CLEAR INVESTMENT GROUP
MONTHLY NEWSLETTER

COLUMBUS, OH

Clear Investment Group plans to close on 70-unit expansion in Columbus, OH on Sept 4.

This 70-unit portfolio will increase the Fund's presence in a Midwest growth market. It is approximately 1.3 miles from the current Columbus property and will be an easy operational addition to the existing portfolio in this geography. The property is being acquired at just over $50,700 per door, which is well below market comparables.

We continue to underwrite and submit LOIs for deals across the country, though we remain bullish on expanding in Columbus. Just this month, we have received an accepted LOI on 724 units in Columbus. This is in preliminary stages and we are beginning our due diligence process.

COFI PIPELINE

Based on the final capital raise of Clear Opportunities Fund I and projected equity deployment, we anticipate two additional portfolios will round out this first Fund.

We aim to be under contract on at least one additional portfolio by the end of Q3, and the final asset by either year end or in Q1 2025.

SHREVEPORT, LA

Our target continues to be listing the property for sale prior to the end of 2024. A doubling of efforts on leasing pace to strengthen occupancy during Q3 will be an important factor in assessing whether the asset will reach market occupancy prior to or contemporaneously with the end of the calendar year.

Our marketing team has developed a preliminary OM, and our in-house broker has begun pitching the asset as an off-market opportunity to value-add buyers.

We have two new General Contractors hired to execute the remaining CapEx, enabling us to reach target occupancy by Q4. We will await results of our effort to increase occupancy and complete capital projects before a more formal marketing plan is released – tentatively in Q4.

SYRACUSE, NY

The Metropolitan at 753 James Street in Syracuse is set to reopen in the near future. We are thrilled to welcome tenants to the space, which has been entirely remodeled with updated units, modern security systems, a refreshed lobby, brand new elevators and more.

The underlying value of the asset and high demand for workforce housing in Syracuse is showcased in the new leases that are being signed at our other Syracuse properties. New leases signed 2024 YTD have, on average, exceeded the originally modeled market rates by 17%. Of new leases signed in Q2, they averaged +22% above originally modeled market rates.

MULTIFAMILY TRENDS

The multifamily sector remained a bright spot in Q2, with strong demand absorbing a record high 390,000 units over the past year. New supply growth, however, continues to outpace demand, with over 500,000 market-rate units delivered in the past 12 months - the highest level since 1986. As a result, the national vacancy rate held flat at 5.7% in Q2.

Effective rents grew a modest 0.3% during the quarter, and rose just 0.8% year-over-year. Rents are still 0.6% below their peak levels recorded last fall, with the gap between asking and effective rents widening to over $90 - the highest level on record, indicating greater concessions.

The Fund is invested in many markets that are bucking these trends. Columbus and Syracuse top the list of growth markets: these two cities boasted the highest year-over-year rent growth (in excess of 20%).

Overall, Q2 data points to a multifamily market that is navigating the challenging macro environment reasonably well; buoyed by strong fundamentals and demand.

RECESSIONARY CONCERNS & PENDING RATE CUTS

Recent economic indicators and shifts in market sentiment are aligning towards an increasingly probable federal funds rate cut in September 2024. The Federal Reserve's latest data suggests that inflationary pressures have significantly moderated, with the Consumer Price Index (CPI) declining below the 3% threshold. Concurrently, labor market metrics indicate a deceleration in employment growth, prompting concerns about the prolonged restrictive monetary stance's potential to exacerbate economic deceleration. At the Jackson Hole Economic Symposium, Fed Chair Jerome Powell alluded to a possible policy shift, reinforcing the views of several Federal Open Market Committee (FOMC) members who perceive a September rate cut as both necessary and imminent.

The market is now factoring in a higher likelihood of a rate reduction, with expectations coalescing around a potential cut at the September FOMC meeting. The current federal funds rate, maintained at 5.25-5.50%, represents a historically elevated level intended to subdue inflation. However, the persistence of a restrictive monetary policy amidst declining inflation and softening economic indicators is now being scrutinized. A reduction in rates is anticipated to begin the process of recalibrating monetary conditions to foster economic stability, potentially initiating a series of cuts throughout the latter part of 2024.

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