**Session 2\_Transcription**

[Adam Goff] (18:59 - 26:12)

Okay, ladies and gents, that is your two and a half minute warning. Two and a half minutes till showtime. Okay, everybody.

This is your two minute warning. We've got two minutes till we're off. Two minutes.

Back in the room, please. Okay, ladies and gents, that's your one minute warning. Can you finish your conversations now, please?

Make your way back to your tables, take your seats, because we're starting in just under one minute. That's your one minute warning, ladies and gents. Back in the room, please.

Okay, ladies and gents, can I get a round of applause, please, as I make my way to the stage? Welcome back. So is, how is the weather in Burnley?

How did we find that? Did we stick to it? Okay, it's gonna take a bit of practice, but we want to, yeah, we want to change the culture.

We're a bunch of high performers here. Okay, so before we go, we've got a special guest, as I've said, for you for this next session. But before we go into that, there's a little bit of a housekeeping, and then I'm gonna just remind us of something we talked about last month.

First thing is, private dining for today, just while we're here. So my table is Adam Hassan, Claire, Feeney. Actually, Hema's not here, is she?

So you could probably change that, Bianca, if you can. Michael Taylor and Chris Moss. Dan is Abs.

Casey, Guillaume, Keelan, who I'm not sure is here either. Matthew, Brereton, Stephen Blunston, and Jackie Goodman. And then with Adam Lawrence, our special guest, it's Ashley, Rachel, Chelsea, Anthony Carter, and Will.

So well done to them for getting in there first on the app. That was seriously fast, his finger first. That was very impressive, ladies and gents.

So just a reminder about something that Dan dropped at the last workshop. So if you are, by the way, if you're looking at a laptop right now, it's probably time to close it, Brett. Okay, time to get it closed.

See how I did that without even looking at him? Isn't that amazing? Okay, this sentiment.

You are actually, like, who are you? You are actually the things that you do and the way that you do them. Basically, you are how you show up in the world, all right?

And this is all about raising our standards. Did you want to get a picture of that? Did you get a picture of it?

You got it? Yeah, go for it. Be my guest.

Absolutely. I love that one. You know, you hear quotes like, you are so welcome, Stefan.

Be the change you want to see in the world. This is really about the presence that we're bringing, the energy, the contribution we're making to human or to mankind. So we launched this at the last event, Raising Your Standards, and we want to think about where we're going to actually create new rules and therefore new habits and standards out of those rules.

So I'll share a bit of insight with you. Who's got a laptop that looks a bit like this? Just me and Bobby then, yeah?

Suzanne, there's a few other people, there's a few liars in this room, okay? All right, because this was my MacBook. All right, this is disgusting, and it wasn't just the desktop.

It was multiple tabs across multiple monitors. Dan almost threw up on the retreat when he saw my MacBook, and I couldn't believe his MacBook. He had to turn it on when we used it, and it was nothing open, and I was like, is this new?

Huh? No, he's on a Mac now. I've won that battle.

I know, I've won that battle. All right. And I was like, well, he's like, no, no, this is how I was like, what?

You actually shut it down? I was like, I haven't shut my laptop down since I bought it, like two years. I didn't even know you could.

So I tried to get my girlfriend to turn her iPhone off the other day. She's like, how'd you do that? And I was like, seriously?

So yeah, that was my, that was my, that was something that came straight to mind. You might think it's a bit of a low-hanging fruit, but actually this is about closing down the brain, isn't it? And I remember an art teacher at school once taught me that it's very important to clean up your space after you create.

It was very big on, you know, washing the paintbrushes and cleaning up the space, and there is something probably very good for our mental health in doing that. So that was my new standard. So I have, God, I've just realized that my laptop might actually be on stage after lunch, so I really hope it is clean.

But, my new standard now is, you know, close things down, shut down the laptop at the end of the day, don't have 30 tabs open across three different browsers and all the different screens on the Mac you can scroll anywhere. I won't bore you with the details, but that's my new standard. So, how have you been getting on with your new standards?

I want to share anything with that. Who's raised a standard that they'd like to share? Ashley?

Yeah. Richard? Good hands.

I've started putting the toilet seat down. Love it. Rachel, do you concur?

[Speaker 9] (26:14 - 26:18)

Yeah, but, I don't flush, but, you know.

[Adam Goff] (26:21 - 26:27)

Hang on, hang on, let's get the mic if this is gonna be good. This is gonna be good.

[Speaker 4] (26:28 - 26:51)

I was having my two-weekly moan to my therapist, and she said, it was about phone calls, about when I'm doing a viewing and Ashley calls me on the phone, and I don't want to answer it, and she said, Rachel, do you like 80% of Eschle? I said, yeah, just let it drop. So now, I embrace the 80% of Eschle that I love.

[Adam Goff] (26:54 - 27:00)

80-20 rule in relationships. Love it, that's great.

[Speaker 4] (27:00 - 27:08)

It works really well, so the toilet seat, he leaves it up often, but actually I've not mentioned it to him for quite a while because that's part of the 20% now.

[Adam Goff] (27:17 - 33:13)

That's true love, you guys are amazing. So I'm gonna ask Dex to put some music on now, and I'm gonna give you 60 seconds to reflect on the standard that you raised, or didn't raise, and potentially a standard now that you'd like to raise. So off you go.

Let's get into that now, back in our journals. Okay, I'm gonna draw it to a close there. Rachel asked me, how do I figure this out?

Some things to think about is you're more or less keep, and if you haven't had a personal SWOT analysis or feedback yet, that's a really good, someone can give you some really good feedback, like with your buddy, for example, some feedback on yourself, you know? It's like, how can you show up better in the world? Is it dressing smarter, being earlier, listening before you speak, right?

It's like, these are the kind of things like, don't be the first to the buffet, like, you know, it's like, they're just some examples that spring to my mind, but we can apply this to all parts of our life. Ultimately, how you do one thing is how you do everything. So we wanna be world-class, we wanna show up, we wanna be leaders, we wanna set the example, we wanna inspire the people in our lives, don't we?

Because the best way to get someone to improve is to inspire them to improve by you setting an example. That is definitely the way to do it. So yeah, I'm gonna set a standard for some of you in this room, which is when we do an exercise, and I ask everyone to think and I put reflective music on, is to shut up, yeah, to not speak.

So for those people that are really good at speaking while we're doing exercises, yeah? Tom, Jay, I'm looking at you, yeah? Claire, Shaini, I'm looking at you guys, yeah?

All right, for those people that always talk when we're doing exercises, and always like to sit at the back, that would be your standard, all right? I was just giving you that for free. I know, I'm really, I'm not pulling any punches today.

It's like, when you speak, you interrupt someone's thought process. So it's them, not you, right? And that's like, it's just a really cool thing, that feedback I've just given you, all right?

I'm not being mean, I'm not being a dick. I'm giving it to you because I want you to improve. So there you go, my gift to you, you're welcome.

Right, I got away with that, didn't I? So strategic positioning, maybe not. We'll see in the feedback later.

Okay, strategic positioning, yeah, exactly. People are pulling out, people don't want to know, yeah. Strategic positioning, right?

Let's go on to the main event now. All right, we've got through that. So observe the masses and do the opposite.

We want to do what everyone else isn't doing. We know that if we want to have high margins and low competitions, that we need to be highly strategic in everything we do, in business and in property. We need to study the market, we need to exploit the gaps.

That's what it's all about. So today we're bringing a guest mentor on who's done just this within the property space. Yeah, I didn't, I mean, I will be the first to admit, I wasn't aware of Adam before I got introduced to him, but his rise has been meteoric in less than, basically a decade.

He's gone from buying his first property, and he comes from, he's an Oxford graduate, graduated top of his class at the MBA, in his MBA at Warwick Business School. He's got a portfolio now with joint ventures worth over 50 million. He's been involved in over 650 property deals, and he's held on to almost 90% of his portfolio.

So this guy knows what it's all about. He knows how to scale up quickly. And in this window of opportunity, he's just the type of chap that we should be making our hero in role modeling.

So without further ado, let's give a massive property entrepreneur welcome to Mr. Adam Lawrence, ladies and gents. Adam.

[Adam Lawrence] (33:16 - 1:06:57)

No pressure, I love that. No pressure at all, brilliant. Fantastic.

I always think after an introduction like that, it's gonna be a problem when I actually stand here and present, it just doesn't sound like me, but there you go. That's probably my, the old impostor syndrome thing, which I've definitely suffered with over the years, but I'll try my best. So this presentation, I've called it Propernomics in Action because I have a fledgling YouTube channel, and I thought I'd make up a name that mashed together property and economics.

I wanted to try and mash business in there as well, but I just couldn't do it. But the cool thing was, if you Google it, it's the only iteration of the word, which I quite liked. So what am I gonna talk to you about today?

I'm a massive economics geek. Is anybody in here willing to admit they read my Sunday efforts to supplement? How are we doing?

One, two, three, four, five, six, seven, eight. No, a couple of the other guys do, so that's about 10. So that's great.

Everyone else is gonna wanna read it by the end of this, or they're never gonna read it again. So I write it once a week. I post it on my LinkedIn, also on the Partners in Property website.

And it is really my thoughts about the macroeconomy and property and what's gonna happen in the future. And I'm trying to really blow away a lot of the noise that there is in the media. And I write from a very, I have no agenda in it, apart from to try and organize my own thoughts and hopefully help out some others as well.

There is an occasional chart. There is an occasional chart, but that's why I started the audio version, Umesh. That is a fair shout.

So there have been, it has run to 8,000 words a couple of times, but I try and keep it on the level. But it's also a bit of a space, especially when I've got the time to do some original research rather than rely on whatever data is being spat out by whichever organization, sometimes which has an agenda, which I try to sort of look through, if you like. So I go to a lot of the source data.

And my undergrad degree, as Adam was saying, was in philosophy, politics and economics. And I majored in economics. And in my MBA, I also did quite a lot more economics as well.

So this is how I put it to use, I suppose, if you like. So I'm gonna talk to you about the current macro picture and a little bit of why it's relevant. Where we are in various cycles, because there's so many cycles these days, you have to watch which ones you're looking at and which ones actually mean anything to you.

What I expect to happen, because ultimately we want this to be actionable, what you should all be considering, and then ultimately what you're here for today, what should your strategic positioning be? So, right, first of all, few stats for you on there and a few numbers. Like I warned you, I am a bit of a numbers geek.

So everybody knows we had a pandemic. Don't need to spend any time talking about that. But post-pandemic, ultimately, what are we actually having to do as an economy, as a country?

We're having to deal with massive monetary stimulus. All this money pumped into the economy, most of it in quarter two of 2020, the lockdown came, nobody knew what to do. And to think that there wouldn't be longstanding consequences of that would be silly.

I think most of us knew at the time. Is it fair to say that there's no such thing as a free lunch and all the rest of it, right? So we knew we would have things to deal with.

And there are really two broad ways of looking or two schools of philosophical thought about economics. The monetarist school, which is the newer school, 1980s onwards, sort of expounded in Reaganomics in the US and what Mrs. Thatcher did in the UK. And then the old school way of thinking, which is Keynesian.

And the new school, the monetarist school would tell you, if you inject a lot of money into an economy, what is guaranteed to happen? Anyone wanna have a go at that? There you go.

And what happened, so this is why very early on I started talking about inflation. And sure enough, this was when I started talking about it in the supplement of Feb 21, when the Bank of England had just announced they were considering negative interest rates. Now, anybody who doesn't know, interest rate and inflation tend to correlate negatively with each other.

And that's why they put the rates up so much this year. And in the last nearly 24 months now, actually, because they're trying to choke off inflation by raising interest rates. Hasn't necessarily worked as well as they would have liked, but we'll talk about that a bit later on.

So what did it actually mean in numbers? Massive increase in the government debt there. Those two numbers there are percentages of GDP.

So that is how the world likes to measure debt because it's not very useful to compare our debt in numbers to the US or to Japan or to Switzerland because we're different size economies. So we look at it as a percentage. 84.6% all the way up to 107.7% of GDP. Now we've been in much worse shape. Does anybody know when we were in much, much worse shape than that as a percentage of GDP? Post-World War II, that's exactly.

Does anybody know where we went up to for a bit? Roughly? 250, about 250%.

And does anybody know how we got over that between like 47 and 70? No? Well, we did.

The Marshall Plan is a valid point, but really how we got over it as a country is we grew and we inflated it away, right? And how was that possible? Well, after a war, what's a guaranteed thing that happens to GDP after a war?

It grows massively because all it does is it measures activity. And this is one of the crazy things about GDP. It's not necessarily the best measure of what's going on at any one time, right?

It grows because there's rebuilding to be done apart from anything else. And of course, there's so many homes built and the economy was going great guns and it was able to inflate it away. But we didn't really have an awfully large concept of inflation as a general public when we went into World War II.

So this is all, you know, economics is still a relatively nascent social science. It's not that old. Things change and people get things wrong, which is why approaching 2008, we did it so very badly as a world really.

And also in the pandemic, why at least I think a lot of our economic policy was quite a bit better than some of other countries were. And we're down to 101.2% of debt, which actually as it goes today is a better percentage than the US who are about 115 at the moment. And Japan are still right up there in those sort of 250% levels.

And that's a real danger zone to be in because they've had a very, very sluggish amount of growth over about the last 30 years. And I use Japan as a bit of an example because we're not massively dissimilar in that we're long industrialized, developed societies. There are a few significant differences, but it's one of the more comparable economies to ours for a number of reasons.

So as I say there, there's only three ways out of it. One is inflation. Now the problem with inflation is it's difficult to control.

So there's the truth of what the central bank target is 2%. That's set by the government. They could change that if they wanted to.

Politically, it would be quite difficult. That target was only introduced in the early 90s by John Major at 2.5%. And it was chipped down to 2% in about 97, I think it was. And it stayed there ever since.

I don't believe for a second that's the real target for inflation at the moment because if you imagine, at a relatively simple level, and government ministers tend to be quite simple, and I'm not trying to be as rude as I sound there, it's because they have such a broad brief. So they have to have a very generalist skillset. So it's difficult to know everything in enough detail to do it.

Now don't get me wrong, when you go around doing justice to education, to housing, to everything else, you can't be an expert in all of those fields. But because they're relatively simple, they would look at a problem in the way that many business people would and say, well, at 2% inflation, it's gonna take us 30 or 40 years to get rid of all this debt. But 4% inflation, we can do it in less than half the time because of compound interest.

So actually, would three or 4% inflation be a big problem? And the answer is probably no. But the problem is, and the point of the 2% is twofold.

One, it keeps it under control because people's expectations are important when it comes to inflation. And two, deflation would be much more damaging. So it needs to be far enough above 0%, which would cause a big problem.

Again, going back to Japan, something they've battled with over the course of the last 30 years. What else can they do? They can increase tax so we can directly pay it back.

We've borrowed money, we distributed it to everybody. Hasn't necessarily stayed in everybody's pockets, but that's the way of the world and the economy. So we just increase tax to pay it back.

Why don't we do that? Well, no one wants to pay back the debt. But ultimately, at some point, if you're not paying it back, your children are or your grandchildren are or whatever, ultimately.

And then the other one, which you really don't want, which Keir mentioned just then, default, economic contraction or depression, which obviously we have seen happen in the past. And if you remember the EU in the 2010s and particularly Greece, but there was Portugal, Italy, Greece and Spain and Ireland who had significant debt positions, when they really should probably have defaulted on bonds, the EU would not let them because the idea of defaulting on a government bond creates a bigger problem. It's not that no one ever defaults, even the US has defaulted in the past because the default is just missing a payment.

That's all it means. Even the US has defaulted in the past, but it takes away all of the money is like religion. It's the ultimate religion of the world.

And if you shake the belief in religion, and that's why you heard during the pandemic, all of these, particularly the Bank of England, but the Chancellor as well saying, we will do whatever it takes. Because if you lose the belief, because we have no gold standard or anything anymore, we have a fiat system, you could have a collapse that would have repercussions, 10,000 times bigger than anything that happened during the pandemic, and it just can't be allowed to happen. So what else is going on at the moment?

Tight labour market, you might have seen that in the figures. The US were at a point where they had two job opportunities for every single person who was unemployed and declared themselves fit to work. We never quite got that bad, but we were at more job openings than we were people available to fill them.

And again, that was a twofold problem. One, companies with plenty of stimulus looking to expand. And then secondly, a lot of people coming out of the labour market, some of that because we call it the great resignation.

They had to think during COVID and thought, I'm 53, got an unencumbered property, I've earned all this money, I've got a big job, why do I do it anymore? I don't know why I'm doing it anymore. And it really changed some of their philosophy.

I've always believed that inflation, contrary to what the Bank of England say, which is once you're at the labour market, you're not coming back in. I've always believed that inflation can force you back in. And the sort of inflation that we've seen over the last few years is starting to prove to be right.

Now, some people are at the labour market because of the extremely long waiting lists we've got as well, because the NHS has suffered significantly, because even though fairly significant resources were pumped in, if your budgets aren't there and your waiting lists get huge, more people are on long-term sick. There's a very, very clear correlation between those two things. The third reason why people are normally at the labour market is because they're studying for something.

And recessions normally bring more studying because qualifications effectively get diluted and devalued and you need the next qualification to try and stand out. So that's where we are. It's incredibly tight unemployment and that is actually historically unprecedented for us being in the sort of economic situation we're in.

We used to consider six-ish percent unemployment as perfectly acceptable and a sign of a healthy economy. There is a concept of the natural rate of unemployment, which I won't bore you to tears with, but we are at 4.2 at the moment and we've been down as low as 3.8. That's historically very low. Now, the problem with that, if you like, is that the Bank of England can look at that and go, well, we can afford a bit of unemployment.

But once again, it's not like the masters of their craft sitting in a room, pressing a button to go, actually, we can do with inflation going down by 0.7% in the next three months. They do not have that level of control by any stretch of the imagination. They have one big lever that moves the interest rate, which is slow and takes time to take effect and they can't necessarily control.

It takes effect over six to 24 months or even longer. And that's something I'll go into a little bit more detail on later on. And then household balance sheets.

So on the face of it, it looked a pretty good deal. In 2020, the government spent around about £450 billion stimulated into the economy. Household balance sheets went up by £950 billion.

Right, so it created value. No prizes, but I'm going to ask the question anyway just to keep everybody awake. What was the thing that was the major driver of household balance sheets going up so much in 2020?

Not quite, that is a point, but it's easier than that. It's almost a trick question. House prices, there you go.

House prices went up so much. So the vast majority of that was where the average person's wealth is generally stored. If they're a homeowner, it's in their home and that's where it all came from.

Market was up about 8.5% that year, if you recall. And then productivity. Productivity is an ongoing problem.

It's a fairly simple measure. It's looking at output divided by the cost of input. Now, what some of the problems are, when you have inflation, cost of inputs go up, cost of wages, cost of everything else.

That puts more pressure on productivity. But in reality, we've struggled with productivity since about 2007. We haven't really, we've had a unique problem to the UK, the US, Germany, places like that.

They have pressed on and increased their productivity. And there is a school of thought, which Ray Dalio would subscribe to, if people are familiar with him, that says if you can't increase productivity, it's very difficult to increase GDP. Which is a worry, of course.

So, where are we in the cycles? And these are the cycles that I've boiled us down to just quickly. The interest rate hiking cycle, capital economics, who I respect more than I do some of the other forecasters for sure.

So we're almost certainly done with interest rate hikes. The market today would tell you there's still another quarter of a percent in it. That's their best guess at the moment, but at or near the top.

Is base rate the most important thing to us? I would argue absolutely not. Unless we're sitting with a portfolio that is linked to base rate, it's not the most important thing to us.

The debt pricing cycle is much more important, right? So this is the cost of the five year, generally speaking five year, I talk in five year terms, because I personally use pretty much solely five year financing or longer. Some of that is due to administration reasons apart from anything else.

But generally speaking, it tends to be a lower risk strategy in my view. Thanks to what Liz trusted and the budget that happened or the mini budget that happened last year, that spiked significantly. And we seem to be past the top.

The top we saw for the five year bond. And that is how the mortgage rates are ultimately set and priced was 4.98%. Whereas this morning it was 4.18%. So we're in quite a bit better shape than we were. And I put there the swap rate close last night.

So for those who don't know what we do or what lenders do as a rule, is they've really got two sources of getting money to lend to us. Either they get it from their depositors, their savers, to pay them a lower rate, they lend it to us at a higher rate. They keep what's in the middle and their costs have to come out of that fairly simple business model.

Or they go to other banks or financial institutions and say, we want to borrow X hundred million fixed at this rate in the case of the five year swap at 4.31. What do they then got to do? They've got, they've just got to lend it. So they haven't got a saver at the end of that.

They've just got a lender and they lend it. It's like rent to rent effectively on pretty significant scale. 18 year cycle, as I've said there, I'm not a big fan, but if you wouldn't expect the 18 year cycle to be disrupted by a pandemic, which is 100 year plus a rare event, I think you need to probably think again about that.

And if you go back and look very closely at the 18 year cycle, sometimes it's actually 16 years, sometimes it's 20, sometimes it didn't happen. So it's an interesting one. But the pandemic cycle, some work that I did in 2020 showed that historically, you've got to go back hundreds of years.

You know, we have the Spanish flu that you might remember, but there obviously were other significant pandemics, black death, things like that, where massive swathes of the population died apart from anything else. And it generally meant unlike a war, lower GDP because people are saving money, people are contracting. And it meant in the fight between labor and capital, which is the only fight of interest to an economist like me, ultimately labor won.

And when I say labor there, I don't mean the labor party, I mean workers. Workers got paid more because they became more scarce. Now there was an argument this was going to be different this time around because people didn't die off in huge, huge swathes like they would have done in a black death style scenario, but they still removed themselves from the labor market, as we were saying earlier.

So you still were dealing with much tighter. What does that do? Just like anything in economics, the basic principles, demand and supply, supply is down, demand is actually up because everything's been inflated.

What happens? Price has to go up. It is as simple as that.

So where are we in the cycles? This is from the IMF, and this has got a few bits on there. And this was a prediction they put out a couple of years ago.

And the point is, how does it compare to number one, the red line, the financial crisis, and then other modern pandemics? So they would be more country specific, things like SARS and MERS and stuff like that, Ebola. And what does the pandemic look like compared to a typical recession?

So you can see there, almost all of them, the blue line, the typical recession, everything recovers a little bit more quickly. And this was an attempt to put it into context with how damaging was it compared to the financial crisis. And obviously the thought at the time, very roughly, is that it's around about, I mean, there it's pretty equal, there it's pretty equal, but it's about half as damaging or less than the financial crisis.

It just puts it into a bit of perspective, really. So we have to remember where the market interference has been, because when you mess with the market, different things happen. So repossession, there's been holidays, there's been bans, there's been forgiveness.

We're still in one of those cycles at the moment. Rent caps in Scotland, that's been an interesting one, because what does it, what's it meant? Does anybody know the city that has risen more in the last 12 months for new lets in the UK?

Kind of giving you a bit of a hint there, Edinburgh, dead right, over 15% up year-on-year rents, because the landlords say, as this is the only chance I've really got to raise the rent in any significant way, so I better push it as high as I can. And that's a direct consequence of the rent cap policy, which there's tons and tons of evidence that shows that rent caps don't work and they work against the market, but it's an ideological thing, unfortunately, not a factual thing, so it's one of those. Section 24, of course, that's interfered, and you could argue that in the last 24 months, section 24 has really actually started to bite, because when interest rates were nearly nothing, it didn't matter so much.

And even George Osborne, idiot that he is, gave us four years for that to be phased in, but it hasn't been phased in over four years. It's been phased in over about 20 months of interest rate rises. And there are landlords with portfolios at the moment in their personal names who don't even understand they've lost money this year, they know that much because they can read their bank balance, and then their tax return is going to come and they're going to get a tax bill.

And they're not going to believe it when they do, but they will because of the way the tax works. And then of course, immigration at record numbers, we know that 606,000 net immigrants last year, it puts even more pressure on the housing market. Of course, it naturally does.

And that led me to put this slide in really, because no one ever talks about it and annoys me. GDP is one thing, it's notoriously bad at telling you about the person on the street, right? But it's the measure that they all use and we're kind of stuck with it.

But why don't we talk about GDP per capita, as in per head, right? So you can see here, this is my drawing skills here, they're fantastic, aren't they? So that's the line from, how long did it take to get back to that sort of early 2008, late 2007?

So it took us there, you can see there, it's round about 2015, before we get back to, this is adjusted for inflation. So it took us the kind of seven years or a little bit more to get back there. Where was our peak?

It was actually Q1 2020 before anything really happened. And that's so not anywhere near as dramatic, although there was obviously a big U-shaped recovery, which was the hope of most people, but it's sliding downwards. Why?

When you hear there's no recession, because recession is just measuring all of the GDP, not GDP per capita. So people are worse off. There's more people having to make up the same domestic product, is what's happening at the moment.

So, what do I think is gonna happen? Yeah, lots of talk, mostly treacle, I described at the beginning of this year as treacle, it's slow, interest rate rises are painful, but you're almost waiting for certain things to happen. You've then got lots of people saying, well, wait for the crash, wait for this, wait for that, which frustrates me quite a lot.

Now, of course, you have to think about black swans, because the whole point is you don't see them coming. So, Middle East situation, what would the black swan be? Does anybody wanna volunteer an answer to what would the black swan be?

Go on. So, I was more thinking that Hezbollah, if Iran get involved, despite the US flexing its muscles, it's viewed as a very low probability event, which is the cornerstone of a black swan, with a really significant outcome, oil probably $150 a barrel or more if it happened, because China and Russia may well get drawn in on Iran's side, and it really could be something that look like World War III. I don't mean to scare anybody, that is a very low probability event, but that's what black swans are.

So, yields to decay very slowly, if anything like a soft landing has been achieved. So, where we might be, and it will be a fluke if we are, but where we might be is, people mentioned it earlier, people saved a lot of money during the pandemic, because they couldn't spend it, they couldn't go out. So, they saved it, and they saved it because they were scared.

So, there were no savings rates at the time, there was no incentive to save, but the biggest incentive to save was there, we don't know what the future holds, we're gonna hoard money. And the money that we did spend socialising or whatever, or going on holidays abroad, we couldn't spend, we held it all behind. So, then as prices started to go up quite aggressively, people could dis-save, they could spend their savings that they'd built up over the pandemic.

And they, well, we haven't been on holiday for a few years, can't really afford it, because what about the electric bill? Well, we've got the savings. So, it cushions things as people try to consume.

And then as that starts to run out, we're now in a period where wage rises are above inflation, which normally historically would be a big concern, because this is what happened in the 70s, right? There was a wage price spiral, wages go up, wage demands go up, prices go up because businesses have to put prices up. So, wages go up, and where does it stop?

You know, it stops after it gets to a near cyclone of activity, really. They managed to kind of stifle that off pretty well, although the government won't be thanked for it, they haven't done the worst job in the world, to be honest. But yields would decay slowly because we need time to get over this.

Look at all that time on the chart before it took for GDP per head to come back, seven years. You know, it's a lot of time. And then the debt war, and this is the concept that especially bigger companies, whose CFOs get paid lots of money to get smarter people than me in to advise them on what to do.

Beginning of 2022, they took out a record amount of debt, and they fixed it for an average duration of 17 years, because they saw, why did they do that? Well, December 21 was the first rate rise, and they thought, do you know what? We've had a good run.

Let's just make sure we restructure as much of this as we can for as long as we can. Now, we didn't have that luxury necessarily, but I know lots of people, I know Dan and Adam were talking about it as I was in late 21, early 22, saying fix now, fix now, and that bought you five years. And I know from what Dan told me the other day, Adam and I both spent an inordinate amount of money on early repayment charges, and probably now would agree it's probably the best money we ever spent.

And that's a great result. But of course, not everyone did that. And people who were cultured into 15 years of very low rates, what's the problem?

You know, rates aren't gonna go up to five. I would have been one of the people saying, well, it probably won't go to five and a quarter, because the economy would be on its knees. But it looks like we've all probably been wrong on that front at the moment.

Although hiking cycles normally end in absolute bloodbath, so I should manage your expectations on that. So the debt wall is important because more and more people are dropping off fixed rate loans every day. All right, if you bought in, imagine, so where are we, November 23.

So you bought in November 21, the market was already really hot, you were chasing it. You had a bounce back loan, you overpaid for a property because you were dead keen, and you had a two year mortgage on it. Great, where are you today?

Market may be around about where it was then, maybe a little bit higher, but much more difficult to sell stuff. Market's not really hot anywhere. And suddenly, instead of the 2.85% you paid at the time, you're looking at your refinancing options and they're 5.5% with a 5% fee. Very, very different proposition for a basic vital debt. So you do have to put this into context though, of course, surprises everybody, but 56% of investment property is unencumbered. And it surprises us when we move in circles where we're here, we're trying to grow portfolios, property businesses, things like that.

We kind of have to use that as a general rule, but 56% is unencumbered. 33% of all households in the country are debt free owner occupier. 28% have got a mortgage.

That's an average 42% loan to value. So they're not crippling the over leverage. The average, does anybody know what the average loan to value is when you take all the housing stock across the country?

Probably have a little guess based on all of that really. 20%. That's how much equity there is, trillions and trillions of equity sitting there.

It's one of the reasons why I think equity release is a massive product for the future, but that's another conversation. And I've shouted at the bottom there, I do apologise. The stress test has been at 5.5% for 11 years. Everybody seems to forget that. People were underwritten for residential mortgages at a 5.5% pay rate. So when they were underwritten, they could afford 5.5. They might have paid two. In fact, they might have paid one if they did it in 2021, but they didn't get the loan unless they could afford 5.5. Now, what happens to that extra money? What do you reckon happens to that extra money? Because I don't know the answer to this, but I can have a guess.

There'll be a small percentage of people who saved it and diligently overpaid their mortgage, probably 5, 10, 15%. Rest of them will have consumed it or most of it. Absolutely.

So what does that do? Well, it lowers consumption, which is the biggest part of GDP, which actually isn't a bad thing at the moment because it's disinflationary and that's not against what we need. So what do I expect to happen?

Prices hold up in the housing market in nominal terms. So as in that's not adjusted for inflation, but continue downwards in real terms after inflation has been taken into account for the next nine to 12 months. You know, 2% down nominally or 2% up.

It doesn't really matter. I think that's where we'll be. I think they're roughly equally likely at the moment.

Economies are stubborn. So despite how stupid the government can be sometimes, it doesn't necessarily wreck everything. They limber on like wounded wildebeest, but they manage to get on with it because people do get on with it.

People forget. You go through life, you get more skills, you get promoted, you get paid more, you want to consume it. It's all part of the cycle.

And then the soft landing conundrum, as I said, that'll be luck, not judgment. If it happens, taxes to go up after the election giveaway and that's all pretty much guaranteed really. And this is one of the big ones, social LHA policy to change if the election goes the way everybody thinks it will.

And that's where I think a significant amount of the opportunity will be. So I think we're looking at a much slower decline in base rates than people would like. But like I said, let's not get obsessed with base rate because what we care about is the bond yields.

So that continued decline back into under 4%, which makes things inherently more affordable. I like to talk about the debt in terms of putting the arrangement fees in with the cost of the debt because otherwise I think you're kind of kidding yourself to an extent. Yield based valuations, I think they'll probably hold firm or so, or a little bit of a decline.

So they're going against us a little bit, but nowhere near as much as they would have declined if someone turned around and said, well, the interest rate was 0.1 and now it's 5.25. So everything needs to make 5% more money. I mean, can you imagine the damage that would do to the commercial property market? Luckily the market doesn't do what's called mark to market.

So it doesn't happen like that. And yeah, transaction volume to stay low. Everybody forgets, everybody cries crash in the media sometimes just to get you to click the headlines.

Of course they do, but they forget the real impact is actually transaction volume stay low. So transaction volumes this year will be 300,000 lower than they were the year before. And we did nearly 1.5 million transactions in 2021. We'll do about 800, I think we did about 950 this year, something like that, maybe a million. So there's a massive difference. And so people sit, they don't crystallise losses.

They just sit on property, right? And yeah, deals to keep popping up as long as you're consistent. So these are the bits of what to do.

Fill your pipeline, follow up and follow up. I know that Dan talks about that. Creative deal structures I think are good.

What about sharing equity and joint venturing rather than taking debt on? The more expensive debt is, the riskier it is. What's the point of sharing equity because you have to work harder for the same money.

I've done loads of that over the years. First of all, probably stupidly, and then more intelligently as I've figured out my strategies as things have evolved. This is about fragility I've put on there.

Anyone who knows, well, Black Swan, famous book by Nassim Nicholas Taleb, he's written another book called Anti-Fragility. And the point here is, where do we start from at the moment today? So a small problem when we're already on a knife edge is a much bigger thing than a surprise referendum result in 2016 when the economy was actually chugging along okay.

And it didn't really throw us off our course too badly. Cashflow is king, so active asset management strategies. I'm talking SA, HMO, things like that.

Cashflow is more king than it's ever been and it's harder to come by because of the debt rates. So solve problems, that's what you do. That's what everybody in this room does.

If they don't realise it, what do you do for a living? You solve problems because you get paid well for solving these problems. And then absolutely do not, and I don't think you'd be in this room if it's applied to you, but don't use the current state of the market as a reason for inaction.

So remember strategic pillars of a business. Where should your strategic positioning be? Remember it's get rich, I'm shouting again now, I do apologise.

This is get rich slow. Hold on to what you've got first. One of the key things I read, if we go into a recession and the credit starts to tighten a bit more, right?

Your first job is to hold on to your existing assets. Don't get distracted from that job. If you do that, you've probably done well.

Don't over leverage at this time, but there will be a massive opportunity potentially with some creative deal structures as we've gone on to down here. You've got to remain financially attractive to lenders because lenders are looking for reasons not to lend to people at the moment. And don't be scared to move deals on.

You know, don't try and overtrade. If you can sell it to someone, potentially someone in the network, brilliant. Well worth it.

Take the money up front now, bank it. Biggest sourcing fee I've ever paid, I think is 50 grand. And I've paid it with a smile on my face because I made plenty of money on the deal.

And that person understood that. Keep the right people around you. Remember, deals find money and delivery beats perfection.

And then my four strategic pillars that have always been running through my property business, acquisition, finance, delivery, and asset management. And I've gone a little bit longer than I wanted to. We've probably got time for one question.

So hopefully it'll be good.

[Adam Goff] (1:06:57 - 1:07:12)

We've got some time for some questions actually. So why don't, thank you. Can we give Adam a big hand for that?

That was wicked, wasn't it? So who's got a question for Adam? Yeah, that's just the mic.

[Speaker 8] (1:07:16 - 1:07:26)

Hi Adam. The deficit dropped back down, I think it was on the first slide. What was the main reason the deficit came back down instead of increasing?

[Adam Lawrence] (1:07:26 - 1:07:52)

Because GDP was coming back up through that U-shaped period, really. So obviously that's one of the flaws of the percentage measure, but it didn't immediately bounce all the way back up. It went up, if you go, if you have a look at it, you can see the, It wasn't paid off, is the main reason.

That's the per cap, isn't it? But you still see the, yeah, it wasn't paid off. No, it wasn't paid off.

We're still in deficit, generally speaking at the moment.

[Speaker 6] (1:07:55 - 1:08:04)

Hi Adam. Hi. First of all, great presentation.

Thank you. I actually do read your Sunday supplement, but I can't say I always read every single line of it, being a supporter.

[Adam Lawrence] (1:08:04 - 1:08:05)

I don't blame you.

[Speaker 6] (1:08:05 - 1:08:22)

I always look for the pictures. You mentioned earlier, obviously, if there's a, you know, after the election, depending on what we all think might happen, there's going to be some changes in your mind to LHA social. Just sort of broadly, what sort of things are you thinking we'll see?

[Adam Lawrence] (1:08:23 - 1:10:26)

So I think if you look at most of the business models that focus in that area, they all further than that, those supported living, or all the way through to, you know, extra care and things like that. Generally speaking, the proposition is, we can save the government or the local authorities money that they're already spending if those people are in hospital, sleeping on the streets, in prison, in a secure unit, in all of those things. So there is a really strong economic case for doing that.

And there are still good margins in some of those at the moment. And my thoughts are pretty simply, if you've already gone through a significant period of austerity and everything's been cut back to the bone as much as it can, you know, LHA rates now, you're in some parts of the country, they're supposed to represent the 30th percentile. So you stick up all the stock and the bottom 30%, in terms of price, not necessarily in terms of quality, but of course it is probably reflected that way.

The bottom 30% should be affordable on the LHA rate. There's parts of the country where it's 3% at the moment, and those numbers are six months out of date. So I dread to think it'll be at 2%.

And so it's completely and utterly broken. The supply and demand side is completely broken. And what that actually ends up doing is from an economic perspective, it kicks people out into the more expensive categories of housing because they become homeless.

So they need to go into temporary or whatever. The Labour Party, the Conservative Party ideologically cannot solve that problem unless they've got a very centrist prime minister. The Labour Party can, although they might do it by luck rather than judgment, because again, it'll be ideologically driven because housing always is, unfortunately.

But I do think they'll know they need to invest in there in order to stop, temporary has gone from 115 to 130,000 households in temporary in under the last 12 months. So that's what's that 14% growth, something like that. And they need to snap it off somehow.

[Adam Goff] (1:10:27 - 1:10:32)

Thank you. Any questions? Yeah.

Just quickly, what did you mean by share equity?

[Adam Lawrence] (1:10:33 - 1:11:17)

So JV, potentially, or we've done some deals where we've done hybrid setups with people. So the investor, instead of them getting a higher interest rate so that we don't put pressure on the cashflow, we will give them a minority shareholding that will agree to pay them out in dividends in the future. So the model that's very widely used in the US that I like quite a lot, and I don't know why isn't used so much over here, but it can help you.

If you've got something that yields 10%, but in the way you stack the deal, there's no margin there for you because the private investor needs 12% or whatever it is, then can they come down to eight and take your shareholding and there's cashflow for everyone? Great question, thanks.

[Speaker 8] (1:11:17 - 1:11:20)

That was brilliant, Adam. Really appreciate it.

[Adam Lawrence] (1:11:20 - 1:11:57)

I feel I should know, but I don't. The 18 year cycle, what was that referring to? So there's an economist called Fred Harrison.

He's written a number of books. He's an intelligent guy by no, but that's his selling point. So every 18 years, the market corrects significantly to the downside.

And it really only, the housing market, that's right, yeah, the housing market. So there's a crash. So we're due for one in 2026, apparently.

But as I said, at the moment, I don't see how it would play out for that to come about that way because we're having credit contraction and... One more question.

[Adam Goff] (1:11:57 - 1:12:07)

John. Adam is hanging around for lunch. He's gonna do a private dining.

I'm not sure if he's here much longer than that, but yeah. John.

[Speaker 7] (1:12:08 - 1:12:31)

Adam, when we, obviously through COVID, people weren't buying houses and all of a sudden every man and his dog was trying to buy a house and prices went nuts. Do you think we might see the same thing in a couple of years time when rates have dropped and transaction volumes are low this year, next year? Are we gonna see another spike in 25, 26, 27?

As every man and his dog goes, right, I can afford to move again now.

[Adam Lawrence] (1:12:31 - 1:15:17)

So it's a fabulous question. And I think this is why this is quite, forecasting is quite hard because you have to think about, there's multiple different things going on at the same time that are sometimes pushing in different directions. So to give you an example, the other thing in 21, of course, there was the stamp duty holiday, which meant people, what happens in those situations?

People bring forward transactions. They might've been thinking, we'll move in a couple of years and then thought, oh, stamp duty holiday, go. Hence why we had so many transactions.

That affects the market in a tapering down fashion for a few years. That gives you a reason for a bit of a lower transaction volume. In order to achieve what you're saying, I think you would need a relatively dramatic drop in rates.

And if that did happen, if it was a really dramatic drop, that only happens when we've got a big problem or a black swan situation. So we might have other considerations to think about if that was the case. But of course, you've got the reverse at the moment.

People are holding off on transactions as well because the average person on the street is going, well, right, it's gonna come down in a bit. And then they'll turn around in two years time and realise they haven't done anything because the rates haven't come down that much if that's how it plays out. So obviously that is creating a bit of a concertina at the other end that's in the pipe, but will it happen all of a sudden like a sluice gate?

I mean, what would you also need? You know, this is a bit like saying, will planning policy suddenly be overhauled and it'll be magically easy to build houses. I just don't see a route to how that ever happens.

It only seems to get harder year on year. So possibility, but I think you're probably more likely to see an edge down. And is there a magic number in there when suddenly people are paying?

Where have I, put it this way, I built a model or I got my analyst to build a model over the last week or so for a joint venture that we're in. And we put in 4.25% pay rate for five years time. That's my best guess as to where we're gonna be.

That would be on a buy to let five year, 4.25. That tells you where I think it's gonna go. And what people don't realise when they look at the futures curves, the forward curves for the interest rates that the market is predicting is the market at the moment is not saying rates will be 4% by the end of next year. The market is saying rates would probably be about four and a half base rate, maybe 4.75. But there's a 5% chance rates will be zero because of those black swans that can occur in the interim. So I think it's more likely to be a longer drawn out thing but anything's possible. And if rates do go back down to zero and you fixed a lot of debt on long, you're gonna pay the early repayment charges again with a smile on your face and then try and fix for 10 years this time when you're down at 0%, aren't you? Some of mine were 10.

Brilliant. Well done.

[Adam Goff] (1:15:18 - 1:15:23)

Ladies and gents, wasn't that amazing? Let's give him a massive round of applause. Thank you so much, Adam.

Thank you. Very welcome.

[Speaker 10] (1:15:28 - 1:15:29)

My pleasure.

[Daniel Hill] (1:15:32 - 1:15:35)

Adam is one of about, well done. Thanks Dan.

[Adam Lawrence] (1:15:35 - 1:15:35)

Thank you.

[Daniel Hill] (1:15:35 - 1:15:47)

Adam's one of three people that I genuinely enjoy listening to his content. If you wanna take his details here, you'd be able to follow his Sunday supplement. Follow YouTube, subscribe.

[Adam Lawrence] (1:15:47 - 1:15:51)

Please, yeah, please, please, please subscribe. Forgot to say that. Well done, Dan.

[Daniel Hill] (1:15:51 - 1:16:00)

Yeah, you're very welcome. If you can like, subscribe and follow Adam. I would recommend tuning into the stuff that he says.

Is that Adam G? Sorry, what's that?

[Adam Lawrence] (1:16:00 - 1:16:01)

Yeah, that's my middle name.

[Daniel Hill] (1:16:01 - 1:16:02)

Nice.

[Adam Lawrence] (1:16:02 - 1:16:03)

Not that I'm a gangster.

[Adam Goff] (1:16:03 - 1:16:05)

That's my surname, Gough. I think we're like blood brothers here.

[Daniel Hill] (1:16:06 - 1:32:52)

That's Adam's middle name, Gough. Adam Gough Lawrence. So I was just about to say that actually.

So Adam Lawrence, Billy Turriff and Mark Homer, they're like the three people that I listen to, speak to, talk about this stuff. I'll just give you a heads up. I gave Adam absolutely no brief on the projections, the forecasts, what I've given you previously and reassuring for all of us, myself specifically, we're both talking a very similar game, which gives you confidence that this stuff, this is the way it's gonna play out and this stuff works.

So we're gonna go into another workshop now. Obviously, knowing this stuff is one thing, but actually putting it to good use is something completely different. Next month, we'll be doing your business models.

So in your workshop, in the actual workshop next month, make sure you bring your laptops to every workshop now. Next month, we'll be doing your business model for next year. So revenue, sales, overheads, gross margin, net margin, commercial balance, sweet spots, all of that, we're gonna do in the workshop next month.

But in order to do that, we need to know what you're gonna sell next year. And if we know now what the economy's gonna do, we can decide where we're gonna position ourselves strategically in the market and also products and price points where we're gonna position what we do. So in order to do the business models next month, what you need to decide this month is what are the products you're gonna sell next year.

So if you're deal packaging, what deals do you get? I've already spoken to a few of you today who are deal packaging. Again, Adam said today, sit in the middle, charge big fees, broker deals, sell it to other people.

Last month, I said to you, sit in the middle, don't take on the risk, don't take the money, just make good fees. Someone in the room said earlier about making a 15K fee for packaging a deal. I was like, you're absolutely bang on the money, but you wanna be doing 50K fees, not 15.

So you guys are advanced entrepreneurs. The market's where it is. Adam, again, Lawrence said he would pay 50 grand for a deal if it makes you X, Y, Z.

We've talked about this previously. So what we need to figure out today, you're gonna do this exercise today, you got the month to decide is two things. One is the products and the second is the price point.

So what are you actually gonna sell next year? So we're gonna look at the products to kick things off and we're gonna do this in the room. And the first thing is basically less is more.

You're entrepreneurs, you love the new shiny stuff, the fun stuff, creating the new stuff, and you wanna have 50 different types of products. The reality is we probably actually want less than a handful. Once we know what we wanna sell, we need to figure out how we're gonna sell it.

So we wanna package it up. Somebody looks at it and they say, this is an absolute no-brainer. It looks ridiculously good value for money.

I've got a zero risk downside. I'm gonna buy now, I'm gonna put money in your pocket and you're gonna deliver. How do we do that?

And then third is the price point. When you're thinking about the market, there's three positions in the market you can play strategically. Which one of those three are you gonna be?

Which seat are you gonna take in the market for the year ahead? So I'm gonna take you through these. So the first exercise, I'm gonna stick some music on in a minute, is entrepreneurs tend to spread their self a mile wide and an inch deep.

We wanna flip it completely on its head. Inch wide, mile deep, and the way to do that is less is more. How many of you have been to a restaurant which is leather bound, 25 pages, 100 items on each page, and you've got so much to choose from, you've got no idea where to start.

You've been to a restaurant like that? Absolutely, we all have. It's not the best business choice.

It doesn't make a lot of sense. Imagine the chefs pulling their hair out trying to cook all these different menus. The clients can't decide what they have.

The control over wastage, sweet spots, commercial balance can be very difficult. But as you go somewhere that's clearly making a lot of money and very successful, they're focusing on value rather than volume. And a couple of weeks ago, I was fortunate enough to go to Claridge's.

We went there to celebrate hitting half a million pound that we've now donated to charity. Congratulations to you guys. You did the heavy lifting.

And we went to Claridge's, and the menu was literally, you've got two choices. Do you want it with alcohol or without alcohol? And it's like, it was just very clear, very straightforward.

You knew what you were having, and it was about 250 quid a head. So it was like, they're booked up months in advance. It clearly works.

Maybe that's 500,020 pounds, is it? Okay, Bianca, yeah. Still out of stock, yeah, yeah, it's still out of stock.

So what we're gonna do is think about all the stuff that you're thinking about doing next year. You know, all those great, you're gonna do a mentoring product, and you're gonna do some consultancy, you're gonna do an online speaking event, you're gonna do deal packaging, you're gonna do some flips, you're gonna do some social housing. What, we don't wanna do all of that stuff, but let's get it down to a maximum of a handful.

Ideally, probably one to three products you're gonna focus on. So products is less is more. Gonna stick some music on.

And just think, until a product is world-class, like Property Entrepreneur, this is our 11th year. And for the first six years, it was only one product, it was the program, that was it. For six years, round and round the track, refining it, making it better, making it world-class, and then we added, then we scaled it.

Then we added advanced. Then we added the incubator. Then we added the mastermind.

Now that's taken 11 years, but the only reason that it works is because we did it slow and steady wins the race. So have a think about the next 12 months. Remember the 80-20 rule that 80% of your profit comes from 20% of your products.

And try and think about how to get rid of all the stuff that's just a distraction, it's noisy, it's not gonna work. And pick out those three to five products or services you're gonna do this year that are gonna give you the best results. So put some music on.

So a few good questions in there. People saying, is a strategy a product? And is like an event that you wanna put on a product?

If you think about products, but also maybe projects, and just think again about the academics and sort of like the objective. The objective is to talk you out of shiny pennies. And if you had 10 things you wanted to do next year, the reality is all of them are gonna be less than average.

If you chose just three, two of them you've probably already done. One of them is gonna be completely brand new. It's gonna be at a world-class level.

It's like less is more. It's much better to do things at a world-class level. Time is your only scarcity.

It's like just really doubling down on that and making it absolutely perfect and then move on. Will Smith talks about, for his faults, talks about building a wall. And he says, all you wanna focus on is laying a brick perfectly.

And if you consistently lay one brick the best you can lay it, then move on to the next one. At the end, you end up with a big solid wall, which proper entrepreneur as an example, I would say is a good example of that. But we never rushed it.

We never did it too soon. You wanna do it bit by bit. So whether it's a strategy or it's a project or it's a product, it's less is more.

So just focusing on those things. Any questions on products? All good.

So when you've got the products, you then gotta think about your packages. So this is where the real strategic bit comes in. It's like some things are really easy to sell.

So if I say to you, I'll sell your company for you. I'll charge you 12 and a half percent. I'll charge you zero to list it.

I won't charge you a penny until the deal's done and the money's in your account. If it takes me six weeks or it takes me six months, I'll charge you exactly the same fee and you won't pay me until you've been paid from the seller. And if we don't get it sold, you don't pay me a penny.

It's quite a no brainer, no risk, no downside opportunity. Whereas if I say, I'll sell your company for you for two million quid and I say my fee is a listing price of 25 grand, then it's a 10,000 pound retainer through the marketing phase and it'd be about 150 grand before we get the offer accepted and there's all this cost and this risk. It's gonna be a very hard thing to sell.

It's not impossible, but it's gonna be a lot harder. The way we package it up is twofold. The first is making it a no brainer.

So the no brainer is things like 100% money back guarantee. It's things like I won't pay you until you get paid. So I'm assuming Adam Lawrence, when he paid his 50 grand sourcing fee, he probably already owned the property and knew he was gonna get that profit before he parted with his hard earned 50 grand.

So you want it to be a no brainer. How do you make it an absolute no brainer? When we talked last month about the three levels of charging, you've got the market rate, which is what, 95% of the market charge.

You've got the expertise rate, where because of your experience and your expertise, you can charge more. That's that 5% rate. Or the top 1% who are doing the value slab.

And it's like, again, like the deal source I was chatting to earlier. Rather than saying my fee is 15 grand, you say, right, I can, and actually one of the delegates that I know who I've done some business with on the program messaged me in the week and said, I've got three properties I'm selling. I haven't got the cash to buy myself.

Motivated sellers. Three HMOs, or five HMOs, sorry. Five HMOs, he's got two investors going to buy them.

He hasn't got the cash to do it himself. There's about 200 grand in the deal. And he said, how much should I charge?

I normally charge like between 10 and 15 grand. I said, that's sound, but how about, rather than say 10 and 15 grand, introduce it and hope for the best, charge up to 33% of what they're going to make. But don't charge them until the deal's done.

So now he's gone from making, say, 30 to 50 grand on fixed fees. So he's actually going to make 33%. And if he gets the 200 grand, now that's 60, 70 grand in fees.

All he's done is repackaged it and said, I won't get paid till you get paid. Here's the deals, you're the buyers. He's going to flip them on and he'll make a percentage of it.

So I'm going to make it a no-brainer. And then we want to make it a value stack. So the value stack right there is, if I can make you a million pounds, will you pay me 100 grand?

Most people would say absolutely yes. If you've got a product to sell on face value, so anything, literally anything. So Simon does his drones of everything, buildings, houses, wind turbines.

So right, well, that is a 2,500 pound a day, maybe, or a day product. And people know it's 2,500 pound a day and that's the product. How do we create a value stack where they think they're getting, they're paying 2,500, but they think they're actually getting 5,000.

Well, we put the product in there, but then we stack it up with loads of additional value that they haven't considered. And also value that they think they're getting a high perceived value for, but it costs you zero. It looks to them like they're getting loads of extra value for free, but it has no frictional cost.

So for example, if you're given, if we use drones as an example, if there was additional, yeah, just anything like, so yeah, how to review it. I will give you an advanced, it's not that I've not chose the easy example. Josh, go for it.

So Guillaume's was additional reports to go with it. Absolutely. Or free store, we normally charge 500 pounds for a year's storage.

We'll give you it for free. But the reality is it's on their cloud anyway. It's like, you know, it's all this.

Josh.

[Speaker 5] (1:32:52 - 1:33:22)

One of the ways we do our campaigns is we do the free UFD reviews, as most of you have seen. And that's like the kind of the first part of the kind of journey we go on with people. One of the things I did this year to kind of increase the stack of that value is it was an NDA signed in advance.

So you got an NDA template. It costs us nothing to like send that out. It's like 30 seconds or whatever.

But the perceived value of now somebody signed NDA and that was a totally confidential conversation. It just like, it just, it meant they just rocked it. And it's just one of those small things that like took it to the next level.

[Daniel Hill] (1:33:23 - 1:33:45)

Fantastic. Perfect example. Productization is another one, which is actually creating money for nothing.

It's like, rather than call it, I'll have a look through your books for you, mate. It's like the UFD platinum package, NDA sign in only. That's how Josh used to sell it.

Exclusive private and confidential conversation with our senior portfolio manager.

[Adam Goff] (1:33:46 - 1:33:55)

Another good one would be like, if you come on the blueprint and then we'll give you the recording for free, which we normally charge export. So there's absolutely no real cost to doing it. But then they can get that value over and over again.

[Daniel Hill] (1:33:55 - 1:46:10)

Exactly. No frictional costs like spreadsheets, you know, templates that you've got. When we did the deals, deals, deals online training, you got the exact appraisal blueprint that I use to build over 10 million pounds worth, to make over 10 million pounds and build to rent development.

It's just an absolute no brainer. But to me, it's just a document. It's a spreadsheet, but it's, you give it a name, you brand it up, you package it up.

So you want to make it a no brainer by removing the risk, removing the upfront money and then a value stack. How do you create the perceived value to be very different to the cost? And this is the perfect package.

And we talked about this on advance last year. For those of you that are new, one of the things that we added last year was Alex Hormozy's $100 million offers. If you haven't read that, there's an equation in there, the value equation, which talks about the way to make it an absolute no brainer is the dream outcome that somebody wants, how to make half a million pounds.

Like the tagline for deals, deals, deals was it costs 50, 500 pounds and it will make you 500,000 times the perceived likelihood of achievement. How do you give somebody the confidence they're actually going to get the result? If I'm selling your company for you and you're not going to charge, I'm not going to charge you a penny until it's sold.

It increases their confidence that it's got high perceived likelihood of outcome. That's the value. And then you divide it by, so the two things that are going to make people think it's worth less is how long does it take?

I can make you a millionaire, it's going to take you 25 years, not very attractive, times how much effort and sacrifice. The example he gives in the book is, if you can say to somebody, turn up at my operating theatre, I'll give you liposuction and you'll lose five kilos in 45 minutes, it's significantly quicker than, and it's significantly easier than going and doing 20,000 steps with 1,000 calorie deficit for 25 weeks. It's like reducing that effort they've got to put in the sacrifice.

How can you do it? So I'm going to stick some music on for a couple of minutes and think about this package. What we're looking for is this perfect package of what is it you're actually selling?

Is it deal sourcing? Is it value slab? What's the value you're actually creating?

How are you going to package it up? How are you going to put a bow on it? What are you going to call it?

And how are you going to increase the perceived value and reduce the barrier to entry by making it an absolute no-brainer? So so so Okay, so hopefully that's giving you an idea of the perfect package and it is this concept of ramping up the value, doing the value stack, making it a no-brainer, putting in a box, putting a bow on it, and giving it a name, productizing it, etc. I just had a fantastic question which takes us on to the final point which is about pricing.

Is when you're doing this packaging, so the question was we have a specific product for high earners but we really struggle to position it. The easiest way to sell to a niche is to basically get rid of everybody else, especially when it's a high ticket price point. So I had a conversation with MD or CEO that I sit on the board for and we're talking about marketing and they had three proposals for marketing companies.

One was two grand a month, the other one was five grand a month and the third one said that we only take on clients with our minimum spend basically is you've got to spend £10,000 a month with us to come on as a client. Which one of the three do you think you wanted to go with? You wanted to go with the third because it's like that perceived value of this is only if you can afford £10,000 a month.

When we do our Financial Fortress training which we did last year online, a few of you in the room did it with me, it was capped at 10 people. We said this is only a value to you if you're earning over £100,000 a year already because you give it that position, that strategic position, immediately the people who are already earning over £100,000, their ears are pricked up and they're like wow, this is for me. I want to get involved in this but the other 70, 80, 90% obviously fall away.

So you want to think about that, the positioning and the final part of that is your price point. And there's three price points. If you're doing something for high earners, your price point wants to be high and you can take exactly the same product but charge five times as much for it by strategic positioning.

So Coke, Coke Zero. If you go to a supermarket and the actual price from Tesco, if you buy a multi-pack from Tesco for a can of Coke Zero is 50p. So if you want to buy it lukewarm, covered in dust, probably rat's piss, in Tesco, it's going to cost you 50p.

You have to turn up yourself, carry it home, put it in the fridge, you know, that is what it is. If you want to go to Claridge's, where we went, and have exactly the same drink, hopefully minus the rat stuff, exactly the same drink but it's poured in a crystal glass. It comes on a tray.

The glass is ice cool. The ice is ice cool. It's £7.50. It's £7.50. So it's like it's exactly the same product but it's a different package. It's a different experience and specifically it's a different price point. Ahead of next month, think about which price point you want to be operating. There's only three categories in any market.

You've got cheap, which doesn't work. Washing up liquid from B&M, complete false economy, doesn't work. Adam's hair gel, complete false economy, doesn't work.

Cheap, cheap is just cheap. It's a race to the bottom. The second is value for money, which is that sweet spot.

You want to have your trades and your contractors and your principal contractors. Great value for money. Do a really good job, charge you a fair price, happy days.

And then the top one is either premium, which is positioned for your high earners, premium, niche or it's expensive. You are paying £10,500 for a Louis Vuitton handbag. Yes, it's great quality but you're really paying for that luxury element.

You're paying for the logo, you're paying for the brand, the intangibles. They're the three levels of it really. For your homework, it's already on your homework list.

Between now and next month, have a think about your strategic position for next year. And in order to do the business model next month, you're going to need to know what products you're going to sell. Ideally, less than three, maximum five.

How are you going to package them up? So what's it going to include? What do they get?

Is it a monthly service? Is it a one-off? Does it come with customer service support?

Is it a minimum of five deals they have to buy? What is the package? Is it no money down?

Is it deposit up front? How do you value stack it? And then price point.

Are you going to be another £15,000 HMO deal sourcer and there's no shortage of those? I used to sell HMOs for £15,000 in 2011. And that was when I was just like starting.

Nowadays, you can genuinely get away for HMOs selling them for £30,000, £40,000, £50,000 developments. Take a slab of the equity, get yourself into the six figures. There really is great deals to do.

And price points. Now, are you going to go cheap? In which case it's a race to the bottom.

Stack them high, sell them cheap. Is it value for money? It's probably the mass market.

Or is it that top 5%, the top 1% value slab, premium, executive, luxury, right up that top end of the spectrum. And then finally, up the top, is how many of each are you going to sell? So in your business model next month, when we do it in the room, it'll be for the 12 months ahead, for 2024, I'm going to do, I'm going to sell 10 HMOs, one development, three single lets.

These are the price I'm going to charge. And that will obviously give us our top line. And then next month, we'll work back from that and do your budget and your business model from there.

Cool? Excellent. So best of luck.

That's your homework for the month ahead. Adam's going to come up now and close us off for lunch. Thank you.

[Adam Goff] (1:46:10 - 1:51:43)

Nice. Thank you. Okay, we are going to go to lunch in just a second.

But can we do that session? Really good, right? We've got to be thinking super strategic.

I think one of the things when I think of, when I think of strategic positioning, is appealing to being everything to someone. Sorry, being everything to someone, not something to everyone. Being everything to someone, not something to everyone.

And kind of overarching this, we've got to keep ourselves in check when we don't try and offer everything to the world. The more niche we are, and the more we are a big fish in a small pond, the more successful we will be. And it's really hard to do, but it absolutely makes the difference.

So that's kind of my closing sentiment about this. You know, do you want to be the little fish in the big pond and you're getting hunted by the big fishes? Or do you want to be the big fish that's doing the hunting?

That's how I really look at this stuff. So I think I just wanted to close the sentiment in this really brilliant session. We've had insight from Adam and Dan with that final thought.

Okay, so before we go to lunch, we're moving on to our second new KPI, which is our health KPI. So, health. Why is health important?

Because we want to perform at our best. We want to look our best. We want to feel our best.

And we want to have the years left to enjoy the wealth that we're going to create. No point being the richest person in the graveyard. We want to have the quality of life to actually make the most of it and enjoy it.

That's why it's so important to us. So, as Dan said at the start, this is going to be all about your metabolic age. Just out of interest, who here has ever tested their metabolic age?

Just so I can get a show of hands. Okay, cool. Yeah, so maybe 20, 30% of the room.

That's quite good. I know you have, Dan. All right, yeah.

Interesting. So, yeah, so there are obviously a number of ways to increase, decrease your metabolic age. Actually, when I did a bit of Google research, I was like, wow, this is going to be our new KPI.

I really understand actually what this is. Turns out that actually doing a lot of resistance training and building lean muscle tissue is a really good way to reduce your metabolic age. So, that was an interesting little fact for those people that didn't know necessarily what it was or how to improve it.

But don't worry about that because we're going to invite you now to do a health KPI test. And this is a test that Dan's been doing for a couple of years and it's called the Blue Crest Health Screening Report. And this is a detailed test.

Who's ever done a blood test or a health test like this before, like a vitality check? Lots of people, fantastic. Okay, so this year we paid for the board to do it.

This is 100% tax deductible and we've got you corporate rates with Blue Crest specifically. So, you will benefit from a corporate rate. So, fair play to Bianca.

She's done loads of work on this and she's done it. And we're going to get you to book it now in the room. All right, so the QR code in your workbook.

So, start the year off understanding where you are metabolically so that you can spend the whole year trying to improve it and next year around the track, we'll do the exact same thing again. We need to know where we are now because you can't manage what you don't measure. So, we've got to measure it as a starting point and then we can look to improve on that.

So, it's in the workbooks. If you scan the QR code, I'm going to get Dex to put some music on. There are a number of options which you can choose from and the option that we're suggesting you go with is the business exec option, all right?

So, people that are interested in knowing what they're going to get for their money. You're not going to pay now, by the way. You're going to register for it.

So, those people that are already doing it, fantastic. Well done. And then you'll be sent an invoice to pay it.

So, we're going to basically give you the link to our corporate deal. It means you get a significant discount and then you can pick the package which we recommend. We recommend the exec package and this is an example of, for example, what you get.

It's basically going to be a full health report. It's a blood test. It's everything you need.

And every time I've done this, by the way... Oh, there's one here. Fantastic.

Oh, your own one. The health executive. That's the one, isn't it, Bianca?

That we are recommending. Yes. The one in strong blue.

Exactly, yeah. That's the one we recommend. Now, I've done this for a number of years.

Actually, not this specific report, but something similar. And it's always flagged something up. Whether it was low testosterone or whether it was some problem with my fat processing or I've had a number of different things.

So, it's always added value for me. I'm just going to put it out there. So, I'm going to put some music on now.

You can put this in, review it, get it sorted out. So, you can get your second KPI logged for the start of the year. One more thing.

No, no, yeah. You get an invoice. Exactly.

So, what you're doing now is you're not actually paying. So, it's not like a pressure selling. And we're not getting anything out of this, by the way.

This is just you, you know, raising the stakes. Making it happen. You can tweak it later.

Question.

[Speaker 11] (1:51:47 - 1:51:48)

Good question.

[Adam Goff] (1:51:50 - 1:51:53)

I'm not sure. If you scan the QR code and see on the...

[Speaker 11] (1:51:53 - 1:51:54)

Is it in there?

[Adam Goff] (1:51:56 - 1:52:14)

Good question. I'm not sure. Yeah, I think so.

Yeah. Perfect. Probably the same thing.

The business exec.

[Speaker 10] (1:53:15 - 1:53:16)

Definitely pick one.

[Adam Goff] (1:53:17 - 1:54:46)

Like, just do it. You're not paying now. Just do it.

Just do it. Business health executive is the all singing, all dancing. I'll take that for a fiver.

Just shake my hand. Okay. It looks like everyone's done that.

Settle down. Settle down. We'll turn the music off.

Turn the music off. Thank you. Just as an FYI, Chris Moss is metabolic age is 14.

So, 16. That's amazing. I can't believe it.

Yeah. Akash, who's actually 73. What was yours?

27. 27. That's amazing.

Dan, what was yours? No, no, I'm not... No, I'm sorry.

I wasn't throwing under the bus. I'm just... Sam, what is it?

33?

[Speaker 9] (1:54:54 - 1:54:55)

It's something on lettuce and mustard.

[Adam Goff] (1:54:57 - 1:56:05)

Fantastic. This is cool. Isn't it cool?

This is so cool. And for a tax-deductible expense where you're actually going to get a full health screening and if you've got a problem... Sorry, am I interrupting you guys?

No, it's funny because you were talking earlier, but you were the last one to finish the Life by Design school card. Did you know that? Anyway.

He started talking after I thought he's finished. Then you're still doing it at the end. It's just interesting, isn't it, how it works?

Right. So... I am.

I'm going full in. This is it. This is serious.

Exactly. Welcome to advance. So honestly, every time I've done this, it has flagged something.

Seriously, it has flagged something. And it's like, oh, wow. Okay.

So I'm not going to labor that point anymore. Get it done. Okay.

We're going to go to lunch now. Just a bit of a change. So Tracy is going to be on my table.

And Simon is going to be on Dan's table. Have we had a good second session? Ready for lunch?

Round of applause for Adam and Dan. See you back here at 2.30. Thank you.