



Investor Report

One Call - One Solution from Get There First Realty

MARKETS ARE STABLE

After hoping for a sustained recovery when our volume of leasing demand increased at year end, the market is flat again. I do believe things are better, and rents seem to not be dropping as quickly, but you still need to price new vacancies lower than a year ago. As an owner there is nothing worse than to have higher insurance, taxes, and repair costs coupled with lower rents. This is the double edged sword of rental property ownership and that is why the elimination of debt must be your primary goal of life.

In these markets, having a mortgage and a vacancy and having to make an extensive make ready investment can really cripple you and your family. But the light at the end of the tunnel is still very clear that the best priced and best condition properties can be leased, which is a long way from having no prospects to market our vacancies to.

Our business continues to evolve, and we find ourselves listing many rentals originally intended for short sales, being one in which the seller hopes to flip the home for quick profit. These are some of the most dangerous real estate transactions since you typically have improved the property hoping for a sale, and now months later need a tenant to

create some cash flow. My recommendation is to steer away from "get rich quick" seminars and buy rentals for their intrinsic cash flow value. Never paying more than 50 times rent is my first rule of thumb so you never get in a situation where you cannot pay your bills from your rent proceeds. 95% of our owners lose money because they overpay for their rentals and get especially hurt during markets such as this one. I believe things will continue to slowly improve this year.

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in D/FW	Jan 2004 -9%
	Feb 200 +1%
	Mar 2004 +3%
YTD sales trend	+3%
Median price trend	-3%!!! VERY BAD TREND
Average days selling a home	76 days
2003 Office Space Vacancy in D/FW	24.6% World's highest number!
2003 New Apts	9,400
2004 New Apts	8,900
Rental occupancy	89.8% Way too low

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STOCKS ARE STABLE

For the first quarter 2004 the Dow was down .9% and the S & P was up 1.36%. The NASDAQ was down .5% so nothing really going on in the equity markets. I still shy away from high fliers and move money into tax free bonds and dividend yielding blue chip stocks. People say interest rates will go up, but I don't believe this will happen until after the election.

During the first quarter of 2004 7,970 residential foreclosures were posted in D/FW, an increase of 20%. 90% of these foreclosures were priced below \$200,000. The good news is that in 2003 the comparable figure was up 75%.





GTF Facts & Updates

The single most disturbing trend this first quarter is the 3% drop in median sales price on homes. This reversal of values should be of great concern for any investor and further supports simple supply and demand economic movement. With so many homes for sale (14,000/month) and with flat demand prices have to come down to increase sales activity. Most investors believe the Fall will be a good time to find bargains in this market.

In the next 50 years minorities will be nearly half of the population, specifically Hispanic demographics capturing nearly 24% of all households. GTF has responded to this trend by staffing a "Spanish-only" leasing department and by placing rental ads in Spanish only publications. My mother was a teacher, and I studied Spanish for 9 years so I know the importance of being bilingual in an ever changing business environment. I only wish I had studied harder knowing how important it would be today.

Around the time of World War II, nearly 85% of all Americans owned their home free and clear. Today the figure has dropped to 40% and the tax deductions homeowners receive on these mortgages cuts nearly \$10 billion off their tax bills. There is nothing better for our rental market, this country, and the growing love affair with debt then to eliminate the interest tax benefit on home mortgages. The total amount owed in this country is \$34.4 trillion, a staggering number. Consumer debt has doubled in the last 10 years making total debt nearly three times the gross domestic product. During the great depression the number was 2.5 times, further supporting this economic crisis and another reason to pay off your mortgages.

D/FW residents have the nation's worst average credit scores according to Experian, the nation's largest reporting agency. Texas also has the worst scores of the 50 states. Reasons include a high immigrant population, high use of revolving credit, a large share of low income households, and lower housing values. It's a good thing GTF collects additional deposits

when leasing applicants with defective credit. Nearly 2/3 of all our tenants have more than a month security deposit in escrow. This is the single greatest motivator to lease compliance when tenants run into trouble.

Despite declining home values and increased apartment vacancy, the D/FW area ranked third in the US in new construction last year. Our area built 53,090 new homes and apartments last year and this year appears to be just as strong. As always, none of this makes any sense when there is a 8 month supply of homes to be sold and 11% of the apartments in our area are empty. But that is what makes North Texas what it is, constantly overbuilt! This is why retaining your tenant is our #1 priority.

INDUSTRY TRENDS

More renters are becoming homeowners in this country and there has been a 4% decline in renter's share of households since 1991. GTF is mailing to every resident our latest tenant newsletter and we are promoting heavily the 3% decline in home values as a great reason to renew leases and stay a renter. Retention is still most important especially when many rental values are lower now than a year ago.

Even though home values edged 3% lower this quarter new home sales were up 7%. Perhaps this can be attributed to lower interest rates or some recent job growth. Sales in new homes over \$350,000 increased 24%. Applying this "love of new" to rentals, statistics tell us that renters pay 45% more for rent for new units. That is an amazing premium since the national rate difference is 25%. This further supports my impressions that you must make your vacant rentals shine to stay competitive. D/FW renters pay for nice, new properties and punish older, less appealing properties. There is nothing more important to spend money on when you have a vacancy than fresh paint, new carpet, new light fixtures, blinds, etc. It will get you a lease and that will save you more money than anything. Nothing costs you more than the vacancy. This just in: 1st quarter new car sales were up 6.5% and 34,800 new jobs were added.

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