



Chapter 1

THE REAL ESTATE CHALLENGE

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WHO WE ARE AND HOW THE CHALLENGE CAME ABOUT

Dolf began investing in real estate while studying electrical engineering at the University of Canterbury. By the time he had finished his PhD in the mid-1980s, he had a substantial portfolio. When he had finished his doctorate, he was offered a job paying \$32,000 per year, a handsome salary at the time. Unfortunately for his prospective employer, Dolf had just completed a real estate deal that netted him \$35,000. The prospect of working an entire year for a lesser amount did not appeal to him. Dolf didn't accept the job, and to this day has never had one. He carried on investing in all manner of real estate. He has invested in everything from homes and apartments to offices, veterinary surgeries, convenience stores, strip malls, funeral parlors, and vineyards. He invests on his own, with partners, and in joint ventures. He is also the founder and chairman of the public company Property Ventures Limited. Apart from being a serious investor, Dolf has always been willing to share what he does and how he does

it. Through his books, tapes, videos, software, mentoring programs, weekly video broadcasts, and seminars in more than 16 countries, Dolf has helped tens of thousands of investors achieve financial freedom.

Back in April 2001, Dolf ran a series of seminars for the Learning Annex in California. To convince audiences that it's easy to beat the national average in real estate, he shared the growth rates of the top two U.S. cities in the property market: Las Vegas, Nevada, and Phoenix, Arizona.

Dolf expounded about how significantly higher those cities were than the national average in terms of absolute population growth, proportional population growth, and capital growth of real estate values. He explained, using statistics, graphs, and logic, why these two cities would continue to grow at a higher than average rate for many years to come. Furthermore, unlike many educators on the circuit, Dolf was first and foremost an investor, and taught only as a sideline. He was putting his money where his mouth was. He was not saying, "This is what you should do assuming my theories are correct," but rather "come and do what I'm doing."

In the audience that night, in the front row, sat Gene Burns. A clear real estate novice, he paid attention and responded to questions. From that night on, Gene kept turning up at Dolf's events—evening events, one-day events, weekend events—you name it, Gene was there. He never asked for anything, but he did share, full of enthusiasm, how he had taken the plunge. Dolf inquired which plunge he was referring to, and Gene said, "You know, doing the Vegas thing."

It turned out that after hearing about the state of the real estate market in Las Vegas at that first Learning Annex event, Gene went home and told his wife that they were moving to Vegas to get into real estate.

This represented an enormous change for Gene. Until then he had colored inside the lines of corporate life. He had earned a college degree, started a corporate career immediately after university, and stuck with it. “I got in early and stayed late,” he said. He wasn’t a political player, but he got along with everybody and was a reliable employee who could be trusted to do a thorough job. He was assigned responsibility for increasingly difficult projects, and became known as the go-to guy in publishing for starting new magazines. When his company had created new publishing concepts, Gene formed a team of salespeople to travel nationally selling the concept and advertising to top accounts. Some of the publications Gene started include *Maximum PC*, *Home PC*, and *Windows Magazine*.

Gene climbed the corporate ladder, made great money, and, in his words, “played by the rules.” He took advantage of every 401(k) investment and hired a financial planner, to ensure the financial security of his family and for his retirement. He thought he was doing everything correctly. What he didn’t know was that the financial planner and the Human Resources department were as ignorant as he was when it came to investing. Neither ever mentioned the possibility—let alone need—for obtaining some type of investment that would generate passive income. At 46 years of age, he had never even heard the term.

Gene didn’t hang with people who invested in real estate. He ran with corporate types who invested in stocks. Rental homes were for losers who had to fix toilets on the weekend while big players like him and his friends played golf and went to resorts. “Why would we ever want to deal with tenants? I was dumb,” Gene says now.

Although Gene was a great corporate team player and a specialist in his field, the field was beginning to change. With the

birth of online business and the Internet, magazine publishing began to feel pinched by declining advertising revenues. The big corporation where he worked decided it no longer needed someone with Gene's income and talents. They decided not to launch any new publications. "This should have been my first warning my life was going to change forever," he said.

Luckily Gene had a good reputation and was able to find a new publishing job quickly. He moved to a smaller publishing company that served him well for a few more years. He knew his world was changing, but like most other males in their forties, he was in some type of denial. He was still making great money, he knew his business well, and he still wanted to ride the corporate gravy train.

When his biggest advertisers started shifting money into Internet marketing, he felt he had to make the shift with them and the market. He left publishing to pursue the Internet along with millions of others. And like millions of others, his dot-com crashed. He was broke, out of a job, and his 401(k) plan lost three-quarters of its value.

By October 2001, Gene and his wife had sold everything they had in San Diego and had moved to Las Vegas, intent on leaving life in Corporate America behind. They had fears, too, but were willing to take action to overcome them.

It took them only four months to find and acquire their first investment home in Las Vegas.

GENE'S EARLY REAL ESTATE DEALS

Gene didn't love the real estate game from the start. "The first house I bought was in Los Angeles. I bought at the wrong time. I overpaid. I had no idea what I was doing. I made such a bad

decision, that in the end I had to do a short sale back to the bank. I just wanted to focus on my career as a magazine publisher. I thought, I'm too stupid to do real estate; I'm great at magazines. To make matters even worse, after losing \$70,000 in the short sale to the bank, the federal government sent me a 1099 form for the same \$70,000 (they claim that forgiven debt is income). I started to dislike real estate.

"The next home my wife and I bought was a little condo in the Bay Area . . . on *landfill*. I found out later no one would even talk to us because we lived on top of a garbage dump. I hadn't researched my real estate acquisitions. I was bad at it. By now I *loathed* real estate.

"Real estate was not working for me. I put the little condo in the Bay Area up for sale. It sold quickly, and I cleared \$350,000 in profit. This was a turning point in my life. I went, 'Ohhhhhh. I get it. One transaction generates \$350,000. I've got to learn how to do this.' That's when my wife gave me Dolf's book *Real Estate Riches* and said, 'You ought to read this.'

"I didn't know anything about real estate, but I had experience in sales. Dolf had written, 'Look at 100 properties, make offers on 10, try to get 3 accepted, and then arrange finance to hopefully buy at least 1.' I had the discipline from my sales career to do that more than anyone else, because I'm willing to put in the time. With Dolf's blueprint, his REAP analysis software, and an intense desire to succeed, I went for it."

Since turning up at Dolf's San Diego event, Gene kept coming to more, convinced that he would learn a bit more each time. At one event, Dolf invited Gene up on stage to talk to the audience about his experience getting started in Las Vegas. Gene's enthusiasm was infectious. And his experience was inspiring. At another event, Gene showed Dolf a photo on his personal digital assistant (PDA) of his latest acquisition. "What

do you think?” asked Gene, to which Dolf replied, “Looks like a standard Vegas house to me. What did you pay for it?” To which Gene replied, “A dollar.”

As Dolf relates, “This was a turning point in the way I saw Gene. His enthusiasm and dedication were one thing, but there are plenty of people out there who feign both just to hang with you and hopefully ride off your skills, time, or money. But Gene not only was doing multiple deals beyond what most people would even attempt based on credit or cash reserves, but he was managing to pick up entire properties for one dollar.”

“Okay,” Dolf said to Gene, “it’s time I go up and see what you are doing.”

Dolf went to Las Vegas within a week. Gene’s techniques were simple and effective. They decided to do some deals together.

Throughout his real estate teaching career, Dolf had always been dismayed at the number of people who, on hearing details of one of his deals, would dismiss it with a cursory, “Well, that’s just a one-off deal,” or “You just got lucky,” or more incredibly, “You got that deal only because someone wants to sell you something, even at a discount, just so they can say they have done a deal with you.”

Seeing an opportunity to show audiences that great deals are not one-offs, but can be found again and again, and enthused by the deals that Gene had already put together, Dolf said, “How about if we buy one house a week for an entire year?”

“When Dolf first suggested a house a week for a year, I was petrified,” relates Gene. “The idea was overwhelming, but I was too scared to say no. I couldn’t say no to my mentor. After all, if he suggested it, he must have thought it through.”

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Says Dolf, “I had said it on a whim without thinking it through too much, and had started to regret it as a harebrained idea that would require way too much effort, but seeing the enthusiasm in Gene’s response made me feel I couldn’t back out. If only I knew then what he had really been thinking!”

After discussing it at some length, they decided the idea had merit. Hopefully, it would make people believe that the formula could be replicated and that it was not dependent on being Dolf or Gene.

“Everyone wants to feel that they will be financially free,” said Dolf. “We decided that by showing we could buy a home a week for an entire year, the average American could perhaps believe that they could at least buy 1 home a year for the next 10 years and become financially free in the process. Many people do not even believe that they can even buy income property. They think they don’t know how, or that their credit is too bad, or that they don’t have enough cash, or that it is too complicated. Sometimes they’re just plain scared. We believed that if we could show people it is possible to buy 52 properties in quick succession, we’d convince them they could buy at least 1 home a year, and hopefully also inspire them to do so.”

