, and to the best of Employee’s ability, experience, and talent, perform all duties that may be required of and from Employee, pursuant to the express and implicit terms hereof, to the reasonable satisfaction of the Company. Such duties shall be rendered at the above-mentioned premises and at such other place or places as the Company shall require or as the interests, needs, business, and opportunities of the Company shall require or make advisable. Employee acknowledges that Employee has received and has read a copy of the Company’s Employee Policy Manual and Code of Ethics and agrees to abide by all terms and conditions, including all future amendments or modifications thereto. The Company reserves the right to amend and revise its policies at any time and from time to time. The Company will notify Employee of all such material changes. Employee agrees to read, comply with, and be bound by all such amendments, revisions and/or modifications.

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4. **Compensation and Fringe Benefits.** The compensation and fringe benefits to be received by Employee in consideration of the services to be rendered by Employee are set forth in Exhibit "A" attached hereto. The provisions of Exhibit "A" are incorporated into this Agreement by reference as if fully set forth herein. The Company reserves the right to cancel or change the employee benefit plans and programs it offers to employees.
 5. **Effect of Termination on Compensation.** Employee shall be entitled to the base salary earned by Employee prior to the date of termination, computed pro rata up to the date of termination. Employee shall not be entitled to any further salary or other compensation after the date of termination. Except as expressly modified in Exhibit A, on termination of this Agreement Employee shall not be deemed to have earned any incentive compensation not already declared and paid by the Company because such compensation is not for services rendered, and employment on the date of payment is an express requirement to be deemed to have earned any such compensation. Unless otherwise agreed-to in writing, Employee shall be obligated to return to the Company within ten (10) days after the termination of Employee's employment any draws or other advance payments (of incentive compensation or otherwise) made to him during the annual period in which such termination occurs. Unless otherwise agreed-to in writing, interest shall accrue on the sum of any such advances at the rate of ten percent (10%) per annum after said ten-day period.
 6. **Business Expenses.** The Company will promptly reimburse Employee for reasonable business expenses incurred by Employee in promoting the business of the Company, including expenditures for entertainment, gifts and travel, provided that: (i) Each such expenditure is of a nature qualifying it as a proper deduction on the Federal and State income tax returns of the Company; and (ii) Employee furnishes to the Company, in accordance with the Company's established policy, adequate records and other documentary evidence required by Federal and State statutes and regulations issued by the appropriate taxing authorities for the substantiation of such expenditures as income tax deductions.
 7. **Confidentiality and Restrictive Covenants.**
 - (i) **Confidentiality.** Employee understands that based upon Employee's senior position within the Company and for the Employee to perform the duties successfully, that it is necessary to provide Employee with access to the Company's confidential and/or proprietary information ("Confidential Information" as further defined below).
 - (a) Employee shall not, at any time during or after the Term, reproduce or use for Employee's own purposes or disclose to anyone else, for any reason or purpose, any Confidential Information, other than during the performance of services in Employee's capacity as an employee of the Company. Employee agrees to exercise reasonable care in safeguarding and maintaining Confidential Information against loss, theft or other inadvertent disclosure.

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- (b) “Confidential Information” means confidential or proprietary information or trade secrets of or relating to the Company or any of its affiliates or that the Company has received from a client, customer or other third party doing business with the Company or its affiliates, including, without limitation: (A) intellectual property in the form of patents, trademarks, copyrights and applications thereof, ideas, inventions, works, discoveries, improvements, information, documents, formulae, practices, processes, methods, developments, source code, modifications, technology, techniques, data, programs, other know-how or materials, in each case, that are confidential and/or proprietary and owned, developed or possessed by the Company, whether in tangible or intangible form; (B) information concerning the Company’s operations, regulatory status, processes, products, inventions, business practices, strategies, unique business methods, services or products, business plans, joint ventures, business alliances, finances, financial analysis and data, profit margins, marketing methods, costs, prices, financial arrangements with contractors, employees, salespersons, or vendors, Company proprietary information, policies, and policy manuals; and (C) information concerning principals, sales persons, employees, vendors, suppliers, customers, client lists, investors, potential customers, potential investors, contractual relationships, prospects and confidential personnel information including compensation paid to employees, brokers, independent contractors, consultants, or other terms of retention or employment.
- (c) Confidential Information shall not include: (A) any of the foregoing items which have become publicly known through no wrongful act of Employee or of others who were under confidentiality obligations as to the item or items involved, or that were known to Employee prior to Employee’s employment by the Company or its affiliates (although any information provided to Employee by the Company prior to such date in connection with Employee’s proposed employment shall constitute Confidential Information, and in the event of a dispute, Employee shall have the burden of establishing such prior knowledge); and (B) any information that Employee is required to disclose to, or by, any governmental or judicial authority; provided, that Employee gives the Company prompt written notice thereof so that the Company may seek an appropriate protective order and/or waive in writing compliance with the confidentiality provisions of this Agreement.
- (d) In accordance with the Defend Trade Secrets Act, Employee may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under

seal in a lawsuit or other proceeding. In addition, if Employee files a lawsuit for retaliation for reporting a suspected violation of law, Employee may disclose trade secrets of the Company to Employee's attorney and use the trade secret information in the court proceeding provided that Employee: (i) files any document containing the trade secret under seal; and (ii) does not otherwise disclose the trade secret, except pursuant to a court order.

- (e) Employee agrees not to disclose this Agreement to any third party, other than Employee's attorneys, accountants, financial advisors, to members of Employee's immediate family; provided, that the terms of this Paragraph shall not be construed to prohibit any disclosure required or allowed by law or in any proceeding to enforce the terms and conditions of this Agreement. Employee may disclose Employee's obligations under this Agreement to a prospective employer.
 - (f) Return of Company Property, including Confidential Information. Upon the earlier of the Company's request and the termination of employment, Employee shall immediately (within three (3) days of such request and/or termination) turn over to the Company all documents, papers and other material, including all copies thereof, in Employee's possession or under Employee's control, which may constitute, contain or be derived from Confidential Information, whether in written, digital or machine-readable form, together with all Company property, documents, notes and other work product which is connected with or derived from Employee's employment with the Company.
- (ii) Non-Solicitation of Employees/Contractors/Consultants. During the Term and ending **three (3) years** after the Term (the "Personnel Restricted Period"), Employee shall not, directly or indirectly, individually or acting as an employee, owner, partner, investor, officer, director, independent contractor, supplier, consultant, principal, agent or otherwise, recruit, solicit or hire any employee, independent contractor or consultant of the Company or its affiliates or anyone who was an employee, independent contractor or consultant of the Company or its affiliates twelve (12) months prior to Employee's termination of employment (collectively a "Restricted Person"), or request, advise or otherwise induce a Restricted Person to terminate their employment with, or otherwise cease their relationship with the Company or any of its affiliates. This prohibition shall include, but not be limited to, activity done personally, directly, or indirectly by Employee, or through agents or employees acting on behalf of Employee, or for Employee's direct or indirect benefit.
 - (iii) Non-Solicitation of Customers/Clients. During the Term and ending **three (3) years** after the Term ("Client Restricted Period") Employee shall not directly or indirectly, individually or acting as an employee, owner, partner, investor, officer, director, independent contractor, supplier, consultant, principal, agent or otherwise: (a) divert, or otherwise solicit or accept as a

customer or client for the purpose of engaging in a competitive manner with the Company's brokerage and financing businesses, any customer or client of the Company or its affiliates whom the Company or its affiliates conducted business during the twenty-four (24) month period immediately prior to Employee's termination of employment with the Company, or (b) divert, or otherwise solicit or accept as a customer or client for purposes of engaging in a competitive manner with the Company's brokerage and financing businesses, any prospective customer or client of the Company or its affiliates whom the Company or its affiliates was pursuing within six (6) months prior to Employee's termination of employment. Notwithstanding the foregoing, the portion of the Client Restricted Period that applies after termination of employment shall be reduced from three (3) years to six (6) months if: (x) Employee is terminated without "Cause" by the Company, or (y) Employee is terminated by the Company within one-year of, and as the result of, a sale or change-in control.

- (iv) Non-Disparagement. Employee agrees that Employee will not, directly or indirectly, engage in any conduct, or make any statement disparaging or criticizing in any way, the Company or any of its affiliates, or any personnel of the Company or any of its affiliates, or engage in any other conduct or make any other statement that could be reasonably expected to impair the goodwill or reputation of the Company or any of its affiliates, in each case, except that is required by law, and then only after consultation with the Company to the extent possible.
- (v) Acknowledgements.
 - (a) Employee acknowledges that the Company's Confidential Information constitutes valuable, special and unique commercial and proprietary assets of the Company, is not public and is of a highly sensitive nature. Employee further acknowledges that disclosure of the Company's Confidential Information would severely and adversely impact the Company's business and provide the recipient with a substantial and unfair competitive advantage.
 - (b) Employee recognizes that the restrictions and limitations set forth in Paragraph 7 of this Agreement (the "Restrictive Covenants"), are independent and separate obligations of one another. Employee acknowledges and agrees that the Restrictive Covenants are legitimate, fair and reasonable, including with respect to time and geographic scope necessary to protect legitimate business interests of the Company, including goodwill, client relationships, and Confidential and proprietary information, and because of Employee's special, extraordinary, and unique services. The Restrictive Covenants are a material condition of employment with the Company. The Company's obligations set forth herein, including compensation and material and beneficial change in Employee's role as evidenced in this Agreement, constitutes fair and reasonable consideration.

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- (c) Notwithstanding any term to the contrary, if Employee breaches, or threatens to commit a breach of any of the Restrictive Covenants, the Company will be entitled to all available forms of equitable relief, including, without limitation, injunctive relief and specific performance, from any court having jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages alone will not provide an adequate remedy to the Company. Employee agrees and consents that, in addition to any other remedies available to it, the Company shall be entitled to equitable relief without posting a bond. Employee agrees that the existence of this right to seek injunctive and other equitable relief shall not limit any other rights or remedies that the Company may have in law or in equity including, without limitation, the right to monetary, compensatory and punitive damages.
- (d) Should Employee violate any obligation imposed in this Agreement, Employee acknowledges and agree that the obligation will be extended by the length of time during which Employee is in breach of such obligation. Each of the Restrictive Covenants shall be construed as an agreement independent of any other provision in this Agreement and the existence of any claim or cause of action by Employee against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of any such covenants.
- (e) If any Restrictive Covenant is determined not enforceable in the manner set forth herein, the Parties agree that it is the intention of the parties that such provision be modified by the court or arbitrator, as applicable, and should be enforceable to the maximum extent possible under applicable law.
- (f) Cause. For purposes of this Agreement, Cause shall be defined as: (A) material violation of Company's policies or the Agreement following notice and thirty (30) days opportunity to cure where such breach is capable of cure; (B) material violation of Company's policies or this Agreement where such breach is not capable of cure; (C) failure to perform Employee's duties in a manner equal to or exceeding that which is reasonable and customary for individuals holding the same or similar title for similar companies in the United States; (D) failure to comply with the reasonable requests and directives of Employee's supervisor; (E) commission of, plea of guilt or no-contest to, or conviction for any felony or crime of moral turpitude; (F) commission of fraud; (G) commission of any conduct for which punitive damages are awarded; or (H) commission of any act which materially and negatively affects the Company's brand, reputation, standing, or licensure.

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- (g) **Affiliated Entities.** For the purpose of this Agreement, the affiliates or affiliated entities of the Company consist of the Company and all entities which are subsidiaries or related parties of the Company.
8. **Employee's Representations.** Employee shall never use any Confidential Information belonging to any of the Employee's former employers in the course of Employee's duties for the Company.
9. **Ownership of Records.** All documents and other materials relating to the Company's or its affiliates' accounts, customers, real estate listings, employees, sales personnel, computer programs, investments, finances, strategies and business plans, financial statements, training programs or any other type of Confidential Information, and all copies thereof, whether prepared by Employee or otherwise coming into Employee's possession, are the exclusive property of the Company. All such documents shall be immediately returned by Employee to the Company upon termination of Employee's employment.
10. **Mutual Arbitration Agreement. READ CAREFULLY**
- (i) Employee and the Company (which is inclusive of all parent, related, and subsidiary entities) agree that all past, present, or future disputes or claims arising from or relating to this Agreement or Employee's affiliation with the Company, including disputes or claims relating to any contract between the Company and Employee, shall be decided exclusively through mutual, binding arbitration before a single arbitrator of the American Arbitration Association ("AAA"), who is a retired state or federal judge, in accordance with its commercial rules and procedures ("Rules"), except where modified herein. AAA's Expedited Procedures shall not apply. A copy of the Rules may be found on AAA's website at www.adr.org, and shall be provided by the Company upon request.
- (ii) The Parties understand and agree that all claims, disputes, or controversies between Employee and the Company (including owners, directors, managers, employees, parent or subsidiary entities) shall be resolved exclusively through binding arbitration in conformance with the Federal Arbitration Act ("FAA") and the procedures of any applicable State arbitration act. The Parties agree their relationship and work relates to and substantially affects interstate commerce, and that the FAA governs the enforcement and interpretation of this arbitration provision.
- (iii) The Agreement applies to all claims arising from or relating in any fashion to Employee's affiliation with the Company, including claims asserted under statute, equitable law, common law, regulations, ordinances, tort or contract law, or any other basis, and includes, but is not limited to, claims for breach of contract, unpaid commissions, unfair business practices, discrimination, harassment, retaliation, unpaid wages, unpaid benefits, failure to reimburse business expenses, wage statement violations, misclassification, wrongful discharge, defamation, misrepresentation, fraud, assault/battery, and infliction of emotional distress, as well as any claims under the California Labor Code and the California Fair

Employment and Housing Act. This Agreement excludes claims arising under the National Labor Relations Act that are brought before the National Labor Relations Board, State medical and disability benefits, State workers compensation benefits, State unemployment benefits, claims under California's Private Attorney General Act (Cal. Labor Code § 2698, et seq. ("PAGA")) and any other claim excluded from arbitration under State or Federal law.

- (iv) The Parties understand and agree that they hereby waive their rights to a jury trial on any covered claim. The Parties further understand and agree that they may bring claims on behalf of themselves, and themselves only. The Parties hereby waive the right to bring, or otherwise participate in any fashion in, a claim or action on a class, collective or representative basis to the fullest extent allowed by law. The Parties understand and agree that this Agreement shall not be construed to allow or permit, and the arbitrator shall have no authority to allow or permit, the consolidation or joinder of other claims or controversies involving other individuals, or to order any action to proceed on a class, collective, or representative basis. Notwithstanding the foregoing, if a court or arbitrator determines a certain matter may proceed by law as a class, representative, or collective action, that action shall proceed in court only, and shall be stayed until the final disposition of all arbitrable claims.
- (v) The arbitrator shall have the authority to make orders regarding discovery, including depositions, written discovery, and document production, consistent with State law and as necessary for fair disposition of claims. The arbitrator shall apply all rules of evidence that would apply to an action brought in a State court. The arbitrator shall hear and issue written rulings on all dispositive motions, including, but not limited to demurrers, motions for summary judgment or adjudication, or motions for terminating sanctions. The arbitrator shall extend times for notices or hearings as required for the Parties full use and benefit of this Agreement. The arbitrator may award any type of relief that would otherwise be available in court. Issues of arbitrability shall be determined in conformity with the FAA. On all other issues of substantive law, the arbitrator shall apply the law that would apply to the claims and defenses if they were brought in court, and shall issue a written, reasoned opinion/award. The Company shall pay all costs unique to arbitration that Employee would not otherwise be required to pay if the matter were litigated in court, including the cost of the arbitrator.
- (vi) The arbitration shall occur in the county where the Company's office from which Employee is or was based is located. This is the entire agreement regarding the resolution of disputes. The Parties intend that this agreement for arbitration be enforced to the fullest extent allowed by law, and the Parties therefore agree the Court or arbitrator should construe it in a manner that renders it enforceable.

By initialing below, the Parties acknowledge that they have read, considered, and understand the foregoing arbitration agreement, and agree to be bound by it.

Initials:

/s/ Hessam Nadji
Company

/s/ Richard Matricaria
Employee

11. **Notices.** Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by certified mail. Mailed notices shall be addressed to the parties at the addresses appearing just under their signature on the execution page of this Agreement, but each party may change their address by giving written notice thereof to the other party.
12. **Entire Agreement.** This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Employee by the Company and contains all of the covenants and agreements between the parties with respect to such employment in any manner whatsoever. Any modification of this Agreement will be effective only if it is in writing signed by all parties. This Agreement does not, however, modify the terms of (i) the equity agreements provided under the Company's Omnibus Equity Incentive Plan; (ii) the terms of the Company's Change in Control Policy; and (iii) the terms of the Company's Death & Disability Policy.
13. **Partial Invalidity.** The Parties intend that this Agreement be interpreted to render it enforceable. If any part of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, it shall be severed or where possible modified by the court or arbitrator and the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.
14. **Attorneys' Fees.** Where not disallowed by state laws, in the event litigation is instituted by either party concerning any aspect of this Agreement, the prevailing party shall be entitled to receive from the other party all costs and reasonable attorneys' fees in addition to any other appropriate relief in accordance with state law.
15. **Additional Terms.** Electronic, or electronically transmitted, signatures shall be deemed to be originals. The Parties have been advised to seek counsel regarding the terms of this Agreement, and having had that opportunity now knowingly and voluntarily wish to enter into it. Both parties have participated in the negotiation and drafting of this Agreement, such that it will not be construed more strictly against the drafting party.
16. **Applicable Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California. As used herein, "State" refers to California.

IN WITNESS WHEREOF, the Parties understand and agree to the foregoing terms.

EMPLOYEE

MARCUS & MILLICHAP, INC.

/s/ Richard Matricaria
RICHARD MATRICARIA
COO – Western Division
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

By: /s/ Hessam Nadji
HESSAM NADJI
President / CEO
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

Date:

Date:

EMPLOYMENT AGREEMENT

EXHIBIT A

This document is Exhibit A of the Employment Agreement (hereinafter called the "Agreement") between Marcus & Millichap, Inc. (the "Company") and Richard Matricaria ("Employee"). The provisions hereof are an integral part of said Agreement and are fully incorporated into the Agreement. The Compensation and Fringe Benefits to be paid to the Employee pursuant to this Employment Agreement (and as described below) are as of the Effective Date and will be reassessed annually by the Chief Executive Officer and Compensation Committee of the Company's Board of Directors (the "Board").

Compensation and Fringe Benefits of Employee.

The compensation and fringe benefits to be paid to Employee for 2022 are as follows:

1. **Compensation and Special Conditions.**

- i. **Salary.** Employee shall be entitled to receive from the Company a base monthly salary of Thirty-Three Thousand Three Hundred Thirty-Three and 33/100 Dollars (\$33,333.33), payable in semi-monthly installments, pro-rated for less than a full year of service. In the event employment is terminated, the base salary amount will be paid on a pro-rata basis up to the date of termination in accordance with state law, with no salary due or earned after the date of termination.
- ii. **Bonus Potential.** Employee will be eligible to receive an annual discretionary cash incentive bonus targeted at One Million Five Hundred and Fifty Thousand Dollars (\$1,550,000) per calendar year for 2022 (with eligible bonus for 2022 paid by the target date of February 2023) and continuing annually thereafter. This bonus will be sixty percent (60%) based on Company financial and non-financial performance against goals, and forty percent (40%) based on personal goals that will be set with Employee's input (%'s subject to change in the reasonable discretion of the Chief Executive Officer). It will be determined based on Employee's performance review with the Chief Executive Officer and paid, if awarded, in February after the Compensation Committee meeting and approval process. If in any given year, the Company does not meet a minimum of fifty percent (50%) of its pre-tax income goal, no bonuses will be paid to Employee for that year, unless special considerations are determined by the Compensation Committee. The actual annual discretionary cash incentive bonus paid to Employee for any given year will be both objective and subjective in nature, will be heavily dependent on both the Company's financial performance and Employees performance against his pre-established performance goals, and may end up being higher or lower than Employee's annual discretionary cash incentive bonus target.

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- iii. **Restricted Stock Units:** Subject to approval by the Compensation Committee, as a senior leader of the Company, as set forth below contingent upon Employee's continued employment and good standing, Employee will be eligible for long term incentive compensation in the form of restricted stock units ("RSUs"). All RSUs require the approval of the Compensation Committee and shall be governed by the Company's Omnibus Equity Incentive Plan Restricted Stock Unit Award Agreement, except as modified and approved by the Compensation Committee.
- a. **LTP1 and LTP2 RSU Grant:** Subject to approval of the Compensation Committee, and Employee being in good standing, beginning with any discretionary cash bonus paid in 2023, Employee will be eligible in the Company's discretion to receive an RSU grant potential equivalent of up to fifty percent (50%) of Employee's actual discretionary cash bonus earned and paid each year. Twenty-five percent (25%) will be based on the year's overall results including the Company's performance and Employee's individual performance ("LTP1") (LTP1 % subject to change in the reasonable discretion of the Chief Executive Officer). Twenty-five percent (25%) will be based on progress toward achieving the Company's long-term goals and Employee's contribution toward them ("LTP2") (LTP2 % subject to change in the reasonable discretion of the Chief Executive Officer). These RSU grants will be part of the annual review process, with amounts determined by the Company, in its discretion, in February based on the prior calendar year. The RSU grants will be subject to a 5-year vesting schedule.
2. **Performance-Based Compensation Clawback.** Employee acknowledges and agrees that the Company will be entitled, pursuant to any policy it adopts to comply with the clawback rules implemented by the Securities and Exchange Commission and/or our exchange listing standards, to recover from Employee, regardless of fault, that portion of performance-based compensation which was based on financial information required to be reported under securities laws that would not have been paid in the three completed fiscal years preceding the year(s) in which an accounting restatement is required to be filed to correct a material error. Subject to applicable law, the Compensation Committee may seek to recoup such performance-based compensation by requiring Employee to repay such amount to the Company; by set-off; by reducing future compensation; or by such other means or combination of means as the Compensation Committee, in its sole discretion, determines to be appropriate.
3. **Cellular Phone Allowance.** Employee shall be entitled to a monthly cellular phone allowance in the amount of \$150.00, reimbursed through regular and timely Expense Report submittal.
4. Employee will be eligible for the Company's auto lease program in accordance with the Company's applicable policies.
5. **Insurance and Retirement.** Employee shall be entitled to participate in insurance packages (medical, dental, and life) in accordance with the terms of Company

Insurance Plan(s) available to eligible Company employees. Additionally, Employee shall be entitled to participate in a retirement savings plan in accordance with the terms of Company 401(K) Plan(s) available to eligible Company employees.

6. **Paid Time Off (PTO):** Marcus & Millichap PTO policy for Employee's position does not provide for a specific amount of time off, but rather is open-ended and variable, depending on the demands and requirements of the office. The timing and amount of vacation Employee takes requires the express approval of Employee's supervisor and does not accrue in any way.

EMPLOYEE

MARCUS & MILLICHAP, INC.

/s/ Richard Matricaria

RICHARD MATRICARIA
COO – Western Division
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

Date:

By: /s/ HESSAM NADJI

HESSAM NADJI
President / CEO
23975 Park Sorrento, Suite 400
Calabasas, CA 91302

Date:

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

I, Hessam Nadji, certify that:

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

Date: August 5, 2022

/s/ Hessam Nadji
Hessam Nadji
President and Chief Executive Officer

**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: August 5, 2022

/s/ Steven F. DeGennaro

Steven F. DeGennaro
Chief Financial Officer

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

In connection with the quarterly report of Marcus & Millichap, Inc. on Form 10-Q for the period ended June 30, 2022 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: August 5, 2022

/s/ Hessam Nadji

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

Date: August 5, 2022

/s/ Steven F. DeGennaro

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