

GTF, INC. Investor Report

One Call - One Solution from Get There First Realty

2004-Worst in 23 Years!

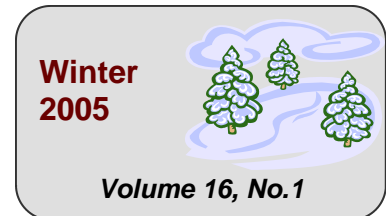
As much as I want to try to be optimistic, when you spend every working day of your life consoling investors losing money to an empty house or condo, you become a "conservative pessimist." For those of you who experienced a vacancy this year, or continue to have one, I see no indication things will get easier in 2005. North Texas remains one of the worst real estate investment markets in the country for single family rentals, especially condos. Rents have deteriorated nearly 20% the past few years and vacant units stay on the market for many months. Nevertheless, the area leads the country in apartment construction! How can you compete with a new apartment community offering the world of amenities and move-in specials? Sometimes your property association doesn't even allow us to put a "for lease" sign out front!

The net effect of lower interest rates for several years without an influx of new employment has left our market a real challenge. Married couples are able to buy homes at an earlier age. 11% more couples under age 25 now own as compared to 1991. Between 1991 and 2001, the number of Texas renters leasing single family homes actually dropped by 8%. Remember, you still make your money when you buy, so buy rentals real cheap in this market!

Las Vegas values increased 54% while D/FW is one of only 11 cities

with declining values. On the east and west coasts, rents are declining but values still increase. This too, is a dangerous market condition but nothing is worse than not having tenants to fill your rentals. Our market has shifted to an environment where tenants expect perfectly made ready rentals and don't expect to pay nearly as much as their friends paid last year. Today, it is a real "buyer's market." say.

Activity Statistics Dallas/Ft. Worth Market		
Previously owned homes sold in DFW	Oct 2004	-4%
	Nov 2004	+9%
	Dec 2004	+1%
Worst Credit Score City in US	DALLAS!!	
Total median price trend—2004	FLAT! Down in December	
2004 average days on market	71 days	
New Apartments New Homes Built	12,000 units 40,000 in 2004	
Home inventory for sale 2004	Up 40% from just 36 months ago	
Foreclosures 31,000 total homes in 2004	Dallas	+18%
	Collin	+29%
	Tarrant	+33%
	Denton	+47%
Commercial foreclosures + 24%	Dallas/FW	+12%



Great Equity Markets of 2004

The stock market has stabilized and has almost returned to where we were a few years ago. The Dow rose 5.8% this year and the NASDAQ advanced 8.9% with a 14.7% increase in the 4th quarter but that could be just APPLE and DELL! Local D/FW public companies rose by 31.7% this year.

Mutual funds returning the best returns were mid cap funds, real estate investment trusts and income stocks. The consensus for 2005 expect the S & P 500 to rise 8%, another positive year expected, and that is good. With the rise of interest rates these past few months, tax free municipal bond yields are approaching 5% and that is a great place for your money, especially if you're retired.



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The Landlord's Edge

Like the rest of the country, our local market has had an increase in personal bankruptcies and defaults. Nearly 20% of all leases default, and this is about 4 times the norm. More than half our tenants are approved by our owners with double deposits, and this continues to be about the only hedge one has against risk unless you want to continue having the vacancy. GTF sees more defaults in our upper end properties than in the lower income households. With over \$1.5 trillion charged on credit cards this past year, and \$7,519 as the average monthly revolving balance, it is far more likely for a highly leveraged tenant paying \$1500/month to go broke than a tenant paying \$500/month living on social security to not be able to overcome some personal financial hardship. Since 2000, household debt has risen over 30 percent and totals just under \$10 trillion, \$800 billion in credit card debt alone!

When President Roosevelt started social security there were 41 workers putting money in the system for each retiree. Today the number is 3 and clearly this President has plans to help stop the imbalance of this system. Rental property is a viable retirement vehicle as long as they are debt free when you need the money. Too often the underlying debt cripples my retired clients who suffer the most when they're on a fixed income and encounter an extended vacancy. Take the shortest payoffs you can afford on mortgages and insulate yourself from market conditions like these that wipe owners out.

My little real estate world of N. Texas is not like anywhere else on earth. I have the pleasure of speaking on both coasts every year about my little world. We have no oceans, mountains, physical limits, or government intervention to prevent continued building. Our market is in a perpetually overbuilt state that is unlike landlocked cities like Boston, Richmond, San Fran., or San Diego. After 23 years I am, so used to so many stores and restaurants that the most wonderful thing about living here is you should never have to wait for anything because there is so much oversupply of everything. Last year a giant mall opened called Willow Bend in Plano, and today it sits 30% vacant, unheard of in the world of mall occupancy. We have new hospitals going up, office supply superstores at every intersection and more see through office buildings than anywhere. I love North Texas but I hate seeing my clients suffer and this has been a difficult year for many of you. Please know how active a role I play in marketing your rentals and we continue to try anything.

In 2005 let's all commit to be pro active in making improvements that cost less than a vacancy. We should anticipate our lease renewals, and if you can afford to, lower the rent in exchange for another year of occupancy. All of us at GTF want to work at retention.

Dallas residents were named the nation's worst credit rated and we also rank as the least charitable city. Great place we love and live in. But charitable giving is often given with what's left in a household instead of off the top as we should. So if our population gives the least, and has the worst credit in the country, how could it not be one the most challenging rental markets in the country? I'm always trying to figure out an angle, a trend, a hook to benefit our portfolio. We are constantly changing the message in our advertising to cater to the crowd.

FINAL THOUGHTS

We continue to innovate the communication offered to us through our web page www.dfwlandlord.com. Potential new owners can now obtain all our information in the client section and even fill out a request for a management agreement. Resident communication messages against home ownership has also been stepped up as we set our sights and goals on retaining occupancy at all costs. We will try to continue to take our newsletter on line by providing you timely articles which expand upon our research and opinions about this market. An article called "Where Have All The Renters Gone?" and another called "Rent, Texas Style" are now available at:

www.dfwlandlord.com/owners/articles2.html

1099's are a good time to reflect on your investments and compare them to how you did in previous years. Be sure to expense and deduct any costs you paid for that are related to your rentals. Please share this newsletter with a friend or simply send them to our web page. In 2004 we welcomed over 300 new clients to our family and most came because you told someone about us. For this amazing continued growth all of us at GTF thank you. Our commitment to innovation and communication seem to get easier with every new gadget available to us. I wish you and your family a happy, healthy, and prosperous New Year.

A handwritten signature in blue ink that reads "Mark H. Kreditor". The signature is fluid and cursive.

Mark H. Kreditor, MPM
Broker