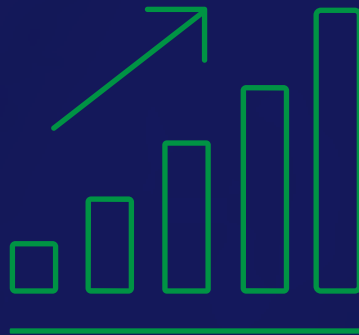




A YEAR OF
EXPANSION

ANNUAL
REPORT
2023





A YEAR OF **EXPANSION**

Expansion for JARA Capital is not merely a phase of growth but a strategic evolution designed to position us as a leading player in the real estate sector.

We are poised to deliver significant value to our investors, partners, and the communities we serve.

Our commitment to excellence, innovation, and sustainability will remain at the forefront of our operations, ensuring that Jara Capital continues to thrive in the competitive landscape of real estate investment.

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Toyib Morakinyo
Co-founder / Managing Director

Caleb Solomon
Co-founder / Managing Director

Message From Our Founders

To Our Stakeholders

Welcome to the second edition of our annual letter. In this letter, we delve into a spectrum of topics, including current macroeconomic conditions and their implications for multifamily and commercial real estate. We shine a light on Jara Capital's investments and financial performance, offering a transparent view into our endeavors. Additionally, we discuss our property management philosophy, emphasizing our commitment to excellence in tenant satisfaction and operational efficiency.

Furthermore, we are excited to introduce Jara Media, a platform dedicated to enriching minds and challenging perspectives. And last but not least, we provide our outlook for 2024, outlining our aspirations and strategic direction for the year ahead. Before delving into these discussions, we take a moment to reflect on the core principles that drive our existence and offer quick highlights of our investments.

When we founded Jara Capital in December 2021, our mission was clear: to help everyday investors build wealth through direct multi-family apartment investments. Our vision is to become the most trusted investment company,

managing over 10,000 commercial and residential units while always serving the best interests of our stakeholders and shareholders.

We began 2023 amidst erratic macroeconomic and geopolitical headwinds, including the persistent Russia-Ukraine war, sticky inflation, and a higher federal funds rate. Despite these challenges, we remained resolute in navigating these conditions to achieve our business goals. With **4 units and \$1,000,000 in assets under management under Grayson Alpha Homes**, we finished the year strong by stabilizing our asset with a **100% occupancy** rate and **100% on-time rent income collections** from our tenants.

Key Highlights



\$ 1 Million
Assets Under
Management



4 Units
5884 Square
Footage



4.97 Rating
Airbnb Guest
Experience



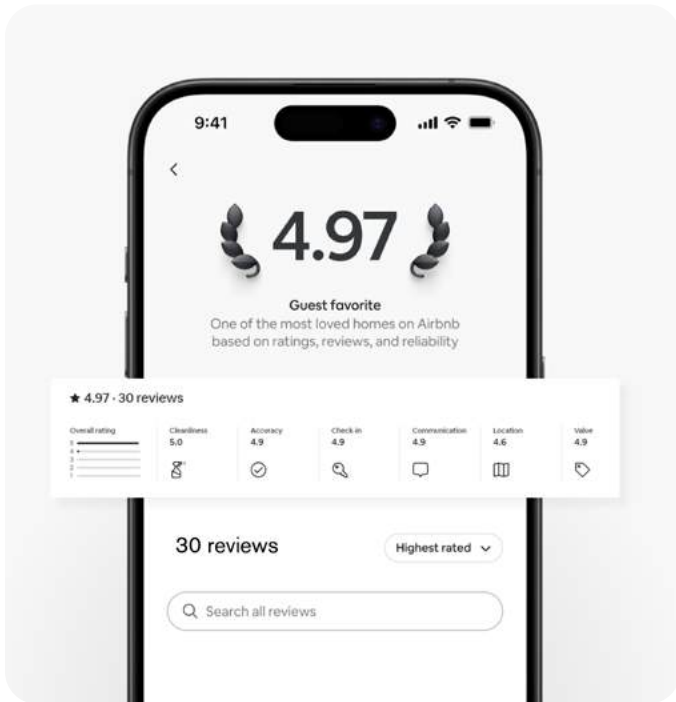
34 Guests
Airbnb Bookings



100%
Occupancy



11 Tenants



To maximize revenue and profitability for our business, we implemented a strategy that combined short-term rentals with long-term rentals. Of the four units we acquired, three are dedicated to long-term stays, providing stable and consistent rental income, while one unit is allocated for Airbnb rentals, offering flexibility and potential for higher returns.

At the end of 2023, **we had a total of 11 tenants, 55% of whom are female and 45% are male**, all of whom are low- to middle-income earners. **For our short-term rental**, we welcomed 34 guests while delivering exceptional guest experience. We earned a **4.97-star rating**, an incredibly high rating on a 5 star rating scale. This rating provided us leverage to drive pricing power in the neighborhood, generating more revenue for our business.



Anthony
Las Vegas, Nevada

★★★★★ · April 2024 · Stayed a few nights

The place was immaculate and well taken care of. Everything we needed was provided.



Peytan
6 years on Airbnb

★★★★★ · February 2024 · Group trip

We would happily stay here again next time we are in the area! Great house, great host, great stay!

The stabilization of our assets took time, including securing our first tenant five months after acquisition. This deliberate approach was essential in setting up robust systems for effective property management and meticulously vetting tenants. While this initially resulted in a negative net operating income (NOI) for the year, the final four months saw a positive NOI, demonstrating the effectiveness of our strategies. Nonetheless, our prudent financial management ensured we could service our debt efficiently, navigating the challenging real estate market with resilience and determination. To further strengthen our commitment and

conviction, earlier this year, we expanded our portfolio with an additional four-unit property, bringing our total to eight units and over \$2 million in assets under management by the close of the first half of 2024. We will delve into more detail about this acquisition in our 2024 outlook.

In conclusion, we are excited about the future of Jara Capital. We have ambitious plans ahead to expand our real estate portfolio. With our strong team and strong vision, we believe we can achieve our mission of helping everyday investors build wealth for themselves and their families.

Caleb Solomon

Caleb Solomon

Co-founder / Managing Director

Toyyib Morakinyo

Toyyib Morakinyo

Co-founder / Managing Director

Jara Capital is a value-driven Real Estate Investment company

We are 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 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.



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.

Mission

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

Purpose

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

The Honeymoon Is Over!

Before discussing our current macroeconomic conditions, I'd like to share a brief story. Once, a young lad named Joseph possessed a gift for interpreting dreams. One day, the king had a dream in which he saw seven skinny cows consuming seven healthy cows, and seven withered ears of corn swallowing seven plump ears of corn.

The king called upon his magicians to decode the dream, but they were unable to do so. Then, the king remembered Joseph's gift for interpreting dreams. Joseph explained that the dream meant that the king would have seven years of scarcity in the future, but first, he would enjoy seven years of abundance.

This story serves as a metaphor for the past seven years, from 2013 to 2020, of near zero interest rates, where the pursuit of growth often took precedence over fundamental analysis of business models. Fear of missing out (FOMO) overshadowed caution and careful capital deployment.

However, as we enter a new phase of sustained higher interest rates, investors and shareholders are demanding more from companies. They are now looking for businesses with disciplined missions, great management, and strong operations. Operational excellence, risk mitigation, and sustained profitability are now must-haves, not nice-to-have.

What led us to the era of higher interest rates?

In Q1 of 2022, inflation was estimated at 6.5%, prompting the Federal Reserve to aggressively tighten monetary policy by raising federal funds rates from 0.25% to 4.5% by the end of 2022. In 2023, the sustained rate hikes continued until the federal funds rate reached 5.25% to 5.50%, as inflation remained stubbornly high compared to historical levels and the 2% Federal Reserve target hadn't been met.

FOMC MEETING DATE	RATE CHANGE (BPS)	FEDERAL FUND RATE
JULY 26, 2023	+25	5.25% to 5.50%
MAY 3, 2023	+25	5.00% to 5.25%
MARCH 22, 2023	+25	4.75% to 5.00%
FEB 1, 2023	+25	4.50% to 4.75%
DEC 14, 2022	+50	4.25% to 4.50%
NOV 2, 2022	+75	3.75% to 4.00%
SEPT 21, 2022	+75	3.00% to 3.25%
JULY 27, 2022	+75	2.25% to 2.50%
JUNE 16, 2022	+75	1.50% to 1.75%
MAY 5, 2022	+50	0.75% to 1.00%
MARCH 2022	+50	0.25% to 0.50%

Higher federal funds rates led to several knock-on effects, starting with the collapse or regulatory intervention of four banks: Silvergate Bank, Silicon Valley Bank, Signature Bank, and First Republic Bank. These events signaled to other regional banks the need to strengthen their balance sheets and ensure that any investments made or capital provided to investors were subject to strenuous due diligence and solid business plans that would yield returns.

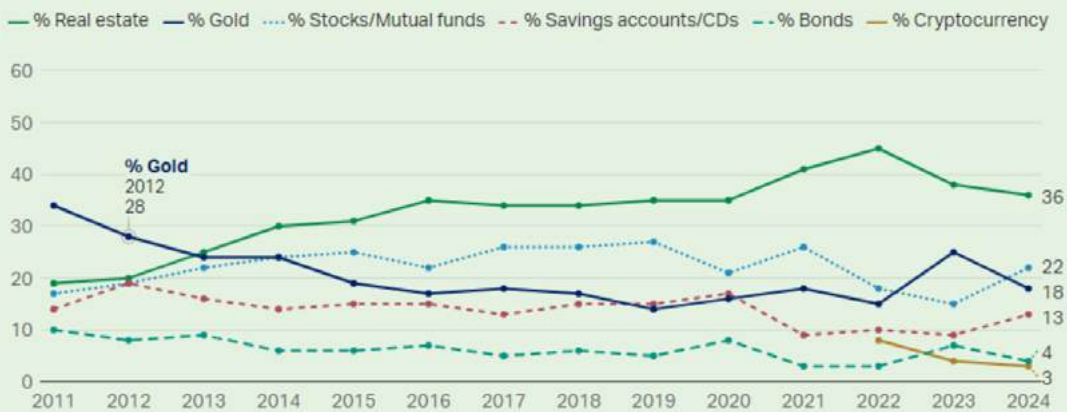
As a result, real estate investments and transactions saw a significant decline in multifamily apartment deals, with the number of transactions dropping by 50% and sales volume by 58% compared to the previous year, as reported by PropertyShark. In spite of these tough market dynamics, the average American continues to rank real estate as the best investment for the long term

among six options. This is due to a couple of factors including real estate acting as a hedge towards inflation, strong demand for the asset class, consistent appreciation over time, and tax incentives enabling the middle class Americans reap benefits to paying little to no taxes.

Hence, one of Jara Capital's tenets is to act as a trusted advisor to our prospective clients and partner with each of them on great properties in great locations that are managed efficiently to deliver returns back to our investors.

Americans' Perceptions of the Best Long-Term Investment

Which of the following do you think is the best long-term investment -- [bonds, real estate, savings accounts or CDs, stocks or mutual funds, gold (or) cryptocurrency]?



Note: 2022-2023 figures based on half-sample results that included cryptocurrency option. Prior reporting of these data gave the results from the half-sample that did not include cryptocurrency. Therefore, results for 2022-2023 here may differ slightly from those reported previously.

Get the data • Download image

GALLUP

Jara Capital's Pivotal Decision in 2023

In 2023, we made a strategic pivot to focus solely on the operations of our existing assets and less on new acquisitions. This decision was driven by the high cost of capital and financial institutions tightening their liquidity, seeking higher loan-to-value ratios. Additionally, the limited availability of creative financing options had complicated matters, with many investors holding onto their properties due to previously lower interest rates.

We executed our operational excellence strategy, leading to 100% occupancy in our 4 units, with a total of 11 tenants and 100% on-time rent income collections. Among our tenants, approximately 55% are female and 45% are male, ranging in age from 3 to 67 years old.

Throughout our acquisition process, we conducted thorough price discovery to set optimal pricing, adhered to Texas property landlord and tenant laws to define our prospective tenant profile, and established robust systems for on-boarding, rent collection, and seamless property management.

Speaking about property management, our philosophy is simple: to redefine the living

experience for our tenants. You may ask, what does this mean practically? One of our core values is being customer/tenant-obsessed. We strive to understand who our tenants are, what their needs are, and how best we can meet them. We believe this is our X factor in delivering extra value to our tenants.

Knowing the first and last names of our tenants is not enough; truly caring for them and celebrating their successes, birthdays, and anniversaries is imperative, especially in an age where the cost of tenant acquisition is rising despite low housing inventory and high demand for quality tenants. By implementing this policy, we firmly believe we will retain our tenants for a long time, ultimately impacting our net operating income and cash flows positively.

Our Strategic Partnerships

An essential component of advancing our vision is establishing strategic partnerships with key real estate players in the Dallas-Fort Worth area and beyond. One of our initial steps in forging these relationships was applying to the prestigious **2023 Project REAP Academy program** and being selected to participate. With a highly competitive acceptance rate, we were honored to join the program, granting us access to experienced real estate investors and operators such as Robert (Bob) Shibuya, the former Global Chief Executive for Cushman & Wakefield and the founder of Mohr Partners; Derrick Evers, CEO & Managing Partner of Kaizen Development Partners; John Ducey, SVP of Walker & Dunlop; and Jonathan Lapat of SRS Real Estate Partners.



Founder & CEO Mohr Partners



Derrick Evers, CEO & Managing Partners of Kaizen Development Partners





Project REAP, 2023 Spring Cohort



Furthermore, in early October 2023, we had the privilege of attending the Old Capital Conference in Dallas, a gathering tailored for multifamily property owners in the DFW and surrounding Texas regions. This event, which drew over 500 attendees, provided a platform to gain insights from industry experts, engage with lenders on the latest financing trends, and foster connections within the investment community. We were honored to have Neal Bawa grace the occasion, providing valuable insights into the multifamily real estate market, debt maturity challenges, rising cap rates, and more.

Our unwavering commitment to continuous improvement and learning remains a cornerstone of our company. The Old Capital Conference exemplified our dedication to staying at the forefront of the multifamily market, nurturing relationships, and staying informed to consistently act in the best interests of our investors.



Meet Our Growing Team

As Steve Jobs said, “Great things in business are never done by one person. They're done by a team of people.” We began this year by welcoming three new leaders to our operations team, each bringing valuable expertise and experience to Jara Capital.

As we continue to scale our business, our goal is to bring on board experienced team members across every facet of our operations to help drive value for our shareholders. We are honored to have Tyler, John, and Herera as part of our team and look forward to achieving great things together.





Tyler Kuplen

General Contractor

Tyler Kuplen, a recent graduate of Texas Christian University, joins us as our General Contractor. With over five years of property management and general contracting experience, Tyler recently founded Tyler's Home Repairs, where he assists customers with renovations, maintenance, and refurbishments. At Jara Capital, Tyler will oversee renovations, upgrades, and routine maintenance to ensure our properties remain in pristine condition.



Herrera

HVAC Contractor

Herrera, our HVAC contractor has over ten years of experience in HVAC maintenance and repair. Herrera will be responsible for all air conditioning maintenance and upkeep across our properties. His extensive knowledge and skills in addressing HVAC challenges will help us maintain a comfortable living environment for our tenants.



John Green

Casa Verde Home Services

John Green, the owner of Casa Verde Home Services, brings over five years of experience in refinishing traditional stainless steel surfaces for appliances, countertops, elevators, commercial kitchens, fireplace surrounds, and more. John will assist with the quarterly maintenance of all our appliances, ensuring they remain in optimal condition and under warranty. His expertise is a valuable addition as we expand our real estate portfolio.

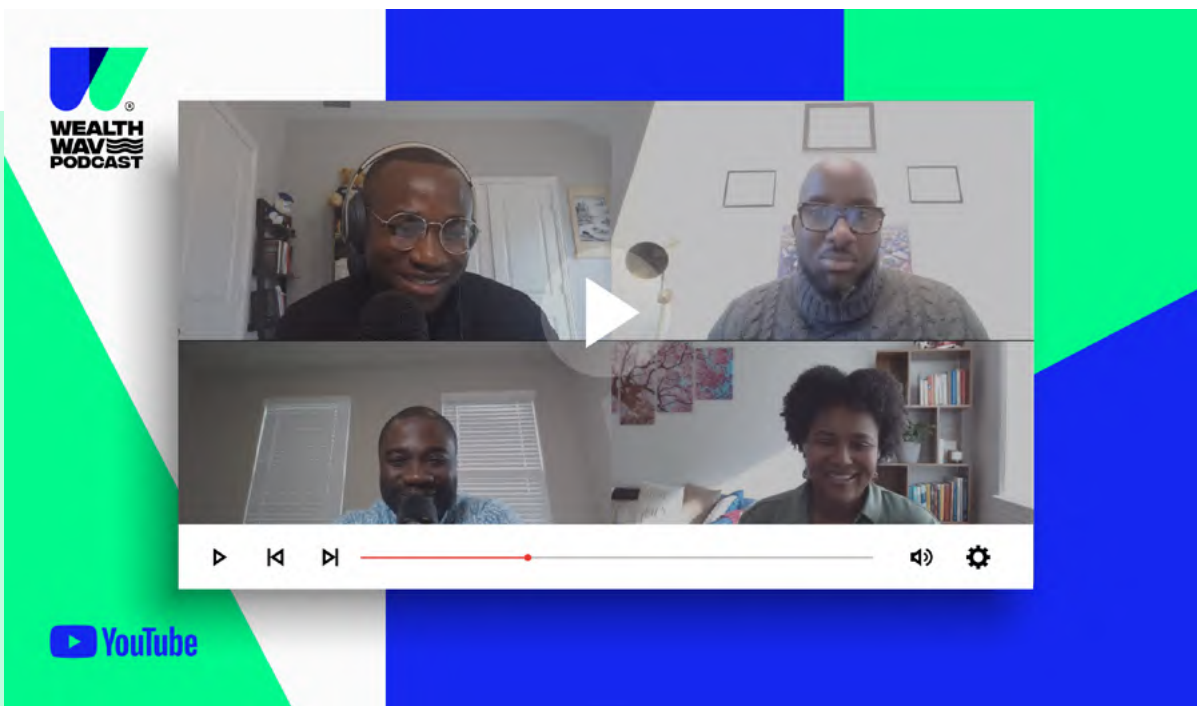
Jara Media Launch

Jara Media launched in Q4 of 2023 with the sole mission to **"Feed the Mind and Challenge the Times."** This initiative gave rise to our podcast, the Wealth Wave Podcast. Our podcast aims to provide insightful discussions on the economy, technology, and real estate markets.

Our primary goal is to educate, enlighten, and entertain our audience while inspiring them to take action. The podcast features everyday investors who are actively building wealth through real estate, sharing practical experiences on navigating current market conditions. We also periodically invite industry titans in real estate, technology,

and the economy to provide insights about the markets. Our podcast episodes are released biweekly, either on Friday evening or Saturday morning, with rotating guests.

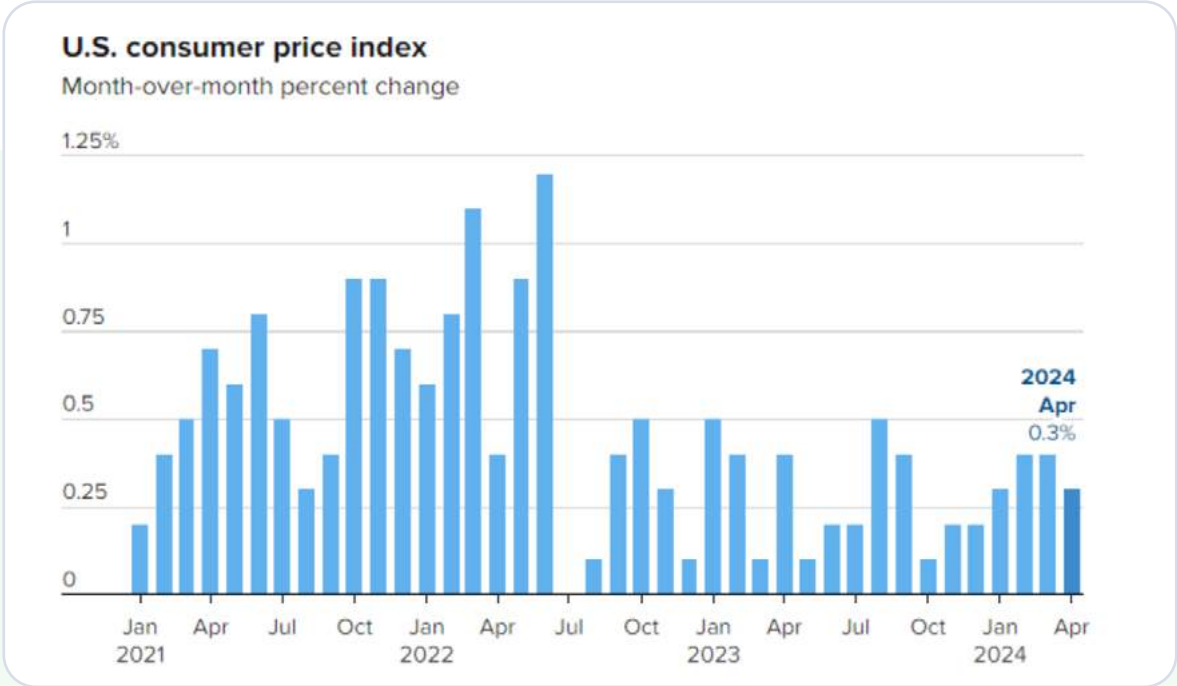
Thus far, we have released six episodes and have nearly **70 subscribers** who have organically joined our podcast community without any marketing expenditure. Recognizing the competitive nature of the podcast and creator community industry, we value our listeners' time and strive to become their go-to source for insightful discussions around wealth creation that can impact their daily lives.



BUSINESS OUTLOOK

2024

After Jerome Powell shared with the world that the Federal Open Market Committee (FOMC) foresaw three rate cuts this year, markets priced in a soft landing and reduced volatility. This prognostication was further supported by April inflation numbers, which eased slightly with the Consumer Price Index (CPI) rising by 0.3% from March and 3.4% year-over-year, aligning with expectations.



Core inflation, excluding energy and food, met expectations, marking its lowest annual increase since April 2021. Despite this moderation, inflation remained above levels that would prompt the Federal Reserve to cut rates.

With this new baseline of no rate cuts until further notice, and most importantly, no rate increases, we proceeded to diligently evaluate other properties for acquisition. After analyzing numerous deals sent by our commercial real estate (CRE) brokers, none of these deals fit within our investment thesis. However, we found hidden gold in plain sight.

We decided to re-evaluate our four-unit purchase to see if there was an opportunity to double down in that neighborhood. After a thorough analysis of the supply of housing and demand for rental properties in the area, we decided to acquire an additional four units. We were able to purchase and stabilize these properties with tenants within two months of acquisition. We received over 50 rental applications for the units. Given this being a growth market in a great location and safe neighborhood, we believe we can meet our investment returns within the next five to seven years.



With this recent purchase, we now have eight units, of which seven are long-term rental properties and one is leveraged for short-term rental stays. This expands our real estate portfolio, bringing assets under management to \$2 million and totaling 11,768 square feet. Currently, we boast 24 tenants with 100% occupancy. While we are thankful for the support we have received from friends and family regarding this phenomenal feat, in the words of Kobe Bryant, "Job's not finished." Our vision is to become the most trusted real estate firm, managing over 10,000 units and redefining the apartment living experience for tenants.

With this audacious vision in mind, we will be thoughtful, meticulous, and strategic in our real estate capital deployment and portfolio expansion to ensure our business is built on a solid foundation. Chamath Palihapitiya, Founder of Social Capital, said, the faster you build a company, the quicker it may fall apart. We are committed to the long-term goal of building a great real estate business that will outlast us. We are ready to execute and bring this vision to reality.



8 Units
11768 Square Footage

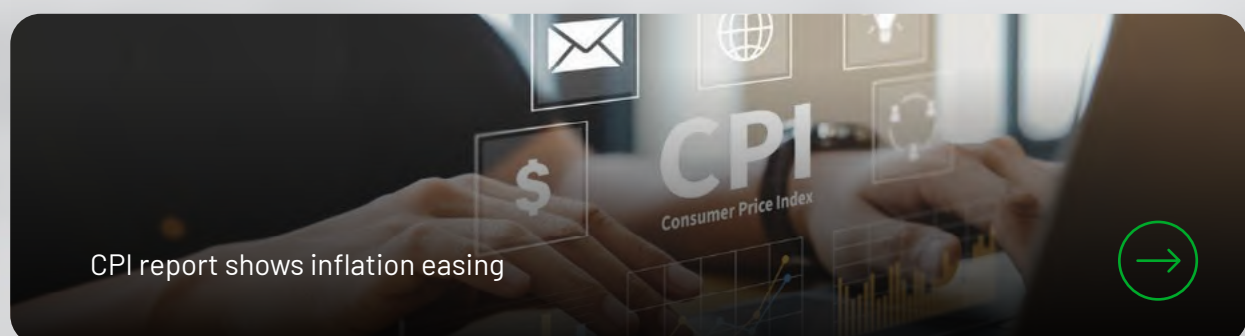
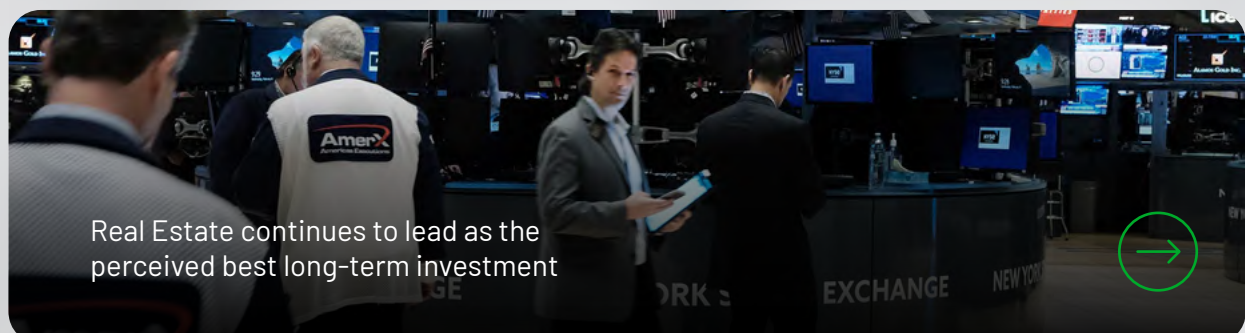
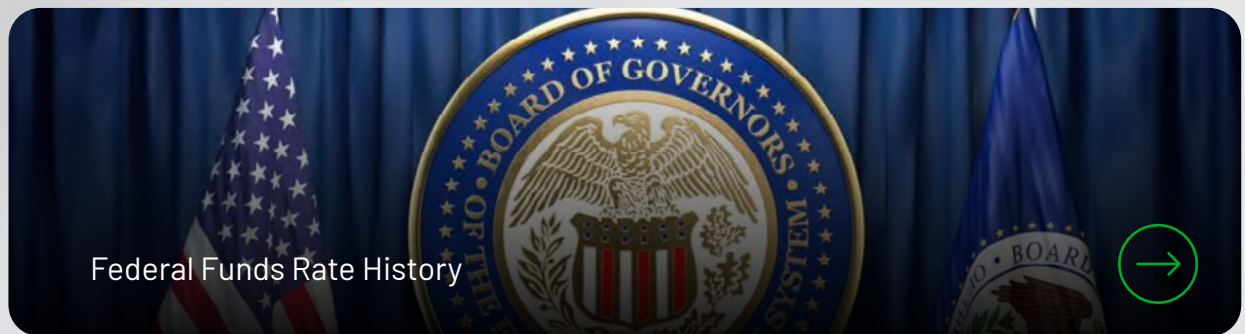


\$ 2 Million
Assets Under Management



24 Tenants
100% Occupancy

References





📍 11700 Preston Rd
STE 660
Dallas, Texas 75230

☎ +1 972 282 4737

✉ info@jaracapital.com

🌐 [f](#) [in](#) jaracapital

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