

Full steam ahead



A diverse, low-cost approach to real estate investing has allowed Owen Shaw to build wealth – and a fund management business – at an incredible speed. Here, the 28-year-old shares how he did it

“A building I purchased with a Joint Venture Partner in Red Deer, Alta. 29 units, purchased for \$2.8 million in late 2006”

Some children sell lemonade to turn a quick buck. Owen Shaw put his own twist on the business—launching a lemonade *franchise* in his neighbourhood. And that was when he was five.

“We always had some kind of venture on the go as kids,” says the Calgary businessman. “I was fascinated about the way money worked – about supply and demand.”

It was Shaw’s tenacity for business that landed him on the doorstep of real estate investing—a move that has made him one of Calgary’s most successful entrepreneurs under 30. Today, the 28-year-old holds more than 100 properties, is a diamond member of the Real Estate Investment Network (REIN) and co-owns Integrity Wealth Group, a real estate-based fund management company with projects totalling a built-out value in excess of \$150 million.

Seven years ago, Shaw was working for a large multi-national corporation and living in a basement suite rental with zero savings.

His desire to get himself out of his financial situation led him to read Robert Kiyosaki’s *Rich Dad Poor Dad*. He says he took three key messages from the book: own your own business, surround yourself with a network of like-minded people and invest in real estate.

One day, he heard a southern man on the radio speak about how he had made millions in real estate without using any of his own money. While Shaw didn’t catch the phone number, he caught the gentleman’s name – Ron LeGrand.

LeGrand was promoting his real estate strategy in Calgary and Shaw was convinced this was something he should attend. As he researched LeGrand on the Internet, he was directed to REIN’s website. Kiyosaki’s message about surrounding yourself with like-minded people encouraged Shaw to join REIN and start down the path to real estate investing.

When he joined REIN in April 2003, he was eager to purchase his first revenue property. Within the first few weeks, he had listened to all of the quick-start tapes and had negotiated a deal with a private seller of a bungalow in a transitioning

inner-city neighbourhood with a double detached heated garage and potential for a legal basement suite.

Shaw agreed to pay the seller \$5,000 and assume his existing mortgage and he would carry back a \$50,000 mortgage for two years.

Change of heart

With this particular property, Shaw knew he'd have to make some improvements and estimated his material and carrying costs would amount to an additional \$5,000. In total, he was going to invest \$10,000 cash in his first property. Shaw used a personal line of credit to get the money.

During the condition period (buyer's conditions; conditional to buyer's lawyers approval), Shaw attended a free Ron LeGrand presentation and in LeGrand's opening remarks he said "Never use your own money to purchase real estate." This resonated with Shaw because he knew that once he had spent his credit line money he would be tapped out and would need an alternative strategy.

Shaw paid \$5,000 for the course and course materials that night. "Because we had spent half of our credit line we knew that we could not afford to close on the rental property and complete the improvements, so we opted not to remove the conditions and I began to focus my attention to learning everything I could from the course materials and CDs I received from Ron," he says.

Three months later, he contracted his first flip property in Calgary using just a \$25 deposit.

First deal

His first purchase was a year-old, 1,850 sq.-ft. home that backed onto a golf course. A couple of investors had bought the property together and were trying to flip it themselves.

These investors had hired a Realtor who told them he would sell their house for the highest price. So the house was listed for \$335,000 when it was only worth about \$285,000.

The investors were getting offers in around \$285,000 and \$290,000 and were turning them down because the Realtor

convinced them he could get more money for the property. Shaw watched and waited.

Eventually the investors ran out of money and couldn't afford to keep making payments to the seller anymore.

That's when Shaw made his move.

He agreed to buy the property from them for \$260,000 – far less than the house was worth – because he knew they were motivated to sell. He put a \$25 deposit down on the house, and was asked to come up with \$8,000 by the end of the month.

"I didn't know where I was going to get that money from. I didn't even know anyone who had \$8,000 at that time. My Visa card had a \$3,000 max and I was

table in mid-December. His profit was \$20,000 after all the legal fees.







After he made his first \$20,000 flipping that house, he quit his job somewhat prematurely. He had taken on a lot of inventory during the winter and ended up holding five different properties that he had intended to flip quickly. He was paying gas bills on homes with zero income coming in.

"It got to the point where we were taking out loans from friends and friends of friends and we were paying 10 per cent interest per month



Owen Shaw

TOP TIPS FOR INVESTING

-  Building business for cash flow and not net worth
-  If you're looking to rent or sell, don't try and do it when there's snow on the ground. You'll be sitting on vacancies. It's one thing to pay on a mortgage but the gas bill for an empty house hurts.
-  Have a plan and stick to it. Know what your strategy is and don't deviate from it, because as soon as you do that you're going to get into trouble.
-  Build a team of people who know more than you do. Have a strong team of lawyers, a strong appraiser and a strong contracting group on your team. The less you do, the more you make.
-  Be friendly, high-energy and never let a problem that can be easily solved get you down. A lot of people get bogged down by problems dealing with little details, and none of it really matters. That's part of what allowed us to do a lot of volume. I knew as long as I was buying for value and doing things according to my system, I wasn't going to get into any trouble.
-  Don't be afraid to fail, because you have to fail to learn how to do anything right. Get out there and fail at as many things as you possibly can and learn from them.

about \$2,700 in debt."

So in late July 2003, he had three weeks to find a buyer to put up the \$8,000. He immediately started marketing it heavily as a private listing. He hired an appraiser and used the appraisal to market the property as "below appraised value" at \$280,000. He was able to find a buyer who needed a property and was looking for a quick possession in the first week of August. The first person to tour the property gave him a cheque for \$8,000. Shaw used that deposit to pay the vendors and Shaw picked up his cheque at the closing

because we knew we had all this equity in the property but we knew we had to wait until springtime to realize it. So we were taking out loans at 120 per cent interest per year just so we could get the money quickly because we needed it to make payments, pay bills and survive."

Eventually, he worked out a deal with his former employer who had come knocking on his door. They hired him back and allowed him to work until 2 p.m. each day and take a 20 per cent pay cut. This allowed him the time to meet with lawyers and check out properties in the afternoons.

Strategy

On the flipping side, Shaw's strategy was centered around the buy. "I would add up my costs over a six-month period, account for marketing expenses, profit margins and then work back from what I knew was the appraised value. I would give that number to the seller, tell them what my costs would be for six months and then I'd market the living snot out of it and sell everything below appraised value because everyone wants a deal," says Shaw. "I never try to make as much money as I could on a deal but instead make a good chunk of cash and then move on to the next one. That was really our approach to selling."

His strategy was to ensure he never

property was 30 to 60 days.

This quick-flip strategy allowed him to do deals in volume – 20 his first year and 30 the next. It got to the point where he wasn't even viewing the properties before making an offer.

"If I were to think about what put us forward at that speed it's a desire for success, a love of the business and applying a low-risk philosophy and not using a dollar of our own money," he says. "I never used any of my own money, except for spending it on the initial marketing setup and that was all credit that we took off of Tasha's (his, wife Natasha's) Visa."

He believes that if investors want to use this strategy, the biggest mistake

in the first place because they never got a deal. They bought it for market value and over-improved it and there's no connection between the dollar you spend and the value."

Financial freedom

"You can create cash flow by flipping real estate but I wouldn't say you create true financial freedom, or true wealth per se, by flipping property."

He says that REIN taught him that true wealth could be created by buying and holding. So he would flip a property, put half of what he made into traditional buy-and-hold investment properties, and use the other half and reinvest that into marketing the properties he "acquired" on the flipping side.

Eventually when the market started taking off, there really wasn't a business for flipping because houses were selling so quick, but by that time, he had a healthy stable of revenue properties, which helped buy some time before he started investing in larger development projects the following year.

Soon, he had too many properties with too many banks and couldn't secure financing for residential investment properties, so he switched to apartment buildings and commercial investments. For these, his strategy was strictly mathematical – buying for income and cap rate. Eventually, he developed into condo conversions and raw land, and a private lending business he runs on the side.

"When I first started, I thought financial success was having a lot of properties and having a big net worth. Those are the biggest myths in the world. But you don't know until you get there," says Shaw.

"It's having enough passive cash flow from your portfolio that covers all your expenses and gives you all the money you need to go and do the things you want to do. And that's really what success is. If you've built your business for cash flow and passive income, that's when you're on the path to success. If you're building your business for net worth and numbers on a piece of paper that don't mean anything and you can't pay your bills with them, then you're doomed for failure." ■



"This is the first property I ever flipped. Purchased for \$360K in late July 2003 sold for \$380K early August 2003, profit \$19K"

bought a property at market value. He could be patient if that's what it took, because he knew he was intending to sell below market value.

He chose properties based on that, and that alone.

"If my appraiser told me it was worth \$300,000 and it was going to cost me \$20,000 to hold that property for six months plus another \$10,000 in potential commissions and \$5,000 as a discount to the buyer, then I'd go back to the seller and say if the property is only worth \$300,000, the best I can do is \$260,000" says Shaw. "If I show the seller how I arrive at that number, then if they feel comfortable like I'm not trying to rip them off, it's a deal. But again my business would not sit on the property for six months and so that's how we made our profits," says Shaw, adding that the average time it took for them to move a

they can make is buying something that's not really a deal. "I was looking to make money the easiest way I could. I wasn't looking to do renos or fix things up. I would just make sure I was buying things really, really cheap and ensure I was selling them for a really good deal. And not really doing much and that's what gave us the ability to do the level of volume we did."

"A lot of junior investors end up buying a house down the block that they think would look really cute if they painted it up and tweak it and then they spend way too much money and put it on the market for a price that it's not worth and then they sit on it for six months vacant. They get offers even lower than what they put into it. And they wonder why they can't make the business work. And it all boils down to the fact that they should have never bought that property

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