UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 333-191106

Hines Global REIT II, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**80-0947092**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2800 Post Oak Boulevard **Suite 5000** **Houston, Texas**	**77056-6118**
(Address of principal executive offices)	*(Zip code)*

(888) 220-6121
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 10, 2015, approximately 6.4 million shares of the registrant's common stock were outstanding.

TABLE OF CONTENTS

	PART I – FINANCIAL INFORMATION	
Item 1.	Condensed Consolidated Financial Statements (Unaudited):	
	Condensed Consolidated Balance Sheets	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	2
	Condensed Consolidated Statements of Equity (Deficit)	3
	Condensed Consolidated Statements of Cash Flows	4
	Notes to the Condensed Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	28
	PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3.	Defaults Upon Senior Securities	29
Item 4.	Mine Safety Disclosures	29
Item 5.	Other Information	29
Item 6.	Exhibits	30
SIGNATURES		
EX-31.1	Certification	
EX-31.2	Certification	
EX-32.1	Certification of CEO & CFO pursuant to Section 906	
EX-101	Instance Document	
EX-101	Schema Document	
EX-101	Calculation Linkbase Document	
EX-101	Labels Linkbase Document	
EX-101	Presentation Linkbase Document	
EX-101	Definition Linkbase Document	

PART I - FINANCIAL INFORMATION

Item 1. *Condensed Consolidated Financial Statements*

HINES GLOBAL REIT II, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2015	December 31, 2014
ASSETS		
Investment property, net	$ 73,815,770	$ 21,355,421
Cash and cash equivalents	4,355,229	2,726,742
Restricted cash	88,517	—
Derivative instruments	32,544	—
Tenant and other receivables, net	2,305,425	68,160
Intangible lease assets, net	54,555,574	3,945,291
Deferred financing costs, net	585,318	8,925
Other assets	54,203	446,275
Total assets	$ 135,792,580	$ 28,550,814
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 1,203,395	$ 259,111
Due to affiliates	4,236,908	5,213,634
Intangible lease liabilities, net	2,724,205	—
Other liabilities	1,780,515	—
Distributions payable	231,649	18,371
Note payable to affiliate	30,717,714	24,200,000
Note payable	61,238,880	—
Total liabilities	$ 102,133,266	$ 29,691,116
Commitments and contingencies (Note 11)	—	—
Equity:		
Stockholders' equity (deficit):		
Preferred shares, $0.001 par value; 500,000,000 preferred shares authorized, none issued or outstanding as of June 30, 2015 and December 31, 2014	—	—
Class A common stock, $0.001 par value; 1,500,000,000 authorized; 5,319,207 and 420,541 issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	5,319	421
Additional paid-in capital	41,137,558	—
Accumulated deficit	(6,804,416)	(1,140,723)
Accumulated other comprehensive income (loss)	(679,147)	—
Total stockholders' equity (deficit)	33,659,314	(1,140,302)
Noncontrolling interests	—	—
Total equity (deficit)	33,659,314	(1,140,302)
Total liabilities and equity	$ 135,792,580	$ 28,550,814

See notes to the condensed consolidated financial statements.

HINES GLOBAL REIT II, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three and Six Months Ended June 30, 2015 and 2014
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Rental revenue	$ 2,654,563	$ —	$ 3,888,368	$ —
Other revenue	40,827	—	52,349	—
Total revenues	2,695,390	—	3,940,717	—
Expenses:				
Property operating expenses	542,171	—	807,621	—
Real property taxes	74,480	—	148,961	—
Property management fees	36,481	—	55,921	—
Depreciation and amortization	1,211,059	—	1,837,837	—
Acquisition related expenses	105,527	—	2,667,536	—
Asset management and acquisition fees	251,841	—	2,579,556	—
General and administrative expenses	332,237	—	741,693	—
Total expenses	2,553,796	—	8,839,125	—
Income (loss) before other income (expenses)	141,594	—	(4,898,408)	—
Other income (expenses):				
Gain (loss) on derivative instruments	12,170	—	(14,511)	—
Foreign currency gains (losses)	—	—	(234)	—
Interest expense	(445,031)	—	(746,568)	—
Interest income	157	—	2,048	—
Net income (loss)	(291,110)	—	(5,657,673)	—
Net (income) loss attributable to noncontrolling interests	(3,026)	—	(6,020)	—
Net income (loss) attributable to common stockholders	$ (294,136)	$ —	$ (5,663,693)	$ —
Basic and diluted income (loss) per Class A common share	$ (0.07)	$ —	$ (2.18)	$ —
Cash distributions declared per Class A common share	$ 0.14	$ —	$ 0.29	$ —
Weighted average number of common shares outstanding	4,051,587	1,114	2,592,589	1,114
Comprehensive income (loss):				
Net income (loss)	$ (291,110)	$ —	$ (5,657,673)	$ —
Other comprehensive income (loss):				
Foreign currency translation adjustment	918,487	—	(679,147)	—
Comprehensive income (loss)	627,377	—	(6,336,820)	—
Comprehensive (income) loss attributable to noncontrolling interests	—	—	—	—
Comprehensive income (loss) attributable to common stockholders	$ 627,377	$ —	$ (6,336,820)	$ —

See notes to the condensed consolidated financial statements.

HINES GLOBAL REIT II, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
For the Six Months Ended June 30, 2015 and 2014
(UNAUDITED)

	Hines Global REIT II, Inc. Stockholders						
	Common Shares Class A		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)	Noncontrolling Interests
	Shares	Amount					
Balance as of January 1, 2014	1,111	$ 1	$ 9,999	$ —	$ —	$ 10,000	$ 190,000
Balance as of June 30, 2014	1,111	$ 1	$ 9,999	$ —	$ —	$ 10,000	$ 190,000

	Hines Global REIT II, Inc. Stockholders						
	Common Shares Class A		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)	Noncontrolling Interests
	Shares	Amount					
Balance as of January 1, 2015	420,541	$ 421	$ —	$ (1,140,723)	$ —	$ (1,140,302)	$ —
Issuance of common shares	4,898,666	4,898	48,833,704	—	—	48,838,602	—
Distributions declared	—	—	(717,057)	—	—	(717,057)	(6,020)
Selling commissions and dealer manager fees	—	—	(4,765,876)	—	—	(4,765,876)	—
Issuer costs	—	—	(2,213,213)	—	—	(2,213,213)	—
Net income (loss)	—	—	—	(5,663,693)	—	(5,663,693)	6,020
Foreign currency translation adjustment	—	—	—	—	(679,147)	(679,147)	—
Balance as of June 30, 2015	5,319,207	$ 5,319	$ 41,137,558	$ (6,804,416)	$ (679,147)	$ 33,659,314	$ —

See notes to the condensed consolidated financial statements.

HINES GLOBAL REIT II, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2015 and 2014
(UNAUDITED)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (5,657,673)	$ —
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	1,743,525	—
Foreign currency (gains) losses	234	—
(Gain) loss on derivative instruments	14,511	—
Changes in assets and liabilities:		
Change in other assets	28,118	—
Change in tenant and other receivables	(2,036,576)	—
Change in accounts payable and accrued expenses	896,744	—
Change in other liabilities	1,346,621	—
Change in due to affiliates	(254,916)	—
Net cash from operating activities	(3,919,412)	—
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in acquired properties and lease intangibles	(102,689,457)	—
Change in restricted cash	(87,984)	—
Net cash from investing activities	(102,777,441)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	48,421,015	—
Payment of issuer costs	(2,580,038)	—
Payment of selling commissions and dealer manager fees	(4,766,817)	—
Distributions paid to stockholders and noncontrolling interests	(279,449)	—
Proceeds from notes payable	61,768,800	—
Proceeds from related party note payable	50,300,000	—
Payments on related party notes payable	(43,782,286)	—
Change in security deposit liability	(247)	—
Deferred financing costs paid	(625,876)	—
Payments related to interest rate contracts	(47,876)	—
Net cash from financing activities	108,407,226	—
Effect of exchange rate changes on cash	(81,886)	—
Net change in cash and cash equivalents	1,628,487	—
Cash and cash equivalents, beginning of period	2,726,742	—
Cash and cash equivalents, end of period	$ 4,355,229	$ —
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 445,077	$ —
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Distributions declared and unpaid	$ 231,649	$ —
Distributions reinvested	$ 230,350	$ —
Offering proceeds due from transfer agent	$ 249,438	$ —
Non-cash net liabilities acquired	$ 470,144	$ —
Offering costs payable to the Advisor	$ 1,848,513	$ —

See notes to the condensed consolidated financial statements.

HINES GLOBAL REIT II, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2015 and 2014

1. ORGANIZATION

The accompanying interim unaudited condensed consolidated financial information has been prepared according to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly and in conformity with GAAP the financial position of Hines Global REIT II, Inc. as of June 30, 2015 and December 31, 2014, the results of operations for the three and six months ended June 30, 2015 and 2014 and cash flows for the six months ended June 30, 2015 and 2014 have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

Hines Global REIT II, Inc. (the "Company"), was formed as a Maryland corporation on July 31, 2013 for the purpose of engaging in the business of investing in and owning commercial real estate properties and other real estate investments. The Company intends to conduct substantially all of its operations through Hines Global REIT II Properties, LP (the "Operating Partnership"). Beginning with its taxable year ended December 31, 2015, the Company intends to operate in a manner to qualify as a real estate investment trust ("REIT") for federal income tax purposes. The business of the Company is managed by Hines Global REIT II Advisors LP (the "Advisor"), an affiliate of Hines Interests Limited Partnership ("Hines"), pursuant to the Advisory Agreement, dated as of August 15, 2014, between the Company, the Advisor and the Operating Partnership (defined below). An affiliate of the Advisor, Hines Global REIT II Associates Limited Partnership ("HALP II"), owned a 0.4% limited partner interest in the Operating Partnership as of June 30, 2015.

On August 20, 2014, the Company commenced an offering of up to $2,500,000,000 of Class A common stock, at a price of $10.00 per share for sale to the public (the "Offering"). The Company engaged Hines Securities, Inc. ("HSI"), an affiliate of the Advisor, to serve as the dealer manager for the Offering and market its shares. As of June 30, 2015, the Company had raised sufficient offering proceeds to satisfy the minimum offering requirements for the Offering with respect to all states other than Pennsylvania. The Company will not accept subscriptions from Pennsylvania residents until the Company has received at least $100.0 million in aggregate gross proceeds from investors in the Offering who are not Pennsylvania residents. As of August 10, 2015, the Company had received gross offering proceeds of $63.4 million from the sale of 6.4 million Class A common shares. See Note 12 — Subsequent Events regarding the amendment to the Company's initial registration statement to offer a combination of Class A shares and Class T shares, which was declared effective by the SEC on August 12, 2015.

The Company intends to invest the net proceeds from the Offering in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. As of June 30, 2015, the Company owned direct investments in two properties. These properties consist of 2819 Loker Avenue East, a Class A industrial building located in Carlsbad, California and Bishop's Square, a Class A office building located in Dublin, Ireland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

International Operations

The Euro ("EUR") is the functional currency for the Company's subsidiary operating in Ireland. This subsidiary has translated its financial statements into U.S. dollars for reporting purposes. Assets and liabilities are translated at the exchange rate in effect as of the balance sheet date while income statement accounts are translated using the average exchange rate for the period and significant nonrecurring transactions using the rate on the transaction date. Gains or losses resulting from translation are included in accumulated other comprehensive income (loss) within stockholders' equity. Upon disposal of this subsidiary, the Company will remove the accumulated translation adjustment from stockholders' equity and include it in the gain or loss on disposal in its consolidated statement of operations.

This subsidiary may have transactions denominated in currencies other than its functional currency. In these instances, assets and liabilities are remeasured into the functional currency at the exchange rate in effect at the end of the period and income statement accounts are remeasured at the average exchange rate for the period. These gains or losses are included in the Company's results of operations.

This subsidiary also records gains or losses in the income statement when a transaction with a third party, denominated in a currency other than its functional currency, is settled and the functional currency cash flows realized are more or less than expected based upon the exchange rate in effect when the transaction was initiated.

Tenant and Other Receivables

As of June 30, 2015, tenant and other receivables primarily consisted of a $1.6 million receivable from the trust manager of Bishop's Square, which was collected in July 2015. Additionally, as of June 30, 2015 and December 31, 2014, the Company recorded a receivable from its transfer agent related to offering proceeds not yet received of $249,438 and $62,200, respectively.

Other Assets

Other assets included the following:

	June 30, 2015	December 31, 2014
Deferred issuer costs	$ —	$ 364,701
Prepaid insurance	23,617	—
Prepaid officer and director insurance	26,156	—
Other	4,430	81,574 (1)
Other assets	$ 54,203	$ 446,275

(1) As of December 31, 2014, this primarily consisted of excess cash held in an escrow account related to timing differences with respect to the acquisition of 2819 Loker Avenue East.

Revenue Recognition

The Company recognizes rental revenue on a straight-line basis over the life of the lease including rent holidays, if any. Straight-line rent receivables were $288,377 and $5,895 as of June 30, 2015 and December 31, 2014, respectively.

Issuer Costs

The Company reimburses the Advisor and its affiliates for any issuer costs related to the Offering that it pays on the Company's behalf. Such costs consist of, among other costs, expenses of the Company's organization, actual legal, accounting, bona fide out-of-pocket itemized and detailed due diligence costs, printing, filing fees, transfer agent costs, postage, escrow fees, data processing fees, advertising and sales literature and other offering-related costs. The Company did not have an obligation to reimburse the Advisor for any issuer costs until it achieved its minimum offering requirements on September 26, 2014. Therefore, the Company did not record issuer costs within its financial statements until that time. Organizational issuer costs, such as expenses associated with the formation of the Company and its board of directors, are expensed as incurred, and offering-related issuer costs are recorded as an offset to additional paid-in capital. From inception to June 30, 2015, issuer costs incurred by the Advisor on the Company's behalf totaled $6.0 million, of which approximately $45,914 related to organizational issuer costs.

Per Share Data

Net income (loss) per common share is calculated by dividing the net income (loss) attributable to common stockholders for each period by the weighted average number of common shares outstanding during such period. Net income (loss) per common share on a basic and diluted basis is the same because the Company has no potentially dilutive common shares outstanding. Earnings per share have been restated for 13,207 shares in stock dividends issued through the date of issuance of the financial statements.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued amendments to change the prior guidance concerning the presentation of debt issuance costs in the financial statements. Under this revised guidance, an entity will present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and early adoption is permitted. As of June 30, 2015 and December 31, 2014, the Company had $585,318 and $8,925 in deferred financing fees presented as assets on its condensed consolidated balance sheet that it will be required to present as direct deductions from the Company's debt liabilities as a result of the revised guidance.

In June 2015, FASB made technical corrections and improvements to provide clarification, correct unintended application of guidance, and make minor improvements to the Accounting Standards Codification ("ASC" or the "Codification") that are not expected to have a significant effect on current accounting practice. These amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and early adoption is permitted.

3. INVESTMENT PROPERTY

Investment property consisted of the following amounts as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Buildings and improvements	$ 67,243,696	$ 14,170,000
Less: accumulated depreciation	(627,926)	(14,579)
Buildings and improvements, net	66,615,770	14,155,421
Land	7,200,000	7,200,000
Investment property, net	$ 73,815,770	$ 21,355,421

In March 2015, the Company acquired Bishop's Square, a Class A office building, located in the central business district of Dublin, Ireland. The net purchase price was €92.0 million (approximately $103.2 million assuming a rate of $1.12 per EUR as of the transaction date), exclusive of transaction costs and working capital reserves. The building contains approximately 153,529 square feet of net rentable area and is currently 99% leased to four tenants. See Note 4 — Recent Acquisitions of Real Estate for additional information on Bishop's Square.

As of June 30, 2015, the cost basis and accumulated amortization related to lease intangibles are as follows:

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	$ 55,317,750	$ 421,572	$ (2,863,536)
Less: accumulated amortization	(1,165,358)	(18,390)	139,331
Net	$ 54,152,392	$ 403,182	$ (2,724,205)

As of December 31, 2014, the cost basis and accumulated amortization related to lease intangibles were as follows:

	Lease Intangibles		
	In-Place Leases	Out-of-Market Lease Assets	Out-of-Market Lease Liabilities
Cost	$ 3,980,000	$ —	$ —
Less: accumulated amortization	(34,709)	—	—
Net	$ 3,945,291	$ —	$ —

Amortization expense of in-place leases was $792,768 for the three months ended June 30, 2015. Net amortization of out-of-market leases resulted in an increase to rental revenue of $96,260 for the three months ended June 30, 2015. No amortization expense was incurred related to in-place or out-of-market leases for the three months ended June 30, 2014.

Amortization expense of in-place leases was $1.2 million for the six months ended June 30, 2015. Net amortization of out-of-market leases resulted in an increase to rental revenue of $129,578 for the six months ended June 30, 2015. No amortization expense was incurred related to in-place or out-of-market leases for the six months ended June 30, 2014.

Anticipated amortization of the Company's in-place leases and out-of-market leases, net for the period from July 1, 2015 through December 31, 2015 and for each of the years ending December 31, 2016 through December 31, 2019 are as follows:

	In-Place Lease	Out-of-Market Leases, Net
July 1, 2015 through December 31, 2015	$ 1,493,976	$ (162,017)
2016	2,987,954	(324,034)
2017	2,757,787	(266,969)
2018	2,363,113	(168,779)
2019	2,004,149	(168,779)

Leases

The Company has entered into non-cancelable lease agreements with tenants for space. As of June 30, 2015, the approximate fixed future minimum rentals for the period from July 1, 2015 through December 31, 2015, for each of the years ending December 31, 2016 through 2019 and thereafter are as follows:

	Fixed Future Minimum Rentals
July 1, 2015 through December 31, 2015	$ 3,978,928
2016	8,004,211
2017	8,272,685
2018	7,977,316
2019	7,242,987
Thereafter	43,406,443
Total	$ 78,882,570

Of the Company's total rental revenue for the six months ended June 30, 2015, approximately 31% was earned from Acushnet, a tenant in the manufacturing industry, whose lease expires in 2019, approximately 42% was earned from the Commissioner of Public Works in Ireland, a state agency of Ireland, whose lease expires in 2028, and approximately 14% was earned from International Financial Data Services, an investor record-keeping and transfer agency provider, whose lease expires in 2024.

4. RECENT ACQUISITIONS OF REAL ESTATE

The amounts recognized for major assets acquired as of the acquisition date were determined by allocating the purchase price of each property acquired in 2015 and 2014 as follows:

Property Name	Acquisition Date	Building and Improvements [1]	Land [1]	In-place Lease Intangibles [1]	Out-of-Market Lease Intangibles, Net [1]	Total [1]
2015						
Bishop's Square	3/3/2015	$ 53,643,075	$ — [2]	$ 51,994,603	$ (2,478,077)	$ 103,159,601
2014						
2819 Loker Avenue East	12/17/2014	$ 14,170,000	$7,200,000	$ 3,980,000	$ —	$ 25,350,000

(1) For acquisitions denominated in a foreign currency, amounts have been translated at an exchange rate based on the rate in effect on the acquisition date.

(2) The land at Bishop's Square is subject to a 999-year ground lease with the local municipality in Ireland. Since the Company does not have title to the land, approximately $33.4 million has been recorded to in-place lease intangibles and will be amortized over the remaining term of the ground lease.

The purchase price allocation for each of the Company's acquisitions is preliminary and subject to change as it finalizes the allocation, which will be no later than twelve months from the acquisition date.

The weighted average amortization period for the intangible assets and liabilities acquired in connection with the 2015 and 2014 acquisitions, as of the date of the respective acquisition, was as follows (in years):

	In-Place Leases	Above-Market Lease Assets	Below-Market Lease Liabilities
2015 Acquisition:			
Bishop's Square [(1)]	10.7	7.5	8.3
2014 Acquisition:			
2819 Loker Avenue East	4.6	—	—

(1) Excludes the effect of the ground lease, which significantly increases the weighted average useful life for these intangibles.

The table below includes the amounts of revenue and net income (loss) of the acquisition completed during the three and six months ended June 30, 2015, which are included in the Company's condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2015:

		For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2015
Bishop's Square	Revenue	$ 2,094,817	$ 2,744,411
	Net income (loss)	$ 307,973	$ (2,518,060)

The following unaudited consolidated information is presented to give effect to the current year acquisition through June 30, 2015 as if the acquisition occurred on January 1, 2014. The pro forma net loss was adjusted to exclude acquisition-related expenses of $105,527 and $5.0 million for the three and six months ended June 30, 2015, respectively. For the three and six months ended June 30, 2014, the pro forma net loss was adjusted to include acquisition fees and expenses of zero and $4.9 million, respectively, relating to the 2015 acquisition, as if these fees and expenses had been incurred as of January 1, 2014.

The information below is not necessarily indicative of what the actual results of operations would have been had the Company completed this acquisition on January 1, 2014, nor does it purport to represent the Company's future operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	Pro Forma 2015	Pro Forma 2014	Pro Forma 2015	Pro Forma 2014
Revenues	$ 2,695,390	$ 2,081,178	$ 5,335,793	$ 4,139,487
Net income (loss)	$ (185,583)	$ 195,076	$ (2,263,417)	$ (4,541,049)
Basic and diluted income (loss) per common share	$ (0.05)	$ 1.51	$ (0.87)	$ (35.22)

5. DEBT FINANCING

As of June 30, 2015 and December 31, 2014, the Company had approximately $92.0 million and $24.2 million of debt outstanding, respectively, with a weighted average interest rate of 1.56% and 2.16%, respectively. The following table describes the Company's debt outstanding at June 30, 2015 and December 31, 2014:

Description	Origination or Assumption Date	Maturity Date	Maximum Capacity in Functional Currency	Interest Rate Description	Interest Rate as of June 30, 2015	Principal Outstanding at June 30, 2015	Principal Outstanding at December 31, 2014
Secured Mortgage Debt							
Bishop's Square	3/3/2015	3/2/2022	€ 55,200,000	Euribor + 1.30 [1]	1.38%	$ 61,238,880	$ —
Note Payable						$ 61,238,880	$ —
Affiliate Note Payable							
Credit Facility with Hines	12/15/2014	12/15/2016 [2]	$ 75,000,000	Variable	1.93%	30,717,714	24,200,000
Total Note Payable to Affiliate						$ 30,717,714	$ 24,200,000
						$ 91,956,594	$ 24,200,000

(1) The Company entered into an interest rate cap agreement as an economic hedge against the variability of future interest rates on its variable interest rate borrowing. See Note 6 — Derivative Instruments for additional information regarding the Company's interest rate cap.

(2) Each advance under the credit facility with Hines (the "Hines Credit Facility") must be repaid within six months, subject to one six-month extension and subject to the satisfaction of certain conditions. Notwithstanding that each advance under the Hines Credit Facility matures six months after it is made, Hines Global II is required to repay each advance under the Hines Credit Facility with proceeds from its public offering as such proceeds are raised, unless Hines Global II, through the Operating Partnership, enters into a revolving credit facility (the "OP Facility"), at which point Hines Global II may use such proceeds from its public offering to repay the OP Facility, if any, prior to repaying any advances under its credit facility with Hines. The Hines Credit Facility also permits voluntary prepayment of principal and accrued interest.

Bishop's Square Facility

In connection with the acquisition of Bishop's Square, a wholly-owned subsidiary of the Company entered into a secured facility agreement (the "Bishop's Square Facility") with DekaBank Deutsche Girozentrale totaling €55.2 million (approximately $62.1 million assuming a rate of $1.12 per EUR as of the transaction date). The Bishop's Square Facility requires quarterly interest payments beginning in July 2015 and repayment of principal upon the maturity of the Bishop's Square Facility on March 2, 2022. The Bishop's Square Facility has a floating interest rate of EURIBOR plus 1.30% and is subject to an interest rate cap with a strike rate of 2.0%. The Bishop's Square Facility may be repaid in full prior to maturity, subject to a prepayment premium if it is repaid in the first three years.

Hines Credit Facility

For the period from January 2015 through June 2015, the Company made draws of approximately $50.3 million and payments of approximately $43.8 million under the Hines Credit Facility. Additionally, from July 1, 2015 through August 13, 2015, the Company repaid $7.4 million under the Hines Credit Facility. The borrowings and payments resulted in an outstanding principal balance of approximately $23.3 million under the Hines Credit Facility as of August 13, 2015.

Financial Covenants

The Company's mortgage and other loan documents for the debt described in the table above contain customary events of default, with corresponding grace periods, including payment defaults, bankruptcy-related defaults, and customary covenants, including limitations on liens and indebtedness and maintenance of certain financial ratios. The Company is not aware of any instances of noncompliance with financial covenants as of June 30, 2015.

Principal Payments on Debt

The Company is required to make the following principal payments on its outstanding notes payable for the period from July 1, 2015 through December 31, 2015, for each of the years ending December 31, 2016 through December 31, 2019 and for the period thereafter.

	Payments Due by Year					
	July 1, 2015 through December 31, 2015	2016	2017	2018	2019	Thereafter
Principal payments	$ 30,717,714	$ —	$ —	$ —	$ —	$ 61,238,880

6. DERIVATIVE INSTRUMENTS

The Company entered into an interest rate cap agreement with Chatham Financial Corporation in connection with the Bishop's Square acquisition. The interest rate cap agreement was entered into as an economic hedge against the variability of future interest rates on one of its variable interest rate borrowings. The Company's interest rate cap contract has economically limited the interest rate on the loan to which it relates. The Company has not designated this derivative as a hedge for accounting purposes. See Note 9 — Fair Value Measurements for additional information regarding the fair value of the Company's interest rate contract.

The table below provides additional information regarding the Company's interest rate contract.

Interest Rate Contracts					
Type	Effective Date	Expiration Date	Notional Amount [1]	Interest Rate Received	Pay Rate / Strike Rate
Interest rate cap	March 3, 2015	April 25, 2018	$ 61,238,880	EURIBOR	2.00%

(1) For notional amounts denominated in a foreign currency, amounts have been translated at a rate based on the rate in effect on June 30, 2015.

The Company has not entered into a master netting arrangement with its third-party counterparty and does not offset on its consolidated condensed balance sheets the fair value amount recorded for its derivative instrument. The table below presents the fair value of the Company's derivative instrument included in "Assets—Derivative Instruments" on the Company's condensed consolidated balance sheets, as of June 30, 2015 and December 31, 2014:

	Derivative Assets	
	June 30, 2015	December 31, 2014
Derivatives not designated as hedging instruments:		
Interest rate cap	$ 32,544	$ —
Total derivatives	$ 32,544	$ —

The table below presents the effects of the changes in fair value of the Company's derivative instrument in the Company's condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014:

	Gain (Loss) Recorded on Derivative Instruments			
	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Derivatives not designated as hedging instruments:				
Interest rate cap	$ 12,170	$ —	$ (14,511)	$ —
Total gain (loss) on derivatives	$ 12,170	$ —	$ (14,511)	$ —

7. DISTRIBUTIONS

With the authorization of its board of directors, the Company declared distributions to its stockholders and HALP II for the period from October 1, 2014 through August 31, 2015. These distributions were or will be calculated based on stockholders of record for each day in an amount equal to $0.001575342 per Class A common share, per day. All distributions were or will be paid in cash or reinvested in shares of the Company's common stock for those participating in the Company's distribution reinvestment plan and have been or will be paid or issued, respectively, on the first business day following the completion of the month to which they relate. Some or all of the cash distributions may be paid from sources other than cash flows from operations.

In addition to the distributions described above, the Company's board of directors authorized special stock dividends to its stockholders as of daily record dates for the period from October 1, 2014 through June 30, 2015. Stock dividends for the Company's common shares were calculated based on stockholders of record each day in an amount equal to 0.0000273973 of a share of common stock per share, per day. Shares issued related to the Company's stock dividends were issued on the first business day of the month following the quarter to which they related.

Cash Distributions

The following table outlines the Company's total cash distributions declared to stockholders and noncontrolling interests (HALP II) for each of the quarters during 2015 and the quarter ended December 31, 2014, including the breakout between the distributions declared in cash and those reinvested pursuant to the Company's distribution reinvestment plan.

	Stockholders			Noncontrolling Interests
Distributions for the Three Months Ended	**Cash Distributions**	**Distributions Reinvested**	**Total Declared**	**Total Declared**
2015				
June 30, 2015	$ 279,432	$ 287,799	$ 567,231	$ 3,027
March 31, 2015	91,135	58,691	149,826	2,993
Total	$ 370,567	$ 346,490	$ 717,057	$ 6,020
2014				
December 31, 2014	$ 40,377	$ 1,841	$ 42,218	$ 3,060
Total	$ 40,377	$ 1,841	$ 42,218	$ 3,060

Stock Dividends

The following table outlines the Company's total stock dividends declared to stockholders:

		Stockholders	
Dividends for the Three Months Ended	**Issuance Date**	**Shares**	**Amount [1]**
June 30, 2015	7/1/2015	9,866	$ 98,663
March 31, 2015	4/1/2015	2,604	$ 26,037
December 31, 2014	1/1/2015	737	$ 7,367

(1) Amount based on $10.00 per share Offering price.

8. RELATED PARTY TRANSACTIONS

The table below outlines fees and expense reimbursements incurred that are payable by the Company to Hines and its affiliates for the periods indicated below:

	Incurred				Unpaid as of	
	Three Months Ended June 30,		Six Months Ended June 30,			
Type and Recipient	2015	2014	2015	2014	June 30, 2015	December 31, 2014
Selling Commissions- Dealer Manager	$ 1,938,836	$ —	$ 3,319,480	$ —	$ 18,122	$ —
Dealer Manager Fee- Dealer Manager	837,296	—	1,446,395	—	(8,741)	10,323
Issuer and Organization Costs- the Advisor	883,010	—	1,848,513	—	3,421,864	4,153,388
Acquisition Fee- the Advisor and affiliates of Hines	—	—	2,327,715	—	408,259	570,375
Asset Management Fee- the Advisor and affiliates of Hines [1]	251,841	—	251,841	—	252,084	—
Other [2] - the Advisor	119,724	—	449,150	—	85,258	365,960
Interest Expense- Hines[3]	206,321	—	431,337	—	6,587	20,328
Property Management Fee- Hines	11,600	—	23,200	—	—	—
Expense Reimbursement- Hines (with respect to management and operations of the Company's properties)	85,812	—	120,308	—	53,475	93,260
Due to Affiliates					$ 4,236,908	$ 5,213,634

(1) The Company's Advisor has agreed to waive asset management fees for certain quarters in 2015 to the extent that the Company's modified funds from operations ("MFFO") is less than the Company's distributions declared for each respective quarter. Since MFFO exceeded distributions declared to the Company's stockholders during the three months ended June 30, 2015, no asset management fees were waived by the Advisor for this period. However, the Advisor waived $129,524 in asset management fees payable to it during the three months ended March 31, 2015. No asset management fees were payable to the Advisor for the three and six months ended June 30, 2014.

(2) Includes amounts the Advisor paid on behalf of the Company such as general and administrative expenses and acquisition-related expenses. These amounts are generally reimbursed to the Advisor during the month following the period in which they are incurred.

(3) Includes amounts paid related to the Hines Credit Facility.

9. FAIR VALUE MEASUREMENTS

As described in Note 6 — Derivative Instruments, the Company entered into an interest rate cap agreement as an economic hedge against the variability of future interest rates on one of its variable interest rate borrowings. The valuation of this derivative instrument is determined based on assumptions that management believes market participants would use in pricing, using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flow of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the interest rate cap agreement has been determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

Although the Company has determined the majority of the inputs used to value its interest rate cap agreement fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivative utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparty, Chatham Financial Corporation. In adjusting the fair value of its derivative contract for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees. However, as of June 30, 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not

significant to the overall valuation of its derivative. As a result, the Company has determined its derivative valuation is classified in Level 2 of the fair value hierarchy.

The following table sets forth the Company's derivative which was measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2015:

		Basis of Fair Value Measurements		
Period	Fair Value of Assets (Liabilities)	Quoted Prices In Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2015				
Interest rate caps	$ 32,544	$ —	$ 32,544	$ —

Other Items

Financial Instruments Fair Value Disclosures

Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

As of June 30, 2015, the Company estimated that the book value of its notes payable approximates its fair value. Other financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, restricted cash, tenant and other receivables, accounts payable and accrued expenses, other liabilities, due to affiliates and distributions payable. The carrying value of these items reasonably approximates their fair value based on their highly-liquid nature and/or short-term maturities. Due to the short-term nature of these instruments, Level 1 inputs are utilized to estimate the fair value of the cash and cash equivalents and restricted cash and Level 2 inputs are utilized to estimate the fair value of the remaining financial instruments.

10. REPORTABLE SEGMENTS

As described previously, the Company intends to invest the net proceeds from the Offering in a diversified portfolio of quality commercial real estate properties and other real estate investments throughout the United States and internationally. Management evaluates the operating performance of each of its real estate investments individually and considers each investment to be an operating segment. Management expects to aggregate all of its operating segments into two reportable segments, primarily based on the location of each segment. As a result, the Company's operating segments have been classified into one of two reportable segments: domestic real estate investments and international real estate investments. As a result, the Company's operating segments have been reclassified into one of two reportable segments: domestic real estate investments and international real estate investments.

The tables below provide additional information related to each of the Company's segments and a reconciliation to the Company's net loss, as applicable. "Corporate-Level Accounts" includes amounts incurred by the corporate-level entities which are not allocated to any of the reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Total Revenue				
Domestic real estate investments	$ 600,573	$ —	$ 1,196,306	$ —
International real estate investments	2,094,817	—	2,744,411	—
Total Revenue	$ 2,695,390	$ —	$ 3,940,717	$ —

For the three and six months ended June 30, 2015 and 2014, the Company's total revenue was attributable to the following countries:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Total Revenue				
United States	22%	—%	30%	—%
Ireland	78%	—%	70%	—%

For the three and six months ended June 30, 2015 and 2014, the Company's property revenues in excess of expenses by segment were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Property revenues in excess of expenses [(1)]				
Domestic real estate investments	$ 449,628	$ —	$ 849,746	$ —
International real estate investments	1,592,630	—	2,078,468	—
Property revenues in excess of expenses	$ 2,042,258	$ —	$ 2,928,214	$ —

(1) Revenues less property operating expenses, real property taxes and property management fees.

As of June 30, 2015 and December 31, 2014, the Company's total assets by segment were as follows:

	June 30, 2015	December 31, 2014
Total Assets		
Domestic real estate investments	$ 25,027,573	$ 25,388,181
International real estate investments	109,139,575	—
Corporate-level accounts	1,625,432	3,162,633
Total Assets	$ 135,792,580	$ 28,550,814

As of June 30, 2015 and December 31, 2014, the Company's total assets were attributable to the following countries:

	June 30, 2015	December 31, 2014
Total Assets		
United States	20%	100%
Ireland	80%	—%

For the three and six months ended June 30, 2015 and 2014 the Company's reconciliation to the Company's net loss is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Reconciliation to net income (loss)				
Total property revenues in excess of expenses	$ 2,042,258	$ —	$ 2,928,214	$ —
Depreciation and amortization	(1,211,059)	—	(1,837,837)	—
Acquisition related expenses	(105,527)	—	(2,667,536)	—
Asset management and acquisition fees	(251,841)	—	(2,579,556)	—
General and administrative expenses	(332,237)	—	(741,693)	—
Gain (loss) on derivatives	12,170	—	(14,511)	—
Foreign currency gains (losses)	—	—	(234)	—
Interest expense	(445,031)	—	(746,568)	—
Interest income	157	—	2,048	—
Net income (loss)	$ (291,110)	$ —	$ (5,657,673)	$ —

11. COMMITMENTS AND CONTINGENCIES

The Company may be subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on the Company's condensed consolidated financial statements.

12. SUBSEQUENT EVENTS

Class T Common Shares

On August 6, 2015, the Company supplemented its Articles of Incorporation to reclassify 900,000,000 authorized but unissued shares of Class A common stock, $0.001 par value per share, ("Class A Shares") as Class T common stock, $0.001 par value per share, ("Class T Shares"). As a result of this reclassification, the total number of Class A Shares and Class T Shares which the Company has authority to issue are 600,000,000 and 900,000,000, respectively. Pursuant to the Company's prospectus dated August 12, 2015, the Company is now offering up to $2,500,000,000 in any combination of Class A Shares and Class T Shares at a price of $10.00 per Class A Share and $9.4489 per Class T Share for sale to the public in the Offering and shares pursuant to the Company's distribution reinvestment plan at a price of $9.50 per Class A Share and $9.00 per Class T Share.

Domain Apartments

In July 2015, the Company entered into a contract to acquire the Domain Apartments, a multifamily asset located in Las Vegas, Nevada. The Domain Apartments were constructed in 2014 and consist of 308 apartments that are 95% leased. The contract purchase price for the Domain Apartments is expected to be approximately $59.5 million, exclusive of transaction costs and working capital reserves. The Company expects the closing of this acquisition to occur during the third quarter of 2015, subject to a number of closing conditions. The Company funded a $1.5 million earnest money deposit on July 13, 2015. There is no guarantee that this acquisition will be consummated nor that third-party financing will obtained. If the Company were to elect not to close after August 21, 2015, the Company's deposit may not be refundable.

*****

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto included in Item 1 in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with our audited consolidated financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act"), as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as amended. Such statements include statements concerning future financial performance and distributions, future debt and financing levels, acquisitions and investment objectives, payments to Hines Global REIT II Advisors LP (the "Advisor"), and its affiliates and other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto as well as all other statements that are not historical statements. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events or our investments and results of operations could differ materially from those expressed or implied in forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements included in this Quarterly Report on Form 10-Q are based on our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, the availability of future financing and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Any of the assumptions underlying forward-looking statements could prove to be inaccurate. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, pay distributions to our shareholders and maintain the value of any real estate investments and real estate-related investments in which we may hold an interest in the future, may be significantly hindered.

The following are some of the risks and uncertainties, which could cause actual results to differ materially from those presented in certain forward-looking statements:

- Our current offering is a best efforts offering and as such, the risk that we will not be able to accomplish our business objectives and that the poor performance of a single investment will materially adversely affect our overall investment performance, will increase if only a small number of shares are purchased in the offering;
- Whether we will have the opportunity to invest offering and distribution reinvestment plan proceeds to acquire properties or other investments or whether such proceeds will be needed to redeem shares or for other purposes, and if proceeds are available for investment, our ability to make such investments in a timely manner and at appropriate amounts that provide acceptable returns;
- Competition for tenants and real estate investment opportunities, including competition with Hines Global REIT, Inc. and other programs sponsored by or affiliated with Hines Interests Limited Partnership ("Hines");
- Our reliance on our Advisor, Hines and affiliates of Hines for our day-to-day operations and the selection of real estate investments, and our Advisor's ability to attract and retain high-quality personnel who can provide service at a level acceptable to us;
- Risks associated with conflicts of interests that result from our relationship with our Advisor and Hines, as well as conflicts of interests certain of our officers and directors face relating to the positions they hold with other entities;
- The potential need to fund tenant improvements, lease-up costs or other capital expenditures, as well as increases in property operating expenses and costs of compliance with environmental matters or discovery of previously undetected environmentally hazardous or other undetected adverse conditions at our properties;
- The availability and timing of distributions we may pay is uncertain and cannot be assured;

- Our distributions have been paid using cash flows from financing activities, including proceeds from our public offering, as well as cash from the waiver of fees by our Advisor, and some or all of the distributions we pay in the future may be paid from similar sources or sources such as cash advances by our Advisor, cash resulting from a waiver or deferral of fees, borrowings and/or proceeds from the offering. When we pay distributions from sources other than our cash flow from operations, we will have less funds available for the acquisition of properties, and your overall return may be reduced;
- Risks associated with debt and our ability to secure financing;
- Risks associated with adverse changes in general economic or local market conditions, including terrorist attacks and other acts of violence, which may affect the markets in which we and our tenants operate;
- Catastrophic events, such as hurricanes, earthquakes, tornadoes and terrorist attacks; and our ability to secure adequate insurance at reasonable and appropriate rates;
- The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments;
- Changes in governmental, tax, real estate and zoning laws and regulations and the related costs of compliance and increases in our administrative operating expenses, including expenses associated with operating as a public company;
- International investment risks, including the burden of complying with a wide variety of foreign laws and the uncertainty of such laws, the tax treatment of transaction structures, political and economic instability, foreign currency fluctuations, and inflation and governmental measures to curb inflation may adversely affect our operations and our ability to make distributions;
- The lack of liquidity associated with our assets; and
- Our ability to qualify as a real estate investment trust ("REIT") for federal income tax purposes.

These risks are more fully discussed in, and all forward-looking statements should be read in light of, all of the risk factors discussed in "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014.

You are cautioned not to place undue reliance on any forward-looking statements included in this Quarterly Report on Form 10-Q. All forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and the risk that actual results will differ materially from the expectations expressed in this Quarterly Report on Form 10-Q may increase with the passage of time. In light of the significant uncertainties inherent in the forward-looking statements included in this Quarterly Report on Form 10-Q, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this Quarterly Report on Form 10-Q will be achieved. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. Each forward-looking statement speaks only as of the date of the particular statement, and we do not undertake to update any forward-looking statement.

Executive Summary

Hines Global REIT II, Inc. ("Hines Global II" and, together with its consolidated subsidiaries, "we," "us" or the "Company") was formed in July 2013 to invest in a diversified portfolio of quality commercial real estate properties and other real estate investments located throughout the United States and internationally. In August 2014, we commenced a $2.5 billion initial public offering of our common stock (the "Offering"). As of June 30, 2015, we had raised sufficient offering proceeds to satisfy the minimum offering requirements for the Offering with respect to all states other than Pennsylvania. We will not accept subscriptions from Pennsylvania residents until we have received at least $100.0 million in aggregate gross proceeds from investors in the Offering who are not Pennsylvania residents. As of August 10, 2015, we had received gross offering proceeds of $63.4 million from the sale of approximately 6.4 million Class A common shares. See "Subsequent Events" below regarding the amendment to our initial registration statement to offer a combination of Class A shares of common stock, par value $0.001 per share, ("Class A Shares") and Class T shares of common stock, par value $0.001 per share, ("Class T Shares"), which was declared effective by the SEC on August 12, 2015.

Our cash flow from operations has been and may continue to be insufficient to fund distributions to stockholders. We may choose to use advances, deferrals or waivers of fees, if available, from our Advisor or affiliates, borrowings and/or proceeds of the Offering or other sources to fund distributions to our stockholders. Our Advisor has agreed to waive the asset management fees otherwise payable to it for each of the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, to the extent that our modified funds from operations ("MFFO") for such quarters, as disclosed in our Quarterly Report on Form 10-

Q, for the respective quarter, amounts to less than 100% of the aggregate distributions declared to our stockholders for each respective quarter. There can be no assurances that our Advisor will continue this waiver, and if not, cash available to pay distributions in future periods may be reduced. As a result of this waiver, our Advisor waived $129,524 of asset management fees payable to it during the three months ended March 31, 2015. However, because MFFO exceeded distributions declared to our stockholders during the three months ended June 30, 2015, no asset management fees were waived for this period.

We intend to meet our primary investment objectives by investing in a portfolio of real estate properties and other real estate investments that related to properties that are generally diversified by geographic area, lease expirations and tenant industries. The following table provides additional information regarding each of the properties in which we owned an interest as of June 30, 2015.

Property [1]	Location	Investment Type	Date Acquired/ Net Purchase Price (in millions) [2]	Estimated Going-in Capitalization Rate [3]	Leasable Square Feet	Percent Leased
2819 Loker Avenue East	Carlsbad, California	Industrial	12/2014; $25.4	6.5%	161,310	100%
Bishop's Square	Dublin, Ireland	Office	3/2015; $103.2	6.1%	153,529	99%
Total for All Investments					314,839	99%

(1) On June 30, 2015, we effectively owned a 99.6% interest in these properties through our ownership interest in the Operating Partnership as its sole general partner. Hines Global REIT II Associates Limited Partnership ("HALP II"), an affiliate of Hines, owned the remaining 0.4% interest in the Operating Partnership.

(2) The net purchase price for Bishop's Square was denominated in Euros and has been translated at an exchange rate based on the rate in effect on the acquisition date.

(3) The estimated going-in capitalization rate is determined as of the date of acquisition by dividing the projected property revenues in excess of expenses for the first fiscal year by the net purchase price (excluding closing costs and taxes). Property revenues in excess of expenses includes all projected operating revenues (rental income, tenant reimbursements, parking and any other property-related income) less all projected operating expenses (property operating and maintenance expenses, property taxes, insurance and property management fees). The projected property revenues in excess of expenses includes assumptions which may not be indicative of the actual future performance of the property, including the assumption that the tenants will perform under their lease agreements during the 12 months following our acquisition of the properties.

Critical Accounting Policies

Each of our critical accounting policies involves the use of estimates that require management to make assumptions that are subjective in nature. Management relies on its experience, collects historical and current market data, and analyzes these assumptions in order to arrive at what it believes to be reasonable estimates. In addition, application of these accounting policies involves the exercise of judgments regarding assumptions as to future uncertainties. Actual results could materially differ from these estimates. For a discussion of recent accounting pronouncements, see Note 2 — Summary of Significant Accounting Policies, to the accompanying condensed consolidated financial statements. Also, a disclosure of our critical accounting policies is included in our Annual Report on Form 10-K for the year ended December 31, 2014 in Management's Discussion and Analysis of Financial Condition and Results of Operations. There have been no significant changes to our policies during 2015.

Financial Condition, Liquidity and Capital Resources

Our principal demands for funds are to purchase real estate properties and make other real estate investments, for the payment of operating expenses and distributions, and for the payment of principal and interest on any indebtedness we incur. Generally, we expect to meet operating cash needs from our cash flows from operating activities, and we expect to meet cash needs for acquisitions and investments from the net proceeds of the Offering and from debt proceeds.

We expect that once we have fully invested the proceeds of the Offering and other potential subsequent offerings, our debt financing, including our pro rata share of the debt financing of entities in which we invest, will be in the range of approximately 40% to 60% of the aggregate value of our real estate investments and other assets. Financing for acquisitions and investments may be obtained at the time an asset is acquired or an investment is made or at such later time as determined to be appropriate. In addition, debt financing may be used from time to time for property improvements, lease inducements, tenant improvements and other working capital needs. Additionally, the amount of debt placed on an individual property or

related to a particular investment, including our pro rata share of the amount of debt incurred by an individual entity in which we invest, may be less than 40% or more than 60% of the value of such property/investment or the value of the assets owned by such entity, depending on market conditions and other factors. Our aggregate borrowings, secured and unsecured, must be reasonable in relation to our net assets and must be reviewed by our board of directors at least quarterly.

Our charter limits our borrowing to 300% of our net assets (which approximates 75% of the cost of our assets) unless any excess borrowing is approved by a majority of our independent directors and is disclosed to our stockholders in our next quarterly report along with justification for the excess. Our independent directors have approved borrowings in excess of these limitations in connection with our first two investments, as we are in the early stages of raising capital through the Offering. In January 2015, our board of directors, including all of our independent directors, approved $45.2 million of additional borrowings under the Hines Credit Facility and a €55.2 million secured credit facility ($62.1 million using $1.12 per Euro as of the transaction date) for the purchase of Bishop's Square in March 2015. In total, these borrowings represent approximately 104% of the cost of Bishop's Square based on the contract purchase price. As of June 30, 2015, our portfolio was approximately 68% leveraged based on the value of our real estate investments.

Notwithstanding the above, depending on market conditions and other factors, we may choose not to place debt on our portfolio or our assets and may choose not to borrow to finance our operations or to acquire properties. Any indebtedness we do incur will likely be subject to continuing covenants, and we will likely be required to make continuing representations and warranties about our Company in connection with such debt. Moreover, some or all of our debt may be secured by some or all of our assets. If we default in the payment of interest or principal on any such debt, breach any representation or warranty in connection with any borrowing or violate any covenant in any loan document, our lender may accelerate the maturity of such debt requiring us to immediately repay all outstanding principal. If we are unable to make such payment, our lender could foreclose on our assets that are pledged as collateral to such lender. The lender could also sue us or force us into bankruptcy. Any such event would have a material adverse effect on the value of an investment in our common shares.

The discussions below provide additional details regarding our cash flows. There were no cash flows related to the six months ended June 30, 2014.

Cash Flows from Operating Activities

Our real estate properties generate cash flow in the form of rental revenues, which are used to pay direct leasing costs, property-level operating expenses and interest payments. Property-level operating expenses consist primarily of salaries and wages of property management personnel, utilities, cleaning, insurance, security and building maintenance costs, property management and leasing fees, and property taxes. Additionally, we incur general and administrative expenses, acquisition fees and expenses and asset management fees.

Net cash used in operating activities for the six months ended June 30, 2015 was $3.9 million. Net cash provided by operating activities was reduced by the payment of acquisition fees and acquisition-related expenses totaling $5.2 million for the six months ended June 30, 2015. Under GAAP, acquisition fees and expenses and acquisition-related expenses are expensed and therefore reduce cash flows from operating activities. However, we fund these expenses with proceeds from our offering and/or acquisition-related indebtedness.

Cash Flows from Investing Activities

Net cash used in investing activities was primarily due to the payment of $102.7 million related to the acquisition of Bishop's Square and its related lease intangibles in March 2015.

Cash Flows from Financing Activities

Initial Public Offering

We commenced the Offering in August 2014 and met our minimum offering requirements for every state, except Pennsylvania, in September 2014 (March 2015 with respect to the state of Washington). During the six months ended June 30, 2015, we raised proceeds of $48.4 million from the Offering, excluding proceeds from the distribution reinvestment plan.

In addition to the investing activities described previously, we use proceeds from the Offering to make certain payments to our Advisor, our Dealer Manager and Hines and their affiliates during the various phases of our organization and operation. During the organization and offering stage, these include payments to our Dealer Manager for selling commissions and the

dealer manager fee and payments to our Advisor for reimbursement of issuer costs. During the six months ended June 30, 2015, we made payments of $7.3 million for selling commissions, dealer manager fees and issuer costs related to the Offering.

Distributions

Our board of directors authorized us to declare distributions for the period from October 1, 2014 through August 31, 2015. Distributions for shares of our common stock have been or will be calculated based on stockholders of record each day in an amount equal to $0.001575342 per Class A Share, per day. All distributions were or 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 following the completion of the month to which they relate. Distributions paid to stockholders (including those reinvested in shares pursuant to our distribution reinvestment plan) during the three and six months ended June 30, 2015 were $425,152 and $503,716, respectively.

In addition to the distributions described above, our board of directors has authorized special stock dividends as of daily record dates for the period from October 1, 2014 through June 30, 2015. Stock dividends for our common stock were calculated based on stockholders of record each day in an amount equal to 0.0000273973 of a Class A Share per share, per day. Shares issued related to our stock dividends were issued on the first business day of the month following the quarter to which they related.

We have not generated sufficient cash flow from operations to fully fund distributions paid. Therefore, particularly in the earlier part of the Offering, some or all of our distributions have been and may continue to be paid from other sources, such as proceeds from our debt financings, proceeds from the Offering, cash advances by our Advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets. For example, for the six months ended June 30, 2015, we funded 79% of total distributions with cash flows from operating activities and 21% were funded with cash flows from financing activities, which includes offering proceeds. Our Advisor has agreed to waive asset management fees for each of the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, to the extent that our MFFO is less than our distributions declared for each of the respective quarters. Since MFFO exceeded distributions declared to our stockholders during the three months ended June 30, 2015, no asset management fees were waived by our Advisor for this period. However, our Advisor waived $129,524 in asset management fees payable to it during the three months ended March 31, 2015. We have not placed a cap on the amount of our distributions that may be paid from any of these sources.

Cash Distributions

The following table outlines our total cash distributions declared to stockholders and noncontrolling interests (HALP II) for each of the quarters during 2015 and the quarter ended December 31, 2014, including the breakout between the distributions declared in cash and those reinvested pursuant to our distribution reinvestment plan.

	Stockholders			Noncontrolling Interests	Sources			
Distributions for the Three Months Ended	**Cash Distributions**	**Distributions Reinvested**	**Total Declared**	**Total Declared**	**Cash Flows From Operating Activities**		**Cash Flows From Financing Activities**	
2015								
June 30, 2015	$ 279,432	$ 287,799	$ 567,231	$ 3,027	$ 570,258	100%	$ —	—%
March 31, 2015	91,135	58,691	149,826	2,993	—	—%	152,819	100%
Total	$ 370,567	$ 346,490	$ 717,057	$ 6,020	$ 570,258	79%	$ 152,819	21%
2014								
December 31, 2014	$ 40,377	$ 1,841	$ 42,218	$ 3,060	$ —	—%	$ 45,278	100%
Total	$ 40,377	$ 1,841	$ 42,218	$ 3,060	$ —	—%	$ 45,278	—%

Stock Dividends

The following table outlines our total special stock dividends declared to stockholders:

		Stockholders	
Dividends for the Three Months Ended	**Issuance Date**	**Shares**	**Amount [1]**
June 30, 2015	7/1/2015	9,866	$ 98,663
March 31, 2015	4/1/2015	2,604	$ 26,037
December 31, 2014	1/1/2015	737	$ 7,367

(1) Amount based on $10.00 per share Offering price.

Debt Financings

As mentioned previously, our portfolio was 68% leveraged based on the value of our real estate investments as of June 30, 2015 with a weighted average interest rate of 1.56%. Below is additional information regarding our loan activities for the six months ended June 30, 2015. See Note 5 — Debt Financing for additional information regarding our outstanding debt.

- We entered into $61.8 million of permanent mortgage financing and borrowed $50.3 million under our Hines Credit Facility related to the acquisition of Bishop's Square for a net purchase price of $103.2 million.
- We made payments of $43.8 million on our Hines Credit Facility using net proceeds from our public offering.
- We made payments of $625,876 for financing costs related to our loans and $47,876 related to an interest rate cap purchased to cap the variable interest rate on our borrowing secured by Bishop's Square.

Results of Operations

Our results of operations for the three and six months ended June 30, 2015 are not indicative of those expected in future periods as we did not meet our minimum offering requirements until September 2014 (or March 2015 with respect to Washington and have not met our minimum offering requirements with respect to Pennsylvania) and did not make our first real estate investment until December 2014. We completed our second acquisition on March 3, 2015. Amounts recorded in our consolidated statements of operations for the three and six months ended June 30, 2015 are due to the following:

- Total revenues, property operating expenses, real property taxes, property management fees, depreciation and amortization, and interest expense relate to the operation of 2819 Loker Avenue East and Bishop's Square.

- Acquisition-related expenses represent costs incurred on properties we have acquired and those which we may acquire in future periods. $2.0 million of the acquisition-related expenses incurred during the six months ended June 30, 2015 relate to Stamp Duty taxes incurred as a result of the acquisition of Bishop's Square in March 2015.

- We expect to pay monthly asset management fees to our Advisor based on an annual fee equal to 0.75% of the cost of our real estate investments. As described previously, our Advisor agreed to waive asset management fees for the quarters ending March 31, 2015, June 30, 2015 and September 30, 2015 to the extent that our MFFO is less than our distributions declared for each respective quarter. However, since MFFO exceeded distributions declared to our stockholders during the three months ended June 30, 2015, no asset management fees were waived by our Advisor for this period. Our Advisor waived $129,524 in asset management fees payable to it during the three months ended March 31, 2015.

- We pay our Advisor acquisition fees equal to 2.25% of the purchase price of our real estate investments. Acquisition fees for the six months ended June 30, 2015 are comprised of the $2.3 million acquisition fee paid in relation to our acquisition of Bishop's Square in March 2015. We did not incur any acquisition fees during the three months ended June 30, 2015.

- General and administrative expenses for the three and six months ended June 30, 2015 primarily consist of legal and accounting fees, costs and expenses associated with our board of directors, and insurance costs. Certain of these costs are variable and will increase in the future as we continue to raise capital and make additional real estate investments.

- We have entered into an interest rate cap agreement as an economic hedge against the variability of future interest rates on one of our variable interest rate borrowings. We have not designated this contract as a hedge for accounting purposes. Changes in the fair value of this interest rate cap resulted in a gain of $12,170 and a loss of $14,511 during the three and six months ended June 30, 2015, respectively, and are recorded in our condensed consolidated statement of operations and comprehensive income (loss).

- Total income attributable to noncontrolling interests for the three and six months ended June 30, 2015 relates to our allocation of our net loss to HALP II based on its ownership in the Operating Partnership.

Funds from Operations and Modified Funds from Operations

Funds from Operations ("FFO") is a non-GAAP financial performance measure defined by the National Association of Real Estate Investment Trusts ("NAREIT") and is widely recognized by investors and analysts as one measure of operating performance of a real estate company. FFO excludes items such as real estate depreciation and amortization. Depreciation and amortization, as applied in accordance with GAAP, implicitly assumes that the value of real estate assets diminishes predictably over time and also assumes that such assets are adequately maintained and renovated as required in order to maintain their value. Since real estate values have historically risen or fallen with market conditions such as occupancy rates, rental rates, inflation, interest rates, the business cycle, unemployment and consumer spending, it is management's view, and we believe the view of many industry investors and analysts, that the presentation of operating results for real estate companies using historical cost accounting alone is insufficient. In addition, FFO excludes gains and losses from the sale of real estate and impairment charges related to depreciable real estate assets and in-substance real estate equity investments, which we believe provides management and investors with a helpful additional measure of the historical performance of our real estate portfolio, as it allows for comparisons, year to year, that reflect the impact on operations from trends in items such as occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs. A property will be evaluated for impairment if events or circumstances indicate that the carrying amount may not be recoverable (i.e. the carrying amount exceeds the total estimated undiscounted future cash flows from the property). Undiscounted future cash flows are based on anticipated operating performance, including estimated future net rental and lease revenues, net proceeds on the sale of the property, and certain other ancillary cash flows. While impairment charges are excluded from the calculation of FFO as described above, stockholders are cautioned that due to the limited term of our operations, it could be difficult to recover any impairment charges.

In addition to FFO, management uses MFFO, as defined by the Investment Program Association, (the "IPA"), as a non-GAAP supplemental financial performance measure to evaluate our operating performance. The IPA has recommended the use of MFFO as a supplemental measure for publicly registered, non-listed REITs to enhance the assessment of the operating performance of a non-listed REIT. MFFO is not equivalent to our net income or loss as determined under GAAP, and MFFO may not be useful as a measure of the long-term operating performance of our investments or as a comparative measure to other publicly registered, non-listed REITs if we do not continue to operate with a limited life and targeted exit strategy, as currently intended and described herein. MFFO includes funds generated by the operations of our real estate investments and funds used in our corporate-level operations. MFFO is based on FFO, but includes certain additional adjustments which we believe are appropriate. Such items include reversing the effects of straight-line rent revenue recognition, fair value adjustments to derivative instruments that do not qualify for hedge accounting treatment and certain other items as described below. Some of these adjustments are necessary to address changes in the accounting and reporting rules under GAAP such as the accounting for acquisition-related expenses from a capitalization/depreciation model to an expensed-as-incurred model that were put into effect in 2009 and other changes to GAAP rules for real estate subsequent to the establishment of NAREIT's definition of FFO. These changes in the accounting and reporting rules under GAAP affected all industries, and as a result of these changes, acquisition fees and expenses are typically accounted for as operating expenses under GAAP. Management believes these fees and expenses do not affect our overall long-term operating performance. These changes also have prompted a significant increase in the magnitude of non-cash and non-operating items included in FFO, as defined. Such items include amortization of out-of-market lease intangible assets and liabilities and certain tenant incentives.

Other adjustments included in MFFO are necessary to address issues that are common to publicly registered, non-listed REITs. Publicly registered, non-listed REITs typically have a significant amount of acquisition activity and are substantially more dynamic during their initial years of investment and operations. While other start-up entities may also experience significant acquisition activity during their initial years, we believe that non-listed REITs like us are unique in that they have a limited life with targeted exit strategies within a relatively limited time frame after the acquisition activity ceases. We will use the proceeds raised in our offerings to make real estate investments, and intend to begin the process of considering our alternatives for the execution of a Liquidity Event (i.e., a sale of our assets, our sale or merger, a listing of our shares on a national securities exchange, or another similar transaction) eight to ten years following the commencement of the Offering. Thus, as a limited life REIT we will not continuously purchase assets and will have a limited life.

The purchase of properties, and the corresponding expenses associated with that process, including acquisition fees and expenses, is a key operational feature of our business plan to generate operational income and cash flows in order to make distributions to our stockholders. MFFO excludes acquisition fees payable to our Advisor and acquisition expenses. Under GAAP, acquisition fees and expenses are characterized as operating expenses in determining operating net income. These expenses are paid in cash by us, and therefore such funds will not be available to distribute to our stockholders. All paid and accrued acquisition fees and expenses with respect to the acquisition of a property negatively impact our operating performance during the period in which the property is acquired and will have negative effects on returns to our stockholders, the potential for future distributions, and future cash flows, unless earnings from operations or net sales proceeds from the disposition of other properties are generated to cover the purchase price of the property, the related acquisition fees and expenses and other costs related to such property. In addition, if we acquire a property after all offering proceeds from the Offering have been invested, there will not be any offering proceeds to pay the corresponding acquisition-related costs. Accordingly, unless our Advisor determines to waive the payment of any then-outstanding acquisition-related costs otherwise payable to our Advisor, such costs will be paid from additional debt, operational earnings or cash flow, net proceeds from the sale of properties, or ancillary cash flows. Therefore, MFFO may not be an accurate indicator of our operating performance, especially during periods in which properties are being acquired. Since MFFO excludes acquisition fees and expenses, MFFO would only be comparable to the operations of non-listed REITs that have completed their acquisition activity and have other similar operating characteristics.

Management uses MFFO to evaluate the financial performance of our investment portfolio, including the impact of potential future investments. In addition, management uses MFFO to evaluate and establish our distribution policy and the sustainability thereof. Further, we believe MFFO is one of several measures that may be useful to investors in evaluating the potential performance of our portfolio following the conclusion of the acquisition phase, as it excludes acquisition fees and expenses, as described herein.

MFFO has limitations as a performance measure in an offering such as ours where the price of a share of common stock is a stated value and there is no net asset value determination during the offering stage and for a period thereafter. MFFO is useful in assisting management and investors in assessing the sustainability (that is, the capacity to continue to be maintained) of operating performance in future operating periods, and in particular, after the offering and acquisition stages are complete and net asset value is disclosed. MFFO is not a useful measure in evaluating net asset value because impairments are taken into account in determining net asset value but not in determining MFFO.

FFO and MFFO should not be construed to be more relevant or accurate than the current GAAP methodology in calculating net income or in its applicability in evaluating our operating performance. In addition, FFO and MFFO should not be considered as alternatives to net income (loss) or income (loss) from continuing operations as an indication of our performance or as alternatives to cash flows from operating activities as an indication of our liquidity, but rather should be reviewed in conjunction with these and other GAAP measurements. Further, FFO and MFFO are not intended to be used as liquidity measures indicative of cash flow available to fund our cash needs, including our ability to make distributions to our stockholders. Please see the limitations listed below associated with the use of MFFO:

- As we are currently in the acquisition phase of our life cycle, acquisition costs and other adjustments that are increases to MFFO are, and may continue to be, a significant use of cash and dilutive to the value of an investment in our shares.

- MFFO excludes acquisition fees payable to our Advisor and acquisition expenses. Although these amounts reduce net income, we generally fund such costs with proceeds from our offering and/or acquisition-related indebtedness and do not consider these fees and expenses in the evaluation of our operating performance and determining MFFO.

- We use an interest rate cap as an economic hedge against the variability of interest rates on one of our variable interest rate borrowings. Although we expect to hold this instrument to maturity, if we were to settle this instrument currently, it would have an impact on our operating performance. Additionally, this derivative instrument is measured at fair value on a quarterly basis in accordance with GAAP. MFFO excludes gains (losses) related to changes in the estimated value of our derivative instrument because such adjustments may not be reflective of ongoing operations and may reflect unrealized impacts on our operating performance.

- We utilize the definition of FFO as set forth by NAREIT and the definition of MFFO as set forth by the IPA. Our FFO and MFFO as presented may not be comparable to amounts calculated by other REITs, if they use different approaches.

- Our business is subject to volatility in the real estate markets and general economic conditions, and adverse changes in those conditions could have a material adverse impact on our business, results of operations and MFFO. Accordingly, the predictive nature of MFFO is uncertain and past performance may not be indicative of future results.

Neither the SEC, NAREIT nor any regulatory body has passed judgment on the acceptability of the adjustments that we use to calculate FFO or MFFO. In the future, the SEC, NAREIT or a regulatory body may decide to standardize the allowable adjustments across the non-listed REIT industry and we would have to adjust our calculation and characterization of FFO or MFFO.

The following section presents our calculation of FFO and MFFO attributable to common stockholders and provides additional information related to our operations for the three and six months ended June 30, 2015 and the period from inception through June 30, 2015. As we are in the capital raising and acquisition phase of our operations, FFO and MFFO are not useful in comparing operations for the periods presented below. We expect revenues and expenses to increase in future periods as we raise additional offering proceeds and use them to acquire additional investments.

	Three months ended June 30, 2015	Six Months Ended June 30, 2015	Period from July 31, 2013 (date of inception) through June 30, 2015
Net income (loss)	$ (291,110)	$ (5,657,673)	$ (6,985,341)
Depreciation and amortization [1]	1,211,059	1,837,837	1,887,126
Adjustments for noncontrolling interests [2]	(439)	38,901	223,485
Funds From Operations attributable to common stockholders	919,510	(3,780,935)	(4,874,730)
Loss (gain) on derivative instruments [3]	(12,170)	14,511	14,511
Other components of revenues and expenses [4]	(269,660)	(409,645)	(415,540)
Acquisition fees and expenses [5]	105,527	4,995,251	5,694,080
Adjustments for noncontrolling interests [2]	83	(39,560)	(72,682)
Modified Funds From Operations attributable to common stockholders	$ 743,290	$ 779,622	$ 345,639
Basic and diluted loss per common share	$ (0.07)	$ (2.18)	$ (9.09)
Funds From Operations attributable to common stockholders per common share	$ 0.23	$ (1.46)	$ (6.51)
Modified Funds From Operations attributable to common stockholders per common share	$ 0.18	$ 0.30	$ 0.46
Weighted average shares outstanding	4,051,587	2,592,589	748,688

Notes to the table:

(1) Represents the depreciation and amortization of real estate assets. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that such depreciation and amortization may be of limited relevance in evaluating current operating performance and, as such, these items are excluded from our determination of FFO.

(2) Includes income attributable to noncontrolling interests and all adjustments to eliminate the noncontrolling interests' share of the adjustments to convert our net loss to FFO and MFFO.

(3) Represents components of net income (loss) related to the estimated changes in the values of our interest rate contract derivative. We have excluded this change in value from our evaluation of our operating performance and MFFO because such adjustments may not be reflective of our ongoing performance and may reflect unrealized impacts on our operating performance.

(4) Includes the following components of revenues and expenses that we do not consider in evaluating our operating performance and determining MFFO for the three and six months ended June 30, 2015 and the period from inception through June 30, 2015:

	Three months ended June 30, 2015	Six Months Ended June 30, 2015	Period from July 31, 2013 (date of inception) through June 30, 2015
Straight-line rent adjustment [(a)]	$ (173,400)	$ (280,067)	$ (285,962)
Amortization of out-of-market leases [(b)]	(96,260)	(129,578)	(129,578)
	$ (269,660)	$ (409,645)	$ (415,540)

(a) Represents the adjustments to rental revenue as required by GAAP to recognize minimum lease payments on a straight-line basis over the respective lease terms. We have excluded these adjustments from our evaluation of our operating performance and in determining MFFO because we believe that the rent that is billable during the current period is a more relevant measure of our operating performance for such period.

(b) Represents the amortization of out-of-market leases.

(5) Represents acquisition expenses and acquisition fees paid to our Advisor that are expensed in our condensed consolidated statements of operations. We fund such costs with proceeds from our offering and/or acquisition-related indebtedness, and therefore do not consider these expenses in evaluating our operating performance and determining MFFO.

As noted previously, our cash flows from operations have been and may continue to be insufficient to fund distributions to stockholders. We may continue to choose to use proceeds from our debt financings, proceeds from the Offering, cash advances from our Advisor, cash resulting from a waiver or deferral of fees and/or proceeds from the sale of assets to fund distributions to our stockholders. For the six months ended June 30, 2015, we funded 79% of total distributions with cash flows from operating activities and 21% were funded with cash flows from financing activities, which includes offering proceeds. Additionally, our Advisor waived $129,524 in asset management fees payable to it during the three months ended March 31, 2015. However, since MFFO exceeded distributions declared to our stockholders during the three months ended June 30, 2015, no asset management fees were waived by our Advisor for this period. We have not placed a cap on the amount of our distributions that may be paid from sources other than cash flows from operations, including proceeds from our debt financings, proceeds from the Offering, cash advances by our Advisor and cash resulting from a waiver or deferral of fees.

From inception through June 30, 2015, we declared cash distributions (including those reinvested in shares pursuant to our distribution reinvestment plan) to our stockholders totaling $759,275, compared to our total aggregate FFO loss of $4.9 million. During our offering and investment stages, we incur acquisition fees and expenses in connection with our real estate investments, which are recorded as reductions to net income (loss) and FFO. From inception through June 30, 2015, we incurred acquisition fees and expenses totaling $5.7 million. For the six months ended June 30, 2015, we declared cash distributions (including those reinvested in shares pursuant to our distribution reinvestment plan) to our stockholders totaling $717,057, compared to our total aggregate FFO loss of $3.8 million.

Related-Party Transactions and Agreements

We have entered into agreements with our Advisor, Dealer Manager and Hines or its affiliates, whereby we pay certain fees and reimbursements to these entities during the various phases of our organization and operation. During the organization and offering stage, these include payments to our Dealer Manager for selling commissions, the dealer manager fee and payments to our Advisor for reimbursement of issuer costs. During the acquisition and operational stages, these include payments for certain services related to acquisitions, financing and management of our investments and operations provided to us by our Advisor and Hines and its affiliates pursuant to various agreements we have entered into with these entities. See Note 8 — Related Party Transactions in this Quarterly Report on Form 10-Q for additional information concerning our related-party transactions.

Off-Balance Sheet Arrangements

As of June 30, 2015 and December 31, 2014, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Subsequent Events

Class T Common Shares

On August 6, 2015, we supplemented our Articles of Incorporation to reclassify 900,000,000 authorized but unissued Class A Shares as Class T Shares. As a result of this reclassification, the total number of Class A Shares and Class T Shares which we have authority to issue are 600,000,000 and 900,000,000, respectively. Pursuant to our prospectus dated August 12, 2015, we are now offering up to $2.5 billion in any combination of Class A Shares and Class T Shares at a price of $10.00 per Class A Share and $9.4489 per Class T Share for sale to the public in the Offering and shares pursuant to our distribution reinvestment plan at a price of $9.50 per Class A Share and $9.00 per Class T Share.

Domain Apartments

In July 2015, we entered into a contract to acquire the Domain Apartments, a multifamily asset located in Las Vegas, Nevada. The Domain Apartments were constructed in 2014 and consist of 308 apartments that are 95% leased. The contract purchase price for the Domain Apartments is expected to be approximately $59.5 million, exclusive of transaction costs and working capital reserves. We expect the closing of this acquisition to occur during the third quarter of 2015, subject to a number of closing conditions. We funded a $1.5 million earnest money deposit on July 13, 2015. There is no guarantee that this acquisition will be consummated nor that third-party financing will obtained. If we were to elect not to close after August 21, 2015, our deposit may not be refundable.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market-sensitive instruments. In pursuing our business plan, we believe that interest rate risk, currency risk and real estate valuation risk are the primary market risks to which we are or will be exposed. As of June 30, 2015, we were exposed to the market risks described below.

Interest Rate Risk

We are exposed to the effects of interest rate changes primarily as a result of debt used to maintain liquidity and fund expansion of our real estate investment portfolio and operations. As of June 30, 2015, we had $92.0 million of variable-rate debt outstanding. If interest rates were to increase by 1%, we would incur an additional $919,566 in interest expense. Additionally, we have a notional amount of approximately $61.2 million in an interest rate cap to cap our variable-rate debt related to the Bishop's Square Facility. See Note 5 — Debt Financing in the Notes to the Condensed Consolidated Financial Statements for more information concerning our outstanding debt.

Foreign Currency Risk

We currently have a real estate investment located in Dublin, Ireland which is subject to the effects of exchange rate movements between the Euro and the U.S. dollar, which may affect future costs and cash flows as well as amounts translated into U.S. dollars for inclusion in our condensed consolidated financial statements. We have entered into a mortgage loan denominated in Euros for this investment, which provides a natural hedge with regard to changes in exchange rates between the Euro and U.S. dollar and reduces our exposure to exchange rate differences. Additionally, we are typically a net receiver of Euros, and, as a result, our foreign operations benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar. Based upon our analysis, a 10% immediate, unfavorable change in the exchange rate between the Euro and U.S. dollar would have decreased the net book value or our investment in Bishop's Square by approximately $4.5 million and would have reduced the year-to-date net income (loss) of Bishop's Square by $258,156.

Other Risks

As described elsewhere in this Quarterly Report on Form 10-Q, our Advisor has agreed to waive asset management fees otherwise payable to it for each of the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, to the extent that our MFFO for such quarters, as disclosed in our Quarterly Report on Form 10-Q for each respective quarter, amounts to less than 100% of the aggregate distributions declared to our stockholders for each respective quarter. There can be no assurances that our Advisor will continue this waiver, and if not, cash available to pay distributions in future periods may be reduced.

We invest proceeds we receive from our public offerings in short-term, highly-liquid investments until we use such funds to make real estate investments. Although we do not expect that income we earn on these temporary investments will be substantial, our earnings will be subject to the fluctuations of interest rates and their effect on these investments.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2015, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Change in Internal Controls

No changes have occurred in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II- OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time in the ordinary course of business, the Company or its subsidiaries may become subject to legal proceedings, claims or disputes. As of August 13, 2015, neither the Company nor any of its subsidiaries was a party to any material pending legal proceedings.

Item 1A. *Risk Factors*

We are subject to a number of risks and uncertainties, which are discussed in Part I, Item 1A, “Risk Factors” in our 2014 Annual Report on Form 10-K for the year ended December 31, 2014. There are no material changes from the risk factors set forth under Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

During the three months ended June 30, 2015, we did not sell or issue any equity securities that were not registered under the Securities Act of 1933, as amended.

Use of Proceeds from Registered Securities

On August 20, 2014, the Registration Statement on Form S-11 (File No. 333-191106) for the Offering was declared effective under the Securities Act of 1933. The Offering commenced on August 20, 2014 and is currently expected to terminate on or before August 20, 2016, unless extended by our board of directors.

From August 20, 2014 through June 30, 2015, we received gross proceeds of approximately $52.7 million through the sale of 5.3 million Class A shares to the public in connection with the Offering. Since August 20, 2014, we have used proceeds from the Offering to pay $4.8 million of selling commissions and dealer manager fees and $2.6 million of issuer costs related to the Offering. The selling commissions and dealer manager fees were not paid with respect to the shares sold through our distribution reinvestment plan. The selling commissions and dealer manager fees were paid to our dealer manager, which is an affiliate of Hines and is wholly-owned, indirectly, by, or for the benefit of, our Chairman, Jeffrey C. Hines and his father, Gerald D. Hines.

Net proceeds available for investment after the payment of the costs described above were approximately $45.0 million. A portion of these proceeds, along with proceeds from debt financing, were used to make approximately $73.0 million of investments in real estate, including the cost of completing the acquisitions of 2819 Loker Avenue East and Bishop’s Square, acquisition fees and expenses and costs of leveraging each real estate investment. We also used these proceeds to make payments of $44.2 million, including principal and interest, on our Hines Credit Facility. We also used $1.5 million in offering proceeds to fund general and administrative expenses and to provide working capital for our real estate investments. We had approximately $1.3 million in uninvested offering proceeds as of June 30, 2015.

Additionally, we have not generated sufficient cash flow from operations to fully fund distributions paid. As of June 30, 2015, as discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition, Liquidity and Capital Resources — Distributions" 79% of our distributions were funded with cash flows from operating activities and 21% were funded with cash flows from financing activities, which includes offering proceeds.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

Not applicable.

Item 6. ***Exhibits***

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

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 thereunto duly authorized.

HINES GLOBAL REIT II, INC.

August 13, 2015	By:	/s/ Sherri W. Schugart
		Sherri W. Schugart
		President and Chief Executive Officer
August 13, 2015	By:	/s/ Ryan T. Sims
		Ryan T. Sims
		Chief Financial Officer and Secretary

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Articles of Amendment and Restatement of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Pre- Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, File No. 333-191106 (the "Registration Statement") on August 15, 2014 and incorporated by reference herein)
3.2	Articles Supplementary of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Post-Effective Amendment No. 1 to the Registration Statement on December 12, 2014 and incorporated by reference herein)
3.3	Amended and Restated Bylaws of Hines Global REIT II, Inc. (filed as Exhibit 3.2 to Pre-Effective Amendment No. 5 to the Registration Statement on August 15, 2014 and incorporated by reference herein)
3.4	Articles Supplementary of Hines Global REIT II, Inc. (filed as Exhibit 3.1 to Post-Effective Amendment No. 6 to the Registration Statement on August 12, 2015 and incorporated by reference herein)
4.1	Forms of Subscription Agreement (filed as Appendix B-1 and Appendix B-2 to the Prospectus included in Pre-Effective Amendment No. 1 to Post-Effective Amendment No. 5 to the Registration Statement on August 7, 2015 and incorporated by reference herein)
4.2	Hines Global REIT II, Inc. Distribution Reinvestment Plan (filed as Appendix C to the Prospectus included in Pre-Effective Amendment No. 1 to Post-Effective Amendment No. 5 to the Registration Statement on August 7, 2015 and incorporated by reference herein)
31.1*	Certification
31.2*	Certification
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Pursuant to SEC Release 34-47551 this Exhibit is furnished to the SEC herewith and shall not be deemed to be "filed."
101*	The following materials from Hines Global REIT II, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed on August 13, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Equity (Deficit), (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.

* Filed herewith

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Sherri W. Schugart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hines Global REIT II, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. intentionally omitted;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 13, 2015

By: /s/ Sherri W. Schugart
Sherri W. Schugart
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Ryan T. Sims, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hines Global REIT II, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. intentionally omitted;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 13, 2015

By: /s/ Ryan T. Sims
Ryan T. Sims
Chief Financial Officer and Secretary

EXHIBIT 32.1

WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Hines Global REIT II, Inc. (the "Company"), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each hereby certifies that to his/her knowledge, on the date hereof:

(a) the Form 10-Q of the Company for the quarterly period ended June 30, 2015 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section l3(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2015

/s/ Sherri W. Schugart

Sherri W. Schugart

President and Chief Executive Officer

Date: August 13, 2015

/s/ Ryan T. Sims

Ryan T. Sims

Chief Financial Officer and Secretary