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WEEKS MEANS WEALTH (CREATIVELY)

Renowned investor's strategy goes under the microscope in our Investor Profile

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On track for success

Darren Weeks's investment success has increased exponentially since 2007. In just three years, his portfolio has grown from 50 to nearly 2,500 properties and is showing no signs of stopping. *Shane Buckingham* explains

Nobody said success was easy, and Darren Weeks would be the first to admit that. Success, in anything, takes realistic but ambitious goals that require ever-present persistence and a great deal of creativity. But to kick-start this process, one needs to begin with an initial decision to break from the norm and take a chance. That's exactly what Weeks decided to do while he was studying business at the University of Alberta in the early 1990s.

In his third year, Weeks watched as the majority of his friends found places to rent. Although renting is typically what students do, the idea of following the trend just didn't sit right with Weeks – especially since he had learned the value of investing as early as junior high when he started purchasing mutual funds.

So Weeks started comparing the costs of renting to buying and soon discovered the two worked out to be roughly the same amount – the only difference being, of course, the latter is an investment.

Armed with these facts, Weeks proceeded to buy a two-bedroom, bath-and-a-half condo in Edmonton at the age of 21.

Though he understood the importance of home ownership, Weeks admits he didn't really understand the fundamentals of property investment at the time. Canada had just been hit by a recession, which kept the housing market "relatively flat" for years, Weeks says. "So my Edmonton condo that I bought for $48,900 was still the same price even seven years later," he says.

Creative financing

After he finished university, Weeks worked as a financial analyst for the Alberta Gaming and Liquor Commission for two years. During this time he really started to focus on real estate – knowing that his salary of $30,000 could easily be replaced by purchasing investment properties. The only problem was that his meagre income was inhibiting his ability to get financing. So Weeks got creative and devised a strategy that both capitalized on the economic situation in Alberta during the mid-1990s and the province's mortgage rules.

At the time, there were many condominium complexes that didn't contribute enough to their reserve funds. As more condos came into disrepair, the condominium boards turned to homeowners, expecting them to make up for the shortfall almost immediately. In fact, some condo owners were hit with special assessments of $5,000 to $15,000, Weeks says, adding that many of them simply didn't have the money to pay for the repairs, or didn't want $500 condo fees.

As time progressed, the number of condo owners facing steep assessments became more widespread, and as a result it began to depress condo prices throughout the city. In fact, many properties even went into negative equity, meaning the home was worth less than the owner's mortgage.

Weeks did a little digging and soon learned that individuals in Alberta did not need to qualify with a bank to assume a mortgage.

"So I got creative. I would negotiate with the owners to pay the difference between what the mortgage was worth versus the property's price," says Weeks. "And then I would take the property by assuming the mortgage. So the difference could be anywhere from $1 to $5,000."

By using this strategy, Weeks, then 25 years old, was able to launch into his property-investment career by purchasing 25 condos in just five years.

Taking it to the next step

In 1997, Weeks decided to take his investing to the next level. So he began volunteering for a few renowned property investors, such as Robert Kiyosaki (the author of *Rich Dad, Poor Dad*) and Ken McElroy (*Rich Dad* adviser and author of *The ABC's of Real Estate Investing*), who taught him all about economic fundamentals, market timing and property selection.

"Once I knew about the fundamentals, property investing became a lot more fun because I knew what I was doing and I could start buying properties in locations other than Edmonton," Weeks recalls.

Weeks could have easily given up at this time because there were less

assumable mortgages available in Edmonton, but instead he took the advice of his mentors who instructed him to start more joint-venture investing.

Again, Weeks got creative. He started attending teacher and dentist conventions where he would set up a table and talk to interested individuals about investing. If someone wished to go into business with him, Weeks would find a property and have his new joint-venture partner apply for the mortgage and make the down payment, while both parties would be on the title for the home.

"For people wondering how to raise money that's the start of it. You've got to start small and you've got to find people who have money and can get credit. Then you've got to convince them that real estate is good to have in their portfolio and that you'd be a good partner."

By using this strategy, Weeks was able to acquire another 25 properties across Canada.

Seminar revolution

Starting in 2001, Weeks began working on his seminar program, Fast-Track to Cash Flow, which he has used to educate more than 300,000 Canadians on the fundamentals of property investing.

"I took some time off from investing, and I just really focused on that business for a few years in order to perfect it and create a database of potential investors."

Though it took four years of hard work, interest in his company, the Fast Track Group, exploded in 2005 as an increasing number of investors approached him wanting to go in on joint-venture partnerships.

So in 2006, Weeks started his own private equity company, Fast Track Capital, to work with his seminar participants on joint-ventures projects, primarily in the U.S.

First and foremost, Weeks says his seminars are about educating those who attend. If attendees want to take their investing to the next level, the system is as follows: Weeks gives them an opportunity to invest as little as $10,000 in a private real estate deal for which they receive quarterly cash-flow distributions and an eventual repayment on their initial investment. Once the investment property appreciates and its mortgage is paid down, Weeks refinances it and pays his joint-venture partner his or her equity back. After that, Weeks and his partner split all income generated by the property, whether it's from the cash flow or equity.

"My clients understand that it's a team concept. I go out there and look for properties in great markets with great fundamentals. They trust our team. They invest their money, and then we make sure lawyers are involved so everyone is compliant, and once that's complete someone else manages the property," he says. "And best of all, they get paid first."

In 2008, the Fast Track Group experienced another surge in interest after the financial meltdown, which started with the collapse of Lehman Brothersin September 2008, Weeks says.

"People are sick and tired of mutual funds and listening to the banks. So they're open to these types of opportunities where there are not as many fees and not as many people taking the profits from them. So it was the perfect storm," he says. "Today, we've raised more than $100 million and we've got well over 4,000 investors."

Location, location, location

So why the U.S.? Well, Weeks says Canadians have an unbelievable opportunity to buy properties during the current down cycle in America and hold them until the next demand wave brings prices back up. But that doesn't mean he's just investing anywhere in the U.S. simply because the market's down. He's carefully picking areas that have strong economic fundamentals.

One particular state he and his team at Fast Track Group like is Texas. As Weeks sees it, demand for oil and natural gas is only going to increase in the future, "and that's obviously going to create demand for jobs," he says.

Another state he particularly likes because of its economic fundamentals is Arizona. Consider the Arizonan city of Sierra Vista. It has a number of post-secondary institutions, a large border patrol outpost and the Fort Huachuca military base, which tests unmanned planes.

"Those colleges, the border patrol and the army are pretty transient, so

Stay on top of your investment

We all make mistakes; it's just how we handle them that makes us different, says Darren Weeks. He remembers back when he purchased two townhouses in Edmonton for $29,000 each during the mid-1990s. They were both cash-flow positive and looked like great investments on paper. But Weeks had neglected one of the most important rules in property investing when making the two purchases. "I didn't really study the market, so I was unaware that it was one of the poorest areas in all of Edmonton, and as a result the renters weren't exactly stellar," he recalls.

Eager to have both of the properties generating income, Weeks quickly filled both of them with tenants, whom he didn't screen properly. But as Weeks soon found out, having the wrong tenants can be literally damaging to an investment – a fact he learned by observing his two properties just months after his tenants moved in. He remembers walking in and seeing that the carpets were wrecked, the walls were destroyed, and the appliances were shot.

In a last-ditch effort to salvage what was left of his investment, Weeks evicted the tenants from the townhouses. But the damage had already been done. Weeks spent nearly $15,000 on repairs and maintaining the properties as they sat vacant waiting to be sold.

"So I had to pay the bills 10 months in a row because I didn't trust any tenants to go in there again," he says. "Bottom line, it was just poor property management and that was my fault because I was too desperate to get a tenant. So I would say don't be desperate and take your time to hold out for a good tenant and again treat it like a business. So the minute they're late start the eviction process."

Weeks doesn't count this experience as a defeat; instead, he considers it as a learning process that made him a better investor because it showed him the importance of property management.

Weeks's top 5 tips

- Use other people's money to invest
- Give investors great returns
- Understand economic fundamentals
- Make sure you have a great property management
- Treat real estate investing like a business

they need to rent and that means good business for us."

Watching the world pass by

Regardless of how strong the economic fundamentals may be in a particular state, Weeks says there's always going to be people who simply won't act.

"Of course, there's going to be people who are apprehensive, but what we do is educate. At my seminars, all I do is introduce certain concepts and if [attendees] want to take action they can call us," he says.

"And that's how we overcome any skepticism is we show them the fundamentals and if they connect the dots, great. If they don't, that's fine too. We don't pressure anyone."

For those who are worried about cross-border taxation, Weeks says he's got a solid team, which includes solicitors from Felesky Flynn LLP, that can ensure there's "very little tax leakage" on cross-border transactions.

Multi-level plan

Having a solid team in place has been crucial for Weeks as he continues to expand his business and purchase more multi-unit buildings.

"There are just so many more compliance issues with multi-unit buildings, so you really have to make sure you've got good lawyers and accountants to make sure you're in line with all of the regulations."

Weeks has put most of his focus on multi-unit buildings since 2007 simply because they provide better cash flow and are easier to manage.

Consider the apartment buildings Fast Track Group has. The group's lowest annual amount of cash flow is $60,164 for its 99-unit buildings in Sotavento, Mexico, while its highest annual amount of cash flow is $163,915 for its 238-unit building in Saddle Creek, Texas.

Weeks is also breaking into the international commercial market. He says Fast Track Group will be partially funding the construction of a $47-million commercial centre outside of one of Royal Caribbean Cruise Lines' piers in Jamaica.

"This is significant because they've never done a deal with a private equity company in their history."

Weeks began his property-investment career with the goal to become financially free. Now that he's achieved that, he is educating others to do the same.

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