

*One Call - One Solution from Get There First Realty***REAL ESTATE IS NEVER EASY \$**

In August, GTF celebrated its 25th year in business. A long time ago I learned an important lesson of smart investing and that is NEVER lose money. If you just spent your life compounding income from conservative investments you probably will accumulate adequate wealth. The longer I'm managing rentals and observing what real estate investing does to most people the more I am sure real estate is often not worth the risk in Texas. The markets in "for sale" real estate really softened this quarter as evidenced by the statistics boxed to your right. New homes continue to saturate the market and often lead to the softness in pre-owned homes even though new home builders have cut back by 12% (validating these tough times).

The rise of interest rates really hammered many borrowers on adjustable rate mortgages which I have warned against for many years in this newsletter. Nearly \$1 trillion worth of ARM mortgages will reset in 2007. With 47,000 homes for sale and nearly 100,000 empty rentals, this continues to be a market awash in over-supply. The Katrina effect has worn off and we are desperately looking for more tenants to fill our rentals.

I have two types of clients; those with occupancy and the other with vacancy. My apologies to those with stable occupancy in that I never mean to appear exclusively negative. If you're fortunate enough to have income and cash flow, be thankful since there are thousands of owners wanting your tenant. Nationwide, the slowdown is widespread as Moody's predicts declines in more than 100 markets this year. Home prices are expected to decline by 3.6% nationwide.

<b>Activity Statistics Dallas/Ft. Worth Market</b>	
Previously owned homes sold in D/ FW	Jul 2006 -15%
	Aug 2006 -8%
	Sep 2006 -12%
3rd Q Sales	-5%
September 2006 price trend	-3%
Average days selling a home	68 days 55 or more to lease
Unsold New Homes for sale	30,000 +14% 7.6 month supply
Home Foreclosures +49%	35,300 homes posted year to date
Rental occupancy	91% in D/FW, not high enough at all

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**STOCKS ARE EXCITING  
ONCE AGAIN**

This was a good quarter for stocks with the Dow up 4.74% and 9% so far this year and the S & P up 7% so far this year. The tech laden NASDAQ has not fared as well with only a modest 2.4% gain. I am still a firm believer in tax free muni-bonds and reinvest my interest every month into more bonds. I also believe in energy and do not see the consumption declining even though half my office drive hybrid cars. Pipeline firms and big energy have been sure bets in this market and the 15% tax cap on dividends make these stocks even more attractive to income investors. There are higher returns in bank CD's than real estate right now.

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**Get There First Updates**

GTF continues to fight the battles of our local credit markets. At last count, over 20% of your tenants default on their leases despite GTF collecting double deposits on over 65% of your contracts. Statistically, North Texans have the nation's lowest credit scores, and we continue to see dozens of tenants every month moving home with parents or moving out of the area as they face tough times. This is another reason why you must work to earn the best tenants by making your vacancies perfect. Imperfect make reads yield defective tenants and this spells disaster. We still believe the worst decision one can make is not making a vacancy absolutely perfect inside and out. I have my portfolio for sale and have done everything possible to make my rentals perfect and yet there are still no buyers. I am once again renting the homes and then will try to sell the properties to the tenants and owner finance the sale. This has proven to be the only reliable home run I have found in real estate, owner financed mortgages to your best tenants.



New home builders amaze me in their abilities to offer amazing incentives to woo your tenants away. From free maid service to free swimming pools, appliance upgrades, cut rate financing; anything to sell a new home. Just a few months ago despite these promotions over 10,000 new homes were empty in our markets. I'm amazed at how many out of state investors purchase these type investments; to me nothing could seem less likely to appreciate in the coming years. I always apply simple laws of supply and demand when trying to figure out what will go up in value. Available supply has risen for 7 years and many of GTF's clients are owners holding new homes already worth less than what they paid. Buy beach front, buy sold out fully absorbed sub-divisions, "always buy where there is no supply." New homes may make no sense until you see true appreciation return to this market, returns that surpass the 5% I get in my money market account.

In the first half of 2006 apartment permits jumped by 48% and many of these newly constructed rentals will be released to the market by year end. New apartments lease well, and typically take away a renter leasing an older rental that our client's own. The best rental market continues to be inner city where rents are often up.

I recently was honored as the keynote speaker at our national real estate convention in Vermont where I spoke about ethics, something property managers are rarely known for. It is important to do everything with honesty, integrity and ethics, even in the way you evict and set out. If you disagree with my opinions on the risks of real estate investment, please ignore them and buy more rentals for us to manage. I look at everything through a very wide angle lens, and on an annual basis, 95% of the clients I counsel are losing money hand over fist feeding and repairing rentals that do not appreciate or stay occupied very long. It's just the area of the country, so different than the areas many of you live in. North Texas marches to a different drum and if you ever fly into the airport just look out the window and you'll see all the land still waiting to be developed.

**INDUSTRY TRENDS**

*I predict on paper North Texas will beat out most of the nation and appreciate 4-5% overall this year. It still is less than money in the bank and if New York or Los Angeles drop significantly I'd still bet in 10 years these areas will come back stronger and healthier than North Texas ever will. In 25 years, I can never remember any time except briefly in the late 80's when we aggressively raised single family rental rates. But our insurance, taxes, repairs all went up faster than the rents. At GTF, our #1 goal is asset preservation and to run the rental relationship in a business like fashion. We take pride in our service department run by Rick Moore and our unwavering desire to carefully train every tenant in the art of understanding how to comply with the lease (or leave peacefully). Some months GTF takes in 50-100 new clients and we find so many are out of state investors or in town owners that cannot sell their homes. Most are referrals and we thank you for continuing to tell your friends about us. Our commitment is always to your bottom line and to help every owner lose less money and perhaps reach cash flow. Our leases are the very strongest in the industry and I personally lead a large staff until midnight every first of every month to ensure all checks are in the mail or late fees charged. We are still very hands on and visit all tenants owing money. Our motto is still that we "try to make every owner feel as if their home is the only home we have to manage."*

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