

# GTF, INC. *Investor Report*

*One Call - One Solution from Get There First Realty*

## **WORST QUARTER IN 22 YEARS**

While the real estate market for sales remains artificially inflated through interest rate manipulations and easing lender requirements, rentals are challenged. The net outflow of renters becoming homeowners without new renters to replace them is simply staggering. To have a vacancy in this environment is the last thing one wishes for as an investor. I never want to make excuses, especially as home sales remain strong but my take on this market is that there are just fewer home renters and more home buyers. Until new people arrive in D/FW for new jobs, things will remain very difficult. In 1983, 60.2% of all families owned their homes. By 2002 the percentage rose to 68.3% sucking out more renters by attractive interest rates and lender requirements. Even this past election day, Texas voted to allow credit lines on home equity making yet another reason to give notice to the landlord and buy a home. With over 60% of credit card holders paying interest to pay balances, it is a great benefit to borrow against home equity because the rates are lower. But what typically happens is once the home equity credit line is gone, the borrower builds up credit card debt again. This is the difficult debt problem our nation faces. Take my advice and do everything possible to live your life without debt.

Dallas now has the #1 big city crime rate in the country. This is another great reason to avoid moving into our Metroplex and rent a home. Landlords must be sensitive to tenant concerns about crime and proactively improve their property with better locks, alarms, gates, etc. to retain occupancy. Landlords reduced rents 3.4% last quarter which averages out about 1% month. So annually some of your rents will be down as much as 10% from a year ago. Consider this when pricing your rental once we have received notice. You should remain ahead of this trend and avoid the vacancy.

<b>Activity Statistics Dallas/Ft. Worth Market</b>	
Previously owned homes sold in D/FW	Jul 2003 +3%
	Aug 2003 +6%
	Sep 2003 +8%
YTD # Homes on the Market	Up 16%!
YTD Average price trend	Up 2%
Average days selling a home	68 days
US Unemployment	8.9 million out of work
New Home Sales	+7%
Foreclosures	+38% in D/FW!
Rental occupancy	Fallen to 90% in D/FW, very low

**Autumn  
2003**

**Volume 14, No.4**



## **MAJOR RISE IN STOCKS**

The blue chip stock indexes posted their second consecutive quarter of gains and the NASDAQ posted its fourth consecutive winning quarter. In the third quarter the Dow was up 3.2% and the NASDAQ was up 10.1%. Clearly the market is headed for a positive year breaking the 3 year spell of declining market averages. The third quarter also marked the first time in four years that all three indexes posted back to back up quarters, a sign of broad market strength. But jobs and consumer confidence levels remain low as more of the lost jobs from this recession are not being replaced. Many tech jobs are being contracted out of the US.



### Get There First Updates

Among the many things you will do this 4th quarter is try to pay taxes on your properties. A new industry has emerged to relieve taxpayers when they just do not have all their tax money available and want to defer the high fees charged by the cities and municipalities as penalties. It's called Tax Ease ([www.ptloans.com](http://www.ptloans.com)), a Dallas based company helping many owners cope with paying their tax bills by paying in full the tax authorities by stretching your payments out. Their toll free number is 1-866-433-4929, and many of you might want to give them a call to see if they can help you with your tax bill payments. Many of you used services to lower the appraised values of your rentals this year, now the next challenge is paying those taxes. Tax Ease may be able to help.



The office vacancy rate edged up to 27.1%, and currently there are about 43 million feet of empty space in our marketplace. Clearly as business improves there is a consolidation going on around us for firms to replenish lost staff using fewer people. Commercial foreclosures (including apartments) are up 25% this year, but still not close to the levels felt during our last recession. On a more positive note, Texas job growth advanced by 12,600 jobs in September. Unemployment still remains high as Dallas faces 6.9% and Ft. Worth 6.2% in September. People used to move to D/FW for jobs. With the economy in a recession and our crime rate the nation's highest, it isn't as attractive to move to North Texas anymore. This puts the biggest strain on our industry, and as home sales continue to erode our portfolio of good renters, we find it challenging to replace them.

Year end 1099's will be mailed in January so start collecting your receipts of expenses you had associated with your rentals. This past week a few of you received an opportunity to subscribe to the eviction protection plan. This is the single greatest optional coverage our owners take advantage of each year to motivate tenant compliance of the lease. I strongly encourage the few owners we have left not on this program to join. The coverage is available once a year in November so this is the month to fax in your paperwork and stop paying court fees in 2004.

Consumer debt in the US stands at approximately \$38 trillion. At an average interest rate of 5%, it takes \$2 trillion/year to service this debt. This is another reason why it is so important to recognize the pressures our tenants face paying rent. Using the eviction protection mechanism to take issues to court quickly (and at no cost to you) significantly increases compliance of your lease. Many owners fall in love with their rentals and miss opportunities to sell, trade, or flip out of them. I firmly believe your best buyer is your tenant and without debt on your property it is easier to offer financing to them when you're ready to sell. This creates a 30 year annuity to you and your family and may defer through an installment sale the tax gain. I have been doing this for years, and my good tenants make even better mortgagors. At the end of the day every landlord's goal should be to end up as a mortgagee and just cash checks.

### INDUSTRY TRENDS

Marketing is still the challenge inside this market. Condo associations that still do not allow "for lease" signs are killing our clients by restricting signage and exposure. A condo for lease in this market can remain empty for 4-6 months without signage out front.

A fascinating article appeared recently analyzing "real" 20 year home price appreciation. In Ft. Worth in a 20 year period prices rose in total by 13.31% and in Dallas they rose 5.66%. It seems any other investment other than real estate would have done better. The problem long term is too much available land and widespread market swings. I'd still hold quality rentals over stocks any day.

I know this has been a challenging year for North Texas landlords. Nationwide in this country the average credit card debt is \$9,000 per card, and consumers spend 33% of their payments on fees. This being the trend, landlords need to have an open mind to late fees and other creative revenue sources. In 2003, GTF will collect nearly \$250,000 in late fees for our clients and we see this need to be increasing as tenants face hard times and wish to stay in your rentals.

As always, you have my commitment to be innovative and constantly remain ahead of the market.

Mark H. Kreditor, MPM Broker