

GTF, INC. Investor Report

One Call - One Solution from Get There First Realty

HOUSE BILL 3101-NEW 2008 LAW

The overall rental market remains strong as fewer tenants qualify for home purchases. On the horizon some of the huge inventory of unsold homes may find their way into the rental market pool and that could challenge us all. Until that time, we remain positive at the market's ability to absorb product. BUT, evictions and delinquencies are skyrocketing as new renters challenged by "life" in North Texas get evicted more often than ever before. Our in office eviction filings for 2007 are up 20% from 2006 despite our efforts to collect timely rent. Now for the really bad news....

The Texas House, Senate, and The Governor passed "HB 3101," which limits late fees in 2008 to a "reasonable amount," requires at least a 3 day grace period before late fees can be charged and sets in place new required disclosures on tenant repair and deduct rights if repairs are not completed in a timely basis. I personally spoke to the Senate panel begging for this bill not to be passed but the wheels were in motion, and it will affect all of us. Look for a letter soon from GTF outlining changes to our late fees, collection policies and other actions to comply with this really lousy new Texas law.

Nationally homes sales are down about 11% overall as many markets feel the effects of the real estate slowdown. This might be an opportune time to buy quality real estate in coastal markets where values rise more often than they decline. The highest foreclosure rates remain in California, Florida, Nevada, Indiana, Ohio, Michigan, Indiana, Arizona, Georgia, Colorado and of course Texas. 24.5% of Texans do not have health insurance, #1 in US.

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in D/ FW	Jul 2007 -3%
	Aug 2007 -10%
	Sep 2007 -19%
YTD Home Sales	-6%
YTD Average price trend	+1%
Average days selling a home	74, 82 for a condo 51 or more to lease
Unsold New Homes for sale	24,500 Homes 3rd Q Starts -30%
Home Foreclosures For Sale	14,460 on market 31,399 Posted 200 days to sell
Rental occupancy	94% +3%! Rates +2%!

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STOCKS ARE ALWAYS EXCITING FOR THE 4TH Q

The third quarter (with help from the Fed) finished with the Dow up 3.6%. So far for 2007 the Dow is up 11.5%. The S & P 500 is up 7.6% this year. The good news is there's only been one losing 4th quarter in the past 10 years so we should end strong. Tax free municipal bonds peaked at just over 5% earlier in the third quarter but have pulled back with the recent Fed rate reduction, same for CD's. I'm reading a great new book by Alan Greenspan, former Fed chairman called "The Age of Innocence," focusing on his years analyzing the markets. He seems to feel the stock market is resilient and recovers faster than Donald Trump.

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Get There First Updates

Most of our new business comes from first time out of state owners. On paper, North Texas looks very good for investment but the #1 reason most investors lose money is the poor tenant quality. North Texans lead the country in bad credit scores and every year our delinquencies seem to rise despite nearly 70% of our tenants paying extra deposit to qualify. A really great statistic about our area is that we lead the nation in employment growth. There are more new jobs here than anywhere else, nearly 100,000/year. Despite this influx, office space demand is running at half of what it was a year ago and home sales are way way off. Quirky place, North Texas is and a very dangerous place to invest in. Anything on paper that looks too good to be true probably is. Take Akron, Ohio for instance. In 10 of its neighborhoods through August this year, 79% of all homes sold were sold by lenders for a fraction of their cost. If buyers were investors "maybe" they have gotten in at the right time.



Since June, 7,000 apartment units have been leased in North Texas, an amazing explosion of transactions. Many are home buyers that can't qualify, others from communities being scraped, and some from single family homes where they hope to now get better on site service (I never experience that one). My point is there are renters out there, and this is a good market for great rentals. What makes a great rental is a perfect make ready and a price below market rate. That's how you **Get There First** when competing against 100,000 total vacancies. There is market demand but we still have over 14,000 empty single family homes listed in MLS just in the North Texas market segment.

In August, the national supply of unsold homes ballooned to an 18 year high and foreclosures rose 58%. I feel bad for the rest of the country and last month I spoke at our industry's national convention in Scottsdale about US market conditions. I feel the planets are aligned in most markets for investor opportunities to purchase at great prices. Follow markets with strong tenant demand and limited land availability, two factors North Texas has never had. I apologize to clients for often being negative but I only tell the truth especially if it's before a purchase has been made. I spend my day listening to people complain about real estate.

Tenants complain about not having rent money and owners complain that what rent money they do receive can never begin to cover their costs. So I am, after 27 years of observing real estate, very conservative and a great believer in the investment theory of "never lose money." I believe over 90% of the investors I meet lose money and 100% of them are losing money because of an issue with the tenant. The new laws for 2008 will only make this relationship even more weighted for the tenant and you will see in the next few weeks changes we are making in security surveillance to prove up when late fees are due, reductions in late fees, and of course a 3 day grace period which will delay your payments if the tenant waits until midnight of the third on new leases. Maybe these politicians should have spent the day with me before passing these laws!

INDUSTRY TRENDS

Money magazine says you need 12 times your annual salary saved in order to retire. Since the 1980's 30% more Americans 65 and older are staying on their jobs and putting off retirement. Americans overall have a negative savings rate which means most spend more than they earn. These statistics fascinate me as I find it amazing the average household owes \$9659 on their credit cards. CNNMoney recently featured Dallas as one of the country's best places to invest in real estate so I'm sure GTF will continue to grow with new investors buying property. DFW looks so good on paper, especially the employment statistics. The truth is I can't remember the last tenant we evicted who said anything about not being able to find work, they just found too many other creditors along the way. The number one expense is money for bills, not for them but for their friends. In my reincarnation I will be a TV show writer since the stories we see and experience on a daily basis would play out on HBO better than The Sopranos.

Our goal still remains the same, to make each of you feel as if you're the only client we have. I have the best team in place I have ever had led by Rick Moore in service (ext 2), Patty Allen in management (ext 118) and Ari Lund in bookkeeping and collection (ext 4). Feel free to call on these talented staff members if you ever have a concern and thank you for your continued referrals.

Mark H. Kreditor, MPM Broker