

Marcus & Millichap, Inc.
Form 424B5
October 31, 2013
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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-191316**

6,000,000 Shares

Common Stock

\$12.00 per share

Marcus & Millichap, Inc. is offering 3,273,413 shares of common stock and the selling stockholders named in this prospectus are offering 2,726,587 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders.

This is an initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange, or the NYSE, under the symbol **MMI**, subject to official notice of issuance.

We are an emerging growth company under the federal securities laws. Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 10 of this prospectus to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	\$ 12.00	\$ 72,000,000
Underwriting discounts ⁽¹⁾	\$ 0.84	\$ 5,040,000
Proceeds, before expenses, to Marcus & Millichap, Inc.	\$ 11.16	\$ 36,531,289
Proceeds, before expenses, to the selling stockholders	\$ 11.16	\$ 30,428,711

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(1) We refer you to Underwriting beginning on page 103 of this prospectus for additional information regarding underwriting compensation.

To the extent that the underwriters sell more than 6,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 900,000 shares from us at the initial offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on or about November 5, 2013.

Joint Book-Running Managers

Citigroup

Goldman, Sachs & Co.

Lead Managers

JMP Securities

William Blair

Prospectus dated October 30, 2013.

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Through and including November 24, 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Market, Industry and Other Data

Unless otherwise indicated, information contained in this prospectus concerning the commercial real estate industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the commercial real estate market. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe our market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise.

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PROSPECTUS SUMMARY

This summary highlights important information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. Immediately prior to the completion of this offering, Marcus & Millichap Company will complete a spin-off of its real estate investment services business and Marcus & Millichap Real Estate Investment Services, Inc. will become our wholly owned subsidiary. Unless the context requires otherwise, the words Marcus & Millichap, Marcus & Millichap Real Estate Investment Services, MMREIS, we, the company, us and our refer to Marcus & Millichap, Inc., Marcus & Millichap Real Estate Investment Services, Inc. and its other consolidated subsidiaries.

Our Company

Marcus & Millichap is 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 transactions over the last 10 years. We have more than 1,100 investment sales and financing professionals in 73 offices who provide investment brokerage and financing services to sellers and buyers of commercial real estate. We also offer market research, consulting and advisory services to our clients. In 2012, we closed more than 6,100 sales and financing transactions with total volume of approximately \$22 billion.

We focus primarily on the private client segment, consisting of transactions with prices under \$10 million. The private client segment consistently comprises over 80% of the total number of property transactions in the commercial real estate market. We devote our expertise and focus to the investment brokerage and financing business as opposed to other businesses, such as leasing or property management. Accordingly, our business model is unique from our national competitors, who focus primarily on the institutional real estate segment, and from our local and regional competitors, who lack a broad national platform. As the leading investment sales and financing firm in the private client market segment, we believe we are ideally positioned to capture significant growth opportunities.

We were founded in 1971 and are committed to building the leading national investment brokerage business. To achieve that goal, we underwrite, market and sell commercial real estate properties for private clients in a manner that maximizes value for sellers and provides buyers with the largest and most diverse inventory of commercial properties. Our business model is based on several key attributes: a focus on investment brokerage services, a critical mass of sales professionals providing consistent services and exclusive client representation, a national platform based on information sharing and powered by proprietary technology, a management team with investment brokerage experience, a financing team that is integrated with our investment sales force and research and advisory services tailored for our clients.

Our sales professionals are specialized by property type and by local market area, as we believe a focused expertise brings value to our clients. Our broad geographic coverage, property expertise, and significant relationships with both buyers and sellers provide connectivity and increase liquidity in our markets. By closing more transactions annually than any other firm, our sales professionals are able to provide clients with a broad and deep perspective on the investment real estate market locally, regionally and nationally.

We generate revenues by collecting brokerage commissions upon the sale and fees upon the financing of commercial properties and, in addition, by providing consulting and advisory services. In 2012, approximately 91% of our revenues were generated from real estate brokerage commissions, 6% from financing fees and 3% from other fees, including consulting and advisory services. Our revenues, Adjusted EBITDA and net income were \$385.7 million, \$59.7 million and \$27.9 million, respectively, in 2012, compared to \$274.7 million, \$29.5

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million and \$13.5 million, respectively, in 2011. Adjusted EBITDA is not a measure of our financial performance under U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measure.

Market Opportunity

The total value of U.S. commercial real estate assets was estimated to be \$12 trillion at the end of 2012. Property sales in the commercial real estate sector for properties priced at \$1 million and above reached over \$340 billion, or approximately 37,000 transactions, in 2012. This was a 41% increase in dollar volume and 32% increase in the number of transactions over 2011, following a 32% increase in dollar volume and an 18% increase in the number of transactions over 2010.

Historically, the U.S. commercial real estate industry has tended to be cyclical. The commercial real estate market experienced a significant downturn from the 2007 peak to a trough in 2009, representing the most severe downturn in property sales since at least 1990. Since 2009, commercial property sales for transactions of \$1 million and above have increased by 97% and dollar volume has increased by 235%. Such property sales in 2012, however, were still 16% below the 2007 peak in number of transactions and 32% below the peak in dollar volume. This cyclical upturn has been, and we believe will continue to be, primarily driven by attractive yields, improving property fundamentals and the availability and cost of financing.

Attractive Yields. According to Real Capital Analytics, average commercial real estate yields (capitalization rates) for the four major property types currently range from 6.1% to 7.8%, which compare favorably to alternative investments such as stocks and bonds. We believe these attractive yields are a key driver of improving capital inflows for commercial real estate investments.

Improving Property Fundamentals. Property fundamentals have improved since 2009, with multifamily properties in particular experiencing a strong recovery. We expect further increases in occupancy and rental rates in all four primary commercial real estate sectors of multifamily, retail, office and industrial properties.

Availability and Cost of Financing. The availability and low cost of debt financing has been a significant contributor to the recent improvement in the U.S. capital markets and the U.S. commercial real estate market. Low interest rates and improved access to capital are key factors fueling investment sales activity.

We divide the commercial real estate market into three major segments by investment size and focus primarily on the private client segment:

Private client segment: properties with prices under \$10 million;

Hybrid segment: properties with prices equal to or greater than \$10 million and less than \$20 million; and

Institutional segment: properties with prices of \$20 million and above.

We are the only firm with a national footprint that is also squarely focused on investment sales within the private client segment. The private client segment of properties with prices under \$10 million has accounted for over 80% of commercial property sales by number of transactions for the last 10 years.

We have focused our business on this segment as we believe it represents the largest and most active market segment in the commercial real estate investment brokerage industry. Private clients, many of whom are individuals and partnerships, are impacted by life or partnership changes that often override market and macroeconomic conditions. Due to these personal and partnership drivers, properties in this segment exhibit a high turnover rate. Private clients often take advantage of rising prices to dispose of assets, refinance, acquire and/or exchange assets into new opportunities. The attractive financial results for property investment provide the opportunity for redeployment of capital, which supports a high number of sales transactions. Additionally, the private client segment is highly fragmented with a large number of buyers, sellers and properties in different

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geographic regions and sectors. It is also the most underserved market segment among the national full-service real estate investment brokerage firms, which have traditionally focused on institutional investors and corporate real estate owners and users. Most of our brokerage competition comes from local and regional brokers who lack a national platform and capability to serve private owners and investors across the country.

Our Competitive Strengths

We believe the following strengths provide us with a competitive advantage and opportunities for success:

National Platform Focused on Investment Brokerage. We are committed to building the leading national investment brokerage business. To achieve our goal, we focus on investment brokerage as opposed to other businesses such as leasing or property management. In addition, we combine proprietary technology and processes to market investment real estate with highly qualified sales professionals in 73 offices nationwide. Our commitment to specialization is also reflected in how we organize our sales professionals by property type and market area, further deepening the skills, relationships and market knowledge required for achieving the best results for our clients.

Market Leader in the Private Client Segment. We are the leading commercial real estate investment broker in the United States based on the number of transactions. We focus primarily on the private client segment of the market, consisting of transactions with prices under \$10 million, which accounted for over 90% of our sales in 2012. This segment, representing the vast majority of the number of commercial properties in the United States, has high asset turnover rates due to personal circumstances and business reasons, such as death, divorce and changes in partnership and other personal or financial circumstances. The private client brokerage industry is highly fragmented and characterized by high barriers to entry. These barriers include the need for a large, specialized sales force prospecting private clients, the difficulty in identifying and establishing relationships with such investors and the challenge of serving their needs locally and nationally. For transactions in the \$1 million to \$10 million range nationally, the top 10 brokerage firms represented just 21% of commercial property sales in 2012. We believe our core business is the least covered segment by national firms, in addition to being significantly underserved by local and regional firms that lack a multi-market platform.

Platform Built for Maximizing Investor Value. We have built our business to maximize value for real estate investors through an integrated set of services geared toward our clients' needs. We are committed to investment brokerage specialization, providing the largest sales force in the industry, fostering a culture and policy of information sharing on each asset we represent and using proprietary technology that facilitates real-time buyer-seller matching. We have one of the largest teams of financing professionals in the investment brokerage industry through our subsidiary, Marcus & Millichap Capital Corporation, or MMCC. MMCC provides financing expertise and access to debt capital by securing competitive loan pricing and terms for our clients. In 2012, MMCC closed more than 900 financings with an aggregate loan value of over \$2 billion, making us a leading mortgage broker in the industry. Finally, our market research analyzes the latest local and national economic and real estate data, enabling our clients to make informed investment and financing decisions. These integrated services enable us to facilitate transactions for our clients across different property sectors and markets.

Management with Significant Investment Brokerage Experience. The majority of our managers are former senior sales professionals of the firm who now focus on management and do not compete with our sales force. As executives of the firm dedicated to hiring, training, developing and supporting our professionals, their investment brokerage background is extremely valuable. Almost all of our top sales professionals were hired without prior experience and were trained, developed and supported by our regional managers. Our comprehensive training and development programs rely greatly on the regional managers' personal involvement. Their past experience as senior sales professionals plays a key role in helping our junior professionals establish technical and client service skills. Our regional managers also coach our sales professionals in setting up, managing and growing their business. We believe this management structure has helped the firm create a competitive advantage and achieve better results for our clients.

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Growth Strategy

We have a long track record of successful growth in our core business driven by opening new offices and by hiring, training and developing new sales and financing professionals. Since the implementation of our long-term growth plan in 1995, our revenue has increased sevenfold and we have grown from approximately 416 sales professionals in 22 offices to more than 1,100 sales and financing professionals in 73 offices. To drive our future growth, we continually seek to expand our national footprint and optimize the size, product segmentation and specialization of our team of sales and financing professionals. The key strategies of our growth plan include:

Increase Market Share in Our Core Business. The private client segment is highly fragmented, with the top 10 brokerage firms accounting for only 21% of 2012 sales in the \$1 million to \$10 million range, based on data from CoStar Group, Inc., or CoStar, and Real Capital Analytics. Despite our industry-leading market share of 6.9%, we believe there are opportunities to substantially enhance our position in the segment. We believe the largest opportunities are in private client multi-tenant office and industrial properties in which our 2012 market share was 2.5% and 0.5%, respectively. In addition, we believe there is still significant room for growth in multifamily and retail properties, where we had 2012 market share of 12.7% and 9.3%, respectively. We leverage our existing platform, relationships and brand recognition among private clients to grow through expanded marketing and coverage. Our growth plan includes the following components:

Grow in Targeted Locations. Our plan targets specific markets and calls for both expansion of existing offices and opening additional offices. We have assigned key executives and managers to these markets and our recruiters have begun to hire additional experienced sales professionals. We have targeted markets based on population, employment, commercial real estate sales, inventory and competitive landscape. In addition, we have developed optimal office plans to capitalize on these factors by tailoring sales force size, coverage and composition by office and business segment.

Grow in Specialty Property Segments. We believe that specialty property segments, including hospitality, multifamily tax credit and affordable housing, student housing, manufactured housing, seniors housing and self-storage, offer significant room for growth. To take advantage of these opportunities, we are increasing our property type expertise by adding regional directors who can bring added management capacity, business development and sales professional support.

Increase Sales Professional Hiring. We grow our business by hiring, training and developing sales professionals. We have implemented several initiatives to increase both new and experienced sales professional hiring through our recruiting department, specialty directors and regional managers.

Grow Financing Services. We are focused on growing our financing services provided through MMCC. Our mortgage brokerage business placed more than \$2 billion of financings in 2012. We intend to execute this strategy by adding financing professionals in 16 offices that currently do not have an MMCC presence and enhancing our cross-selling training, education and internal branding to our sales professionals. We also plan to enhance MMCC's service platform and expand our revenue sources by developing other services such as mezzanine financing, equity placement and conduit financing.

Expand Our Market Share of Larger Transactions. Our extensive relationships with private clients have enabled us to capture a greater portion of commercial real estate transactions in excess of \$10 million and bridge the private and institutional capital markets in recent years. Our ability to connect private capital with institutional assets plays a major role in differentiating our services. In 2011, we introduced a division dedicated to serving major investors branded as Institutional Property Advisors, or IPA, in the multifamily sector. As a result, we rose from the 7th-ranked investment brokerage firm by dollar volume in the \$25 million and above multifamily sector in 2010 to the 4th-ranked firm in 2012. This strategy has met with great success and market acceptance and provides a vehicle for further growth within the larger, institutional multifamily segment. This strategy also provides a model for expansion into institutional retail and office sectors.

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For the nine months ended September 30, 2012 and September 30, 2013, we had the following key metrics. These metrics are not necessarily indicative of future results and should be read together with Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations.

	Nine Months Ended September 30,	
	2012	2013
Real Estate Brokerage Commissions		
Average Number of Sales Professionals	977	1,101
Average Number of Transactions per Sales Professional	2.8	2.9
Average Transaction Size	\$ 3,449,256	\$ 3,568,151
Total Number of Transactions	2,723	3,211
Total Sales Volume (in millions)	\$ 9,392	\$ 11,457

	Nine Months Ended September 30,	
	2012	2013
Financing Fees		
Average Number of Financing Professionals	57	69
Average Number of Transactions per Financing Professional	10.6	12.3
Average Transaction Size	\$ 2,294,702	\$ 2,224,446
Total Number of Transactions	604	848
Total Dollar Volume (in millions)	\$ 1,386	\$ 1,886

We do not expect to announce results of operations for the nine months ended September 30, 2013 until they are finalized, which is expected to be in November 2013.

The Spin-Off

Prior to completion of this offering, MMC and the other stockholders of MMREIS will contribute all of the outstanding MMREIS shares to us, which we refer to as the Contribution, in exchange for our common stock. As a result, MMREIS will become our wholly owned subsidiary, and we will be owned by the former stockholders of MMREIS. MMC will then distribute to its shareholders, on a pro rata basis, at least 80% of the equity interest in us, which we refer to as the Distribution, and the stockholders of MMC will contribute all of their respective equity interests in us to a newly formed limited liability company.

MMC will undertake an exchange of our common stock for (i) MMC debt of approximately \$12.0 million owed to two former MMC shareholders and (ii) MMC debt of approximately \$15.4 million owed by Usonia Ventures, LLC, a wholly owned subsidiary of MMC, to George M. Marcus, which we refer to as the Debt-for-Equity Exchange. We refer to the former MMC shareholders and Mr. Marcus as the debt-for-equity exchange parties. It is expected that the debt-for-equity exchange parties will sell all of the stock that they receive in the Debt-for-Equity Exchange to the public in this offering along with the other selling stockholders. We refer to the Contribution, Debt-for-Equity Exchange and Distribution, collectively, as the Spin-Off. See The Spin-Off.

In addition, prior to the completion of this offering, we and MMC intend to enter into certain agreements that will provide the terms for ongoing relationship with MMC. For a description of these agreements, see Certain Relationships and Related Transactions Relationship with Marcus & Millichap Company.

Emerging Growth Company Status

We currently are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including,

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but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. If we take advantage of any of these exemptions, we do not know if some investors will find our common stock less attractive as a result.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could remain an emerging growth company for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed \$1 billion, (ii) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, or the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (iii) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three-year period.

Risks Affecting Us

Our business is subject to a number of risks and uncertainties, including those described in the section entitled Risk Factors immediately following this prospectus summary. These risks include the following:

General economic conditions and commercial real estate market conditions have had and may in the future have a negative impact on our business;

If we are unable to attract and retain qualified and experienced managers, sales and financing professionals, our growth may be limited and our business and operating results could suffer;

If we lose the services of our executive officers or certain other members of our senior management team, we may not be able to execute our business strategy;

Our business could be hurt if we are unable to retain our business philosophy and culture of information-sharing and efforts to retain our philosophy and culture could adversely affect our ability to maintain and grow our business; and

The concentration of sales among our top sales professionals could lead to greater or more concentrated losses if we are unable to retain them.

Corporate Information

We were formed as a sole proprietorship in 1971, incorporated in California on August 26, 1976 as G. M. Marcus & Company, and we were renamed as Marcus & Millichap, Inc. in August 1978, Marcus & Millichap Real Estate Investment Brokerage Company in September 1985, and Marcus & Millichap Real Estate Investment Services, Inc., or MMREIS, in February 2007. In June 2013, MMC formed a holding company called Marcus & Millichap, Inc. in Delaware. Prior to the completion of this offering, the shareholders of MMREIS will contribute the shares of MMREIS for common stock of Marcus & Millichap, Inc., and MMREIS will become a wholly owned subsidiary of Marcus & Millichap, Inc. See The Spin-Off.

Our principal executive offices are located at 23975 Park Sorrento, Suite 400, Calabasas, California 91302. Our telephone number at this location is (818) 212-2250. Our website address is <http://www.marcusmillichap.com>. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

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The Marcus & Millichap logo and other trademarks or service marks of Marcus & Millichap appearing in this prospectus are the property of MMREIS. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of the respective holders.

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The Offering

Common stock offered by Marcus & Millichap, Inc. 3,273,413 shares

Common stock offered by the selling stockholders 2,726,587 shares

Common stock to be outstanding after this offering⁽¹⁾ 35,700,897 shares

Use of proceeds We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$32.7 million.

We expect to use the net proceeds to us from this offering for general corporate purposes, including capital expenditures and working capital to expand our markets and services and potential acquisition of real estate businesses or companies. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

Debt-for-Equity Exchange In connection with this offering, MMC will exchange a portion of its shares of our common stock being sold in this offering for indebtedness of MMC held by the debt-for-equity exchange parties. The debt-for-equity exchange parties will then sell these shares pursuant to this offering along with the other selling stockholders.

Underwriter's option We have granted the underwriters a 30-day option to purchase up to 900,000 additional shares of our common stock from us at the initial public offering price less the underwriting discount.

Risk factors You should carefully read and consider the information set forth under Risk Factors beginning on page 10 of this prospectus and all other information set forth in this prospectus before investing in our common stock.

NYSE ticker symbol MMI

(1) Includes 30,000 shares of restricted stock to be issued to the non-employee directors and 39,583 shares of fully vested unrestricted common stock to be issued to other individuals in connection with this offering.

Unless we indicate otherwise or the context requires, all information in this prospectus:

assumes no exercise of the underwriters' option to purchase additional shares of our common stock.

Excludes an additional (i) 5,500,000 shares reserved for issuance upon exercise of stock options, deferred stock units (DSUs) or other equity awards that may be granted subsequent to June 30, 2013 under the 2013 Omnibus Equity Incentive Plan, which includes

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(A) DSUs for an aggregate of 2,192,409 shares to be granted as replacement awards to the MMREIS managing directors, (B) DSUs for 83,333 shares to be granted to William A. Millichap, our Co-Chairman, and (C) 30,000 shares of restricted stock to be issued to the non-employee directors and (ii) 366,667 shares reserved for issuance under the 2013 Employee Stock Purchase Plan.

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The following table includes summary historical financial data of Marcus & Millichap Real Estate Investment Services, Inc., or MMREIS, and unaudited pro forma financial data of MMREIS which gives effect to this offering and certain other transactions. Prior to the Spin-Off, Marcus & Millichap, Inc. will not have engaged in any business or other activities, except in connection with its formation and in preparation for this offering and the Spin-Off. We have prepared this information using the consolidated historical financial statements of MMREIS for the three years ended December 31, 2012 and the six-month periods ended June 30, 2013 and 2012. The historical consolidated financial statements for each of the three years in the period ended December 31, 2012 have been audited by Ernst & Young LLP, independent registered public accounting firm. The historical consolidated financial statements for the six-month periods ended June 30, 2013 and 2012 and the pro forma financial statements for the six-month period ended June 30, 2013 and the year ended December 31, 2012 have not been audited. The unaudited pro forma financial data reflects our historical consolidated financial position and results of operations, as adjusted for: (i) the termination of a tax-sharing agreement between MMC and MMREIS; (ii) grants of restricted stock to non-employee directors concurrent with this offering; (iii) the payment of quarterly preferred dividends in July 2013 in the amount of \$6.5 million and in October 2013 in the amount of \$6.5 million; to distribute MMREIS's earnings for the quarters ended June 30 and September 30, 2013, respectively, to MMC; (iv) the exchange of 1,000 issued and outstanding shares of MMREIS Series A redeemable preferred stock, \$10.00 par value and 234,489 issued and outstanding shares of MMREIS common stock, \$1.00 par value, for 32,357,901 shares of Marcus & Millichap common stock, \$0.0001 par value, in accordance with the contribution agreement; and (v) the net proceeds of this offering of \$32.7 million, as if such transactions had occurred on January 1, 2012 for the statements of income and on June 30, 2013 for the balance sheet. The unaudited pro forma financial data is presented for illustrative purposes only and is not necessarily indicative of what our actual financial position or actual results of operations would have been had the transactions referred to above occurred on the applicable dates, nor does it purport to represent the future financial position or results of operations of our company. You should read the following summary financial data together with our financial statements and related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

	Historical			Six Months		Pro Forma	
	Year Ended December 31,			Ended		Six Months	
(Dollars in thousands, except per share data)	2010	2011	2012	June 30,	2013	Year Ended	Ended
				June 30,		December 31,	June 30,
				2012		2012	2013
Statements of Income Data:							
Revenues:							
Real estate brokerage commissions	\$ 198,366	\$ 245,333	\$ 351,407	\$ 133,409	\$ 156,963	\$ 351,407	\$ 156,963
Financing fees	10,917	16,522	21,132	8,218	11,888	21,132	11,888
Other revenues	8,652	12,850	13,177	5,223	5,990	13,177	5,990
Total revenues	217,935	274,705	385,716	146,850	174,841	385,716	174,841
Operating expenses:							
Cost of services	124,272	162,478	230,248	84,709	102,677	230,248	102,677
Selling, general, and administrative expense	76,438	85,801	103,479	45,900	53,824	103,599	53,884
Depreciation and amortization expense	3,333	2,971	2,981	1,495	1,514	2,981	1,514
Total operating expenses	204,043	251,250	336,708	132,104	158,015	336,828	158,075
Operating income	13,892	23,455	49,008	14,746	16,826	48,888	16,766
Other income (expense), net	959	350	433	283	249	(1,123)	(65)
Income before provision for income taxes	14,851	23,805	49,441	15,029	17,075	47,765	16,701
Provision for income taxes	6,460	10,355	21,507	6,538	7,428	21,041	7,091
Net income	\$ 8,391	\$ 13,450	\$ 27,934	\$ 8,491	\$ 9,647	\$ 26,724	\$ 9,610
Pro forma net income per share (Basic and Diluted)						\$ 0.70	\$ 0.25
Adjusted EBITDA (1)	\$ 18,743	\$ 29,486	\$ 59,708	\$ 18,634	\$ 21,131	\$ 59,708	\$ 21,131

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- (1) Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measure.

	As of June 30, 2013		
	Actual	Pro Forma (in thousands)	Pro Forma As Adjusted ⁽¹⁾
Balance Sheet Data:			
Cash and cash equivalents	\$ 19,362	\$ 6,399	\$ 41,043
Total assets	48,020	66,729	99,386
Long-term debt			
Total liabilities	39,858	72,689	72,521

- (1) Gives effect to this offering and the application of the net proceeds from the sale of 3,273,413 shares of common stock by us in this offering at the public offering price of \$12.00.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this prospectus before deciding whether to invest in our common stock. If any of the following risks actually occur, our business, financial condition or operating results could be materially adversely affected. This could cause the trading price of our common stock to decline, and you may lose part or all of your investment.

Risks Related to Our Business

General economic conditions and commercial real estate market conditions have had and may in the future have a negative impact on our business.

We may be negatively impacted by periods of economic slowdowns, recessions and disruptions in the capital markets; credit and liquidity issues in the capital markets, including international, national, regional and local markets; and corresponding declines in the demand for commercial real estate investment and related services. Historically, commercial real estate markets, and in particular the U.S. commercial real estate market, have tended to be cyclical and related to the flow of capital to the sector, the condition of the economy as a whole and to the perceptions and confidence of the market participants as to the relevant economic outlook. Cyclicalities in the real estate markets may lead to cyclicalities in our earnings and significant volatility in our stock price. Real estate markets may lag the broader economy. This means that even when underlying economic fundamentals improve in a given market, it may take additional time for these improvements to translate into strength in the real estate markets. The lag may be exacerbated when banks delay their resolution of commercial real estate assets whose values are less than their associated loans.

Negative economic conditions, changes in interest rates, credit and liquidity issues in the capital markets, disruptions in capital markets and/or declines in the demand for commercial real estate investment and related services in international or domestic markets or in significant markets in which we do business, have had and could have in the future a material adverse effect on our business, results of operations and/or financial condition. In particular, the commercial real estate market is directly impacted by the lack of debt and/or equity for commercial real estate transactions, increased interest rates and changes in monetary policies by the Federal Reserve, changes in the perception that commercial real estate is an accepted asset class for portfolio diversification, and slowdowns in economic activity that could cause residential and commercial tenant demand to decline, which would adversely affect the operation and income of commercial real estate properties.

These and other types of events could lead to a decline in transaction activity as well as a decrease in values, which would likely in turn lead to a reduction in brokerage commissions and financing fees relating to such transactions. These effects would likely cause us to realize lower revenues from our transaction service fees, including investment sales commissions, which fees usually are tied to the transaction value and are payable upon the successful completion of a particular transaction. Such declines in transaction activity and value would likely also significantly reduce our financing activities and revenues. For example, the disruptions and dislocations in the global credit markets during 2008 and 2009 created significant restrictions in the availability of credit, especially on transitional assets and in the secondary and tertiary markets. In turn, the volume and pace of commercial real estate transactions were significantly reduced, as were property values, which generally peaked in 2007 and fell through 2010.

Fiscal uncertainty as well as significant changes and volatility in the financial markets and business environment, and in the global political, security and competitive landscape, make it increasingly difficult for us to predict our revenue and earnings into the future. As a result, any revenue or earnings guidance or outlook which we might give may be overtaken by events or may otherwise turn out to be inaccurate.

If we are unable to attract and retain qualified and experienced managers, sales and financing professionals, our growth may be limited and our business and operating results could suffer.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our managers, sales and financing professionals. If these managers or sales and financing professionals leave our

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company, we will lose the substantial time and resources we have invested in training and developing those individuals and our business, financial condition and results of operations may suffer. Additionally, such events may have a disproportionate adverse effect on our operations if the most experienced sales and financing professionals do not remain with us or if these events occur in geographic areas where substantial amounts of our brokerage revenues are generated. Furthermore, if the commission structure changes in the market, our commission compensation may become relatively less attractive to sales professionals.

In addition, our competitors may attempt to recruit our sales and financing professionals. The exclusive independent contractor arrangements we have entered into or may enter into with our sales professionals may not prevent our sales professionals from departing and competing against us. We may not be able or attempt to renew these agreements prior to their expiration. Additionally, we currently do not have employment agreements with most key employees, and there is no assurance that we will be able to retain their services.

A component of our growth has also occurred through the recruiting, hiring, training and retention of key experienced sales and financing professionals. Any future growth through recruiting these types of professionals will be partially dependent upon the continued availability of qualified candidates fitting the culture of our firm at reasonable employment terms and conditions. However, individuals whom we would like to hire may not be available upon reasonable employment terms and conditions. In addition, the hiring of new personnel involves risks that the persons acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of persons acquired will prove incorrect.

If we lose the services of our executive officers or certain other members of our senior management team, we may not be able to execute our business strategy.

Our success depends in a large part upon the continued service of our senior management team, who are critical to our vision, strategic direction and culture. Our current long-term business strategy was developed in large part by our senior-level officers and depends in part on their skills and knowledge to implement, and also includes a focus on new growth and investment initiatives that may require additional management expertise to successfully execute our strategy. We may not be able to offset the impact on our business of the loss of the services of our senior management or other key officers or employees or recruit additional talent.

Our business could be hurt if we are unable to retain our business philosophy and culture of information-sharing and efforts to retain our philosophy and culture could adversely affect our ability to maintain and grow our business.

Our policy of information-sharing and matching properties with large pools of investors defines our business philosophy as well as the emphasis that we place on our clients, our people and our culture. Our status as a public company could adversely affect this culture. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

The concentration of sales among our top sales professionals could lead to greater or more concentrated losses if we are unable to retain them.

Our most successful sales professionals are responsible for a significant percentage of our revenues. They also serve as mentors and role models, as well as provide invaluable training for younger professionals, which is an integral part of our culture. This concentration of sales and value among our top sales professionals can lead to greater and more concentrated risk of loss if we are unable to retain them, and have a material adverse impact on our business and financial condition. Furthermore, many of our sales professionals work in teams. If a team leader or manager leaves our company, his or her team members may leave with the team leader.

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We may fail to successfully differentiate our brand from those of our competitors, which could adversely affect our revenues.

The value of our brand and reputation is one of our most important assets. An inherent risk in maintaining our brand is we may fail to successfully differentiate the scope and quality of our service and product offerings from those of our competitors, or we may fail to sufficiently innovate or develop improved products or services that will be attractive to our clients. Additionally, given the rigors of the competitive marketplace in which we operate, there is the risk we may not be able to continue to find ways to operate more productively and more cost-effectively, including by achieving economies of scale, or we will be limited in our ability to further reduce the costs required to operate on a nationally coordinated platform.

We have numerous significant competitors and potential future competitors, some of which may have greater resources than we do, and we may not be able to continue to compete effectively.

We compete in investment sales and financing within the commercial real estate industry. Our investment sales focus on the private client segment, which is highly fragmented. For example, according to CoStar and Real Capital Analytics, for sales between \$1 million and \$10 million, the top 20 investment brokerage firms only constituted 27% of the U.S. commercial real estate market in 2012. The fragmentation of our market makes it challenging to effectively gain market share. While we have a competitive advantage over other national firms in the private investor segment, we also face competition from local and regional service providers who have existing relationships with potential clients. Furthermore, transactions in the private investor segment are smaller than many other commercial real estate transactions. Although the brokerage commissions in this segment are generally a higher percentage of the sales price, the smaller size of the transactions requires us to close many more transactions to sustain revenues. If the commission structure or the velocity of transactions were to change, we could be disproportionately affected by changes compared to other companies that focus on larger transactions, institutional clients and other segments of the commercial real estate market.

There is no assurance that we will be able to continue to compete effectively or maintain our current fee arrangements with our private clients or margin levels or we will not encounter increased competition. The services we provide to our clients are highly competitive on a national, regional and local level. Depending on the geography, property type or service, we face competition from, including, but not limited to, commercial real estate service providers, in-house real estate departments, private owners and developers, commercial mortgage servicers, institutional lenders, research and consulting firms, and investment managers, some of whom are clients and many of whom may have greater financial resources than we do. In addition, future changes in laws and regulations could lead to the entry of other competitors. Many of our competitors are local, regional or national firms. Although most are substantially smaller than we are, some of these competitors are larger on a local, regional or national basis, and we believe more national firms are exploring entry into or expansion in the under \$10 million private investor segment. We may face increased competition from even stronger competitors in the future due to a trend toward consolidation, especially in times of severe economic stress. We are also subject to competition from other large national and multi-national firms as well as regional and local firms that have similar service competencies to ours. Our existing and future competitors may choose to undercut our fees, increase the levels of compensation they are willing to pay to their employees and either recruit our employees or cause us to increase our level of compensation necessary to retain our own employees or recruit new employees. These occurrences could cause our revenue to decrease or negatively impact our target ratio of compensation-to-operating revenue, both of which could have an adverse effect on our business, financial condition and results of operations.

Our attempts to expand our services and businesses may not be successful and we may expend significant resources without corresponding returns.

We intend to expand our specialty groups, particularly multi-tenant retail, office, industrial and hospitality, as well as various niche segments, including multifamily tax credit, affordable housing, student housing, manufactured housing, seniors housing and self-storage. We also plan to grow our financing services provided through our subsidiary, Marcus & Millichap Capital Corporation, or MMCC. We expect to incur expenses relating to training, and expanding our markets and services. The planned expansion of services and platforms

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requires significant resources, and there can be no assurance we will compete effectively, hire or train a sufficient number of professionals to support the expansion, or operate these businesses profitably. We may incur significant expenses for these plans without corresponding returns, which would harm our results of operations.

If we experience significant growth in the future, such growth may be difficult to sustain and may place significant demands on our administrative, operational and financial resources.

If we experience significant growth in the future, such growth could place additional demands on our resources and increase our expenses, as we will have to commit additional management, operational and financial resources to maintain appropriate operational and financial systems to adequately support expansion. There can be no assurance we will be able to manage our expanding operations effectively or we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenue and control our expenses, which could adversely affect our business, financial condition and results of operations.

Moreover, we may have to delay, alter or eliminate the implementation of certain aspects of our growth strategy due to events beyond our control, including, but not limited to, changes in general economic conditions and commercial real estate market conditions. Such delays or changes to our growth strategy may adversely affect our business.

Our brokerage operations are subject to geographic and commercial real estate market risks, which could adversely affect our revenues and profitability.

Our real estate brokerage offices are located in and around large metropolitan areas as well as mid-market regions throughout the United States. Local and regional economic conditions in these locations could differ materially from prevailing conditions in other parts of the country. We have more offices and realize more of our revenues in California, the Northeast (New York, Connecticut, Pennsylvania, and Washington DC), Florida, Texas and Northern Illinois than in other regions in the country. In 2012, we realized approximately 14%, 11%, 8% and 6% of our revenues from the Northeast, Florida, Texas and Northern Illinois, respectively. In particular, we are subject to risks related to the California economy and real estate markets, where we realized 34% of our sales in 2012. In addition to economic conditions, this geographic concentration means that California-specific legislation, taxes and regional disasters such as earthquakes could disproportionately affect us. A downturn in investment real estate demand or economic conditions in these regions could result in a further decline in our total gross commission income and profitability and have a material adverse effect on us.

If we are unable to retain existing clients and develop new clients, our financial condition may be adversely affected.

We are substantially dependent on long-term client relationships and on revenue received for services provided for them. Our listing agreements generally expire within six months and depend on the cooperation of the client during the pendency of the agreement, as is typical in the industry. In this competitive market, if we are unable to maintain these relationships or are otherwise unable to retain existing clients and develop new clients, our business, results of operations and/or financial condition may be materially adversely affected. The global economic downturn and continued weaknesses in the markets in which our clients and potential clients compete have led to a lower volume of transactions and fewer real estate clients generally, which makes it more difficult to maintain existing and establish new client relationships. These effects have moderated, but they could increase again in the wake of the continuing political and economic uncertainties in the United States and in other countries.

A change in the tax laws relating to like-kind exchanges could adversely affect our business and the value of our stock.

Section 1031 of the Internal Revenue Code of 1986, as amended, or the Code, provides for tax-free exchanges of real property for other real property. Legislation has been proposed on several occasions that would repeal or restrict the application of Section 1031. If tax-free exchanges under Section 1031 were to be limited or

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unavailable, our clients or prospective clients may decide not to purchase or sell property that they would have otherwise purchased or sold due to the tax consequences of the transaction, thus reducing the commissions we would have otherwise received. Any repeal or significant change in the tax rules pertaining to like-kind exchanges could have a substantial adverse impact on our business and the value of our stock.

Seasonal fluctuations in the investment real estate industry could adversely affect our business and make comparisons of our quarterly results difficult.

Our revenue and profits have historically tended to be significantly higher in the fourth quarter of each year than in the first quarter. This is a result of a general focus in the real estate industry on completing or documenting transactions by calendar-year-end and because certain expenses are constant through the year. Historically, we have reported relatively lower earnings in the first quarter and then increasingly larger earnings during each of the following three quarters. The seasonality of our business makes it difficult to determine during the course of the year whether planned results will be achieved, and thus to adjust to changes in expectations.

If we fail to maintain and protect our intellectual property, or infringe the intellectual property rights of third parties, our business could be harmed and we could incur financial penalties.

Our business depends, in part, on our ability to identify and protect proprietary information and other intellectual property (such as our service marks, client lists and information, business methods and research). Existing laws, or the application of those laws, may offer only limited protections for our intellectual property rights. We rely on a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements, and on copyright and trademark laws to protect our intellectual property rights. Our inability to detect unauthorized use or take appropriate or timely steps to enforce our rights may have an adverse effect on our business.

We cannot be sure the intellectual property we may use in the course of operating our business or the services we offer to clients do not infringe on the rights of third parties, and we may have infringement claims asserted against us or against our clients. These claims may harm our reputation, cost us money and prevent us from offering some services.

Confidential intellectual property is increasingly stored or carried on mobile devices, such as laptop computers, tablets and smart phones which makes inadvertent disclosure more of a risk in the event the mobile devices are lost or stolen and the information has not been adequately safeguarded or encrypted.

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

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

The Internet could devalue our information services and lead to reduced client relationships, which could reduce the demand for our services.

The dynamic nature of the Internet, which has substantially increased the availability and transparency of information relating to commercial real estate listings and transactions, could change the way commercial real

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estate transactions are done. This has occurred to some extent in the residential real estate market as online brokerage companies have eroded part of the market for traditional residential real estate brokerage firms. The proliferation of large amounts of data on the Internet could also devalue the information that we gather and disseminate as part of our business model and may harm certain aspects of our investment brokerage business in the event that principals of transactions prefer to transact directly with each other. The rapid dissemination and increasing transparency of information, particularly for public companies, increases the risks to our business that could result from negative media or announcements about ethics lapses or other operational problems, which could lead clients to terminate or reduce their relationships with us.

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

Our business requires the continued operation of information technology and communication systems and network infrastructure. Our ability to conduct our national business may be adversely impacted by disruptions to these systems or infrastructure. Our information technology and communications systems are vulnerable to damage or disruption from fire, power loss, telecommunications failure, system malfunctions, computer viruses, natural disasters such as hurricanes, earthquakes and floods, acts of war or terrorism, or other events which are beyond our control. In addition, the operation and maintenance of these systems and networks is in some cases dependent on third-party technologies, systems and service providers for which there is no certainty of uninterrupted availability. Any of these events could cause system interruption, delays, and loss of critical data or intellectual property and may also disrupt our ability to provide services to or interact with our clients, and we may not be able to successfully implement contingency plans that depend on communication or travel. We have disaster recovery plans and backup systems to reduce the potentially adverse effect of such events, but our disaster recovery planning may not be sufficient and cannot account for all eventualities. A catastrophic event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected.

Our business relies significantly on the use of commercial real estate data. We produce much of this data internally, but a significant portion is purchased from third-party providers for which there is no certainty of uninterrupted availability. A disruption of our ability to provide data to our professionals and/or clients could damage our reputation, and our operating results could be adversely affected.

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

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

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In addition, we rely on the collection and use of personally identifiable information from clients to conduct our business. We disclose our information collection and dissemination practices in a published privacy statement on our websites, which we may modify from time to time. We may be subject to legal claims, government action, including under the Racketeer Influenced and Corrupt Organizations Act, or RICO, and damage to our reputation if we act or are perceived to be acting inconsistently with the terms of our privacy statement, client expectations or the law. In the event we or the vendors with which we contract to provide services on behalf of our clients were to suffer a breach of personally identifiable information, our customers could terminate their business with us. Further, we may be subject to claims to the extent individual employees or sales and financing professionals breach or fail to adhere to company policies and practices and such actions jeopardize any personally identifiable information. In addition, concern among potential buyers or sellers about our privacy practices could keep them from using our services or require us to incur significant expense to alter our business practices or educate them about how we use personally identifiable information.

A failure to appropriately deal with actual or perceived conflicts of interest could adversely affect our businesses.

Outside of our people, our reputation is one of our most important assets. As we have expanded the scope of our services, we increasingly have to address potential, actual or perceived conflicts of interest relating to the services we provide to our existing and potential clients. For example, conflicts may arise between our position as an advisor to both the buyer and seller in commercial real estate sales transactions or in instances when a potential buyer requests that we represent it in securing the necessary capital to acquire an asset we are selling for another client or when a capital source takes an adverse action against an owner client that we are advising in another matter. From time to time, we also advise or represent entities and parties affiliated with us in commercial real estate transactions which also involve clients unaffiliated with us. In this context, we may be subject to complaints or claims of a conflict of interest. While we believe we have attempted to adopt various policies, controls and procedures to address or limit actual or perceived conflicts, these policies and procedures may not be adequate or carry attendant costs and may not be adhered to by our employees. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged and cause us to lose existing clients or fail to gain new clients if we fail, or appear to fail, to deal appropriately with conflicts of interest, which could have an adverse affect on our business, financial condition and results of operations.

If we acquire companies or significant groups of personnel in the future, we may experience high transaction and integration costs, the integration process may be disruptive to our business and the acquired businesses and/or personnel may not perform as we expect.

Our growth strategy may include future acquisitions of companies and/or people and may involve significant transaction-related expenses. Transaction-related expenditures include severance costs, lease termination costs, transaction costs, deferred financing costs, possible regulatory costs and merger-related costs, among others. We may also experience difficulties in integrating operations and accounting systems acquired from other companies. These challenges include the diversion of management's attention from the regular operations of our business and the potential loss of our key clients, our key associates or those of the acquired operations, each of which could harm our financial condition and results of operation. We believe some acquisitions could initially have an adverse impact on revenues, expenses, operating income and net income. Acquisitions also frequently involve significant costs related to integrating people, information technology, accounting, reporting and management services and rationalizing personnel levels. If we are unable to fully integrate the accounting, reporting and other systems of the businesses we acquire, we may not be able to effectively manage them and our financial results may be materially affected. Moreover, the integration process itself may be disruptive to our business as it requires coordination of culture, people and geographically diverse organizations and implementation of new accounting and information technology systems.

In addition, acquisitions of businesses involve risks that the businesses acquired will not perform in accordance with expectations, that the expected synergies associated with acquisitions will not be achieved and that business judgments concerning the value, strengths and weaknesses of the people and the businesses acquired will prove incorrect, which could have an adverse affect on our business, financial condition and results of operations.

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Significant fluctuations in our revenues and net income may make it difficult for us to achieve steady earnings growth on a quarterly or an annual basis, which may make the comparison between periods difficult and may cause the price of our common stock to decline.

We have experienced and may continue to experience fluctuations in revenues and net income as a result of many factors, including, but not limited to, economic conditions, capital market disruptions, the timing of transactions, revenue mix and the timing of additional selling, general and administrative expenses to support growth initiatives. We provide many of our services pursuant to contracts that typically expire within six months and that are dependent on the client's cooperation. Consequently, many of our clients can terminate or significantly reduce their relationships with us on very short notice for any reason.

We plan our capital and operating expenditures based on our expectations of future revenues and, if revenues are below expectations in any given quarter or year, we may be unable to adjust capital or operating expenditures in a timely manner to compensate for any unexpected revenue shortfall, which could have an immediate material adverse effect on our business, financial condition and results of operation.

We may face significant liabilities and/or damage to our professional reputation as a result of litigation allegations and negative publicity.

As a licensed real estate broker, we and our licensed professionals and brokers are subject to regulatory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject us or our professionals and brokers to litigation from parties who attempted to or in fact financed, purchased or sold properties that we or they brokered, managed or had some other involvement. We could become subject to claims by those who either wished to participate or did participate in real estate transactions alleging that we did not fulfill our regulatory, contractual or other legal obligations. We also face conflicts of interest claims when we represent both the buyer and the seller in a transaction.

We depend on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain clients across our overall business. As a result, allegations by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us or our investment activities, whether or not valid, may harm our reputation and damage our business prospects. In addition, if any lawsuits were brought against us and resulted in a finding of substantial legal liability, it could materially, adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could materially impact our business.

Some of these litigation risks may be mitigated by the commercial insurance we maintain in amounts we believe are appropriate. However, in the event of a substantial loss, our commercial insurance coverage and/or self-insurance reserve levels might not be sufficient to pay the full damages, or the scope of available coverage may not cover certain types of claims. Further, the value of otherwise valid claims we hold under insurance policies could become uncollectible in the event of the covering insurance company's insolvency, although we seek to limit this risk by placing our commercial insurance only with highly-rated companies. Any of these events could negatively impact our business, financial condition or results of operations.

Employee or sales and financing professional misconduct, fraud, or theft, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

If our sales or financing professionals or other associates engage in misconduct, our business could be adversely affected. It is not always possible to deter misconduct, and the precautions we take to deter and prevent this activity may not be effective in all cases. If our employees or sales and financing professionals were to improperly use, disseminate or disclose information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position and current client relationships and our ability to attract future clients, could be significantly impaired, which could adversely affect our business, financial condition and results of operation. To the extent any loss or theft of funds substantially exceeds our insurance coverage, our business could be materially adversely affected.

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Many of our sales and financing professionals are independent contractors, not employees, and if federal or state law mandates that they be employees, our business would be adversely impacted.

Many of our sales and financing professionals are retained as independent contractors, and we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation, and it could be determined that the independent contractor classification is inapplicable to any of our professionals. Further, if legal standards for classification of these professionals as independent contractors change or appear to be changing, it may be necessary to modify our compensation structure for these professionals in some or all of our markets, including by paying additional compensation or reimbursing expenses. If we are forced to classify these professionals as employees, we would also become subject to laws regarding employee classification and compensation, and to claims regarding overtime, minimum wage, and meal and rest periods. We could also incur substantial costs, penalties and damages due to future challenges by current or former professionals to our classification or compensation practices. Any of these outcomes could result in substantial costs to us, could significantly impair our financial condition and our ability to conduct our business as we choose, and could damage our reputation and impair our ability to attract clients and sales and financing professionals.

Our businesses, financial condition, results of operations and prospects could be adversely affected by new laws or regulations or by changes in existing laws or regulations or the application thereof. If we fail to comply with laws and regulations applicable to us, including in our role as a real estate broker or mortgage broker, we may incur significant financial penalties.

We are subject to numerous federal, state, local and non-U.S. laws and regulations specific to the services we perform in our business, as well as laws of broader applicability, such as tax, securities and employment laws. In general, the brokerage of real estate transactions requires us to maintain applicable licenses where we perform these services. If we fail to maintain our licenses or conduct these activities without a license, or violate any of the regulations covering our licenses, we may be required to pay fines (including treble damages in certain states) or return commissions received or have our licenses suspended or revoked. We could also be subject to disciplinary or other actions in the future due to claimed noncompliance with these regulations, which could have a material adverse effect on our operations and profitability.

Our business is also governed by various legislation limiting the manner in which prospective clients may be contacted, including federal and state Do Not Call and Do Not Fax regulations. We may be subject to legal claims and governmental action if we are perceived to be acting in violation of these laws and regulations. We may also be subject to claims to the extent individual employees or sales professionals breach or fail to adhere to company policies and practices designed to maintain compliance with these laws and regulations. The penalties for violating this legislation can be material, and could result in changes in which we are able to contact prospective clients.

As the size and scope of commercial real estate transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with numerous licensing regimes and the possible loss resulting from non-compliance have increased. New or revised legislation or regulations applicable to our business, both within and outside of the United States, as well as changes in administrations or enforcement priorities may have an adverse effect on our business, including increasing the costs of compliance or preventing us from providing certain types of services in certain jurisdictions or in connection with certain transactions or clients. We are unable to predict how any of these new laws, rules, regulations and proposals will be implemented or in what form, or whether any additional or similar changes to laws or regulations, including the interpretation or implementation thereof, will occur in the future. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our businesses, financial condition, results of operations and prospects.

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We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, (i) not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, which may increase the risk that weaknesses or deficiencies in the internal control over financial reporting go undetected, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, which may make it more difficult for investors and securities analysts to evaluate the company, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could remain an emerging growth company for up to five years, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time, we would cease to be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Risks Related to the Spin-Off

We may not achieve some or all of the expected benefits of the Spin-Off and this offering.

We may not be able to achieve the full strategic and financial benefits expected to result from the Spin-Off and this offering, or such benefits may be delayed or not occur at all. These benefits include the following:

enabling us to raise significantly more funds in this offering by unburdening us from the business risks, financial risks and capital requirements of MMC's other businesses, and allowing our management to focus on implementing our business strategies;

facilitating incentive compensation arrangements for employees and sales professionals more directly tied to our business performance, and enhancing hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives of our business;

providing greater ability for us to grow by opening new offices, expanding our presence in the markets in which we currently operate, acquiring new groups or firms, developing our institutional brokerage brand (IPA) and accelerating our international expansion;

enabling us to invest in the next series of proprietary real estate technology and brokerage tools to improve our productivity, analysis and marketing;

enabling us to upgrade our sales professionals' training programs and management development program, and expand our branding and business development campaigns; and

creating an independent equity structure and providing publicly traded stock that will facilitate our ability to make future acquisitions utilizing our common stock.

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We may not achieve the anticipated benefits of the Spin-Off for a variety of reasons. In addition, the Spin-Off could adversely affect our operating results and financial condition since we will need to replicate or replace certain services previously provided to us by MMC and there is no assurance that we will be able to do so on similar or more favorable terms, or at all.

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Two of our directors may have actual or potential conflicts of interest because of their positions with MMC.

Following this offering, George M. Marcus and William A. Millichap will serve as co-chairmen of our board of directors and retain their positions as directors of MMC. In addition, Messrs. Marcus and Millichap may own MMC stock, options to purchase MMC stock or other MMC equity awards. Their position at MMC and the ownership of any MMC equity or equity awards creates, or may create the appearance of, conflicts of interest when these directors are faced with decisions that could have different implications for MMC than the decisions have for us.

Some of our directors will be participating in the Debt-for-Equity Exchange and therefore may have a conflict of interest in this offering.

In connection with this offering, MMC will exchange shares of the company's common stock for MMC indebtedness held by the debt-for-equity exchange parties, including some of our directors. It is expected that the debt-for-equity exchange parties will then sell all of this common stock to the underwriters for cash. Consequently, some of our directors may have a conflict of interest by virtue of the fact that they will receive a portion of the proceeds from this offering in connection with the Debt-for-Equity Exchange.

To preserve the tax-free treatment of the Spin-Off to MMC and/or its shareholders, we may not be able to engage in certain transactions.

To preserve the tax-free treatment of the Spin-Off to MMC and/or its shareholders, under the tax matters agreement, we will be restricted from taking any action that could reasonably be expected to adversely affect such tax-free status for U.S. federal, state and local income tax purposes. During the time period ending two years after the date of the Distribution there will be specific restrictions on our undertaking of transactions which would, among other things, cause us to undergo a 50% or greater change in our stock ownership for purposes of Section 355(e) of the Code. These restrictions may limit our ability to pursue strategic transactions or engage in other transactions, to use our common stock to make acquisitions, and to raise equity capital, all of which transactions might increase the value of our business.

Risks Related to this Offering and Ownership of Our Common Stock

There is no existing market for our common stock and we do not know if one will develop, which could impede your ability to sell your shares and depress the market price of our common stock.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in the company will lead to the development of an active trading market on the NYSE or otherwise, or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

Our Co-Chairman and founder will control a significant interest in our stock after this offering, and the concentrated ownership of our common stock will prevent you and other stockholders from influencing significant decisions.

Immediately following the completion of this offering, Mr. Marcus, our Co-Chairman and founder, will beneficially own 72.7% of our outstanding common stock (70.9% if the underwriters exercise their option to purchase additional shares in full). Because Mr. Marcus will control a majority of the voting power of our outstanding common stock, he will be able to influence the outcome of corporate actions requiring stockholder approval, including the election and removal of directors, so long as he controls a significant portion of our common stock.

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If our Co-Chairman sells a controlling interest in our company to a third party in a private transaction, you may not realize any change-of-control premium on shares of our common stock and we may become subject to the control of a presently unknown third party.

Our Co-Chairman and controlling stockholder will have the ability, should he choose to do so, to sell some or all of the shares of our common stock that he controls in a privately negotiated transaction, which, if sufficient in size, could result in a change of control of our company. The ability of our Co-Chairman and controlling stockholder to privately sell the shares of our common stock that he controls, with no requirement for a concurrent offer to be made to acquire all of our common stock that will be publicly traded hereafter, could prevent you from realizing any change-of-control premium on your shares of our common stock that may otherwise accrue to entities controlled by our Co-Chairman on a private sale of our common stock. Additionally, if entities controlled by our Co-Chairman privately sell a significant equity interest in our company, we may become subject to the control of a presently unknown third party. Such third party may have conflicts of interest with those of other stockholders. Furthermore, if our Co-Chairman sells a controlling interest in our company to a third party, our commercial agreements and relationships could be impacted, all of which may adversely affect our ability to run our business as described herein and may have a material adverse effect on our operating results and financial condition.

We will incur incremental costs as a stand-alone public company that will affect our financial results.

We will need to replicate or replace certain functions, systems and infrastructure previously provided by MMC to which we will no longer have the same access after this offering. We may also need to make investments or hire additional employees to operate without the same access to MMC's existing operational and administrative infrastructure. These initiatives may be costly to implement, and the amount of total costs could be materially higher than we anticipate.

MMC currently performs or supports many important corporate functions for our company. Our consolidated financial statements reflect charges for these services on an allocation basis. Following this offering, many of these services will be governed by our transition services agreement with MMC. Under the transition services agreement we will be able to use these MMC services for a fixed term established on a service-by-service basis. However, we generally will have the right to terminate a service earlier if we give notice to MMC. In addition, either party will be able to terminate the agreement due to a material breach of the other party, upon prior written notice, subject to limited cure periods.

We will pay MMC mutually agreed-upon fees for these services, which will be based on MMC's costs of providing the services. However, since our transition services agreement was negotiated in the context of a parent-subsidary relationship, the terms of the agreement, including the fees charged for the services, may be higher or lower than those that would be agreed to by parties bargaining at arm's length for similar services and may be higher or lower than the costs reflected in the allocations in our historical financial statements. Third-party costs will be passed through to us at MMC's or its affiliates' cost. In addition, while these services are being provided to us by MMC, our operational flexibility to modify or implement changes with respect to such services or the amounts we pay for them will be limited.

We may not be able to replace these services or enter into appropriate third-party agreements on terms and conditions, including cost, comparable to those that we will receive from MMC under our transition services agreement. Additionally, after the agreement terminates, we may be unable to sustain the services at the same levels or obtain the same benefits as when we were receiving such services and benefits from MMC. When we begin to operate these functions separately, if we do not have our own adequate systems and business functions in place, or are unable to obtain them from other providers, we may not be able to operate our business effectively or at comparable costs, and our profitability may decline. In addition, we have historically received informal support from MMC, which may not be addressed in our transition services agreement. The level of this informal support will diminish or be eliminated following this offering.

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As a result of becoming a public company, we will be obligated to develop and maintain proper and effective internal control over financial reporting. These internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the first fiscal year beginning after the effective date of this offering. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on our internal control over financial reporting.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may become subject to investigation or sanctions by the SEC. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company, as defined in the JOBS Act, if we take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future. In addition, to comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff.

If securities analysts do not publish research or reports about our business or if they downgrade our company or our sector, the price of our common stock could decline.

The trading market for our common stock will depend in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts, nor can we assure that any analysts will continue to follow us and issue research reports. Furthermore, if one or more of the analysts who do cover us downgrades our company or our industry, or the stock of any of our competitors, the price of our common stock could decline. If one or more of these analysts ceases coverage of our company, we could lose visibility in the market, which in turn could cause the price of our common stock to decline.

Future sales or the perception of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

After the completion of this offering, there will be 29,700,897 shares of our common stock available for future sale that were not sold in the offering. Future sales or the availability for sale of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

We may issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our common stock or other securities in connection with any such acquisitions and investments.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

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The price of our common stock may fluctuate significantly and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your shares of common stock at or above the price you paid for them. The market price for our common stock could fluctuate significantly for various reasons, including quarterly and annual variations in our results and those of our competitors; changes to the competitive landscape; estimates and projections by the investment community; the arrival or departure of key personnel, especially the retirement or departure of key senior sales professionals and management; the introduction of new services by us or our competitors; acquisitions, strategic alliances or joint ventures involving us or our competitors; and general global and domestic economic, credit and liquidity issues, market or political conditions.

As a result of these factors, investors in our common stock may not be able to resell their shares at or above the initial public offering price or may not be able to resell them at all. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our certificate of incorporation and by-laws may delay or prevent a merger or acquisition that a stockholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for stockholder proposals and nominations, providing for super-majority votes of stockholders for the amendment of the bylaws and certificate of incorporation, and placing limitations on convening stockholder meetings and not permitting written consents of stockholders. In addition, we are subject to provisions of the Delaware General Corporation Law that restrict certain business combinations with interested stockholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm the market price of our common stock.

We may not generate sufficient cash to pay dividends on our common stock, which may cause us to change our dividend policy and affect our stock price.

If we cannot operate our business to meet our financial expectations, our ability to pay dividends to you could be adversely affected. Any declaration and payment of future dividends to holders of our common stock will be at the sole discretion of our board of directors and will depend on many factors, including our financial condition, earnings, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. If the board determines that our financial conditions and other requirements have not been satisfied, we may not issue dividends and you may need to rely on an increase in the price of our common stock to profit from your investment.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our amended and restated certificate of incorporation will authorize us to issue one or more series of preferred stock. Our board of directors will have the authority to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

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You will suffer immediate and substantial dilution in the net tangible book value of the common stock you purchase.

Prior investors have paid substantially less per share than the price in this offering. The initial public offering price is substantially higher than the net tangible book value per share of the outstanding common stock after giving effect to this offering and related transactions. Accordingly, based on the initial public offering price of \$12.00 per share, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds from such sale as described in Use of Proceeds, and following the Debt-for-Equity Exchange substantially concurrently with the closing of the offering, purchasers of common stock in this offering will experience immediate and substantial dilution of approximately \$11.25 per share. Additionally, investors in our common stock will be further diluted in the event that the underwriters exercise their option to purchase additional shares.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

market trends in the commercial real estate market or the general economy;

our ability to attract and retain qualified managers, sales and financing professionals;

the effects of increased competition on our business;

our ability to successfully enter new markets or increase our market share;

our ability to successfully expand our services and businesses and to manage any such expansions;

our ability to retain existing clients and develop new clients;

our ability to keep pace with changes in technology;

any business interruption or technology failure and any related impact on our reputation;

changes in tax laws, employment laws or other government regulation affecting our business; and

other risk factors included under "Risk Factors" in this prospectus.

In addition, in this prospectus, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential" and other expressions, as they relate to our company, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date of this prospectus. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable laws. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$32.7 million from the sale by us of shares of our common stock in this offering (\$42.7 million if the underwriters' option to purchase additional shares is exercised in full), based on the public offering price of \$12.00 per share and after deducting the estimated underwriting discounts and commissions and offering expenses.

We expect to use the net proceeds of the offering payable to us for general corporate purposes, including capital expenditures and working capital to expand our markets and services and potential acquisition of real estate businesses or companies, although there are no current agreements with respect to any such transactions. Pending such uses, we intend to invest the net proceeds payable to us from the offering in interest-bearing, investment grade securities. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

DIVIDEND POLICY

Prior to our initial public offering, we distributed substantially all of our net income to our parent in the form of cash dividends. Following this offering, we will not pay a regular dividend. We intend to evaluate our dividend policy in the future. Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends and other considerations that our board of directors deems relevant.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of June 30, 2013:

on an actual basis;

on a pro forma basis after giving effect to the Spin-Off, including (i) the termination of the MMREIS tax-sharing agreement, (ii) the modification of certain restricted stock awards and SARs held by the MMREIS managing directors, grants of replacement awards to the managing directors in the form of DSUs and grants of restricted stock to non-employee directors and fully vested unrestricted stock to other individuals concurrent with this offering (iii) payment of quarterly preferred dividends of \$6.5 million and \$6.5 million to distribute MMREIS's earnings for the quarters ended June 30 and September 30, 2013, respectively, to MMC as if such dividends had been paid on June 30, 2013 and (iv) the exchange of 1,000 issued and outstanding shares of MMREIS Series A redeemable preferred stock, \$10.00 par value and 234,489 issued and outstanding shares of MMREIS common stock, \$1.00 par value, for 32,357,901 shares of Marcus & Millichap common stock, \$0.0001 par value, in accordance with the contribution agreement; and

on a pro forma as adjusted basis after giving effect to this offering and the application of the net proceeds, from the sale of 3,273,413 shares of common stock by us in this offering at the public offering price of \$12.00.

	June 30, 2013		
	Actual	Pro Forma	Pro Forma
		(Dollars in thousands)	
		As Adjusted	
Cash and cash equivalents	\$ 19,362	\$ 6,399	\$ 41,043
Long-term debt, less current portion	\$	\$	\$
Stockholders' equity (deficit):			
Series A Redeemable Preferred stock, \$10.00 par value; 1,000 shares authorized; 1,000 shares issued and outstanding, actual; no shares issued and outstanding pro forma and pro forma, as adjusted	10		
Common stock \$1.00 par value; 1,000,000 shares authorized; 234,489 shares issued and outstanding, actual; no shares issued and outstanding pro forma and pro forma as adjusted	235		
Common Stock \$0.0001 par value; 150,000,000 shares authorized, no shares issued and outstanding, actual; 32,427,484 shares issued and outstanding, pro forma; 35,700,897 shares issued and outstanding, pro forma as adjusted(1)		4	4
Additional paid-in capital	1,514	32,388	65,213
Stock notes receivable from employees	(62)	(62)	(62)
Retained earnings (accumulated deficit)	6,465	(38,290)	(38,290)
Total stockholders' equity (deficit)	8,162	(5,960)	26,865
Total capitalization	\$ 8,162	\$ (5,960)	\$ 26,865

- (1) Excludes an additional (i) 5,500,000 shares reserved for issuance upon exercise of stock options, deferred stock units (DSUs) or other equity awards that may be granted subsequent to June 30, 2013 under the 2013 Omnibus Equity Incentive Plan, which includes (A) DSUs for an aggregate of 2,192,409 shares to be granted as replacement awards to the MMREIS managing directors, (B) DSUs for 83,333 shares to be granted to Mr. Millichap, and (C) 30,000 shares of restricted stock to be issued to the non-employee directors, in each case, in connection with this offering and based on the public offering price of \$12.00 and (ii) 366,667 shares reserved for issuance under the 2013 Employee Stock Purchase Plan.

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Our net tangible book value as of June 30, 2013 was approximately \$8.2 million or \$0.25 per share of common stock. Net tangible book value per share represents the amount of total tangible assets reduced by the amount of total liabilities and divided by the total number of shares of common stock outstanding. After giving effect to the sale of the 3,273,413 shares of common stock offered by us at the initial public offering price of \$12.00 per share, and the adjustments described under the section entitled Capitalization, our pro forma net tangible book value as of June 30, 2013 would have been \$26.9 million or \$0.75 per share of common stock. This represents an immediate increase in net tangible book value of \$0.50 per share to existing stockholders and an immediate dilution of \$11.25 per share to new investors. The following table illustrates this per share dilution:

Initial public offering price per share	\$ 12.00
Net tangible book value per share before the offering	\$ 0.25
Decrease in net tangible book value per share attributable to the Spin-Off	(0.44)
Increase in net tangible book value per share attributable to this offering	0.94
 Pro forma net tangible book value after giving effect to this offering and the other transactions described above	 0.75
 Dilution per share to new public investors (1)	 \$ 11.25

- (1) If the 2,192,409 shares issuable upon settlement of the DSUs granted as replacement awards to the MMREIS managing directors and the 83,333 shares issuable upon settlement of the DSUs granted to Mr. Millichap were settled as of June 30, 2013, net tangible book value per share would have decreased by \$0.04 per share of common stock, increasing immediate dilution to new investors to \$11.29 per share. The calculation of net tangible book value per share on an actual and pro forma basis excludes (i) an aggregate 2,192,409 shares to be issued in conjunction with DSUs granted as replacement awards to the MMREIS managing directors, and (ii) 83,333 shares to be issued in conjunction with DSUs granted to Mr. Millichap, in each case, in connection with this offering and based on the public offering price of \$12.00, as such shares are not considered issued and outstanding until the DSUs are settled.

Our pro forma as adjusted net tangible book value after giving effect to this offering and other transactions described above, and the dilution per share to new public investors in the offering, will change from the amounts shown above if the underwriters' over-allotment option is exercised.

The following table summarizes on a pro forma basis, as of June 30, 2013, the differences between the existing stockholders (including the directors and non-employees receiving shares in connection with this offering) and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	32,427,484	90.8%	\$ 1,759,000	4.3%	\$ 0.05
New investors	3,273,413	9.2	39,280,956	95.7	12.00
Total	35,700,897	100.0%	\$ 41,039,956	100.0%	

Table of Contents**SELECTED HISTORICAL FINANCIAL AND OTHER DATA**

The following selected financial data for each of the three years in the period ended December 31, 2012 are derived from the audited consolidated financial statements of Marcus & Millichap Real Estate Investment Services, Inc., or MMREIS. Prior to the Spin-Off, Marcus & Millichap, Inc. will not have engaged in any business or other activities, except in connection with its formation and in preparation for this offering and the Spin-Off. The financial data for the six-month periods ended June 30, 2013 and 2012 are derived from unaudited financial statements of MMREIS. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the entire year. The data should be read together with our financial statements and related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

(In thousands)	Year Ended December 31,			Six Months Ended	
	2010	2011	2012	2012	2013
Statements of Income Data:					
Revenues:					
Real estate brokerage commissions	\$ 198,366	\$ 245,333	\$ 351,407	\$ 133,409	\$ 156,963
Financing fees	10,917	16,522	21,132	8,218	11,888
Other revenues	8,652	12,850	13,177	5,223	5,990
Total revenues	217,935	274,705	385,716	146,850	174,841
Operating expenses:					
Cost of services	124,272	162,478	230,248	84,709	102,677
Selling, general, and administrative expense	76,438	85,801	103,479	45,900	53,824
Depreciation and amortization expense	3,333	2,971	2,981	1,495	1,514
Total operating expenses	204,043	251,250	336,708	132,104	158,015
Operating income	13,892	23,455	49,008	14,746	16,826
Other income (expense), net	959	350	433	283	249
Income before provision for income taxes	14,851	23,805	49,441	15,029	17,075
Provision for income taxes	6,460	10,355	21,507	6,538	7,428
Net income	\$ 8,391	\$ 13,450	\$ 27,934	\$ 8,491	\$ 9,647
Adjusted EBITDA (1)	\$ 18,743	\$ 29,486	\$ 59,708	\$ 18,634	\$ 21,131
Balance Sheet Data:					
Cash and cash equivalents	\$ 4,932	\$ 3,158	\$ 3,107	\$ 3,827	\$ 19,362
Total assets	64,572	64,296	89,733	51,624	48,020
Total liabilities	42,873	44,139	68,103	29,753	39,858

- (1) Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measure.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements reflect the historical consolidated financial position of Marcus & Millichap Real Estate Investment Services, Inc., or MMREIS, at June 30, 2013 and the historical consolidated results of operations of MMREIS for the six-month period ended June 30, 2013 and the year ended December 31, 2012, as adjusted to give pro forma effect to (i) the termination of the MMREIS tax-sharing agreement; (ii) the modification of certain restricted stock awards and SARs held by the MMREIS managing directors, grants of replacement awards to the managing directors in the form of DSUs and grants of restricted stock to non-employee directors and fully vested unrestricted stock to other individuals concurrent with this offering, (iii) payment of quarterly preferred dividends in July 2013 in the amount of \$6.5 million and in October 2013 in the amount of \$6.5 million to distribute MMREIS's earnings for the quarters ended June 30 and September 30, 2013, respectively, to MMC, (iv) the exchange of 1,000 issued and outstanding shares of MMREIS Series A redeemable preferred stock, \$10.00 par value and 234,489 issued and outstanding shares of MMREIS common stock, \$1.00 par value, for 32,357,901 shares of Marcus & Millichap common stock, \$0.0001 par value, in accordance with the contribution agreement; and (v) the net proceeds of this offering of \$32.7 million.

In management's opinion, the unaudited pro forma consolidated financial statements reflect certain adjustments that are necessary to present fairly our unaudited pro forma consolidated results of operations and our unaudited pro forma consolidated balance sheet as of and for the periods indicated. The pro forma adjustments give effect to events that are (i) directly attributable to the transactions described above, (ii) factually supportable; and, with respect to the statement of operations, (iii) expected to have a continuing impact on us. The pro forma adjustments are based on assumptions that management believes are reasonable given the best information currently available.

The unaudited pro forma consolidated financial statements are for illustrative and informational purposes only and are not intended to represent what our results of operations or financial position would have been had we operated as a standalone public company during the periods presented or if the transactions described below had actually occurred as of the dates indicated. The unaudited pro forma consolidated financial statements should not be considered indicative of our future results of operations or financial position as a standalone public company.

The following unaudited pro forma consolidated financial statements should be read together with our consolidated financial statements and related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

Table of Contents**Pro Forma Consolidated Balance Sheet**

As of June 30, 2013

(In thousands, except share and per share amounts)

	Consolidated Historical	Tax Adjustments (A)	Stock Compensation Adjustments (B)	Equity Adjustments (C)	Pro Forma	Net Offering Proceeds (D)	Pro Forma As Adjusted
Assets							
Current assets:							
Cash and cash equivalents	\$ 19,362	\$	\$	\$ (12,963)	\$ 6,399	\$ 34,644	\$ 41,043
Commissions and notes receivable, net of allowance for doubtful accounts of \$129	4,935				4,935		4,935
Employee notes receivable	141				141		141
Prepaid expenses	4,759				4,759	(1,987)	2,772
Deferred tax assets, net		5,055	4,233		9,288		9,288
Total current assets	29,197	5,055	4,233	(12,963)	25,522	32,657	58,179
Prepaid rent	3,598				3,598		3,598
Investments held in rabbi trust account	3,669				3,669		3,669
Property and equipment, net of accumulated depreciation of \$17,126	7,592				7,592		7,592
Due from affiliates							
Employee notes receivable	228				228		228
Deferred tax assets, net		6,371	16,013		22,384		22,384
Other assets	3,736				3,736		3,736
Total assets	\$ 48,020	\$ 11,426	\$ 20,246	\$ (12,963)	\$ 66,729	\$ 32,657	\$ 99,386
Liabilities and stockholders equity (deficit)							
Current liabilities:							
Accounts payable and accrued expenses	\$ 5,645	\$	\$ 506	\$	\$ 6,151	\$ (168)	\$ 5,983
Notes payable to former stockholders			851		851		851
Commissions payable	11,907				11,907		11,907
Due to affiliates	2,914				2,914		2,914
Accrued employee expenses	6,251				6,251		6,251
Total current liabilities	26,717		1,357		28,074	(168)	27,906
Deferred compensation and commissions	8,337				8,337		8,337
Notes payable to former stockholders			11,504		11,504		11,504
SARs liability			19,970		19,970		19,970
Other liabilities	4,804				4,804		4,804
Total liabilities	39,858		32,831		72,689	(168)	72,521
Commitments and contingencies							
Stockholders equity:							
Series A Redeemable Preferred stock, \$10.00 par value; 1,000 shares authorized; 1,000 shares issued and outstanding \$10.00 redemption value per share, actual; no shares issued and outstanding pro forma and pro forma, as adjusted	10			(10)			
Common stock \$1.00 par value; 1,000,000 shares authorized; 234,489 shares issued and outstanding, actual; shares issued and outstanding pro forma and pro forma, as adjusted	235			(235)			
				4	4		4

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Common Stock \$0.0001 par value; 150,000,000 shares authorized, no shares issued and outstanding, actual; 32,427,484 shares issued and outstanding, pro forma; 35,700,897 shares issued and outstanding, pro forma, as adjusted

Additional paid-in capital	1,514	11,426	19,207	241	32,388	32,825	65,213
Stock notes receivable from employees	(62)				(62)		(62)
Retained earnings (accumulated deficit)	6,465		(31,792)	(12,963)	(38,290)		(38,290)
Total stockholders' equity (deficit)	8,162	11,426	(12,585)	(12,963)	(5,960)	32,825	26,865
Total liabilities and stockholders' equity (deficit)	\$ 48,020	\$11,426	\$ 20,246	\$ (12,963)	\$ 66,729	\$ 32,657	\$ 99,386

Table of Contents**Pro Forma Consolidated Statement of Income****for the Six Months Ended June 30, 2013****(In thousands, except per share amounts)**

	Consolidated Historical	Tax Adjustments (E)	Equity Adjustments (F)	Pro Forma
Revenues:				
Real estate brokerage commissions	\$ 156,963	\$	\$	\$ 156,963
Financing fees	11,888			11,888
Other revenues	5,990			5,990
Total revenues	174,841			174,841
Operating expenses:				
Cost of services	102,677			102,677
Selling, general, and administrative expense	53,824		60	53,884
Depreciation and amortization expense	1,514			1,514
Total operating expenses	158,015		60	158,075
Operating income	16,826		(60)	16,766
Other income (expense), net	249		(314)	(65)
Income (loss) before provision for income taxes	17,075		(374)	16,701
Provision (benefit) for income taxes	7,428	(189)	(148)	7,091
Net income	\$ 9,647	\$ 189	\$ (226)	\$ 9,610
Pro forma net income per share (Basic and Diluted) (G)				\$ 0.25

Table of Contents**Pro Forma Consolidated Statement of Income****for the Year Ended December 31, 2012****(In thousands, except per share amounts)**

	Historical	Tax Adjustments (H)	Equity Adjustments (I)	Pro Forma
Revenues:				
Real estate brokerage commissions	\$ 351,407	\$	\$	\$ 351,407
Financing fees	21,132			21,132
Other revenues	13,177			13,177
Total revenues	385,716			385,716
Operating expenses:				
Cost of services	230,248			230,248
Selling, general, and administrative expense	103,479		120	103,599
Depreciation and amortization expense	2,981			2,981
Total operating expenses	336,708		120	336,828
Operating income	49,008		(120)	48,888
Other income (expense), net	433		(1,556)	(1,123)
Income (loss) before provision for income taxes	49,441		(1,676)	47,765
Provision (benefit) for income taxes	21,507	193	(659)	21,041
Net income	\$ 27,934	\$ (193)	\$ (1,017)	\$ 26,724
Pro forma net income per share (Basic and Diluted) (J)				\$ 0.70

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Notes to Unaudited Pro Forma Consolidated Financial Statements

Note 1. Notes to Unaudited Pro Forma Consolidated Balance Sheet as of June 30, 2013

- (A) Reflects the termination of the tax-sharing agreement between MMREIS and MMC as if such agreement had been terminated on June 30, 2013. Under the tax-sharing agreement, MMREIS provided for income taxes using an effective tax rate of 43.5%, with a related obligation to MMC. The pro forma adjustments reflect the assumption of net current deferred tax assets, of \$5.1 million and net noncurrent deferred tax assets of \$6.4 million through a non-cash contribution from MMC at June 30, 2013.
- (B) Reflects modifications to MMREIS's book value stock-based compensation award program and grants of new stock-based compensation awards that are expected to be made concurrent with this offering, as if such modifications and grants had been made on January 1, 2012. The pro forma adjustments reflect (i) the assumption of a liability of approximately \$20.0 million related to amounts frozen under the stock appreciation rights, or SARs, program through a non-cash deemed distribution to MMC; (ii) the assumption of a liability of approximately \$12.4 million related to amounts payable to former MMREIS shareholders through a non-cash deemed distribution to MMC; (iii) the assumption of a liability of approximately \$0.5 million related to interest payable associated with notes payable to former MMREIS Shareholders and payroll tax accrual related to the grants of DSUs to MMREIS's managing directors; (iv) an increase in additional paid in capital of approximately \$19.2 million attributable to grants of fully-vested stock-based compensation awards offset by a corresponding decrease in retained earnings attributable to 2,192,409 DSUs issuable to existing stockholders and Mr. Millichap and 83,333 shares of fully vested unrestricted stock issuable to other individuals in connection with this offering; and (v) deferred tax assets totaling \$20.2 million resulting from these items using a pro forma effective tax rate of 39.3%. The liabilities are based on agreements MMREIS has signed with current or former employees but where MMC has historically assumed these obligations.
- (C) Reflects (i) quarterly preferred dividends of \$6.5 million and \$6.5 million to distribute MMREIS's earnings for the quarters ended June 30 and September 30, 2013, respectively, to MMC as if such dividends had been paid on June 30, 2013; and (ii) the exchange of 1,000 issued and outstanding shares of MMREIS Series A redeemable preferred stock, \$10.00 par value and 234,489 issued and outstanding shares of MMREIS common stock, \$1.00 par value, for 32,357,901 shares of Marcus & Millichap common stock, \$0.0001 par value, in accordance with the contribution agreement.
- (D) Reflects the issuance of 3,273,413 shares in this offering, resulting in net proceeds of \$32.7 million.

Note 2. Notes to Unaudited Pro Forma Consolidated Statement of Income for the six months ended June 30, 2013

- (E) Reflects the termination of the tax-sharing agreement between MMREIS and MMC as if such agreement had been terminated on January 1, 2012. Under the tax-sharing agreement, MMREIS provided for income taxes using an effective tax rate of 43.5%, with a related obligation to MMC. The pro forma adjustments reflect MMREIS's tax provision calculated as if it were a stand-alone taxpayer, subject to federal and state income tax as a subchapter C corporation, effective January 1, 2012 using an effective tax rate of approximately 42.4%.
- (F) Reflects grants of new stock-based compensation awards that are expected to be made concurrent with this offering, as if such modifications and grants had been made on January 1, 2012. The pro forma adjustments reflect (i) compensation expense of approximately \$0.1 million related to the grant of restricted stock to non-employee directors; (ii) interest expense of approximately \$0.3 million related to outstanding principal amounts payable to former MMREIS stockholders; and (iii) the resulting changes in income tax expense, which results in an effective tax rate of 42.5%.

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- (G) Pro forma basic earnings per share is computed by dividing pro forma net income for the six months ended June 30, 2013 of \$9.6 million by pro forma weighted average shares outstanding subsequent to the Spin-Off of 37,946,639, which includes (A) DSUs for an aggregate of 2,192,409 shares granted as replacement awards to the MMREIS managing directors, and (B) DSUs for 83,333 shares granted to Mr. Millichap, in connection with this offering. The denominator for pro forma diluted earnings per share also includes 30,000 unvested restricted stock shares granted to non-employee directors in connection with the completion of this offering.

Note 3. Notes to Unaudited Pro Forma Consolidated Statement of Income for the year ended December 31, 2012

- (H) Reflects the termination of the tax-sharing agreement between MMREIS and MMC, as if such agreement had been terminated on January 1, 2012. Under the tax-sharing agreement, MMREIS provided for income taxes using an effective tax rate of 43.5%, with a related obligation to MMC. The pro forma adjustments reflect MMREIS's tax provision calculated as if it were a stand-alone taxpayer subject to federal and state income tax as a subchapter C corporation, effective January 1, 2012, using an effective tax rate of approximately 43.9%.
- (I) Reflects grants of new stock-based compensation awards that are expected to be made concurrent with this offering, as if such grants had been made on January 1, 2012. The pro forma adjustments reflect (i) compensation expense of approximately \$0.1 million related to the grant of restricted stock to non-employee directors concurrent with this offering; (ii) interest expense of approximately \$1.6 million related to outstanding principal amounts payable to former MMREIS stockholders; and (iii) the resulting changes in income tax expense which, results in an effective tax rate of 44.1%. The pro forma adjustments exclude (i) compensation expense of approximately \$42.5 million related to the acceleration of vesting of restricted stock and SARs, modifications to remove the formula settlement value of the awards and grants of replacement awards in the form of deferred stock units to MMREIS's managing directors and Mr. Millichap concurrent with this offering, (ii) general and administrative expense of approximately \$0.5 million related to fully vested restricted stock granted to other individuals concurrent with this offering, and (iii) related tax effects, as these were deemed to be material nonrecurring charges. These adjustments will be recorded in the fourth quarter of 2013.
- (J) Pro forma basic earnings per share is computed by dividing pro forma net income for the year ended December 31, 2012 of \$26.7 million by pro forma weighted average shares outstanding subsequent to the Spin-Off of 37,946,639, which includes (A) DSUs for an aggregate of 2,192,409 shares granted as replacement awards to the MMREIS managing directors, and (B) DSUs for 83,333 shares granted to Mr. Millichap, in connection with this offering. The denominator for pro forma diluted earnings per share also includes 30,000 unvested restricted stock shares granted to non-employee directors in connection with the completion of this offering.

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THE SPIN-OFF

Marcus & Millichap Real Estate Investment Services Inc., or MMREIS, our operating company, was incorporated in 1976 and, prior to the completion of this offering, is a majority owned subsidiary of Marcus & Millichap Company, or MMC. In preparation for the spin-off of its real estate investment services business, or the Spin-Off, MMC formed Marcus & Millichap, Inc., or Marcus & Millichap, in June 2013.

Prior to the completion of this offering, the following steps will be taken to effect the Spin-Off:

MMC will contribute its approximately 88% interest in the MMREIS common stock and 100% of the MMREIS preferred stock to Marcus & Millichap in exchange for Marcus & Millichap common stock. The remaining shareholders of MMREIS will simultaneously contribute their MMREIS common stock to Marcus & Millichap in exchange for Marcus & Millichap common stock. We refer to MMC's and the remaining MMREIS shareholders' contributions as the Contribution. As a result, MMREIS will become a wholly-owned subsidiary of Marcus & Millichap, and the former shareholders of MMREIS will become the shareholders of Marcus & Millichap.

MMC will undertake an exchange of Marcus & Millichap common stock that it currently owns for (i) MMC debt of approximately \$12.0 million owed to two former MMC shareholders as a result of the redemption or purchase of their shares of MMC in 2001 and 2008 and (ii) MMC debt of approximately \$15.4 million owed by Usonia Ventures, LLC, a wholly owned subsidiary of MMC, to George M. Marcus since 2009, which we refer to as the Debt-for-Equity Exchange; provided that in all events, MMC will distribute at least 80% of our stock to its stockholders in the distribution described below. It is expected that the former MMC shareholders and Mr. Marcus will sell all of the stock that they receive in the Debt-for-Equity Exchange to the public in this offering as selling stockholders. The underwriters are expected to close this offering on the same day as the closing of the Debt-for-Equity Exchange.

MMC will distribute to its shareholders, on a pro rata basis, 80% of the outstanding shares of Marcus & Millichap common stock, which we refer to as the Distribution, and the shareholders of MMC will contribute all of their respective shares of Marcus & Millichap common stock to Phoenix Investments Holdings LLC, a newly formed limited liability company, in exchange for membership interests in such limited liability company.

As part of the Spin-Off, we and MMC will enter into certain agreements, including a tax matters agreement governing the parties' respective rights, responsibilities and obligations with respect to taxes, and a transition services agreement, pursuant to which certain MMC employees will provide certain services to us for a limited period of time, including, but not limited to, the sharing of costs relating to certain insurance coverages and health plans, legal services and information technology management. For more information regarding the agreements we will enter into with MMC, see "Certain Relationships and Related Transactions" Relationship with Marcus & Millichap Company.

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The following chart reflects our organizational structure prior to the Spin-Off and this offering:

The following chart reflects our organizational structure following the Spin-Off and this offering:

- (1) Upon the consummation of the Spin-Off, George M. Marcus will own substantially all of the membership interests of Phoenix Investments Holdings LLC.
- (2) Includes shares issuable upon settlement of DSUs.

We and MMC are undertaking the Spin-Off for several corporate business purposes, including the following:

enabling us to raise significantly more funds in this offering by unburdening us from the business risks, financial risks and capital requirements of MMC's other businesses, and allowing our management to focus on implementing our business strategies;

facilitating incentive compensation arrangements for employees and sales professionals more directly tied to our business performance, and enhancing hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives of our business;

reducing MMC's leverage and debt service requirements through the Debt-for-Equity Exchange, thereby providing MMC with greater funding capacity and opportunities for growth going forward;

providing greater ability for us to grow by opening new offices, expanding our presence in the markets in which we currently operate, acquiring new groups or firms, developing our institutional brokerage brand (IPA) and accelerating our international expansion;

enabling us to invest in the next series of proprietary real estate technology and brokerage tools to improve our productivity, analysis and marketing;

enabling us to upgrade our sales professionals' training programs and management development program, and expand our branding and business development campaigns; and

creating an independent equity structure and providing publicly traded stock that will facilitate our ability to make future acquisitions utilizing our common stock.

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In conjunction with this offering and the termination of the tax-sharing agreement between MMREIS and MMC, certain liabilities and legal obligations of MMREIS, including (i) liabilities for stock appreciation rights, or SARs, and restricted stock plan awards held by certain MMREIS key employees, and (ii) notes payable to certain former shareholders of MMREIS in settlement of SARs and restricted stock awards which were redeemed by MMREIS upon the termination of employment by these former shareholders, that had been previously assumed by MMC will be transferred back to MMREIS. In addition, MMREIS will be allocated deferred income tax assets and liabilities that originated from MMREIS transactions prior to the termination of the tax-sharing agreement. The net impact of these transactions, which are expected to result in the assumption of a net liability by MMREIS, will be reflected as a reduction in stockholders' equity and shown in the pro forma capitalization table. See the Unaudited Pro Forma Consolidated Financial Statements Notes to Unaudited Pro Forma Consolidated Financial Statements.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read together with the consolidated financial statements and the accompanying notes included elsewhere in this prospectus. Immediately prior to the completion of this offering, Marcus & Millichap Company will complete a spin-off of its real estate investment services business pursuant to which Marcus & Millichap Real Estate Investment Services, Inc. will become our wholly owned subsidiary, which we refer to herein as the Spin-Off. As used in this section, unless the context otherwise requires, Marcus & Millichap, Marcus & Millichap Real Estate Investment Service, MMREIS, we, us, our and company refer to Marcus & Millichap, Inc., or Marcus & Millichap Real Estate Investment Services, Inc. This discussion and analysis contains forward-looking statements. See Special Note Regarding Forward-Looking Statements and Risk Factors for a discussion of risks and uncertainties associated with such forward-looking statements. Actual results could differ materially from those anticipated or implied in any forward-looking statements.

Overview

We are a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. We have been the top commercial real estate investment broker in the United States based on the number of investment transactions over the last 10 years, based on data from CoStar and Real Capital Analytics. We have more than 1,100 investment sales and financing professionals in 73 offices who provide investment brokerage and financing services to sellers and buyers of commercial real estate. We also offer market research, consulting and advisory services to our clients. In 2012, we closed more than 6,100 sales, financing and other transactions with total volume of approximately \$22 billion. For the six months ended June 30, 2013, we closed more than 2,500 sales, financing and other transactions with total volume of approximately \$8.3 billion.

We generate revenues by collecting real estate brokerage commissions upon the sale and fees upon the financing of commercial properties and, in addition, by providing consulting and advisory services. Real estate brokerage commissions are typically based upon the value of the property, and financing fees are typically based upon the size of the loan. In 2012, approximately 91% of our revenues were generated from real estate brokerage commissions, 6% from financing fees and 3% from other fees, including consulting and advisory services. For the six months ended June 30, 2013, approximately 90% of our revenues were generated from real estate brokerage commissions, 7% from financing fees and 3% from other fees, including consulting and advisory services.

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 sales and financing transactions. The number and volume of these transactions is affected by general trends in the economy and real estate industry, particularly including:

Economic and commercial real estate market conditions. Our business is dependent on economic conditions and the demand for commercial real estate and related services in the markets in which we operate. Changes in the economy on a national, regional or local basis can have a positive or negative impact on our business. Fluctuations in acquisition and disposition activity, as well as general commercial real estate investment activity, can impact commissions for arranging such transactions, as well as impacting fees for arranging financing for acquirers and property owners that are seeking to recapitalize their existing properties. In each period discussed, the number of commercial real estate transactions for both the industry and us has increased.

Credit and liquidity in the financial markets. Since real estate purchases are often financed with debt, credit and liquidity issues in the financial markets have a direct impact on flow of capital to the commercial real estate markets as well as transaction activity and prices. For the periods discussed, credit availability and liquidity were favorable after having been significantly limited in 2008 and 2009.

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Demand for investment in commercial real estate. The willingness of private investors to invest in commercial real estate is affected by factors beyond our control, including the performance of real estate assets when compared with the performance of other investments.

Fluctuations in interest rates. Changes in interest rates as well as steady and protracted movements of interest rates in one direction (increases or decreases) could adversely or positively affect the operation and income of commercial real estate properties, as well as the demand from investors for commercial real estate investments. In particular, increased interest rates may cause prices to decrease due to the increased costs of obtaining financing and could lead to decreases in purchase and sale activities, thereby reducing the amounts of investment sales and loan originations. In contrast, decreased interest rates will generally decrease the costs of obtaining financing which could lead to increases in purchase and sales activities. For the periods discussed, interest rates generally remained low and have not fluctuated significantly.

Operating Segments

An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses whose separate financial information is available and is evaluated regularly by our chief operating decision maker, or CODM, to perform resource allocations and performance assessments. Our CODM is our Chief Executive Officer and Chief Financial Officer. Our CODM reviews financial information presented on an office-by-office basis for purposes of making operating decisions, assessing financial performance and allocating resources. Based on the evaluation of our financial information, our management believes that our offices represent individual operating segments with similar economic characteristics that meet the criteria for aggregation into a single reportable segment for financial statement purposes. Our financing operations also represent an individual operating segment, which does not meet the thresholds to be presented as a separate reportable segment.

Key Financial Measures and Indicators

Revenues

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

Real estate brokerage commissions. We earn real estate brokerage commissions by acting as a broker for commercial real estate owners seeking to sell or investors seeking to buy properties. Revenues from real estate brokerage commissions are recognized at the earlier of the close of escrow or the transfer of title between the seller and buyer.

Financing fees. We earn financing fees by securing financing on purchase transactions as well as by refinancing our clients' existing mortgage debt. We recognize financing fee revenues at the time the loan closes and we have no remaining significant obligations for performance in connection with the transaction.

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

Substantially all of our transactions are success based, with a small percentage including retainer fees (such retainer fees are credited against a success-based fee upon the closing of a transaction) and/or breakage fees. 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. The amount and timing of all of the fees paid vary by the type of transaction and are generally negotiated on a transaction-by-transaction basis.

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Operating Expenses

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

Cost of services. The majority of our cost of services expense is commission expense. Commission expenses are directly attributable to providing services to our clients for investment sales and mortgage brokerage services. Most of our transaction professionals are independent contractors and are paid commissions; however, there are some who are initially paid a salary and as such, these expenses also include employee-related compensation, employer taxes and benefits. In addition, some of our most senior investment sales professionals have the ability to earn additional commissions after meeting certain annual revenue thresholds. These additional commissions are recognized as cost of services in the period in which they are earned. Payment of a portion of these additional commissions are deferred for a period of three years and paid at the beginning of the fourth calendar year. Cost of services also includes referral fees paid to other real estate brokers.

Selling, general & administrative expenses. The largest expense component within selling, general and administrative expenses is personnel expenses for our management team and support staff. In addition, these costs include facilities costs (excluding depreciation and amortization), staff related expenses, sales, marketing, legal, telecommunication, network, data sources and other administrative expenses. Also included in selling, general and administrative are expenses related to stock-based compensation to key employees. Historically, we have issued stock options and stock appreciation rights, or SARs, to key employees through a book value, stock-based compensation award program. The program gave certain employees the option to acquire unvested restricted stock and issued an equivalent number of unvested SARs, typically in exchange for a note receivable. Awards under the program typically vested over a three to five-year period, and could be redeemed or repurchased upon the occurrence of certain events, including termination of employment. Compensation expense was recognized over the vesting term based upon the formula settlement value of the awards.

In conjunction with this offering, we expect to (i) accelerate the vesting of all unvested restricted stock and SARs, (ii) remove the formula settlement value for the restricted stock, (iii) freeze the SARs at the existing liability amount and (iv) grant deferred stock units, or DSUs, to replace beneficial ownership in the SARs, all of which will be fully vested but subject to sales restrictions that lapse over a period of continued employment. To the extent the stock is no longer restricted and replacement awards are fully vested, we will recognize an immediate compensation charge concurrent with this offering of \$31.7 million, net of income tax benefits of \$10.8 million. In addition, as a result of the removal of the formula settlement value, the modification of the unvested restricted stock will result in the awards being classified as equity awards. Subsequent to the completion of this offering, we will issue stock-based compensation awards to our officers and directors pursuant to the 2013 Omnibus Equity Incentive Plan.

As a result of the Spin-Off and this offering, we will no longer be a privately-owned company and our costs for such items as insurance, accounting and legal advice will increase relative to our historical costs for such services. We will also incur costs which we have not previously incurred for directors fees, increased directors and officers insurance, investor relations fees, expenses for compliance with the Sarbanes-Oxley Act and new rules implemented by the Securities and Exchange Commission and the New York Stock Exchange, and various other costs of a public company.

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

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Other Income and Expenses, Net

Other income primarily consists of gains or losses, net on our deferred compensation plan assets, interest income and other non-operating gains or losses.

Provision for Income Taxes

For the years ended December 31, 2012, 2011 and 2010 and the six months ended June 30, 2012 and 2013, our provision for income taxes was based on a tax-sharing agreement between us and MMC, which stipulates an effective annual tax rate of 43.5%. We anticipate filing as a stand-alone tax entity for tax purposes in the future. When we file as a stand-alone tax entity our future taxable income will be subject to the applicable U.S. federal and state and local tax rates in the jurisdictions in which the taxable income is generated. The change to a stand-alone entity for tax purposes may result in material changes to our income tax provision in future years. We will also need to provide for deferred income taxes which may result in the recognition of significant deferred tax assets and/or liabilities within our consolidated balance sheet. For information on our pro forma deferred income taxes and effective tax rate as a stand-alone tax entity, see Unaudited Pro Forma Combined Financial Statements.

Jumpstart Our Business Startups Act

On April 5, 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for an emerging growth company.

Subject to certain conditions set forth in the JOBS Act, if as an emerging growth company we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation. These exemptions will apply for a period of five years following the completion of our initial public offering or until we no longer meet the requirements of being an emerging growth company, upon the earlier of (i) the first fiscal year after our annual gross revenues are \$1 billion or more, (ii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities, and (iii) the date on which we are deemed to be a large accelerated filer as defined in the Exchange Act.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, and therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Results of Operations

Following is a discussion of our results of operations for the six months ended June 30, 2012 and 2013 and the years ended December 31, 2010, 2011 and 2012. The tables included in the period comparisons below provide summaries of our results of operations. The period-to-period comparisons of financial results are not necessarily indicative of future results.

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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. Such key metrics include the following:

Real Estate Brokerage Commissions	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
Average Number of Sales Professionals	1,084	968	982	973	1,082
Average Number of Transactions per Sales Professional	2.7	3.3	4.3	1.8	1.9
Average Commission per Transaction	\$ 68,355	\$ 77,686	\$ 83,075	\$ 77,744	\$ 77,018
Average Transaction Size	\$ 2,907,184	\$ 3,551,433	\$ 3,760,741	\$ 3,384,424	\$ 3,440,436
Total Number of Transactions	2,902	3,158	4,230	1,716	2,038
Total Sales Volume (in millions)	\$ 8,437	\$ 11,215	\$ 15,908	\$ 5,808	\$ 7,012

Financing Fees	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
Average Number of Financing Professionals	46	48	58	57	68
Average Number of Transactions per Financing Professional	9.8	15.5	15.7	6.9	8.1
Average Fee per Transaction	\$ 24,206	\$ 22,267	\$ 23,170	\$ 21,073	\$ 21,691
Average Transaction Size	\$ 2,189,658	\$ 2,394,282	\$ 2,417,818	\$ 2,217,179	\$ 2,138,292
Total Number of Transactions	451	742	912	390	548
Total Dollar Volume (in millions)	\$ 988	\$ 1,777	\$ 2,205	\$ 865	\$ 1,172

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2013

	Six Months Ended June 30, 2012	Percentage of Revenue	Six Months Ended June 30, 2013	Percentage of Revenue	Total Dollar Change	Total Percentage Change
(Dollars in thousands)						
Revenues:						
Real estate brokerage commissions	\$ 133,409	90.8%	\$ 156,963	89.8%	\$ 23,554	17.7%
Financing fees	8,218	5.6	11,888	6.8	3,670	44.7
Other revenues	5,223	3.6	5,990	3.4	767	14.7
Total revenues	146,850	100.0	174,841	100.0	27,991	19.1
Operating expenses:						
Cost of services	84,709	57.7	102,677	58.7	17,968	21.2
Selling, general, and administrative expense	45,900	31.3	53,824	30.8	7,924	17.3
Depreciation and amortization expense	1,495	1.0	1,514	0.9	19	1.3
Total operating expenses	132,104	90.0	158,015	90.4	25,911	19.6
Operating income	14,746	10.0	16,826	9.6	2,080	14.1
Other income (expense), net	283	0.2	249	0.1	(34)	(12.0)
Income before provision for income taxes	15,029	10.2	17,075	9.7	2,046	13.6
Provision for income taxes	6,538	4.4	7,428	4.2	890	13.6
Net income	\$ 8,491	5.8%	\$ 9,647	5.5%	\$ 1,156	13.6%

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Adjusted EBITDA (1)	\$ 18,634	12.7%	\$ 21,131	12.1%	\$ 2,497	13.4%
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- (1) Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance

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with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Non-GAAP Financial Measure.

Revenues. Our total revenues were \$174.8 million for the six months ended June 30, 2013 compared to \$146.9 million for the same period in 2012, an increase of \$28.0 million, or 19.1%. Total revenues increased primarily as a result of increases in real estate brokerage commissions, which contributed 84.1% of the total increase, as well as increases in financing fees and other revenues. The six months ended June 30, 2013 also included the impacts of the fiscal cliff and the associated uncertainty surrounding the potential impacts to the U.S. tax code, which resulted in transactions being accelerated into the three months ended December 31, 2012 that may have otherwise occurred during the first six months of 2013.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased from \$133.4 million for the six months ended June 30, 2012 to \$157.0 million in the same period of 2013, an increase of \$23.6 million or 17.7%. The increase was primarily driven by an increase in the number of investment sales transactions during the six months ended June 30, 2013 as compared to the same period in 2012.

Financing fees. Revenues from financing fees increased from \$8.2 million for the six months ended June 30, 2012 to \$11.9 million for the six months ended June 30, 2013, an increase of \$3.7 million or 44.7%. The increase was primarily driven by a 40.5% increase in the number of loan transactions due to an increase in the number of financing professionals combined with an increase in their productivity levels during the six months ended June 30, 2013 as compared to the same period in 2012.

Other revenues. Other revenues increased from \$5.2 million for the six months ended June 30, 2012 to \$6.0 million for the six months ended June 30, 2013, an increase of \$0.8 million or 14.7%. The increase was primarily driven by an increase in fees generated from advisory services during the six months ended June 30, 2013 as compared to the same period in 2012.

Total operating expenses. Our total operating expenses were \$158.0 million for the six months ended June 30, 2013 compared to \$132.1 million for the same period in 2012, an increase of \$25.9 million, or 19.6%. Expenses increased primarily due to an increase in cost of services which is primarily commissions paid to our investment sales professionals and compensation-related costs related to our financing activities. Selling, general and administrative costs increased as well, as described below.

Cost of services. Cost of services for the six months ended June 30, 2013 increased approximately \$18.0 million, or 21.2%, to \$102.7 million from \$84.7 million for the same period in 2012. The increase was primarily due to increased commission expenses driven by the increased revenues noted above and to a lesser extent an increase in the proportion of transactions closed by our senior sales agents that are paid higher commission rates.

Selling, general and administrative expense. Selling, general and administrative expense for the six months ended June 30, 2013 increased \$7.9 million, or 17.3%, to \$53.8 million from \$45.9 million for the same period in 2012. The increase was primarily due to (i) a \$3.6 million increase in staff salaries, wages and related benefits expenses driven by an increase in our average headcount to support our salesforce, including hiring of national and regional specialty directors and research staff to directly support our more senior agents, (ii) a \$2.2 million increase in sales promotional expenses, driven by an increase in our annual sales recognition event due to an increase in the number of qualifiers based on the previous calendar year's sales performance, and (iii) a \$0.7 million increase in professional fees primarily driven by an increase in accounting and third party consulting services fees in preparation of being a public company.

Depreciation and amortization expense. There were no significant changes in depreciation and amortization expenses or other expenses in the six months ended June 30, 2013 as compared to the six months ended June 30, 2012.

Other income/expense, net. Other income/expense, net was not significant for the six months ended June 30, 2013 or the six months ended June 30, 2012.

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Provision for income taxes. Income tax expense totaled \$7.4 million for the six months ended June 30, 2013 as compared to \$6.5 million in the same period in 2012, an increase of \$0.9 million or 13.6%. The increase was attributable to the higher pre-tax income during the six months ended June 30, 2013 as compared to 2012. During the six months ended June 30, 2013 and 2012, our income tax expense was based on a tax-sharing agreement between us and MMC. As specified by the agreement, our effective tax rate was 43.5% for the six months ended June 30, 2013 and 2012. Subsequent to the completion of this offering, we anticipate our effective tax rate as a stand-alone tax entity to be approximately 41.0%.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

	Year Ended December 31, 2011	Percentage of Revenue	Year Ended December 31, 2012	Percentage of Revenue	Total Dollar Change	Total Percentage Change
(Dollars in thousands)						
Revenues:						
Real estate brokerage commissions	\$ 245,333	89.3%	\$ 351,407	91.1%	\$ 106,074	43.2%
Financing fees	16,522	6.0	21,132	5.5	4,610	27.9
Other revenues	12,850	4.7	13,177	3.4	327	2.5
Total revenues	274,705	100.0	385,716	100.0	111,011	40.4
Operating expenses:						
Cost of services	162,478	59.1	230,248	59.7	67,770	41.7
Selling, general, and administrative expense	85,801	31.2	103,479	26.8	17,678	20.6
Depreciation and amortization expense	2,971	1.1	2,981	0.8	10	0.3
Total operating expenses	251,250	91.5	336,708	87.3	85,458	34.0
Operating income	23,455	8.5	49,008	12.7	25,553	108.9
Other income, net	350	0.1	433	0.1	83	23.7
Income before provision for income taxes	23,805	8.7	49,441	12.8	25,636	107.7
Provision for income taxes	10,355	3.8	21,507	5.6	11,152	107.7
Net income	\$ 13,450	4.9%	\$ 27,934	7.2%	\$ 14,484	107.7%
Adjusted EBITDA (1)	\$ 29,486	10.7%	\$ 59,708	15.5%	\$ 30,222	102.5%

(1) Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Non-GAAP Financial Measure.

Revenues. Our total revenues were \$385.7 million in 2012 compared to \$274.7 million in 2011, an increase of \$111.0 million, or 40.4%. Total revenues increased primarily as a result of increases in real estate brokerage commissions, which contributed 95.6% of the total increase, as well as increases in financing fees and other revenues. The year ended December 31, 2012 also included the impacts of the anticipated fiscal cliff, and the associated uncertainty surrounding the potential impacts to the U.S. tax code, which resulted in transactions being accelerated into 2012 that may have otherwise occurred during 2013.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased from \$245.3 million in 2011 to \$351.4 million in 2012, an increase of \$106.1 million or 43.2%. The increase was due to a combination of a 33.9% increase in the number of investment sales transactions and a 6.9% increase in the average commission size in 2012 as compared to the prior year.

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Financing fees. Revenues from financing fees increased from \$16.5 million in 2011 to \$21.1 million in 2012, an increase of \$4.6 million or 27.9%. The increase was driven by a combination of a 22.9%

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increase in the number of loan transactions and a 4.1% increase in the average loan commission size in 2012 as compared to the prior year.

Other revenues. Other revenues did not change significantly in 2012 as compared to the prior year.

Total operating expenses. Our total operating expenses were \$336.7 million in 2012 compared to \$251.2 million in 2011, an increase of \$85.5 million, or 34.0%. Expenses increased primarily due to an increase in cost of services which is primarily commissions paid to our investment sales professionals and compensation-related costs related to our mortgage brokerage activities. Selling, general and administrative costs increased as well, as described below.

Cost of services. Cost of services in 2012 increased approximately \$67.8 million, or 41.7%, to \$230.2 million from \$162.5 million in 2011. The increase was primarily due to increased commission expenses driven by the increased revenues noted above. Cost of services as a percentage of total revenues was consistent in 2012 and 2011.

Selling, general and administrative expense. Selling, general and administrative expense in 2012 increased \$17.7 million, or 20.6%, to \$103.5 million from \$85.8 million in the prior year. The increase was due to a \$7.5 million increase in management performance compensation driven by our strong 2012 operating results, a \$5.9 million increase in staff salaries, wages and related benefits expenses driven by an increase in our average headcount in support of our salesforce, which includes the recruitment of national and regional specialty directors who support our more senior agents, a \$4.6 million increase in stock based compensation expenses due to appreciation of the SARs and other equity awards as well as an increase in sales promotional activities. These increases were partially offset by a \$3.4 million decrease in legal costs and accruals in 2012 as compared to the prior year driven by increased insurance recoveries from previous year's legal matters, an increase in the number of legal matters managed by our in-house legal department and an overall decrease in legal activity.

Depreciation and amortization expense. There were no significant changes in depreciation and amortization expenses in 2012 as compared to 2011.

Other income/expense, net. Other income/expense, net was not significant in 2012 or 2011.

Provision for income taxes. Income tax expense totaled \$21.5 million in 2012 as compared to \$10.4 million in the prior year, an increase of \$11.2 million or 107.7%. The increase was attributable to the higher pre-tax income in 2012 as compared to 2011. In 2012 and 2011, our income tax expense was based on a tax-sharing agreement between us and MMC. As specified by the agreement, our effective tax rate was 43.5% in 2012 and 2011.

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	Year Ended December 31, 2010	Percentage of Revenue	Year Ended December 31, 2011	Percentage of Revenue	Total Dollar Change	Total Percentage Change
(Dollars in thousands)						
Revenues:						
Real estate brokerage commissions	\$ 198,366	91.0%	\$ 245,333	89.3%	\$ 46,967	23.7%
Financing fees	10,917	5.0	16,522	6.0	5,605	51.3
Other revenues	8,652	4.0	12,850	4.7	4,198	48.5
Total revenues	217,935	100.0	274,705	100.0	56,770	26.0
Operating expenses:						
Cost of services	124,272	57.0	162,478	59.1	38,206	30.7
Selling, general, and administrative expense	76,438	35.1	85,801	31.2	9,363	12.2
Depreciation and amortization expense	3,333	1.5	2,971	1.1	(362)	-10.9
Total operating expenses	204,043	93.6	251,250	91.5	47,207	23.1
Operating income	13,892	6.4	23,455	8.5	9,563	68.8
Other income (expense), net	959	0.4	350	0.1	(609)	-63.5
Income before provision for income taxes	14,851	6.8	23,805	8.7	8,954	60.3
Provision for income taxes	6,460	3.0	10,355	3.8	3,895	60.3
Net income	\$ 8,391	3.9%	\$ 13,450	4.9%	\$ 5,059	60.3%
Adjusted EBITDA (1)	\$ 18,743	8.6%	\$ 29,486	10.7%	\$ 10,743	57.3%

(1) Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with U.S. GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, see Non-GAAP Financial Measure.

Revenues. Our total revenues were \$274.7 million in 2011 compared to \$217.9 million in 2010, an increase of \$56.8 million, or 26.0%. Total revenues increased primarily as a result of increases in real estate brokerage commissions, which contributed 82.7% of the total increase, as well as increases in financing fees and other revenues.

Real estate brokerage commissions. Revenues from real estate brokerage commissions increased from \$198.4 million in 2010 to \$245.3 million in 2011, an increase of \$47.0 million or 23.7%. The increase was driven by a combination of a 13.7% increase in the average commission size and an 8.8% increase in the number of investment sales transactions in 2011 as compared to 2010.

Financing fees. Revenues from financing fees increased from \$10.9 million in 2010 to \$16.5 million in 2011, an increase of \$5.6 million or 51.3%. The increase was driven by a 64.5% increase in the number of loan transactions, partially offset by a decrease of 8.0% in the average loan commission size in 2011 as compared to 2010.

Other revenues. Other revenues increased from \$8.7 million in 2010 to \$12.9 million in 2011, an increase of \$4.2 million or 48.5%. The increase was due to a combination of a 24.9% increase in the number of other service transactions and an 18.9% increase in the average fee size in 2011 as compared to 2010.

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Total operating expenses. Our total operating expenses were \$251.3 million in 2011 compared to \$204.0 million in 2010, an increase of \$47.2 million, or 23.1%. Expenses increased primarily due to an increase in cost

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of services which is primarily commissions paid to our investment sales professionals and compensation-related costs related to our mortgage brokerage activities. Selling, general and administrative costs increased as well, as described below.

Cost of services. The cost of services in 2011 increased approximately \$38.2 million, or 30.7%, to \$162.5 million from \$124.3 million in 2010. The increase was primarily due to increased commission expenses structure and an increase in the proportion of transactions closed by our senior sales agents that are paid higher commission rates.

Selling, general and administrative expense. Selling, general and administrative expense in 2011 increased \$9.4 million, or 12.2%, to \$85.8 million from \$76.4 million in 2010. The increase was primarily due to a \$10.4 million increase in management performance compensation driven by our strong 2011 operating results, a \$1.6 million increase in stock based compensation expenses due to an increase in the value of the SARs and other equity awards as well as an increase in sales promotional expenses. These increases were partially offset by a \$1.3 million decrease in facilities expenses driven by the right-sizing of our office space as well as decreases in legal and other administrative costs in 2011 as compared to 2010 due to an increase in the number of legal matters managed by our in-house legal department.

Depreciation and amortization expense. There were no significant changes in depreciation and amortization expense in 2011 as compared to 2010.

Other income/expense, net. Other income/expense, net was not significant in 2011 or 2010.

Provision for income taxes. Income tax expense totaled \$10.4 million in 2011 as compared to \$6.5 million in 2010, an increase of \$3.9 million or 60.3%. The increase was attributable to the higher pre-tax income in 2011 as compared to 2010. In 2011 and 2010, our income tax expense was based on a tax-sharing agreement between us and MMC. As specified by the agreement, our effective tax rate was 43.5% in 2011 and 2010.

Seasonality

Our real estate brokerage commissions and financing fees are seasonal, which can affect an investor's ability to compare our financial condition and results of operation on a quarter-by-quarter basis. Historically, this seasonality has caused our revenue, operating income, net income and cash flows from operating activities to be lower in the first six months of the year and higher in the second half of the year, particularly in the fourth quarter. The concentration of earnings and cash flows in the last six months of the year, particularly in the fourth quarter, is due to an industry-wide focus of clients to complete transactions towards the end of the calendar year. In addition, our operating margins are typically lower during the second half of each year due to our commission structure for some of our senior sales agents. These senior sales agents are on a graduated commission schedule that resets annually in which higher commissions are paid for higher sales volumes.

The following unaudited quarterly consolidated statements of operations for each of the quarters in 2011 and 2012 and the first and second quarters of 2013 have been prepared on a basis consistent with our audited annual financial statements and include, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in these statements. The period-to-period comparison of financial results is not necessarily indicative of future results and should be read together with our annual financial statements and the related notes included elsewhere in this prospectus.

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	Three Months Ended									
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013
(Dollars in thousands)										
Revenues:										
Real estate brokerage commissions	\$ 46,181	\$ 58,499	\$ 65,889	\$ 74,764	\$ 56,927	\$ 76,482	\$ 82,620	\$ 135,378	\$ 61,198	\$ 95,765
Financing fees	2,966	4,015	4,461	5,080	3,456	4,762	5,195	7,719	5,014	6,874
Other revenues	2,281	2,064	2,396	6,109	2,286	2,937	3,413	4,541	3,158	2,832
Total revenues	51,428	64,578	72,746	85,953	62,669	84,181	91,228	147,638	69,370	105,471
Operating expenses:										
Cost of services	28,639	37,827	43,376	52,636	35,945	48,764	54,194	91,345	41,221	61,456
Selling, general, and administrative expense	21,523	19,079	21,359	23,840	22,309	23,591	25,007	32,572	24,732	29,092
Depreciation and amortization expense	784	768	740	679	731	764	732	754	760	754
Total operating expenses	50,946	57,674	65,475	77,155	58,985	73,119	79,933	124,671	66,713	91,302
Operating income	482	6,904	7,271	8,798	3,684	11,062	11,295	22,967	2,657	14,169
Other income (expense), net	145	200	(217)	222	283		41	109	242	7
Income before provision for income taxes	627	7,104	7,054	9,020	3,967	11,062	11,336	23,076	2,899	14,176
Provision for income taxes	273	3,090	3,068	3,924	1,726	4,812	4,931	10,038	1,261	6,167
Net income	\$ 354	\$ 4,014	\$ 3,986	\$ 5,096	\$ 2,241	\$ 6,250	\$ 6,405	\$ 13,038	\$ 1,638	\$ 8,009

The increase in real estate brokerage commissions and related cost of services for the quarter ended December 31, 2012 reflects the impact of what was anticipated to be a fiscal cliff, and the associated uncertainty surrounding the potential impacts to the U.S. tax code. As a result, a significant number of anticipated 2013 transactions were accelerated and closed in the fourth quarter of 2012. We do not expect a similar acceleration of transactions in the fourth quarter of 2013.

Non-GAAP Financial Measure

In this prospectus, we include a non-GAAP financial measure, adjusted earnings before interest income/expense, taxes, depreciation and amortization and stock-based compensation, or Adjusted EBITDA. We define Adjusted EBITDA as net income before (i) interest income/expense, (ii) income tax expense, (iii) depreciation and amortization and (iv) stock-based compensation expense. We use Adjusted EBITDA in our business operations to, among other things, evaluate the performance of its business, develop budgets and measure our performance against those budgets. We also believe that analysts and investors use Adjusted EBITDA as supplemental measures to evaluate our overall operating performance. However, Adjusted EBITDA has material limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. We find Adjusted EBITDA as a useful tool to assist in evaluating performance because it eliminates items related to capital structure and taxes and non-cash stock-based compensation charges. In light of the foregoing limitations, we do not rely solely on Adjusted EBITDA as a performance measure and also consider our U.S. GAAP results. Adjusted EBITDA is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other measures derived 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.

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A reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measure, net income, is as follows:

(Dollars in thousands)	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
Net income	\$ 8,391	\$ 13,450	\$ 27,934	\$ 8,491	\$ 9,647
Add:					
Interest income (expense)	(687)	(141)	(162)	(73)	(84)
Provision for income taxes	6,460	10,355	21,507	6,538	7,428
Depreciation and amortization	3,333	2,971	2,981	1,495	1,514
Stock-based compensation	1,246	2,851	7,448	2,183	2,626
Adjusted EBITDA	\$ 18,743	\$ 29,486	\$ 59,708	\$ 18,634	\$ 21,131

Liquidity and Capital Resources

Our primary sources of liquidity are cash on hand and cash flows from operations. In the future, we intend to fund our operating cash requirements entirely through cash flows from our operating activities. Although we have historically funded our operations through our operating cash flows, there can be no assurance that we can continue to meet our cash requirements entirely through our operations. In addition, we may determine that obtaining debt financing to be advantageous to our business in the future.

Cash Flows

(Dollars in thousands)	Year Ended December 31,			Six Months Ended June 30,	
	2010	2011	2012	2012	2013
Net cash provided by operating activities	\$ 4,112	\$ 17,816	\$ 35,354	\$ 10,885	\$ 44,302
Net cash used in investing activities	(1,076)	(2,671)	(4,637)	(2,128)	(1,598)
Net cash used in financing activities	(2,570)	(16,919)	(30,768)	(8,088)	(26,449)
Net increase (decrease) in cash and cash equivalents	466	(1,774)	(51)	669	16,255
Cash and cash equivalents at beginning of period	4,466	4,932	3,158	3,158	3,107
Cash and cash equivalents at end of period	\$ 4,932	\$ 3,158	\$ 3,107	\$ 3,827	\$ 19,362

Prior to June 30, 2013, the majority of the cash generated and used in our operations was held in bank accounts with one financial institution that were included in a sweep arrangement with MMC. Pursuant to a treasury management service agreement with that financial institution, the cash was swept daily into MMC's money market account. We collected interest income from MMC at the same interest rate MMC earned on the money market account. Historically, other than for a two-week period around MMC's March 31 fiscal year end, we had a receivable from MMC for the cash that was swept. When the sweep arrangement was not in effect, during the week before and the week after March 31, our cash balances remained in our bank account. As of June 30, 2013, the sweep arrangement with MMC was permanently terminated.

Operating Activities

Cash flows from operating activities were \$44.3 million for the six months ended June 30, 2013, compared to \$10.9 million for the six months ended June 30, 2012. The increase in cash flows from operating activities was primarily due to a \$32.3 million increase in net working capital and a higher net income of \$1.2 million during the six months ended June 30, 2013 compared to the six months ended June 30, 2012. The net working capital changes were principally due to a \$49.2 million increase due to affiliates primarily driven by the termination of the cash sweep arrangement discussed above, partially offset by a decrease in accounts payable and accrued expenses and accrued employee expenses primarily due to timing of payments, including an increase in bonus payments during the six months ended June 30, 2013 compared to the same period in 2012.

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Cash flows from operating activities were \$35.4 million in 2012, as compared to \$17.8 million in 2011 and \$4.1 million in 2010. The increase in cash flows from operating activities in 2012 as compared to 2011 was

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primarily due to the higher net income in 2012 and higher noncash charges, primarily stock based compensation. The increase in cash flows from operating activities in 2011 as compared to 2010 was primarily due to reductions in working capital and the higher net income in 2011 as compared to 2010.

Investing Activities

Cash flows used for investing activities were \$1.6 million for the six months ended June 30, 2013, as compared to \$2.1 million for the six months ended June 30, 2012. The decrease in cash flows used in investing activities for the six months ended June 30, 2013, as compared to the six months ended June 30, 2012 was primarily due to a \$0.9 million increase in employee notes receivable collections, net of issuances, partially offset by a \$0.4 million increase in investment in information technology, computer equipment and furniture.

Cash flows used for investing activities were \$4.6 million in 2012, as compared to \$2.7 million in 2011 and \$1.1 million in 2010. The increase in cash flows used for investing activities in 2012 as compared to 2011 was primarily due to increased investment in information technology, computer equipment, leasehold improvements and furniture. The increase in cash flows used for investing activities in 2011 as compared to 2010 was primarily due to increased investment in information technology, leasehold improvements and furniture. In 2013, we anticipate total capital expenditures of approximately \$5.0 million. 2013 capital expenditures are primarily expected to be for leasehold improvements, furniture and equipment.

Financing Activities

Cash flows used for financing activities were \$26.4 million for the six months ended June 30, 2013, as compared to \$8.0 million for the six months ended June 30, 2012. The increase in cash flows used for financing activities was primarily due to higher dividend payments to MMC during the six months ended June 30, 2013 as compared to the six months ended June 30, 2012 and payments of initial public offering costs during the six months ended June 30, 2013 with no such comparable costs during the six months ended June 30, 2012.

Cash flows used for financing activities were \$30.8 million in 2012, as compared to \$16.9 million in 2011 and \$2.6 million in 2010. The increase in cash flows used for financing activities in 2012 as compared to 2011 was primarily due to higher dividend payments to MMC in 2012. The increase in cash flows used for financing activities in 2011 as compared to 2010 was primarily due to higher dividend payments to MMC in 2011.

During 2012, 2011, and 2010, we paid dividends totaling \$30.8 million, \$16.5 million, and \$2.0 million, respectively, to MMC pursuant to our agreement with our Series A Preferred stockholders. MMC holds 100% of our Series A Preferred shares. These shares will be converted into common shares of stock upon completion of our initial public offering.

Prior to our initial public offering, we distributed substantially all of our net income to our parent in the form of cash dividends. Following this offering, we will not pay a regular dividend. We intend to evaluate our dividend policy in the future. Any declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition, earnings, cash flows, capital requirements, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends and other considerations that our board of directors deems relevant.

Commitments

The following table summarizes our contractual and other cash commitments and obligations at December 31, 2012 (dollars in thousands):

	2013	2014	2015	2016	2017	Thereafter
Future minimum lease payments under non-cancelable operating leases	\$ 10,770	\$ 9,581	\$ 8,021	\$ 5,088	\$ 1,665	\$ 1,629
Future minimum lease payments under capital leases	305	186	86	9		
Total contractual obligations	\$ 11,075	\$ 9,767	\$ 8,107	\$ 5,097	\$ 1,665	\$ 1,629

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MMC has a line of credit agreement under which we, along with many other entities controlled by MMC are a guarantor. At December 31, 2012 and June 30, 2013, MMC was in compliance with all debt covenants under the terms of the line of credit agreement. We will be released from any guarantee and other obligations under the agreement when the Spin-Off is completed.

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements at this time.

Critical Accounting Policies; Use of Estimates

We prepare our financial statements in accordance with U.S. generally accepted accounting principles. In applying many of these accounting principles, we make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective and our actual results may change negatively 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. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. See the Notes to Consolidated Financial Statements for a summary of our significant accounting policies.

Revenue Recognition

We generate real estate brokerage commissions by acting as a broker for real estate owners or investors seeking to buy or sell commercial properties. Revenues from real estate brokerage commissions are recognized when there is persuasive evidence of an arrangement, all services have been provided, the price is fixed and determinable and collectability is reasonably assured, which typically happens upon close of escrow.

Financing fees are generated from securing financing on purchase transactions as well as fees earned from refinancing our clients' existing mortgage debt. Financing fee revenues are recognized at the time the loan closes and there are no remaining significant obligations for performance in connection with the transaction.

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

Stock-Based Compensation

MMREIS has historically issued stock options and stock appreciation rights, or SARs, to key employees through a book value, stock-based compensation award program. The program allows for employees to exercise stock options in exchange for shares of unvested restricted common stock. The program also allows employees to exercise options through the issuance of notes receivable, which are recourse to the employee.

The grant price and repurchase price of stock-based awards at the grant date and repurchase date are fixed as determined by a valuation formula using book value, as defined by the agreements between MMREIS and the employees. The stock awards generally vest over a three to five-year period. Under these plans, MMREIS retains the right to repurchase shares if certain events occur, which includes termination of employment. In these circumstances, the plan document provides for repurchase proceeds to be settled in the form of a note payable to (former) shareholders or cash, which is settled over a fixed period.

While MMREIS has entered into the agreements to repurchase the stock and settle the SARs held by employees upon termination of their employment (subject to certain conditions as specified in the agreements), MMC has historically assumed the obligation to make payments to the former shareholders. While MMREIS recognizes the compensation expense associated with these share-based payment arrangements, the liability has historically been assumed by MMC through a deemed contribution, which then has paid the former shareholders over time. The accounting for the stock options and SARs awards, including MMC's assumption of MMREIS repurchase obligations, is discussed below.

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Restricted Common Stock

Since stock options only allow the grantee the right to acquire shares of unvested restricted common stock at book value, which is determined on an annual basis, MMREIS accounts for the stock options and the related unvested restricted stock, as a single instrument, with a single service period. The service period begins on the option grant date, and extends through the exercise and subsequent vesting period of the restricted stock. The unvested restricted common stock is accounted for in accordance with ASC 718, Share-Based Payments. Increases or decreases in the formula settlement value of unvested restricted stock subsequent to the grant date, are recorded as increases or decreases, respectively, to compensation expense, with decreases limited to the book value of the stock on the date of grant.

As MMC has assumed our obligation with respect to any appreciation in the value of the underlying vested awards in excess of the employees exercise price, MMC is deemed to make a capital contribution to our additional paid-in capital equal to the amount of compensation expense recorded, net of the applicable taxes. Based on the tax-sharing agreement between us and MMC, the tax deduction on the compensation expense recorded by us is allocated to MMC. MMC records the liability related to the appreciation in the value of the underlying stock in its consolidated financial statements. To the extent of any depreciation in the value of the underlying vested awards (limited to the amount of any appreciation previously recorded from the employees' original exercise price), compensation expense is reduced and MMC is deemed to receive a capital distribution.

Stock Appreciation Rights

SARs to employees are accounted for in accordance with ASC 718. Similar to the vested stock, compensation expense related to the SARs is to be recorded in each period and is equal to the appreciation in the formula-settlement value of vested SARs at the end of each reporting period-end from the prior reporting period-end.

As MMC has assumed our obligation with respect to any appreciation in the value of the vested SARs, MMC is deemed to make a capital contribution to our additional paid-in capital equal to the amount of compensation expense recorded, net of the applicable taxes. Based on the tax-sharing agreement entered between us and MMC, the tax deduction on the compensation expense recorded by us is allocated to MMC. MMC records the liability related to the appreciation in the value of the underlying stock in its consolidated financial statements. To the extent of any depreciation in the value of the vested SARs (limited to the amount of any appreciation previously recorded), compensation expense is reduced and MMC is deemed to receive a capital distribution.

Amendments to Restricted Stock and SARs

In conjunction with this offering, the vesting of all unvested restricted stock and all unvested SARs will be accelerated. The SARs will be frozen at the liability amount, calculated as of March 31, 2013, which will be paid out to each participant in installments upon retirement or departure under the terms of the existing program. The frozen SAR account balances will be credited with interest on an annual basis. To replace beneficial ownership in the SARs, the difference between the book value liability and the fair value of the awards will be granted to plan participants in the form of deferred stock units, or DSUs, which would be fully vested upon receipt but will be settled in actual stock at a rate of 20% per year if the participant remains employed by the company during that period (or otherwise all unsettled shares of stock upon termination of employment will be settled five years from the termination date). In addition, the formula settlement value of all outstanding shares of stock held by the plan participants will be removed, but all such shares of stock will be subject to sales restrictions that lapse at a rate of 20% per year for five years if the participant remains employed by the company. Additionally, in the event of death or termination of employment after reaching the age of 67, 100% of the DSUs will be settled and 100% of the shares of stock will be released from the resale restriction. Further, 100% of the shares of stock will be released from the resale restriction upon the consummation of a change of control of the company.

The modification will be accounted for as a probable-to-probable modification in accordance with ASC 718. Total compensation cost to be recognized at the time of the modification will be equal to (i) the unrecognized portion of compensation cost associated with the original awards, and (ii) the incremental cost resulting from the

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modification. The incremental compensation cost from the modification will be the excess of (a) the fair value of the modified awards based upon the initial public offering price of the stock, and (b) the calculated value of the awards prior to the modification based upon the formula settlement value. The fair value of the deferred stock units will be determined based upon an independent third-party appraisal and will consider the sales restrictions in accordance with ASC 718. In addition, as a result of the removal of the formula settlement value, the modification of the unvested restricted stock will result in the awards being classified as equity awards.

The modification and grant of replacement awards will result in an immediate one-time compensation charge of approximately \$31.7 million, net of income tax benefits of \$10.8 million. No compensation cost related to the awards will be recognized in subsequent periods as the unvested restricted stock and deferred stock units meet the criteria to be accounted for as equity awards and will be fully vested at the modification and grant date.

2013 Omnibus Equity Incentive Plan

In conjunction with this offering, and subsequent to the completion of this offering, we may issue additional equity awards to our employees, directors or others pursuant to our 2013 Omnibus Equity Incentive Plan, or the 2013 Plan. The company will recognize the cost of future equity-based awards based upon their fair values on a straight-line basis over the requisite service period, which is generally the vesting period of the awards. For awards to the company's employees, including its independent directors, the fair value is determined as the grant date stock price. For awards with periodic vesting, we recognize the related expense on a straight-line basis over the requisite service period for the entire award, subject to periodic adjustments to ensure that the cumulative amount of expense recognized through the end of any reporting period is at least equal to the portion of the grant date value of the award that has vested through that date. Share-based payments are included in general and administrative expense in the accompanying consolidated statements of operations.

Income Taxes

For the years ended December 31, 2012, 2011 and 2010 our income tax expense was based on a tax-sharing agreement between us and MMC which stipulates an effective annual tax rate of 43.5%. In addition, all deferred tax assets and liabilities are recorded by MMC. We anticipate filing as a stand-alone tax entity in the future. When we file as a stand-alone tax entity we will account for income taxes under the asset and liability method. Deferred tax assets and liabilities will be recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carryforwards, if any. Deferred tax assets and liabilities will be measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income in the period of the tax rate change. In assessing the realizability of deferred tax assets, we will consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

In addition, once we file as a stand-alone tax entity our effective tax rate will be sensitive to several factors including changes in the mix of our geographic profitability. We will evaluate our estimated tax rate on a quarterly basis to reflect changes in: (i) our geographic mix of income, (ii) legislative actions on statutory tax rates and (iii) tax planning for jurisdictions affected by double taxation. We will continually seek to develop and implement potential strategies and/or actions that would reduce our overall effective tax rate.

Recent Accounting Pronouncements

Fair Value Measurement

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820). The amendments in this ASU change the wording used to describe the requirements for measuring fair value and for disclosing information about fair value measurements. For public companies, the ASU should be applied prospectively for interim and annual periods beginning after December 15, 2011. The requirements of this ASU were adopted during fiscal 2012, and they did not have a material impact on our financial statements.

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Quantitative and Qualitative Disclosures about Market Risk

Our financial instruments, which are exposed to concentrations of credit risk, consist primarily of short-term cash investments. 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, foreign currency exchange rate risk, equity price risk or other market risk.

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MARKET AND INDUSTRY

Overview of the Commercial Real Estate Investment Industry

The total value of U.S. commercial real estate assets was estimated to be \$12 trillion at the end of 2012 based on data provided by CoStar and Real Capital Analytics. Property sales in the commercial real estate sector for the four major categories of multifamily, retail, office and industrial properties priced at \$1 million and above reached over \$340 billion, or approximately 37,000 transactions, in 2012. This was a 41% increase in dollar volume and 32% increase in the number of transactions over 2011, following a 32% increase in dollar volume and an 18% increase in the number of transactions over 2010. However, property sales in 2012 were still 16% below the 2007 peak in the number of transactions and 32% below the peak in dollar volume. The following graphs show the total number of transactions and dollar volume of transactions in the commercial real estate industry from 2003 to 2012:

U.S. Commercial Real Estate Transactions, 2003-2012*

Total Transactions

Total Dollar Volume

* Includes sales \$1 million and greater. Sources: CoStar Group, Inc. and Real Capital Analytics.
We divide the commercial real estate market into three major segments by investment size:

Private client segment: properties with prices under \$10 million;

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Hybrid segment: properties with prices equal to or greater than \$10 million and less than \$20 million; and

Institutional segment: properties with prices of \$20 million and above.

Private client segment transactions generally involve high net worth individuals, partnerships and private funds. Hybrid segment transactions primarily involve larger private investors. Institutional segment transactions tend to be dominated by pension funds, insurance companies, private equity firms, endowments and real estate investment trusts, or REITs. As illustrated in the chart below, the private client segment represents the vast majority of property transactions.

U.S. Commercial Real Estate Transactions by Segment, 2003-2012*

* Includes multifamily, retail, office and industrial sales \$1 million and greater. Sources: CoStar Group, Inc. and Real Capital Analytics. The table below shows the number and volume of transactions by property price segment as well as the estimated commission pool for each segment.

Commercial Real Estate Transaction Breakdown, 2012*

Segment	Transactions	Percentage of Transactions	Volume (Billions)	Percentage of Volume	Estimated Commission Pool (Billions)	Estimated Percentage of Commission Pool
Private client	31,187	83%	\$ 91	27%	\$ 3.5	60%
Hybrid	3,041	8	42	12	0.8	14
Institutional	3,227	9	207	61	1.5	26
Total	37,455	100%	\$ 340	100%	\$ 5.8	100%

* Sources (other than commissions): CoStar Group, Inc. and Real Capital Analytics. Commission data is based on our estimate of average industry commission rates as follows: Private Client Segment 3.8%; Hybrid Segment 1.9%; Institutional Segment 0.7%. Commission rates are typically inversely correlated with property value and subject to individual negotiation with clients.

The commercial real estate market experienced a significant downturn from the 2007 peak to a trough in 2009, representing the most severe downturn in property sales since at least 1990, the earliest period for which data is available. Since 2009, commercial property sales have increased by 97% and dollar volume has increased by 235%, returning to transaction and volume levels in 2012 close to those achieved in 2004. This cyclical upturn has been,

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and we believe will continue to be, primarily driven by attractive yields, improving property fundamentals and the availability and cost of financing, based on data from CoStar, Real Capital Analytics and Rosen Consulting Group.

Growth in the Commercial Real Estate Industry

Historically, the U.S. commercial real estate industry has tended to be cyclical and closely correlated with the flow of capital into the sector, the condition of the economy as a whole, the perceptions and confidence of market participants as to the economic outlook, supply/demand balance, changes to tax laws and regulatory factors. Employment growth or contraction in particular exhibits a strong correlation with demand for various types of commercial space, and vacancy rates tend to move up and down with a natural lag behind employment and construction cycles. Changes in interest rates, credit and liquidity issues and disruptions in capital markets are all factors that may also affect the industry.

Attractive Yields. According to Real Capital Analytics, average commercial real estate yields (capitalization rates) by the four major property types currently range from 6.1% to 7.8%, which compare favorably to alternative investments such as stock and bonds, as shown below. We believe these attractive yields are a key driver of improving capital inflows for commercial real estate investments.

Average Yields as of June 28, 2013*

* Average real estate yields are for transactions of \$2.5 million and above. Sources: Real Capital Analytics and Bloomberg.

Improving Property Fundamentals. Property fundamentals have improved since 2009, with multifamily properties in particular experiencing a strong recovery, according to Rosen Consulting Group. We believe the recovery in the multifamily sector has been driven by a falling home ownership rate, strong renter demographics and shifting consumer preferences toward renting. Recovery in other major sectors, particularly in retail and office properties, has been more gradual, mirroring the slow pace of the economic recovery, which we believe is largely due to corporate cost reduction and lingering economic and political uncertainties. We expect further increases in occupancy and rental rates despite expectations of continued moderate job growth.

Property Type	Growth in Rental Rate						
	2009 (actual)	2010 (actual)	2011 (actual)	2012 (actual)	2013 (projected)	2014 (projected)	2015 (projected)
Multifamily	-4.1%	2.3%	4.8%	3.0%	2.8%	2.6%	2.8%
Retail	0.2%	0.4%	1.4%	1.8%	2.2%	2.6%	2.9%
Office	-8.1%	-1.0%	0.9%	2.1%	2.9%	3.3%	3.8%
Industrial	-21.9%	-5.5%	0.1%	3.5%	4.1%	4.2%	4.3%

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Property Type	Occupancy Rate						
	2009 (actual)	2010 (actual)	2011 (actual)	2012 (actual)	2013 (projected)	2014 (projected)	2015 (projected)
Multifamily	91.9%	93.4%	94.5%	95.1%	95.1%	95.2%	95.0%
Retail	91.3%	91.2%	91.5%	91.9%	92.2%	92.4%	92.7%
Office	82.3%	82.4%	83.3%	84.0%	84.7%	85.2%	85.8%
Industrial	89.6%	89.7%	90.8%	91.7%	92.5%	93.0%	93.2%

Source: Rosen Consulting Group.

Availability and Cost of Financing. The availability and low cost of debt financing has been a significant contributor to the recent improvement in the U.S. capital markets and the U.S. commercial real estate market. Low interest rates and improved access to capital are key factors fueling investment sales activity. Since the 2009 credit freeze, commercial banks, life insurance companies and commercial mortgage backed securities, or CMBS, lenders have returned to the commercial real estate finance market in varying degrees. The graph below shows long-term decrease in government, corporate and commercial mortgage yields:

Historical Cost of Financing

Source: Economy.com

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The mortgage financing volume for new sales of \$1 million or more in the four major commercial property types (multifamily, retail, office and industrial) is estimated to have reached approximately \$191 billion in 2012, based on data from CoStar and Real Capital Analytics. This compares to \$36 billion in 2009 and a cyclical peak of \$341 billion in 2007. This growth is driven by the degree to which transactions are facilitated with new financing as opposed to assumed debt and/or seller financing, average loan-to-value ratios accepted by lenders, and increased property values. The mortgage refinancing market is expected to remain active over the next several years, with approximately \$1.84 trillion of commercial real estate debt maturing from 2013 through 2018, as shown below.

Commercial Real Estate Debt Maturities by Lender Type*

* Estimated for 2013 through 2018. Source: Foresight Analytics

Private Client Segment

The private client segment consistently accounts for over 80% of commercial property sales by number of transactions. Private clients, many of whom are high net worth individuals, partnerships and private funds, are impacted by life changes, partnership break ups, retirement planning, inheritance and other factors that result in buying and selling commercial real estate. In many cases, these factors override market and macroeconomic conditions. These entrepreneurial investors are also nimble and often take advantage of rising prices to dispose of assets, refinance, acquire and/or exchange assets into new opportunities. We have focused our business on this segment as we believe it represents the largest and most active market segment in the commercial real estate investment brokerage industry for the following reasons:

In addition to being the largest market segment, the properties in this segment exhibit a high turnover rate due to personal and partnership drivers. We expect these drivers to continue in the coming years in connection with the transfer of wealth from one generation to the next.

The segment features the highest commission rates and lowest property marketing expenses.

It is the most underserved market segment among the national full-service real estate investment brokerage firms, which have traditionally focused on institutional investors and corporate real estate owners and users.

It is a highly fragmented market with a large number of buyers, sellers and properties in different geographic regions and sectors.

The majority of brokerage competition comes from local and regional brokers who lack a national platform and capability to serve private owners and investors across the country.

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The attractive financial results for property investment, particularly in the multifamily market, provide the opportunity for move up equity (owners seeking to trade to higher quality and/or larger assets) and redeployment of capital, both of which support a high number of sales transactions.

Investment Sales Brokerage Competitive Landscape. Investment sales brokerage competition in the private client segment is highly fragmented. In 2012, the top 10 investment sales brokerage firms accounted for only 21% of transactions of greater than \$1 million and less than \$10 million, and the top 20 firms accounted for only 27%. This segment is predominately characterized by local and regional brokerage firms, and national, residential brokerage firms. The range of competitors highlights the uniqueness of our business model, as we are the only firm with a national footprint that is also squarely focused on investment sales within the private client segment. Based on data from CoStar and Real Capital Analytics, we led the segment with 6.9% market share in 2012, nearly double that of our closest competitor.

Top 10 U.S. Investment Brokerage Firms 2012 Private Client Segment Market Share*

Multifamily, Retail, Office and Industrial Sectors (by number of sales)

* Includes multifamily, retail, office and industrial sales from \$1 million to \$10 million in which the brokerage firms represented the seller.

Sources: CoStar Group, Inc. and Real Capital Analytics.

We believe that many property investors and capital providers benefit from a consolidation of provider relationships covering sales, financing and portfolio strategy and market analysis on a national or regional basis. Key advantages of consolidated national service provider relationships are consistent analysis, market information, access to a broad pool of investors, access to a large inventory of product and, most importantly, reliable, consistent execution across markets. This consolidation improves efficiency by providing more investment options and a single point of contact and execution for the investor. We believe we are ideally positioned to further expand our market leadership through our growth strategy in the private client sector as well as additional market segments.

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BUSINESS

Overview

Marcus & Millichap is a leading national brokerage firm specializing in commercial real estate investment sales, financing, research and advisory services. We have been the top broker in the United States based on the number of investment transactions over the last 10 years, based on data from CoStar and Real Capital Analytics. We have more than 1,100 investment sales and financing professionals in 73 offices who provide investment brokerage and financing services to sellers and buyers of commercial real estate. We also offer market research, consulting and advisory services to developers, lenders, owners and investors. In 2012, we closed more than 6,100 sales and financing transactions with total volume of approximately \$22 billion.

We focus primarily on the private client segment, consisting of transactions with prices under \$10 million. The private client segment consistently comprises over 80% of the total number of property transactions in the commercial real estate market.

We were founded in 1971 and are committed to building the leading national investment brokerage business. To achieve that goal, we underwrite, market and sell commercial real estate properties for our private clients in a manner that maximizes value for sellers and provides buyers with the largest and most diverse inventory of commercial properties. Our business model is based on several key attributes: a focus on investment brokerage services, a critical mass of sales professionals providing consistent services and exclusive client representation, a national platform based on information sharing and powered by proprietary technology, a management team with investment brokerage experience, a financing team that is integrated with our investment sales force and research and advisory services tailored for our clients.

We devote our expertise and focus to the investment brokerage and financing business as opposed to other businesses, such as leasing or property management. Accordingly, our business model is unique from our national competitors, who focus primarily on the institutional real estate segment, and from our local and regional competitors, who lack a broad national platform. As the leading investment sales and financing firm in our segment, we believe we are ideally positioned to capture significant growth opportunities in our market.

Our sales professionals are specialized by property type and by local market area, as we believe a focused expertise brings value to our clients. Our model and footprint provide an unparalleled level of connectivity to the marketplace. We operate 73 offices, including 57 offices in 46 major markets, which we define as metropolitan areas with a population of at least 1 million, and 14 offices in mid-market locations, which we define as metropolitan areas with a population of less than 1 million. Our broad geographic coverage, property expertise, and significant relationships with both buyers and sellers provide connectivity and increase liquidity in our markets. By closing more transactions annually than any other firm (based on data from CoStar and Real Capital Analytics), our sales professionals are able to provide clients with a broad and deep perspective on the investment real estate market locally, regionally and nationally.

We generate revenues by collecting commissions upon the sale and financing of commercial properties. These fees consist of commissions collected upon the sale of an asset, based upon the value of the property, and fees collected by our financing subsidiary from the placement of loans. In 2012, approximately 91% of our revenues were generated from real estate brokerage commissions, 6% from financing fees and 3% from other fees, including consulting and advisory services.

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The following tables show our investment sales and financing transactions in 2012 by property type and investor segment:

Marcus & Millichap Investment Sales and Financing Transactions by Property Type (2012)

Property Type	Transactions	Volume (Billion)	Percent of Total Transactions
Multifamily	2,859	\$ 11.8	46.5%
Retail	2,022	5.5	32.9
Office	366	1.3	6.0
Industrial	181	0.7	2.9
Land	155	0.3	2.5
Self-Storage	116	0.5	1.9
Hospitality	105	0.4	1.7
Seniors Housing	78	0.8	1.3
Manufactured Housing	61	0.2	1.0
Mixed - Use / Other	206	0.5	3.3
Total	6,149	\$ 22.0	100.0%

Marcus & Millichap Investment Sales and Financing Transactions by Investor Segment (2012)

	Private Client Segment		Hybrid Segment	Institutional Segment	Total
	< \$1 Million	\$1 - \$10 Million			
Transactions					
Investment Sales	1,477	3,377	243	140	5,237
MMCC - Financing	334	550	21	7	912
Total	1,811	3,927	264	147	6,149
Dollar Volume (Billions)					
Investment Sales	\$ 0.8	\$ 10.1	\$ 3.2	\$ 5.7	\$ 19.8
MMCC - Financing	0.2	1.5	0.3	0.2	2.2
Total	\$ 1.0	\$ 11.6	\$ 3.5	\$ 5.9	\$ 22.0

Competitive Strengths

We believe the following strengths provide us with a competitive advantage and opportunities for success:

National Platform Focused on Investment Brokerage. We are committed to building the leading national investment brokerage business. To achieve our goal, we focus on investment brokerage as opposed to other businesses such as leasing or property management. In addition, we combine proprietary technology and processes to market investment real estate with highly qualified sales professionals in 73 offices nationwide. Our commitment to specialization is also reflected in how we organize our sales professionals by property type and market area, further deepening the skills, relationships and market knowledge required for achieving the best results for our clients.

Market Leader in the Private Client Segment. We are the leading commercial real estate investment broker in the United States based on the number of transactions. We focus primarily on the private client segment of the market, consisting of transactions with prices under \$10 million, which accounted for over 90% of our sales in 2012. This segment, representing the vast majority of the number of commercial properties in the United States, has high asset turnover rates due to personal circumstances and business reasons, such as death, divorce and changes in partnership and other personal or financial circumstances. The private client brokerage industry is highly fragmented and characterized by high barriers to entry. These barriers include the need for a large, specialized sales force prospecting private clients, the difficulty in identifying and

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establishing relationships with such investors and the challenge of serving their needs locally and nationally. For transactions in