

## DDELTA REAL ESTATE INVESTMENTS QUARTERLY UPDATE

Hello,

The Commercial Real Estate (CRE) market kicked off the year by continuing the trends observed in 2023. Nationally, the landscape remains stable, with few surprises in CRE performance for the quarter. Looking ahead, the strong economic momentum is anticipated to shape multifamily demand, especially at the regional and metro levels, maintaining an optimistic outlook. While investors focused on short-term challenges may remain cautious, those with a mid-term 5-year hold perspective are expected to reengage, driven by the promising multifamily outlook.

Your support is greatly appreciated. Thank you for being a crucial part of our process.

All my best,

**Gerardo Gutierrez**

CEO DDelta REI

*“Near 7% mortgage rate and ramp-up of single-family housing prices locked many potential first-time home buyers out of homeownership, which compensated for slowdowns in household formation/migration and secured rental demand” - Moody’s Analytics.*

### Quarterly Highlights

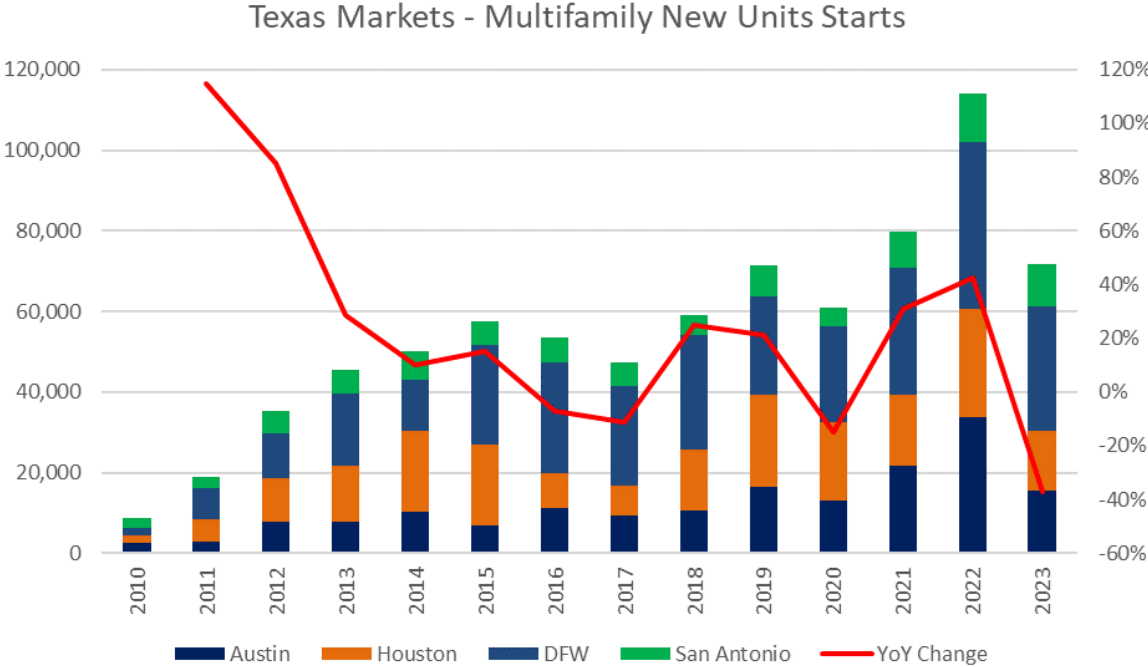
- We delivered a total of 336 units between Austin and Houston, completing Fund V and inaugurating Fund VI with their certificates of occupancy for the first units.
- Our properties continue to offer an attainable living option for residents, with our effective rents targeting a demographic that earns, on average **99% of Area Median Income (AMI)**.
- Rental rates for properties delivering new units consistently surpass our initial expectations, averaging **11.5% higher**.

### Company Update

- As part of our new Environmental, Social, and Governance (ESG) strategy, our team has launched the initial phase focused on gathering data from our current construction projects.
- As we continue to raise capital for our seventh fund, we attended crucial events that allowed us to strengthen long lasting relationships with AFIRE, Black Bull, and AMEXCAP attendees.
- We recently joined FIIRE as we continue to support Diversity, Equity, and Inclusion (DEI) initiatives in real estate, as a minority-led and owned firm.

### Insights – Texas Sharpshooters

- Despite recent negative press coverage surrounding Texas' markets, we maintain an optimistic outlook on the short-term prospects of the state's four largest cities, acknowledging the challenges posed by the current supply.
- To tackle the competitive leasing market, our Asset Management team is ramping up targeted marketing efforts while strategically adjusting concessions and rates across submarkets to maintain competitiveness.
- Over the past 12 months, permits have declined by nearly 40% on average in the major Texas markets, while new starts have markedly decelerated, with San Antonio experiencing a staggering 100% annual drop while Austin, Houston, and DFW have witnessed declines of 86%, 74%, and 79%, respectively.
- Projections indicate a significant inflection point in new deliveries in 2025, with an average annual decrease of nearly 40% among the top four Texas markets. Austin and Houston are anticipated to see drops approaching 50% on an annualized basis.



Source: CoStar

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