UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

Number of shares of common stock, par value $0.0001 per share, of the registrant issued and outstanding as of October 31, 2023 was38,384,569 shares.

MARCUS & MILLICHAP, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash, cash equivalents, and restricted cash	$ 224,174	$ 235,873
Commissions receivable	14,751	8,453
Prepaid expenses	6,457	9,411
Income tax receivable	9,404	8,682
Marketable debt securities, available-for-sale (amortized cost of $116,989 and $254,682 at September 30, 2023 and December 31, 2022, respectively, and $0 allowance for credit losses)	116,713	253,434
Advances and loans, net	3,567	4,005
Other assets, current	14,796	7,282
Total current assets	389,862	527,140
Property and equipment, net	28,088	27,644
Operating lease right-of-use assets, net	96,878	87,945
Marketable debt securities, available-for-sale (amortized cost of $74,776 and $72,819 at September 30, 2023 and December 31, 2022, respectively, and $0 allowance for credit losses)	70,510	68,595
Assets held in rabbi trust	10,065	9,553
Deferred tax assets, net	46,009	41,321
Goodwill and other intangible assets, net	52,087	55,696
Advances and loans, net	178,952	169,955
Other assets, non-current	9,662	15,859
Total assets	$ 882,113	$ 1,003,708
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 9,151	$ 11,450
Deferred compensation and commissions	46,143	75,321
Operating lease liabilities	18,272	16,984
Accrued bonuses and other employee related expenses	15,342	38,327
Other liabilities, current	14,450	9,933
Total current liabilities	103,358	152,015
Deferred compensation and commissions	45,151	64,461
Operating lease liabilities	73,924	65,109
Other liabilities, non-current	10,327	8,614
Total liabilities	232,760	290,199
Commitments and contingencies	—	—
Stockholders’ equity:		
Preferred stock, $0.0001 par value:		
Authorized shares – 25,000,000; issued and outstanding shares – none at September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, $0.0001 par value:		
Authorized shares – 150,000,000; issued and outstanding shares – 38,546,059 and 39,255,838 at September 30, 2023 and December 31, 2022, respectively	4	4
Additional paid-in capital	145,220	131,541
Retained earnings	507,045	585,581
Accumulated other comprehensive loss	(2,916)	(3,617)
Total stockholders’ equity	649,353	713,509
Total liabilities and stockholders’ equity	$ 882,113	$ 1,003,708

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Real estate brokerage commissions	$ 139,817	$ 292,889	$ 415,193	$ 934,483
Financing fees	17,257	28,099	51,021	91,363
Other revenue	4,952	2,852	13,470	13,415
Total revenue	162,026	323,840	479,684	1,039,261
Operating expenses:				
Cost of services	104,628	217,360	301,218	670,170
Selling, general and administrative	69,192	73,004	210,321	227,380
Depreciation and amortization	3,637	2,924	10,312	10,167
Total operating expenses	177,457	293,288	521,851	907,717
Operating (loss) income	(15,431)	30,552	(42,167)	131,544
Other income, net	4,422	978	14,122	967
Interest expense	(241)	(229)	(672)	(547)
(Loss) income before (benefit) provision for income taxes	(11,250)	31,301	(28,717)	131,964
(Benefit) provision for income taxes	(2,010)	9,939	(4,915)	35,651
Net (loss) income	$ (9,240)	$ 21,362	$ (23,802)	$ 96,313
(Loss) earnings per share:				
Basic	$ (0.24)	$ 0.53	$ (0.61)	$ 2.40
Diluted	$ (0.24)	$ 0.53	$ (0.61)	$ 2.39
Weighted average common shares outstanding:				
Basic	38,492	40,086	38,740	40,038
Diluted	38,492	40,302	38,740	40,358

See accompanying notes to condensed consolidated financial statements.

MARCUS & MILLICHAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	$ (9,240)	$ 21,362	$ (23,802)	$ 96,313
Other comprehensive (loss) income:				
Marketable debt securities, available-for-sale:				
Change in net unrealized gains and losses	89	(1,541)	690	(5,456)
Reclassification adjustment for net gains and losses included in other income, net	—	7	16	(70)
Net change, net of tax of $30 and $228 for the three and nine months ended September 30, 2023, and $(522) and $(1,888) for the three and nine months ended September 30, 2022, respectively	89	(1,534)	706	(5,526)
Foreign currency translation (loss) gain, net of tax of $0 for each of the three and nine months ended September 30, 2023 and 2022, respectively	(405)	569	(5)	689
Total other comprehensive (loss) income	(316)	(965)	701	(4,837)
Comprehensive (loss) income	$ (9,556)	$ 20,397	$ (23,101)	$ 91,476

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 September 30, 2023							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	—	$ —	38,460,595	$ 4	$ 140,142	$ 526,373	$ (2,600)	$ 663,919
Net and comprehensive loss	—	—	—	—	—	(9,240)	(316)	(9,556)
Dividends	—	—	—	—	—	(10,088)	—	(10,088)
Stock-based award activity								
Stock-based compensation	—	—	—	—	5,446	—	—	5,446
Issuance of common stock for vesting of restricted stock units	—	—	95,672	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(10,208)	—	(368)	—	—	(368)
Balance as of September 30, 2023	—	$ —	38,546,059	$ 4	$ 145,220	$ 507,045	$ (2,916)	$ 649,353

	Three Months Ended September 30, 2022							
	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance at June 30, 2022	—	$ —	39,964,292	$ 4	$ 123,767	$ 596,361	$ (2,962)	$ 717,170
Net and comprehensive income (loss)	—	—	—	—	—	21,362	(965)	20,397
Dividend	—	—	—	—	—	(10,436)	—	(10,436)
Stock-based award activity								
Stock-based compensation	—	—	—	—	4,544	—	—	4,544
Issuance of common stock for vesting of restricted stock units	—	—	63,397	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(3,471)	—	(137)	—	—	(137)
Repurchases of common stock	—	—	(226,795)	—	—	(7,577)	—	(7,577)
Balance as of September 30, 2022	—	$ —	39,797,423	$ 4	$ 128,174	$ 599,710	$ (3,927)	$ 723,961

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	—	$ —	39,255,838	$ 4	$ 131,541	$ 585,581	$ (3,617)	$ 713,509
Net and comprehensive (loss) income	—	—	—	—	—	(23,802)	701	(23,101)
Dividends	—	—	—		—	(20,372)	—	(20,372)
Stock-based award activity								
Stock-based compensation	—	—	—	—	15,808	—	—	15,808
Shares issued pursuant to employee stock purchase plan	—	—	15,297	—	392	—	—	392
Issuance of common stock for vesting of restricted stock units	—	—	433,468	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards	—	—	17,339	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(135,527)	—	(4,354)	—	—	(4,354)
Issuance of common stock for stock settled deferred consideration	—	—	58,205	—	1,833	—	—	1,833
Repurchases of common stock	—	—	(1,098,561)	—	—	(34,362)	—	(34,362)
Balance as of September 30, 2023	— $0	$ — 0	38,546,059 0	$ 4 $—	$ 145,220 $—	$ 507,045 $—	$ (2,916) $—	$ 649,353

	Nine Months Ended September 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)	—	—	—	—	—	96,313	(4,837)	91,476
Dividends	—	—	—	—	—	(62,572)	—	(62,572)
Stock-based award activity								
Stock-based compensation	—	—	—	—	12,675	—	—	12,675
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	—	—	275,631	—	—	—	—	—
Issuance of common stock for unvested restricted stock awards	—	—	11,494	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	—	—	(161,491)	—	(8,176)	—	—	(8,176)
Issuance of common stock for stock settled deferred consideration	—	—	28,673	—	1,417	—	—	1,417
Repurchases of common stock	—	—	(226,795)	—	—	(7,577)	—	(7,577)
Balance as of September 30, 2022	—	$ —	39,797,423	$ 4	$ 128,174	$ 599,710	$ (3,927)	$ 723,961

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities		
Net (loss) income	$ (23,802)	$ 96,313
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	10,312	10,167
Non-cash lease expense	18,824	17,840
Credit loss expense (recovery)	660	—
Stock-based compensation	15,808	12,675
Deferred taxes, net	(4,915)	(2,256)
Unrealized foreign exchange losses (gains)	13	1,600
Net realized losses (gains) on marketable debt securities, available-for-sale	23	(87)
Other non-cash items	(546)	(1,459)
Changes in operating assets and liabilities:		
Commissions receivable	(6,335)	4,891
Prepaid expenses	2,955	4,544
Advances and loans	(9,339)	(49,171)
Other assets	(5,371)	(4,472)
Accounts payable and accrued expenses	(1,872)	(4,942)
Income tax receivable and payable	(722)	(21,106)
Accrued bonuses and other employee related expenses	(22,970)	(15,239)
Deferred compensation and commissions	(47,135)	(45,481)
Operating lease liabilities	(13,445)	(14,598)
Other liabilities	743	(994)
Net cash used in operating activities	(87,114)	(11,775)
Cash flows from investing activities		
Acquisition of businesses, net of cash received	—	(12,500)
Purchases of marketable debt securities, available-for-sale	(175,985)	(276,708)
Proceeds from sales and maturities of marketable debt securities, available-for-sale	312,493	266,481
Issuances of employee notes receivable	(120)	(71)
Payments received on employee notes receivable	34	71
Purchase of property and equipment	(7,689)	(8,564)
Net cash provided by (used in) investing activities	128,733	(31,291)
Cash flows from financing activities		
Taxes paid related to net share settlement of stock-based awards	(4,354)	(8,176)
Proceeds from issuance of shares pursuant to employee stock purchase plan	392	414
Dividends paid	(10,439)	(50,161)
Principal payments on stock appreciation rights liability	(1,945)	(1,761)
Principal payments on deferred and contingent consideration	(2,044)	(2,431)
Cash paid for stock repurchases	(34,928)	(5,659)
Net cash used in financing activities	(53,318)	(67,774)
Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	—	(436)
Net decrease in cash, cash equivalents, and restricted cash	(11,699)	(111,276)
Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140
Cash, cash equivalents, and restricted cash at end of period	$ 224,174	$ 270,864
Supplemental cash flow disclosures:		
Interest paid during the period	$ 423	$ 599
Income taxes paid, net	$ 722	$ 58,572
Supplemental disclosures of non-cash investing and financing activities:		
Reduction of accrued bonuses and other employee related expenses in settlement of employee notes receivable	$ 16	$ —
Unpaid purchases of property and equipment	$ 259	$ 892
Right-of-use assets obtained in exchange for operating lease liabilities	$ 27,669	$ 20,799
Issuance of stock for the settlement of deferred consideration	$ 1,833	$ 1,417
Dividend payable	$ 10,555	$ 12,412

See accompanying notes to condensed consolidated financial statements.

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

1. Description of Business and Basis of Presentation

Description of Business

Marcus & Millichap, Inc. (the "Company," "Marcus & Millichap," or "MMI"), a Delaware corporation, is a brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. As of September 30, 2023, MMI operates over 80 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 on November 5, 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, 2022 included in the Company's Annual Report on Form 10-K filed on February 28, 2023 with the SEC. The results of the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023, for other interim periods or for future years.

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, the related disclosures at the date of the condensed consolidated financial statements and the reported amounts of revenue 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, cash equivalents, and restricted cash, investments in marketable debt securities, available-for-sale, security deposits (included under other assets, non-current) and commissions receivable, net. Cash, cash equivalents, and restricted cash 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, cash equivalents, and restricted cash. The Company historically has not experienced any significant losses related to cash, cash equivalents, and restricted cash.

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”) that 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 revenue from a broad range of real estate investors, owners, and users in the United States and Canada, none of which individually represents a significant concentration of credit risk. The Company maintains allowances, as needed, for estimated credit losses based on management’s assessment of the likelihood of collection. For the three and nine months ended September 30, 2023 and 2022, no transaction represented 10% or more of total revenue. 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 the three and nine months ended September 30, 2023, the Company’s Canadian operations represented5.4% and 4.0% of total revenue, respectively. During the three and nine months ended September 30, 2022, the Company’s Canadian operations represented 1.5% and 2.0% of total revenue, respectively.

During the three and nine months ended September 30, 2023 and 2022, no office represented 10% or more of total revenue.

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, debt and equity advisory services, loan sales, due diligence services, guarantee fees, and loan performance fees.

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 occurs at the close of escrow. At that time, the Company's performance is complete, and revenue is recorded.

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 occurs at the time the loan closes. At that time, the Company recognizes revenue related to the transaction. The Company’s fee arrangements, with an exception for guarantee obligations, 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 operations. The guarantee obligation is capped at 16.7% of any unpaid principal balance in excess of the collateral securing such loan. For these loans, the Company is required to pledge cash in a restricted bank account in support of the guarantee obligation. The Company records an allowance for estimated losses related to the loans subject to the guarantee considering the risk characteristics of the loan, the loan's risk rating, historical loss experience, potential adverse situations affecting individual loans and other forecasted information as appropriate.

Mortgage Servicing - The Company recognized mortgage servicing revenue upon the acquisition of a servicing contract. The Company recorded servicing fees when earned, provided the loans were current and the debt service payments were made by the borrowers. As of September 30, 2022, the Company no longer owns any mortgage servicing rights.

Other Revenue

Other revenue includes fees generated from consulting and advisory services and fees are recognized when services are provided, or upon closing of the transaction.

2. Property and Equipment, Net

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

	September 30, 2023	December 31, 2022
Computer software and hardware equipment	$ 48,913	$ 42,617
Furniture, fixtures and equipment	27,014	26,453
Less: accumulated depreciation and amortization	(47,839)	(41,426)
	$ 28,088	$ 27,644

Depreciation expense for property and equipment was $2.4 million and $1.7 million for the three months ended September 30, 2023 and 2022, respectively, and $6.7 million and $5.4 million for the nine months ended September 30, 2023 and 2022 , respectively.

3. Investments in Marketable Debt Securities, Available-for-Sale

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

	September 30, 2023				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:					
U.S. treasuries	$ 52,455	$ —	$ —	$ (201)	$ 52,254
Corporate debt	64,534	—	—	(75)	64,459
	$ 116,989	$ —	$ —	$ (276)	$ 116,713
Long-term investments:					
U.S. treasuries	$ 18,152	$ —	$ —	$ (651)	$ 17,501
U.S. government sponsored entities	562	—	—	(88)	474
Corporate debt	44,018	—	—	(2,911)	41,107
Asset-backed securities (“ABS”) and other	12,044	—	—	(616)	11,428
	$ 74,776	$ —	$ —	$ (4,266)	$ 70,510

	December 31, 2022				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments:					
U.S. treasuries	$ 135,688	$ —	$ 14	$ (1,153)	$ 134,549
Corporate debt	118,135	—	1	(95)	118,041
ABS and other	859	—	—	(15)	$ 844
	$ 254,682	$ —	$ 15	$ (1,263)	$ 253,434
Long-term investments:					
U.S. treasuries	$ 21,434	$ —	$ —	$ (719)	$ 20,715
U.S. government sponsored entities	602	—	—	(66)	536
Corporate debt	44,214	—	21	(2,877)	41,358
ABS and other	6,569	—	—	(583)	5,986
	$ 72,819	$ —	$ 21	$ (4,245)	$ 68,595

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

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

	September 30, 2023					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value[1]	Gross Unrealized Losses
U.S. treasuries	$ 25,803	$ (23)	$ 43,677	$ (829)	$ 69,480	$ (852)
U.S. government sponsored entities	—	—	472	(88)	472	(88)
Corporate debt	71,514	(255)	33,638	(2,731)	105,152	(2,986)
ABS and other	5,265	(97)	6,130	(519)	11,395	(616)
	$ 102,582	$ (375)	$ 83,917	$ (4,167)	$ 186,499	$ (4,542)

	December 31, 2022					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value[1]	Gross Unrealized Losses
U.S. treasuries	$ 73,055	$ (1,232)	$ 66,144	$ (640)	$ 139,199	$ (1,872)
U.S. government sponsored entities	447	(46)	87	(20)	534	(66)
Corporate debt	130,816	(1,909)	10,681	(1,063)	141,497	(2,972)
ABS and other	4,710	(314)	2,091	(284)	6,801	(598)
	$ 209,028	$ (3,501)	$ 79,003	$ (2,007)	$ 288,031	$ (5,508)

(1) The fair value excludes accrued interest receivable.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross realized gains[1]	$ —	$ —	$ —	$ 114
Gross realized losses[1]	$ —	$ (10)	$ (23)	$ (27)

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

The Company invests its excess cash in a diversified portfolio of fixed and variable rate debt securities to meet current and future cash flow needs. All investments are made in accordance with the Company’s approved investment policy. As of September 30, 2023, the portfolio had a weighted average credit rating of AA- and a weighted term to contractual maturity of 1.9 years, with 220 securities in the portfolio representing an unrealized aggregate loss of $4.5 million, or 2% of amortized cost, and a weighted average credit rating of AA-.

As of September 30, 2023, 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):

	September 30, 2023		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 116,989	$ 116,713	$ 254,683	$ 253,434
Due after one year through five years	55,024	52,633	56,507	54,169
Due after five years through ten years	12,293	10,987	13,435	11,850
Due after ten years	7,459	6,890	2,876	2,576
	$ 191,765	$ 187,223	$ 327,501	$ 322,029
Weighted average contractual maturity		1.9 years		1.1 years

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

4. Acquisitions, Goodwill and Other Intangible Assets

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

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

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Goodwill and intangible assets:						
Goodwill	$ 37,909	$ —	$ 37,909	$ 37,914	$ —	$ 37,914
Intangible assets [(1)]	30,884	(16,706)	14,178	32,287	(14,505)	17,782
	$ 68,793	$ (16,706)	$ 52,087	$ 70,201	$ (14,505)	$ 55,696

(1) Total weighted average amortization period was 4.0 years and 4.5 years as of September 30, 2023 and December 31, 2022, respectively. Intangible assets principally include non-competes and customer relationships.

The Company recorded amortization expense for intangible assets of $1.3 million and $1.2 million for the three months ended September 30, 2023 and 2022, respectively, and $3.6 million and $3.5 million for the nine months ended September 30, 2023 and 2022.

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

	Nine Months Ended September 30, 2023
Beginning balance	$ 37,914
Additions from acquisitions	—
Impact of foreign currency translation	(5)
Ending balance	$ 37,909

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

	September 30, 2023
Remainder of 2023	$ 1,063
2024	4,022
2025	3,871
2026	2,156
2027	1,855
Thereafter	1,211
	$ 14,178

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 September 30, 2023, the Company considered the impact of economic conditions and evaluated its goodwill and intangible assets for impairment testing. The Company estimated the recoverability of the intangible assets by comparing the carrying amount of each asset to the future undiscounted cash flows that the Company expects the asset to generate. The sum of the undiscounted expected future cash flows was greater than the carrying amount of the intangible assets. The Company concluded that as of September 30, 2023, there was no impairment of its intangible assets or goodwill.

5. Selected Balance Sheet Data

Allowances on Advances and Loans

Allowance for credit losses for advances and loans as of September 30, 2023 and December 31, 2022 was $762,000 and $791,000, respectively.

Other Assets

Other assets consisted of the following (in thousands):

	Current		Non-Current	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Security deposits	$ —	$ —	$ 1,478	$ 1,625
Employee notes receivable	42	6	32	—
Securities, held-to-maturity[1]	9,500	—	—	9,500
Loan performance fee receivable	1,685	766	7,675	4,261
Other[2]	3,569	6,510	477	473
	$ 14,796	$ 7,282	$ 9,662	$ 15,859

(1) Securities, held-to-maturity, are expected to mature on September 1, 2024 and accrue interest based on the 1-year treasury rate.
(2) Other primarily includes customer trust accounts and prepaid lease costs.

Deferred Compensation and Commissions

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

	Current		Non-Current	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Stock appreciation rights ("SARs") liability[1]	$ 2,480	$ 2,323	$ 11,228	$ 13,137
Commissions payable to investment sales and financing professionals	43,028	72,247	26,575	45,156
Deferred compensation liability[1]	431	493	7,348	6,168
Other	204	258	—	—
	$ 46,143	$ 75,321	$ 45,151	$ 64,461

(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, 2023 and 2022 were 5.79% and 3.63%, respectively. MMI recorded interest expense related to this liability of $190,000 and $135,000 for the three months ended September 30, 2023 and 2022, respectively, and $570,000 and $406,000 for the nine months ended September 30, 2023 and 2022, respectively.

Estimated payouts within the next twelve months for participants that have separated from service have been classified as current. During the nine months ended September 30, 2023 and 2022, the Company made total payments of $2.3 million and $2.2 million, respectively, 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 nine months ended September 30, 2023 and 2022, the Company made total payments to participants of $240,000 and $807,000 respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Decrease) increase in the carrying value of the assets held in the rabbi trust [1]	$ (237)	$ (347)	$ 693	$ (2,131)
Decrease (increase) in the net carrying value of the deferred compensation obligation[2]	$ 262	$ 317	$ (623)	$ 2,108

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

Other Liabilities

Other liabilities consisted of the following (in thousands):

	Current		Non-Current	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Deferred consideration	$ 837	$ 3,633	$ 725	$ 1,486
Contingent consideration	1,649	1,726	4,156	5,341
Dividends payable	10,438	612	1,709	1,603
Stock repurchase payable	—	565	—	—
Loan guarantee obligation	725	2,040	3,050	—
Other	801	1,357	687	184
	$ 14,450	$ 9,933	$ 10,327	$ 8,614

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 earned net charge-backs during the three months ended September 30, 2023 and 2022 of $24,000 and $17,000, respectively, and during the nine months ended September 30, 2023 and 2022 of $68,000 and $35,000, respectively. These amounts are included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations.

Brokerage and Financing Services with the Subsidiaries of MMC

MMC has wholly or majority owned subsidiaries that buy and sell commercial real estate properties. The Company performs certain brokerage and financing services related to transactions of the subsidiaries of MMC. For the three months ended September 30, 2023 and 2022, the Company earned real estate brokerage commissions and financing fees of $0 and $650,000, respectively, from transactions with subsidiaries of MMC related to these services. The Company incurred cost of services of $0 and $388,000, respectively, related to this revenue. For the nine months ended September 30, 2023 and 2022, the Company earned real estate brokerage commissions and financing fees of $441,000 and $3,200,000, respectively, from transactions with subsidiaries of MMC related to these services. For the nine months ended September 30, 2023 and 2022, the Company incurred cost of services of $264,000 and $1,900,000, respectively, related to this revenue.

Operating Lease with MMC

The Company extended its operating lease with MMC for a single-story office building located in Palo Alto, California, which expires in May 2032. The related operating lease cost was $291,000 and $296,000 for the three months ended September 30, 2023 and 2022, respectively, and $883,000 and $967,000 for the nine months ended September 30, 2023 and 2022, respectively. Operating lease cost is included in selling, general and administrative expense in the accompanying condensed consolidated statements of operations. The related operating lease right-of-use asset, net and operating lease liability as of September 30, 2023 was $7,934,000 and $8,425,000, respectively and as of December 31, 2022 was $9,041,000 and $9,262,000, respectively.

Amounts due to (from) MMC

As of September 30, 2023 and December 31, 2022, the Company recorded a receivable of $5,000 and a payable of $79,000 with MMC, respectively. These amounts are included in other assets, current and accounts payable and accrued expenses, respectively, in the accompanying condensed consolidated balance sheets.

Other

The Company makes advances to non-executive employees from time-to-time. At September 30, 2023 and December 31, 2022, the aggregate principal amount for employee notes receivable was $74,000 and $6,000, respectively, which is included in other assets in the accompanying condensed consolidated balance sheets. See Note 5 - "Selected Balance Sheet Data".

As of September 30, 2023, George M. Marcus, the Company's founder and Chairman, beneficially owned approximately39% 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, cash equivalents, and restricted cash, 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, cash equivalents, and restricted cash and marketable debt securities, available-for-sale were determined for each individual security in the investment portfolio and all 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.

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

	September 30, 2023				December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
Assets held in rabbi trust	$ 10,065	$ —	$ 10,065	$ —	$ 9,553	$ —	$ 9,553	$ —
Cash equivalents [(1)]:								
Commercial paper	$ 20,022	$ —	$ 20,022	$ —	$ 41,324	$ —	$ 41,324	$ —
Money market funds	122,510	122,510	—	—	139,025	139,025	—	—
	$ 142,532	$ 122,510	$ 20,022	$ —	$ 180,349	$ 139,025	$ 41,324	$ —
Marketable debt securities, available-for-sale:								
Short-term investments:								
U.S. treasuries	$ 52,254	$ 52,254	$ —	$ —	$ 134,549	$ 134,549	$ —	$ —
Corporate debt	64,459	—	64,459	—	118,041	—	118,041	—
ABS and other	—	—	—	—	844	—	844	—
	$ 116,713	$ 52,254	$ 64,459	$ —	$ 253,434	$ 134,549	$ 118,885	$ —
Long-term investments:								
U.S. treasuries	$ 17,501	$ 17,501	$ —	$ —	$ 20,715	$ 20,715	$ —	$ —
U.S. government sponsored entities	474	—	474	—	536	—	536	—
Corporate debt	41,107	—	41,107	—	41,358	—	41,358	—
ABS and other	11,428	—	11,428	—	5,986	—	5,986	—
	$ 70,510	$ 17,501	$ 53,009	$ —	$ 68,595	$ 20,715	$ 47,880	$ —
Liabilities:								
Contingent consideration	$ 5,805	$ —	$ —	$ 5,805	$ 7,067	$ —	$ —	$ 7,067
Deferred consideration	$ 1,562	$ —	$ 1,562	$ —	$ 5,119	$ —	$ 5,119	$ —
Deferred compensation liability	$ 7,779	$ 7,779	$ —	$ —	$ 6,661	$ 6,661	$ —	$ —

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

There were no transfers in or out of Level 3 during the nine months ended September 30, 2023 and 2022.

During the nine months ended September 30, 2023, 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 September 30, 2023 and December 31, 2022, contingent and deferred consideration had a maximum undiscounted payment to be settled in cash or stock of $16.8 million and $21.3 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 four-year period. Changes in fair value are included in selling, general and administrative expense in the condensed consolidated statements of operations.

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

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	$ 7,067	$ 9,312
Change in fair value of contingent consideration[1]	(202)	(248)
Payments of contingent consideration	(1,060)	(1,040)
Ending balance	$ 5,805	$ 8,024

(1) Includes immaterial impact of foreign currency translation.

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

	Fair Value at September 30, 2023	Valuation Technique	Unobservable inputs	Range (Weighted Average)[1]	
Contingent consideration	$ 5,805	Discounted cash flow	Expected life of cash flows	1-4.09 years	(1.67 years)
			Discount rate	6.6%-7.3%	(7.2%)
			Probability of achievement	10.8%-100.0%	(96.2%)

	Fair Value at December 31, 2022	Valuation Technique	Unobservable inputs	Range (Weighted Average)[1]	
Contingent consideration	$ 7,067	Discounted cash flow	Expected life of cash flows	0.4-4.8 years	(2.7 years)
			Discount rate	6.0%-7.0%	(6.5)%
			Probability of achievement	0.0%-100.0%	(95.4)%

(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 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.

8. Stockholders' Equity

Common Stock

As of September 30, 2023 and December 31, 2022, there were38,546,059 and 39,255,838 shares of common stock, $0.0001 par value, issued and outstanding, which included unvested restricted stock awards ("RSAs") issued to non-employee directors, respectively. See Note 11 – "(Loss) Earnings per Share" for additional information.

On February 9, 2023, the Board of Directors declared a semi-annual regular dividend of $0.25 per share, with a payment date of April 6, 2023, to stockholders of record at the close of business on March 14, 2023.

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of $0.25 per share, with a payment date of October 6, 2023, to stockholders of record at the close of business on September 15, 2023.

As of September 30, 2023, the dividend payable was $12.1 million, of which $9.6 million was paid on October 6, 2023, and $2.5 million of dividend equivalents related to unvested stock awards remains to be paid upon vesting of stock awards. The $12.1 million payable is recorded in other liabilities 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 September 30, 2023 and December 31, 2022, there were no preferred shares issued or outstanding.

Accumulated Other Comprehensive (Loss) Income

Amounts reclassified from accumulated other comprehensive (loss) income are included as a component of other income, net or selling, general and administrative expense, as applicable, in the condensed consolidated statements of operations. 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.

Repurchases of Common Stock

On August 2, 2022, the Company's Board of Directors authorized a common stock repurchase program of up to $70 million. On May 2, 2023, the Company's Board of Directors approved an additional $70 million to repurchase common stock under its stock repurchase program. During the three months ended September 30, 2023, the Company did not purchase any shares of common stock under the repurchase program. During the nine months ended September 30, 2023, the Company repurchased and retired 1,098,561 shares of common stock for $34.4 million, at an average cost of $31.28 per share. As of September 30, 2023, $76.0 million remained authorized for repurchases under the stock repurchase program.

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") on October 7, 2013. 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 September 30, 2023, there were 3,368,324 shares available for future grants under the 2013 Plan.

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of $0.25 per share, with a payment date of October 6, 2023, to stockholders of record at the close of business on September 15, 2023. The Compensation Committee granted dividend equivalents to all unvested grants as of the record date.

As of September 30, 2023, $2.5 million of dividend equivalents remains to be paid upon vesting of stock awards, of which $1.7 million is classified as non-current. See Note 5 - "Selected Balance Sheet Data" for additional information.

On October 6, 2023, the Board of Directors amended the 2013 Plan, subject to and contingent upon the approval of stockholders of the Company at the 2024 Annual Meeting of Stockholders, to eliminate the term of the 2013 Plan such that the 2013 Plan shall continue in effect until it is terminated by the Compensation Committee.

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 September 30, 2023, there were no issued or outstanding options, SARs, performance units or performance share awards under the 2013 Plan.

During the nine months ended September 30, 2023, 444,962 shares of RSUs and RSAs vested, with 135,527 shares of common stock 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, 2022[(1)]	1,741,461	$ 42.14
Granted	600,138	34.30
Vested	(444,962)	41.04
Forfeited/canceled	(10,455)	40.86
Nonvested shares at September 30, 2023[(1)]	1,886,182	$ 39.92

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

As of September 30, 2023, the Company had unrecognized stock-based compensation relating to RSUs and RSAs of approximately $64.5 million, which is expected to be recognized over a weighted-average period of 3.52 years.

Employee Stock Purchase Plan

In 2013, the Company adopted the 2013 Employee Stock Purchase Plan ("ESPP"). The ESPP is intended to qualify under Section 423 of the Internal Revenue Code and provides for consecutive, non-overlapping six-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 six-month offering period.

The ESPP initially had 366,667 shares of common stock reserved, and 121,615 shares of common stock remain available for issuance as of September 30, 2023. The ESPP provides for annual increases in the number of shares available for issuance under the ESPP, equal to the lesser 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. As of September 30, 2023, total unrecognized compensation cost related to the ESPP was $21,000 and is expected to be recognized over a weighted average period of 0.12 years.

On October 6, 2023, the Board of Directors amended the ESPP to (i) eliminate the evergreen provision set forth in the ESPP such that the maximum number of shares of common stock of the Company made available for sale under the ESPP shall not automatically increase on the first day of each fiscal year of the Company and (ii) subject to and contingent upon the approval of the stockholders of the Company at the 2024 Annual Meeting of Stockholders, eliminate the term of the ESPP such that the ESPP shall continue in effect until the ESPP is terminated by the Board of Directors or the Compensation Committee.

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. As of December 31, 2022, all DSUs were settled.

Summary of Stock-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
ESPP	$ 43	$ 66	$ 126	$ 151
RSUs and RSAs	5,403	4,478	15,682	12,524
	$ 5,446	$ 4,544	$ 15,808	$ 12,675

10. Income Taxes

The Company’s effective tax rate for the three and nine months ended September 30, 2023 was 17.8% and 17.1%, respectively, compared to 31.7% and 27.0% for the three and nine months ended September 30, 2022, respectively. The Company provides for the effects of income taxes in interim financial statements based on the Company’s estimate of its annual effective tax rate for the full year, which is based on forecasted income by jurisdiction where the Company operates, adjusted for any tax effects of items that relate discretely to the period, if any.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Income tax (benefit) expense at the federal statutory rate	$ (2,363)	21.0 %	$ 6,573	21.0 %	$ (6,031)	21.0 %	$ 27,712	21.0 %
State income tax (benefit) expense, net of federal benefit	(358)	3.2 %	1,707	5.5 %	(782)	2.7 %	6,129	4.6 %
Shortfall (windfall) tax benefits, net related to stock-based compensation	23	(0.2)%	(54)	(0.2)%	796	(2.8)%	(2,118)	(1.6)%
Change in valuation allowance	(3)	0.0 %	1,073	3.4 %	241	(0.8)%	992	0.8 %
Permanent and other items [(1)]	691	(6.2)%	640	2.0 %	861	(3.0)%	2,936	2.2 %
	$ (2,010)	17.8 %	$ 9,939	31.7 %	$ (4,915)	17.1 %	$ 35,651	27.0 %

(1) Permanent items relate principally to compensation charges, qualified transportation fringe benefits, meals and entertainment, and other items principally related to the effect of providing taxes in the interim financial statements based on the estimated full year effective tax rate.

11. (Loss) Earnings per Share

Basic and diluted (loss) earnings per share for the three and nine months ended September 30, 2023 and 2022, respectively consisted of the following (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator (Basic and Diluted):				
Net (loss) income	$ (9,240)	$ 21,362	$ (23,802)	$ 96,313
Change in value for stock settled consideration[(3)]	11	(12)	48	(50)
Adjusted net (loss) income	$ (9,229)	$ 21,350	$ (23,754)	$ 96,263
Denominator:				
Basic				
Weighted average common shares issued and outstanding	38,509	39,983	38,755	39,881
Deduct: Unvested RSAs [(1)]	(17)	(12)	(15)	(12)
Add: Fully vested DSUs [(2)]	—	115	—	169
Weighted average common shares outstanding	38,492	40,086	38,740	40,038
Basic (loss) earnings per common share	$ (0.24)	$ 0.53	$ (0.61)	$ 2.40
Diluted				
Weighted average common shares outstanding from above	38,492	40,086	38,740	40,038
Add: Dilutive effect of RSUs, RSAs & ESPP[(5)]	—	131	—	235
Add: Contingently issuable shares[(3)(5)]	—	85	—	85
Weighted average common shares outstanding	38,492	40,302	38,740	40,358
Diluted (loss) earnings per common share	$ (0.24)	$ 0.53	$ (0.61)	$ 2.39
Antidilutive shares excluded from diluted earnings per common share[(4)]	1,069	1,046	1,754	1,041

(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.
(5) Shares related to the Company's RSUs, RSAs, ESPP, and contingently issuable shares were excluded from the weighted average common shares outstanding for the three and nine months ended September 30, 2023 because inclusion of such shares would be antidilutive in a period of loss.

12. Commitments and Contingencies

Credit Agreement

On June 18, 2014, the Company entered into a credit agreement (the "Credit Agreement") with Wells Fargo Bank, National Association (the "Bank"). On May 31, 2022, the Company executed an amended and restated Credit Agreement to extend the maturity date of the Credit Agreement to August 1, 2022, and which included substantially the same terms and conditions as the original credit facility. On July 28, 2022, the Company entered into the Second Amended and Restated Credit Agreement to adjust the maturity date of the Credit Agreement to June 1, 2025, with principally the same terms and conditions as the extension signed in May 2022. On September 25, 2023, the Company executed the First Amendment to the Second Amended and Restated Credit Agreement which provides for a $10 million line of credit and a maturity date of June 1, 2024 ("Credit Facility").

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 Facility are available for general corporate purposes and working capital. The Credit Facility includes a $3.0 million sublimit for the issuance of standby letters of credit of which $1,050,000 was utilized at September 30, 2023. Borrowings under the Credit Facility will bear interest at the Daily Simple SOFR rate plus a spread of 175 basis points. In connection with the amendments to the Credit Agreement, the Company paid bank fees and other expenses, which are being amortized over the remaining term of the Credit Agreement. The Company pays a commitment fee of up to 0.5% per annum, payable quarterly, based on the amount of unutilized commitments under the Credit Facility. The amortization and commitment fees are included in interest expense in the accompanying condensed consolidated statements of operations and were $50,000 and $94,000 for the three months ended September 30, 2023 and 2022, respectively, and $101,000 and $141,000 during the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, there were no amounts outstanding under the Credit Agreement.

The Credit Facility contains customary covenants, including financial covenants, financial reporting requirements and events of default. Financial covenants require the Company, on a combined basis with its guarantors, to maintain total liquidity including cash and cash equivalents and marketable securities, held for sale of $100 million and an average daily cash balance of $35 million with the Bank, on a combined basis with all the guarantors, calculated as of the end of the month. The Credit Facility is secured by substantially all assets of the Company, including pledges of 100% of the stock or other equity interest of each subsidiary except for the capital stock of a controlled foreign corporation (as defined in the Internal Revenue Code), in which case no such pledge is required. As of September 30, 2023, 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. Our ability to borrow under our Credit Facility is limited by our ability to comply with its covenants or obtain necessary waivers.

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 DUS agreement with Fannie Mae. MTRCC's agreement with Fannie Mae 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 September 30, 2023, the Company has agreed to a maximum aggregate guarantee obligation of $138.5 million relating to loans with an unpaid balance of $831.2 million. The Company would be liable for its maximum aggregate guarantee obligation 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 were determined to be without value at the time of settlement. As of September 30, 2023 and December 31, 2022, the Company has recorded an allowance for loss-sharing obligations of $778,000 and $275,000, respectively, and pledged $180,000 and $16,000, respectively, in a restricted bank account in support of the guarantee obligation.

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 September 30, 2023 aggregated $15.2 million.

13. Subsequent Events

On August 1, 2023, the Board of Directors declared a semi-annual regular dividend of $0.25 per share, or $10.1 million, payable to stockholders of record at the close of business on September 15, 2023, of which $9.6 million was paid on October 6, 2023.

Between September 30, 2023 and October 31, 2023, the Company repurchased an additional161,490 shares of common stock for $4.5 million pursuant to the stock repurchase program.

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

Unless the context requires otherwise, the words "Marcus & Millichap," "MMI," "we," the "Company," "us" and "our" refer to Marcus & Millichap, Inc., and its consolidated subsidiaries.

Forward-Looking Statements

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to expectations for future interest rates, inflation, and geopolitical unrest. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023, 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, 2022 filed with the SEC on February 28, 2023, 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 16 years. As of September 30, 2023, we had 1,820 investment sales and financing professionals that are primarily exclusive independent contractors operating in more than 80 offices, who provide real estate brokerage and financing services to sellers and buyers of commercial real estate assets. During the three and nine months ended September 30, 2023, we closed 1,846 and 5,599 investment sales, financing and other transactions with total sales volume of approximately $11.4 billion and $31.7 billion, respectively. During the year ended December 31, 2022, we closed 12,272 investment sales, financing and other transactions with total sales volume of approximately $86.3 billion.

We generate revenue 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 September 30, 2023, approximately 86% of our revenue was generated from real estate brokerage commissions, 11% from financing fees and 3% from other real estate related services.

We divide commercial real estate into four major markets, 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, which contributed approximately 65% and 57% of our real estate brokerage commissions during the three months ended September 30, 2023 and 2022, respectively, and approximately 67% and 57% of our real estate brokerage commissions during the nine months ended September 30, 2023 and 2022, respectively. The following tables set forth the number of transactions, sales volume and revenue by each commercial real estate market for real estate brokerage:

Real Estate Brokerage	Three Months Ended September 30, 2023 Number	Volume (in millions)	Revenue (in thousands)	2022 Number	Volume (in millions)	Revenue (in thousands)	Change Number	Volume (in millions)	Revenue (in thousands)
<$1 million	208	$ 122	$ 5,511	243	$ 154	$ 7,252	(35)	$ (32)	$ (1,741)
Private Client Market ($1 – <$10 million)	1,014	3,344	91,466	1,658	5,885	165,534	(644)	(2,541)	(74,068)
Middle Market ($10 – <$20 million)	75	1,002	18,647	188	2,527	46,901	(113)	(1,525)	(28,254)
Larger Transaction Market (≥$20 million)	64	2,965	24,193	157	9,360	73,202	(93)	(6,395)	(49,009)
	1,361	$ 7,433	$ 139,817	2,246	$ 17,926	$ 292,889	(885)	$ (10,493)	$ (153,072)

Real Estate Brokerage	Nine Months Ended September 30, 2023 Number	Volume (in millions)	Revenue (in thousands)	2022 Number	Volume (in millions)	Revenue (in thousands)	Change Number	Volume (in millions)	Revenue (in thousands)
<$1 million	600	$ 358	$ 15,214	728	$ 450	$ 19,711	(128)	$ (92)	$ (4,497)
Private Client Market ($1 – <$10 million)	3,054	10,169	278,207	5,285	18,929	536,433	(2,231)	(8,760)	(258,226)
Middle Market ($10 – <$20 million)	218	2,923	53,440	581	7,849	150,117	(363)	(4,926)	(96,677)
Larger Transaction Market (≥$20 million)	190	8,657	68,332	474	27,771	228,222	(284)	(19,114)	(159,890)
	4,062	$ 22,107	$ 415,193	7,068	$ 54,999	$ 934,483	(3,006)	$ (32,892)	$ (519,290)

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

Significant uncertainty in the economic outlook caused by government, geopolitical and financial market forces may impact the likelihood of an economic "soft landing". The ousting of the Speaker of the House in October 2023 and delay in selecting a replacement has raised the risk of a government shutdown occurring in November 2023. A government shutdown may spur economic fallout and a downgrade of the U.S. credit rating. In addition, labor union strikes could become increasingly disruptive for the U.S. economy. Escalating military conflict in the Middle East has the potential to draw additional nations into a regional conflagration with serious global economic implications. These risk factors, together with rising long-term treasury and mortgage rates, could derail the soft landing scenario forecast by many economists.

Despite the risks presented by these events, several economic drivers continue to support a soft landing scenario. Job creation has been durable, with the addition of an average of 266,000 jobs per month in the third quarter of 2023. The unemployment rate has been range-bound in the mid to upper 3% band for 20 months straight, while weekly first-time unemployment claims fell below 200,000 in October 2023. In addition, the total number of job openings remains high suggesting continued employment market strength. These positive trends align with steadily falling core inflation and stable inflation-adjusted core retail sales suggesting slowing but positive economic growth through the remainder of 2023 and into 2024.

Within this context, the Federal Reserve will likely hold rates flat through the remainder of 2023 and into 2024. This should help stabilize the commercial real estate lending climate in the coming months.

If the U.S. economy avoids a recession, an increasing number of commercial real estate investors could cautiously reengage the investment market, but the sector has yet to attain the critical mass needed for a full revival of investment activity.

Commercial Real Estate Supply and Demand

Our business is dependent on the willingness of investors to invest in or sell commercial real estate, which is affected by many factors beyond our control. These factors include the supply of commercial real estate, coupled with user demand for these properties, and the performance of real estate assets, when compared with other investment alternatives, such as stocks and bonds.

Space demand for commercial real estate remained positive in the third quarter of 2023, though office absorption was marginally above zero. The number of net new apartment leases increased for a third consecutive quarter, but the absorption of 101,000 units in the quarter fell short of apartment completions, resulting in a 10 basis points increase of vacancy rates on a national level. Nonetheless, effective rent growth remained modestly positive in the third quarter. Retail space demand was also positive in the third quarter, roughly in alignment with construction resulting in stable vacancy rates and positive rent growth. Industrial space demand, while positive, continued to taper in the third quarter, with absorption falling short of the record pace of construction. As a result, industrial vacancy rates increased 50 basis points in the third quarter.

Although office space demand still faces significant headwinds, absorption was marginally positive in the third quarter. The space gains fell short of the modest pace of office completions, resulting in a 10 basis point increase in vacancy to 17.1% on a national level, the highest quarterly office vacancy rate in 23 years. Despite the overall weakening of the sector, some office property segments continue to outperform the sector as a whole. Smaller suburban office properties constructed since 2010 have a markedly lower vacancy rate than large, older urban properties, suggesting that the weakness in the office sector is not as broad-based as previously believed. Hybrid and work-from-home business practices remain in place for most companies, but questions surrounding the long-term viability of these models remain. Some companies have reinvigorated their efforts to bring workers back to the office full time, while others appear content with more flexible practices. Thus far, no clear consensus has emerged, and long-term office space demand remains in question. The broad-based uncertainty surrounding the office investment market has been further complicated by dramatically tightened lending on office building assets, which has increasingly restrained the already limited office investor activity.

Although fundamentals for most property types remain positive, both lending and investor activity remain below the pre-pandemic norm and the expectation gap between buyers and sellers remains wide. The demand for space will continue to be influenced by consumer and business sentiment as well as the broader economic outlook.

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. 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 directly influence investor demand for commercial real estate investments. Furthermore, the use of debt or loan-to-value ratios can shift along with lender confidence and underwriting standards. At times of heightened uncertainty or liquidity issues, loan-to-values decline, requiring buyers to provide more equity and take more risk to close deals.

The capital markets remain at the heart of the commercial real estate transaction slowdown. The combination of sharply higher interest rates with tighter lender underwriting, reduced loan-to-value standards and a broad-based reduction in the volume of available debt capital have restrained market liquidity and forced investors to recalibrate their underwriting. This exacerbated the buyer/seller expectation gap and reduced trading through the first three quarters of 2023.

Following the Federal Reserve's 25 basis points rate increase in July 2023, Chairman Powell indicated that future rate decisions will be data-driven. The Federal Reserve held interest rates flat in the 5.25% - 5.5% range at their September meeting. Prevailing Wall Street sentiment has assigned a 75% likelihood that the overnight rate at the end of the year will remain unchanged. The 10-year treasury rate has recently surged to the upper 4% range, even surpassing 5% in intraday trading. While the increase in the federal funds rate has had an impact, the rise of the 10-year treasury is largely attributable to the combination of increased treasury issuance and reduced treasury purchases by the Federal Reserve. The jump in the 10-year treasury rate has directly impacted both residential and commercial lending rates. Although many believe the Federal Reserve will hold the overnight rate stable through the remainder of the year, rising long-term interest rates could continue to place upward pressure on commercial real estate lending rates.

While debt capital remains available for most property types, the lending climate is constrained by a variety of factors. Persistent beliefs that commercial real estate poses a risk to the broader banking system remain despite low distress levels. Only office properties, which represent approximately 3.6% of total bank lending, have demonstrated outsized risk, with most of the distress limited to older urban office buildings. To offset perceptions of real estate related risk, many banks have reduced their lending to the sector while bolstering their cash reserves. The reduced availability of lending capital from traditional sources has motivated numerous private lenders to enter the market, typically at elevated interest rates.

Investors have been forced to underwrite acquisitions with higher cap rates placing additional pressure on the buyer/seller expectation gap due to more stringent underwriting with tightened loan-to-value percentages and higher interest rates. Although property owners continue to seek updated property valuations to correspond with the market, broad-based uncertainty surrounding the economy and lending climate have impacted prospective seller activity. We believe that as economic and financial sector clarity and stability reemerges, transaction activity should revive. An estimated $237 billion or more of real estate investment capital that is currently undeployed could quickly reenter the market as clarity emerges. The timing of the reentry of this capital is difficult to predict given the range of economic, political and geopolitical forces in play at the national and global level.

Investor Sentiment and Investment Activity

We facilitate investors buying, selling, and financing properties in order to generate commissions. Investors' desires and need 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 activity remained constrained through three quarters of 2023 as tightened lender underwriting, significantly higher interest rates, recession risk and broad-based uncertainty impacted on investor decisions. We believe a significant volume of investment capital remains undeployed waiting for economic, interest rate, financial market, geopolitical and commercial real estate pricing clarity. Price adjustments are necessary to recalibrate values to higher interest rates, but the duration of the recalibration process will depend on the combination of Federal Reserve rate policies, political stability and the market forces driving long-term interest rates. Once investors re-engage in the market, it will likely take time to navigate the price discovery process and for sales activity to revive.

Office properties, particularly those in the urban core, face the greatest uncertainty and the greatest challenges in acquiring debt financing. Apartment financing, underpinned by Fannie Mae and Freddie Mac, has generally been the most attainable, with typically lower interest rates than other property types. However, the rapid interest rate spike relative to the sector's very low cap rates and the large apartment development pipeline together with slackening rent growth has impacted on apartment sales. Defensive assets — such as single-tenant net lease properties backed by high-credit tenants — and medical office assets continue to receive buyer interest, but sales of these types of properties have also fallen as the flow of 1031 exchange capital coming from other property types has diminished. Ultimately, the market velocity will be dictated by a combination of the economic outlook, geopolitical forces, Federal Reserve action, interest rates and the narrowing of the buyer/seller expectation gap. If the Federal Reserve signals an end to their rate increases, the ten-year treasury rate stabilizes and the economy avoids a significant recession, we believe commercial real estate sales activity should begin to move toward its historical norm in 2024.

Key Financial Measures and Indicators

Revenue

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

Because our business is transaction oriented, we rely on investment sales and financing professionals to continually develop leads, identify properties to sell and finance, market those properties and close the sale timely to generate a consistent flow of revenue. While our sales volume is impacted by seasonality factors, the timing of closings is also dependent on many market and personal factors unique to a particular client or transaction, particularly clients transacting in the $1-$10 million private client market. 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. These factors may result in period-to-period variations in our revenue 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. Revenue from real estate brokerage commissions is 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 revenue 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. During the nine months ended September 30, 2022, we 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 revenue upon the acquisition of a servicing obligation.

Other Revenue

Other revenue includes fees generated from consulting, advisory and other real estate services performed by our investment sales professionals. Revenue from these services is 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.

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, costs to acquire and retain talent, 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 intangible assets amortized on a straight-line basis using a useful life between one and seven years and (ii) amortization recorded for the 2022 period on our mortgage servicing rights using the interest method over the period that servicing income is expected to be received.

Other Income, Net

Other income, net primarily consists of interest income, realized gains and losses on our marketable debt securities, available-for-sale, net gains or losses on our deferred compensation plan assets, 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.

(Benefit) 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 (i) changes in our annual effective tax rate applied to current pre-tax income (loss), (ii) the change in the mix of our activities in the jurisdictions in which we operate due to differing tax rates in those jurisdictions and (iii) 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 (benefit) for income taxes includes the windfall tax benefits and shortfall expenses, net, from shares issued in connection with our 2013 Plan and ESPP.

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

Results of Operations

Following is a discussion of our results of operations for the three and nine months ended September 30, 2023 and 2022. The tables included in the period comparisons below provide summaries of our results of operations. The period-to-period comparisons of financial results are not necessarily indicative of future results.

Key Operating Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We also believe these metrics are relevant to investors' and others' assessment of our financial condition and results of operations. During the three months ended September 30, 2023 and 2022, we closed more than 1,800 and 3,000 investment sales, financing and other transactions, respectively, with total sales volume of approximately $11.4 billion and $22.6 billion, respectively. During the nine months ended September 30, 2023 and 2022, we closed more than 5,500 and 9,500 investment sales, financing and other transactions, respectively, with total sales volume of approximately $31.7 billion and $69.9 billion, respectively. Such key metrics for real estate brokerage and financing activities (excluding other transactions) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Real Estate Brokerage	2023	2022	2023	2022
Average Number of Investment Sales Professionals	1,733	1,792	1,757	1,823
Average Number of Transactions per Investment Sales Professional	0.79	1.25	2.31	3.88
Average Commission per Transaction	$ 102,731	$ 130,405	$ 102,214	$ 132,213
Average Commission Rate	1.88 %	1.63 %	1.88 %	1.70 %
Average Transaction Size (in thousands)	$ 5,462	$ 7,981	$ 5,442	$ 7,781
Total Number of Transactions	1,361	2,246	4,062	7,068
Total Sales Volume (in millions)	$ 7,433	$ 17,926	$ 22,107	$ 54,999

	Three Months Ended September 30,		Nine Months Ended September 30,	
Financing [(1)]	2023	2022	2023	2022
Average Number of Financing Professionals	96	87	95	86
Average Number of Transactions per Financing Professional	2.88	5.95	8.83	20.17
Average Fee per Transaction	$ 50,062	$ 44,751	$ 49,606	$ 44,363
Average Fee Rate	0.73 %	0.70 %	0.79 %	0.74
Average Transaction Size (in thousands)	$ 6,904	$ 6,350	$ 6,288	$ 6,021
Total Number of Transactions	276	518	839	1,735
Total Financing Volume (in millions)	$ 1,906	$ 3,289	$ 5,276	$ 10,447

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

Comparison of Three Months Ended September 30, 2023 and 2022

Below are key operating results for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 (dollars in thousands):

	Three Months Ended September 30, 2023	Percentage of Revenue	Three Months Ended September 30, 2022	Percentage of Revenue	Change		
					Dollar		Percentage
Revenue:							
Real estate brokerage commissions	$ 139,817	86.3 %	$ 292,889	90.4 %	$ (153,072)	-52.3 %	(52.3)%
Financing fees	17,257	10.7	28,099	8.7	(10,842)	-38.6 %	(38.6)%
Other revenue	4,952	3.0	2,852	0.9	2,100	73.6 %	73.6 %
Total revenue	162,026	100	323,840	100	(161,814)	-50.0 %	(50.0)%
Operating expenses:							
Cost of services	104,628	64.6	217,360	67.1	(112,732)	-51.9 %	(51.9)%
Selling, general and administrative	69,192	42.7	73,004	22.6	(3,812)	-5.2 %	(5.2)%
Depreciation and amortization	3,637	2.2	2,924	0.9	713	24.4 %	24.4 %
Total operating expenses	177,457	109.5	293,288	90.6	(115,831)	-39.5 %	(39.5)%
Operating (loss) income	(15,431)	(9.5)	30,552	9.4	(45,983)	-150.5 %	(150.5)%
Other income, net	4,422	2.7	978	0.3	3,444	352.1 %	[1]
Interest expense	(241)	(0.1)	(229)	0.0	(12)	5.2 %	5.2 %
(Loss) income before (benefit) provision for income taxes	(11,250)	(6.9)	31,301	9.7	(42,551)	-135.9 %	(135.9)%
(Benefit) provision for income taxes	(2,010)	(1.2) %	9,939	3.1	(11,949)	-120.2 %	(120.2)%
Net (loss) income	$ (9,240)	(5.7) %	$ 21,362	6.6 %	$ (30,602)	-143.3 %	(143.3)%
Adjusted EBITDA [2]	$ (6,647)	(4.1) %	$ 36,633	11.3 %	$ (43,280)	-118.1 %	(118.1)%

(1) Percentage not meaningful.

(2) 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."

Revenue

Our total revenue was $162.0 million for the three months ended September 30, 2023 compared to $323.8 million for the same period in 2022, a decrease of $161.8 million, or 50.0%. Total revenue decreased as a result of decreases in real estate brokerage commissions and financing fees, as described below. See "Factors Affecting Our Business" section for additional market information.

Real estate brokerage commissions. Revenue from real estate brokerage commissions decreased to $139.8 million for the three months ended September 30, 2023 from $292.9 million for the same period in 2022, a decrease of $153.1 million, or 52.3%. The number of transactions decreased by 39.4% and the average commission per transaction decreased 21.2%, which drove a decrease of revenue of 44.7% in the Private Client Market and a decrease of 64.3% in the combined Middle Market and Larger Transaction Market. The average commission rate increased by 25 basis points in the third quarter of 2023 compared to the same quarter in 2022 as a result of a shift in the proportion of transactions to the Private Client Market from the Middle Market and Larger Transaction Market as Private Client Market transactions typically earn higher commission rates.

Financing fees. Revenue from financing fees decreased to $17.3 million for the three months ended September 30, 2023 from $28.1 million for the same period in 2022, a decrease of $10.8 million, or 38.6%, resulting primarily from a 46.7% decrease in the number of financing transactions. This decrease was partially offset by an increase in the average transaction size of 8.7%, and an increase in the average fee per transaction of 11.9%, resulting in an increase in the average fee rate of three basis points.

Other revenue. Other revenue increased to $5.0 million for the three months ended September 30, 2023 from $2.9 million for the same period in 2022, an increase of $2.1 million, or 73.6%. The increase was primarily driven by increases in consulting and advisory services during the three months ended September 30, 2023, compared to the same period in 2022.

Total Operating Expenses

Our total operating expenses were $177.5 million for the three months ended September 30, 2023 compared to $293.3 million for the same period in 2022, a decrease of $115.8 million, or 39.5%. Cost of services decreased by $112.7 million and selling, general, and administrative expenses decreased by $3.8 million, as described below.

Cost of services. Cost of services are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities. Cost of services decreased to $104.6 million for the three months ended September 30, 2023 from $217.4 million for the same period in 2022, a decrease of $112.7 million, or 51.9%. The decrease was primarily due to decreased commission expenses driven by the related decreased revenue noted above. Cost of services as a percentage of total revenue decreased by 250 basis points to 64.6% compared to the same period in 2022 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier in prior year than in current year.

Selling, general, and administrative expense. Selling, general and administrative expense for the third quarter of 2023 decreased to $69.2 million, from $73.0 million compared to the same period in the prior year, a decrease of $3.8 million or 5.2%. The change was primarily due to a reduction in compensation related costs, specifically performance-based bonuses for the third quarter of 2023, partially offset by an increase in business development, marketing, and other support costs related to the long-term retention of our sales and financing professionals.

Depreciation and amortization expense. Depreciation and amortization expense increased by an immaterial amount for the three months ended September 30, 2023 compared to the same period in the prior year.

Other Income, Net

Other income, net increased to $4.4 million for the three months ended September 30, 2023 from $1.0 million for the same period in 2022. The increase of $3.4 million was primarily driven by an increase of $2.0 million in income from investments and the impact of unrealized foreign currency losses in 2022.

Interest Expense

Interest expense increased by an immaterial amount for the three months ended September 30, 2023 compared to the same period in 2022, and primarily relates to interest expense on the Company’s SARs liability.

(Benefit) Provision for Income Taxes

The benefit for income taxes was $2.0 million for the three months ended September 30, 2023, compared to a provision for income taxes of $9.9 million for the same period in 2022. The effective income tax rate for the three months ended September 30, 2023, was 17.8% compared to 31.7% for the same period in 2022. The majority of the reduction in the effective tax rate is related to permanent and other items as presented in Note 10 - "Income Taxes" in the notes to the condensed consolidated financial statements in Item 1, Part I of this quarterly report.

Comparison of Nine Months Ended September 30, 2023 and 2022

Below are key operating results for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 (dollars in thousands):

	Nine Months Ended September 30, 2023	Percentage of Revenue	Nine Months Ended September 30, 2022	Percentage of Revenue	Change		
					Dollar		Percentage
Revenue:							
Real estate brokerage commissions	$ 415,193	86.6 %	$ 934,483	89.9 %	$ (519,290)	-55.6 %	(55.6)%
Financing fees	51,021	10.6	91,363	8.8	(40,342)	-44.2 %	(44.2)%
Other revenue	13,470	2.8	13,415	1.3	55	0.4 %	0.4 %
Total revenue	479,684	100	1,039,261	100	(559,577)	-53.8 %	(53.8)%
Operating expenses:							
Cost of services	301,218	62.8	670,170	64.5	(368,952)	-55.1 %	(55.1)%
Selling, general and administrative	210,321	43.9	227,380	21.9	(17,059)	-7.5 %	(7.5)%
Depreciation and amortization	10,312	2.1	10,167	0.9	145	1.4 %	1.4 %
Total operating expenses	521,851	108.8	907,717	87.3	(385,866)	-42.5 %	(42.5)%
Operating (loss) income	(42,167)	(8.8)	131,544	12.7	(173,711)	-132.1 %	(132.1)%
Other income, net	14,122	2.9	967	0.1	13,155	1360.4 %	(1)
Interest expense	(672)	(0.1)	(547)	(0.1)	(125)	22.9 %	22.9 %
(Loss) income before (benefit) provision for income taxes	(28,717)	(6.0)	131,964	12.7	(160,681)	-121.8 %	(121.8)%
(Benefit) provision for income taxes	(4,915)	(1.0)	35,651	3.4	(40,566)	-113.8 %	(113.8)%
Net (loss) income	$ (23,802)	(5.0) %	$ 96,313	9.3 %	$ (120,115)	-124.7 %	(124.7)%
Adjusted EBITDA (2)	$ (15,126)	(3.2) %	$ 151,394	14.6 %	$ (166,520)	-110.0 %	(110.0)%

(1) Percentage not meaningful.

(2) 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."

Revenue

Our total revenue was $479.7 million for the nine months ended September 30, 2023 compared to $1,039.3 million for the same period in 2022, a decrease of $559.6 million, or 53.8%. Total revenue decreased as a result of decreases in real estate brokerage commissions and financing fees, as described below. See "Factors Affecting Our Business" section for additional market information.

Real estate brokerage commissions. Revenue from real estate brokerage commissions decreased to $415.2 million for the nine months ended September 30, 2023 from $934.5 million for the same period in 2022, a decrease of $519.3 million, or 55.6%. The number of transactions decreased by 42.5% and the average commission per transaction decreased 22.7%, which drove a decrease of revenue of 48.1% in the Private Client Market and a decrease of 67.8% in the combined Middle Market and Larger Transaction Market. The average commission rate increased by 18 basis points in the nine months ended September 30, 2023 compared to the same period in 2022, as a result of a shift in the proportion of transactions to the Private Client Market from the Middle Market and Larger Transaction Market as Private Client Market transactions typically earn higher commission rates.

Financing fees. Revenue from financing fees decreased to $51.0 million for the nine months ended September 30, 2023 from $91.4 million for the same period in 2022, a decrease of $40.3 million, or 44.2%, resulting primarily from a 51.6% decrease in the number of financing transactions. This decrease was partially offset by an increase in the average transaction size of 4.4%, and an increase in the average fee per transaction of 11.8%, resulting in an increase in the average fee rate of five basis points.

Other revenue. Other revenue of $13.5 million for the nine months ended September 30, 2023 was comparable to $13.4 million for the same period in 2022.

Total Operating Expenses

Our total operating expenses were $521.9 million for the nine months ended September 30, 2023 compared to $907.7 million for the same period in 2022, a decrease of $385.9 million, or 42.5%. Cost of services decreased by $369.0 million and selling, general, and administrative expenses decreased by $17.1 million, as described below.

Cost of services. Cost of services are variable commissions paid to our investment sales professionals and compensation-related costs in connection with our financing activities. Cost of services decreased to $301.2 million for the nine months ended September 30, 2023 from $670.2 million for the same period in 2022, a decrease of $369.0 million, or 55.1%. The decrease was primarily due to decreased commission expenses driven by the related decreased revenue noted above. Cost of services as a percentage of total revenue decreased by 170 basis points to 62.8% compared to the same period in 2022 primarily due to our senior investment sales and financing professionals who earn additional commissions after meeting certain annual financial thresholds, reaching their thresholds earlier in prior year than in current year.

Selling, general, and administrative expense. Selling, general and administrative expense for the nine months ended September 30, 2023 decreased to $210.3 million, from $227.4 million compared to the same period in the prior year, a decrease of $17.1 million or 7.5%. The change was primarily due to a reduction in compensation-related costs, specifically performance-based bonuses for the first three quarters of 2023, partially offset by an increase in business development, marketing, other support and expensing of capital related to the long-term retention of our sales and financing professionals.

Depreciation and amortization expense. Depreciation and amortization expense increased by an immaterial amount for the nine months ended September 30, 2023 compared to the same period in the prior year.

Other Income, Net

Other income, net increased to $14.1 million for the nine months ended September 30, 2023 from $1.0 million for the same period in 2022. The increase of $13.2 million was primarily driven by an increase of $8.8 million in income from investments, a favorable change of $2.8 million in the value of our deferred compensation plan assets that are held in a rabbi trust and the impact of unrealized foreign currency losses in 2022.

Interest Expense

Interest expense increased by an immaterial amount for the three months ended September 30, 2023 compared to the same period in 2022, and primarily relates to interest expense on the Company’s SARs liability.

(Benefit) Provision for Income Taxes

The benefit for income taxes was $4.9 million for the nine months ended September 30, 2023, compared to a provision for income taxes of $35.7 million for the same period in 2022. The effective income tax rate for the nine months ended September 30, 2023 was 17.1% compared to 27.0% for the same period in 2022. The majority of the reduction in the effective tax rate is related to permanent and other items as presented in Note 10 - "Income Taxes" in the notes to the condensed consolidated financial statements in Item 1, Part I of this quarterly report.

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 (loss) income before (i) interest income and other, including net realized gains (losses) on marketable debt securities, available-for-sale and cash, cash equivalents, and restricted cash, (ii) interest expense, (iii) (benefit) provision for income taxes, (iv) depreciation and amortization, and (v) stock-based compensation. We use Adjusted EBITDA in our business operations to evaluate the performance of our business, develop budgets and measure our performance against those budgets, among other things. We also believe that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate our overall operating performance. However, Adjusted EBITDA has material limitations as a supplemental metric and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. We find Adjusted EBITDA to be a useful management metric to assist in evaluating performance, because Adjusted EBITDA eliminates items related to capital structure, taxes and non-cash items. In light of the foregoing limitations, we do not rely solely on Adjusted EBITDA as a performance measure and also consider our U.S. GAAP results. Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures calculated in accordance with U.S. GAAP. Because Adjusted EBITDA is not calculated in the same manner by all companies, it may not be comparable to other similarly titled measures used by other companies. A reconciliation of the most directly comparable U.S. GAAP financial measure, net income, to Adjusted EBITDA is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (loss) income	$ (9,240)	$ 21,362	$ (23,802)	$ 96,313
Adjustments:				
Interest income and other [1]	(4,721)	(2,365)	(13,201)	(3,959)
Interest expense	241	229	672	547
(Benefit) provision for income taxes	(2,010)	9,939	(4,915)	35,651
Depreciation and amortization	3,637	2,924	10,312	10,167
Stock-based compensation	5,446	4,544	15,808	12,675
Adjusted EBITDA	$ (6,647)	$ 36,633	$ (15,126)	$ 151,394

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

Liquidity and Capital Resources

Our primary sources of liquidity are cash, cash equivalents, and restricted cash, 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 a discretionary liquidity fee. 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, cash equivalents, and restricted cash, proceeds from the sale of marketable debt securities, available-for-sale or availability under our Credit Agreement.

Cash Flows

Our total cash, cash equivalents, and restricted cash balance decreased by $11.7 million to $224.2 million at September 30, 2023, compared to $235.9 million at December 31, 2022. The following table sets forth our summary cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash flows used in operating activities	$ (87,114)	$ (11,775)
Net cash flows provided by (used in) investing activities	128,733	(31,291)
Net cash flows used in financing activities	(53,318)	(67,774)
Effect of currency exchange rate changes on cash, cash equivalents, and restricted cash	—	(436)
Net decrease in cash, cash equivalents, and restricted cash	(11,699)	(111,276)
Cash, cash equivalents, and restricted cash at beginning of period	235,873	382,140
Cash, cash equivalents, and restricted cash at end of period	$ 224,174	$ 270,864

Operating Activities

Cash flows used in operating activities were $87.1 million for the nine months ended September 30, 2023 compared to $11.8 million for the same period in 2022. The $75.3 million increase in cash flows used in operating activities for the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to decreased operating income as discussed above. The cash flows from operating activities are also affected by the timing of certain cash receipts and payments.

Investing Activities

Cash flows provided by investing activities were $128.7 million for the nine months ended September 30, 2023 compared to cash flows used in investing activities of $31.3 million for the same period in 2022. The $160.0 million increase in cash provided by investing activities for the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to a net increase of $146.7 million in net proceeds from sales and maturities of securities in 2023 compared to the same period in 2022, as well as the 2022 acquisition of a business for $12.5 million, with no corresponding outflow in the current period.

Financing Activities

Cash flows used in financing activities were $53.3 million for the nine months ended September 30, 2023 compared to $67.8 million for the same period in 2022. The decrease of $14.5 million in cash flows used in financing activities for the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to a decrease of $3.8 million in taxes paid related to net share settlement of stock-based awards, along with a decrease of $39.7 million in dividends paid, partially offset by an increase of $29.3 million in stock repurchases.

Liquidity

We believe that our existing balances of cash, cash equivalents, and restricted cash, cash flows expected to be generated from our operations, and proceeds from the sale of marketable debt securities, available-for-sale will be sufficient to satisfy our operating requirements for at least the next 12 months. If we need to raise additional capital through public or private debt or equity financings, strategic relationships or other arrangements, this capital might not be available to us in a timely manner, on acceptable terms, or at all. Our failure to raise sufficient capital when needed could prevent us from funding acquisitions or otherwise financing our growth or operations. As of September 30, 2023, cash, cash equivalents, and restricted cash and marketable debt securities, available-for-sale, aggregated $411.4 million.

Credit Agreement

We have a credit agreement with Wells Fargo Bank, National Association (the "Credit Agreement") which provides for a $10.0 million principal amount senior secured revolving credit facility that is guaranteed by all of our domestic subsidiaries and matures on June 1, 2024. The Company is monitoring covenant compliance on a regular basis to ensure continued compliance with the Credit Agreement. Our ability to borrow under our Credit Agreement is limited by our ability to comply with its covenants or obtain necessary waivers. 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 September 30, 2023, the Company has agreed to a maximum aggregate guarantee obligation of $138.5 million relating to loans with an unpaid balance of $831.2 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. The Company records a loan-loss obligation and is required to provide cash collateral to MTRCC for this obligation.

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, 2022 through the date the condensed consolidated financial statements were issued, other than for the semi-annual regular dividend of $0.25 per share on outstanding common stock declared by our Board of Directors on August 1, 2023, with a payment date of October 6, 2023.

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 and impact of rising interest rates on the broader economy.

The annual inflation rate in the United States increased to 9.1% in June 2022, the highest annual inflation rate since November 1981, but has since stabilized at 3.7% as of September 2023. Core inflation, which does not consider volatile food and energy prices, has demonstrated a more consistent downward trend, falling nearly every month since September 2022. In response to elevated inflation levels, the Federal Reserve increased the federal funds rate to the 5.25%-5.5% range as of their meeting on September 20, 2023. Prevailing sentiment on Wall Street currently assigns a 75% likelihood that the Federal Reserve will hold rates flat through the remainder of 2023. Although inflation is still elevated and well above the Federal Reserve's target rate, it appears to be trending downward. Services inflation and the lagging housing inflation metric, however, have yet to deliver a measurable downturn. Sustained elevated interest rates and inflation would be expected to have a negative impact on client demand for commercial real estate.

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, 2022.

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 others. As of September 30, 2023, the fair value of investments in marketable debt securities, available-for-sale was $187.2 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, yield 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, cash equivalents, and restricted cash) was AA- as of September 30, 2023. Maturities are maintained consistent with our short-, medium- and long-term liquidity objectives.

Currently, our portfolio of investments predominantly consists of fixed interest rate debt securities; however, a portion of our investment portfolio may consist of variable interest rate debt securities. Our investments in fixed interest rate debt securities are subject to various market risks. Changes in prevailing interest rates may adversely or positively impact their fair market value should interest rates generally rise or fall. Accordingly, we also may have interest rate risk with variable interest rate debt securities as the income produced may decrease if interest rates fall. Contraction in market liquidity may adversely affect the value of portions of our portfolio and affect our ability to sell securities in the time frames required and at acceptable prices. Uncertainty in future market conditions may raise market participant's expectations of returns, thus impacting the value of securities in our portfolio as well. The following table sets forth the impact on the fair value of our investments as of September 30, 2023 from changes in interest rates based on the weighted average duration of the debt securities in our portfolio (in thousands):

Change in Interest Rates	Approximate Change in Fair Value of Investments Increase (Decrease)
2% Decrease	$ 3,643
1% Decrease	$ 1,821
1% Increase	$ (1,821)
2% Increase	$ (3,641)

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. Historically foreign exchange rate risk has not been material.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our management, with the supervision and participation of our chief executive officer ("CEO") and chief financial officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act), as of the end of the period covered by this Form 10-Q, based on the criteria established under the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on such evaluation, our management has concluded that as of September 30, 2023, 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 September 30, 2023 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 number of our employees and independent contractors are still working remotely. The design of our processes and controls allow for remote execution with accessibility to secure data. Given the current environment, we are continually monitoring and assessing 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, 2022.

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

Purchases of Equity Securities by the Issuer

There were no share repurchases as part of the publicly announced plans or programs during the three months ended September 30, 2023, and the approximate dollar value of shares that may yet be purchased under the plans or programs is $76.0 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

None of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement(as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

Item 6. Exhibits

Exhibit No.	Description
10.1*	First Amendment to the Second Amended and Restated Credit Agreement dated September 25, 2023, by and between Marcus & Millichap, Inc. and Wells Fargo Bank National Association
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) 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:	November 3, 2023	By:	/s/ Hessam Nadji
			Hessam Nadji President and Chief Executive Officer (Principal Executive Officer)
Date:	November 3, 2023	By:	/s/ Steven F. DeGennaro
			Steven F. DeGennaro Chief Financial Officer (Principal Financial Officer)

Execution Version

FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of September 25, 2023, by and between MARCUS & MILLICHAP, INC., a Delaware corporation ("Borrower"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank").

RECITALS

WHEREAS, Borrower is currently indebted to Bank pursuant to the terms and conditions of that certain Second Amended and Restated Credit Agreement between Borrower and Bank dated as of July 28, 2022, as amended from time to time ("Credit Agreement").

WHEREAS, Bank and Borrower have agreed to certain changes in the terms and conditions set forth in the Credit Agreement and have agreed to amend the Credit Agreement to reflect said changes.

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

1. Amendments. The Credit Agreement is amended as follows:

a. Section 1.1(a) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows:

> (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 Ten Million Dollars ($10,000,000) ("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 that certain Fourth Amended and Restated Line of Credit Note, dated September 25, 2023, as modified from time to time ("Line of Credit Note").

b. The first sentence of Section 1.1(c) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows:

> 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 Three Million Dollars ($3,000,000).

c. Section 1.2(d) of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows:

> (d) Unused Commitment Fee. Borrower shall pay to Bank a fee equal to one half of one percent (0.50%) per annum (computed on the basis of a 360-day year, actual days elapsed) 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

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quarter, commencing on October 1, 2023. 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.

d. Section 4.9 of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows:

SECTION 4.9 MINIMUM LIQUIDTY. Maintain Borrower's Unencumbered Liquid Assets (excluding availability under the Line of Credit) of not less than One Hundred Million Dollars ($100,000,000) at all times. Borrower shall also maintain daily average cash deposits with Bank of not less than Thirty Five Million Dollars ($35,000,000) measured on a monthly basis as of the end of each month.

e. Clause (iv) of Section 5.4(a) of the Credit Agreement is hereby deleted and replaced with "(iv) reserved,".

f. Clause (z) of Section 5.6(b) of the Credit Agreement is hereby deleted and replaced with "(z) reserved;".

g. Section 5.7 of the Credit Agreement is hereby amended and restated, in its entirety, to read as follows:

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 of the following conditions are satisfied: (x) both before and after any such loan or advance Borrower has Unencumbered Liquid Assets (excluding availability under the Line of Credit) of not less than One Hundred Million Dollars ($100,000,000), (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.

h. Section 8.1 of the Credit Agreement is hereby amended by amending and restating the definition of "Maturity Date", in its entirety, to read as follows:

"Maturity Date" means June 1, 2024.

i. Section 8.1 of the Credit Agreement is hereby amended by deleting the defined terms "Adjusted DUS Loan Loss Liability", "EBITDA", "EBITDAR", "EBITDAR Coverage Ratio", "Non-cash MSR", "Pro Forma Basis", and "Total Funded Debt" in their entirety.

2. Conditions Precedent to Effectiveness of Amendment. This Amendment shall be effective only upon the satisfaction in full of the following conditions precedent:

a. Bank shall have received counterparts to this Amendment, duly executed by Borrower;

b. Bank shall have received the Guarantor's Consent and Reaffirmation attached hereto, duly executed by each guarantor;

c. Bank shall have received the Fourth Amended and Restated Revolving Line of Credit Note, duly executed by Borrower; and

d. Bank shall have received a payment of $3,162.00 for legal fees incurred in connection with this Amendment, which fee shall be due and payable as of the date hereof.

3. Affirmation. Except as specifically provided herein, all terms and conditions of the Credit Agreement remain in full force and effect, without waiver or modification. All terms defined in the Credit Agreement shall have the same meaning when used in this Amendment. This Amendment and the Credit Agreement shall be read together, as one document.

3. Borrower Representations and Certifications. Borrower hereby remakes all representations and warranties contained in the Credit Agreement and reaffirms all covenants set forth therein. Borrower further certifies that as of the date of this Amendment there exists no Event of Default as defined in the Credit Agreement, nor any condition, act or event which with the giving of notice or the passage of time or both would constitute any such Event of Default.

[Signatures are on Next Page]

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

MARCUS & MILLICHAP, INC.

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Amir Darpi
Name: Amir Darpi
Title: Vice President

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 First Amendment to 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, as amended, and the other Loan Documents described therein.

GUARANTORS:

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

MARCUS & MILLICHAP REAL ESTATE INVESTMENT SERVICES, INC.

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

MARCUS & MILLICHAP CAPITAL CORPORATION

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

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MARCUS & MILLICHAP CHICAGO MULTI-FAMILY BROKERS, LLC

By: /s/ Kurt Schwarz
Name: Kurt Schwarz
Title: First Vice President, Chief Accounting Officer

By: /s/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

First Amendment to
Second Amended and Restated Credit Agreement

Execution Version

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

$10,000,000 Los Angeles, California
September 25, 2023

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 350 W Colorado Blvd., 4th Floor, Pasadena, California 91105, 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 Ten Million Dollars ($10,000,000), 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 Third Amended and Restated Revolver Line of Credit Note, dated as of July 28, 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 Second Amended and Restated Credit Agreement between Borrower and Bank dated as of July 28, 2022, 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.

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(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 one and three quarters of one percent (1.75%) per annum.

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

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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 October 1, 2023.

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.

Executive Vice President, Chief Financial Officer

"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, 2024, (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/ Steve DeGennaro
Name: Steve DeGennaro
Title: Executive Vice President, Chief Financial Officer

Exhibit 31.1

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

I, Hessam Nadji, certify that:

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

Date: November 3, 2023

/s/ Hessam Nadji

Hessam Nadji
President and Chief Executive Officer

Exhibit 31.2

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

I, Steven F. DeGennaro, certify that:

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

Date: November 3, 2023

/s/ Steven F. DeGennaro

Steven F. DeGennaro
Chief Financial Officer

Exhibit 32.1

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

In connection with the quarterly report of Marcus & Millichap, Inc. on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Hessam Nadji, President and Chief Executive Officer of the Company, and Steven F. DeGennaro, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date:	November 3, 2023	/s/ Hessam Nadji
		Hessam Nadji President and Chief Executive Officer (Principal Executive Officer)
Date:	November 3, 2023	/s/ Steven F. DeGennaro
		Steven F. DeGennaro Chief Financial Officer (Principal Financial Officer)