DDELTA REAL ESTATE INVESTMENTS
QUARTERLY UPDATE – Q4 2024

Hello,

The year 2024 presented a mixed landscape for the multifamily market. Market fundamentals were muted by record-high supply levels, while property values faced downward pressure due to elevated interest rates. Despite these challenges, multifamily investments once again demonstrated their resilience and enduring appeal. Total sales volume in the sector represented the largest share within the commercial real estate space at 35%, reaffirming its position as a favored asset class over the long term.

While supply remains a key factor impacting the multifamily market as we head into 2025, it is a short-term challenge. Many Sun Belt markets are already showing signs of abating to pre-pandemic supply levels, paving the way for a healthier balance between supply and demand. This shift presents exciting opportunities for strategic investments in select markets.

Adding to this optimism, we believe, is the resilience of the broader U.S. economy. Strong job growth, solid consumer sentiment, and a stable labor market have bolstered economic conditions, providing confidence to investors and developers alike. Multifamily remains well-positioned to potentially benefit from these trends, as the demand for housing continues to grow alongside population migration to high-growth regions.

That said, we remain prudent and continue to monitor the evolving economic landscape. The potential effects of a new administration, global disruptions, and natural disasters remind us to stay agile and informed in navigating the complexities of today's market. As we enter 2025, we are committed to leveraging our expertise to identify potential opportunities that align with our strategy and deliver long-term value.

All my best,
Gerardo Gutierrez
CEO DDelta REI

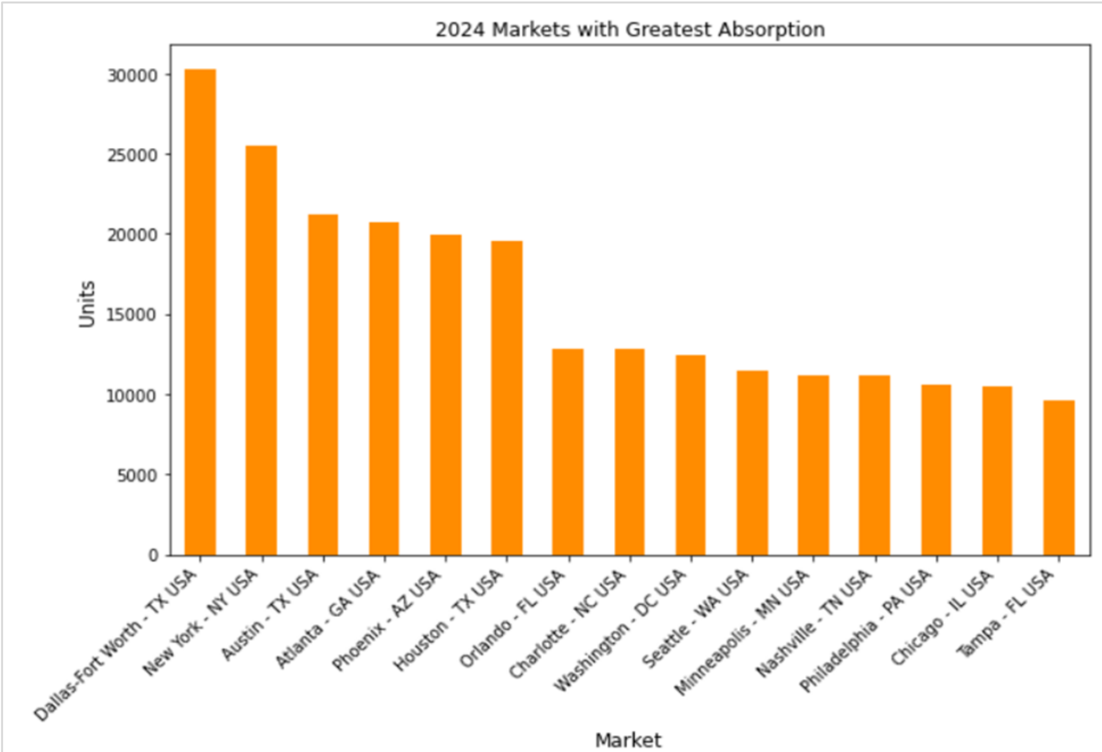
"With continued solid fundamentals, multifamily is the most preferred asset class for commercial real estate investors in 2025. For all the short-term negative effects brought on by rising interest rates and record levels of new supply, strong renter demand will drive improving occupancy and accelerating rent growth. This in turn will lead to increased multifamily investment activity. The average multifamily vacancy rate is expected to end 2025 at 4.9% and average annual rent growth at 2.6%." - CBRE

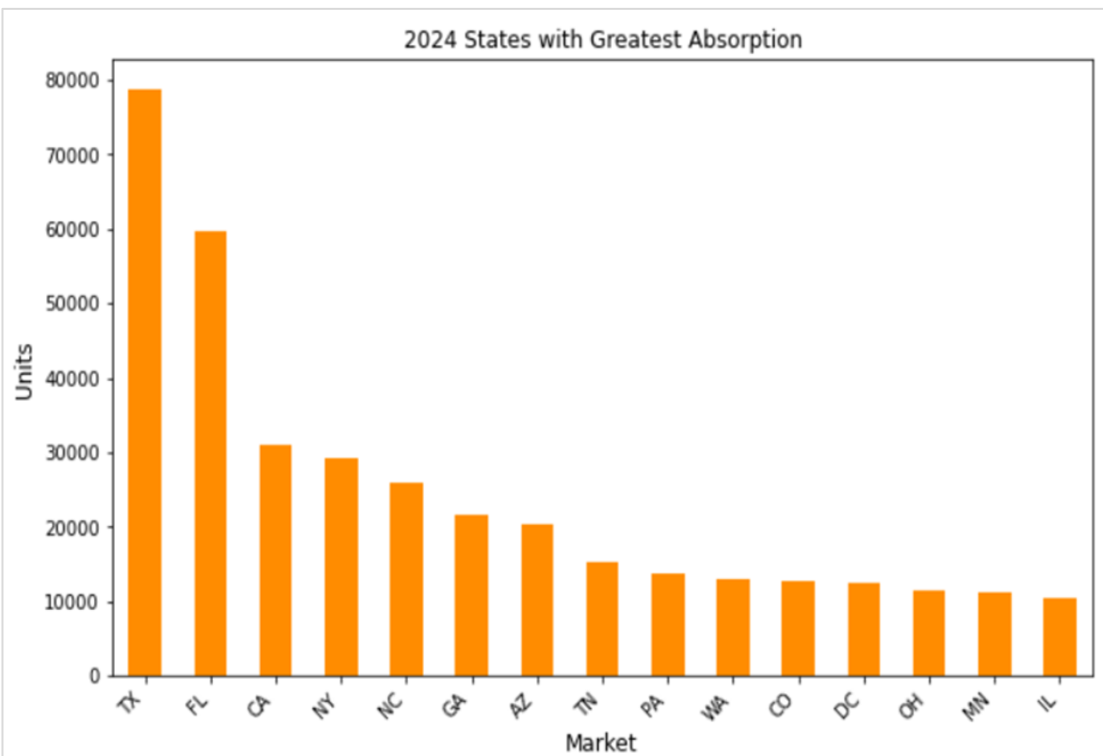
Quarterly Highlights

- Our Fund VI projects have reached a significant milestone this quarter, with Lookout and Junewood welcoming their first residents as unit turnovers and move-ins are officially underway!
- We had the pleasure of attending the NYC GCM Consortium in October and the Toigo LA Gala in November. Both events were a tremendous success, providing valuable opportunities to connect with industry leaders, forge new partnerships, and strengthen existing relationships. It was fantastic to meet so many inspiring attendees—thank you to everyone who stopped by to engage with us!

Insights – Why We Continue to Bet on Texas:

- We believe that the Texas multifamily market remains a **great opportunity** for long-term investment, driven by robust demand and a moderating supply pipeline.
- Major Texas markets experienced an average **reduction of 25%** in multifamily permits in 2024, following significant declines averaging 29% in 2023. Notably, Houston and DFW have only **1.8% and 3.4% of existing inventory under construction**, respectively, signaling tightening supply conditions.
- DFW, Austin, and Houston emerged as national leaders in multifamily absorption in 2024. **DFW topped the charts as the #1 market in the U.S**., with over 30,000 units absorbed, while **Austin secured the #3 spot** with more than 20,000 units absorbed, and **Houston ranked in #6 place** absorbing nearly 20,000 units. This exceptional performance highlights the strength of demand in these Texas markets, setting them apart from their peers nationwide.
- **The state of Texas ranked #1** in the U.S. for total multifamily absorption, further solidifying its position as a leading destination for multifamily investment.
- Demand in these Texas markets continues to be fueled by relative affordability, strong job and economic growth, and attractive demographics. These high-growth markets, where demand is expected to surpass supply due to low construction activity as a percentage of inventory, are **well-positioned for further strengthening.**
- We remain committed to expanding our presence in high-growth Texas markets with strong fundamentals, such as Houston and DFW, while maintaining a positive outlook for our existing assets in markets like Austin, as we continue to leverage Texas's exceptional growth potential.





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