

Moody National REIT II CEO Discusses Financial Condition in Video Statement

Moody National REIT II Inc., a publicly registered non-traded real estate investment trust, distributed a video statement to financial advisors from Brett Moody, chief executive officer and president, regarding the continued impact of the COVID-19 pandemic on its properties and operations, according to a filing with the Securities and Exchange Commission.

Moody's statement discussed a "tumultuous" 2020-2021 for hotels in general and the REIT's portfolio specifically.

"As we have stated before, the cataclysmic impact of the COVID-19 pandemic on hotel room demand necessitated that we vigilantly act in all capacities to shore up cash in order to protect the equity investment in the portfolio," said Moody. "As a result of these efforts, we were able to navigate through the year with the REIT II portfolio intact."

The REIT's revenue for 2020 was \$39.4 million, compared to nearly \$84.7 million in 2019, a decline of 53.4 percent. Broken down on revenue per available room (RevPAR), the portfolio is down 54.7 percent, which, compared to its competitive set, has a positive variance of 3.4 percent.

Moody said that the company "continues to perform better than many of its peers in the public space when looking at 2020-2021 RevPAR."

The REIT has been working with lenders on "various levels" of loan modification and on options for a credit facility to assist in paying back senior lenders in accordance with the 12- to 18-month payback periods provided for in the aforementioned loan modifications.

Historically, the company declares its net asset value per share on December 31st of each year, however, due to the pandemic, the board was unable to determine an updated valuation. The previous NAV per share was \$23.50 as of December 31, 2019.

The REIT's board does not currently have a timeline with respect to the updated share valuation, citing the "extreme volatility and lack of liquidity in the commercial real estate market" which has made "accurate property values difficult to discern." Moody said that the board intends to declare a new NAV per share "when circumstances permit."

The share repurchase program and distribution reinvestment plan will not resume without first disclosing an updated NAV per share, he said.

The REIT anticipates market improvement in the second half 2021, due to increased vaccinations, the CDC's favorable travel guidance, and a reduction in traditional lodging supply that is leading to an increase in hotel room demand.

Moody REIT II currently has about \$10.5 million in cash on hand and restricted cash, compared to just shy of \$16 million, as of March 31, 2020.

"Once REIT II is cash flow positive, able to pay back lenders for forbore amounts and satisfy its obligations under the respective loan modifications, we hope that REIT II will be in position to reactivate its share repurchase program and resume paying distributions to shareholders," added Moody.

Moody National REIT II completed its merger with Moody National REIT I in September 2017, and as of the fourth quarter of 2020, owned an investment portfolio comprised of 15 hotels purchased for \$451.8 million. The company also has investments in marketable securities valued at approximately \$2 million. As of December 31, 2020, the company had raised a total of \$234.6 million in investor equity from its initial

public offering and follow-on offering, which was terminated on March 25, 2020.

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