

ANNUAL REPORT 22



**JARA
CAPITAL**
PARTNERS

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JARA CAPITAL AT A GLANCE

Jara Capital is a multi-family real estate investment management firm dedicated to providing the utmost value to our investors, tenants, and the communities we serve. Our team is comprised of seasoned professionals with over 15 years of experience in the real estate industry.

We specialize in identifying and acquiring multi-family properties with significant potential for value-add and long-term appreciation. We are committed to providing our investors with high-quality real estate investment opportunities that are designed to maximize returns while minimizing risk.

We partner with the everyday investor to build wealth and enjoy real estate benefits by investing together on direct multifamily apartments. Through experience, creativity, and integrity, we aspire to deliver extra value for our investors and positively impact the communities we serve.

Our investment strategy is based on a deep understanding of the real estate market and the drivers of value in the multi-family sector. We focus on identifying properties that are undervalued or under performing and implementing a comprehensive renovation and repositioning plan to maximize their potential.

Our team has a proven track record of success in identifying, acquiring, and managing multi-family properties. We leverage our experience, expertise, and network of industry relationships to source off-market deals and negotiate favorable terms for our investors. At Jara Capital, we are committed to transparency and integrity in all of our dealings. We believe that open communication and a collaborative approach are essential to building long-term relationships with our investors and stakeholders.

We exist to build wealth with the everyday investor by partnering together on direct multifamily real estate investment.

Our Vision

Our vision is to be the most trusted real estate investment firm with over 10,000 apartment units under management and serving in the best interest of our stakeholders.

Our Mission

Help the everyday investor to build wealth and enjoy real estate benefits by partnering together on direct multi-family apartment investments.

Our Culture and Values

We pride ourselves on a service culture that is built upon a strong sense of shared purpose, core principles, and an unwavering dedication to delivering exceptional value. These values are at the heart of our business, shaping the way we operate and interact with our clients.



Integrity



Excellence



Prudence



**Customer
Obsession**



**Deliver
Extra**

2022 YEAR IN SUMMARY

In 2022, our real estate portfolio continued to grow with assets under management reaching \$1,000,000 and assets under contract totaling \$800,000. We acquired four new units with a combined square footage of 5,884 Sq FT. Additionally, we were active in expanding our knowledge and networks by attending real estate events. Pictures of us at these events can be found on the next page.

**\$ 800
Thousand**

**Assets Under
Contract**

\$ 1 Million

**Assets Under
Management**

4 Units

**5,884
Sq FT**





MF IN MULTIFAMILY
INVESTOR
NETWORK

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FOUNDERS' MESSAGE

Dear Valued Investors

This is the first of many annual letters where we discuss current market and investment conditions, our real estate investment strategy, sales and marketing initiatives, capital fundraising and most importantly, our Grayson Alpha Townhome acquisition.

KEY HIGHLIGHTS

Half a million dollars in soft commitments raised from families, friends and LP investors.

Built an experienced Jara Capital team

Launched jaracapital.com

Grayson Alpha Acquisition

We are excited to share and delve deeper into each key highlight while sharing our vision and mission for why Jara Capital exists.

Jara Capital's raison d'être is to help the everyday investor build wealth and enjoy real estate benefits by partnering on direct multi-family apartment and real estate investment opportunities. With our vision to be the most trusted real estate investment company with over 10,000 apartments units under management and serving in the best interests of all stakeholders and shareholders, we hope to deliver consistent cash flows and equity returns to our investors. Our vision is undergirded by our five core values:

Integrity: We believe that trust is the foundational layer for a strong business. In order to earn trust, we will listen attentively, speak candidly and treat all respectfully. We will be fully transparent in all business dealings with investors, partners, tenants, and the community as a whole.

Excellence: We believe that excellence is not about the state of perfection, but about being a state of continuous improvement in providing exceptional returns for our investors and memorable experiences for our tenants. We will not cut corners!

Prudence: We believe that being prudent means that we effectively manage our investors' financial capital like our own. Hence, every investment decision made and capital deployed would be centered around firm investment principles that would return more with less.

Customer Obsession: We believe that obsession over our customers including tenants, investors and all stakeholders would be instrumental in building a world class company. We shall stay close to our customers,

understand their needs and provide value to them. Keeping the people first is our mantra.

Deliver Extra: We believe that taking care of all our stakeholders is our duty. We seek to over deliver in our commitments and partnerships. We call this the Jara Effect.

These 5 core values would enable us to not only meet tenant expectations by providing them with a great housing experience, but also meet investor expectations by delivering great results.

Jara Capital Investment Strategy

Even though market conditions keep changing and finding the best place to invest capital has been quite an arduous task, Jara Capital's investment strategy hasn't changed. We look for multifamily properties in great locations with valued-add components and huge prospects for rental growth. We pride ourselves with finding great properties which are undervalued and/or above replacement cost. Our target market is Dallas Fort Worth. According to the United States Census Bureau, Dallas Fort Worth is considered one of the fastest growing metro areas in America.

With tremendous population growth, huge capital investments by companies including Texas Instruments, Universal Parks and Resorts, and others, this makes DFW a favorable market for multifamily real estate investment. We do, however, have a strong consideration for secondary markets outside the DFW region.

In short, our investment strategy is undergirded by the proven BRRR strategy, where we buy the property, renovate to bring up to community standards, raise rents to market value, and refinance out to drive value to our investors. This proven strategy would enable us drive value and exceptional returns for our investors.

We started 2022 with three bold business initiatives:

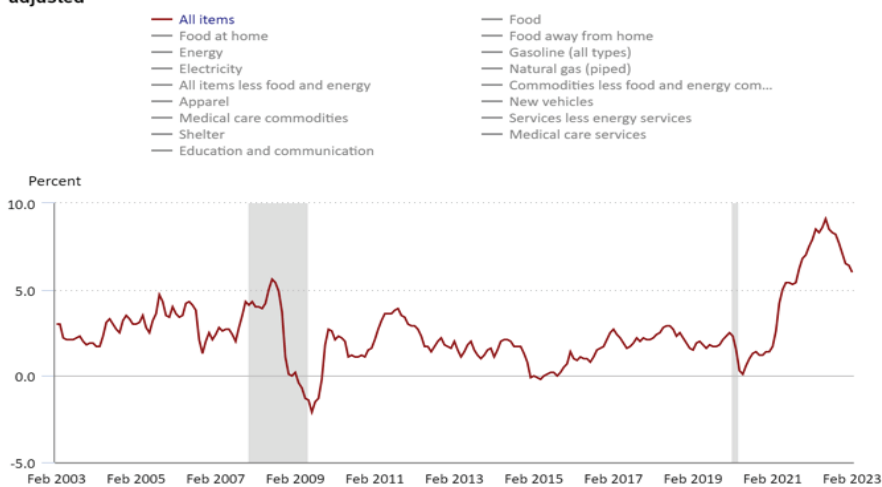
- To secure a multifamily property
- To raise half a million dollars of capital
- To develop and officially launch Jara Capital
- Website

We are proud to announce that we were able to execute on the aforementioned business initiatives.

Market And Investment Conditions

We began 2022 facing historically high inflation rates largely driven by an energy price increase of 7.3 percent from December 2021 to December 2022 according to the bureau of labor and statistics consumer price index report. “Fuel oil prices increased 41.5 percent from 2021 to 2022, approximately the same increase as the previous year”.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



This propelled the federal reserve to massively tighten to prevent inflation from running amok. With Fed funds rates increased 7 times within the 2022 calendar year, this led to increasing cost of capital for businesses and financial services companies and rising mortgage rates which certainly had massive impact on Commercial Real Estate (CRE) investments.

With rising interest and mortgage rates, most CRE investors were forced to sit on the sidelines and wait for both the affordability market and financing market to improve. This has led to cap rates in certain markets to increase even though cap rates are still historically low post pandemic. There are certain markets, however, that remain extremely competitive given strong demographics inflows from other cities

including New York, California and Washington into Texas, Florida, North Carolina. Low housing inventories for single family homes and rising population have boosted strong demand for apartment units. This has made multifamily apartments one of the best asset class for investment.

In short, when one objectively analyzes the tragic situation with Ukraine/Russian war, sticky inflation, rising interest rates, financial stock market plummeting day by day to bad news of the federal government increasing rates, investors are jittery and feeling the pressure to deliver 1.5x to 2x returns which are extremely hard to find these days. However, we do see multifamily as one of the best vehicles for investments which have proven to be stable and solid in an erratic investment world.

Sales And Marketing Strategy

Real Estate investing comprises three main segments: Acquisition, Financing and Operations. Finding and acquiring the deal is considered one of the most important aspects of real estate investing. Here at Jara Capital, we leverage direct mailing and broker relationships to find the best deals in the market. Last year, we mailed over six thousand direct letters to prospective property owners across the DFW region. We also explored and made investment of time and resources to the secondary and tertiary markets including Hood, Parker, Johnson, Ellis, Kaufman counties to name a few.

This provided us with the breadth and scale to connect with small mom and pop real estate investors who had a stronger propensity to sell and larger real estate investment firms who were reluctant about selling their prized investments. Even though we made several contacts to motivated sellers, none of the deal sourced through the direct mailer channel met our investment criteria and metrics. This was because, most if not all of the investors were looking for ridiculous valuations on their properties which were not in line with market fundamentals.

We firmly believe that as interest rates continuously rise and other financing instruments including bridge loans, variable interest rates loans, construction loans come due, real estate owners would come to realize that they need to substantially reduce their price, else face tremendous pressure to refinance on the loan making it close to impossible to servicing their debt service coverage ratio (DSR).

According to Overwatch Fund, a real estate private equity firm in Dallas Texas, they expect more opportunities to hit the market later this year as adverse conditions drive more property owners into the seller pool. We share in this sentiment.

“Be greedy, when others are fearful”

- Warren Buffet



Grayson Alpha Acquisition

In Q4 of 2022, we acquired a 4-unit townhome in the thriving neighborhood of Fort Worth. This brand-new construction was a major factor in our decision in acquiring the property. With best-in-class amenities, a modern look, and increasing working-class population growth in this area, this property has huge prospects to attract top-quality tenants and provide a strong return on investment for the company.

Location was also a key factor in this acquisition. The property is situated in a great location within the downtown Fort Worth area, with easy access to shopping, dining, and entertainment options.

The proximity to major employers, high-ranking college institutions, and transportation makes it an attractive option for potential tenants. The neighborhood itself is also thriving, with a mix of new residential and commercial developments. This adds to the overall appeal of the property and the potential for continued growth in the area.

Overall, the Dallas-Fort Worth Metro area is a growth market with a current population of 7.8 million residents and a projected growth rate of close to 1.5% per annum, a strong economy, and a high demand for rental properties. We are confident that this acquisition will be successful as our first investment.





Team Building and Real Estate Networking

One of the most important factors in building a successful and a thriving company is recruiting a strong team. Our team is composed of an Asset Manager & Consulting Partner, Tax Manager, Legal, Compliance and Syndication Advisor and a Property Manager. This team is led by seasoned professionals averaging over 15 plus years of real estate and multifamily apartment investing.

We seek their counsel on a daily basis and get insights from their vast knowledge about how to navigate erratic market conditions, underwrite against fundamental real estate principles, properly syndicate and stay compliant in all real estate transactions. This team would help us build a long-term focused, tenant driven real estate firm that will leverage technology and innovation to redefine the tenant experience and maximize return on investment for all investors.





Capital Fundraising Update – Fund 1

We finished 2022 raising over 750,000 dollars in soft investment commitment from close family, friends and other accredited investors.

This more than exceeded our initially stated goal of 500,000 dollars. The strong interest in our Fund I instilled the fact that investors

were searching for safe havens to invest their hard earned capital.

Real estate is an undeniable asset for investment given the high inflationary pressures and rising interest rates. We plan to invest this capital in great multifamily assets to provide great returns back to our investors.

Jara Capital 2023 Business Outlook

2023 for Jara Capital is the year of expansion. As we currently manage close to **US\$ 1 million in Assets Under Management (AUM)**, our goal is to expand that to **US\$ 5 AUM** by acquiring another multifamily unit ranging between **10 to 50 Units**.



This would provide us with the economies of scale to provide great returns to our investors. Furthermore, we are consistently investing in ourselves through education and real estate training programs and building strong relationships with CRE brokers, Financial Banks, etc by attending real estate conferences.

To quote one of the mantras in real estate, "Real estate is not a get rich quick scheme, but give rich for sure." We are in this for the long term with all our stakeholders to provide exceptional returns for our investors and redefine the apartment living experience for our tenants. We thank you for your support and feel free to contact us with any questions, ideas and concerns you may have.

Sincerely,

Caleb Solomon

Caleb Solomon

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