

GTF, INC. Investor Report

One Call - One Solution from Get There First Realty

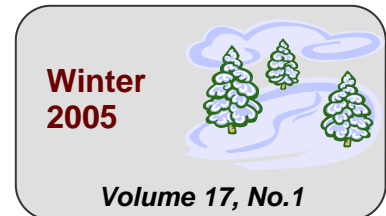
2005-STABLE BUT SOFT

Hurricane Katrina was the adrenaline this market needed to pull itself up in the 4th quarter. The absorption of 1000's of families mostly housed in lower income subsidized apartments helped the lowest segment of the market stabilize. At the same time, we saw the higher levels of the market benefit from the rise in interest rates. But, the middle 80% of this market still remains tremendously over-supplied. Made ready homes do not lease fast enough for our owners to make any returns on their investments. Weekly, we see many California investors sucked into investing in this market because prices are low, but there are still not enough tenants for all the vacant rentals. It has never made less sense to me than now; real estate is a very risky investment. It is so directly tied to tenant demand, and most of this market has been flat for many years. There are sweet spots of demand, mostly in select land locked neighborhoods like Uptown or Park Cities. Markets with abundant supply (land) never realize appreciation like our US coastal neighbors experience.

There is an ongoing worthlessness about North Texas real estate that I firmly believe ruins investors. I hope all of my clients really look at their tax returns this year and realize the challenge GTF has managing your property. Most of

you have lost money and will continue to lose money. My job is to help you lose less and we attempt to do this by reducing time vacant by encouraging "perfection" in your make readies. Nobody makes money in a market where 20% of the tenants skip on their leases and vacancies take 3-6 months to fill. The outlook is brighter with apartment construction starts down to an expected 8,000 in 2006 from 8,400 in 2005. It would be better if they would just take the year off!

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in DFW	Oct 2005 +3%
	Nov 2005 +4%
	Dec 2005 -10%
National For Sale Home Inventory	Highest level in 19 yrs. Crash coming?
Total median price trend—2005	+4% your money is better in the bank!
2005 average apartment rent	\$20 cheaper than 2001 prices!!
Apartments Occupancy D/FW	92%, best in 16 quarters (Katrina)
Local inventory for sale 2005	Up 6%
Foreclosures:	Total 32,513
	Apartments +11%
	Commercial -19%
Highest in over a decade!	Office Vacancy 30%
Collin county +9% Tarrant +5%	



Equity Markets 2005-No Return

If you invested \$10,000 in the S & P 500 on Dec 31, 1999 you would have \$8,493 on Dec 31, 2005. Sounds as bad as real estate. But with higher interest rates, bond and CD returns seem to be the best place for your money. The Dow lost .6%, the NASDAQ was up 1.4%, but interest rates were raised 8 times. Oil went from \$44 to \$61/barrel and gold gained 18%. Gold was the shining star of this market which typically means smart people are hoarding it in anticipation of difficult times ahead (he who has the gold, rules). I believe things around us are more stable today than ever before. We know we're at war, we know energy costs and real estate are high, and we know money in the bank offers the best returns than most other choices.



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The Landlord's Edge

My favorite market statistic came recently from the Office of Federal Housing Enterprise Oversight which reported that Texas has the lowest appreciation rate in the country. Money market accounts deliver higher returns than real estate in this market. Additionally, Jim Gaines, economist for Texas A & M research says "Investors cannot depend upon population expansion to boost the housing market, mainly because most new residents are low earning immigrants." 470,000 were Katrina victims this year and that certainly helped Texas.

Many of you complain about taxes, insurance and eventually ask me how to get out of your investment. To lower your taxes hire John Hirschy at 972-304-0909 who only gets paid if he's successful in getting the value reduced. For the best insurance choices I use Ron Cozort at 214-739-5442 who understands investment coverage. And finally I sold my personal house in 30 days and tons of our owners have found great success with Bittie Nettle at 214-368-0300; smart, efficient and understands rentals. If you own a condo or townhome the best agent in town is Eddie Davis at 214-956-8888 ext 107. Use these referrals and know I have never had a complaint from any owner about any of them.

Your new year's resolution should be to cancel any home warranty policies you may have on your rentals, they just don't work. It takes the warranty company too long to respond to a repair and most of the time the item isn't covered anyway. By then you have an angry tenant and you've done permanent damage to that fragile and valuable relationship. I cannot emphasize enough what a waste of money these policies are for rental properties in soft markets where tenants expect same day service.

Economists predict 2006 to be the year 2005 should have been in the area of employment growth. We're hopeful for a 2% growth in employment and that adds many new renters to the market. 2005 growth was closer to 1% and the last great year was 2000 when we grew by 3.9%. North Texas is all about jobs and people since we have the vacant infrastructure already in place to house anyone who arrives.

I'm often asked what is the best rental property to buy. My answer is always one with a stable existing tenant. This business is like any other where you have nothing without the customer. Never before has time empty been such an expensive experience for our owners.

One of the most phenomenal areas of new growth is high rise construction in the inner cities. Thousands of new units will flood our market in the first quarters of 2006. Most cranes rising from our skyline are building vertical apartments and condos. This continues to add rungs to the upper ladder and moves our older rentals more out of favor, except for their large square footage. Crime concerns have driven all renters into hiding behind controlled entry gates and into garages. The first thing I recommend is lighting improvements inside and out, and then if hardwoods are available under those carpets, by all means sand and stain.

Though a national real estate bubble may lose its air in 2006, I predict our local markets will not be effected in the same way. You have much less distance to fall if you have not risen as high as those around you.

FINAL THOUGHTS

2006 marks our 25th anniversary, and we grew our owner base by nearly 20% this past year. At the same time we witnessed the personal loss of property from nearly 300 of our owners, many due to foreclosure because of leverage, debt, and imbalance. If you are fortunate enough to have occupancy, reduce debt and save for a rainy day. Debt is still the cancer destroying families, balance sheets, and most of the equity of this country's real estate. What works in California in using leverage is the opposite effect in Texas, remember that.

Many of our staff have become licensed recently which will add a higher level of contract compliance in the way we deal with lease agreements and enforcement. We have just recently purchased a state of the art color network publishing system to expedite our abilities to produce four color brochures about each property. We have also recently completed a series of ads on the Dallas Area Rapid Transit (DART) system and will continue ad commitments in all newspapers and on line search engine placement services. 90% of rental prospects seem to use our on line videos as a way to tour properties and that is why getting them ready for market is so important.

Thank you for the hundreds of referrals you sent me last year. We will continue to do our very best for all of you.

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

**Mark H. Kreditor, MPM
Broker**