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Moody Has Its Own 'Core Plus Plus' View of Hotels

By Paul Bubny

Already a growth market, the Woodlands will soon be home to ExxonMobil's new campus.v

HOUSTON—Its own backyard is one of the hottest corporate growth markets in the US, and that's just the type of hotel market that Moody National Cos. seeks out. Through its Moody National REIT I, the full-service commercial real estate firm recently entered into purchase agreements on two premium-brand lodging properties in other such growth markets, and chairman, CEO and president Brett C. Moody tells GlobeSt.com that many more such deals are in the pipeline.

At the end of March, the REIT agreed to buy a 133-suite Residence Inn in Grapevine, TX, near Dallas/Fort Worth International Airport and the business travel demand generated by one of the world's busiest airports. In the Silicon Valley city of Newark, CA, where the Moody REIT has gone into contract on the 127-key TownePlace Suites by Marriott Newark/Silicon Valley, "We're in close proximity to Apple, Google and Facebook," Moody says. "This goes right in line with the rest of our portfolio."

In the Charleston, SC area, for example, "We own an asset in close proximity to Boeing's main campus for the Dreamliner," says Moody. "We own a property that's very close to the FedEx facility in Germantown, TN, and one of our managed assets is in close proximity to Amazon's headquarters in Seattle. We like being in close proximity to these blue-chip, Fortune 500 growth companies."

Moody National REIT I follows what its prospectus describes as the Moody Core Plus Plus strategy, which seeks to capitalize on "market inefficiencies" while taking "a disciplined approach to analyzing economic fundamentals and demographic trends in major metropolitan markets to identify undervalued real estate investment opportunities." Stabilized core hotel assets are available, yet not just any fit these criteria. "We believe that a core buying strategy, without a supply-demand imbalance, offers minimal growth potential along with an increased risk of asset devaluation," according to the prospectus.

To illustrate this strategy in operation, Moody cites one of the REIT's previous acquisitions, the 91-suite Homewood Suites by Hilton – Woodlands in the Woodlands, a master planned suburb of Houston. It's where ExxonMobil is building a multi-billion-dollar corporate campus that eventually will house 10,000 employees.

Even before ExxonMobil finishes construction, though, the Woodlands is a growing market. "So we consider that a core asset in a core market," Moody says. "Plus, we have the new demand that's coming on line with the Exxon campus, which would be a plus with the supply-demand imbalance. Not only that, but it's a saturated market, so there will be a lack of new supply for the premium brands. All of our usual suspects will already be in that market."

In that regard, the Woodlands location is "not unlike our acquisition in Dallas—all of our competitive set is there. We manage a Hilton product, we manage a Hyatt product and a Marriott product, all in that Grapevine market. So we're very familiar with the pressure on all the major brands in the DFW market. The same thing in Silicon Valley—it's very difficult to bring in premium-branded new supply, because they're all spoken for. We like the brand loyalty of Marriott, Hilton and Hyatt. Clients are loyal to them, so we're loyal to those brands in our acquisition strategy."

Looking at the balance of the year, Moody says, "We have a nice pipeline that we've targeted in the Northeast and Pacific Northwest. We haven't entered into any definitive contracts on any particular asset; however, our anticipated pipeline would be to purchase approximately another $250 million between now and December."

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