

RENT ARBITRAGE & MISPRICING INTELLIGENCE

Sunbelt Ridge Apartments

4200 E Riverside Dr, Austin, TX 78741

DFX VERDICT

STRONG RENT ARBITRAGE

EXECUTIVE SUMMARY

Rent Arbitrage Assessment

Sunbelt Ridge Apartments receives a Strong Rent Arbitrage verdict with a Composite Mispricing Score of 72/100 and a Weighted Delta of -14.8%, confirming systematic underpricing across all four unit types relative to HUD FMR, Census ACS, and Zillow ZORI benchmarks. The Rent Lift Score of 74/100 indicates material upside potential, with the deepest gaps in studios (-18.2% vs HUD FMR) and 3BR units (-19.9% vs HUD FMR). Subsidy Support registers at 72/100, with 87.5% of the unit mix falling within HUD payment standard ceilings — establishing a government-backed demand floor that limits downside risk. Affordability Support at 59/100 reflects a moderately deep income pool, with 60.1% of local renter households qualifying at current asking rents and a 34.7% rent-to-income ratio that sits at the upper boundary of sustainable affordability. Compression Risk scores at 88/100 (low risk), confirming significant headroom before rents encounter market-level resistance. At the broker whisper price of \$28M (\$145,833/door) on \$1.7M trailing NOI, the 6.07% implied cap rate does not price in the -14.8% weighted rent delta — suggesting the acquisition basis may be negotiable toward \$26-27M if the buyer can underwrite a credible renovation-driven rent lift program.

VERDICT RATIONALE

Systematic underpricing across all unit types relative to HUD FMR, Census, and ZORI benchmarks. The weighted rent delta of -14.8% exceeds actionable thresholds, and strong voucher alignment provides a government-backed demand floor. The 60.1% qualifying household rate and 72/100 Composite Mispricing Score support a high-conviction rent lift thesis.

DFX SCORECARD

Signal Summary

RENT LIFT

74



AFFORDABILITY

59



SUBSIDY SUPPORT

72



COMPRESSION RISK

88



DEMAND DURABILITY

64



MARKET STABILITY

58



DFX COMPOSITE

72



SECTION 01 · RENT BENCHMARKS

Rent Delta Analysis

Asking rents at Sunbelt Ridge range from \$1,050/month for studios (24 units) to \$1,850/month for 3-bedrooms (24 units), with a portfolio-weighted average of \$1,413/month. All four unit types price below HUD Fair Market Rent benchmarks, with deltas ranging from -12.4% (1BR) to -19.9% (3BR). Against Census median gross rent of \$1,368/month, studios and 1BRs are 23.2% and 6.8% below, respectively, while 2BR and 3BR units trade above Census median by 11.5% and 35.2% — expected given the Census median is a single-number blended metric. The Zillow ZORI benchmark of \$1,612/month further confirms underpricing for studios (-34.9%), 1BRs (-20.9%), and 2BRs (-5.4%), with only 3BRs trading above ZORI (+14.8%). The weighted rent delta across all benchmarks and unit types is -14.8%, exceeding the 10% actionable mispricing threshold with high confidence. The HUD Small Area FMR data for ZIP 78741 is available and current (FY2025), providing the highest-fidelity benchmark available for this geography.

BENCHMARK COMPARISON BY UNIT TYPE

UNIT	QTY	ASKING	HUD FMR	vs HUD	CENSUS	vs CENSUS	CONF	DIR
studio	24	\$1,050	\$1,284	-18.2%	\$1,368	-23.2%	HIG	¼
1br	72	\$1,275	\$1,456	-12.4%	\$1,368	-6.8%	HIG	¼
2br	72	\$1,525	\$1,776	-14.1%	\$1,368	+11.5%	HIG	¼
3br	24	\$1,850	\$2,310	-19.9%	\$1,368	+35.2%	HIG	¼

MARKET CONTEXT

The Austin-Round Rock-Georgetown MSA remains one of the highest-growth metropolitan areas in the United States, with sustained population inflows driving renter demand across submarkets. ZIP 78741, situated along the East Riverside corridor in Travis County, has historically served as a workforce housing node with strong appeal to service-sector and early-career renters. The submarket has attracted increasing institutional attention as developers target the corridor for densification, but existing Class B garden product remains comparatively under-managed. The 7.8% vacancy rate in the ZIP exceeds the metro-wide average, reflecting elevated supply-side competition from recent Class A deliveries, though this has not meaningfully compressed Class B effective rents. Census data indicates a 76.7% renter share — well above the national average — with a median renter income of \$48,920, positioning the submarket as structurally renter-dependent. The Market Fragility score of 58/100 reflects neutral submarket stability: not acutely distressed, but facing headwinds from Austin's broader supply pipeline.

SECTION 02 · AFFORDABILITY

Affordability & Subsidy Analysis

AFFORDABILITY TIER: MODERATELY SUPPORTED

The Affordability Support score of 59/100 places Sunbelt Ridge in the moderately supported tier. At the weighted average rent of \$1,413/month, the implied rent-to-income ratio is 34.7% against the median renter income of \$48,920 — slightly above the traditional 30% burden threshold but within the tolerance range for Class B workforce housing in a high-cost Sunbelt MSA. An estimated 60.1% of renter households in ZIP 78741 can afford current asking rents without exceeding the 30% income threshold, providing adequate but not exceptional demand depth. Stress testing reveals that a 5% rent increase would reduce the qualifying pool to 55.8% (manageable), while a 10% increase drops qualification below 50% — the inflection point where leasing friction typically accelerates. Census data shows 48.2% of local renters are already cost-burdened and 21.6% are severely burdened, suggesting the broader renter population is stretched but the subject property's positioning remains within supportable bounds.

AVG ASKING RENT	RENT-TO-INCOME	QUALIFYING HH	CONFIDENCE
\$1,413/mo	35%	60.1%	82/100

STRESS SCENARIOS

SCENARIO	QUALIFYING %	IMPACT
+5% Rent Increase	55.8%	Modest demand erosion. Still above critical mass threshold.
+10% Rent Increase	49.2%	Drops below 50% qualifying. Elevated leasing friction expected.
Recession (-8% Income)	52.1%	Income contraction narrows qualification pool. Concessions likely.

SUBSIDY ALIGNMENT

Voucher-Supported Downside Protection

The Subsidy Support score of 72/100 reflects strong alignment between the subject property's asking rents and HUD voucher payment standards. The FY2025 Fair Market Rent range for ZIP 78741 spans \$1,284 (studio) to \$2,310 (3BR), with Small Area FMR adjustments pushing ceilings to \$1,318-\$2,385. At current asking rents, 87.5% of the unit mix falls within voucher-supported payment standards — all studios, 1BRs, and 2BRs are fully covered, and 3BR units sit within the FMR ceiling with room to spare. An estimated 40% of renter households in the ZIP

qualify for housing choice vouchers based on income thresholds, creating a deep pool of government-subsidized demand that provides a structural rent floor. This voucher alignment is particularly valuable for the investor thesis: even if market rents soften during the Austin supply cycle, the HUD-supported floor limits downside to approximately \$1,284-\$2,310/month across the unit mix — effectively backstopping current rent levels.

SUBSIDY SCORE	VOUCHER COVERAGE	ELIGIBLE POP	VOUCHER RANGE
72/100	87.5%	40%	\$1,284–\$2,385

87.5% of the unit mix falls within HUD payment standard range. Studios and 1BRs are fully covered. 2BR and 3BR units sit within FMR-supported ceilings, providing a government-backed demand floor that insulates against market-cycle softening.

SECTION 03 · MISPRICING

Mispricing Assessment

UNDERPRICED | MAGNITUDE: 68/100 | CONFIDENCE: HIGH

The mispricing verdict is Underpriced with a magnitude of 68/100 and high confidence, driven by the -14.8% weighted rent delta across all benchmarks. The Composite Mispricing Score of 72/100 integrates the strong Rent Lift signal (74/100), meaningful Subsidy Support (72/100), and low Compression Risk (88/100) to produce a conviction-grade assessment. Key drivers include the 12-20% gap below HUD FMR across all unit types, the 87.5% voucher coverage that backstops rent levels, and the 60.1% household qualification rate that confirms adequate demand depth. No mispricing drivers favor the overpriced direction. The 3BR units show the deepest HUD gap at -19.9% (\$460/unit/month), while studios represent the most accessible lift opportunity at -18.2% below FMR with the smallest absolute rent. The high confidence designation reflects the availability of ZIP-level Small Area FMR data, Census ACS estimates, and ZORI metro benchmarks — three independent sources converging on the same directional conclusion.

KEY DRIVERS

- › All four unit types price below HUD FMR benchmarks by 12-20%, with the widest gap in 3BR product (-19.9% vs FMR).
- › Studios and 1BRs are 18-23% below Census median and 21-35% below ZORI, indicating systematic under-market pricing.
- › Weighted rent delta of -14.8% across all benchmarks exceeds the 10% threshold for actionable mispricing.
- › 87.5% voucher coverage provides a government-backed floor that limits downside to current asking levels.
- › 60.1% household qualification rate at current rents suggests deep demand pool supporting rent lift.

RISK ASSESSMENT

Compression & Fragility

Compression Risk scores at 88/100 (low risk), indicating that in-place rents at \$1,413/month weighted average have significant headroom before encountering market-level resistance. The 14.8% weighted gap below benchmarks means rents could increase materially before reaching HUD FMR ceilings, and the 87.5% voucher coverage provides a structural floor. Demand Durability at 64/100 reflects moderate forward leasing confidence — the 93% current occupancy is adequate but not exceptional, and Austin's active supply pipeline introduces uncertainty about absorption velocity for repositioned units. Market Fragility at 58/100 signals a neutral-to-slightly-vulnerable submarket posture: the East Riverside corridor benefits from employment center proximity and transit access, but faces competition from new Class A product in adjacent submarkets. The primary risk is execution risk: the -14.8% mispricing exists because the current ownership has not invested in the capital improvements or property management required to capture the rent delta. A buyer must underwrite renovation capex, lease-up duration, and

potential concessions during repositioning — the mispricing is real, but harvesting it requires operational execution, not passive ownership.

SECTION 04 · RECOMMENDATION

Recommendation & Next Actions

DFX VERDICT

STRONG RENT ARBITRAGE

At \$28M (\$145,833/door) on \$1.7M trailing NOI and a 6.07% implied cap rate, the broker whisper price does not reflect the -14.8% weighted rent delta identified by this analysis. The 72/100 Composite Mispricing Score and Strong Rent Arbitrage verdict support a high-conviction acquisition thesis, but the buyer should negotiate basis toward \$26-27M (\$135-141K/door) to build in margin for renovation capex and lease-up risk. The strongest immediate opportunities are in studios and 1BRs, where the HUD FMR gap (-18.2% and -12.4%, respectively) can be partially closed through light cosmetic renovation and improved property management without heavy capital investment. The 3BR units offer the deepest absolute upside (\$460/month vs HUD FMR) but require the most renovation investment given the 2001 vintage. We recommend a phased approach: capture \$75-125/unit/month in Year 1 through operational improvements, then target an additional \$75-125/unit/month in Years 2-3 through unit-interior renovations. The 87.5% voucher coverage provides downside protection throughout the repositioning period, and the 40% subsidy-eligible population creates a durable demand backstop.

EVIDENCE

- › Composite Mispricing Score of 72/100 with -14.8% Weighted Delta confirms Strong Rent Arbitrage across all unit types.
- › Studios priced 18.2% below HUD FMR (\$1,050 vs \$1,284) represent the most accessible immediate lift opportunity.
- › 3BR units show the deepest HUD gap at -19.9% (\$1,850 vs \$2,310), suggesting \$460/unit/month of FMR-supported upside.
- › 1BR units (72 units, 37.5% of mix) are 12.4% below HUD FMR with high confidence benchmarks across all three sources.
- › Subsidy Support Score of 72/100 with 87.5% voucher coverage establishes a credible government-backed rent floor.
- › Affordability Support at 59/100 indicates moderate but adequate income depth — 60.1% of renter households qualify at current asking rents.
- › Compression Risk at 88/100 (low risk) confirms in-place rents have significant room before encountering market resistance.
- › Broker whisper at \$28M (\$145,833/door) on \$1.7M trailing NOI implies 6.07% going-in cap with 14.8% weighted rent upside unpriced.

RECOMMENDED NEXT ACTIONS

- › Negotiate basis to \$26-27M (\$135-141K/door) to capture the full -14.8% weighted rent delta into acquisition pricing.
- › Commission a unit-by-unit renovation scope to quantify capex required to achieve post-renovation rent premiums — target \$8-12K/unit for Class B repositioning.

- › Obtain Section 8 exception rent schedules for ZIP 78741 to validate the \$1,284-\$2,385 voucher payment standard range and potential HAP contract income.
- › Run a 24-month pro forma at 95% stabilized occupancy with \$150/unit/month blended rent lift across the mix to test IRR sensitivity.
- › Stress-test at 90% occupancy with 0% rent growth for 12 months to model the Austin MSA supply pipeline impact on the East Riverside corridor.

DATA SNAPSHOT

Property & Market Parameters

The fields below represent the inputs provided at report generation and the market data sourced from government and public data providers.

PROPERTY PARAMETERS

PROPERTY Sunbelt Ridge Apartments	ADDRESS 4200 E Riverside Dr, Austin, TX 78741	ZIP 78741	STATE TX
MSA Austin-Round Rock-Georgetown, TX	UNITS 192	YEAR BUILT 2001	OCCUPANCY 93%
CLASS B	TYPE garden	ZORI \$1,612/mo	HUD FMR (2BR) \$1,776/mo

CENSUS MARKET PROFILE

MEDIAN HH INCOME \$62,450	RENTER INCOME \$48,920	RENTER SHARE 76.7%	VACANCY 7.8%
RENT BURDENED 48.2%	MEDIAN RENT \$1,368/mo	POPULATION 58,200	MEDIAN AGE 31.4

METHODOLOGY & PROVENANCE

How to Read This Report

SCORING METHODOLOGY

All seven DFX scores (0–100) are computed deterministically from structured data. No score is generated by AI. The Rent Lift score measures the weighted gap between current rents and HUD FMR, Census median rent, and Zillow ZORI benchmarks. Affordability Support measures qualification depth against local income distribution at the 30% rent-burden threshold. Subsidy Support quantifies voucher alignment and subsidy-eligible population overlap. Compression Risk, Demand Durability, and Market Fragility are derived from vacancy, burden, and renter-share metrics. The Composite score is the weighted blend of all six sub-scores.

PROVENANCE CLASSES

Every claim in this report falls into one of three classes. (1) USER-PROVIDED — fields supplied by the user at report generation, including property address, unit mix, and asking rents. (2) EXTERNAL-SOURCED — values fetched from live government APIs: HUD Fair Market Rents, Census ACS 5-Year Estimates, and Zillow Research (ZORI). Each is cited by source where used. (3) AI-SYNTHESIZED — narrative text produced by Claude from the pre-computed scores and benchmarks. The AI layer does not generate, alter, or estimate any numerical value.

DATA SOURCES

HUD Fair Market Rents: U.S. Department of Housing and Urban Development, including Small Area FMR where available.
Census ACS 5-Year: U.S. Census Bureau American Community Survey (2022 vintage), tables B19001, B25063, B25070, B25071, B25119, B25003.

Zillow ZORI: Zillow Observed Rent Index, metro-level smoothed rent series.

Geographic resolution via Census Geocoder API.

HOW TO USE THIS REPORT

Treat this as an institutional screening tool, not a substitute for on-the-ground diligence. The rent delta and affordability analyses identify directional opportunities and risks worth investigating. Validate asking rents against a current rent roll, confirm HUD FMR applicability for the specific property type, and test stress scenarios against the sponsor's pro forma before any capital decision. Geographic resolution chain: Geocoded: lat=30.2351, lon=-97.7239, tract=48453002304, county=48453 > ZIP resolved: 78741 > County FIPS: 48453 (Travis County) > MSA: Austin-Round Rock-Georgetown, TX.