

**DDELTA REAL ESTATE INVESTMENTS**  
**QUARTERLY UPDATE - Q3 2025**

Hello,

The multifamily sector remains one of the most dynamic and closely watched asset classes in commercial real estate.

After experiencing a wave of record supply in 2023 and 2024, a moderation in new deliveries has been observed throughout 2025. On average, the markets have seen a 24% reduction in deliveries during the first three quarters of the year compared to the same period last year. Quarterly demand has remained strong, exceeding pre-Covid 5-year averages by over 55%. This has allowed vacancy rates to compress by ~15 basis points since the recent peak in 2024.

These trends vary by region, with certain MSAs in the Sun Belt experiencing clearer signs of improved fundamentals. In the major Texas markets, for example, a 35% reduction in deliveries during the first 9 months of 2025 has been experienced as compared to the same period in 2024. Demand, on the other hand, has exceeded pre-pandemic averages by over 72%, allowing vacancies to compress as excess supply starts getting absorbed.

We believe long-term fundamentals remain strong, driven by stubbornly high mortgage payments, which continue to price out potential homebuyers. We estimate that the average mortgage payment is around \$2,780 per month, representing almost 40% of the monthly median household income. In contrast, current rental rates, which have remained flat at a national level, represent 25% of the monthly median household income, at about \$1,750 per month.

As these trends continue to evolve and contribute to a steady recovery in our markets, we are staying focused on maintaining a defensive approach, aiming to preserve and protect our existing assets from lingering headwinds, product of the recent oversupply. At the same time, we are actively underwriting an attractive acquisition pipeline in markets we know well, targeting assets trading below replacement cost in desirable locations. In response, we are raising capital today so we can move decisively on opportunities that meet our disciplined investment and eligibility standards.

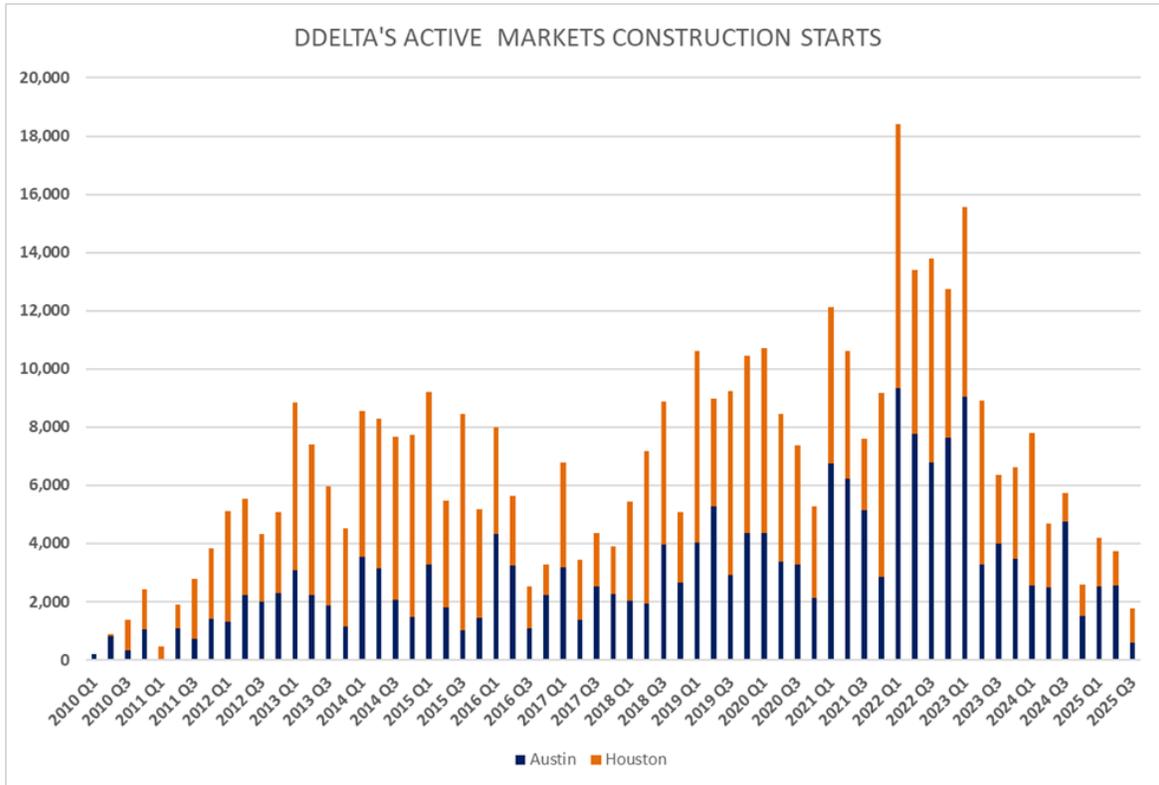
All my best,  
**Gerardo Gutierrez**  
CEO DDelta REI

## Quarterly Highlights

- Formally started raising capital efforts for the DDelta Fund VII, focusing on multifamily acquisitions and rescue capital in the major Texas markets.
- The Cameron, a core project that belongs to Fund V, reached 92% occupancy, a strong achievement given the current environment.
- Completed the sale of Veranda, a core asset located in SE Austin, TX.
- Refinanced The Gabriel, a garden-style project located in Leander, TX.
- Junewood, a property that belongs to Fund VI, got nominated as “Community of The Year | Lease Up” by the Austin Apartment Association.

## Insights – Target Markets Supply/Demand Dynamics

- Just like in many other Sunbelt markets, Austin and Houston experienced supply additions that reached all-time highs during 2023 and 2024. This was driven by significant growth experienced after the Covid pandemic, in 2021, attracting major investors and developer interest.
- As interest rates, high construction costs, and slowing rent growth started to hit the market in 2022, managers started to focus on other strategies that had the potential to offer better risk adjusted returns. As multifamily acquisitions became more relevant, developers continued to face difficulties in making sense of numbers, driven by the same factors mentioned above.
- This has resulted in a material slowdown in construction starts to levels not seen since the 2008 Great Financial Crisis. The pullback is expected to allow these markets to begin absorbing excess inventory and stabilizing vacancy rates, which we believe will help rent growth return to positive territory starting mid-2026.
- Operating in these markets in an environment characterized by low competition and stable renter demand could prove beneficial from a strategic perspective, which is why we maintain a bullish outlook despite current challenges.



Source: CoStar, Data as of Q3 2025

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