**PE 10 Edited\_Transcription**

[Daniel Hill] (0:05 - 1:18)

Welcome to the official Property Entrepreneur podcast with myself, Daniel Hill. On this Strip Back podcast, we're going to be going behind the scenes with special guests to provide insight and inspiration on all things business, life, and the actual realities of high performance in practice. Success and failure are both very predictable.

We hope you enjoy. So welcome to this Property Entrepreneur podcast. And I'm very pleased to have a friend of mine, a friend of property entrepreneurs, Mike Bristow, with us today.

Obviously, there's a lot of things changing in the property market. There's a lot of things changing in the finance market. Crowd property and peer-to-peer lending, crowdfunding has been on a huge boom curve over recent years.

But obviously, with a lot of volatility in the market, we are starting to see some change occur as we go into these volatile and uncertain times. For the next 30 minutes or so, Mike and I are going to cover what is actually happening out there. What are we seeing with deals?

What are we seeing with finance? And for those of us that are getting ready, what are the opportunities in the year or so ahead? So welcome, Mike.

Good to have you again.

[Mike Bristow] (1:19 - 1:21)

Hi, Dan. Great to be here. Thank you very much.

[Daniel Hill] (1:21 - 1:42)

You're very, very welcome. Mike and I last met probably about three or four months ago on Property Entrepreneur when you joined us with a board for dinner, and then you spoke for our advanced property entrepreneurs about the realities of crowdfunding and how to make the most of that. For anyone who's not previously met you, do you want to give us a quick introduction, just who you are, what project you're spearing up at the minute?

[Mike Bristow] (1:43 - 3:10)

Sure. Yes. So yeah, I'm Mike Bristow, co-founder and CEO of Crowd Property.

We've been around, we founded the business in 2013. We've been lending since 2014. We lend to property projects, be it ground up developments through to HMO conversions and everything in between.

The short term bit that's complex, that you need to know a thing or two about property, and quite frankly, the bit that banks have failed for years. So we felt that pain ourselves. We thought, hey, look, let's build a better lender.

Let's go out there and build the best property project lender in the market. That's the aim we set ourselves. We think we've achieved that and now it's about taking up a load of growth.

And it's fascinating times at the moment in many challenging ways, but also in any challenging situation, there are opportunities for people to really sort of build and cement their reputations and come out flying. And that's not a self-centered thing of anyone with a desire to come out flying. We all need people to come out flying right now, because we need a big boost to the economy.

And it's going to be the entrepreneurs, the small businesses, the passionate go-getting people that really help us drive our way out of this.

[Daniel Hill] (3:11 - 3:43)

Without a doubt, we were talking this morning on Property Entrepreneur about recovery curves. We're saying it's quite likely because of how deep the government have got with the spending this time around and the deficit, all the finance that they're printing and raising, that they're going to have to go probably for a long strategic growth curve. And in that case, they just get out of our way.

They need the air in the balloon. We're the ones to blow the balloons up. They will get out of our way.

They'll reduce regulation, tax, anything they can to get us running. And I suppose within property development finance, all of that comes hand in hand.

[Mike Bristow] (3:43 - 4:13)

And they need to do that. There are a number of ways that you sort of dig yourself out of a big national debt. Certainly, one's prompted by a big moment or shock like this.

You can tax everyone more. You can switch to austerity. But hey, I mean, neither of those are going to be the way of getting ourselves out of this.

And austerity and cutting back health care is certainly not going to be a route to vote winning. No.

[Daniel Hill] (4:13 - 4:25)

When the economy is on its knees, there's no point going and picking around the carcass. There is no tax to take. It's get out of the way.

Let us put the air in the balloon. And once it's flying again, you start to take your money back.

[Mike Bristow] (4:25 - 5:17)

Exactly. So it's all about growing out of this. Now, there might be some inflation down the path that will actually help the sort of growth as long as it's not out of control.

But ultimately, we need to grow ourselves out. And this is old school Keynesian economics where when the economy is on its knees, you spend and you build and you invest. And that's what drives it.

And I think building and construction has so much to contribute to that, whether it's HS2 and major infrastructure investment, or whether it's finally us as a country building enough goddamn homes to live in. And that's where we can come into play. And there will be a lot of stimulus for that as well.

[Daniel Hill] (5:17 - 5:39)

Without a doubt. To give people an insight. So let's say that there's people in the property entrepreneur's community or listening to this podcast who never worked with our property.

They've not read about you. To give people an insight, this isn't a couple of million pounds you and a few mates have scraped together and you're lending. What sort of scale have you been doing this on up to this point?

[Mike Bristow] (5:40 - 7:43)

I mean, years ago, when we first started, it felt a bit like that. But no, now, we have funded 160 million pounds worth of property being developed. Almost 1000 homes.

We've lent out 70 million pounds. And that is just the start. That is just scratching the surface of where we're going to go with this.

Because fundamentally, and this is always good fundamental business practice, there was pain in the market. And that pain is best illustrated by a couple of stats. And so in 2008, we built 200,000 homes of the country.

We should have built 300,000 homes. We know we should be building at that level, but we haven't for decades. But in 2008, we built 200,000 homes and 30% of that, i.e. 60% was built by small builders. Fast forward to 2017, we still built 200,000 homes, still 100,000 too few. But small builders only built 10% of that, 20,000. So reduced their contribution to household supply or housing supply by two thirds.

Now, you could look at that and say, oh, the market's screwed. Let's not go anywhere near it. Or you look at it and say, there must be some pretty major barriers to why that's happening.

Is there opportunity to break down those barriers and deliver something far better into the market? And what we felt ourselves as well as many people did and why there's so many barriers is that banks and non-bank lenders really were turning into self-serving organizations that were only interested in funding a 20, 30, 40 million pound development because it was less effort for a million pounds.

[Daniel Hill] (7:43 - 7:45)

Interested in everything apart from actually lending money.

[Mike Bristow] (7:49 - 8:44)

Especially to where it was needed and where it could be used really productively. And that's by the small builders, the entrepreneurs, the property professionals that are unlocking small sites, not massive sites. Massive sites, we're going to run out of them.

The small sites are almost infinite. And that could be a conversion of a terraced house into an HMO through to infilling a terrace with a new house through to three units, five units, eight units, et cetera. There's almost infinite supply of that.

And we need to unlock that. And that's what we turned around and said, look, this is ridiculous. Good projects, good small projects are not getting funded.

And the way we describe small is, I mean, we lend anywhere between 100,000 and 5 million pounds. And we love both ends of that scale.

[Daniel Hill] (8:46 - 9:26)

But just let me just press you on that point for a second, because I think one of the things that a lot of investors, developers don't have is the clarity as to if they want to sort of step up or understand where to align themselves, if you were to group these people in your big funded corporates doing whatever, 20,000, 50,000 units a year, and the people doing refurbs, if you were to create a few levels of how you group those people together and perhaps what products are best suited to those, starting off with what groups do people normally fall into? You've got your one man band, your small developers, your family builders. How does the market split up into those groups?

[Mike Bristow] (9:27 - 11:29)

I mean, it's very much a spectrum. It's tough to actually group that. Most businesses, most property development businesses are one to three directors, quite small organizationally because they contract out a lot of the work, for example, to building contractors and all the service providers in the ecosystem.

So actually, you're dealing with quite small businesses in terms of number of people. Okay. But those number of people can leverage all of that service provision and the third parties to build, whether it's a conversion of an HMO or whether it's building 20, half million pound houses, that is perfectly feasible with that kind of makeup of business.

So you don't need to be an enormous company to actually be building material number of units. It all depends on what your focus is, where you have an edge, where you find things that you see advantage. I mean, I personally really like it.

So there's sort of three types, I guess, in terms of what people are doing. There's cookie cutter people, which I think is awesome, by the way, because I believe in focus. There's a phrase that I've used with you before, Dan, is you don't see Tiger Woods playing much tennis.

In order to be world class, do one thing and do it better and better and better. And that gives you such huge advantage. So people who are doing cookie cutters, like HMOs, just rolling them out, rolling them out, et cetera.

And each time they do it, it takes less time. It costs less money. And they're working with the team that they put together and spent time they put together before.

OK, just roll it. Same strategy, better and better.

[Daniel Hill] (11:29 - 11:30)

OK.

[Mike Bristow] (11:31 - 13:29)

So that's one angle. Another angle is a set of people that are on the progression of going through larger and larger projects. They might have started a few years ago buying a flat and letting it out, whereas now they're doing ground-up development.

OK. Now, that's a different progression of your property journey. OK.

And we like that as well, because we can see when we're talking to these people, they have an inherent passion, ambition, and growth and want to do bigger and better, mainly because they can. OK. And that's the crucial thing.

They've proven themselves at each step on the way. The other group is sort of, it's a bit like, it's a bit shiny penny. Yeah.

Chase the shiny penny. There's this, there's that. There's that opportunity, that.

It's all very tactical. OK. Now, you can come across good deals there.

But unless you're leveraging your experience, your team, all of the things and expertise you've built up, OK, you're not leveraging much advantage. OK. So I think that the cookie cutter or the progressive growth of a project is really interesting.

And across the board, what we're seeing, you know, when I started investing in property in 2002, yeah, and literally it was buy a flat, let it out. OK. Rinse and repeat.

You make money. Right. The environment is totally different.

OK. The best way in a non-runaway capital growth environment, OK, the best way to build progression through things is probably to buy an asset, to do something to it, value add, and then either exit or keep and refi and yield and recycle some of the capital and grow that way, and then bring on some investor capital, etc.

[Daniel Hill] (13:30 - 14:14)

So when we look at that as a sort of model, when people are thinking about what finance to consider, obviously, crowd, one of the best things of crowd property, from my experience, at least, is it's quick. Now, I spoke to, I can't remember who I spoke to in your office, and I sent them a site. It was a block of 20 flats we're developing, and within three hours, they had a desktop appraisal back, fees, like, this is what it would look like.

And, you know, you don't even get a phone answer in three hours or loads. It's a very different experience. As developers, that meets our criteria.

In order for us as developers to meet your criteria, what sort of, when you're looking at a deal, what are the key boxes you're looking to tick as to whether, because you do lend a lot of money, and the sites get funded very quickly, who does that money go to? What ticks your boxes?

[Mike Bristow] (14:15 - 15:04)

Yeah, so firstly, on that speed point, our focus is on speed, ease, and certainty. And why is that? Because if someone's buying a site from a vendor, they want speed and certainty.

So if we can give the developer that, they can give the vendor that, and suddenly, they're advantaged in securing that deal. And we've seen situations where we've given an offer within an hour. We've supported that with a proof of funds letter, OK?

Someone's walked onto the negotiation table and saved 50 grand lower than the highest bid, because they're a good developer, yes, but they had everything in place, and they had crowd property backing it. And if you're a vendor, you look at that and think, yeah, OK, cool, that's helpful for me, because what I want is speed and certainty.

[Daniel Hill] (15:04 - 15:12)

Especially now, going into the game now, especially when it's commercial or anything, cash is going to be king. Finance puts your risk on everything.

[Mike Bristow] (15:13 - 16:46)

And that's really the key thing here, is that we set up this business as property financed by property people, not property financed by some administrator ticking some boxes and seeing if the computer says yes or no. This is really understanding the complex bits of property, which is the project stage, OK? And making sure that you all work together in a partnership.

You can bounce deals around. You can chat it through. Nobody has ever come across a problem on a property, on a project, OK?

And phones say, if they borrowed from Lloyds Bank, phone Lloyds Bank saying, oh, I've got this problem on site. What shall I do? You know, they wouldn't be able to speak to a human for a start, let alone the reaction would probably be a rustling for the first charge security papers, rather than, cool, I'll be on site tomorrow.

Let's crack it together. So that's the first bit. And there's no doubt that right now is proving, more than ever, that it's so important and actually advantageous to have a lender that is a property expert that really understands what you're doing and really works with you through the challenge.

If you look back at 2009, yeah, I'll be a wholesale repossessed everything, yeah? And then dumped it on the market. We all know what happens, OK?

That is not a proper solution.

[Daniel Hill] (16:46 - 17:24)

What's your stance going into this landscape? Because immediately, the mainstream lenders ran for the hills, apart from Sybils and BB&S. The lenders ran for the hills, dropped the loan to value, increased the rates, locked everything up a bit.

And one of my expectations is that the property market won't drop due to lack of demand. It will drop due to lack of finance, maybe lack of confidence, a drop in the affordability ratio because salaries will decrease. What's your stance going into this regards to confidence in deals, appraising sites?

What's going to happen?

[Mike Bristow] (17:25 - 19:21)

I'll pick that up in two ways. Firstly, the players in the market, and secondly, what I think about the market at the moment. So right now in the market, when all of this kicked off, you're right.

A lot of lenders just stopped lending, OK? Now why? The vast majority, because they had a single source of capital.

And that single source of capital was from a wholesale funding line that was basically really exposed to equity market volatility. And they had to go into lockdown, OK? So suddenly, the wholesale funders said, right, I'm stopping.

And that took out a load of lenders in the market. And then more wholesale lenders stopped. It was all about, where does that capital come from, and those concentrated sources of capital?

We've got capital from retail, high net worth, ultra-high net worth, funds, and institutions, OK? And all of those people have different exposures, different preferences, different wants in the market, different views, different attitudes, OK? But as soon as you have complementary sources of capital, you can still be in a position to lend, OK?

But you've got to lend well, yeah? We've got a reputation to uphold on that lending capital, OK? And so yeah, so we tightened some of the criteria, OK?

But we continue to lend. And that was really important, because what we saw suddenly is all of it, we get about 150 million pounds worth of applications a month directly into our platform, OK? And suddenly, that went up, because we had a load of people who had offers with other funders, that they'd just pulled out, OK?

We had people come to us who were mid-project, that the funder had refused drawdowns on the project, you know, the worst thing you possibly could do, and the most value-destructive thing you could possibly do.

[Daniel Hill] (19:21 - 19:27)

You've got people stuck on bridges, drawdowns being frozen. Yeah, it's not how you play cricket.

[Mike Bristow] (19:28 - 20:15)

No. Yeah, and it's just destructive. It's just destructive.

So yeah, so we continue through it. We work really closely with our borrowers. We manage the liquidity on our platform really carefully.

We tightened our criteria a bit. We work with the people in our pipeline to say, do you need to do this deal now? OK, let's take a look at it.

Let's break it down. Why don't you go back to the vendor, put it back three months, OK, and actually de-risk it not just for us, but for you? OK, let's take another perspective in three months.

Let's work through all of these permutations together with all of our pipeline, with all of our existing borrowers, and get everyone to de-risk their positions rather than just be the self-centered lender that says, I'm not giving you any more money.

[Daniel Hill] (20:15 - 20:50)

Yeah, I mean, that stance is going to do you incredibly well, especially heading into this period. Obviously, you're very acceptable as a company and as a financier, and you're very candid in the way that you share your stance. Looking into the incoming landscape, you're going into sites that are three months to three years.

What is either your personal stance or Crowd Property's stance strategically? It's like, we're hedging our bets based on this being the way it plays out. Everyone wants to know, where are we going to be in 3, 6, 12, 18 months?

Where do you think we're going to be?

[Mike Bristow] (20:51 - 25:44)

So first of all, Crowd Property, we replace the bank. So we're senior lender. We take the first charge.

So we are best protected through any situation. That's one of the ways that we manage our risk. But in terms of the market and how it's going to play out, if you think top, top level, and you look back at 89, 90, when residential house prices dropped by 12%, in 07, 08, when house prices dropped by 18.7%, and both of them took about 18 months to recover, what you saw going into both of those shocks was about 7 to 10 years of high growth in value. And so that correction or that shock almost caused the correction that was needed or was pent up, especially 07, 08 with the debt liquidity point. And interestingly, if you look at the data now, so Nationwide House Price Index, you can look at it in two different ways. There's nominal, which is the actual price, the number, so non-inflation adjusted.

We are currently 18.3% above the 2007 peak. Now, that sounds scary. And if you look at the chart, all of the growth periods look similar going into a shock that could cause a house price correction.

But if you adjust that for inflation, we are actually 16% below the 2007 peak at the moment. And we are at the same level of average house prices as in 2015 and in 2010. So if there's one thing that Brexit uncertainty has brought us is a stabilization of the property market that a major shock is not going to have a major corrective effect in the structural long term.

So I don't see a sustained drop of anywhere near the level of 07, 08 because of that, firstly, and secondly, because of the supply and demand position. In 07, 08, lots of people wanted to sell, including banks that repossessed stuff. And very few people could buy for two, three years because the bank lending market just wasn't there.

So you've got massive supply and demand imbalance, prices fall as a result. Right now, what you're going to see, I think, is there's lots of caveats on this, because there's longer term issues around unemployment. And the affordability point is absolutely right.

But in the short and medium term, what you're going to see is people think, right, OK, this wasn't caused by the financial system. So lending will probably come back. Base rates are very low.

So if I'm a seller, in any market, there's always some who need to sell. There's always some. But those that are thinking about selling may well just say, hey, look, I'm going to wait six months.

So there will be less urgency to dump property and sell and less repossession and all of this versus 07, 08. And that is going to balance things a lot better. There are sort of other things on the supply side, like unfortunately, we're going to get more probate property going to the market than we would expect.

But there's going to be a big decline in construction in 2020. So that's going to more than offset that. But then you look at this demand point, which basically says that, look, there's quite a pent up demand from a number of years of uncertainty.

Transactions are much, much lower. There's support from low interest rates. There is going to be probably some catch up in that pent up demand.

Housing and a bit like buying cars, I guess. It's like if nobody buys cars for six months, there's a bit of catch up in the following six months. Some of those who would have bought it then go on and buy it.

So there's a spike then in the following six months. It's not like a pub where if you close for three months and then you open for three months, everyone catches up on their drinking. You never know, they might.

[Daniel Hill] (25:44 - 25:50)

But I don't think that's going to be an issue. Yeah.

[Mike Bristow] (25:52 - 25:57)

But the big factor is unemployment, affordability, et cetera.

[Daniel Hill] (25:58 - 26:10)

But look, how do you think demand for the PRS, demand for employment in the sector is going to compare to the change in demand for PRS against the change in demand for purchasing residential?

[Mike Bristow] (26:10 - 28:43)

I think that, I mean, we've seen an underlying trend towards rental generation, clearly. I think from most evidence in, and I've done a boring amount of reading into this, most evidence from epidemics and pandemics in the past is a short, sharp drop, OK, a bounce back and then a reversion to the underlying trend that was going on. OK, so what we might see is a reversion back to the underlying trend of continuing to PRS growing as a segment.

It's a bit like in Hong Kong, you saw a reversion of trends after SARS. You saw a reversion of trend of property prices, of GDP, of so many different things. And what we saw in the property market was a very strong Q1 in 2020, apart from probably March, but certainly January, February, were very strong and stable following from the uncertainty around Brexit.

So, you know, there are a lot of indicators, say, short, sharp drop in lots of different things and then reversions to trend. Now, there will be some exceptions of that. I think that there's a chance, OK, now, human beings are creatures of habits, yeah?

So I think it won't be as drastic as I say it, OK, but there may be some indication towards it. But, you know, urbanization globally went through 50% recently, OK? Does that start to unwind?

Do people's value space more? Do they value outside space more? Do they want to live out of cities?

Are they more connected? Is this the kickstart to greater instances of working from home that many people have talked about for years? Maybe.

Does this kickstart countryside property and property demand? Does city center demand go down? Does the demographic mix change more?

Because you certainly won't get necessarily, you know, the sort of the ambitious 22-year-old coming out of university wanting to work in the saying, fine, I'll work from, you know, wherever. I'll work from, you know, the Highlands, but for my investment bank. You know, there's still a need for humans to gather together and have a drink and talent hubs.

[Daniel Hill] (28:43 - 29:54)

I think, like I said, I think the societal, the geographical elements, I think whilst there's been a lot of change and there's a lot of sort of sweeping statements, you know, we're all going to start eating at home more and cooking bread. I think in reality, a lot of that, we're human beings. We tend to forget very, very quickly.

A lot of that will revert. I think the fundamental underlies for the next few years will be what, and we don't know where this is yet. We're still in that dusk period where we're starting to get some clarity of the landscape, but we can't see what's happening.

As soon as we get to dawn and we can actually see the landscape and start to play the game, I think the two real big things is going to be government finance. How much of a hole have they dug? And how's that going to impact what we do on infrastructure?

How's that going to, like, how's the economy going to deal with that? And then obviously, employment levels, average earnings. There's going to be, because like I said, there was a correction due anyway.

So a lot of those zombies, the zombie businesses have had that final bullet now, you know, your Debenhams, a lot of these big businesses that have just dragged theirself through time, they'll disappear and there'll be some reshuffling. It's just we need to wait for the dust to settle and see what impact does that have on employment, earnings and affordability there.

[Mike Bristow] (29:54 - 30:56)

No, I mean, you know, one of the things, you know, residential property, okay, everyone needs, and I say that with caution because we support a homeless charity at Crown Property. You know, everyone needs somewhere to put their head at night and, you know, there's a fundamental demand for that. Commercial property worries me.

You know, it's stating the obvious around retail, but now we're going to see some interesting shifts around office demands. And I'm not saying that we take what Twitter has said about everyone working from home forever and Barclays saying gone are the days of 7,000 offices, but I think that flexible working element will increase. And I think office requirement per person of working will reduce.

Okay. And that will present challenges in the commercial property market.

[Daniel Hill] (30:59 - 31:28)

We'll see, it'll be like the B1 to C3 shift in the last recession. You know, as soon as demand for offices, you know, we had loads of empty offices and not enough houses. Like we were saying earlier, the government will just blitz, you know, there'll be this blitz boom where they blitz all the regulation, they'll let planning relax a bit.

They'll probably, you know, they'll probably clip off a bit of corporation tax or back to get everything going again. And I wouldn't be surprised if we see another permitted development shift for whatever ends up empty, whether it's retail or whatever.

[Mike Bristow] (31:29 - 32:00)

PD development is going to be, or how that evolves, is going to be fascinating over the next year, two, three years. Definitely. It'll be really interesting, be a really good opportunity.

And, you know, there are, you know, there are still people moving into commercial, getting into commercial-to-rented development. You know, the people who got in on that, you know, years ago, they've done well. You know, this is one area to get, you know, to skill yourself up on, keep an eye on, keep informed, and keep spotting the opportunity.

[Daniel Hill] (32:01 - 32:24)

A couple of questions for you. If you were to hedge your bets on, so you invest in your, like, choosing where to invest your money, would you, what space, let's say you took a pot of, well, it's your hard-earned money, let's say you took a pot of your own million-pound cash, and you're going to invest it in a space in the property market over the next 12 months, where would you be looking to go with that?

[Mike Bristow] (32:25 - 33:37)

It's a really good question. I would, it would be in residential. It would be probably in watching the PD rights and snapping up, you know, maybe retail on the high street, things like that, and repurposing for resi.

I believe that, you know, the fundamentals to any business, okay, is yielding, yielding your assets, okay, and you've got to really spot how to yield the best, and I think, you know, co-living schemes are a good place, a good play, and if you build up a big enough portfolio on that, you can get really, really efficient at it, both in the construction process, the creation process, but also in the development process.

So, you know, I'm a business builder, so that's how I look at it. It's like, right, what are the assets to support a business that gets better and better and better, and I can see a lot of space in there to grow a really strong-yielding, cash-flowing, profitable business.

[Daniel Hill] (33:38 - 34:23)

Very good, very good, and then probably a second question, and then we'll cover any final points you want to, you think might be evaluated. When we're looking at the market, it can apply to any part of the market. I'm thinking specifically rentals, which end of the spectrum do you think is going to be more positively, or is going to grow in demand more?

I think the top of the market, you know, people who were going to buy but now can't afford it, so they go into high-end flats or high-end HMOs, or the bottom end of the market, you know, people who have fallen on bad times, they've lost their jobs. If you were to hedge your bets again on the top of the market, you know, professional HMOs, top-end accommodation, or the bottom end of your market, LHA, entry-level accommodation, mass market stuff, where would you be hedging your bets?

[Mike Bristow] (34:24 - 35:22)

I think that where you want to be playing is in the most liquid-active markets, okay, so your demand doesn't just drop off, okay. There's a brilliant stat that actually led, I always seem to be very stats-led, but that led me into doing a lot of LHA stuff in Hackney after the 07-08 crash, and that was that the average tenure of an LHA tenant is about the same as an average owner-occupier tenure, okay, and this was great to London Authority. So, the average professional renter rented for about 15 months, then you had churn, okay.

The average owner-occupier owned the place for about eight or nine years in London. The average LHA tenant stayed eight or nine years, okay. No voice for eight or nine years.

[Daniel Hill] (35:23 - 35:38)

Headlines might look less lucrative. In practice, it is a very different, I mean, I've got some LHA, well, very little, but I've got some LHA stuff, and I've got one house I bought in 2011, been tenanted ever since, never heard from tenants, not a void, never paid any maintenance.

[Mike Bristow] (35:39 - 36:21)

You know, there's no void. They're treating it truly like a home, not a transit tenant, okay, and certainly, I mean, most of the stuff that I have is direct payment from the council. So, you've got a really strong counterparty who's paying, and, you know, there's a lot of perception that it's a complex market, complex regulation, et cetera, et cetera, and there is.

Yeah, you've got to understand it, and you've got to do it well, and you've got to do it fairly, okay, but it's a great market to be in because any kind of barrier in terms of complexity, regulation, et cetera, it is a barrier, so you're less competitive as well. I think that market's a great market.

[Daniel Hill] (36:22 - 36:47)

Well, we've got a site up here. It's 6,000 square foot hospital. We're going to put 12 high-density professional flats in it, but since all this happened, it's like, rather than spend 300 grand, I'm just going to turn it into an 18-bed HMI, and yeah, there's self-contained beds there, so they've got their own kitchens and stuff, but yeah, I mean, it's definitely a different strategy for us, but we're going to test it and see how it does.

I feel optimistically confident.

[Mike Bristow] (36:48 - 37:40)

Yeah, that's great, and that's really cool because that's sort of one of my tips always is you always have a plan B. You know, whatever you're creating, have that plan B. You know, if you're doing, you know, for example, service accommodation will be torn to shreds right now.

It's going to be a real challenge, okay? I hope that many of the people in that space were actually creating product that actually can split into separate leaseholds and be separate flats and actually have a different exit model, you know, can have a different usage. That's a real challenge, so you always have a plan B.

You never know when these sort of crazy black swan events are going to happen. You've got to always have a plan B.

[Daniel Hill] (37:41 - 38:07)

What do you think, like, with regards to that market, the mass service accommodation market, you know, your Monday to Friday work, your trades, you know, people like that that fulfill a lot of that service accommodation space that's not bespoke holiday let's. Obviously, we're seeing some big employers go under. There's definitely going to be a drop in the, you know, much of a bounce back, do you think that space is going to experience?

[Mike Bristow] (38:08 - 39:12)

I mean, it will bounce back definitely because it wouldn't have existed if there wasn't customer demand for it and an appreciation for what that offers versus a long-term tenancy versus a hotel versus, you know, whatever it is. So, there's going to be a market for it. It will get competitive by definition.

It will get price sensitive because it will be competed. Will we see as much travelling? Will we see as much working elsewhere?

You know, I personally work a little over half the week in Birmingham whilst I live in London and I stay in a service accommodation flat in Birmingham. Am I there now? No, because we're on shutdown.

So, you know, will I go back to that? Yes, definitely. Now, that's just a sample of one.

We can't extrapolate from that. But the point is, it will come back. It will come back.

But people in that market need to be nimble to look at repurposing and, you know, where they're concerned and that they'll naturally be a bit of churn out of the space provision in that market.

[Daniel Hill] (39:12 - 39:19)

Very good. One final question from me and then over to you with any closing thoughts or sentiments and let everyone know how they can get in touch with you.

[Mike Bristow] (39:20 - 39:20)

Sure.

[Daniel Hill] (39:22 - 39:28)

If you were to, again, hedge your bets now, where do you think we'll be in 12 months' time with regards to recovery, property prices?

[Mike Bristow] (39:31 - 39:52)

I think what we'll see is in 2020, we'll see somewhere between 5% to 10% drop in property prices. Now, that will be based on low transactions and the people that need to sell. OK?

So, I think that will be a skewed view of the market.

[Daniel Hill] (39:52 - 40:00)

Do you think it's going to cause a drop in transactions? Do you think it's going to be demand supply or do you think it's going to be like a lock up of the finance market?

[Mike Bristow] (40:03 - 41:45)

Confidence? It will slowly come on. All of it will slowly come back together, I think, but the people that will really suffer is where they need to sell.

I don't think, personally, unlike maybe 07-08, I don't think we'll be able to, as property people, we'll be able to run around and find deals of the century. OK? I think there'll be good deals out there, but there won't be deals of the century because sellers in the main will be able to wait.

And so, in 2021, there will be a bounce back. This low transaction volume for years, we're at a sensible value in the market when it's inflation adjusted. OK?

There will be drop in demand side because of affordability and unemployment. 2021, 2022 could bounce back. I mean, if you look at someone like Saviles, their scenarios say, yeah, somewhere between 5% and 10% drop in 2021, and then it recovers back.

And by 2022, the end of that, you're pretty much in the same place as they expected before. OK? So certainly by 2023, and I think by 2024, overall, 15% up, it's just a different shape.

That's not far off right, I don't think. I think. Very good.

Very interesting. Nobody has a crystal ball. OK?

This is still panning out. OK? If we had crystal balls, we wouldn't be sat here.

[Daniel Hill] (41:46 - 41:57)

Well, this is it. Like I said earlier, there's only two types of economists at the minute. There's those that don't know, and there's those that don't know that they don't know.

It's like, that's where we are. It's everyone's best guess, isn't it?

[Mike Bristow] (41:57 - 43:31)

Exactly. From my perspective, I think this presents a time for people to reflect on their strategies. OK?

I really urge people to think about what is their core strategy, just focus on 5 to 10 years of doing that and getting bloody brilliant at it. OK? I cannot understate or overstate the value that that can create for you over the long term.

And that's exactly how we think at Crowdproperty, and that is playing out exactly right. But also, you're going to need to be nimble. Right?

Get your team together. Get the various parties together. I would say this, get your lender on board.

Get a relationship with them. Get speaking to them. OK?

Get sharing projects with them. Get explaining them about your background, your vision, your ambition, all of this. That's one of the things that we see.

You asked earlier, what do we really look for in a project? Yeah, there's all the numbers on the projects. There's good markets, liquid markets, et cetera.

All of those data are indicated. And then there's usually the squidgy human thing in the middle that mucks these things up. OK?

So do you have that commitment, that ambition, that desire to be in property and build a property business? That's the key thing. And that's one of the human motivations that we look for when we're working with people.

[Daniel Hill] (43:32 - 44:00)

As entrepreneurs, yeah, this is the time we thrive. When there's air in the balloon, the government take their tax, they're dealing with the masses. In times of chaos, we're the only ones who have the appetite to go out and pull this stuff together.

So I really appreciate taking the time to speak to us today, Mike. For people who want to get in touch with regards to sending their developments, looking at the products and services you offer up, thinking about really stepping up your finance for 2020, what's the best way for them to reach out and go through that process with you?

[Mike Bristow] (44:01 - 46:35)

The best way, our website, crowdproperty.com. And look, one of the things we, you know, this typifies exactly what we did when we set up Crowdproperty. We sat down and said, what do we as investors and developers ourselves want from a lender?

The perfect lender, let's design the perfect lender. And one of the things we wanted was to sound out projects with someone. Because, you know, property can be a lonely journey.

I talked about earlier about one to three directors in a business. How do you avoid groupthink? How do you get challenged?

How do you avoid the sort of the winner's curse and chasing a deal? And so we've got a form on our website, which is our project submissions. It's 12 boxes, 12 boxes.

I mean, I've filled out 20 page buy to let mortgage application. I mean, it's just totally, it's nonsense. Okay.

We've got it down to 12 boxes to run your project past us. Okay. And we'll give you a view.

And I've talked about, you know, how we're relationship oriented and want to talk and you're humans and you can get ahold of us and whatever. And then I tell you to go and fill in a form. I mean, that's inconsistent, but okay.

The reason for that is that form we applied, there's a Churchill quote I love, which is sorry for writing a long letter. I didn't have time to write you a short one. Okay.

So we took everything you could possibly ask about development and boiled it down to 12 cells. Why? Because that, when you fill that in, it pings all of our tech, all of our data, all of our analytics, and that forms a view.

And then we speak to you, you know, lender that actually speaks to you and wants to understand your vision and whatever. And we might turn around to you and say, we don't like this project because of X, Y, and Z. Okay.

And so it's a helpful no. And a helpful no is awesome because you can say, actually, do you know what? I missed that.

Great. I'll ditch that one. I'll go and find another.

You know, obviously we all want the answer to be, yes, it's a great project. We'll fund you. And if it is that answer, you can just proceed with confidence, just focus on it and not look at the others.

So, you know, that's the kind of relationship that we like to have. So it's very clear how to get to the form, apply for finance form on our website. You know, run some things past us.

We don't hold a, we don't put black marks against your name if they're not very good to start with. You know, we want to help you find a good project to do because you'll spend a lot of time doing it. And we want to work with people.

[Daniel Hill] (46:35 - 46:53)

Very good. And probably a top tip for me to close off is if you're not really following crowd profit on social media, like including Facebook, that's where I follow them. It's always really interesting to see the sort of sites that are being passed and also how quickly they're funded because crowd profit is on a huge, aggressive growth trajectory.

Yeah.

[Mike Bristow] (46:53 - 47:12)

Even in this market, the last 10 projects went on average in 55 seconds. So, and, you know, and there's loads of video case studies and all of our projects we've ever funded are on our website. So you can go and take a look and see how they're similar to yours or different.

[Daniel Hill] (47:12 - 48:35)

55 seconds to raise hundreds of thousands of pounds. I think for headlines of image, we'll wrap a stamp here with that. Thank you again for joining us, Mike.

Anybody wants to get in touch with crowd property, find them online, check them out on social media. And yeah, I totally resonate with Mike's sentiments. Like this is definitely the time for us to be going out there.

I think there's huge opportunity. We're looking at more and more commercial sites now. We've got a site down the road.

We've just turned into 20 apartments. That was one that I sent to crowd property to have priced up. And we're viewing an old factory on Wednesday, which has been there for ages, been on the market.

And we just need a little drop to make it stack. So fingers crossed, our sort of appetite in this market will be that to get it across the line. So thank you very much, Mike.

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