



Investor Report

One Call - One Solution from Get There First Realty

RAISE RATES AND KEEP TENANTS

Our world changed as the 2nd quarter ended June 30th and the Fed raised interest rates. This is the single greatest benefit for the rental market in order for it to stabilize and improve. I apologize to those of you still with mortgages or worse yet adjustable rate mortgages, but we all should want interest rates to go through the roof. Nothing can slow the course towards home ownership by our tenants then to not be able to get low rates and easy qualifying mortgages. Every month, your worst tenants leave your rentals and buy homes. New home sales were up 10% yet prices remain flat. Perhaps this rate hike will slow trends.

As rates rise we will see a slowing of the first time home buyer, a retention of tenants in their rentals, and a reduction in consumer debt which is out of control. It would also provide those of you without debt on your rentals a more profitable exit strategy by owner financing your rentals to the tenants. But the key strategy to this soft market is retention and marketing. Some neighborhoods see 20% vacancy rates and it becomes literally impossible to rent a property unless it's 100% perfect and priced at or below the current market. This is a real challenge but better than a vacancy. That is the key theory.

I often say in times like today that I only "help you lose less money." Occupancy is the winner of the game of who loses less. Day after day I tell my kindest owners that their property will never lease in its present condition, at its current price, etc. I apologize, but my job is to slow your bleeding and allow you to survive a bad market until you can pay off your mortgage or the market turns around. It is far more likely in N. Texas that I will get you out of debt before rents recover enough for you to profit.

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in D/ FW	April 2004 +11%
	May 2004 +1%
	June 2004 +5%
YTD sales trend	+4%
Median price trend	Down \$10,000/ house from last Summer!
Average days selling a home	72 days
Homes for Sale in D/ FW	43,000!!
Home foreclosures	27% increase from a year ago! 2500/ month at auction
Rental occupancy	Fallen to 90% Rents are down 3%



Stocks Stayed Flat

The Dow is down .2% for the first half of 2004 and the NASDAQ is up 2.2%. Certain sectors such as technology have lead the way but overall the markets are flat. The recent increase in interest rates should challenge companies to improve their operations as investors move money into more rewarding yields found in bonds and T-bills. Everything I read says the housing bubble is next to pop as this is still the most over valued sector of the economy, especially in California. North Texas should be somewhat insulated in that we have already taken a hit but many parts of the country have a long way to fall. Rents in San Jose have fallen 46%, prices should be next!



Get There First Realty
4931 Airline Road
Dallas, TX 75205
Toll Free: 1-888-322-4837
Bus: (214) 522-5700
Fax: (214) 522-9985
mark@gtfrealty.com
www.dfwlandlord.com

Get There First Updates

Our challenge to each client continues to be the retention of the tenant and encouraging all of you to make needed improvements tied to a lease renewal. Our local economy is strengthening and within my own little world I see more leases being signed with new employees relocating into our marketplace.

Another aspect of challenge is getting a vacancy noticed. This is the same problem for sale agents are having in that with 43,000 homes for sale the market is very flooded. Some areas have an 8.5 month supply of homes for sale. In the rental arena we see over 100,000 units available and in some very soft areas



where vacant condos compete with vacant apartments you could see over a year's supply of inventory. It is just very competitive and every owner with a vacancy must use aggressive marketing tactics to "Get There First." I own rentals, and when I have a vacancy I think every week what can I do to make it the next property leased? Should I add newer appliances, plant flowers, change the carpet? I am committed to making my property the next one occupied to stop the constant loss of revenue. This strategy though expensive, costs me less in the long run than having a vacant home month after month. Tenants are like relationships; you never know going into it how good it will be. I'm excited and anxious to take every risk hoping to find someone to remain in my rental forever. We just bought a portfolio of homes from one of our dearest owners and included are some tenants that have occupied the properties for 40 years. We are going to nothing to disturb that relationship.

For the 6th year in a row Dallas has the highest crime rate among US cities with more than a million people. In 2004 things are improving and our Mayor sets crime control as one of her highest goals. In the meantime, our vacant homes get vandalized and people flock to the suburbs. But that's fine because we have plenty of homes to choose from outside of Dallas. Ft. Worth crime fell nearly 12% so that is good.

Soft pockets for rentals are important to know about. Some areas of our marketplace have over 20% vacancy rates, especially areas of high condo units.

Condominiums are perhaps the single worst real estate investment one can own. I bought my first unit 20 years ago for \$45,000 and my second one 10 years ago for \$4,500. I could never see paying more than \$10,000 for most condos because of three reasons: You compete with apartments and they can always charge less and give more, the HOA dues only go up as the property ages, and the rules generally do not allow signage so you are totally dead when you have to market a vacancy. It has become my personal mission to enrage every condo owner we manage for to change their HOA by-laws to allow signage out front. It is utterly ridiculous that nobody knows you have a vacancy because the HOA rules prevent signage. Most condos today can take 3-12 months to lease.

INDUSTRY TRENDS

Our business continues to thrive as the sales market slows and more owners are turning to renting their properties. We are busy finalizing a unique database experiment that is soon to debut on our web site www.dfwlandlord.com. We will soon be the first web site to inventory tenants planning to move by registering them on our site and e-mailing them information about your rentals as they come on the market. This direct response system will allow us to stay in touch with potential tenants and inform them every week about your property. Our billboard type messaging campaign is growing as we move potential renters first to our web site where they can tour your property on line, print an application, and prepare themselves for the qualification process. We are very excited about this new program and believe we will have a tremendous advantage over every other leasing company to "Get There First" with the marketing of your property directly into the potential tenants' mailboxes.

Last month I spoke at the California State conference of property management (NARPM) about the innovative, aggressive, and successful marketing methods we have done to survive this challenging market. It is still mostly about you, our owner and your willingness to make the properties perfect and the rents competitive.

A handwritten signature in black ink that reads "Mark H. Kreditor".

Mark H. Kreditor, MPM
Broker