

DDELTA REAL ESTATE INVESTMENTS
QUARTERLY UPDATE – Q1 2026

Hello,

The first quarter of 2026 was slower than many market participants expected, as elevated geopolitical uncertainty and continued caution around the capital markets weighed on transaction activity and investor decision-making. Even so, the underlying multifamily fundamentals continued to move in the right direction. Deliveries are down 26% year-over-year, and construction starts have fallen to their lowest level in the last decade. More importantly, the supply-demand gap is tightening meaningfully: in Q1, absorption reached 89K units against net deliveries of 100K units, creating the smallest first-quarter imbalance since 2022. As supply moderates and demand remains consistent with historical norms, this rebalancing should continue to support gradual recovery through the rest of the year.

This is creating real opportunity for the right operators. We're actively acquiring in the Texas submarkets where supply pressure is already easing and fundamentals are improving, finding assets 20-30% below replacement cost. We believe our local relationships and submarket expertise give us potential advantage in identifying these opportunities early. We're also maintaining meaningful co-investment alongside our limited partners, which keeps us aligned with our investors and disciplined about our underwriting. We remain patient when overleveraged competitors are forced to act. With \$330 billion in multifamily debt rolling over through 2027, opportunities will continue to emerge for capital that's ready to move.

All my best,

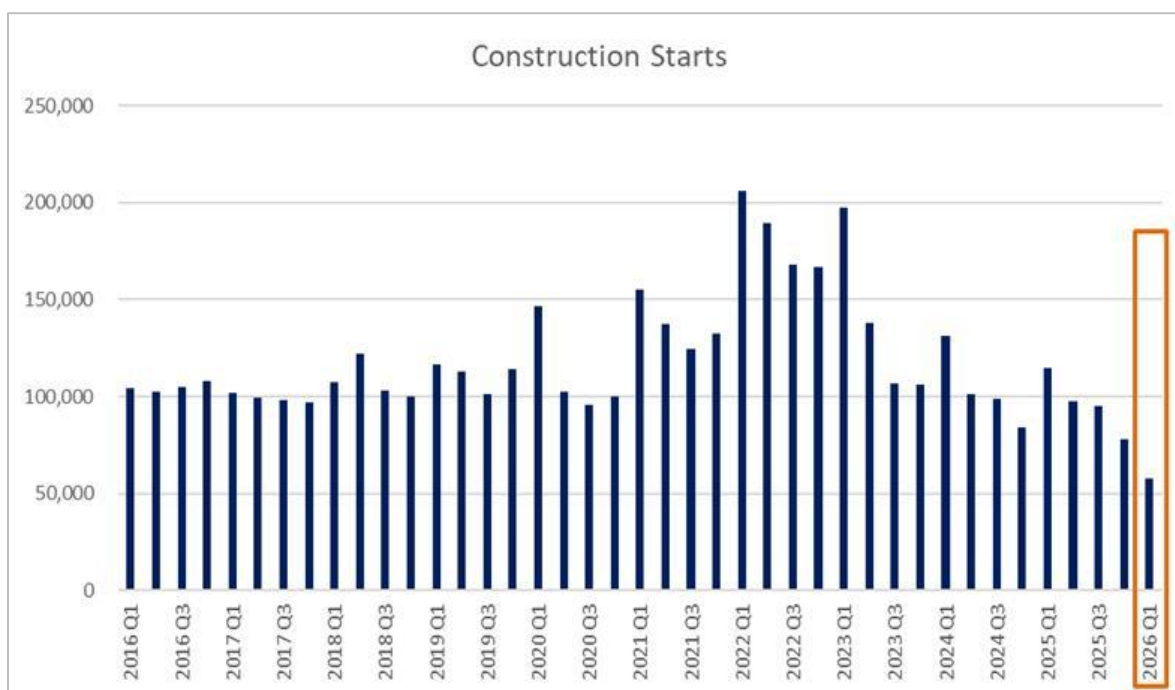
Gerardo Gutierrez
CEO DDelta REI

Quarterly Highlights

- The Gabriel Stabilization. The Gabriel (Fund V, Leander/Austin MSA) achieved 94% occupancy in Q1 2026, completing successful lease-up execution.
- The Everett Award Recognition. The Everett (Fund VI, Northwest Austin) received the 2025 BusinessRate Best of Business Award within its zip code, recognizing operational excellence and customer service.

Insights – Construction Starts Collapse Signals Supply Normalization

- U.S. multifamily construction starts have contracted to their lowest levels since 2016, a decline of over 40% from peak 2023 levels. This represents the most significant pullback in development activity in a decade, and it has immediate implications for market fundamentals.
- Construction starts are the leading indicator of future supply. When starts collapse, delivered units follow 18-24 months later. This means the elevated supply pressure that has characterized 2024-2025 will meaningfully decline through 2026-2027, even as current vacancy and concession metrics remain elevated.
- In Q1 2026, net deliveries were 100,887 units against absorption of 89,261 units, a gap of approximately 11,600 units. This gap, while still negative, represents the smallest imbalance in any Q1 since 2022. As construction starts that peaked in 2022-2023 continue to deliver through 2026, but new starts remain at decade lows, that gap will continue to narrow.
- The supply overhang created in 2021-2023 is being worked through by sustained demand. With new construction starts now at 2016 levels, the forward pipeline reflects a fundamentally different market than what exists today.
- This national supply reset is particularly relevant in markets where the demand side remains supported by durable economic growth. Austin is a clear example. Despite absorbing one of the largest multifamily supply waves in the country over the last several years, the market continues to benefit from strong employment fundamentals. Austin was recently ranked the #1 job growth market among the Top 50 U.S. metros in 2025, adding approximately 27,200 jobs and posting 2.0% annual job growth¹.
- For DDelta, this distinction is important. The near-term pressure in Austin has been driven primarily by excess new supply, not by a breakdown in the underlying economic base. As new deliveries moderate through 2026 and 2027, continued employment growth, population inflows, and the affordability gap between homeownership and renting should support a gradual normalization in multifamily fundamentals.



Sources: CoStar, U.S. Census Bureau | As of Q1 2026 | (1) Opportunityaustin.com | As of April 9, 2026.

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