

GTF, INC. Investor Report

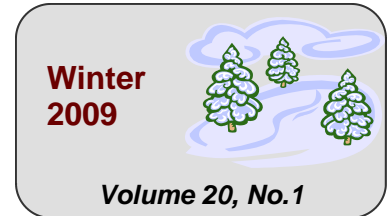
One Call - One Solution from Get There First Realty

2008-JUST HORRIBLE

What does the most pessimistic real estate newsletter writer say about 2008? I'm sorry, and I feel truly sad for the many clients and tenants I know are struggling. The most incredible economic downturn in 70 years has taken trillions of dollars of value out of US investments, especially in real estate. The catch-22 idea that the American dream is home ownership and then the homeowner really can't afford to own a home has caught up with us. The need for liquidity to cover loan losses has placed incredible downward pressure on all equity markets. The time to circle the wagons and be conservative is now. Don't risk a vacancy, do upgrades to get quality occupancy, and forget about selling at a decent price for a while. There is only a 6 month supply of homes for sale which is a good sign when things begin to pick up again. DFW is #1 in new apartment construction with 21,000 being built despite a huge reduction in demand and lower rents this year. These challenges are real so your make readies better be perfect! We find most tenants move to buy new homes, so making improvements may be our best defense. Don't say no to sensible service requests but ask for a renewal. 61% of all apartments offer rent concessions so be careful not to overprice your rentals in this soft market.

On a national scale, some economists feel we will NEVER see values return in real estate in our lifetime (when adjusted for inflation). Many markets went up too fast, but I still believe ocean views will always recover fastest. North TX values are eternally lower priced, there'll always be more land for builders to construct new homes (there is a 5 year supply of lots). Couple that with the country's worst credit scores and you understand why investing here is hard.

Activity Statistics Dallas/Ft. Worth Market		
Previously owned homes sold in DFW, volume each month has been -14% in 2008	Oct 2008	-17%
	Nov 2008	-33%
	Dec 2008	-18%
Avg # days to sell		81
Avg # days to lease		46
Median Price		-3%
Pending Sales		-28%
Apartment Rental Demand 2008	12% less than 2007 home leases are up!	
Apartment Occupancy D/FW	Fell by 5,580 units 91.4% occupancy	
New home Starts		-30%
New Home sales		-36%
Foreclosures:	2008	+18%
Denton +28%	08 Homes	50,234
Tarrant +18%	Commercial	+36%
Dallas +13%	Foreclosures	For 2008
Collin +23%	Texas late payments	10% of all mortgage



Equity Markets 2008-1930's again

This was the worst year since the great depression, and the Dow was off by 33.8%, S & P 500 off 38.5% and the NASDAQ down 40.5%! So many great company names of 20th century investing like GE and Citigroup sufferer tremendous losses. Local company Zale Corp., a worldwide jewelry retailer, was down 86.7% in the 4th quarter. Corporate dividends are being slashed, and the only shining light for the income investor seems to be buying corporate and muni bonds where returns (and often risk) are historically high. US stocks lost \$10.4 trillion from their high to their low, and 4 of the 20 biggest percentage declines in the market's 113 year history occurred in the 4th quarter. I am sorry for those of you who live off stocks.



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The Landlord's Edge

One of the best ways to save money in 2009 is to petition your tax value when you get your statement from the City. I do it on all my properties every year, and sometimes it works. For years I have recommended John Hirschy at 972-304-0909 who charges only if he gets the tax value lowered. Income investing seems to be the natural trend when values do not rise, and we have posted to our web site (www.gtfrealty.com) properties we own that have had long term tenants that are for sale. GTF clients get a 5% discount on properties purchased on our web site if bought directly through us. Please drive by these homes and see the deals being offered.

Job creation is what helps Texas more than anything else, specifically to fill empty rentals. Jobs nationwide are down 2.5 million in 2008, and Texas unemployment jumped to 5.7% from 4.3% last year. There is a bill before the Texas legislature this year to limit landlords from renting to undocumented workers, and this will only add to our challenge, but it's doubtful it will pass. We must do all we can to occupy Texas, and the population grew 16.7% since 2000. As much as we grow the supply of property far exceeds demand so we seem to be eternally oversupplied in all areas of real estate. Nationwide, unemployment is now the cause of nearly 50% of all foreclosures. We must keep jobs in Texas. The D/FW market has recorded its 57th consecutive quarter of private sector employment growth putting it at #1 in the country. We added 35,100 jobs in November alone.

Locally, new car sales are off 39.8%, and many dealerships have closed. Used car sales are a great business and a natural evolution after being a mortgagee. An interesting statistic that might explain why it is so difficult to find tenants is that this past year half the number of people who normally move actually did so. In the 50's and 60's nearly 20% of the population moved each year, now the number is less than 10%. In challenging times people stay with their parents longer or prefer not to take risk. That is why the renewal of your lease is far easier than the re-renting of the property.

In Detroit, Michigan, the average home sold for \$40,011 in 2007. In 2008 that number went down to \$18,513. The population of Detroit is half what it was in the 50's and has a 21.6% unemployment rate. There are 201,000 taxpayers delinquent on their property taxes and the Lions were 0-16 in the NFL this year. I love Texas!

Debt fueled consumer spending accounts for as much as 70% of the GNP with nearly \$822 billion accumulated in credit card debt (about \$8200/person). In 2008 the bad debt on these balances was \$45 million, and estimates for 2009 indicate that \$60 billion could be written off as uncollectible. It is predicted that bank fees will get more aggressive in an attempt to find new fee revenue to offset bad debt. This will naturally lead to credit tightening, and that will adversely effect the retail sector. In Dallas, we have watched many large box retailers from Linens and Things to Circuit City close their doors. Though we have the nation's lowest average office building sale prices, we also have a tremendous amount of empty space. At every busy corner in town all you see are banks and empty former business locations. In today's paper it was announced that North Texas has 94,000 empty lots for home construction.

FINAL THOUGHTS

Though nearly 450,000 Texans owe more on their home than they're worth, getting a rent check every month is better than not. We must all be "reasonable" during these challenging times and try to lose less money. Occupancy is key while at the same time we must recognize the likelihood that many of you may deal with delinquency and even eviction. It is a very fine line to be empathetic and to survive as a landlord. It is always our suggestion to file the eviction and hedge your bet the tenant will come through. Too often when waiting to file, the tenant is already a month behind and so are the courts. Losing less money often means getting possession of your property faster during default. GTF spends everyday calling tenants to work with their pay days and avoid having a vacancy as best we can. But too often in this environment there may not be a pay day coming and it becomes the goal of your tenant to stay as long as possible. Every month we are physically setting out more and more people, and this is just very sad. I do not believe 2009 will completely turn around the challenge of this recession, but like you, I'm hopeful that change is coming. We should count our blessings for occupancy, employment growth, and good laws to govern us in Texas. Our staff is committed to giving you the truth and the best advice on minimizing loss and reaching occupancy, retention, and renewal. Thank you for your business in 2008 and all the referrals you send to us.

A handwritten signature in blue ink that reads 'Mark H. Kreditor'. The signature is fluid and cursive.

**Mark H. Kreditor, MPM
Broker**