**PE 11 Edited\_Transcription**

[Daniel Hill] (0:05 - 0:25)

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.

[Speaker 3] (0:25 - 0:42)

How are we Billy? I'm good, back in the office. I'm about the only person here, but nice to see the sunshine back out and see things opening up bit by bit.

[Daniel Hill] (0:42 - 1:50)

Yeah, we're definitely starting to see activity here. We've got more people back in the office, there's traffic on the roads again, and there's definitely, you were talking just before the call, there's definitely activity happening. For this podcast, what I wanted to do is Billy and I behind the scenes, obviously for the property entrepreneurs, the board members, the people on programme, advance, the community, we've been delivering business strategy, economics, understanding how to negotiate what's going on.

And behind the scenes, Billy and I have had some quite sort of complex economic conversations. And I'm a very like a dynamic, creative Lord, and Billy's a very detailed, so I'm a very dynamic creator. As you can tell, this is a prime example, and Billy is more of a Lord.

And together, we bring very different perspectives to things. And it's a great sort of conversation to be had. So rather than Billy and I have a call in private, I thought we'd stream it to our 10,000 people across Facebook and then record it for the podcast.

So Billy, for anybody who's not had the opportunity to meet you previously, seen any of your stuff, do you want to give everyone just an introduction to yourself?

[Billy Lockett] (1:50 - 3:45)

Yeah, so I'm a full time property investor and developer, and got a couple of different parts to the to the business. And first one being, you know, landlord. So we've got 40 individual units from, you know, a studio in Bulgaria to a 17 bedroom HMO in Liverpool.

Most of the houses are in the northwest, but some scattered in some other places as well. I also launched last year Kensington Finance, which is a niche bridging company, where we work with people in kind of a on a guaranteed, secure basis to lend up to about 250,000 for people who kind of property investors rather than residential. Also do some training and mentoring.

I've got a 90 day program where I work with people typically who are either in the corporate world and want to get out and work full time in property, or people who've left the corporate world started out in property and realised that it hasn't given them the returns that they wanted originally. And then the last part of the business is our development business where we work on listed buildings, grade one and grade two. So in the last four years, I think we've done six schemes all for end users in terms of apartments, but mixed buyers, some investors, some over 55s and some professionals.

That part of the business where the economic cycle is even before COVID. So I kind of thought we were probably due an adjustment. So that part of the business will now morph into the buy to hold and we're really just doing build to rent now, rather than trying to sell stuff in the open market.

[Daniel Hill] (3:46 - 4:08)

Very good. Yes, any of you that haven't met Billy previously, he's got various strands of the business, very good friend of mine, been a Property Entrepreneur Board member for three years. And Billy, let's chat.

Let's see what's going on. What's happening out there? You're saying you're back in the office, science activity up in Manchester and Liverpool, some of the cafes are open then?

[Billy Lockett] (4:09 - 6:57)

Yeah, I think the first thing I would say to people is, you know, obviously what's happened, I think it was a bolt out of the blue. And it's obviously it's compared to other recessions I've been through. I think this is the worst one in terms of it's the first one that kind of health has been there.

So I think, you know, it's a it's a horrible thing. But you know, but it has happened. And I think what can probably help when I kind of think of it is to actually think about what was happening before COVID.

And people kind of forget that, you know, before COVID, we were talking about having, you know, the problem was that there was going to be such supply from technology and computers, that, you know, a lot of the challenge was how to actually keep people motivated when they wouldn't have to work. And my point is that the kind of world's been hibernating, has been kind of getting shaken, where the actual infrastructure for everything is still here. So the technology, the people, the infrastructure, so all of that stuff is still here.

And I think one of the words, I say hate, but you know, people talk about the depression and what that means. But when I kind of think of the depression, it's very different in the 1920s, when there was a lot of, you know, again, we're talking about the UK, we're very privileged. But, you know, the 1920s, when there was a depression, and it really made a difference from someone going into a house and not having a house and food and shelter.

Fast forward to 2020, we're in a very, very different place from that, you know. So what the, you know, the average salary, I think, is about 30 grand. You know, so if you, even if you took like 10% off that, you know, if you take a billionaire, 10% off that doesn't necessarily change your standard of living now, as it did in the 1920s, 30s.

So I think people, there's obviously stuff's going to be volatile, stuff's going to go up and down. But what I kind of say to people is think of where we were before. And a lot of the future people were projecting then was talking about stuff going online, was the change of the high street, was more computers, automation, you know, cars with no drivers.

What I think now will happen, you know, you can kind of look at this as two ways, you know, is it actually a fast forward we're now going to have to the future? Or, you know, is it a case the bottom's falling out the economy? And, you know, I think the bottom will fall out the economy for a bit.

But what I do think as well, it'll actually fast forward to where we were going.

[Daniel Hill] (6:58 - 7:53)

And then one of the biggest benefits through there. So when we talk about corrections, before this, we were talking about, you know, we do corrections, there's too much confidence in the market, some of the tech valuations, where the money's going, a correction was due. You see, we've taken this deep dive now into, you know, GDP is taking a big hit 25%, 30%, whatever.

Even if we bounce back as well as we could, we wouldn't go back up 25% or 30%. Because it's enabled us to have that correction where the zombie businesses, you know, the bullets have finally put them to sleep, and they would have dragged on for another five years. This forced people to do things that they wouldn't have done previously, like virtual viewings or desktop valuations.

So this is trying to figure out how to work without signatures. There's definitely been, it's been, you know, that forest fire has got rid of the deadwood, the zombies, the high street, when you talk about high street, I don't think the high street will come back the same. Do you think it will?

[Billy Lockett] (7:54 - 9:20)

No, I mean, again, I mean, I was focusing on the high street before doing kind of more mixed use development. And now, everyone's going to be doing that strategy going forward. And so that's my point.

Nothing, if you actually think of on the business side from this, the stuff that was changing is just going to fast forward, like some of that stuff that you said. But what I also think is like the difference compared to the 1930s. And also, even if you're thinking like the UK, one of the huge mistakes we did when we shut down all the coal mines, is we didn't actually think what the implication was in those local economies.

We didn't actually put anything else there for them. Whereas now, I think one of the pluses from this will be that it won't just be about economies, I think, you know, there'll be a social impact. And I think there'll be a huge amount of work in health care, whether it's kind of having a minimum wage, whether it's, you know, stuff around the environment, because we are so privileged at the moment, just in terms of where our baseline is, you know, and again, to what we talked about the kids, you know, we're almost genuinely, this will be the last generation of entrepreneurs, because our kids, you know, Archie, who's 10, by the time he grows up, I do think there will be so much supply that they won't necessarily be driven, but their aim will be to save the world and do stuff like that. And I think some of those aspects will definitely come out of this as well.

[Daniel Hill] (9:21 - 10:27)

I think you're right there. I do think there's going to be this period, let's assume, well, if we're talking about some of the like economics, stats, finances, we're going into a recession, that's, you know, that's, without a doubt, there's going to be a recession. The only way out of the recession is obviously, they're not going to be able to tax the rich, because, you know, the economy is on its knees, no point picking at the carcass, the government are going to have to get behind the economy, they're going to have to spend, they're going to have to borrow, they're going to have to get the balloon, the air back in the balloon and get us going.

I think this is going to be potentially the last dance for entrepreneurs, if we, let's say you're accurate, we are the last group of real capitalists, it will be the entrepreneurs will be the foot soldiers that have to go out and make this happen. I think the government will get out of the way for two to 18 months to three years and just say, look, reduce corporation tax, knock down, here's some cheap money. And we'd have to go out there and rebuild this thing.

And once you know, once the balloons are flying, as they'll start, start taxation, again, regulation, increased compliance, and we'll go back into that bull market.

[Billy Lockett] (10:27 - 12:52)

Yeah, there's going to be three groups I see from this. One, you know, if you want to call it capitalist, but the large companies, so your Amazon, your Googles, your Ubers, etc. scale is huge now.

And at the very top end, those guys will continue by big ecosystems, like, you know, one of the things we were talking about the other day with Susie with, you know, the, what do you call it, the dark kitchens. So yeah, not Uber Eats, but Deliveroo, you know, I can see them actually going and buying a lot of the restaurants that struggle, and who can't make it out, they'll just take their menus, and they'll go online with it, they'll package it up, and they'll buy them for about a pound or so. And Amazon, for example, a bit like McDonald's, you know, they'll start to, they're already doing it, but as well as doing their food, their processes, they'll own all their assets in terms of property, etc.

So there's obviously going to be a place out there for huge global entities. But people, I don't believe, just want everything, you know, especially after being locked up for bloody two months, people want to go out, they do want to sit in a cafe, they do want a restaurant, whilst people will go and buy stuff off Amazon, and they'll go into Tesco, they also want organic stuff, they want fresh stuff, they want different stuff. So I actually think the place for an entrepreneur, a kind of a small investor, lifestyle business will be huge, it'll be those two bits.

The people in the businesses I know that are really stuck are those in the middle ground. So if you're maybe a chain of restaurants with 20 across the UK, you know, you don't have, you're too big to offer something very unique, you don't have the capacity to compete with the big boys. So I think the new world will have huge power to the big entities, there will be huge opportunity for entrepreneurs.

And then the third bit of it will be, whilst the government will get out of the way for both of those groups, the government will also have to try and suck up some of the spare capacity in the economy. So whether it's HS2, whether it's roads, whether it's rail, whether it's building extra hospitals, teaching universities, they'll chunk a whole lot of money into it.

[Daniel Hill] (12:52 - 13:29)

And I think that point, because I had quite a frictional debate with somebody the other day was saying there's no way the government are going to keep borrowing money to do public spending and infrastructure. All of those big conservative pledges that were made about what new super hospitals or this will all be shelved. And I was like, we can't do that.

Because you know, the labour market needs stimulating, the QE's got to go somewhere, it'll either go universal credit or go into investment with government policies. I can't remember the exact elements of the deficit policy, but a certain percentage of it has to be on investment, not just burn rate.

[Billy Lockett] (13:30 - 13:43)

I don't know who you were talking to, but they've already done it. I can't remember. There's one bit of the motorway that was meant to take a year to get done.

And they've done that over the two month period. I mean, I think that's the other thing that the people...

[Daniel Hill] (13:43 - 14:02)

That element was quite specific. That was quite strategic, though, because they said that made sense to do while the roads were quiet. But at a macro level, are we in agreement that the government's going to have to create work and they can either spend it on, do the QE, put it down, they can either spend it on universal credit, or they need to, you know, do a lot of public sector work?

[Billy Lockett] (14:02 - 16:18)

Yeah, of course. And also, I mean, the other thing they may do is they may even nationalise some of the businesses, some businesses that really will struggle, for example, airports, rail. I think rail will come back quicker.

You think of airlines and airports whose hands are tied behind their back, the government won't want us not to have an airline. And again, people think of nationalisation and they think of, I don't know, old Soviet Union factories, Emirates, Etihad, Dubai Airport, Abu Dhabi Airport, they're all owned by the government. So you can have large entities that are global air, sorry, are owned by the government.

And what I think, you know, there's, and I remember you were talking about some stuff isn't clear yet, that what is clear is that the government will invest in stuff, whether it's them actually nationalising some businesses, which I think is less likely, I can only really see them wanting, the only thing they might nationalise is aviation, you know, they've got to keep airports open, they want us to have planes. So if airlines struggle for the next 18 months, you know, the reality is most of them would go to the wall.

So I could see them potentially nationalising that. I couldn't see them nationalising anything else, but they'll then make a call, but they're not going to, they're not just going to continue to give people money and say stay at home, you know, whether they'll build hospitals, whether they'll build roads, whether they'll build HS2, they'll need to think about where they think the value is. And again, basic economics haven't gone, you know, one of the things I remember before is that, you know, when economies are struggling, a lot of the time that they go to war, that's how they actually spend their money and they invest in it.

Thankfully, hopefully that's not going to be the case here, but they will definitely do infrastructure projects or initiatives, you know, and maybe working out how to retrain people for the new economy. Don't know what all the answers are, but they're going to spend money, invest money to get us to the new fast forward. But the other thing I was going to say, we shouldn't forget, you know.

[Daniel Hill] (16:19 - 16:46)

Just before we move on from that point, Billy, so for those people who are listening who are not that familiar with economics, when you're in a booming economy and there's, you know, growing GDP, there's high productivity and low unemployment, the government tend to go for taxation. When the economy's bottoming out and dropping down, then they'll borrow more and they'll actually spend it. So it's very predictable how the cycle works.

You know, you're talking about nationalisation. Have you seen it start to table the concept of the bad banks again?

[Billy Lockett] (16:48 - 16:49)

So again, they've.

[Daniel Hill] (16:49 - 17:09)

Have you seen that the government has started to table the concept of bringing back the bad banks, you know, like where they'll fund the big businesses and then they'll become part owners. And so if they default, they then, you know, they'll then take the charge. But that would be another way to get into the big businesses, lend them the money, take the shares, and then hopefully, you know, hopefully they can do a buyback.

[Billy Lockett] (17:10 - 19:04)

Yeah. And again, you know, and again, that happened with RBS. So it's fine.

Again, if you look at Singapore, you look at places in the Middle East, there is large entities owned by the state. So, you know, I don't have an issue with that. I think that, as I say, I think what we've probably learned and I think, you know, the government's done in terms of how they've supported companies and employees is it's not just about efficiency and about money.

They recognise there's a social health of people being at work, doing stuff. So whether they want to put people at work, you know, picking the fruits that we can't do at the moment, whether it's people at work working for the government, whether it's actually saying, yeah, we'll nationalise some companies with the aim to sell it off in five years. They're going to do that.

But what I have been impressed with is that some of the things that we've done, so whether it's building the nightingales in the time period we did, whether it's setting up a way to pay X million people through HMRC from a payroll overnight, whether it's, you know, building that part of the motorway quickly, whether it's creating the ventilators as quick as we did, you know, this kind of, you know, pandemic has also enabled us to get rid of a whole lot of administration and bureaucracy.

And that's the challenge now, is working out what's going to be displaced. Like you said, you know, I think retail high street is significantly changed. Shopping malls are significantly changed.

So the question is how quick the new world emerges and how quick, you know, the entrepreneurs, the big companies and the government can create capacity to fill the people that have been pushed off.

[Daniel Hill] (19:05 - 19:29)

But again, you know, What do you think the next, like, we're looking at what it was like, you know, when's this going to be lifted? When's that going to be lifted? Like, from your perspective, or your expectation, how do you think the next week, month, three months, six months is going to play out?

Or when do you think it's going to be all back to normal? Don't worry, you know, go and do whatever you want. How do you obviously we've got the deadlines in the sand, but when How do you think this is going to play out?

Last slide.

[Billy Lockett] (19:32 - 20:58)

I think it's going to be quicker than people think. I actually feel a bit, you know, speaking to a lot of the local business owners in the last week or so, and, you know, kind of seeing in coffee shops, for example, some of the screens and stuff that they've put up, and state agents, etc. I mean, you know, a lot of the science and some of them, if we knew in six months time, if numbers continue to fall in terms of the virus, they're talking about the end of June, potentially not having any daily deaths.

But also thinking that we are prepared now, once the tracing technology is in. Well, I also, again, not a scientific expert, but if you look at places, Australia is a prime example, they've been hit far less severe than what we have. So I think heat must do something to it.

We also, I think, have a lot more data about what people who are at risk. So to some extent, I don't think, and they said it last night in the news as well, they're wary that there may be second mini wave sort of things in areas might go into lockdown by regions. But I think we've got the tools and the processes to act a lot quicker now, particularly if it does kind of go out in summer, and then it kind of comes back.

There was also drugs they announced last night that will help. So I think the scientific side in terms of medicine, will help control stuff. And I also think the cure is kind of worse than the disease just now.

[Daniel Hill] (20:59 - 21:24)

So I thought about it yesterday, I was listening to the government announcement, and I was genuinely shocked to see all of the lockdown lifted stats going up, you know, National Rail, cars on the road, people like footfall, the lockdown restrictions obviously being lifted. So there's arguably a higher risk of transmission. But then equally, the cases and deaths are continuing to go down.

What would you attribute that to?

[Billy Lockett] (21:25 - 21:35)

Well, yeah, I don't think anyone will know until 12 months. I mean, if you think what Sweden did, for example, we still don't know if lockdown made any difference.

[Daniel Hill] (21:36 - 22:09)

You know, yeah, definitely. So yeah, I think that data is we're saying 30,000 people died with tested positive for COVID, then another 20,000, it was on their death certificate. How clean do you think that data is, you know, with regards to like, this is an NHS worker who was completely fit and well, got COVID and died.

Again, this is somebody who was terminally ill, they're in the final phase of their life, and due to die anyway, but they tested positive for COVID. How clean do you think that data is? Do you know that's 30,000 people who wouldn't have died if they hadn't caught COVID?

[Billy Lockett] (22:12 - 22:20)

Well, so I actually being a Lord, I mean, I went and looked at deaths from last year, the same period.

[Daniel Hill] (22:21 - 22:24)

Has the death rate increased?

[Billy Lockett] (22:24 - 23:43)

Yeah, it has. So I mean, the amount we're publishing does seem to be what I think that they'll call displaced deaths. So I think without a doubt, you know, I don't buy into the bit that you know, I know in America, supposedly, if you treat someone with COVID, the hospitals get $8,000.

So supposedly, it's very in their interest to say that. I don't think it is here. But you know, I mean, it's still questioned.

I saw something from Italy. And this is why we really do need to see the data that, you know, 80% of the people were 80 and over 90% had underlying health issues, et cetera. So it's not, I still don't think it's 30,000 people being hit by a car in the middle of the road.

So I don't think we should underestimate what it's done. But it's also, is it, you know, is it 30,000 that, you know, would have had six months, would have had 12 months, we would have had 18 months. And I don't think we'll, I don't think if we'll ever know that to be honest.

Yeah. And I don't, you know, I don't also don't understand how, for example, the UK has been hit as hard as it has, you know, in terms of, yeah, our government's not perfect. But for me, I've got family in Australia, as far as I'm concerned, we took lockdown more seriously than what they did.

[Daniel Hill] (23:44 - 24:29)

And we obviously- I'm getting exhausted and frustrated listening to the press every day as well, because they're like, they just want something to, I was gobsmacked when I went to the shop on Sunday, and front page news of every page was about, you know, breaking rules to go and travel to drop your kids off. I was like, this is one of the biggest recessions we've ever experienced. And there's all this time and energy being consumed with, you know, what may or may not have been a questionable, questionable decision.

But my sentiment stands. I think Rishi, I think Boris, I think they've all done a fantastic job to pull this together. And I think we're very fortunate to be in the UK, because we've been well looked after.

I think I cannot lie. Yeah, it's good.

[Billy Lockett] (24:29 - 29:42)

Something new that they didn't know. But the advantage is, at the same time, we are a couple of weeks behind other places. And if you look at it, there's a curve, you know, and whether the lockdown does it or whether it's just the natural virus going away with the summer coming, that's going to happen.

And what I also think a lot of people do forget about is the behavioural side of it. And, you know, to your question, the behavioural side, there's two groups of people. There's one group of people I know that have enjoyed it.

They wanted to do their garden. Their house is clean. They've been nesting.

And they're almost the people I know who are quite extroverted and normally can't sit by themselves for two minutes. They've actually enjoyed the slower pace of it all. There's another group of people, and I fall into that, and I'm quite happy with my own company.

But I have felt, not in a bad way from the government, but to me, it's about freedom. You know, there was one day a couple of, two weeks ago, I just wanted to go out for breakfast. I wanted to sit in a restaurant, have a cup of coffee outside and do something.

And it's kind of like that's what I want to do. But what I believe will happen now is that the lockdown is going to get less and less, as I say, because of the behavioural point, you know. And kids need to go out and play.

They need to see their friends. The hot weather's coming. As long as the virus can continue to fall, stuff will start to open up.

I mean, where I am, I mean, there's a couple of cafes that are a little bit naughty, but they've got tables outside now, and people are sitting there having a cup of coffee, et cetera. Again, I also don't think people should judge here. You know, the thing is, talking about you should be outside, you're less likely to, you're more likely to pass the virus on inside.

I do think actually being outside, having a bit of an indeed and stuff like that's good. I think what people almost need to do now is you need, it's like a big jigsaw, or it's kind of like a Rubik's Cube. You know, so if you think of like, how will it come out?

You know, at the moment, for example, and again, I'm not knocking them, they've been shut for a while, all their prices have spiked up. You know, so that's one, they're trying to get money in because they've been closed. Two, they're having to work less efficient.

You know, they're opening up, they can't sit down people, they can't give buildings. So it's kind of like, they'll get very popular in the short term, but then as everything else opens up, almost like you'll see a spike in certain supplies. And then as the economy opens up, that'll slow down.

And if you think of our business, you know, so at the moment, plasterboard from building site is a pain to get because the supply chain stopped, the main UK manufacturer didn't produce it for about six or seven weeks. And likes of Barrett's, their sites are all back on, but they announced like a 15% wage drop for brickies. And I think there are other trades as well.

Whilst at the same time, I know people who are trying to get work done to their own residential homes, people who've stayed at home and said, I want an extension, I want to change this, I need an office and they can't actually get trades. So it's still going to be very foggy for the next three months. And I think you kind of have to put the bits of the jigsaw together, but you can know the sectors that, you know, some sectors to me are clear, you know, I had a single leg advertised yesterday, it went on one viewing, you know, and there's lots of interest on it.

It's very clear, single legs will do well. Holiday legs, you know, people aren't going to go abroad, go into quarantine for two weeks, still a bit of a scare. People are going to want to go to the Lake District, are going to want to go to the Cotswolds or whatever.

Holiday legs for summer, you know, assuming the lockdown goes as planned, I think will be hugely popular. People will want to do that. Stuff that is still a bit unknown, you know, the student legs, for example, what will happen with the universities?

I mean, I also think the universities will be fully back by September, October. I think what the universities have done so far, they were told by the regulator, you need to tell students what's happening. You can't tell them that they're going to have a university experience and then not have it.

So what I, you know, certainly my understanding is the Oxford thing was leaked. And what I think they did was they put up a plan to say, we can go online for 12 months if we have to, because we can't social distance 300 people in a lecture theatre. And then, but you know, and again, the news, it's how they twist it, the news, they didn't say that it's, they're not the open university.

What they said is lectures are online, you still need to go to campus for tutorials, etc. And but also, because I've got a lot of student legs, I went into a lot of the forums and thought, well, what do students think of this? And I'll admit, I never saw this coming.

But a lot of them were saying, well, we prefer them being online, you know, with 300 people, you're not interacting, you can actually record the video of it. So if you want to use it for revision, or you didn't hear what the lecturer said, you can go and take your notes again, you don't have to travel. So I do think, again, universities haven't changed for years, that this will make them change.

[Daniel Hill] (29:43 - 30:28)

There's a fair few stats that came out last week. So they're looking at the difference because some universities are going to need these bailouts, because they're not going to have the revenue coming in this year. There were some stats which are a lot higher than I thought, but not unexpected, which was saying 25 to 50% of international students, though that 25 to 50% drop in international students.

Now, if you look at the UK, like academic market for further education, a high percentage of it is international students. So there is potential there. But like you say, we'll have to see how that plays out.

It's still the same amount of people, it's just figuring out who's going where, are students going to stay local? Does it change? It's getting very expensive now as well at university.

Yeah, absolutely.

[Billy Lockett] (30:31 - 32:12)

University for students is made up of kind of three things. It's the value for their money, it's the social impact of it, and how well it then sets them up for the future. When I went, it was really the debt, that part of it never came into.

I started when student loans just came in, and I left with 5,000 of debt. Now they'll typically leave with 40,000. Whereas at one point, that just wasn't a question, as that's gone up and up each year, it's become more of a question.

But again, before COVID happened, there was talk, I remember listening to Joe Rogan podcast, and there was talk about actually putting money out to people every three years for them to be able to get retrained, because stuff was changing so much. And I'm not saying this will actually happen with universities, but there will be a new world. This is just getting fast track.

So there will be a lot of people needing to be retrained. So the traditional thing, and to be honest, I'm glad, I had four years of it, but I mean, we had 10, 11 hours a week. The argument that degrees could be done in two years, that Google and Apple would come online and do them, that model had to change at some point, and this will just fast forward it.

But I still don't think, I think it'll still be a slow change. I think the student market will be hit badly for 12 months, and then we'll come back to more normal, but that will change. Whereas I think the high street will have a fundamental change.

You know, I also think airlines and aviation will be hit for 12 to 24 months, but will then also go back to normal.

[Daniel Hill] (32:12 - 32:42)

So I think that's- Yeah, or it might just remind people that having industries where the margins are that tight, there is no give. You know, like the restaurant industry, when the stats came out on that, they were saying they had an average of 16 days, no, 16- Days? Was it 16 days?

It was, wasn't it? 16 days working capital. You know, that is very lean, and aviation has been a ridiculously competitive place for, you know, the margins are so small on it.

[Billy Lockett] (32:43 - 32:58)

Universities are back on their previous curve, they'll be back where they were, and then the adjustments will happen, unless there's any- Yeah, I've never understood aviation, and I've worked in aviation, you know, I can never understand why people did it, because the margins were so slow.

[Daniel Hill] (32:58 - 33:10)

I mean, when I- It's a trophy piece for a lot of people, isn't it? I think it's like, for a lot of like big, whether they're groups or they're brands, there's a lot to be said for the chest beating of having aviation in your fleet.

[Billy Lockett] (33:10 - 34:47)

Correct, and that's why some of those Middle Eastern and Singapore things are still nationalised, and it's what BA used to be. It was chest beating. The difference with restaurants, though, is again, you know, back to what I said, the middle ground really have struggled, but at the small level, and again, I own a couple of commercials, so I don't run them, I lease them, but for whatever reason, people, there is a group of people that always want to run restaurants, or want to run pubs, etc, and hobby's not the right word, it's just something that the people enjoy. I do see that, whilst there'll be some capacity there, I think people will always come and pick that up, and it'll maybe be different.

Again, where I am, which I think is a good move for restaurants, there used to be, I can't remember what the building was before, but it's almost like HMO of restaurants, so they've put in different kind of street food people, a pizza place, a coffee place, a steak place, so it's like five mini restaurants, but you don't have to rent the whole restaurant, you rent your own area, but then all of a sudden, you can take the kids in, they can have a pizza, the adults can have whatever, Chinese, Indian, and then there's a bar there, and I don't know, the landlord's clever, he probably keeps the money from the bar, but again, the point that the person doesn't have to come in, hire a whole shop, you know, six of them get to share the kitchen sort of thing, and there's a whole lot more choice, but back to that small...

[Daniel Hill] (34:47 - 35:16)

We've gone down the corporate road for a couple of decades now, bigger economies of scale, how big can you make it? There is that sort of corporate to cottage shift, where you start getting new kitchens, and everyone wants the experience again, you might even get into a retailer, these purpose-built shopping centres, they can't immediately be transformed in many senses, so they might be carving up those bigger ones and move back to like little boutiques, bring back, you know, the fruit and veg model, things like that.

[Billy Lockett] (35:16 - 35:46)

Yeah, I think, to be honest, I think it'll happen in the high seat, I think the big retailers, their challenge will be the likes of the... It's their main tenant, so you know, they could say the Debenhams that they're into administration now, you know, you say we'll cut that up, you forget everyone is there because Debenhams are there, so once you lose your anchor tenant, the whole shopping thing changes.

[Daniel Hill] (35:47 - 36:23)

I don't know if that's the case though, because a lot of these are zombie businesses, they're like, I mean, Marks and Spencers is nowhere there, but if you look at the sales of how they've, like Arcadia grew, if you look at how that boomed through the 90s, you know, that was definitely the gold rush, it's slowly dropping off your BHS, your Dorothy Perkins, your Debenhams, like I do think that experience of buying, even just like the positioning of the stock, like Marks and Spencers have been trying to crack it for years with like, you know, Stuart Rose tried to do it with the clothes and then they bought back the food and it's like, is that space really ever going to boom again? I honestly don't think...

[Billy Lockett] (36:23 - 37:46)

No, that's what I mean, I think the middle ground is gone, I think you now either have to be global, you have to be Amazon or you're Cottage. But what I also think will happen with shopping centres is, you know, the good thing about assets or properties, you can reposition them, you know, and what is definitely bigger, you know, is experiences, so whether some of them turn into, you know, inside ski slopes, you know, entertainment stuff for kids, large cinema complex, big nightclubs, whatever, but I do think that that bit of the industry was already changing, they were already struggling and also, I mean, look at the date, I mean, 30% of commercial rents were paid in March, I mean, that's crazy. So I do, I think that's a bit that we will fundamentally change how we're doing stuff, but I do, you know, that's, you're like, if I was them, you know, and I'll be interested, you know, some of, you know, there's some of the large landlords there going to administration, I will be interested to see would anyone actually buy them or not, because I do think you're just beating a dead horse, you know, I think, you know, it's sad to think of your large shopping...

[Daniel Hill] (37:46 - 38:29)

For example, Intu was running out of oxygen before Covid. Yeah, yeah. I mean, like how that, yeah, I mean, that has been in a difficult position for a while.

So again, like you say, I think, I think one of the most poignant things you've said is when the gun's against your head, you fast track your decisions. And we've seen a lot of that with the government technology, putting some of these businesses to bed, identifying which ones are really, you know, those booms that are going to happen, we're going to happen anyway, most capacities like Amazon and things like that, it will just, and people who do home deliveries, if you've been home delivering for the last two months, are you really going to cancel your home delivery and go, Joe, we should do on Sunday morning, we should rush to the supermarket and drag the kids around for an hour and a half. It's just not going to happen, is it?

[Billy Lockett] (38:29 - 39:04)

Yeah, no. And again, there's a flip side. I mean, I've got a guy who owns a letting agency next to one of the Amazon logistics centres, he had to get 50 single lets for them in the last month or so.

So, you know, there is bits of it that will be displayed. But I do, you know, again, I think of the large shopping centres, they could quite easily turn into big hotels, you know, they can tell you the other thing that's good for this is there's been a huge kind of fitness buzz, so you know that they can quite easily, you know, turn into, you know, large health centres, you know, with Olympic swimming pools and the cycle track.

[Daniel Hill] (39:04 - 40:03)

I appreciate what he said, he says money doesn't solve everything. And it's quite likely we don't rush to save the high street, we just reposition that, you know, we make it community come together, but then we, you know, resi on top, consolidate some of the restaurants, I mean, how many burger joints, you know, that's the thing that we have the first burger corporate thing, then that will scale, then you've got gourmet, whatever, it's like, not everyone's got the highest restaurant per head in the UK, we've got like restaurants on restaurants. Like I said, a lot of that will consolidate down and we'll see, you know, the forest fire will do its job and then the trees will grow back and we'll see what's left. We're well out of time, as you'd expect anyway.

Any closing, let's think economically, we're to give people a few takeaways, but let's give them three each of changes we're going to see or opportunities we're going to see. Let's look forward six months, three things that we think, and this is off the top of our heads, three things we think are going to change, be different or opportunities to manage them.

[Billy Lockett] (40:05 - 40:09)

From a property perspective or from an economy perspective, or both?

[Daniel Hill] (40:10 - 41:25)

I think, I mean, one would be, for example, I think unemployment, I think it's undisputed, unemployment is going to go up. I think that's one thing I think is going to happen economically. Unemployment will go up, average earnings will come down.

Second one, I think for property, commercial, I think commercial airspace, permitted development, development finance, I think the government are going to get out of the way and let us run with it. I think that's going to be huge. And I think where people probably find one is where one of the things I think we're going to see is where people are saying, you know, we're all used to a new living now.

We're not going to go out and do this so much. We'll probably do more at home, we'll do more home cooking. And the changes that people are making at home, exercising every day, things like that.

My final one, which is a bit of a punt is, I think people have a lot shorter memories than you think. And I think we'll come out the other end and people are not going to go out every weekend spending money in pubs and restaurants. We've had a great time making loads of bread at home.

I think the novel is great and people will have enjoyed it. I think people are going to quickly forget those things and we'll get very back to normal with the consumption side of our lives, which we've maybe reigned in. Three from you and then we're finished.

[Billy Lockett] (41:25 - 45:52)

I'd say, and you probably hit it, the easy thing that is clear is that kind of singlet LHA supported living, that bit's clear, that will be, demand is already there and will continue to go there. So if you want to do the easy stuff, then do it. If you want opportunities as well, think of where potential problems are just now and it will be on new builds, it will be developers that need to sell and need to get out.

So there's probably opportunity in the short term for the pent-up demand, just now, but I don't think the actual other opportunities will probably be to another six, seven months. You've got the wave of people who get stuck that need to come out and then you've got the other stuff to come back together. And then really a bit to your last point, I would also, whatever Warren Buffett says, do the opposite of everyone else.

I do think people have got short memories and I know that people all want to go out whether it's bars, whether it's restaurants, I think you could actually invest in commercial, you've got to be clear what high streets are strong. So if you get a high street with good professionals on it and there'll only be, if at the moment in Manchester, I don't know if there's a hundred high streets, there will be like 10 high streets post this, but those 10 high streets will be absolutely mobbed and will be absolutely packed. So you can either potentially go into there and buy, or again, you can do the mixed use.

If you think of, again, what will the demand be? One of the things, and again, we saw some of this beforehand that there's a lot of small gyms that have opened up with like personal trainers. And so instead of you just going to a Nuffield and paying 200 quid a month for a personal trainer, you go to these small gyms with the ex-trainers from the likes of Nuffield and you go into small classes of six or seven.

So I think that exercise boost will still be there. So whilst maybe some of your paper shops might struggle, think of what are the businesses that you could actually put in there. And then again, if you've got your payout on the commercial by doing part of it residential and getting up there.

So there, yeah, again, commercial in the right place, I think will give you opportunity. And I think the last thing I would say is that, it's interesting time, but look at it as a Rubik's cube. Again, we're putting it bit by bit or where you've got a jigsaw and we're filling it in each slice at a time.

We are hugely privileged in the baseline that we're coming from. There's a bad thing that's happened, but it's not the 1920s when there was real kind of poverty. What we're doing is getting ready for a new economy.

But I also think a better world, because I do think some of the society changes will come with that. So you've got a choice. You can either, I know what you'll be, you'll be the first person going out there, beating the drum, trying to do stuff.

And I don't mean take advantage in a bad way, but almost seeing where the wave is. What I'd also say to some people, either do that. As I said, you can be clear where some of that stuff is, supported living, single ed.

If some of the other stuff you're waiting to see how it comes together, give it time. If you're thinking about, for example, I think there will be a bump in service accommodation. Everyone's taking their flats off in Edinburgh, taking their flats off in London.

Yeah, the market's going to be dead for four months, five months. You see next year when it comes to the Edinburgh Fringe and all the flats aren't back there, those people that stay will have a huge boost in it. But again, you can either be in it for the long haul, or you can sit on the sidelines and just see how it's coming together.

And except it will, it's going to, each month it's going to get clearer and it's going to get clearer. So, you know, as long as you can manage your time and taking the information and kind of act on decisions, you know, it's going to be a tough, tough 12, 18 months, but then I think the upsides will be huge posted.

[Daniel Hill] (45:53 - 46:32)

Without a doubt. And that's that forest fire analogy, you know, tear through and cause a lot of damage. But if you are the tree that grows back bigger, stronger, there's less competition in the way, and you really can, can capitalise.

The icing on the cake is the fact that the government are going to be behind every single one of us. They're going to get out of our way and give us every initiative they can for us to get the flywheel going again. Billy, that was a good conversation.

I hope people got a lot of value out of it. For those of you listening, if you want to know more business, strategy, finance, economics, the art of high performance, sign up to The Proper Entrepreneur, the official Proper Entrepreneur podcast. Billy, thank you very much for joining us today.

[Speaker 3] (46:33 - 46:36)

Thanks, Mr Hill. Good to catch up. See you soon, my friend.

[Daniel Hill] (46:36 - 47:16)

Yeah, very much look forward to it. Catch you all on the next episode. Take care.

Success and failure are both very, very predictable. See you on the next one. Cheers.

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