

MOODY NATIONAL REIT II, INC.



— CHECK IN AND CHECK OUT —



**Investment Objectives: \***

- Preserve, protect and return stockholders' capital contributions;
- Pay regular cash distributions to stockholders, and
- Realize capital appreciation upon the ultimate sale of the real estate assets acquired by the Moody National REIT II, Inc. (which we refer to as "we," "our," "us" or "REIT II").

**Notice to Investors:** This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. **This sales and advertising literature must be read in conjunction with the prospectus in order to understand fully all of the implications and risks of the offering of securities to which it relates. A copy of the prospectus must be made available to you in connection with the REIT II offering.** An offering is made only by the prospectus.

**Notice to New York Investors:** No offering is made except by a prospectus filed with the Department of Law of the State of New York. Neither the Securities and Exchange Commission, the Attorney-General of the State of New York nor any other regulatory body has approved or disapproved of our common stock, determined if the prospectus is truthful or complete or passed on or endorsed the merits of the offering. Any representation to the contrary is unlawful.

**IMPORTANT RISK FACTOR DISCLOSURE:** All information in this brochure should be reviewed with a Moody National REIT II, Inc. prospectus which includes information on charges, expenses and other important information about the offering. Please read the prospectus carefully before making an investment to learn more about the risks of investing in REIT II. These risks include, but are not limited to, the following:

- REIT II has limited operating history, and there is no assurance that REIT II will be able to successfully achieve its investment objectives.
- Because there is no public trading market for shares of the common stock of REIT II and it is not obligated to effectuate a liquidity event by a certain date, it will be difficult for stockholders to sell their shares. If you are able to sell your shares, you will likely sell them at a substantial discount.
- There are restrictions and limitations on your ability to have all or a portion of your shares of common stock repurchased under REIT II's share redemption program, and if you are able to have your shares repurchased pursuant to the share redemption program, it may be for a price less than the price you paid for the shares and current value of the shares.
- The offering price of shares of common stock for this offering is based upon our estimated value per share as of December 31, 2018, plus any applicable commission and fees. Our net asset value could change in the future.
- The price of shares may be adjusted periodically to reflect changes in the net asset value of REIT II's assets and therefore future adjustments may result in an offering price lower than the price you paid for the shares.
- This is a "blind pool" offering and stockholders will not have the opportunity to evaluate the investments of REIT II prior to purchasing shares of its common stock.
- REIT II depends upon its advisor, property manager and sub-property manager and their affiliates to conduct its operations and this offering. Adverse changes in the financial health of its advisor, property manager and sub-property manager or their affiliates could cause its operations to suffer. We will pay substantial fees to our advisor, which were not determined on an arm's-length basis.
- REIT II's advisor and other affiliates will face conflicts of interest as a result of compensation arrangements, time constraints and competition for investments and for tenants, which could result in actions that are not in the best interests of stockholders.
- This is a "best efforts" offering. Our ability to raise money and achieve our investment objectives depends on the ability of Moody Securities, LLC, to successfully market this offering.
- The amount of distributions REIT II makes, if any, is uncertain. Distributions may exceed REIT II's earnings, particularly during the period before REIT II has acquired a substantial portfolio of real estate assets. Distributions may be paid from other sources such as borrowings, offering proceeds or deferral of fees and expense reimbursements by REIT II's advisor, in its sole discretion. REIT II has not established a limit on the amount of proceeds from this offering that may be used to fund distributions. For the year ended December 31, 2018, 26% of distributions were paid from cash provided by operating activities and 74% were paid from cash provided by offering proceeds. In addition, if we make distributions in excess of our current and accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, which will reduce stockholder's tax basis in our shares of distributions. Portions of the distributions that REIT II makes may represent a return of capital to you, which will lower your tax basis in REIT II's shares.
- If REIT II fails to maintain its qualification as a REIT, it would adversely affect its operations and ability to make distributions to stockholders because we will be subject to U.S. federal income tax at regular corporate rates with no ability to deduct distributions made to our stockholders.
- If REIT II plans to invest primarily in premier-brand, select-service hotel properties that are located in major metropolitan markets in select U.S. geographic regions. A more focused investment portfolio is inherently more risky than a more diversified portfolio. As a result, its results of operations may be adversely affected by a downturn in the hospitality sector or adverse economic developments in the geographic regions in which it invests.
- REIT II has paid and may continue to pay, distributions from offering proceeds. To the extent that it pays distributions from sources other than our cash flow from operations, it will have reduced funds available for investment and the overall return to its stockholders may be reduced.
- We pay substantial fees and expenses to our advisor and its affiliates, including the dealer manager. These fees were not negotiated at arm's length, may be higher than fees payable to unaffiliated third parties and reduce cash available for investment.

REIT II, Inc. is sponsored by Moody National REIT Sponsor, LLC, which is indirectly owned and controlled by Brett C. Moody. Moody REIT Sponsor, LLC is an affiliate of Moody Securities, LLC, which is the dealer manager for this offering. Moody Securities, LLC is a member of FINRA/SIPC.

**Forward Looking Statements:** This literature contains forward-looking statements within the meaning of federal securities laws and regulations. These forward-looking statements are identified by their use of terms such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "should," "will," and other similar terms, including references to assumptions and forecasts of future results. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks, uncertainties, and contingencies include but are not limited to the following: our ability to effectively raise capital in our offering; uncertainties relating to changes in general economic and real estate conditions; uncertainties relating to the implementation of our investment strategy; and other risk factors as outlined in our registration statement and periodic reports filed with the SEC. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. We undertake no obligation to update any forward-looking statement contained herein to conform the statement to actual results or changes in or expectations.

\*There is no guarantee that these objectives will be achieved. The objectives include the payment of a cash distribution. However, investors should note that a portion of our distributions to date have been funded from operating proceeds. To the extent that we fund distributions other than cash from operations, a portion of the distributions we make may represent a return of capital to investors, which will reduce their tax basis in our shares of common stock.

Not a Deposit – Not FDIC Insured – Not Bank Guaranteed – May Lose Value

An investment in REIT II involves a high degree of risk and may not be suitable for all investors.

Investors should only purchase shares in REIT II if they can afford a complete loss of their investment.

**Date of First Use: April 1, 2019**





*\*All properties shown are owned by Moody National REIT II, Inc.*

## **THE MOODY NATIONAL REIT II, INC. STRATEGY**

Moody National REIT II, Inc. ("REIT II") is a lifecycle REIT which provides a non-correlated, inflationary hedged, income stream to retail clients. REIT II now consists of total assets valued in excess of \$480 Million including select service hotels under the Marriott, Hilton, and Hyatt Brands located in major metropolitan markets in the East Coast, West Coast, and Sunbelt regions. REIT II will continue with its follow on offering to expand its portfolio, provide more diversification to its investors and pay regular cash distributions.\*

*\* The distribution that REIT II will pay is uncertain and not guaranteed.*

## THE BENEFITS OF HOTEL ALLOCATION

With the new tax law passing, prognosticators have enhanced their GDP growth expectations. According to the Congressional Budget Office, GDP is projected to be greater than originally estimated. U.S. hotel demand tracks GDP at a .98 correlation. Therefore, with increased economic growth and a measurably strong correlation to room night demand, we agree with the research that hotel demand will continue to rise for the foreseeable future. Record-setting demand is projected to continue 2018 and 2019 which will generate rate-driven RevPar (Revenue Per Available Room) growth. In their 2018 Travel and Hospitality Industry Outlook, Deloitte says, "2018 is forecasted to be a robust year for corporate travel spending. Pending global uncertainties, corporate travel is expected to surge 6.1 percent, its highest rate of growth since 2011."<sup>1</sup>

### "DOLLAR GOOD DAY ONE"

A major strategy of REIT II is to generate income for its shareholders. Hotels trade on average in the 7.5%-9.0% cap rate range. Cap Rate for real property is calculated by dividing the net operating income of the property by the purchase price of the property, excluding costs. For purposes of this calculation, net operating income is determined using the projected net operating income of the property for the remaining fiscal year in which the acquisition occurred based on the prior fiscal year and interim period for the property adjusting for fluctuations due to seasonality. For purposes of this calculation, net operating income is all gross revenues from the property less all operating expenses, including property taxes and management fees but excluding depreciation. For example, in the 7.5-9.0 cap range, with the use of conservative leverage, we are able to achieve an in-place, double-digit cash on cash yield.

### CREATING VALUE THROUGH NOI GROWTH

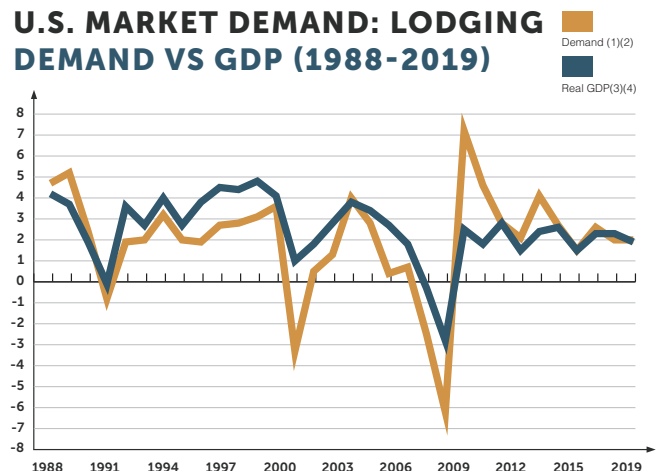
Our objective is to select the asset class with the highest propensity to increase NOI in the shortest period of time. Hotels capture revenue growth faster than other asset classes as a result of daily leases on rooms. As a result, NOI growth can be more quickly achieved, as illustrated in the following example.

**\$1 INCREASE @ 7.0% CAP RATE = \$14.28 INCREASED VALUE**

**\$1 INCREASE @ 6.0% CAP RATE = \$16.67 INCREASED VALUE**

**\$1 INCREASE @ 5.0% CAP RATE = \$20.00 INCREASED VALUE**

### U.S. MARKET DEMAND: LODGING DEMAND VS GDP (1988-2019)



THE TABLE ABOVE IS BASED UPON THE FOLLOWING SOURCES:

- Historical Total Supply/Demand Percent Change: STR Trend Report for 1987 through August 2014
- Actuals/Forecast Total Supply/Demand Percent Change: CBRE Hotel Horizons Econometrics of U.S. Lodging Markets - December-February 2018 Edition
- Historical (2016) GDP: <http://www.bea.gov/national/xls/gdpchg.xls>
- Forecast GDP: [https://www.imf.org/external/datamapper//export/excel.php?indicator=NGDP\\_](https://www.imf.org/external/datamapper//export/excel.php?indicator=NGDP_)
- RPCH&geoitems=OEMDC,ADVEC,WEOORLD,USA

\* There is no guarantee that these objectives will be achieved.

1. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-2018-travel-hospitality-industry-outlook.pdf>

# RISK MITIGATION

REIT II seeks to reduce the standard deviation of risk to NOI in two ways: 1) exclusively acquiring premier branded, select service hotels and 2) exclusively acquiring these assets in major metropolitan markets.

Not only are these target submarkets rather inelastic to fluctuations in the economy, they also have barriers to new supply due to a variety of factors including cost (not economically viable given cost of dirt and construction cost), absence of land, or area of protection. Area of protection, or territorial restriction, provides a limit to the number of competitors allowed for a given submarket. By contrast, office, industrial, and multi-family developers do not generally need approval from a franchise before developing a new product. Therefore, hotel supply, by nature, is more limited than other asset classes.

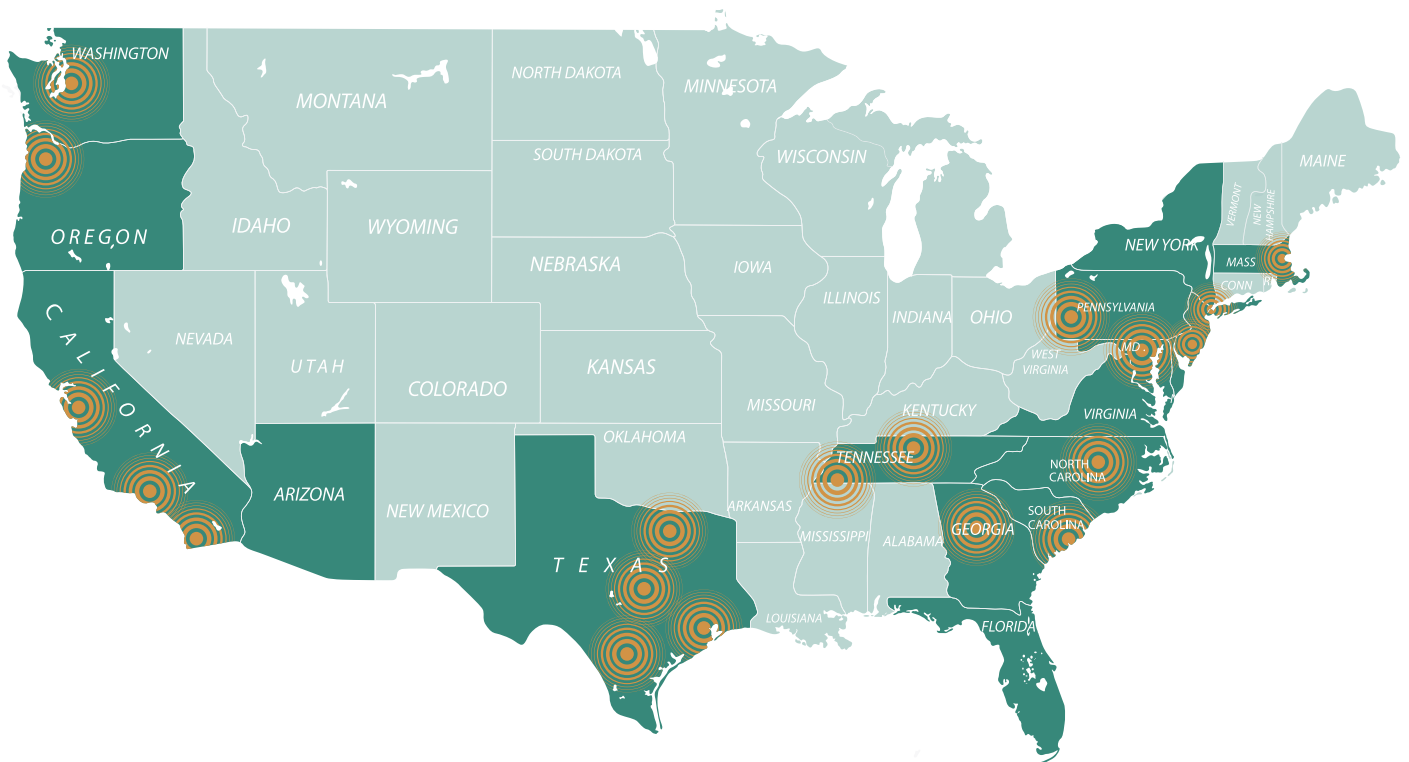
According to CBRE Hotels, in 2018, major metropolitan markets are projected to lead all other U.S. markets in occupancy (73.5%), average daily rate (\$181.27), revenue per available room (\$133.21,) and demand (+3.4%).*Source: CBRE Hotel Horizons June-August 2018 Edition*

REIT II targets submarkets of major metropolitan population centers containing these multiple demand generators, examples of which are included in the map below.

## 1 | WITHIN A HIGH CONCENTRATION OF OFFICE BUILDINGS OR MACS (MASSIVE ACTIVITY CENTERS)

## 2 | AT THE GATE OF A MAJOR UNIVERSITY

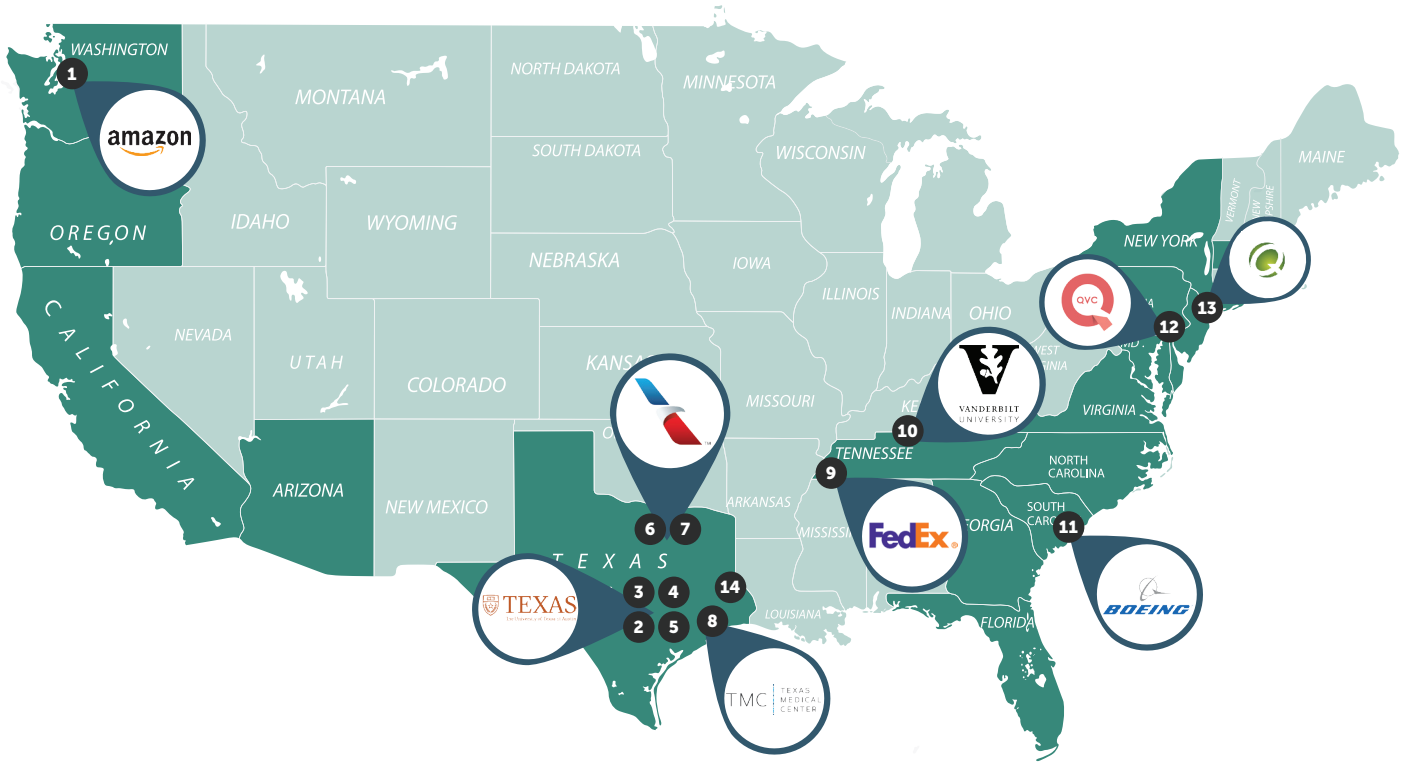
## 3 | NEAR A MEDICAL CENTER





# PORTFOLIO














Our current portfolio, as illustrated below, consists of more than \$480 Million in assets. Examples of major demand generators in these areas are also highlighted.



- |  |   |
|--|---|
| <b>1</b> SPRING HILL SUITES, SEATTLE, WA       | <b>8</b> HOMEWOOD SUITES, THE WOODLANDS, TX                   |
| <b>2</b> HOMEWOOD SUITES, AUSTIN, TX           | <b>9</b> HYATT PLACE, GERMANTOWN, TN                          |
| <b>3</b> THE HAMPTON INN, AUSTIN, TX           | <b>10</b> EMBASSY SUITES, NASHVILLE, TN                       |
| <b>4</b> HILTON GARDEN INN, AUSTIN, TX         | <b>11</b> HYATT PLACE, NORTH CHARLESTON, SC                   |
| <b>5</b> MARRIOTT RESIDENCE INN, AUSTIN, TX    | <b>12</b> THE HAMPTON INN, FRAZER (PHILADELPHIA), PA          |
| <b>6</b> TOWN PLACE SUITES, FORT WORTH, TX     | <b>13</b> MARRIOTT COURTYARD, LYNDHURST (THE MEADOWLANDS), NJ |
| <b>7</b> MARRIOTT RESIDENCE INN, GRAPEVINE, TX | <b>14</b> THE HAMPTON INN, HOUSTON, TX                        |

Select-service hotels target business oriented travelers by providing clean rooms with basic amenities. In contrast to lower-cost budget motels, select-service hotels provide amenities such as an exercise room, business facilities and breakfast buffets. Unlike full-service hotels, select-service hotels typically do not have a full-service restaurant, which is relatively costly to operate.

## BRANDS (FRANCHISORS)\*

HOTEL BRAND			
UPSCALE			
STAPLE			
ECONOMY			
EXTENDED STAY	 		

*If REIT II does not successfully attract and retain franchise flagships for premier-brand, select-service hotel properties, our business will suffer, and this result will reduce the value of a stockholder's investment.*

*\*Moody National Companies has contractual relationships with each of the brands listed above. Moody National Companies expects to develop contractual relationships with other brands affiliated with Marriott, Hilton and Hyatt in the future, in addition to those listed above.*





## SPONSOR BACKGROUND

Moody National Companies was founded as Moody National Mortgage Corporation in 1996. Since that time, Moody has evolved into a full-service commercial real estate firm which has employed over 1,200 people in several divisions, described below.

### **MOODY NATIONAL MORTGAGE**

**CORPORATION** has closed over 200 transactions in 40 states, securing approximately \$2 billion in debt, equity, and structured financing. In addition, Moody National Mortgage Corporation pioneered the transition from a correspondent model to a client-representative model in the mortgage banking space.

### **MOODY NATIONAL DEVELOPMENT**

**COMPANY, L.P.** develops high class properties through meticulous attention to detail with a commitment to quality. Moody National Development has completed projects across a range of commercial asset classes.

### **MOODY NATIONAL HOSPITALITY**

**MANAGEMENT L.P.** and affiliates provide professional property management services designed to maximize operational efficiencies while delivering a quality environment for tenants. Moody National Hospitality Management, a subsidiary of Moody Management, with its affiliates, has operated over 3,500 apartment units and 900,000 SF of class A office space. Moody National Hospitality Management has overseen over 65 hotels throughout the United States.

**MOODY NATIONAL REALTY COMPANY, L.P.** and its affiliates have raised equity from approximately 5,000 investors through 48 privately offered real estate programs and one public, non-listed REIT for a total capitalization of approximately \$1.8 billion. In addition, Moody National Realty Company and its affiliates have acquired more than 70 hotels throughout the United States.

### **MOODY NATIONAL TITLE COMPANY, L.P.**

plays a critical role in real estate transactions due to its involvement from contract to closing. Underwritten by a nationally-recognized title insurance company, Moody National Title Company has closed complex transactions of all product types across the nation.

### **MOODY NATIONAL INSURANCE AGENCY, LLC**

is currently providing coverage for assets in excess of \$1 billion. By capitalizing on economies of scale and relationships with the premier insurance providers, Moody National Insurance Agency offers world-class property and casualty insurance at the lowest available market premiums.

### **MOODY NATIONAL ADVISOR II, LLC**

serves programs sponsored by Moody National Companies, including Moody National REIT II. This entity is responsible for the day-to-day activities of Moody National REIT II, and for implementing the investment strategy. In addition, this entity also researches, identifies, reviews and makes investments in and dispositions of real estate assets.

### **MOODY NATIONAL EXCHANGE, LLC**

has assembled a team of skilled professionals with legal, accounting, and real estate experience who are committed to providing each client with the highest levels of service and attention. We are experts in all facets of tax-deferred strategies, including delayed, reverse, and multiple property exchanges.