

One Call - One Solution from Get There First Realty

KATRINA "RAINS" IN OCCUPANCY

Nearly 4 out of 5 rental units in our market are apartments, not single family homes. We market, manage, and monitor "single family, scattered site housing units" only. Often, apartment occupancy statistics are the only trends we can rely on to project our market condition. The influx of Katrina hurricane victims in many Texas markets has resulted in one of the largest increases in apartment demand in 20 years. This demand appeared overnight and as these initial victims acclimate to our area many may stay and many may rent non-apartment rentals. We have already experienced "skips in the night" from Katrina renters we leased to who can now return to New Orleans.

Our company manages several new homes every month from investors buying new homes as rentals. I believe this influx of new home investors helped the 6.5% increase in new home sales.

I truly see so many "positive" trends in the sales area as adding inventory to the leasing market. It is still very challenging to find tenants, and though we lease nearly 100 homes a month, most of our owners still delay making their units perfect. There is little hope to lease an incomplete home in a market as flooded as ours. 42% of D/FW residents are single, and this is also the hottest area of home buyers. Every time someone buys a home a vacancy is added.

California investors live in a real estate "dream world." Some Texas markets are 1/15th the value when pricing the same home in California. All investors coming from higher priced markets must be careful and always factor into their analysis the 3-6 months it often takes to find a tenant. I spend most days counseling California investors out of buying vacant homes. You can invest in homes, but try to buy occupied homes with seasoned leases so you have less risk projecting future returns and get a check every month.

| Activity Statistics Dallas/Ft. Worth Market | |
|--|---------------------------------------|
| Previously owned homes sold in D/FW | Jul 2005 +2% |
| | Aug 2005 +10% |
| | Sep 2005 +3% |
| YTD # Homes on the Market | Up 5% |
| YTD Average price trend | Up 4% |
| Average days selling a home | 70 days |
| New Home Sales | +6.5% to 12,000 in the 3rd quarter |
| Foreclosures N Texas income | 7,432 in D/FW |
| Rental occupancy | 92% in the 3rd Q One word-Katrina! |

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STOCKS TO RALLY

Year to date the Dow is down 2.1% and the NASDAQ is down 1.6%. Experts predict a 4th quarter rally and that will be a welcome relief. There are few safe sectors and even big oil has recently fallen off. My bet is GM doesn't file for bankruptcy and their bonds pay in the 10% range. The truth is the equity markets are ripe for an upward adjustment, but due to hurricanes, inflation, and oil prices nobody is ready to rally. Short term interest rates have brought back 4% money market accounts and that's a lot better return than 99% of our owners get with their rentals. But, your money market account value never goes up and maybe your homes will someday.



Get There First Updates

Over 20% of all leases default and a large percentage of the remaining 80% of the residents pay hundreds of dollars in late fees each year. It is a sign of the times as N. Texas residents carry more credit card debt (\$4200) than any other area of the country. Nearly 5% of credit card payments are delinquent so we must work hard to become your tenant's "priority creditor" each month. Often the simple filing of an eviction motivates this priority. GTF is in court everyday and most of our owners carry eviction protection on their rentals. This powerful coverage is available for \$60 once a year and if you are not covered PLEASE fax in the agreement we just sent you at your earliest convenience. Take control of motivating timely payments with no filing fee costs to you. It's a powerful tool everyone needs. In 2004 the personal savings rate was \$404, today it's a minus \$59. 45 million families are without health insurance and in the past 20 years college costs have risen by 200%. Texans are the most likely group to file for personal bankruptcy which relates to our ranking as the worst state for credit risk.



Often owners interact with their tenants. This makes it very difficult for GTF to enforce authority if the tenant has access to the owner especially when there is a violation against GTF like an NSF check that you're not even aware of. Please avoid at all costs ever speaking with your tenants before speaking to us first. There are always two sides to every story, trust me.

Utility costs will become a major factor in the selection of rental housing. Upgrades to more fuel efficient systems may become the most attractive improvement you can make this coming year. My personal portfolio of low income rentals rarely has central heat and air so I'm installing them at every opportunity and seeing much higher returns in terms of rents and sales.

I'm often asked what the best rentals are to buy. As a conservative pessimist, I only want to buy occupied rentals since finding the tenant is the greatest expense. I also like to buy into a relationship whereby the tenant might want to own the home after one year and I can provide financing to. This has been the only profitable strategy I have found; holding rentals for monthly cash flow is just not easily attainable anymore.

I also commit to doing repairs quickly and with a smile. Texas is the best state to limit what landlords have to fix but when repairs are needed, do it quickly and take care of the customer. It is always my mantra that nothing costs you more than the vacancy so why not get on with the make ready immediately, The days of hoping for someone to take the home "as is" are long gone in this market. If it's not perfect, it's probably vacant. Defective properties lease to defective tenants with defective payment abilities, and there is nothing dumber than giving away free rent to someone without any money. Very few (less than 5%) of the people who invest in real estate in our market make money and all I try to help my clients do is lose less money by getting sustained occupancy. This is key.

INDUSTRY TRENDS

If the world revolves around New York, then the recent 13% drop in prices in the 3rd quarter may mean the bubble is losing air. Most Washington housing experts predict a 5% adjustment in real estate values this coming year and further declines in 2007. I personally do not see any connection between the rest of the country and North Texas and never have. Our hope is that the recent influx of apartment renters will add strength to the overall occupancy of single family homes. So far, Katrina has increased occupancy 1% since mid year. But I am still convinced that nothing leases homes faster than the quality of the make ready. Always provide window coverings, landscaped yards when showing, and clean surfaces throughout. Two owners side by side must compete for a single tenant; it's condition and the price that most motivate choice.

Starting in 2006 we will be celebrating our 25th year servicing clients. I am more committed now than ever to tell the truth about the risks of real estate and how to minimize losses. I have taken a new position as the national ethics chair of our property management association (NARPM) in hopes of finding more positive ways to work together with owners, tenants, and fellow property managers. In 2005, we experienced our most explosive growth in all 25 years with most of our new business coming from your referrals. Thank you for allowing us to help your friends and relatives this past year.

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

Mark H. Kreditor, MPM Broker