

DDELTA REAL ESTATE INVESTMENTS
QUARTERLY UPDATE – Q4 2025

Hello,

As the new year continues, we reflect on 2025 as a period defined by recalibration across the capital markets. In many high-growth markets, demand reached historically strong levels; however, an unprecedented wave of supply continued to weigh on occupancy and rent growth, delaying a broader recovery in fundamentals.

We view 2026 as a year of opportunity. New deliveries are expected to decline meaningfully, and when paired with stable underlying demand, we believe this dynamic should support gradual stabilization in occupancy and a return to positive rent growth. At the same time, capital markets continue to present attractive entry points. A significant number of assets are trading below replacement cost, and with more than \$160 billion of commercial real estate debt expected to mature¹, we anticipate increased transaction activity as some owners face refinancing pressure. While not all this capital will result in distress, we do expect a growing number of managers to pursue asset sales or seek rescue capital amid ongoing NOI pressure.

In this environment, discipline remains crucial. We will continue to underwrite conservatively, remain patient in our capital deployment, and focus on opportunities that meet our risk-adjusted return thresholds. This approach is designed to allow us to protect investor capital while avoiding forced deployments and maintaining flexibility as market conditions continue to evolve.

All my best,

Gerardo Gutierrez

CEO DDelta REI

Quarterly Highlights

- The Everett, a Northwest Austin multifamily property, was converted from market-rate to a Ch.392 affordable housing structure, delivering rent-restricted units for households earning $\leq 80\%$ and $< 60\%$ of AMI.
- Junewood was recognized by the Austin Apartment Association as a 2025 Community of the Year award winner in the Lease-Up, 50–299 Units category, reflecting strong lease-up execution and on-site operations².

Insights – Affordability Crisis

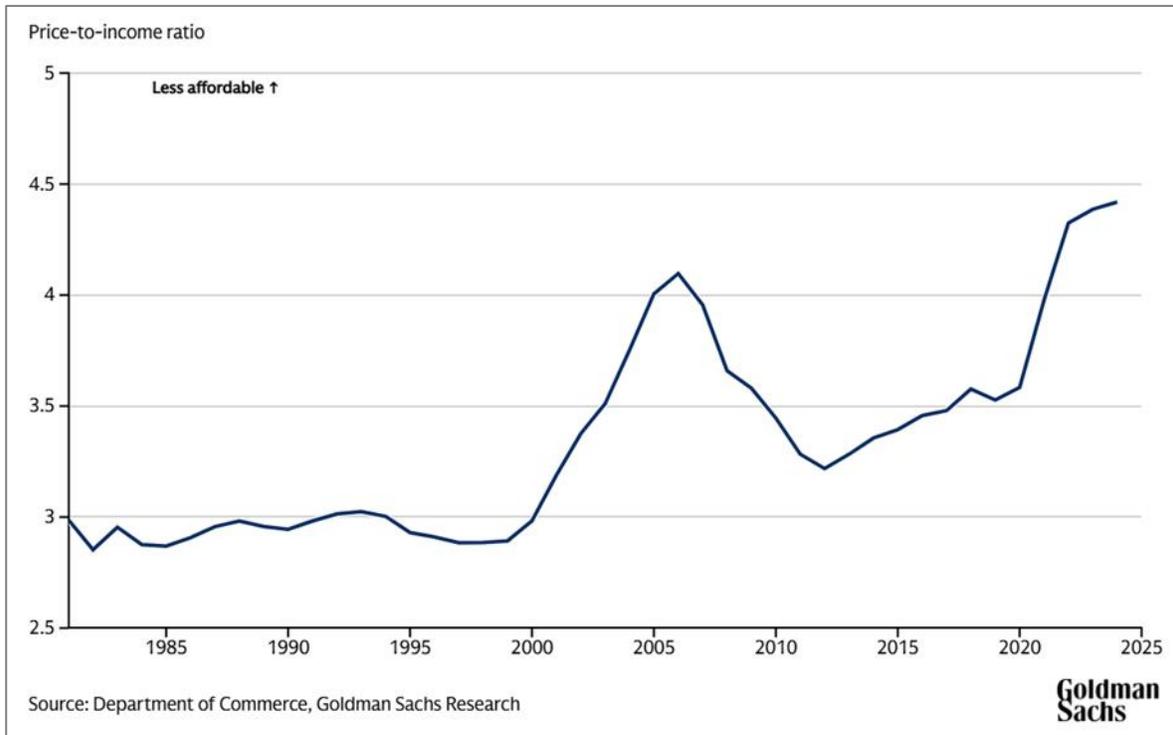
Since the Global Financial Crisis, single family housing supply growth has remained structurally constrained, making homeownership increasingly difficult to attain. Limited inventory, combined with sustained population growth in many U.S. markets, has placed persistent upward pressure on home prices. This dynamic has been further exacerbated by mortgage rates, which have remained near 20-year highs since 2022, materially increasing the cost of ownership.

As a result, home prices have continued to outpace income growth. The home price-to-income ratio has surpassed levels last observed in the early 2000s, while the average monthly mortgage payment as a share of household income has increased from below 20% prior to the pandemic to over 30% since 2022. These conditions have significantly reduced affordability for potential homebuyers.

In contrast, the cost of renting has become relatively more attractive. Recent supply pressures in several U.S. markets have led to periods of flat or negative rent growth, widening the affordability gap between owning and renting to more than \$1,000 per month at the national level. We expect this gap to remain elevated, reinforcing renter demand as leasing continues to represent a more accessible and flexible housing alternative for a growing segment of the population.

¹ RCA | Q4 2025

² The award is based on an independent evaluation of on-site operations, maintenance standards, curb appeal, and overall property condition. The Austin Apartment Association represents over 1,000 apartment communities across Central Texas and recognizes communities for operational excellence and property standards.



Source: CoStar, Goldman Sachs & RCA, Data as of Q4 2025.

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