**PEP 83 Edited v3\_Transcription**

[Daniel Hill] (0:05 - 46:02)

Welcome to the official Property Entrepreneur podcast with myself Daniel Hill. We are now ranked top 10 in the UK for all business entrepreneurship podcasts. Last year we were ranked the seventh top property podcast and every month we are ranked in the top 5% of all podcasts around the world by download.

Thank you to everybody who shares, subscribes and supports this podcast. It is literally my life's work in simple blueprints broken down to enable you to achieve everything you want in wealth, health and life by design. I hope you enjoy this next episode and if you're not already joined one of our exclusive and private VIP WhatsApp groups, check out the show notes, come join the party and I look forward to seeing you in there.

Success and failure are both very, very predictable. Let's get into it. Okay, so what I'm going to do in this podcast is take you through some economic strategies, structures, understanding how the economy works and why based on the information that's available, it looks like we're very likely to experience a period of recession through 2022.

I'm also then going to take you through the key elements to it. So why is that important? Why is it significant?

What do you need to understand about what's coming up? And basically, whether it's interest rates, property prices, GDP, inflation, seasonality, what is actually going to happen over the next 12 to 18 months? And then based on this, you can go and make your strategic decisions on how you play it.

So I've been working on this for the last few months and on Friday, shared it at our super event on Property Entrepreneur. And what we do in Property Entrepreneur is create the models, share with our property entrepreneurs what's going to happen, why it's going to happen, where we are and where we're going. And then off the back of that, the good thing is you can make some strategic decisions that can be really, really lucrative and will work really, really well for you.

So when we're looking at recession coming, what this means is there's going to be change in the economic landscape, strategically in our businesses, our deals, our investments. We need to consider this and make some decision based on that. And the reality is some people through this period will actually boom.

Some people will do really well. They'll take it to the next level. They'll know what's coming and they use it to their advantage.

The reality is, though, some people will suffer, struggle, there will be some casualties and unfortunately some industries, sectors and businesses will essentially go bust. So this is all about boom or bust. Recession is coming.

What do we need to know and what do you need to do about it? Now predicting the markets, predicting the economy, predicting recession is not the easiest thing to do. So nobody's ever absolutely spot on, but at macro level, success and failure are both very predictable.

And on Property Entrepreneur, this is one of our mantras. And over the last 20 years, I've built businesses in different industries, different sectors through multiple recessions. And out the back of each of them, I've actually done really well because when you understand what to do, whether you're successful or you fail in that period, are very predictable.

Good friend of mine, Ant Lyons, who's the founder and editor of YPN Magazine, I've been writing for YPN Magazine for a decade now. And he approached me the other day and said, right, you know, for the last 10 years, you've been saying success and failure are very predictable. And to be fair in the main, you know, what you've said has come true and you have executed against it.

But now we're in this period, you know, we had a pandemic, we're now coming out of it and we've got global conflict, we've got supply chain issues, inflation, growing interest rates, a hot property market, all this stuff going on in such uncertain times, is success and failure actually predictable? And this is obviously the big question that everyone wants to know. And my feedback to Ant was absolutely, like success and failure are always predictable.

You've just got to know what's going on, make decisions accordingly and just take action basically. So, Ant and I did a podcast a few weeks ago called Is Success Actually Predictable? And it's on the official Property Entrepreneur podcast.

And interviewed me for YPN Magazine and we've put the same copy, the same version on the official Property Entrepreneur podcast. And you can go and listen to it, go and listen to it and I'll talk around some of these surrounding topics. Since then, I've built out this model, which I've shared on Property Entrepreneur and I'm now going to share it with you.

If you're watching this on YouTube or you're watching it in the video version, you'll be able to see the slides. If you're not and you're watching it on the, or you're listening to it on the audio podcast, the official Entrepreneur audio podcast on whichever platform and you want to see the slides and see the model, just jump into one of the WhatsApp groups. So if you're not already in a private WhatsApp group, jump in there and one of the team will give you a copy of this model.

If you're not already in there, just send a message now to 07871 612 297. I'll read that again. And it's in the show notes of this podcast, 07871 612 297.

And just text podcast VIP and you'll get added to one of our private WhatsApp groups. There's only a maximum of 20 people in each one, so it won't be going off in your pocket all the time. You can meet other high performers, get direct access to weekly Q and A's and bonus content with me.

And we give VIP access and discounts to some of our events in those groups. So make sure you get in there and you can get a copy of this model. So if it's actually predictable, you know, what is actually happening out there?

What do we need to know and how do we know it is actually predictable? Well, the bounce back boom is the period that we're going through now, post pandemic. There's three phases to it.

I wrote this in the bounce back boom report nearly a year ago. Six months later, the government released a report and it talks very clearly about the three phases. I wrote this six months before the government even announced it.

I called it the dark, the dusk and the dawn, and they called it the rescue, the recovery and the rebuild. So the first phase was lockdown and COVID and that was the rescue where we had to rescue the economy and stop it from collapsing. The second phase was the recovery where lockdown started to get lifted.

And then what we had to do is try and get GDP to return to where it was pre pandemic. Now, if you read the bounce back boom report that you can download from www.property-entrepreneur.co.uk, you'll see in there that I predicted that the Bank of England predicted GDP would return at the end of 2022. I predicted that it would be the end of 2021, which is almost a year earlier than they predicted.

And my logic on that was based on the fact that unemployment hadn't dropped a huge amount and also that the economy was just pumped full of QE, like just pumped full of cash, and that we were also going to have pent up demand. The actual result was we returned back to previous GDP levels in November 2021, which was a month before I forecast and 13 months before the Bank of England forecast. So don't suppose the message here is don't always believe what you read on the news or what you see on the news.

So second was the recovery and getting that phase back up to where we wanted to get to. And then the third is the rebuild. Now, this is where we were supposed to be in now, but we've had obviously a delayed or we've had delayed issues with supply chain post pandemic.

We've now got global supply chain issues. We've got the energy fuel or the cost of energy and fuel really starting to cause a high amount of inflation. We've ended up in this funny period that's delayed phase three, but phase three will be coming.

And this is when you want to move quick. But when phase three comes, there'll be a window of opportunity about 12 months, six to 12 months where we can get ahead of the game, go out there and implement quicker than anybody else. And then after that, confidence will come back.

The days, you know, everyone will be feeling good again. People will be spending money and we'll be back into the next phase of the of the curve. But we're going to hit some bumps on the way to that.

So if success and failure are very predictable, how is that in practice? Well, we've just been through the first two phases of the most unpredictable recession, pandemic, economic period that has happened certainly in my lifetime. But what did we do during those periods?

We're in phase one where we're locked down the economy. We were physically locked in our houses. We went out and we made the most of it.

We understood what was happening. We looked at the opportunity to capitalize and we just executed really, really quickly. And in that first phase where we opened the Property Entrepreneur War Room, we coached every single one of our property entrepreneurs for a year, three times a week on Facebook Live in real time to show them what to do and when to do it.

And out the back of that, we went out and did deals that we could never do before lockdown, could never have done afterwards. And off those deals alone, not even our existing business, we made an extra £1.9 million of profit on deals we could never do before, never do after because the economy was locked down. Everyone was scared, running for the hills.

And when everyone's being greedy, be fearful. And when everyone's being fearful, be greedy. And we did that.

We went in there, did deals, made moves, pushed this forward. And off the back of it, nearly made nearly an extra £2 million in that period, which is just, you know, acknowledges the fact that if you know what you're doing, it doesn't matter if the economy is good or it's bad. If you know what you're doing, you go out there and you do reasonably well.

Well, that was fine. Then we moved into phase two and we didn't know, was there going to be another lockdown? Was there not?

Issues with employment, issues with opening back up, issues with getting the supply chain going again. And what do we do during phase two? Well, during that recovery phase, we did exactly the same again.

We looked at the economy. We looked at the markets. We said, right, what deals can we do in this environment to go out and make things happen?

Well, we basically went out and had a record year. We did deals. We bought companies.

We sold companies. We brokered deals. We supported a number of our property entrepreneurs to turn around their businesses, to scale them up, to scale them back, to diversify them, to reposition stock into other markets.

And off the back of this, loads of us went out and had record years. You take the three main speakers on property entrepreneur, myself, Adam, and Josh. Adam tapped out at the top, sold his multi-million pound business at the top of the market.

And he retired at the age of 37, in a time where we thought the economy was going to collapse. Josh went out and did similar. He had a record year in his business, was performing the best that it had ever performed, despite coming out of the back of a lockdown.

And he sold his company, semi-retired, and now does a four-day weekend with his young family, and a three-day week on his new consultancy business. And then PPN UK, we went out and had a record year. So coming out of the back of a lockdown, in the worst economic time in history, we went out and had the best year we've ever had on record.

You know, how do these things happen? We brokered deals. We sold companies.

We bought companies. In phase one, we completed on over £10 million worth of deals. And in phase two, we secured £10 million worth of pipeline for development.

We've got, across our sites at the minute, bear in mind, you know, we're supposed to be coming out of a pandemic. We've got well over 100, probably more like 120 apartments going through planning. We secured over a £10 million pipeline in a time when the market's off the rails, people are running from the hills, and it's supposed to be tough to do business.

Now we're going into phase three. And if, you know, if we could survive and even go on and thrive and have record years in the dark and the dusk when we couldn't even see where we were going, imagine what we can do now in the dawn where the economy is opening up. We can see the data.

We can see what's happening with employment. We can see what's happening with the UK economy, the global economy, the supply chains, inflation, interest rates, etc. As long as we can make a good gauge as to what is happening out there and what we need to do, we should be able to repeat the success of phase one and phase two as we go into phase three.

And this is what this is all about. Phase three is going to be the boom or bust. Some people are going to boom, some people are going to bust.

And obviously, we want more of you to boom than bust. What's the opportunity here? Well, there's two things you need to do.

The first one is speed of implementation. When you hear things, and a lot of this stuff we don't share outside of proper entrepreneurs. I'm sharing this for the podcast.

Normally, we would not do this until after the event. But I'm going to share this with you. It's only shared for the first time ever on Property Entrepreneur on Friday, three days ago from when I'm recording this.

For the first time ever, I'm going to share this on here. But you'll appreciate a lot of the strategies, the deals, the structures that we use, the advice and the recommendations that we make to go out and achieve these results are only shared on Property Entrepreneur. So if you're not already booked on one of our three-day events, get onto the blueprint and we'll share that.

And then for those of you that are starting on the new program from October, we'll take you through this. And for the last two years, I've guided 150 of our Property Entrepreneurs through the worst economic or most unknown economic period in history. Now we're going into phase three, success and failure are very, very predictable.

Whilst I can't give you all of the tips and the tricks, I can give you as much information as I'm comfortable to. And the first thing here is if you're going to put this into practice, the first is speed of implementation. Entrepreneurs and small businesses are highly lucrative and highly effective for the economy because they have the ability to pivot, to divert, to start, to scale very, very quickly.

And when you hear these things and you hear the actions you need to make, you have to put this into place very, very quickly. That's the first thing, speed of implementation. Are you putting this into place as immediately as possible?

And if you've not already listened to the Boom or Bust podcast, it's our most ever downloaded podcast in history. Go back and listen to it a few episodes ago. It's called Boom or Bust.

In the first six days, we had over 40% more downloads of this episode alone than we've ever had on any podcast before in the first six days. So go back and listen to that. That'll give you some context.

And speed of implementation is the first thing. And then the second is leveling up. You need to level up if you're going to do this.

Level up your business, level up your strategies, level up your fundraising, level up your knowledge, level up your expertise, level up your business. You're going to have to level up if you want to do this. And speed of implementation comes from the bounce back boom.

This is all of the information that I share on Property Entrepreneur every month and sometimes even more frequently than that in our Facebook group. And the second is the level up strategy, which for those of you starting with us in October for the first time ever, because we're going to have phase three, we're going to actually level up every single one of our Property Entrepreneur businesses. And I'll do a separate podcast on what that means.

But the main thing for you to know is if you're not moving fast and implementing a fast speed and you haven't got the mindset, the attitude, the capacity, the expertise to do a level up here, you are going to miss the boat on this one. So what's actually going to happen? Well, boom or bust, recession is coming.

What does that actually look like? Well, I've been walking the talk on this for 20 years. I've been teaching it for 10 years.

And over the last two phases, phase one and phase two, we've accurately predicted what happens. So going into this, you can have a degree of confidence that it's worth listening to. It's worked.

Phase one, we did £10 million worth of deals. Phase two, we secured £10 million of pipeline. What we're going to do in phase three, I don't know, but it's probably going to be a £10 million hat trick.

And I'd encourage every single one of you to be making the most of this opportunity. The first thing I want you to think about with economics is economics is like the weather. So if you think about what economics is like, timing is a moving target and economics is like the weather.

The weather is always out there. The most important thing is that you need to understand and consider how it affects you on a day-to-day basis. The weather changes every day.

It changes every year. It changes every season. It does not stop you in the main from going out and living your life, running your business, doing what you've got to do.

When you understand economics, you'll understand that success and failure are very predictable as long as you're prepared. Now, if you're going out this afternoon and it's supposed to be sunny, but it ends up raining and you've taken an umbrella with you, or you've got a coat in the boot, it's not going to stop you in your tracks. You're going to grab your jacket, put it on, and you're going to carry on about your thing.

If you're going to go out sunbathing and it's 30 degree heat and you put suntan cream on, you're going to be absolutely fine. You're going to have a great day. It's all going to be good.

And you're not going to get caught out. The economy is exactly the same. And if you think about success and failure, if you're going to have a barbecue and you want to have a barbecue, outside barbecue, you want to enjoy it, you're probably best to do that in the summer period in the main.

You would have more chance of being successful if you do it in the summer. Equally, if you want to go sunbathing, if you want to get your speedos on or your bikini and you want to go sunbathing, if you choose to do that in January and go out there in January, sunbathing in the snow, you are probably going to get ill. You're probably going to catch a cold.

You might even die. You know, it might even wipe you out. Economics is exactly the same thing.

As long as you know broadly what season you're in at a macro level and at a micro level, you're prepared for if it rains, put your coat on. If the sun comes out, you put some cream on, then you'll be absolutely fine. This is what this is about.

So economics, we're in this unique position right now, which is very strange where you've got inflation going up and prices being pushed up, but potentially got GDP actually coming down. And it's like, okay, well, that sort of makes sense to a degree, but why if people are going out and buying stuff and it's forcing the prices up, surely that's a demand pull and actually the GDP should be growing. We've got inflation going up, GDP stabilising potentially, and I suspect it will do over the next few months, GDP come down, which means we are heading for and then in a recession.

But at the same time, you've got unemployment going down to the lowest level in 40 years. I'm recording this in June. And for the first time ever in May, the amount of jobs available in the UK exceeded the amount of unemployed people in the UK.

So you've got a growing employment market that's got a shortage. Everybody's got a job. Salaries are going up.

Jobs that are available are increasing the salaries to try and get people through. But then we're heading for a recession. Normally in a recession, people don't have any money.

They're not spending it. So then business is downsized, business is downsized. There's less money in the economy, less money in the economy, people spend less.

And it's a self-fulfilling prophecy. In this case, we've got employment going up, salaries going up, loads of money, loads of optimism, or rather loads of appetite. People want to buy, but prices are being pushed up.

But why is this? Well, the reason for this is it's not demand pull inflation. It's not demand's not pulling inflation because loads of people want to go out there and buy stuff.

And the economy is struggling to keep up, in which case you increase interest rates and stop people from spending, start them saving. What's actually happening is the supply chain, it's a supply push inflation where the supply is pushing, the lack of supply is pushing prices up because there's a bottleneck in the economy. Now, what does this mean?

Well, in the short term, it means it's going to create issues where people want to buy stuff and they can't have it. So it pushes prices up like either like secondhand cars or Rolexes at the minute or last month. If you're trying to buy a secondhand car, in lots of cases, it was more expensive than a new one.

And secondhand Rolexes were more expensive than brand new ones. The reason for that is just supply and demand. There wasn't enough supply demands through the roof and it pulls it pulls it up.

Now, some of this is going to be embedded and stay there. Some of it's going to be the pricing is going to stay there. Some of it's going to be transitory.

And what you got to do is trying to understand where does this apply to you? And if you think about what's happening economically is it's like driving with the brakes on. Basically, people have got money.

They want to spend. They want to go out there and buy secondhand cars and Rolexes and bottomless brunches and go out for dinner and get on the flights and go and have their holidays. But there is not enough secondhand cars, secondhand Rolexes or brand new Rolexes.

There's not enough planes and there's not enough employees to be able to get people on the planes. So people are canceling or the airlines are canceling 20, 30, 40 flights a day because they can't get them off the 40,000 passenger flights a day because they can't get people off the ground. It's like driving with the brakes on.

The economy wants to go. There's money, there's labour, there's appetite and it wants to go. But supply is putting the brake on.

We can't get things quick enough because there's issues getting finished goods out of China. There's increasing costs, which is making things more expensive. There's a lack of labour, which is making it difficult for companies to actually deliver and get the flights off the ground.

There's a shortage in raw materials because we've got global conflicts. We've got issues in Ukraine and Russia. We've got international trade and transport limitations, stopping supply.

So it's like driving with the brakes on. Another way to think about it is if you think of demand like a golf ball and supply like a hose, if you were trying to blow a golf ball down a hose, it would be very, very challenging because the demand is there, but the supply is limited. What we need to do, demand is unlikely to reduce or rather it will reduce a little bit, which is why we'll see shrinking GDP.

There'll be a bit of a reduction in demand due to confidence, but there'll also be a lack of actual transactions because of a reducing supply. And what we're waiting to happen really is for that supply to open up. And if you think about pricing, inflation is going up, prices are going up.

In a capitalist economy, when prices go up, it means people are demanding it, but it's not there. So whether it's wood or it's plasterboard or it's secondhand watches and secondhand cars, for as long as demand exceeds supply and it pushes the price up, capitalists, entrepreneurs will look at a market and say, right, well, this is fundamentally undersupplied. We need to get it from somewhere, whether that's plasterboard or it's gas or it's electricity or it's energy.

If you think about an economic elevator and two elevators, if demand is up and price is up, the suppliers in the other elevator are going to look at that and say, right, we want to go there. They want to buy, we want to sell, price is high, let's go up there. And eventually it starts to level out until you get to a point of equilibrium.

This is the basic price mechanism. Where demand meets supply is the price point. And at the minute we've got a shortage, it's quite possible in some capacities we'll end up with a surplus on the other side because it's just generally what happens, human tendency and economics.

So are we going to have a recession? This is the thing. Well, Elon Musk said it really well.

He said, money has been raining on fools for way too long. We're probably due a correction. Now, a raising tide raises all ships.

And what happens when the tide goes down, like Warren Buffett says, is when the tide goes out, you finally get to see who's been swimming naked. This is what a recession does. It clears out the deadwood.

If you think about a burning, roaring forest fire, the most flammable thing in a forest fire that gets things going is all of the stuff on the floor, which is all the dead wood, all of the dead branches, all the stuff that's just been clogging the forest up causes a roaring forest fire. Some of the big trees will get burnt and they'll burn to a crisp. But then what happens afterwards is the ground is more fertile.

The ground is more clear. The big strong trees that were well positioned, really strong, fundamentally sound, grow back and they grow back quicker. They grow back better.

They grow back stronger because all that deadwood that's been clogging things up just disappears. And this is basically what a recession does. It will shake out the economy.

It will get rid of some of those zombie businesses. Some of those companies that are on borrowed time, it will start to get rid of them in some capacity. Are we going to see a roaring forest fire in the UK through this next period?

I don't think so. Based on the information that's available today, it's the 13th of June. I don't think that's going to be the case.

Are we going to see a bit of a fire and some of this deadwood torched? Yes, I think we are. I think we're overdue it.

I think the market is getting too competitive. I think there's money pumped into the wrong places in the economy. I think we probably are due a correction.

And I do think due to either the basic economics of getting planes off the ground, which we can't do, which stop people being able to spend and the economy then naturally contracts based on a lack of being able to get supply out the door. Or, and or, a lack in confidence. One of my board members, one of our board members on Property Entrepreneur said, the way things are going, we'll probably talk ourself into this next recession.

And I went away and thought, do you know what? That is one of the best ways I've heard this described. Reflexivity, what George Soros talks about is the economy is not driven by monetary and fiscal policy.

It's driven by what's written on the front page of the paper. And the reality is we will probably talk ourselves into this next recession because people start to get cautious. They stop spending recession on the headlines, all of these things.

It will, you know, we will talk ourselves into it. Confidence goes down. People start to save rather than spend.

And it will cause a short term drop in GDP until things balance themselves out. Now, I do think this will be short lived. And if you've not already joined, but on a private WhatsApp groups, the diagram I'm going to go through now to explain what I believe or what it looks like is going to happen, which does include a recession, then join the private WhatsApp group now on 07871 612297.

I'll read that again, 07871 612297. Just send a WhatsApp to that number saying podcast VIP. And one of the team will add you to one of the podcast group, the WhatsApp groups, private WhatsApp groups, also in the show notes below.

And just request a copy of this document in the WhatsApp group. If you're just listening to this on the podcast, and we'll get a copy over it so you can see it. For those of you that are watching this online or watching it on YouTube or one of our video platforms, this is the 12 to 18 month forecast.

I'll talk through it for the audio and on the screen, you'll be able to see it. So phase three is where we are now. We're heading into phase, towards phase three.

But what's going to happen between then? And now is this. Now, the way things are going, I think it looks like inflation is going to peak at the start of next year.

So I think that the way that it's looking, inflation will peak in March, April next year, probably April next year, inflation will peak probably in double digits. And then after that point, it will start to come down. Why will it keep going up till then?

Well, mainly due to supply chain and labor issues, where supply chain and labor issues, we don't have enough labor. The slowdown in the economy, which I'll talk about, will shake a bit of labor out. Also, we do need to get some labor from somewhere else and we need to increase our productivity.

But due to labor issues, due to supply chain issues, due to energy costs, whether that's in manufacturing or transport or even just in running offices, I think that will keep salaries, the increased cost of people producing things, prices will continue to increase. And also, because we're going towards the end of the year, in autumn and winter, obviously, it will be the colder months. So there'll also be people using more gas, more electric.

It'll be a difficult time to sort that supply chain issue out. We'll probably start sorting the utilities and gas and electricity and energy issues out during this period, but any gains will be offset by, most of the gains or some of the gains will be offset by increased demand due to the autumn and winter months. And then simultaneously, all of this will come together towards the end of March into April.

The warmer months will start to come, less gas and electricity being used, an increase in supply of materials, hopefully some labor from GDP, shaking out some of the businesses. And just trying to, just a period of time for us to get a handle on this transitory inflation and the things we can't get hold of, that will happen with the economic elevator by the end of March into April. And then the days will start to get longer.

The tone in the economy on the front page of paper will start to become more optimistic. The days become longer, people start to get happier. And due to that, inflation rate will start to come down.

Now, an important point to note here is, even if inflation comes down, it doesn't necessarily mean prices will come down. Because the other thing is, when we get to April next year, we'll start to absorb, so inflation is measured year on year. So end of May 2022, inflation rate is based on what the CPI or whatever you're measuring was 12 months previous.

Now that's at the minute really high because we had really low inflation. You compare in month on month or year on year, we had really low inflation. Now we've got real high inflation, so year on year is very high.

But when we get to next April, May, we'll actually be comparing the figures from this year to the growing figures, which are the current figures now. So we'll be 12 months on and we'll actually absorb those step changes in the readings. So that will start to bring things down.

It'll start to create optimism. A lot of the prices will become embedded because now inflation is into salaries. It becomes very hard to bring it down because it's very easy to increase the price of a package of sausages and then reduce it six months later when the supply chain sorted itself out.

It's not as easy with labor. You can't go and increase salaries by 10% and then recruit loads of people and then go back to them six months later and say, oh yeah, just let you know, you're doing a great job, but we need to reduce your salary 10%. It's just not how it happens.

So then some of that inflation gets embedded. The price model of the economy, the industry, the sector just gets reset. And then basically everyone absorbs the increase all the prices go up.

I charge you more, you charge your clients more and the whole thing sort of resets. And then some of it will be transitory like secondhand cars and secondhand watches. They're already coming down and utility prices.

You know, eventually there will be an excess supply. In fact, if you read into it, there is no shortage of supply in some capacities. It's just in the wrong place or it can't be moved.

So all of that stuff will start to bring inflation down. So that's the sort of inflationary curve. When we get to that April, the beginning of spring 2023, that'll be the beginning of phase three.

So on Property Entrepreneur in autumn and winter, we'll be getting ready for phase three. And this is what you want to be doing in your businesses. I'll be taking the property entrepreneurs through that in real time, getting ready for the business.

Then in spring and summer, going out and executing that. So that's inflation rate. Imagine a big curve.

Those of you that are listening to this, if you imagine on your screen, a curve that starts at the left hand side, goes up into the middle and then comes back down to a similar side on the other side. Inflation rate will come down, but it doesn't necessarily mean prices will come down. The second is, so that'll peak in March 2023, April 2023, that'll be the peak.

GDP until that point will probably come down due to the fact that people want to go on holiday and can't or people want to buy things and they're not available or we just start to lose confidence in the market. The shortages in the supply chain, reducing confidence. We talk ourself into the next recession and for a period, the next sort of three, six, nine months, GDP will slow and potentially even start to come down as the economy contracts.

But due to the amount of money in the economy, due to the low unemployment, due to the high salaries, I think as soon as we get through autumn and winter, that will start to come background and very quickly move us into phase three. And then we've got a really strong labor market. We've got loads of capital or loads of cash in the economy, mainly with the wealthy and the businesses and it will start to take us into phase three.

So that's what will happen with GDP. Interest rates. Now, one of the things to note here is interest rates.

So GDP goes down, interest rates I think will go up between now and the peak, which is the end of March, beginning of April. But the thing to note here is interest rates are used to control inflation and bring prices down. So interest rates, when they're low, encourage people to spend.

When they're high, they encourage people to save. When inflation is going up, you increase interest rates. When it's going down, you reduce interest rates.

Now, inflation is going through the roof. So why don't we put interest rates through the roof? Well, 80% of inflation is non-domestic.

If you increase interest rates in the UK, it's not gonna stop people from spending because the price increase is not demand pull, it's supply push. The reason price is going through the roof isn't because everyone's loaded and they're spending it all, it's because we can't get enough supply and we can't deliver the previous expected amounts. And you know, this is everything from basic household supplies.

It's not just luxury and discretionary spending. So interest rates, you've got to think about this sort of logically, the Bank of England and the MPC, the Monetary Policy Committee, have to show that they're doing something. Now, is it gonna make a huge...

Actually, you need the interest rates to be low so we can start to become more independent, we can start to invest in... You want businesses to invest, you want us to be able to expand, increase productivity, increase efficiencies. We need to do all these things as an economy.

So really, we need to keep interest rates as low as possible. However, the Bank of England can't be seen to be... And this is all about reflexivity.

It's all about human nature. It's all about press and politics. The bank can't be seen to not do anything when inflation is going through the roof.

So in theory, they're gonna have to keep increasing interest rates. And I have said this since last November, December, when the first interest rate happened, I said the only way it's gonna go now is north. In the medium to long term, we do need to get back to more sustainable levels, which is more like 4% to 6% of interest rates because we've been at the lowest rates in history for a long, long time.

The Monetary Policy Committee, the Bank of England need to be seen to be doing something. So this is my logic on interest rates. They've got to be seen to do something because it's all a game and you got to keep people happy.

Interest rates are reviewed every six weeks. We've now got 10 months between now and the forecast peak in the beginning of phase three. We've got 10 months.

There's 4.3 weeks in a month. That's 43 months. Interest rates are reviewed every six weeks.

That's like seven potential raises. Worst case, are they all gonna be... Are they gonna be high raises?

I really don't think so. Are they all gonna be low raises? They may not be.

Let's say worst case scenario, it averages out at 0.25% increase per raise over the next 10 months, over the next 43 weeks, which would be about seven raises. That puts you up towards somewhere... That puts you up to about 1.7 plus existing, 1.8, 2.8. It puts interest rates going somewhere between two and a half and 3%. Worst case scenario. Now, my forecast and my prediction is it will go up to between now and the end of next March, beginning of next April, to somewhere between two and 3%. I think it will probably be somewhere nearer the middle of that, around two and a half percent.

Worst case scenario. So as long as you've got a handle on your finance, you've got cash around you, do not run out of cash, make sure you've got your eyes peeled and you know what you're doing. I think you can go into this period with a reasonable degree of confidence.

Interest rates are not going to be chasing inflation up the curve. And then finally, property prices. So what is going to happen with property prices?

Well, my prediction with property prices is I think they're going to now start to cool off. The property market has been off the hook. Demand's been up 31% since...

If you use year on year from May 2022 to go back to 2019, not 2021 or 2020, because they were pandemic years. 2019 was the last normal market. Let's compare prices like on like or units like on like.

Demand is up 31%, but supply is down 55%. Now that is the reason that the property market is off the rails, hot as it's ever been. And prices are just spiking and spiking and spiking.

Now, for a few reasons, I think this is going to be the last bit of it. Spring into summer will be the last part of it. And I think through summer and into autumn, what you're going to see is two things.

One is an increase in supply. One is a reduction in demand because I think affordability is starting to get hit. For the first time last month, the first time buyers average mortgage actually exceeded rents.

So it's now more expensive on a monthly basis to pay a mortgage than it is rents. Now, I appreciate that rents are burnt money, sunk cost, whereas a mortgage is repayment for a first time buyer. But in cashflow terms and affordability terms, that doesn't really matter.

It means people are going to struggle to get that affordability or affordability for first time buyers already very high. Property prices going up is making that even higher. And also deposits.

Deposits have increased. The amount of deposit required to purchase property has increased by 26%. Now, this is like the difference between an average first time buyer needing 28,000 and don't quote me on the exact maths here, a significantly higher capital deposit, which means you're now going to see an extension to that generation rent where you're paying more, you know, your rent's getting more expensive.

To get a mortgage on a monthly basis would be even more expensive, but you can't even afford the deposit because your money's being spent on the rent. So you're trying to chase that growing capital. Also, I think you're going to see a change in confidence in the market.

I think because people are starting to talk about recession and starting to talk about a downturn, people naturally stop buying. You know, maybe they're not going to move house. They don't have the confidence when we see a reduction in the market confidence.

Equally, you've got seasonality. Now, spring is normally the peak of the purchase market or sale market and property because everybody goes on a holiday in the summer. Granted, it might be a bit different this year, but definitely through the summer and into the autumn, I think the seasonality is also going to draw that down.

So what you're going to see there is a gradual reduce in demand and then also potentially an increase in supply. And just start to look at this as you're driving around because as property prices start to cool, people then start to see that and think, well, people don't want to sell their houses when they're going up 10% because why? It's a great thing to own.

If Bitcoin's going up 10% every month or every year or an asset, your tendency would probably be not to sell it unless you were getting towards the top of the market. As the market starts to cool down and property prices start to slow, what I think you're going to see is a combination of demand reducing and supply increasing because people then think, right, now's my time to sell. We're getting towards the top of the market and actually they don't want to sell or actually they don't want to hold it and they choose to sell.

That coming together, I think will mean the property prices, supply and demand at a macro level will start to level off towards the end of 2022, which gives us a nice clear landscape going into 2023 to know what we're going to do. Are they going to crash? Are they going to drop?

From what's going on at the minute, I'm not seeing that. I can't see anything at the minute that's going to cause that unless you see a rapid increase in the mass market affordability and ability to service mortgages either by a significant increase in costs or an increase in interest rates. Neither of which I think you're going to see in real terms.

And that will bring property prices back down. So we'll bring the shortage back down and level things out. So in summary, this is what I believe will happen over the next 12 to 18 months.

And based on the predictions we had in phase one, they worked. Phase two, they worked. This is my best guess at phase three.

And just to confirm, it's the 13th of June while I'm recording this and I update this every month on Property Entrepreneur because timing is a moving target. And all of this will change as announcements happen, bits and pieces happen. But this is the best forecast that I've seen at the minute, all things considered.

Inflation will peak in March, April 2023 and then come back down. Interest rates will go up just to keep everybody happy, but then level out around somewhere between two and 3%, probably closer to two, two and a half percent. Towards the end of this year, into the spring of next year.

During that period, GDP will drop off either due to a bottleneck and we just can't get the planes off the ground or the goods out the door and or reducing confidence because everyone thinks we're going to go into a recession. And property prices will take a similar turn. The market will start to cool down, supply will increase, the demand will start to taper off towards the end of the year due to affordability on deposits, mortgages and cost of living and also all of this reflexivity, a general change in confidence.

So to finish, timing is absolutely a moving target. I will keep the Property Entrepreneurs updated on this. If you're in the private WhatsApp groups, I'll also share those updates with you in there.

We don't know how long I'm going to keep these WhatsApp groups open for, but every week you get the opportunity to ask me questions direct and I'll answer your questions and direct and dedicate podcasts to you. If you're not already joined the private WhatsApp group or signed up to one of our three-day events, we've only got two dates left now and then that's it till next year. We only run them once a year.

We've got one in July, one in August. The number to join the private WhatsApp group is 07871 612 297. 07871 612 297.

Join the private WhatsApp groups now. I will see you in there. I hope you enjoyed this.

I look forward to seeing you on Property Entrepreneur, hopefully in October, where I'll take you through this in real time. But before then, if you're not on one of our three-day events, get yourself on the Blueprint and you get a 50% discount and bring a guest for free in our fortnightly flash sales in the WhatsApp group. Otherwise, subscribe, share.

If you found this interesting, please do share it. We'll go for another record-breaking podcast with this one. Share it with your friends.

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And success and failure, very predictable. We predicted phase one. We predicted phase two.

We went out and made £1.9 million worth of extra profit in phase one. Phase two, we had our biggest ever and most profitable year on record. What's going to be possible in phase three?

Well, when you know what you're doing and you can make strategy around it, success and failure, very predictable. And I look forward to taking some of you with us on then. So until then, have a great week.

Enjoy the podcast. Go back and listen to Boom and Bust if you're not already. And I will see you on the next one.

Take care, guys. I hope you enjoyed this episode of the Official Property Entrepreneur podcast. If you are not already subscribed, click subscribe now to make sure you never miss an episode again.

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Join that group. And if you're not in one of the private WhatsApp groups, maximum of 20 people in each group, in the show notes, type VIP podcast and send it to the number that's in the show notes on WhatsApp. And we'll get you added to one of the private VIP WhatsApp groups where you can request your own podcast.

It'll be dedicated to you and your business. And every Tuesday I'm in there answering questions, giving you one-to-one direct support. And we don't know how long we're going to keep these open for.

Success and failure are both very predictable. I will see you on the next episode.