

GTF, INC. Investor Report

One Call - One Solution from Get There First Realty

2007-FOR THE RECORD

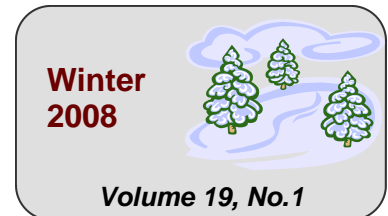
My sincerest New Year wishes to all my clients and fellow investors. 2007 was certainly a year for the record books. With almost the entire country deep in one of the worst real estate slumps in history, North Texas was also challenged. Though values here may have gone down less than other markets, we have never seen as high an increase in delinquencies as this past year. The risk score of the tenants in our market is worse than anywhere else in America based on factual credit score data telling us North Texans have the lowest. Over 20% of the tenants signing leases never fulfill them and in our local precinct the Judge evicts over 6,000 tenants a year. We certainly encourage owners to be more selective, and in most cases additional deposit is paid for higher risk applicants, but a skip is still a skip. Nothing costs more than this.

And it's not only Texas landlords not getting paid. Consumer loan delinquencies are also at their highest levels since 2001, with 2.3% of home equity loans currently late as well as 20% of all sub prime loans (500,000). They anticipate 1 million home foreclosures this year, and car sales are at their lowest levels in 10 years.

It is a possibility that the new president's first challenge will be dealing with a recession in 2008.

National foreclosures are up 68% despite a 48% decrease in housing starts. My opinion is many of these foreclosures will emerge back into the market as rentals further challenging overstocked rental inventories. But the silver lining in 2007 was that more apartments and homes have been occupied than ever before and leasing is much better. Perfectly made ready homes priced below market have a very good chance of getting leased and that is very good news for all.

Activity Statistics Dallas/Ft. Worth Market		
Previously owned homes sold in DFW, volume each month has been down all year	Oct 2007	-13%
	Nov 2007	-16%
	Dec 2007	-25%
Avg # days to sell		80
Avg # days to lease		51
Total median price 3RD Q 2007	-3% your money is <u>better</u> in the bank!	
Apartment Rental Demand 2007	10% less than 2006 home leases are up!	
Apartment Occupancy D/FW	92%, much higher than previous years!	
New home Starts		-50%
New Home sales		-30%
Foreclosures:	Jan 08	+30%
	07 Homes	43,000
	Late Mortgages	7% of total
Denton	+17%	
Tarrant	+15%	
Dallas	+6%	



Equity Markets 2007-Fair Year!

In 2007 the S & P 500 index increased 3.5% and the Dow was up 6.4 % and the NASDAQ up 9.8%. The late year challenge in the financial sector brought annual returns down sharply in the 4th quarter, making the year perhaps appear worse than it actually was. Experts are still hopeful for a rebound in the equity markets as the world economy expansion will hopefully dilute the American real estate crisis. So far 2008 is off to the worst start in many years, down 5%. The big factor is how all the real estate bad debt will effect the markets. Municipal bond returns continued to rise in the 4th quarter, and short term CD rates are higher than long term rates. You can bet the fed will lower interest rates very soon and very fast.



Get There First Realty
4931 Airline Road
Dallas, TX 75205
Toll Free: 1-888-322-4837
Bus: (214) 522-5700
Fax: (214) 522-9985
mark@gtfrealty.com
www.DFWlandlord.com





The Landlord's Edge

In the nearly 30 years I have been analyzing real estate cycles, I have become a great believer that often your "first loss is your best loss." How many of you came to GTF after first trying to sell your home? I always say it is better to try to sell than to lease and avoid the risks of being a landlord in this challenging North Texas market. Throughout the country, home values were punished this past year as inventories swelled (Florida has nearly a year's supply of unsold homes) and prices crashed. Markets like Detroit, Las Vegas, Phoenix, Tampa, Miami, and San Diego all had double digit decreases in values. What a great time to buy in some of the beautiful settings like La Jolla, Scottsdale and Miami. Views of the ocean never go out of style and that is something we always lack in North Texas; coastal landscape. No wonder Texas never goes up or down much; we often avoid those huge market swings and that is sometimes good. But that might compel some to cash in their Texas holdings, take their losses, and buy a discounted beachfront rental and wait. Still others might consider buying more.

GTF works hardest during a time of vacancy when we don't charge any fees to manage. In one city, Mesquite, Texas, we have to pass monthly city inspections on our vacant properties while waiting for a tenant, and this sometimes takes many, many months. Other cities like Garland, Arlington and Grand Prairie are implementing similar inspection requirements of all rental property owners. GTF works hard to have a respected, zero failure rate with these inspectors in hopes of getting to the "rubber stamp" treatment whereby if they see it's managed by GTF they know it's being looked after and cared for. These inspection fees are huge city revenue sources and yet another layer of compliance you have to deal with. On January 1, 2008 new laws took effect regarding mandatory grace periods and regulated late fees making GTF redo all 1300+ contracts over the next year as they expire. We still have the best landlord/tenant laws in the country and have made the adjustments in our business practices to be sure you're in full compliance with the new Texas laws. Covering your assets is job #1.

The crane (as in building) is still the state bird as new construction goes up everywhere around us. New malls, retail, old apartments being torn down for new apartments, etc. Despite all of this truly unnecessary overbuilding, the front page news last week was that "Macy's Department Store" is closing its Valley View mall location for lack of sales. And yet they build, build, build....

Texas Statistics You'd Rather NOT Know:

#1 in teenage pregnancies

25% of all Texas children are born into poverty

2nd widest income gap between rich and poor

1st in cancerous emissions to the air and toxins to water

Texas has the HIGHEST number of uninsured people

1st in executions

34% of Texas High school students drop out

Despite this, I would go to war for my beloved Texas. I hope this makes you feel better about improving Texas by paying your property taxes each year.

FINAL THOUGHTS

There are over 500,000 sub prime loans behind on payments in this country. If the government would leave these loans alone and allow them to be foreclosed on, these homeowners would again become home renters, and all your vacancy problems would be solved. Every time I read about a bailout of the delinquent mortgage sector I cringe, knowing these homeowners will just be back on the foreclosure block a year from now. 95% of the 300 tenants we lose to home ownership each year should not be homeowners and only purchase because they can get some creative "nothing down" deal. I want them back renting your homes ASAP, and I hope you do too. The landlord has for too many years taken a back seat to the promotion of the "American Dream" to our tenants. Now that they are in a nightmare why is it our problem to bail them out? Wake up from your dream former tenants, take your loss, and rent a house!

GTF is now video monitored 24/7 so we have proof of all payments into the office and when they arrive. We invested in this system because of the state's changes to the late fee laws and to show customers that we always want to be accurate and fair. We are investing this year in a major web site revision. My hope is to totally dominate rental inquiries and to separate owner's inquiries to a different web page. We wish all of you the best 2008 can bring to your bottom line and thank you.

Mark H. Kreditor, MPM
Broker