
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 27, 2017

Hines Global REIT II, Inc.

Exact name of registrant as specified in its charter)

Commission file number: 000-55599

Maryland

(State or other jurisdiction of incorporation
or organization)

80-0947092

(I.R.S. Employer Identification No.)

2800 Post Oak Boulevard

Suite 5000

Houston, Texas

(Address of principal executive offices)

77056-6118

(Zip code)

(888) 220-6121

(Registrant's telephone number, including area code)

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

New Estimated Net Asset Value Per Share

In order to assist broker-dealers that participate in the public offering of Hines Global REIT II, Inc. with meeting their customer account statement reporting obligations under National Association of Securities Dealers Conduct Rule 2340, based on the recommendation from the valuation committee, on February 27, 2017, our board of directors approved the new estimated net asset value (“NAV”) of our common stock of \$9.65 per share based on the number of shares issued and outstanding as of December 31, 2016. The new estimated NAV represents a 6.9% increase over the previously determined estimated NAV per share of \$9.03 as of February 29, 2016. The new estimated NAV per share was determined in accordance with our valuation policy and utilizing guidelines established by Investment Program Association Practice Guideline 2013-01 - “Valuation of Publicly Registered, Non-Listed REITs” issued on April 29, 2013. Additionally, on February 27, 2017, our board of directors also approved the new primary offering prices of \$10.64 per Class A share of our common stock and \$10.06 per Class T share of our common stock. The new per share offering price will take effect on March 9, 2017.

Methodology

We engaged Cushman and Wakefield, Inc., or “Cushman”, an independent third party real estate advisory and consulting firm, to provide third party appraisals for each of our real estate properties as of December 31, 2016. These appraisals were performed in accordance with Uniform Standards of Professional Appraisal Practice with respect to our four domestic real estate investments and performed in accordance with the professional standards as published by the Royal Institution of Chartered Surveyors with respect to our international real estate investment. Cushman has extensive experience in conducting appraisals and valuations on real properties and each of our appraisals with respect to our domestic properties was prepared by personnel who are members of the Appraisal Institute and have the Member of Appraisal Institute, or MAI, designation.

We also engaged Jones Lang LaSalle, an independent third party real estate advisory and consulting services firm, to perform valuations of our debt obligations as of December 31, 2016.

In establishing the estimated NAV per share of \$9.65, in addition to using the appraised values of our real estate investments and values of our debt obligations, the valuation committee also included in its determination the values of other assets and liabilities such as cash, tenant and other receivables, accounts payable and accrued expenses, distributions payable and other assets and liabilities, all of which were valued at cost. No liquidity discounts or discounts relating to the fact that we are externally managed were applied to the estimated NAV per share and no attempt was made to value the company as an enterprise.

Additionally, we engaged Altus Group U.S., Inc., or “Altus”, to review the appraisals provided by Cushman and to assess the reasonableness of our new estimated NAV per share. The appraisal reviews were conducted under the supervision of a member of the MAI. In assessing the reasonableness of our new estimated NAV, Altus utilized the appraised values provided by Cushman as described above, the valuations of our debt obligations provided by Jones Lang LaSalle and information provided by management regarding balances of cash, tenant and other receivables, accounts payable and accrued expenses, distributions payable and other assets and liabilities. Altus concluded that the new estimated per share NAV determined by our board of directors was reasonable.

The aggregate appraised value of our real estate investments as of December 31, 2016 was \$409.1 million, which represents a 5.2% net increase when compared to the previously determined appraised value of our assets as of February 29, 2016, including the purchase price of the real estate investments acquired since that time. This 5.2% net increase resulted from a 6.4% appreciation in the aggregate appraised values of our real estate investments since their appraisals on February 29, 2016, including the purchase price of the real estate investments acquired since that time, which was offset by a 1.2% dilution resulting from the devaluation of the Euro against the U.S dollar from February 29, 2016 to December 31, 2016.

The aggregate appraised value of our real estate property investments also represents an 8.3% increase when compared to the purchase price of the real estate investments excluding closing costs, transaction fees and additional capital investments since their acquisition. This 8.3% net increase resulted from a 10.6% appreciation in the aggregate appraised values of our real estate investments since their purchase, which was offset by 2.3% dilution resulting from the devaluation of the Euro against the U.S dollar.

The table below sets forth the calculation of our estimated NAV per share and the offering price of each class of shares of our common stock as of December 31, 2016 and 2015:

	December 31, 2016		February 29, 2016	
	Gross Amount	Per Share	Gross Amount	Per Share
Real estate investments	\$ 409,065,612	\$ 15.41	\$ 198,232,800	\$ 15.45
Other assets	107,610,494	4.05	15,066,603	1.17
Debt obligations and other liabilities	(260,339,982)	(9.81)	(97,143,380)	(7.57)
Noncontrolling interests	(203,787)	—	(221,277)	(0.02)
Estimated NAV	\$ 256,132,337	\$ 9.65	\$ 115,934,746	\$ 9.03
Shares outstanding	26,542,648		12,832,316	

The Company's offering prices per Class A Share and Class T Share are calculated as follows:

Class A Shares:

Estimated NAV	\$ 9.65
Costs of raising capital	1.15
Advisor Payment of a Portion of the Dealer Manager Fees	(0.16)
Offering price per Class A Share	<u>\$ 10.64</u>

Class T Shares:

Estimated NAV	\$ 9.65
Costs of raising capital	0.56
Advisor Payment of a Portion of the Dealer Manager Fees	(0.15)
Offering price per Class T Share	<u>\$ 10.06</u>

The valuation committee and our board of directors determined the estimated NAV per share by (i) utilizing the appraised values of our real estate investments of \$409.1 million and adding our other assets (comprised of cash, tenant and other receivables, deposits on investment property and other assets) of \$107.6 million; (ii) subtracting the values of our debt obligations and other liabilities comprised of our accounts payable and accrued expenses, due to affiliates, distributions payable and other liabilities of \$260.3 million, as well as amounts related to noncontrolling interests of approximately \$204,000; and (iii) dividing the total by the shares of our common stock outstanding as of December 31, 2016 of 26.5 million, resulting in an estimated NAV per share of \$9.65.

The primary drivers of the change in the estimated NAV per share value from \$9.03 as of February 29, 2016 to \$9.65 as of December 31, 2016 are as follows:

- \$0.93 per share net increase in the aggregate value of our real estate investments, which represents a 6.4% net increase in value;
- \$0.21 per share reduction resulting from acquisition fees and expenses related to properties that we have acquired;
- \$0.15 per share increase resulting from an increase in the fair market value of our debt;
- \$0.10 per share reduction resulting from the effect of devaluation of the Euro against the U.S. dollar; and
- \$0.07 per share reduction resulting from the payment of issuer costs in excess of our estimated cost of raising capital.

Additionally, our board of directors considered the costs and expenses associated with raising equity in connection with this offering, consisting of selling commissions, dealer manager fees and estimated issuer costs, resulting in primary offering prices of \$10.64 per Class A Share and \$10.06 per Class T Share, which reflect an increase of \$0.68 and \$0.65, respectively, over the previous primary offering prices of our Class A Shares and Class T Shares.

The estimated NAV per share does not reflect any distribution and stockholder servicing fees that may become payable after December 31, 2016, which fees may not ultimately be paid in certain circumstances, including if the Company was liquidated or if there was a listing of our common stock. We have estimated that approximately \$4.6 million of distribution and shareholder servicing fees were potentially payable in the future with respect to the Class T Shares outstanding as of December 31, 2016. Any estimated liability for future potential distribution and stockholder servicing fees, which will be accrued under U.S. generally accepted accounting principles at the time each Class T Share is sold, will not be reflected in the calculation of the estimated NAV per share. Accordingly, the estimated NAV per share as of December 31, 2016 does not reflect any amounts related to such future distribution and stockholder servicing fees.

Other than with respect to the appraised values of our real estate investments and values of our debt obligations, the values of the assets and liabilities described above were determined based on their cost as of December 31, 2016. Additionally, the calculation of the estimated NAV per share excluded certain items on our consolidated balance sheet that were determined to have no future value or economic impact on the valuation. Examples include receivables related to straight-line rental revenue, costs incurred to put debt in place and issuer costs in excess of our 2.5% cap payable to Hines Global REIT II Advisors LP, our Advisor. Other items were excluded because they were already considered elsewhere in the valuation. Examples include intangible lease assets and liabilities related to our real estate investments and costs incurred for capital expenditures that were included in the appraised values of our real estate investments.

The appraised values provided by Cushman described above were determined primarily by using methodologies that are commonly used in the commercial real estate industry. These methodologies included discounted cash flow analyses and reviews of current, historical and projected capitalization rates for properties comparable to those owned by us as well as going-in capitalization rates for properties comparable to those owned by us. Each appraisal assumes a 10-year hold period. The tables below summarize the key assumptions that were used in the valuations of our real estate investments.

	<u>Rate</u>	<u>Weighted Average</u>
Domestic Real Estate Investments		
<i>Office</i>		
Exit capitalization rate	7.25%	7.25%
Discount rate/internal rate of return	9.00%	9.00%
<i>Industrial</i>		
Exit capitalization rate	6.50% - 7.25%	6.73%
Discount rate/internal rate of return	7.75% - 8.50%	8.27%
<i>Multi-Family</i>		
Exit capitalization rate	6.00%	6.00%
Discount rate/internal rate of return	7.50%	7.50%
International Real Estate Investments		
<i>Office</i>		
Going-in capitalization rate	4.72%	4.72%

While our board of directors believes that the assumptions used in determining the appraised values of our real estate investments are reasonable, a change in these assumptions would impact the calculation of such values. For example, assuming all other factors remained unchanged, an increase in the average discount rate of 25 basis points would yield a decrease in the appraised values of our real estate investments of 2.0%, while a decrease in the average discount rate of 25 basis points would yield an increase in the appraised values of our real estate investments of 1.6%. Likewise, an increase in the average exit capitalization rate of 25 basis points would yield a decrease in the appraised values of our real estate investments of 2.3%, while a decrease in the average exit capitalization rate of 25 basis points would yield an increase in the appraised values of our real estate investments of 1.9%. Additionally, an increase in the average going-in capitalization rate of 25 basis points would yield a decrease in the appraised value of our real estate investments of 4.5%, while a decrease in the average going-in capitalization rate of 25 basis points would yield an increase in the appraised value of our real estate investments of 5.0%.

Limitations of Estimated NAV Per Share and Offering Prices Per Share

As with any valuation methodology, the methodology used to determine the estimated NAV per share was based upon a number of assumptions, estimates and judgments that may not be accurate or complete. Further, different parties using different property-specific and general real estate and capital market assumptions, estimates, judgments and standards could derive an estimated NAV per share that could be significantly different from the estimated NAV per share determined by our board of directors. The estimated NAV per share and the offering prices per share described above are not intended to represent the fair value of our assets less liabilities in accordance with U.S. generally accepted accounting principles, and such estimated NAV per share and offering prices per share are not a representation, warranty or guarantee that (i) a stockholder would be able to realize the estimated NAV per share or the respective offering price per share if such stockholder attempts to sell his or her shares; (ii) a stockholder would ultimately realize distributions per share equal to the estimated NAV per share or the respective offering price per share upon our liquidation or sale; (iii) shares of our common stock would trade at the estimated NAV per share or the respective offering price per share on a national securities exchange; (iv) a third party would offer the estimated NAV per share or the respective offering price per share in an arm's-length transaction to purchase all or substantially all of our shares of common stock; or (v) the methodologies used to determine the estimated NAV per share would be acceptable to FINRA. In addition, we can make no claim as to whether the estimated NAV per share will or will not satisfy the applicable annual valuation requirements under ERISA and the Code with respect to employee benefit plans subject to ERISA and other retirement plans or accounts subject to Section 4975 of the Code that are investing in shares of our common stock.

Further, the estimated NAV per share and the offering prices per share were calculated as of a moment in time, and, although the value of shares of our common stock will fluctuate over time as a result of, among other things, developments related to individual assets, changes in the real estate and capital markets, acquisitions or dispositions of assets, the distribution of proceeds from the sale of real estate to our stockholders and changes in corporate policies such as our distribution level relative to earnings, we do not undertake to update the offering prices per share on a regular basis. As a result, stockholders should not rely on the estimated NAV per share or the respective offering price per share as an accurate measure of the then-current value of shares of our common stock in making a decision to buy or sell shares of our common stock, including whether to invest in the offering, whether to reinvest distributions by participating in our distribution reinvestment plan and whether to request redemption under our share redemption program. In addition, our board of directors may in its discretion from time to time change the offering prices per share of our common stock, and therefore the number of shares being offered in the offering, through one or more supplements or amendments to our prospectus or post-effective amendments to the registration statement of which our prospectus is a part. We cannot assure you that the offering prices per share will increase or that they will not decrease during the offering or in connection with any future offering of shares of our common stock. Included among the circumstances under which our board of directors may determine to change the offering prices per share are the commencement of a new follow-on offering, an event that results in significant changes to the value of our assets or the adoption of new rules by FINRA or other regulatory authorities.

New Price per Share Under our Distribution Reinvestment Plan and New Redemption Price Under our Share Redemption Program

Pursuant to the terms of our distribution reinvestment plan, shares are issued at the estimated NAV per share most recently disclosed by us in a filing with the Securities and Exchange Commission (the "SEC"). As described above, our board of directors has approved a new estimated NAV per share of \$9.65. Accordingly, starting with distributions declared for the month of March 2017, which are expected to be paid on April 3, 2017, participants in our distribution reinvestment plan will have their distributions reinvested in shares of the same class as the shares on which the distributions are being made at a price equal to the new estimated NAV per share of \$9.65, rather than at the previous estimated NAV per share of \$9.03.

In addition, pursuant to the terms of our share redemption program, subject to the special pricing available in connection with the death or disability of a stockholder, shares are redeemed at the estimated NAV per share most recently disclosed by us in a filing with the SEC. In connection with the approval by our board of directors of the new estimated NAV per share, per the terms of our share redemption program, beginning on our next scheduled redemption date, which is April 3, 2017, the new redemption price will be equal to the new estimated NAV per share of \$9.65, rather than the previous estimated NAV per share of \$9.03. Any shares tendered for redemption in connection with the death or disability of a stockholder will continue to be redeemed at a price equal to the price paid to acquire such shares from us, subject to the limitations of our share redemption program.

April 2017 Distributions

Our board of directors has authorized us to declare distributions for the month of April 2017. Distributions for our Class A Shares will be calculated based on stockholders of record each day for the month of April 2017 in an amount equal to \$0.001643836 per share, per day. Distributions for our Class T Shares will be calculated based on stockholders of record each day for the month

of April 2017 in an amount equal to \$0.001643836 per share, per day less the distribution and stockholder servicing fees that are payable with respect to such Class T Shares (as calculated on a daily basis). This per share, per day distribution rate represents an increase from the \$0.001594766 per share, per day rate (less, with respect to the distributions on the Class T shares, the distribution and stockholder servicing fees that are payable with respect to such shares) declared in each of the prior periods. These distributions will be paid in cash or reinvested in shares of our common stock for those participating in our distribution reinvestment plan and will be paid or issued, respectively, on the first business day of May 2017. Distributions reinvested pursuant to the distribution reinvestment plan will be reinvested in shares of the same class as the shares on which the distributions are being made. Some or all of the cash distributions may be paid from sources other than cash flows from operations.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

- 99.1 Consent of Independent Valuer, Cushman & Wakefield, Inc.
- 99.2 Consent of Independent Valuer, Altus Group U.S., Inc.
- 99.3 Consent of Independent Valuer, Jones Lang LaSalle

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements (including, without limitation, statements concerning the estimated NAV per share, assumptions made in determining the estimated NAV per share, future payments of cash distributions, future reinvestments of cash distributions and future share redemptions) that are based on our current expectations, plans, estimates, assumptions, and beliefs that involve numerous risks and uncertainties, including, without limitation, our ability to maintain occupancy levels and lease rates at our properties, our ability to repay or successfully refinance our debt obligations, the future operating performance of our investments, the level of participation in our distribution reinvestment plan, and those risks set forth in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2015, as amended or supplemented by our other filings with the SEC. Although these forward-looking statements reflect management’s belief as to future events, actual events or our investments and results of operations could differ materially from those expressed or implied in these forward-looking statements. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements may be significantly hindered. Stockholders are cautioned not to place undue reliance on any forward-looking statements.

SIGNATURES

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

Hines Global REIT II, Inc.

March 2, 2017

By: /s/ J. Shea Morgenroth
Name: J. Shea Morgenroth
Title: Chief Accounting Officer and Treasurer

Exhibit Index

Exhibit No.	Description
99.1	Consent of Independent Valuer, Cushman & Wakefield, Inc.
99.2	Consent of Independent Valuer, Altus Group U.S., Inc.
99.3	Consent of Independent Valuer, Jones Lang LaSalle

CONSENT OF INDEPENDENT VALUER

We hereby consent to the references to our name and the opinions we have delivered to Hines Global REIT II, Inc. and the description of our role in the valuation process of the properties owned by Hines Global REIT II, Inc. and its subsidiaries (collectively, the "Company") being included or incorporated by reference in Hines Global REIT II, Inc.'s Registration Statement on Form S-11 (No. 333-191106) and the related prospectus and prospectus supplements that are a part thereof.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Cushman & Wakefield, Inc.

Cushman & Wakefield, Inc.

March 2, 2017

CONSENT OF INDEPENDENT VALUER

We hereby consent to the references to our name and the opinions we have delivered to Hines Global REIT II, Inc. and the description of our role in the valuation process of Hines Global REIT II, Inc. and its subsidiaries (collectively, the "Company") being included in Hines Global REIT II, Inc.'s Registration Statement on Form S-11 (No. 333-191106) and the related prospectus and prospectus supplements that are a part thereof (collectively, the "Registration Statement and Prospectus") or incorporated by reference in the Registration Statement and Prospectus from the Current Report on Form 8-K of Hines Global REIT II, Inc. filed on March 2, 2017.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Altus Group U.S., Inc.

Altus Group U.S., Inc.

March 2, 2017

CONSENT OF INDEPENDENT VALUER

We hereby consent to the reference to our name and the description of our role in the valuation of the debt obligations of Hines Global REIT II, Inc. and its subsidiaries (collectively, the "Company") being included or incorporated by reference in Hines Global REIT II, Inc.'s Registration Statement on Form S-11 (No. 333-191106) and the related prospectus and prospectus supplements that are a part thereof.

In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933.

/s/ Jones Lang LaSalle

Jones Lang LaSalle

March 2, 2017