

GTF, INC. Investor Report

One Call - One Solution from Get There First Realty

WEATHER-HOT, MARKET-NOT

Once the Federal tax refunds stopped arriving, the tenants stopped renting. This past quarter appeared to be much slower than the first quarter 09 and money, jobs, and credit all appear to have tightened. It seems over 90% of the calls I make to owners about prospective renters contain something negative in their background. This is an amazing environment in which we are operating. Very few tenants come to us without defects, and on a monthly basis over 10% of the 1500 homes we manage get a notice to vacate. 80% end up paying, but the effort required to collect rent money in this economy is unbelievable. You should all be thankful to have eviction protection; use it every month to prioritize your tenant's payment choices.

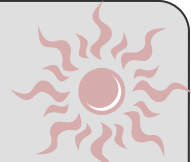
In today's paper there were nearly two pages of articles about owners getting sued by tenants for slow response to air conditioning repairs. There is nothing more important than responding quickly to repairs and canceling any home warranty policies you may have. They are the worst nightmare for an investor and their response time is terrible.

If jobs drive the market, we are moving backwards. State unemployment was 7.5% in June, the highest level since 1993.

Locally jobs are very tight; this past year local unemployment rose to 8.1% from 5.1%. The only way to combat an unemployed tenant is to file your eviction earlier and earlier in the month and respond quickly by hedging your bet they will not find new employment. It is getting slower and slower as the courts remain so backed up with eviction hearings and set outs. On average it takes 3-5 weeks to get the process done so start early and approve the action when our office calls you. Hedge your bet in court.

Activity Statistics Dallas/Ft. Worth Market	
Previously owned homes sold in D/ FW <u>Year to Date</u> we are down 22%	April 2009 -11%
	May 2009 -24%
	June 2009 -14%
YTD Median Sales Prices	-3% to -5% based on who reports data
Apartment Rents	-1.7% from a yr ago
Average days selling a home	77 days
New Home Sales in D/FW	-40% in the 2nd Q. Home Starts -50%
Area Foreclosures July 2009	+18% from 2008 +62% from a yr ago
Average Credit Card Debt	\$6226 up 5% so far this year

Summer
2009



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Stocks Rise Broadly

The Dow rose 11% in the 2nd quarter as investor confidence came back from a previous low point that still has the Dow off 3.8% year to date. The S & P 500 fared even better, up 15% for the quarter and up 1.8% year to date. The quarter marked a period of healing around the globe as credit markets improved. It appears unless the other shoe drops we will end the year strong when compared to the dismal 4th quarter of 2008. There are concerns with the auto industry, the banking bailout, and of course real estate. The federal government is sitting on literally trillions of dollars of non performing loan portfolios, and it appears they have no idea what to do. I have never been so amazed at the challenges our government faces.



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Get There First Updates

As we face one of the most challenging and severe recessions, we are thankful once again for occupancy that pays rent. This past quarter we have elevated two more staff positions to broker assistants to help supervise the growing amount of delinquency we battle on your behalf. Both Joe Zylka at ext 109 who handles collections and renewals and Ari Lund at ext 4 who handles collections and bookkeeping have passed their broker exams. The Senate at the end of May passed a bill entitled SB 896 which protects TENANTS occupying homes that are foreclosed. It forces owners buying foreclosed properties as investments to honor any existing leases in place. I call this the “white out” bill since the only person capable of producing the lease is most likely the tenant, and with some white out they just extended their term and lowered their rent and there is nothing you can do about it. Be very careful when buying foreclosed properties with tenants.



43% of American families have no savings for their child’s college education and 65% have less than \$5,000. I’m amazed that the cost for “name branded” private schools easily exceeds \$50,000/year.

The biggest rent cuts came inside our urban core neighborhoods where building has run rampant these past few years. Average rents are down nearly 8% in some inner city neighborhoods. Overall apartment occupancy is down by 3% to 90% full since a year ago, but I feel many apartment occupants have moved up to home rentals bypassing home ownership. Things do not appear to be as soft for home rentals as apartment rentals and that is the positive silver lining of this market. A local research firm just published projections that rents will fall 4% between now and June 2010. Let’s hope their research is wrong. Despite all the bad news, the D/FW market leads the country in new apartment construction with 23,000 estimated new units reported; go figure!

I often tell new investors calling for advice to not be swayed by the limited statistics presented to them. A recent study by IHS Global Insight reported the D/FW area to be 31.6% undervalued. What the firm fails to factor in are the high property tax rates, the incredibly high eviction rate (20%), and our country’s lowest credit scores. So much for paper reports.

In Texas about 8% of prime and 26% of sub prime adjustable rate loans are late. That works out to be about 45,000 foreclosures nationwide. Harvard researchers say the US is in its worst slowdown since the 1940’s. D/FW home prices have dropped about 20% since their peak a few years ago in 2007.

For many years Dallas has held the ugly title of the “highest crime rated” city of over 1 million in the country. The new winner of this title is San Antonio. As a native New Yorker and former Bostonian I can tell you this is still the safest place I feel on earth. I believe our first place status was simply because Texans actually report crimes to the police where the rest of the country just expects to be robbed.

INDUSTRY TRENDS

I just returned from a fund raising mission to Israel (my 8th trip to the Holy Land) and as I met leaders from other US markets, I have to say we are much better off than most. In Las Vegas 67.2% of homes have mortgages that exceed their value while in our market the statistic is only 16.8%. As we approach the daily challenges of dealing with people without money, we simply stick to the rules agreed upon. I have recently been asked to head the national ethics and professional standards committee for our industry, and this will be my 5th year in this capacity. This October, Ari and I will be in Orlando attending the 21st annual convention of The National Association of Residential Property Managers (www.narpm.org). I have once again been asked to be their keynote speaker covering my usual topic of “trends affecting our industry.” Ari is expected to be awarded the prestigious RMP designation for his work and study in our industry.

2009 has been a tremendous year of governmental intervention and change for our industry, and this is of great concern to us all. Locally we see this same (ridiculous) intervention with the increasing amounts of city violations/inspections being given to your properties. The business of management becomes increasingly challenging as the local city councils look to blame the landlord for the decline of values in neighborhoods. As always we will do our best on your behalf.

Mark H. Kreditor, MPM
Broker