**TBP 184 New 6R Edited\_Transcription**

[Daniel Hill] (0:05 - 1:27)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. Ladies and gentlemen, welcome to another six rounds episode on the Blueprint Podcast. I'm joined by a very special guest today, Adam Lawrence, who is the co founder of Partners in Properties, also the co founder of the Boardroom Club.

He is a very long standing experienced investor. He's built a portfolio in the hundreds of units. He has multiple degrees, including a master's from Oxford.

And most importantly, the reason I've invited him on to join us today is of all of the people that I read, who put stuff out there in our industry, he's one of the most intelligent writers that I read. And I love a lot of the stuff that he puts out about business, property, and specifically economics. So we're going to have a great six rounds today.

Without further ado, we're going to go to the first round and we're going to kick things off. Welcome, Adam. Thank you, Daniel.

[Adam Lawrence] (1:27 - 1:28)

Thank you. My pleasure.

[Daniel Hill] (1:28 - 1:32)

What an intro. Let's live up to it. First round.

You're up.

[Adam Lawrence] (1:32 - 1:38)

Okay. So my first choice first round was, unsurprisingly, after that intro, economics and risk. Amazing.

[Daniel Hill] (1:39 - 2:21)

So we're obviously in a turbulent time at the minute. The economics or the economy, nobody seems to know where it's going, what it's doing. And predictably, my view is it's more predictable than people think.

I think there seems to be this huge uncertainty, but I think it's more predictable. And the whole risk thing is, to me, more of an attraction, an appeal of doing deals, being in business. Because whilst there's high risk, there's low competition, and when there's low competition, there's high margins.

And for me, I just, I enjoy this. We talked briefly before we started about the pandemic, I found that to be a very lucrative period. So for me, I'm not concerned.

I'm enjoying it to a degree. What are you saying?

[Adam Lawrence] (2:21 - 4:48)

I think that's pretty good. There's a few things that spring to mind here. The old Warren Buffett, be fearful when others are greedy, be greedy only when others are fearful is a really good phrase to remember, because it builds on exactly where your mindset needs to be at times like this.

And I've got a friend who's a mortgage broker who's been in the game 40 plus years. And one thing he says is, looking back over 2008, looking back over 1990s recession, all the rest of it, his long standing clients, all the money that they're sitting on these days, or nearly all the money they're sitting on, is because of good deals that they did at times like this when people are either too scared, too fearful, too whatever to get any business done. So I think it's a fantastic opportunity.

We did have a quick chat about stuff that was available in the pandemic that you knew at the time. I mean, we bought an entertainment and business center in the East Mids in the height of the pandemic. I remember going to look around and it was like looking around a ghost ship or something like that.

You know, bowling alley was closed, sports hall was closed, soft play was closed, offices were still going okay. And that was at the point where people could go to work if they needed to. And it was just, it was a complete no, the price we bought it for was for some of the areas of the site, the price we would rent it out for for one year.

So I mean, you know, I appreciate it wasn't a great time for everybody, but people just decided they wanted to shift it and there was a bit like buying a plot with no planning on it or whatever. If you get it at the right price, it's not too much of a problem. So that's what we've done.

So I think that's the overall picture is it's difficult because we haven't really got a lot of historical precedent for these sorts of times, like after a pandemic, we've got very limited data, you know, I'm a big, big data geek and economic history geek and, you know, Ray Dalio style suits me down to the ground, you know, go back and look at what's happened before and then try and learn from that. But for 100 years, we haven't had a pandemic.

So it's quite difficult. And then when we did have one, there was a world war as well. So it's difficult to sort of decouple all the impacts of all of that.

But I did quite a bit of work on this during the sort of early, like April, May 2020, in the early days of the pandemic. So what do the next, so after a pandemic, what's the next 30 or 40 years look like?

[Daniel Hill] (4:49 - 6:57)

And when we put it back to like, so with the initial point around risk and be greedy when others are fearful. I think there's other quotes. I don't know if it's Warren Buffett, but it says when there's blood on the streets, buy property.

And it's like, for someone like you and I, who we said, you know, these times are great business opportunities, but the reason for that is the masses are running for the hills. That's all well and good for people like us to say, but the reason people are running for the hills is because the front page of the property of the paper says the world's going to end. And when you're on Property Entrepreneur the other day, I said, if I'd have said to anyone on Property Entrepreneur in the property market 18 months ago, here's a button, if you remember what the market was like 18 months ago, everyone's queuing up to buy property, prices were going up every month.

Everyone was buying for over the asking price. Everything was best in finals. And I said, press this button and I'll take you to a place where there's no competition.

You can offer 10, 20% below market value. There's nobody to compete with. How many people would press it?

Absolutely everyone. Well, that's where we are today. They've pressed the button.

We're here. But when you're actually there and the market's going down and finance is expensive, it's a very difficult... Even I have that gut feeling of like, maybe I'm wrong.

And I bought a site similar to you. In the middle of the pandemic, I could have knocked it down and sold the bricks and still made money. And I literally looked at it and thought, I rang the agent at nine in the morning and said, yeah, I'll buy it for a quarter of a million quid or whatever it was.

I knew I could pay half a million for it, end up being worth nearly a million once I've developed it, or nearly two million once I've developed it, made the best part of a million on it. But I had that confidence that I just knew that for the history of time, the market comes back around. You've got to be real ballsy in that time and brave to go and do those deals.

Because everyone, including Crowd Property, Rick's Surveyors, agents told me I was going to lose my money. I was off the charts. My commercial valuation came in at 1.1 million. It was going to cost me more than that to develop, but I still did it. I still built it. Made me over a million quid or nearly a million quid on it.

How do we give people the confidence to go and... Well, I suppose that's the beauty of it. Nobody has the confidence, do they?

[Adam Lawrence] (6:57 - 10:16)

Well, I think you've got to look at certain things I've always looked at ever since I started trying to build my portfolio. What does it cost to build? Economics is about supply and demand, but it's also about things like substitute goods and complementary goods.

The beautiful thing about housing, of course, as an investment, is that there's very few substitutes. You can live in an HMO rather than a one-bedroom flat, let's say, if there's only one of you, or sometimes couples in HMOs or whatever, people's niches and things like that. There's very few substitutes for the three-bed family home near a school, or none, really.

I always looked at places where to rebuild or where the new builds were 30%, 40%, 50%, 60% more expensive than the secondary market stock. I always looked at the rebuild value of the property. One of the things that people aren't talking about at the moment, because everybody's so bearish, like you said, is construction costs are up 40%, 45% if you take the official figures.

Some jobs seem to us to cost twice as much as they did four years ago, probably. It's more like 100%, but those rebuild costs have been dragged upwards. Either the gap between the new build stock gets so big nobody wants to buy the new build and they stick with the secondary market, or what I've seen happening all along ever since I've been doing this is the secondary market values are just rising and rising to try and keep up with the new build stock.

Whilst it's easy to say at the minute the market's going down, when you get into the figures and you pull them apart, most of that is happening in the south of England and around London and southwest as much as the southeast, where they did have fairly big bumps over the 2020 to 2022 period, and actually there's a fair few bits of the Midlands and the North that are still going up. They're not rocketing, but they're actually up 1%, 2% year on year. There's not so much reason to be as bearish, but you've got to just put the noise to one side, haven't you?

That's why I love the data so much, because the data's got no agenda and it's got no friends. As long as you can read it without trying to tick your own boxes and mark your own homework and persuade everyone, everything's always brilliant. If you remember, go back to the time you were just talking about, big companies were saying, oh, the market's going to go down 40%, 42% I think was the biggest number I saw.

I remember April 2020 thinking, yeah, I think things could go down a bit here before all the stimulus had been announced and everything. Then it got to the early May and I thought, no, lower value properties, they're not going down. They're not going down at all, because people are going to want yield.

If you remember back then, yields were crushed. We were at 0.1% base rate. Bond yields were, you've got nothing for saving money anywhere, 0.0% for saving money. If you could yield, even with debt, even with operational costs, if you could yield 5% out of a property, you were beating the risk-free rate by 5%. Then you've got the capital growth on top of that, which is what has always historically looked after property investors so well. It's difficult, because when you're in the heat of battle and you're looking at cash flow, there's cash flow pressures for people at the moment.

The banks and the bridging lenders and everybody else are taking a little bit more of a bite out of the deal. It makes it a little bit harder to justify, but what are you buying? The deal you were talking about, where does the majority of the money come from?

Well, you've done a big value add with what you've done. Then the money's there on paper until you sell it. Then there's cash flow.

[Daniel Hill] (10:16 - 12:05)

I think this is a really key point as well, is acknowledging the difference between shocks and shifts. Because if you'd have looked at residential property, it was never really a buy to let's what you're talking about. We actually created a strategy before the pandemic called BBC, which is below build cost.

I was buying stuff in the Northeast. I was like, if I can buy a three-bed, semi-detached house for 80 grand, the reality is you couldn't physically build it for that, let alone with the land. So it's like fundamentally, if you're going to hold it forever, it's unlikely to end up in negative equity short of something huge happening.

But when we talk about shocks and shifts, buy to let property wasn't really... Before bottomed out interest rates, it was never really a cash flow strategy, was it? That's why we had things like HMOs and service accommodation, it was like they were your cash flow.

Then as your appetite for squeezing the pips reduced, and you start to look at single let stocks on buy to let mortgages, there was a sweet spot for about three or five years where you could make 250, 300, 400 quid on a single let. And we're now going into a different period where I suppose we've got to, I'm going to go into the next round now, which I was going to take us into property, but we're covering economics and property. So we're doing the next round on both, is with the rates going so high, again, we briefly spoke about it before we started, is when we've got rates so high, we are moving to a position where single lets won't cash flow.

And the basic logic is if it's yielding 6% and buy to let finance is 6%, nobody's going to go and buy, buy to let stock with a buy to let mortgage. But the law of logic says that that's not going to be sustainable, it's got to, something's got to happen. So economically and property for round two, what do you think is going to happen?

We've got all this, the uncertainty seems to be what is going to happen. I think it's quite clear what's going to happen. What do you think is going to happen?

[Adam Lawrence] (12:05 - 12:44)

I think it's probably quite easy because I think it started happening already. So we've had a market where people forget what inflation does to markets because we haven't had any for 40 years. So you've got all of these people in senior positions in the Bank of England, Monetary Policy Committee, government, investment firms, whatever, they don't understand inflation in terms of living through it.

And the only way you can is by going back and doing the historical legwork to see, last real time anybody dealt with it, John Major, early 90s, not too many people hanging around from 33 years ago, especially as politicians tend to come into politics near the end of their career.

[Daniel Hill] (12:44 - 12:46)

Including myself. What sort of inflation did we see there?

[Adam Lawrence] (12:46 - 13:31)

So we saw double digit at one point. So we saw a peak in the housing market in 1989, relating it directly to housing, which then it slumped a bit till 1994. But the real drop, so if you went back to say 1980, average UK house price £20,000.

1989, average UK house price £60,000, so it had trebled. Get to 1994, average UK house price £55,000. So we had a 10% drop, but it was a much, much bigger drop than that, because in real terms, inflation in that point had gone from, there'd been about 30% inflation from 1989 to 1994, if you added it all up.

So it wasn't dissimilar to last October's numbers, hit about 10.5%, and then it took about four years to bottom out.

[Daniel Hill] (13:32 - 13:34)

And what did rates do during that period?

[Adam Lawrence] (13:34 - 13:46)

So they were, we started from a point where rates were high, sort of eights, nines. And then first of all, you remember the one that everybody talks about, I remember when the mortgage rate went up to 18%.

[Daniel Hill] (13:46 - 13:48)

18%? Yeah, yeah. It was like one night.

[Adam Lawrence] (13:48 - 14:56)

It was an afternoon, basically. And then it went down from, the base rate of interest went from 10 to 15 in one day. And within five days time, they had it back down to 8.75, because they realized they were going the wrong way, and what that would do. Now remember at the time as well, loads more people with variable rate mortgages, loads more people with bigger loans of values, because we were in that, what led to that boom between 80 and 87, and 89, it was thatchers economics, bit of right to buy. It was all booming until they withdrew mortgage interest release at source, you know, MIRAS, because people used to get tax relief on their salary for paying their mortgage, which was obviously an absolute dream. But then you had on the back of that, Housing Act 1988, which would have then led to a double boom if the market wasn't doing what it was doing.

Instead, it was really sort of 96 when it took off, because that was the first real iteration of the buy to let mortgage, which was based on the fact that you could recover possession of an asset and you didn't have tenants for life and all of that stuff that you had before the Housing Act 1988.

[Daniel Hill] (14:56 - 15:07)

When we look at that period and compare it today, like looking towards the next like 12 months, 36 months, five years, what are you anticipating? What are you expecting? How's it going to play out?

[Adam Lawrence] (15:07 - 15:16)

Yeah, so I think you see inflation with a big, long sting in the tail, which is exactly what we're seeing. It's difficult to get it down. We had a period of...

[Daniel Hill] (15:16 - 15:39)

Are you seeing in real time, because you know, George Soros says that inflation isn't driven, like reflexivity isn't driven by monetary and fiscal policies, but driven by what's written on the front page of the paper. When you go around Birmingham or when I go around Sheffield and you're looking at restaurants, shopping centres, people's attitudes, are you seeing this shock cost of living crisis, people not spending, restaurants empty?

[Adam Lawrence] (15:40 - 17:22)

I think it depends where you go. I remember being in the east mid to our back in this big outlet mall. We were near that centre that I was talking about earlier.

And I went there and I just looked around. I just thought recession, what recession? I mean, are you joking?

It was a swarm of people buying stuff, whether they're spending it on credit cards or whatever. I don't know. But then being involved in that business that has got a leisure arm to it, you can see where people have cut back.

You know, Monday night and Tuesday night are a lot quieter than they used to be. I think that's the cost of living biting. But still, if you get something interesting happening, you get something different going on, people will still come out and they'll spend and they'll spend like they've never spent before.

And I've never seen an environment where prices go up as easily as they have done and people just swallow it. Because going back to your original question about like expectations, basically enjoy the George Soros point of view. Expectations are everything in inflation.

It's not what's happening because all you get is people going, well, it hasn't gone up for me or it's gone up 10 times that all these figures are a load of rubbish. But it's really what you think is going to happen, because what you think is going to happen is going to define what you're going to do as an individual economic agent and then as a society as a whole. So if everybody thinks that kitchens are going to go up 30 percent in the next 12 months, a lot of people will start bringing forward the purchase of a kitchen because they think, right, I want to get in before it goes up.

Whereas if I think prices are going to go down, which nobody ever talks about deflation, but it's the biggest, it's a 10 times bigger problem than inflation, you know, deflation, then people then think, right, I'll defer consumption. And you start this sort of death spiral in the economy where people aren't consuming because we have a very, apart from the US.

[Daniel Hill] (17:22 - 18:11)

And then that's the shock factor, you know, when everyone decides, wow, the world's going to end, it's like bang overnight, nobody's going to the restaurants, everyone's sitting on their hard earned cash. And with this sting in the tail, you know, you talk about this delayed inflationary sting, but we would have expected that in the property market, right? You know, people coming off the fixed terms, this adjustment, but we're not seeing that.

And there seems to be a few reasons for that, as in like the property market, obviously the aim was to really suppress people's spending. But when they're big in spending is their mortgage, or obviously the rent has gone up for the people who are renting. But mortgages, there seems to be so many mechanisms.

In one hand, they're trying to reduce spending, increase cost. But then the other hand, you can pretty much get out of your mortgage increases at the minute by holidays, interest only. But do you feel like we're failing to slam our feet on the brakes in that capacity?

[Adam Lawrence] (18:11 - 19:22)

I think there's probably one more thing to inject into that. And I think what you said is very true. I think there's one more thing to inject into that.

And that was the pandemic period where we saw people forced to save money and savings rates went through the roof because they couldn't consume it on restaurants or whatever. So they did the best on just the whatever. And that's why all the tech stocks did so well.

People spend more on Amazon. They spent more on Deliveroo or whatever, but they didn't spend what they were spending before. And then you've got the point about, remember that, and this is why the market hasn't done what people think.

And I don't see why people have struggled to miss this point. You know, FCA did the mortgage market review, the PRA, sorry, did the mortgage market review in 2012. And when that came out, mortgages were stress tested at five and a half percent pay rate.

Right. Even when we went through the lowest periods of, now remember, 2012, the yields weren't as low as they were now. The bonds were still at sort of one and a half percent.

Obviously, we got to a point in 2020 when they were literally at zero. So that five and a half percent was still the affordability test. Now, there's two things that that means.

Right. First of all, people can afford five and a half percent when they got underwritten for their mortgage.

[Daniel Hill] (19:23 - 19:28)

Which is one example of where the banks have actually done something right in the last like five years. That was savvy, wasn't it?

[Adam Lawrence] (19:28 - 19:30)

Yeah, really, really savvy because it stopped the market.

[Daniel Hill] (19:30 - 19:31)

When base was half a percent.

[Adam Lawrence] (19:31 - 19:31)

Yeah.

[Daniel Hill] (19:31 - 19:34)

That's a bold test.

[Adam Lawrence] (19:34 - 20:10)

It was. And they looked like they knew there was very little roadmap for that to increase, but they knew they always wanted to increase it. They just didn't really sort of put their back into it, if you like.

But then the second point is then people save the money. Right. So they didn't spend it on financing.

So you were supposed to, you were afforded five and a half percent, but you were paying two and a half, let's say. And some people obviously were paying lower on their home mortgages. What happened to that extra three percent every year on your average home loan at a couple of hundred grand, let's say, that's six grand a year.

You can bet your bottom dollar 80 plus percent of people will have spent it.

[Daniel Hill] (20:10 - 20:18)

Yeah. Bottomless brunches, all-star martinis, we've lived a great life for the last five years. Whatever you want, whenever you want it tomorrow, you can have what you want.

[Adam Lawrence] (20:18 - 20:58)

We're a consumption led economy and we're not the United States, but we're a big consumption led economy. So people will always go out and do that. There will be the 20 percent or the 10 percent that chipped away at their mortgage balance and saved it away and all the rest of it.

And actually, the savings rates, interestingly, did react. Whereas if you look at someone like Japan, that's a very, very low inflation for 30 years, and they call it the lost decades and stuff like this. I think there's there's a bit of a lesson in there for the UK.

And that's what worried me so much when Liz Truss got elected, because one of the things she said is we should learn from the monetary policy of Japan. And I was like, it's been a complete disaster for 30 years. What we should learn is don't do what they've done.

That's the problem.

[Daniel Hill] (20:58 - 21:10)

And then just out of interest, what did you think of her pitch? Obviously, it was badly timed, but fundamentally, had it been better delivered, do you think that strategy, that Reaganomics model would have been effective?

[Adam Lawrence] (21:10 - 21:50)

I think the whole of the last, I'm not even going to pick on her specifically. I think everything from George Osborne all the way through to Kwasi Kwarteng, everything was potentially right at completely the wrong time. I like the positivity of the chat.

I like the individual responsibility side of it. To look at that mini budget they delivered as a speech, I actually quite like some bits in there. To look at the timing of it, it was so bad.

And that's why hedge fund managers made so much money from, you know, taking him out to dinner or whatever they did and then short selling the bonds. I mean, it was obvious that it was completely the wrong time to do something like that.

[Daniel Hill] (21:51 - 21:58)

Well played. I think everyone's going to want to hear more about that. So no doubt we're going to come back to it.

Just out of interest, do you know what wealth dynamics profile you're on?

[Adam Lawrence] (21:59 - 22:00)

Have a guess, I do know, yeah.

[Daniel Hill] (22:01 - 22:03)

Probably like a mechanic or creative mechanic.

[Adam Lawrence] (22:03 - 22:04)

Creative mechanic, yeah, bang on.

[Daniel Hill] (22:05 - 22:30)

And just out of interest, on the stats thing, because you're a stats guy and you said about people having these retained earnings from pandemic, because there was so much stimulus. And then in real terms, there's this cost of living crisis. And I was looking at some of the stats and some of it said, yeah, everyone's got loads of savings.

Some of it said 80 percent of it was on corporations balance sheet. So where actually do people actually have that much post pandemic savings?

[Adam Lawrence] (22:31 - 23:39)

So the Bank of England got some pretty good figures around this stuff, although they're not as certain as they'd like to be. And their thoughts were, this was why in 2021, at the time, the chief economist, Andy Haldane, was saying, I'm concerned about inflation because people have got these savings. I think they're going to come out and spend them when they get unshackled sort of thing.

And then in a way, the cost of living crisis kind of stopped that from happening a little bit because people had to use those savings to try and keep up. And then you get to the point where, say, even to this summer where 2023 summer has looked a bit more like a traditional summer, a lot of people have gone abroad. So a lot of people who've got holiday lets and things had a fantastic year in 2022, but it was always going to be a good year and there was always going to be a danger of the, I mean, the cheap flight is not quite dead yet, although some of the prices went up so much.

It was incredible. But they've used their money to make up for what they've missed out. And this was, remember the going back to the Spanish flu pandemic, the roaring was one of the things that was in my analysis a few years ago, the roaring 20s was because people thought they were lucky to still be alive.

The war plus the pandemic. And they just said, life's too short.

[Daniel Hill] (23:39 - 23:41)

They sent loads of kids and spent loads of money.

[Adam Lawrence] (23:41 - 24:17)

And they had 10 years of the same porn star martinis and everything you were just talking about. And then we got to the depression because things were not shackled in any way and under control in any way. We've learned a bit about economics since then, luckily.

So we're not in the same boat. But of course, we're not having the roaring 20s at the moment. Realistically, we had this bit of a zoom upwards, you know, and then in a way, Liz trusted everybody in favour because she pricked the bubble before it got too big.

And that actually will have helped out a bit. It's not what she meant to do, but that shock upwards in the bond yields and stuff when that mini budget was delivered actually calmed the market right down.

[Daniel Hill] (24:18 - 25:29)

And the value of knowing all this stuff is when we're talking about playing the game and it's all a game. But the biggest thing you can understand with all of this is we're not all victims of whatever the government, the economy does. It's all about understanding how to play the game.

And again, when we got shocks and shifts, you know, the shift is now it's very unlikely we're going to go anywhere near the fantasy times of 0.1 percent base rate short of another pandemic. Or, you know, let's not even say the words that could be that cause that sort of thing. But when you're talking about things like these spikes, like, for example, staycations, there was this spike, those people who then ran in and bought stocks in that industry expecting it to last forever.

That's where you get it wrong. Whereas if you understood how to play the game, you do a back to back lease on a couple of plots of land, lease it to somebody else and just do those pop up sites where you can get in, get out. And it's understanding what's here to stay fundamentally and what's not.

So you don't get caught in the tulip mania, the Bitcoin, you know, the crypto, the AI. It's like fundamentally there's something happening there. But if you're just going to make money on the spike, it goes down quicker than it comes up.

So bang and right round three over to you.

[Adam Lawrence] (25:29 - 28:44)

OK, so for third round, I had mental health. Interesting. And the reason why I chose that was because I'm seeing more and more in I'm a big observer in the real world.

Right. I remember early days of the pandemic and going to the shops and I wasn't I wasn't particularly scared at all. I had a fairly level headed approach to the whole thing, but everyone was masked up.

And I remember seeing people's eyes like behind their masks and they look so scared, like real genuine fear. This was the time when, you know, toilet rolls were evaporating and pasta was in short supply and all the rest of it. And what I see at the moment, because obviously whilst I don't deal with the tenants myself day to day, I still interact very closely with tenancy managers and all the rest of it, is that people are they're angry, they're short tempered, they they won't be reasonable about things.

And I'm not I'm not having a go at tenants when I say that. I'm seeing that in all walks of of business. People's tempers are short and they just seem to be to me to need a lot more of a chill pill.

I was listening to one of your pods earlier on and you were talking about that. You said the words nobody wants to work anymore. And it made me laugh because I've said the same thing in terms of what I've observed from people.

But also I think there's a little bit of it being cultured into us because what happened, the pandemic came, we put our hands up and they said, oh, let the government look after us. Then all everybody did was moan about what the government did during the pandemic. But when it's all done for you, like it has been, and then you've got what is comparatively a luxury of working from home for a lot of people that was a new thing that came to them, suddenly they just seem to be a little bit of a sense of entitlement.

But also there's a lot to deal with because I think if you looked at how many negative messages are there in the news in 2023 versus 2019, let's say, I don't know the answer to that. I'm not seeing the survey done, but I bet it's a lot. I bet it's four times as many or something like that.

So you've got this constant barrage. How many times the word crisis been used in the last 18 months? Mortgage crisis in the States, cost of living crisis, everything's a housing crisis, everything's a crisis.

And it's like if all the messages. Mental health crisis. Yeah, yeah.

And if all the messages you're getting are that. But of course, the other thing is, if you don't, everybody saw working from home as a big, what a benefit. And I said, I'm a stats nerd.

So I see the average commute was one hour, 53 minutes a day or something like that. And I just thought, wow, all of those, you know, 10 million, 20 million people, however many is with all that extra time in a day. What a positive thing that could be for productivity, for companies, for people's health if they wanted to use it in that way.

In general, it's freeing them from having to go from A to B. But has it actually worked out like that? Has anybody been told how to work well from home?

Look, of course, this is stuff you can figure out for yourself if you put the time and effort into it. But not everybody does. So does it mean instead you sort of get up, you don't bother to get dressed properly, you know, you start work a bit earlier, then you get distracted by something or you take the dog for a walk in the middle of the day or whatever.

You look up and you haven't left the house for six months. Well, exactly. And that can't possibly be good for mental health.

So I thought it would be worth us having a round on that really, Dan.

[Daniel Hill] (28:44 - 33:05)

Yeah, spot on. And so many considerations. So at a macro level, there's the nanny state.

So where we are as an economy, I've been saying unless we put a rabbit out of the hat and, you know, you'd like to see it under a conservative government or I would like to see it under a conservative government. If Rishi Sunak and Jeremy Hunt were given enough runway with the strategy they've got at the minute, it's very savvy, it's very economical, it logically would make sense. Balance the books, invest in long term growth, but do the short term stuff now like scrap HS2.

We don't need HS2 now. We need that short term stimulus in the local areas. It all just makes a lot of logical sense.

But at a macro level, the UK economy is like on borrowed time, in my opinion. It's like this lethargic, overweight, lazy economy that doesn't go to work anymore. It's a nanny state.

We deserve, we have entitlement, we're entitled to everything. Healthcare, days off, beanbags and free lunches. It's like we've gone full circle.

And if you take the two polar opposites and you've got the analogy I use is of sports stars. And you think about Mike Tyson when he became the heavyweight champion of the world and he used to go running in the snow at two in the morning. And the reason was nobody else would do it.

And you look at the economies that are growing now around the world and how economies over the last 20 years have come out of poverty, like China, places like that. They bought people from the rice fields out of poverty. And the opportunity to work seven days a week, 12 hour days was a luxury because they were getting money, they were getting fed, they were getting housing.

You extrapolate that out over five generations or whatever the data would be and you end up with a UK that's just this privileged. You mentioned Ray Dalio earlier. I'm assuming you've read like New World Order.

It's just textbook, right? It's like we're all bickering over, should we be able to work from home or not? And all the other economies around the world are going to take over, become the new sovereign.

And it's like, you just think, yeah, I can just see that. So macro level, I think we're all resting on our laurels. We've become lazy.

Working from home is not a productivity gain per hour work. The UK has a huge productivity issue. The only people that I think would increase in productivity are people that would have a job that lends itself well to that.

And also they have to be a self-starter. So let's say how many industries work well to that, like probably coding, real deep work, data analysts. You need to be on your own, really.

And then what percentage of those people are self-stars? Well, in the UK, I would say it's probably 10, 20 percent. Outside of that, it's probably not a productivity gain.

It's my instinct at a macro level. But equally, if you look at the financial gain, if you don't have to have an office and a supervisor and a manager and lunch breaks covered and all of a sudden there is this working from home, the efficiencies that you gain in overheads could actually outweigh the loss in productivity from having people working from home. So and then the mental health thing is, you know, I've shared and talked about mental health lots of times, and I think there's a whole spectrum.

I think there's like it's definitely something that's more accessible now and it's discussed and it's more open. So there probably is a degree of using it more. And it's like everyone, everyone who feels bad gets antidepressants because they're just off available off the shelf.

Probably not the best thing to do in the same case that everyone can say, I've got mental health issues. Some people fundamentally do have mental health issues. Other people just don't exercise.

You know, there's a whole spectrum there that needs to be addressed. And we're living in an economy and a society and a time in life which actually unless you proactively try not to end up with mental health issues by exercising when there's only seven hours of daylight, it's very hard to exercise this time of year. You go to the supermarket and 80 percent of the stuff is inedible and it's bright packaging.

It's not going to make you feel good. And your phone is going bing, bing, bing. You've got pictures of your friends on the beach with six packs and bikini bodies.

Social media is going off. The news is telling you there's a crisis. It's like you would have to try really hard not to feel negative and have mental health issues mentally, emotionally or physically in the current time.

So huge topic, few little soundbites. And that's my initial thought.

[Adam Lawrence] (33:06 - 38:23)

I think you sort of touched on how you combat some of that, really, because it's some really interesting stuff you just said. I think you've got to take it at least as seriously as you take the physical gym. If you're someone who goes to the gym or however you get your exercise, you know, if you get no exercise, that's a problem.

I think part of social media's problem is that can also mean everybody thinks even if they're 68 years old, they've got to do CrossFit or something like that, which isn't necessarily and I don't think age should necessarily be a barrier. But I do think age appropriate exercise is a good idea. But I think it comes back to you've got to be responsible for that yourself.

And your mental health is going to be many ways more important than your physical health. So it's got to be prioritised. And you've got to educate yourself because the nanny state isn't going to do it for you because it's decades behind on this sort of stuff and it won't catch up for that many years.

And what do you need to do? How good for you is it to go and get some sunlight every day? How good for you is it to make sure you just do the little things just such as taking a bit of exercise after a meal to make sure it digests better?

What's that going to do for you? It's going to help you sleep better. Now, that is obviously physical health as well as mental health.

But there's no better way to affect your mental health than messing with your sleep button. And I'm someone who because I've got a brain that's constantly running over and running over. Historically, I've had problems with my own sleep, but I've had to and I've had to address them myself and educate myself on how to do that.

And it's been over a period of many years, whereas now I'm very comfortable with, you know, I'm wearing a wearable device that watches what I'm doing while I sleep, what my blood oxygen is like and all the rest of it. But again, that's all well and good. But if it just spews out data and you don't do anything with the data, it doesn't it doesn't mean anything.

So I think you've got to be proactive with this stuff and you've got to accept like all rather than. And I have a big, big fear about society in this day and age where we diagnose more and more stuff. And that could be if you're a bit of a conspiracy theorist, you say, well, it's because big pharma want to prescribe more and more medication.

And of course, you've got to be concerned whenever there's big companies making big profits. And it's worth asking big questions about stuff like that. But you've got to really get to the root cause of as an individual, all you can really do is help yourself.

We've got this incredible privilege, really, in the UK such that we can have big concerns about particular sections of the community because we're not worrying about as a general rule, where does the next meal come from? Even at the bottom of the food chain, one thing you can do relatively easily in parts of the country is go to a food bank. I'm not saying that's great.

I'm not saying that's the best. That's where you want your life to be. But you can do that.

Whereas all of those other countries you're talking about, the roaring ahead with their economic growth, they haven't got third sector who are really doing work like that. The charities they've got come from places like the UK. Then they're not they're not from anywhere else.

And they've got to worry about when you've got to worry about where the next meal is coming from. That gives people a drive that you just don't have when you're. And this comes on to the old, you know, one generation to make it, one to enjoy it and one to lose it, which is a big factor for any entrepreneur is listening, is thinking, right, OK, what are you what are you doing?

What are you trying to achieve? What are you what are you trying to give your kids? Because if you give them money, the problem can be the sense of entitlement side of things.

Whereas I try and give mine knowledge and lessons. And like all kids, most of them they don't listen to. Right.

I try all sorts of tactics to get them to listen. But occasionally something gets through and they'll say something like, right, they might fail at something. And I encourage them to try and do things they'll fail at and then say, right, OK, that's an opportunity to learn.

We didn't learn anything from the deal that went incredibly well. It was like clockwork. It was on time.

It was on point. It was on budget. Which never happens.

But sometimes we get luck in honesty. That's more luck than skill. Right.

And it happens. And you get to the reval and you put in a punchy number and you get it and you think, wow, jolly good. Aren't I brilliant?

And then you just move on to the next thing. You don't you don't debrief that. Whereas the ones that go wrong, instead of hiding under the bedclothes or whatever, you've got to look at and break down and go, OK, what could we have done differently?

What will we do differently next time? What did we learn from that? And that's that's rich and valuable.

But your your mindset has got to be ready for you to give it the comparison I made between the physical health and the mental health is I do see it as like the gym. I see like when I write the supplement every Sunday for me, I've got to go to the gym all week to be able to produce something of a reasonable quality that people want to read and listen to. And it keeps me and it keeps my mind where I want it to be.

You know, I feel like an Olympic athlete in my head, not so much in the body, but in the head. Sometimes I think, right, I can. And then I think, right, like a bit like Dave Browsford and the British cycling team.

Where are the one percent? How do I get better? How do I get better at that?

That not right. What do I need to do? The little things, the little differences that can make the different sources or the different conversations or just the different ways of thinking about things that challenge the status quo.

And that keeps me it gives me a bit of drive and it gives me a bit of purpose around that, even though that in itself, I'm not making any money from doing any of that, but it doesn't always have to be about money. I'm enjoying doing what I do. I've kind of forged that for myself as this as this position in the property world.

And I want to keep growing that position because it feels good. It makes me feel good. And that's mental health positive.

[Daniel Hill] (38:23 - 39:53)

Exactly. Closing sentiment. I think mental and physical health are the two sides of the same coin.

From my own experience, the healthier I am, the less mental health issues I have, the more the less, the more unhealthy I am, the more mental health issues I have and the more mental health issues I have. If I don't deliberately get out of the way of it, I end up having more unhealthy and it's a completely downward, you know, it's a death spiral. So, yeah, closing sentiment.

And also you the the the the the world is conspiring against you. It's like those countries you talk about where they are fighting for survival. They're not sitting around worrying about working from home or am I in a good mood or a bad mood?

Am I inspired today or am I upset today? They're going out and it's like feast or famine. They're going to go and make it make it happen.

And that's what we were built for. You know, we were built for them. If you believe in evolution, we were like cavemen at one point and we were there, cavemen and women hunting, surviving, reproducing, trying to keep our kids alive.

The body was there to be used and now we're sitting there flying desks for a living. It's like it's not conducive to the physical body. And actually, AI is probably more conducive to the current place because it's it's data being transacted rather than what do we actually need these arms and legs for?

If if, you know, if we're not going to use them. Nice. So round four.

Seeing as when we're off the business economics topic for a moment, I'm going to move this over. So my understanding is you did a degree. Oxford in philosophy, politics and economics.

[Adam Lawrence] (39:53 - 39:55)

That's correct. For my sins. Yeah.

[Daniel Hill] (39:55 - 40:22)

And it was a master's. That's right. I actually personally looked at doing a master's last year at Oxford and also probably about five years ago.

Whenever I get a bit lost and I think I need to experiment something, whether it's applying for the Ego or it's ready for the next sort of study, it's something that I've looked at. I was really intrigued by philosophy. So I'd like to have a chat and understand what philosophy did you study?

What do you what's your view on philosophy? What's your philosophical thoughts? What's your philosophy around business and life?

[Adam Lawrence] (40:23 - 41:53)

OK, so there's a couple of things that I need to say. First of all, first of all, when you do an undergrad at Oxford, you get what's called a conferred master's. So they're so up their own you know where that effectively they say, well, you've done you've done a bachelor's, but it will become a master's in a few years time.

So it is still a three year course. But then after I think it's five years after you graduate, they then confer the master's on you anyway, automatically. So it sounds more important than it is.

But I did do a master's in business administration as well about 10 years ago for the same. So exactly the same sort of reasons as you just laid out as you looking at Oxford and did that for a year. So from going back to the philosophy question, obviously, there's the core founding principles.

What do they get you to do when you do the core modules, if you like the history of Western philosophy? We did. So that would take you all the way pretty a little bit from the ancient Greeks and all the rest of it.

But really starting at about Descartes and then through, I think, therefore, I am all the way through to someone like Kierkegaard who's more of a 20th century philosopher. And I think one of the things that I found fascinating, one of my great regrets really is I didn't really enjoy politics, philosophy or economics when I did it at degree level. And then I've become much more interested in all three of those in the 20 plus years since I've done my degree.

So politics became much more interesting around the time of Brexit. It just did. It was there was so much more going on and that really sort of piqued my interest.

Philosophy, I think.

[Daniel Hill] (41:53 - 41:57)

What puts philosophy, politics and economics together? Was that one course?

[Adam Lawrence] (41:57 - 41:58)

Yeah, it is.

[Daniel Hill] (41:58 - 42:07)

Philosophy seems to stand out to me as a very maybe it's just my perception of a very intangible, spiritual, thought provoking, not spiritual, you know what I mean, thinking.

[Adam Lawrence] (42:08 - 42:12)

I guess they're all social sciences. But the reason that PPE exists is it was.

[Daniel Hill] (42:12 - 42:13)

Is economics a social science?

[Adam Lawrence] (42:13 - 42:23)

It was. Yeah, technically. Yeah.

Yeah. Although there are obviously a lot of data based side of things that you see distinctly different from a natural science, let's say, where you're going to do proper.

[Daniel Hill] (42:23 - 42:29)

I mean, I get it. My understanding of economics is more social science than data driven like yours. Mine is I just understand human nature.

[Adam Lawrence] (42:29 - 43:22)

Well, behavioural economics is massive, you know, and that's another thing that sort of gained in popularity. So what it looked like, the landscape for philosophy when I did my degree versus what it looks like today, you know, who would you say if you had to talk about I mean, there are philosophers in the modern world. I don't think I didn't know who those people were 25 years ago, you know, and I would I would pick people like Jordan Peterson who have massive influence over people.

A lot of his, although he's a psychologist, a lot of his talk is really at the philosophical level. And you've got a number of other influencers who have got YouTube channels or things like that that really are operating at the the philosophical level. Reid Hoffman is one, the guy he was involved in PayPal and he also co-founded LinkedIn.

So the public intellectual is not really much of a UK thing, but it's very much a bit of a US concept.

[Daniel Hill] (43:22 - 43:40)

Do you think of Jordan Peterson and his philosophy? Because I wouldn't have put him down as a philosopher, but I can see what you mean. He has a philosophy around, he's applying social sciences.

So I would say it's more of a philosopher than he is anything else, really, because he's an academic, like a very, really well read, really well articulated academic.

[Adam Lawrence] (43:41 - 44:13)

But he's taking quite abstract concepts most of the time. And then he's trying to give you actionable advice about how you think as an individual. So all great philosophers have tried to start with a problem and then solve that problem.

So I think, therefore, I am Descartes, right? How do you know you are alive? Which is a thing that a lot of big entrepreneurs have very funny ideas about sometimes, such as we're all in part of a simulation and stuff like that.

And that's not one that I would I would subscribe to realistically. I think I'm a probability.

[Daniel Hill] (44:14 - 44:17)

Do you ever have passive thoughts that some things just don't add up?

[Adam Lawrence] (44:17 - 44:35)

I would say the universe, I would say I'm not, I'm not religious, but I do think there are forces because I don't I have never found a religion that I would subscribe to all the beliefs of. But I don't think religion is necessarily a negative thing. I think it's a it brings common ground for people.

It brings value.

[Daniel Hill] (44:35 - 44:43)

It's the same as anything. Everyone says, oh, I'm spiritual now. It's basically a religion.

It's a group of people that have a shared thought belief system. It's values.

[Adam Lawrence] (44:43 - 44:53)

It's values. The whole of Western world is built on Judeo-Christian values. You know, that is the way that it is.

It doesn't mean necessarily that you've got to read the Ten Commandments every day or whatever.

[Daniel Hill] (44:53 - 45:17)

Have you ever had any like deep thoughts, even in a moment of darkness or a deep thought when you've explored things around the philosophy around like simulation, meaning of life, religion, atheists, you know, like, have you ever explored that? Or do you just, I mean, you're a very smiley, happy chap. It's like everything I see of you smiling.

I'm like, I need a bit of that. Whereas if I get, if I get stuck in a hole sometimes I can go really asking some questions.

[Adam Lawrence] (45:17 - 46:24)

I think it's one of those things. There's a couple of things that are probably relevant here. First of all, my dad for many years was a pretty devout atheist, even to the tune where he wrote books about the contradictions there were in the Bible and stuff like this.

Right. And you're obviously influenced by that as a child when you're growing up. And he used to have this sort of concept that anybody who subscribes to religion was pretty stupid, really.

But as he's got older and he's become more open minded and he's looked into things like that. And he's also, he's quite a big fan of Peterson. We went to see Jordan Peterson when he was in Birmingham some time back.

And I had this kind of notion that it would be this room of thousands of sort of super enlightened souls. And what it was when we got there actually was normal people who had found Jordan Peterson's teachings useful when they'd hit a really dark spot, like you were just saying, which interested me because that's not how I got into any of it. I just thought, what's all this fuss about?

How's this guy approaching all these problems such as what's his point when he says clean your room or whatever in 12 rules for life? The point is, sort yourself out before you're going to try and sort the world out. Because.

[Daniel Hill] (46:24 - 47:03)

Credit where due. One of the reasons I like listening to him is similar to why I like reading your stuff is because it's very intelligent. He's clearly, his brain operate like yours.

You've got a very high frequency brain. You're very well read. You clearly have a high level of intelligence.

I find him very similar. You can listen to him talk. And you've really got to listen to him talk if you want to hear what he's actually saying.

Otherwise, it just, it's like a load of American hype. And he's like, speak so fast and passionately. You think maybe this is the bullshit baffles brain strategy where it's I'm going to speak so fast.

I confuse people. So you think I'm smart. If you were to transcribe it, break it down.

It's absolutely solid and it makes sense. And it draws on all of the sciences.

[Adam Lawrence] (47:04 - 49:06)

And that comes right back around to why I think he's a philosopher. Because philosophers over the. All you say is philosophy is.

Well, what in turn? Well, definitely individual responsibility rather than the collective for a start. So how can he impact?

You're talking about someone who can potentially impact the whole of the world or a section of the world with what he sees as almost his teachings, if you like, which, as you said, is really aggregating together evidence based stuff and saying, look, this is the argument as to why this might be the case. This is there's it's not just 12 rules for life isn't just about being nasty. You know, make sure your kids don't annoy people and stuff like that.

There's a lot like you said, there's a lot of thought and logic behind it. Also, what do you find in religion? You know how to live your life to an extent.

And sometimes it's very, very prescriptive. And a lot of religion is about you can't do that. You can't do that.

You can't do that. And I think that's probably why I've shied away from that over the years. Whereas he's more like, if you want this to happen, then these are the actions that you're going to need to take.

If you go back to mental health, as we were talking about, if your expectation is something you're going to develop a massive property and it's the first time you've ever done it and it's going to be easy, you need to reset your expectations. It's going to be hard. But life is hard.

And you pick your battles and you build yourself to the point where you can deal with those things and still maybe like a bit by my disposition, come out smiling because it's putting things into perspective. It's just having a broader thought of, and you know what, you know, the older analogy, you know, you've got 86,400 quid, someone steals a tenner off you. Are you going to spend how much time you're going to spend being upset about it?

That's the same as if someone pisses you off for 10 seconds in a day. You know, sometimes you've got to move past it and get on with it. And that's the very few things are as bad as they seem right at that point.

So I think that's what philosophers have done over the centuries, argued with each other, critiqued each other. You know, this is what you see out of Peterson, people like Ben Shapiro, Sam Harris, Douglas Murray.

[Daniel Hill] (49:07 - 49:47)

There's a degree of irony that people like that, both of those you just referenced, appear to, and specifically Jordan Peterson, because he does it quite publicly, have fundamentally got their own set of issues. Jordan Peterson's a very fundamentally flawed person, emotionally, stability wise. Physically, yeah, absolutely.

Physically, absolutely crushed in some capacity. Is there a degree of irony that if we put him on a pedestal and he understands the academics and the philosophy and the things that we should do to achieve X, Y, Z, that actually at every, any given moment, he's only, he's on a knife edge as to whether he's going to have an emotional breakdown or not. You know, is there not a degree of what, what's that all about?

[Adam Lawrence] (49:48 - 50:29)

I think that's just the, the art, because remember we're talking social sciences, so it's like any artist, you know, some of the best musicians in the world have done it. What is it called? The 28 club or whatever, because they've all died when they were 28.

I mean, all that stuff comes from deep pain and passion. And that's why, you know, who would do the job that Peterson, I mean, nowadays, I'm sure it's very good, fly around the world, get paid lots of money and all the rest of it. But the journey to get there, you know, he's done, he's 15 years worth of YouTube videos of him talking about stuff and what actually took him to prominence, you know, nearly getting slung out of his job by a hateful mob who said he was completely anti-trans and all the rest of it.

You know, not easy, not something you're going to do overnight and not necessarily a path you would choose either.

[Daniel Hill] (50:30 - 50:48)

Just to close the sentiment before we go on to the next round is just in literally 20 seconds. What's your philosophy? Having studied at Reddit, like I say, you've got a very happy, positive energy around you.

What is your philosophy around life?

[Adam Lawrence] (50:48 - 50:59)

20 seconds, right. I would say put the right people around you, try and collaborate. Don't see competition as competition.

Talk to your competition, put things into perspective and every day is a new day.

[Daniel Hill] (51:00 - 51:00)

Nice.

[Adam Lawrence] (51:01 - 52:41)

Right, Penelope McRound, you're up. Brilliant. Right.

OK, so I had here, I had balance in here because I wasn't thinking just specifically work life balance, but I would say something that I've been working on for a long, long time and I feel like a little bit better every day. So what I mean when I say balance is the balance between physical and mental health or the balance between quality time with family and running multiple businesses, for example. And I think it's something that I've definitely lost sight of at some points over the years.

And I've been lucky that I had a pretty strong anchor in my wife to pull me back in. And also I've known when I've really got to listen to what she's saying because she's pissed off. All I need is time to do something differently.

And I think as I've got going back to the philosophy segment, I'm quite a deep thinker. I go away and I think things through and I try not to snap or make snap decisions like that. I've got that switch in my head that can say, right, we need to do this deal and we need to say yes in the next 15 minutes if we're going to do it.

Right, fine. I can get that done. I've built that into myself.

But balancing almost everything that is the if you had to pick who was the most balanced individual, you know, I don't know that I could answer that. Who do you aspire to? Because people look at like we mentioned Dalio or something, you know, he's a great guy who nowadays gives away so much knowledge seemingly without any kind of agenda.

You know, and that's fantastic because, again, he I would say Dalio is an economic philosopher to me. It's just I think you only know about philosophers when they've been dead a hundred years. Maybe that's the, maybe that's the problem.

[Daniel Hill] (52:42 - 52:58)

We're talking about Naval Ravikant. But who, sorry? Do you know Naval Ravikant?

I don't know. Well, well worth checking out. He's like one of these Silicon Valley millionaires now runs a thing called Angel List.

But he's wrote a book. It's called The Almanac of Naval Ravikant. OK.

Recommend checking it out.

[Adam Lawrence] (52:58 - 52:58)

Brilliant.

[Daniel Hill] (52:58 - 54:11)

It's the sort of modern day stuff you're talking about. OK, OK, I'll definitely do that. But balance.

I feel like I'm actually, this is a topic that I feel very comfortable and confident talking about from both an academic point and a practitioner's point, because I might one of the reasons that Proper Entrepreneur is so popular is we're not we don't just drive people on making money. It's all about life by design and the whole reason. So life by design.

The concept is your own race at your own pace, which means there's some people on there that want to earn twenty five grand a year, working twenty hours a week so they can spend their time with their kids. That's their objective. There's other people who want to make a hundred million quid a year, work seven days a week, travel the world.

And that's cool. You know, we help the whole the whole spectrum. The big part of that is life by design is life by design, not life by comparison.

And life by comparison is trying to be what everyone else is. And when you talk about balance, it's like it's very easy because everyone talks about work life balance as if it's the top of the mountain. That's what we should all aspire to be.

But some people are very balanced, especially if they're like tempo profiles. So a tempo profile is very sensory, very cruise control, and they just go through a very steady state. They can hold the same body weight all year.

[Adam Lawrence] (54:11 - 54:13)

They glide through life. Yeah, yeah.

[Daniel Hill] (54:13 - 56:42)

Nothing phases them. They're always smiling. They're having a great day.

Everything's cool. Everything's fine. It's very passive.

It flows. Whereas you get someone the other end of the spectrum, like a dynamo, like a high frequency thinker like you or I, whose brain's off the chart. This week they're going to we're doing an Ironman this year.

We're going to go. We're training seven days a week. We're going all in and then we're completely burnt out at the end of it.

We're exhausted. We don't exercise for five years. We go and put on a load of weight and we're sick of it.

And then we go again and we live this sort of feast and famine style lifestyle. And I think the thing with balance is the same as moderation. Like there's a great quote about moderation that says everything in moderation, including moderation.

And it's like understanding what aligns with what you want. And in my case, and I've had, I had the same life coach for six years and she is now the life coach of all the board members who you'll meet tomorrow and probably entrepreneur. And, um, she said to me last year, cause every year it gets to summer season.

I'm burnt out. I'm like, hate this. Never doing it again.

Like you ask any marathon runner before they cross the line, do you want to go and run another marathon? They're going to say absolutely hell no, but they've prepared for it for nine months. They've, they've been training for three, 12 weeks and then for two and a half hours, three hours, four hours, they run the marathon.

And she says, you know, maybe we don't need you to have this balance that you keep thinking you need, but just because other people do, it doesn't mean you should. And she says, like, you don't want to keep shooting all over yourself all the time. I should do this.

I should do that. She's like, maybe you're just that sort of person. And then I said, I settled into that for a couple of years of like, I am an extremist.

I'm in, I'm all in. So the minute I'm training, I'm weight cutting, I'm four times weights a week, four times cardio, no alcohol, sleep supplements, the lot, tracking everything to the nth degree, magnesium, magnesium, magnesium, um, zinc, magnesium, zinc, uh, loads of stuff, ashwagandha. And I'm, I'm tracking everything to the nth degree, but come next summer, I'll probably be in the pub garden again.

I've been enjoying my beers, I'm having the burgers and I sort of live that those, those peaks and troughs. And that's just what I've been because I enjoy novelty. And as I've started to learn more about myself, I learn about my body.

I learn about my wealth dynamics profile. I've started doing some more advanced profiling around Myers Briggs and just learning who I am. And one of the things I've learned recently is I like novelty and novelty doesn't really come with balance.

Novelty is like this month I'm going on holiday for a month, not gonna do anything next month. I'm going to work seven days a week. I like that novelty of what's new and exciting.

[Adam Lawrence] (56:42 - 58:22)

In a way, there is balance there, isn't there? If you look at the two months as a, as a whole, you know, you have balanced out, you've just done one thing more. I don't think balance necessarily means we've got to live the same life every day by any stretch of the imagination.

I think you've got to look more. I mean, one of the things I talk about all the time is quality time, not quantity of time. So people, and I feel this with my own kids, you know, I'm so lucky because I get to and I've engineered a way that I get to spend the quality time doing what I know they want to do.

And also I want to do with them and that's loads of fun. The hard bit is it's half term this week and being at home with them, keeping them entertained or making sure they don't spend all the day on watching YouTube or, uh, on their, on their tablets or whatever. That's the, that's the hard bit.

Cause that is hard to balance out, but you have to balance that out by making sure, right. Okay. Monday weather's rubbish.

We're not necessarily going to do anything Tuesday. We're going to do this Wednesday. And that's, uh, I'm lucky that I subcontract that to my wife.

I hope she's not listening to this. Um, when I say that, but you know, I I'm lucky because it's dead easy in an hour or two or three to have a great time and all those times to be brilliant. But there's 168 hours a week and they're only asleep for sometimes it feels like about 40 of them to be honest.

So that, that, that side of it is, I don't think you've got to look at it as a day thing or a month thing, or a, I think you're looking at it as a, again, it's more, more of an overall philosophy. So what works for you is what balances out over those two periods in a way, balance themselves out. And I've had similar, you know, internal conversations with myself about, for example, should I give up alcohol?

Drinking at 45 looks very different to drinking at 15 and 25, right? So it's completely different.

[Daniel Hill] (58:22 - 58:41)

What's your view on this? Cause I'm exactly the same for anyone who listens to the podcast religiously for the last four years, I've had this ongoing battle with alcohol of like, I don't, I don't need it in my life anymore. I did nine months clean, six months clean, three months clean.

I'm clean at the minute. Can't see myself drinking when I'm not drinking. I'm like never drinking again.

When I'm drinking, I'm like, Oh, I can't believe I stopped drinking.

[Adam Lawrence] (58:42 - 58:44)

It does come back to that personality type.

[Daniel Hill] (58:45 - 58:53)

And it's the balance. So having a drink, a glass of red wine or going on a stag do once a year. That that's balanced.

That's fine. But when it becomes a bad habit, That's it.

[Adam Lawrence] (58:53 - 59:14)

And when it starts to, I mean, again, where in the wearables you see even more like in data, you see, yeah, yeah, exactly. With quality of sleep. Did you get into any deep sleep?

All the rest of that. It's it, but I'm not at a stage where I feel, and I don't know if I'll ever get there, that I need to give it up or that I want to give it up, but my consumption is so much less than it used to be.

[Daniel Hill] (59:15 - 59:15)

It's balanced.

[Adam Lawrence] (59:15 - 59:35)

So it doesn't get in the way. I don't think I'll sometimes look back and think I'm going to drink for three weeks. I haven't set myself a target of not doing that.

It just hasn't happened because it doesn't fit into my daily routine. And I think when, when daily routines are a problem, you know, I've known people, been close to people, lots of people in members of my family who will just have a drink every day.

[Daniel Hill] (59:35 - 59:41)

But if my parents drink, I mean, unfortunately my dad's not around anymore, but both my parents drink every day, pretty much every day. And they have done for 40 years.

[Adam Lawrence] (59:41 - 1:00:30)

It's a bit generational, absolutely. But at some point you've got to ask yourself things that I do every day. I, I came to a, when thinking about balance during the pandemic, it was such an interesting time because we already had an operation that could pretty much work remotely.

We just didn't. Right. So there wasn't loads of work to do to turn that into a COVID friendly operation.

The portfolio worked and it was fine. Within the first week we were, we were fine. We were up, we were, we were ready.

We were up and running. We just weren't going to the office or whatever. We used the time to refurb the office instead, you know.

Um, and I think the whole of the whole of life can be a bit like that. It was so busy and I realized probably at some point in the April of 2020, I wasn't looking after myself at all. I let my weight slip really badly.

[Daniel Hill] (1:00:30 - 1:00:31)

You used to play rugby didn't you?

[Adam Lawrence] (1:00:31 - 1:01:47)

I did, I played rugby to a decent level. Yeah, I played rugby to county level. Um, not very big.

I'm only 5'6", so that makes it kind of difficult, but I was in good shape. And back in the, I've always been a bit of a, where do you get your edge from? As we've been talking about earlier.

And in the nineties, when I was at school, I got my edge from going to the gym because it wasn't like it was today. Nobody used to go to the gym. So because I went to the gym every day and I was, although I'm sure I'm quite broad and I've got, you know, my lead, I saw I could bench press massively high weight, shoulder press massively high weights.

No one could get anywhere near. So I was in the front row of the scrum and I was just so much stronger than anybody else. Cause in those days it was, if you were a big fat lad, 18, 20 stone, they logged you in the front row.

I was 14 stone and I couldn't put on any more weight. And that was, of course that was before the days of knowing lots about nutrition and all the stuff you get off YouTube and everything these days. Um, that would have done me a big favor, but I got stuck there and I couldn't really progress and I wasn't a natural, I've no natural talent or sport whatsoever.

I was just fast and determined and I trained really hard and I was in great shape and that made, that was good enough to get me to be a county level player. But I injured my ankle when I was about 22 and it was a, it was probably a pretty permanent, it was one of those you could carry on, but I wasn't playing it enough of a level to make it worth carrying on. So I didn't.

[Daniel Hill] (1:01:47 - 1:03:21)

Before we go into the last round, that's a nice sentiment to finish on. Cause the thing about balance as well is it's like, especially the high performance is the problem. Sometimes it's doing too much of the good stuff.

So like a lot of my friends, we talk about overtraining and the issue is we're, we're training too much, we're lifting too, we're not recovering enough. And that balance of, uh, high performance is like the, if you don't have it, the danger is success in the 28 club that you talked about earlier, or any of the Jordan Peterson, uh, some of my experiences to the extreme, like Avicii, Alexandra McQueen, Amy Winehouse, they have this success train and everyone thinks what must be, I genuinely think in 50 years, a hundred years, we'll look back on celebrity and fame and the riches of, uh, as this like poisonous thing that happened because everyone's aspiring to be this. I actually saw a video on Instagram earlier saying when this girl, when she, I don't even know who she is, but when she got to a hundred million followers, that was the darkest period she'd ever had in her life.

Whereas everyone's projects that that's where you want to get to. And it's like, actually, if there's no balance, it's not, it's, it's detrimental rather than beneficial. Smashing it, right.

Putting it back around for the last round, going back to business, economics, property. What are we expecting of the future? So we talk about the future is in the next six weeks, six months, six years.

What are you expecting to see in business property, the economy, and how can people use that to make some good decisions, do some deals and make, make some progress or some money?

[Adam Lawrence] (1:03:22 - 1:04:48)

I think that's a good, a good three time periods. You've laid out there six weeks, six months, six years, six weeks, relatively easy to predict, of course. Six years, six months, a little bit harder, but reasonably six years.

I think one of the reasons why we invest in property is that if you, if you were in a room full of a hundred people from property entrepreneur right now, and you said to them, right, put your hand up if you think the market's going to go up in the next six months, they're probably quite positive. They're probably quite bought in. Let's say half the hands went up, maybe over half the hands would go up.

If you said to him, how many think it's going to go up in six years? I'm pretty sure a hundred percent of the hands are going to go up, right? So, so six years, as long as we keep it abstract, it's a bit, it's a bit easier to answer.

We'll be over this cycle of inflation having led to higher rates than we really want to be able to deal with. And that's some of that's to do with this, I wrote about this last weekend, the, the refinancing wall that's coming up because where it relates to property and to business, you know, we work largely on a five year cycle for our debt as SME, developers, investors, et cetera. So we're on five year fixes.

Now, some people have historically used two years, especially when the market's been going up because they wanted to get the money out quicker and reinvest it. And that can make sense. But generally speaking, two years has been a lot harder over the last 12 months because the stress tests have been too high apart from anything else.

So that refinancing wall is going to have an impact over the next several, over the next six months plus as more people drop off financing.

[Daniel Hill] (1:04:48 - 1:04:54)

And do you think it is, like when, like more, when, when you think about it and the significance of it, how significant do you think it's going to be?

[Adam Lawrence] (1:04:54 - 1:04:56)

Not as significant as all the people who write about.

[Daniel Hill] (1:04:56 - 1:04:59)

Six, 700,000 this year that are going to still to drop off?

[Adam Lawrence] (1:04:59 - 1:05:03)

In terms of owner, owner, occupier fixed rate mortgages.

[Daniel Hill] (1:05:03 - 1:05:03)

I don't know.

[Adam Lawrence] (1:05:04 - 1:07:15)

But boringly enough, I've done the, I've done the, I've done the work on this. Right. So, um, the bank of England have published a few bits about this and they were talking about a couple of million people dropping off before the end of next year.

And then they also looked at what amount per month it was going to cost these people. And then there's another, there's a stat that I watched. That's the, I can't remember the acronym now, but it's basically the average big bank variable rate that they're charging.

And that's the stat that has been going up and up and up and up. And now we're at 7.9, 7.93 was the last print on that stat. So if you're off a fixed rate mortgage and you're on a variable, the average bank is charging you 7.93%. And you'll know if you've taken out lots of financing, which I'm sure you have over the last five years, the drop off rates went from one of the big regrets of the banks from 2008 is that a lot of these old mortgages dropped off onto base plus 1.7 and base plus two. Whereas now you drop off onto Sonya plus four and a half and you look at some of that and it's like, well, hold on, that's 10% today. So that's really, and I feel two ways about it because some of that I look at and think, is anyone in the credit risk department looking at that and thinking, will people be able to pay that 10% if that's what, if that's what comes out? But that's a, that's a, that's a, this is a classic can kick down the road situation.

And that's the problem they've had with the rates, right? Because they've gone up so much, but almost all the big corporates saw it coming. So they took out debt that at an average duration of 17 years, they took out more debt than they've ever taken out in the first quarter of 2022.

So basically what happened is the CFOs and the people who get paid the big bucks turned around and said, do you know what? Rates have just started going up in the UK. We've got inflation.

This is a problem. That's still 3% now or two and a half percent. Let's just go for it and re-gear all of this stuff.

And this is what I was writing about this a lot last year. I was banging the drum for it in the Sunday supplement saying, look, really strongly consider breaking off mortgages and fixing them. One of the problems that I saw with people is they had this mental block around early repayment charges such that they would let a one or a 2% early repayment charge be like a brick wall.

They couldn't scale. I'm like, what are you talking about? It's one or 2% of the debt, which is not even one or 2% of the property.

[Daniel Hill] (1:07:15 - 1:07:35)

December 2021. We said to all of our property entrepreneurs, whatever you got to do, lock in fixed five-year rates now. We did all our portfolio.

Adam Goff, who's the host of the program, a property entrepreneur, you'll meet him on Friday, he spent 60 grand in early redemption fees and he was like, this better work. He stood up the other day, he said it saved him quarter of a million quid.

[Adam Lawrence] (1:07:35 - 1:08:13)

I spent 250 or something like that. And I reckon over the five years it saved, it certainly saved well over seven, into the seven figures. Unbelievable.

So I practiced what I preached there very much on that front. And we've actually, bizarrely enough, we've still got one loan that's on a four odd percent rate that hasn't completed yet on a portfolio because it's been so slow. And in that interim period, you know, we've lost high five figures, if not six figures to the, the, um, the interest payments we've overpaid.

But we've got the rate locked in. The lender's actually been quite good. Although they've been terrible, they've actually been quite good at preserving the rate.

And that completes next week.

[Daniel Hill] (1:08:13 - 1:08:20)

Oh, yeah. Congratulations. You've done well there.

So for six weeks, six months, six years, what are we, what are we expecting on rates, property prices?

[Adam Lawrence] (1:08:21 - 1:08:26)

So six, six weeks, I think we'll go into this, this December will look like a more...

[Daniel Hill] (1:08:26 - 1:08:27)

Any more rate rises before Christmas?

[Adam Lawrence] (1:08:27 - 1:08:37)

I don't think so. I think we're one day away from the next Bank of England meet, and I think we'll probably stick at 525. October's CPI and inflation figures...

[Daniel Hill] (1:08:37 - 1:08:39)

Do you think they should have gone up to 5.5?

[Adam Lawrence] (1:08:39 - 1:08:41)

I, I said, I think they should have done, but it was...

[Daniel Hill] (1:08:41 - 1:08:42)

Same, just put the last nail in the coffin.

[Adam Lawrence] (1:08:42 - 1:08:42)

Yeah, exactly.

[Daniel Hill] (1:08:43 - 1:08:48)

And get on... Scare the living daylights out of everyone. It's done now.

They would have been a, then it would have been a stop. Now it's just a suspense.

[Adam Lawrence] (1:08:48 - 1:09:11)

They haven't had the balls all the way through to actually do what they really needed to do and make those last difficult decisions. But I can understand why it was five, you know, the vote was 5-4 on the committee. It was close.

Um, I also don't think the governor knows what he's doing, which doesn't help very much, but that's, it's an amazing correlation between people who get into positions like Chancellor of the Exchequer and, um, Bank of England governor who don't understand economics well enough to do the job, in my opinion.

[Daniel Hill] (1:09:11 - 1:09:12)

Big boats and small rudders.

[Adam Lawrence] (1:09:12 - 1:10:32)

I would say that because I'm an economist. So I would say that, but I think there's plenty of evidence of it as well, you know? So I think we'll go into a pretty standard sort of December.

Market will be quite quiet. We'll see what happens early January. No, no more rate rises.

I think prices will be fairly flat, which of course everyone forgets, although they're flat, they've gone down in real terms. 15%. Right.

So going back to my, my early nineties analogy earlier on, you know, like I said, they were down 35, 40% in real terms, although that was on the back of a rise that was, it trebled, whereas we've had a market where went up 25%, something like that, and then it's flattening out a bit. So if you look at real prices versus like 1st of Jan, 2020, today, they're cheaper. If you look at prices compared to wages compared to 1st of Jan, 2020, they're Now this is why there's a massive, go to your six years, massive opportunity because although the market doesn't react overnight and it always does these strange things, if you look at the trend line of the real house price, our real house price in 2007, in today's money was about 333 grand.

In today's money, it's about 260 grand. This is nationwide figures. So they're not, they're not perfect, but they've got the best data on this sort of stuff.

So we are, what's that? 23, 24% below where that, where that was in 2007. And we're underneath the 40 year trend by about 23, 24%.

[Daniel Hill] (1:10:32 - 1:11:06)

And then when you contrast that with affordability and not the only thing that you could even, if you wanted to have a reason, a semi-intelligent argument about the future of property prices, the only thing that would fundamentally push against because demand or supply, I mean, we're already now pricing in the next property shortage, aren't we? Because construction stopped. So it's like, right.

So now you stop supply, demand's already through the roof. As soon as liquidity and rates goes down, we've already priced in that next spike because we're shy 100, 200,000 houses a year, whatever.

[Adam Lawrence] (1:11:06 - 1:11:23)

It goes back to your below bill cost strategy and stuff and all the rest of it. And those are the fundamentals. That's how you build a 50 year, a hundred year business, whatever it's going to be.

It's price cost averaging, isn't it? By having good fundamentals, you know, and the fundamentals are better than they've ever been from the investment perspective. I mean, we forget things like...

[Daniel Hill] (1:11:23 - 1:11:35)

Just coming back to that point before we move on, is the one thing that when you look at it sort of strategically and you think, if there were to be a black, obviously the black swans, we don't know what it is until it happens. Then it seems obvious.

[Adam Lawrence] (1:11:36 - 1:11:37)

It's the definition of the black swan, right? Yeah, exactly.

[Daniel Hill] (1:11:37 - 1:11:57)

Yeah, it seems obvious. Affordability, you look at affordability as multiplier of earnings or percentage of income, it looks through the roof, doesn't it? And you just think, if something was going to make a reason why the thing would tank, that sort of seems to lean on it.

But then everything else says that this thing's going to go and it's going to, going to go and it's going to go.

[Adam Lawrence] (1:11:57 - 1:12:12)

You know what though, when you look at the, I've done the work on this again and looking at, because this is something that's in the papers all the time and it's actually not based in reality. So you go back to houses in real terms are cheaper than they've been since 1997 compared to where weekly earnings were in 1997.

[Daniel Hill] (1:12:13 - 1:12:13)

Is that right?

[Adam Lawrence] (1:12:13 - 1:12:43)

Yeah. And we've just, in July, I wrote a long, long, long, long piece about this with all the data in it that I did. I did the research myself.

And you look at the ONS have only got figures since 2005 for rents is when they started collecting figures. And rent today compared to wages is 15% lower. This is today or well, the most recent figures we've got, obviously rents are rocketing at the moment, but are still 15% lower as a percentage of your wage than they were in 2005.

[Daniel Hill] (1:12:44 - 1:12:47)

And that just tells you how much noise, in real terms.

[Adam Lawrence] (1:12:48 - 1:12:59)

So, well, it's the same thing because if you adjust for inflation, it's still 15%. If you adjust both of them for inflation, but in real, like a percentage of the income, it was 15% more.

[Daniel Hill] (1:12:59 - 1:13:00)

So that surprises me.

[Adam Lawrence] (1:13:00 - 1:14:22)

It surprised me an awful lot. But those are the, I don't argue with the ONS, you know, those are the real bits of data, but nobody talks about it because it doesn't write headlines, you know? So, so the affordability why, I mean, look, you know, private sector wages up 8% on average.

What people forget is we get obsessed with these sort of cross-sectional metrics like that wages are up 8%. But what you forget is go back to your five-year mortgage people dropping off. If you got underwritten in 2018, you were stress tested at five and a half percent.

You also had yours and your partner's job probably in 2018. And since then your wages have gone up, right? And you've probably been promoted.

So over time, remember your income doesn't go up like that because of inflation. Even if you adjust it for inflation, most people, till they get to sort of 50, 55, they're getting more money because they're getting promoted or they're changing jobs to get more money or whatever. So people are actually way better off than they were, but everything is so miserable that you just don't see the wood for the trees.

And this is why the economy sort of lumbers on like this slightly wounded beast, even at the best efforts of some people like the governor of the Bank of England to bugger it up. They can't, they can't manage to screw it up enough. It goes on and it's stronger than we realise.

It might be, I do like your analogy of this sort of overweight, whatever, but that's more about some of the entitlement and the privilege points that we made earlier on. The economy rolls on and people make more money.

[Daniel Hill] (1:14:22 - 1:14:51)

I mean, for us it's the tiniest percentage of people who know how to play the game. It's beautiful. You look at it and you think, what other industry would you want to be in where the UK property has been, I mean, it's always been reasonably recession proof.

You throw in the pandemic and we got through that. Now you've got the, just the macro demand against supply and you just think, I can't see this. And the fact that HMOs have got a second wind or fifth wind and you've got a hundred percent occupancy, rent's going through the roof.

I'm thinking, I tapped out of that market.

[Adam Lawrence] (1:14:51 - 1:14:54)

Removal of the banding of the room.

[Daniel Hill] (1:14:54 - 1:14:57)

So you just think, wow, how can this get any better?

[Adam Lawrence] (1:14:57 - 1:15:02)

Oh, the fundamentals are outrageously good at the moment because like you said earlier on about inflation, it's about people's expectations.

[Daniel Hill] (1:15:02 - 1:15:10)

The planning system's just clogged up. So it's like, if you do manage to get a site for it, yeah, it's a ball egg, but it's like, it's gold dust. It's like you're printing money.

[Adam Lawrence] (1:15:10 - 1:15:15)

It's- What, nobody wants to fix, there's no appetite to fix that. Or any expertise to fix.

[Daniel Hill] (1:15:15 - 1:15:28)

I mean, if they did untap it, imagine if they untapped it, we could go to building three quarters of a million houses a year. They're all prefab. There was a government.

If this was a capitalist economy and a big developer understood the politics and the economics.

[Adam Lawrence] (1:15:28 - 1:15:29)

If it was Dubai, if it was Dubai.

[Daniel Hill] (1:15:29 - 1:15:37)

Oh yeah, yeah, there you go. And it would just overnight. But then you'd have the big problem like China have got now, wouldn't you?

Where you've got debt everywhere, there's empty properties.

[Adam Lawrence] (1:15:38 - 1:17:04)

Well, they've made a funny mistake because they have just fundamentally not looked at their own demographics and said, like, while things are roaring along, that's why you've got these developments in places where they're 40% empty because population of working age is now dropping in China. And that's why a lot of people are saying their golden age is over. Whereas India, for example, for the next 20 years, the demographics and everything look quite irresistible.

Interestingly enough, in the UK over the next 10 to 15 years, we've got a lot of people who are going to get into that sort of 20 to 35 segment. We've got a growing 20 to 35 segment, and that's going to mean more renters to start with, apart from anything else. Birmingham is one of the youngest cities in Europe, if not the youngest city in Europe.

And it's got massive roadmap for rentals. Of course, the problem is supply and demand are almost so far gone. They're not even in the conversation anymore.

Affordability is the key bit, but affordability is nowhere near as bad. In London, it's slightly different because I think in London, from what I've seen, there's quite often three people sharing one bedroom flat and they're pushed to the limit of what they're earning because the living wage and the London supplement is just not reflective of how much more expensive it can be just to get around. Depends what you do.

Depends how you live your life. It's much easier to spend. It's quite difficult to live in Nottingham and spend 500 grand a year without wasting it quite a lot.

It wouldn't be that hard in London because the restaurants would be so much more expensive. All the rest of that would be so much more expensive, you know.

[Daniel Hill] (1:17:04 - 1:17:19)

We're always talking about luck. Nottingham is actually, or at least it was a couple of years ago, in the UK, it was the highest level of disposable incomes. It was about all the quality of living.

So basically, for the money you earned and the property prices, it was a sweet spot. So from an investor's point of view, it was fantastic.

[Adam Lawrence] (1:17:19 - 1:17:32)

I've always invested a lot more in the East Mids than the West Mids, even though I live in the West Mids, because the actual regional GDP is a bit higher. The houses which were cheaper, they still are just about cheaper, but East Mids has gained about 10% on the West Mids over the period I've been doing that.

[Daniel Hill] (1:17:32 - 1:17:36)

It's always sort of top five for like yield, buy to let, property growth.

[Adam Lawrence] (1:17:36 - 1:17:47)

And average income and stuff like that. And it's all good because going back to your below bill cost stuff as well, people have tons and tons of stock where you're not going to buy that. How are you going to build a house these days for 80 grand?

[Daniel Hill] (1:17:47 - 1:18:05)

Yeah, well, 55 grand back in the day, like in Nottingham I used to live and used to invest 55 grand. You couldn't get it for 150 now. No, no.

So what for people who are listening to this and thinking about doing deals, what to watch out for, where the opportunities are, where do you think the opportunities are over the next six to 12 months?

[Adam Lawrence] (1:18:06 - 1:18:34)

I think there's massive opportunities in vendor financing stuff, huge opportunities. We don't have quite the roadmap or the outline they do in the US where people have got long fixed rates on stuff. But we have picked up some deals where we've bought companies that have got fixed debt at a low rate.

And where the edge has been for us is we're valuing that loan now. That loan is an asset because it's fixed at 3% or whatever. And people are forgetting that in the deal.

They've got a different reason to sell it.

[Daniel Hill] (1:18:34 - 1:18:37)

So you're just taking on the debt or you're taking on the cash?

[Adam Lawrence] (1:18:37 - 1:20:05)

Taking on the debt and we might be then using deferred consideration so the vendor's going to get paid over a number of years. We've had quite a good spot this year where vendors have been happy to crystallize a price because they're worried about tax. And I think this is a big thing for people who are listening to play on, certainly before April next year and probably April 2025, given when the election is going to drop and all the rest of it.

But there's a big fear out there that labor are going to raise capital gains tax. So if it goes from 20% to 40% at the top level, I'm talking about for companies, obviously it's 28% for property, but it's the same logic. People want to crystallize those numbers now.

We've done a couple of deals where people have lent us money back. So what they really wanted to do was crystallize the price, pay the tax at the lower level, and then they were happy to take a bit of savings income from it and they could walk away from the portfolio because they couldn't really be bothered to run it anymore or whatever. So those sorts of creative deals, I think, will be massive.

I think people need to look closely at. It's a good time to be sharing equity with people rather than necessarily taking on debt. If you can get the pricing and the splits and the deal and everything right.

I'm not recommending to anyone jump into bed with people in JV straight away. I see that far too often and it worries me. But if you've got people who want to take on equity investments, who are going to take a six year view, not a six month view, they're very valuable to have in your armory.

And yet, you know what, you're going to give away some of your uplift on some of the deal there. But how much are you going to gain in the future?

[Daniel Hill] (1:20:05 - 1:20:39)

Yeah, we'll just broker the deal. Like if you can't get into bed with them, just, oh, somebody messaged me yesterday, one of our clients, and they said, what should I charge? And I said, up to 33%, it's basically a flip, portfolio of HMOs, needs to get sold, can't refinance, whatever.

And he said, we can flip it. We've got a buyer, we've got a seller. This guy's putting all the money in.

I said, we'll just broker the deal, take up to a third. And on a 300 grand margin, that's 100 grand for giving you a phone number and a postcode. Absolutely.

It's like, why not? Absolutely. And there's no risk.

That's the thing right now, isn't it? You don't want to be sitting on 10 million pounds worth of bridging.

[Adam Lawrence] (1:20:39 - 1:20:49)

One of the reasons, going back to one of the previous points about why people, why is the market not crashed like some people thought it would? The figures say about 56% of landlords are sitting on unencumbered property.

[Daniel Hill] (1:20:50 - 1:20:53)

Yeah, I did actually read some stats about that, which again surprised me.

[Adam Lawrence] (1:20:53 - 1:21:28)

Versus 44% leveraged, right? So over half of them aren't affected a jot by the interest rate side of things. They're affected by inflation.

Most of those people will have some sort of business mindset, although a lot of them are only one and two property owners who are still keeping the rents the same. You know, there's this huge elastic band that at some point is going to snap because like you said earlier on, the market has to adjust. 6% yield, 6% debt doesn't work for leveraged buyers.

Now, not everyone's a leveraged buyer, so it only knocks out 44% of people who are using leverage for a start, which is why it isn't quite as damaging as we might think it might be.

[Daniel Hill] (1:21:28 - 1:21:36)

The people who are unencumbered are benefiting from the market conditions of forcing rents up because everyone else is paying increased corporation tax, increased rates.

[Adam Lawrence] (1:21:36 - 1:21:55)

What businesses do you think of any size of not taking advantage of any, you'll remember from like, for example, you'd buy materials for a development. Yeah. Wood price started to go down again in like March, April last year, but still by July, August, people like Juicins or whoever, we're still sending out a monthly email saying this is up 8%.

[Daniel Hill] (1:21:55 - 1:21:57)

This is because they could. It's boring.

[Adam Lawrence] (1:21:58 - 1:22:30)

And it was all these prices and they're just gouging because it's business. You know, that's the society we live in. And then when they couldn't get away with it anymore, suddenly the prices started to fall more, but people took the opportunity rather than saying, well, we've got to put price up by this much.

They see an opportunity and they took it. We had a site where there's a bar in there and I went up there to check on it and one of the staff said, I'll put the price of the beer up by a pound a pint. I was like, what, how, what's the reaction been like, oh, people don't care.

Well, this is playing the game, right? Wow. I couldn't get my head around that.

[Daniel Hill] (1:22:30 - 1:23:18)

It's like driving instructors. When fuel price went through the roof, every single driving instructor went from like 40 pounds an hour to 55 pounds an hour. Fuel prices come back down and then you haven't reduced their prices?

Of course they haven't. And also in the current market, when you talk about unencumbered and like my bank debt is 14%. So like during pandemic, paid down my portfolio.

So a lot of this stuff is beneficial to me, not detrimental. And I did my annual exercise of targets for next year. And I was thinking, looking at all the opportunities, development, buy, flips, packaging, and I was like, do you know what?

I'll be best to do, I'll be best to use my cash that I make next year and just pay off the last bit of my mortgages. So I've got debt at 10, like commercial loans at 8% plus fees. There's a logic that actually you're better off in some markets paying off your debt than you are going and buying, doing more development because it's risky.

[Adam Lawrence] (1:23:19 - 1:23:37)

It's, it's, it's time, effort and risk, isn't it? All of those things have to come together for a decision like that. And when you're, I mean, we've had a couple that have, have hit the sort of 10% sort of mark, which are really difficult to refinance.

Only small individual properties. And we've gone, well, hold on, why are we looking at new opportunities? We can go and sit there and make 10%.

Yeah.

[Daniel Hill] (1:23:37 - 1:23:42)

I can make a hundred grand a year just paying off three quarters of a million pounds loan with Shawbrooke.

[Adam Lawrence] (1:23:42 - 1:24:13)

And that's part of what will, what will define the investment landscape. Well, things as they are at the moment, you got 30 year bonds returning 5%. Institutions who've been looking very closely at things like build to rent, for example, they've got the same problem.

They were taking 3%, three and a half percent yields out of projects when the interest rate was nothing. Right. So that's three and a half percent premium above the, they're going to take eight and a half percent returns today.

No, they're not because they're not, they're not there. So what do they do? Well, they just buy the bonds and all of this stuff, not bothering with the property projects, all of this stuff that leans on the big boys.

[Daniel Hill] (1:24:13 - 1:24:27)

So like the pension funds, the corporates, the LNGs, the prefab buildings, the, the build to rent, all it needs is an economic shock. And all those guys run for the hills. Modular housing seems to have been shelved again.

LNG have closed their factory.

[Adam Lawrence] (1:24:27 - 1:24:32)

They hate risk. That's what they hate risk. And they move at the speed of a super tanker because they are these gigantic organisations.

[Daniel Hill] (1:24:32 - 1:24:44)

And when a cycle's 15 years, by the time they just about get going in year seven or eight, they get one or two years run. The whole thing disappears again. And it's back to us guys who are like dynamic, flexible, can weather the storm.

[Adam Lawrence] (1:24:45 - 1:24:46)

Can move quickly. Yeah, absolutely.

[Daniel Hill] (1:24:46 - 1:24:48)

Do you think, and what do you think will happen in the next election?

[Adam Lawrence] (1:24:49 - 1:25:07)

I think Labour will win. Yeah. I think Labour will win.

I think it's the, although I don't like sort of foregone conclusions, I think look at what, look at mid-beds in the last by-election. I mean, I know Nadine Dorries didn't turn up or whatever, but still listening to the people on LBC or whatever, because I love listening to LBC. It's a great.

[Daniel Hill] (1:25:07 - 1:25:13)

I had to stop listening to it. Nigel Farage, who's the, who's the host on there? That's the morning host.

[Adam Lawrence] (1:25:13 - 1:25:20)

James O'Brien. Is that what you're thinking of or Nick Ferrari? One or the other.

Nick Ferrari. Yeah, yeah. Negative, aggressive, rude.

It can be.

[Daniel Hill] (1:25:20 - 1:25:23)

And I'm like, my blood used to boil listening to it, I had to stop listening to it.

[Adam Lawrence] (1:25:23 - 1:25:53)

I love, I love it to listen to what, because it tells you what the general public are thinking, you know? And people were phoning in from mid-beds the day after that by-election, because I was driving to it and I was listening to it on the way up there. And I couldn't believe that they sounded so upper middle class and they'd all voted Labour.

And you just thought, blimey, this is a real, you know, Starmer would have to do something seriously wrong not to win. It's not, look, crazy things have happened in the past. 92 was pretty crazy.

87 was a bit crazy.

[Daniel Hill] (1:25:53 - 1:26:02)

Well, on face value, you look at, you're thinking it's blue against red and these polar opposites, but the reality is nowadays, they're so close in policy, manifesto, it's like.

[Adam Lawrence] (1:26:02 - 1:26:04)

And that's an interesting thing. That's really interesting.

[Daniel Hill] (1:26:05 - 1:26:06)

Their philosophy. That's why. They're just very aligned now.

[Adam Lawrence] (1:26:06 - 1:26:36)

That's why Corbyn couldn't win. Everyone's trying to keep everyone happy. But that's the political cycle, you know, it goes back to the centre and then it will drift back out to the extremes.

Of course. If the Conservatives get beat, they might well elect Liz Truss again, who will be on the further right side. And then they won't, they won't win because you don't win from a far position because Boris, although they said like, oh, he's far right about this.

He's not at all. He's a liberal bloke, really. He's still quite a centrist and he's an incredible character who wins elections.

You know, that go back to.

[Daniel Hill] (1:26:36 - 1:26:37)

Gives everyone the confidence.

[Adam Lawrence] (1:26:37 - 1:26:53)

It's the celebrity culture thing you were talking about as well. I genuinely spoke to people who after the election voted for Boris because they liked his hair. But these are people who never would have voted Conservative in a minute.

They didn't vote. They didn't look at it as Tory Conservative. They looked at it as Boris and they voted for Boris.

[Daniel Hill] (1:26:53 - 1:27:50)

And he's getting torn to pieces now because of which is, I mean, I'm not a big, obviously there's things you should and shouldn't do in the middle of a pandemic then be judged three years later. We're just looking for things to worry about when he's going to worry about the economy. Not, but there's obviously big things in there.

I'm not, I'm not being blasé about the sentiment is through a pandemic where the world was just shocked and the country were paranoid, mental health, et cetera. Boris got up there every day and was optimistic and driven and gave you that sort of chest beat in. Let's do this.

We're going to be good. Whereas if you'd have had any of the other people up there with the facts of like this, many people have died. It could be a travesty.

It could be this. It's like he actually did a good leadership for a job through there. He's never going to rebuild the economy.

Whereas Rishi Sunak appears, although I've got friends who've met him, who've said they've got a different opinion. Um, he appears on face value to have the full skillset you would need for a developing economy, restructuring the economy, getting the growth scale going again, balancing the books.

[Adam Lawrence] (1:27:51 - 1:27:57)

Economy wise, he'll be the best that we'll have for many years. Politically. I think he's a little bit naive, but I do agree with you about Boris.

[Daniel Hill] (1:27:57 - 1:27:59)

Is he politically naive because he doesn't know how to play the game?

[Adam Lawrence] (1:27:59 - 1:28:12)

I just think he's only been in five, six, seven years. And also he's someone who has had his great deal of success by using his brain and his intelligence, his economic now, not by remembering that it's a viper's nest and everyone's going to stab you in the back. Well, that's what I said.

[Daniel Hill] (1:28:13 - 1:28:19)

I'm probably on the other day. What he's doing will win the economy, but we won't win an election. And the danger is he's got to win the election to stay in the game.

[Adam Lawrence] (1:28:19 - 1:29:42)

And that's exactly, going back to John Major, that's what, in 1992, they did all the hard decisions they needed to take right there and then to get inflation under control, they did it. When they handed the torch over to Labour in 1997, actually things were in really good shape. If you go back and look at the GDP and the economy and where we were growing and where we were going in 97, there was a chance to do what Labour did do.

And they did do it with a degree of skill, but also a lot of that was based on the platform they'd been given. It's a bit like what happens after World War II, you know, Churchill gets booted out, even though now he's lauded as a massive hero, because everybody for the time, they just look at like, they look at Sunak and go, it's your fault, the cost of living crisis. It's all your fault.

It's all your. And that's just people. And we'll see whether it's a five year or a 10 year term, but I think that's one of the big drivers as to why people will turn and flip their vote.

The challenge will be coming in now, coming into being Rachel Reeves, not easy, not easy at all. And then you've also got to control the rabid far left of the party that's been given a lot of empowerment under Corbyn. And one thing Starmer didn't really do is he didn't really kill it off.

You know, they're still there or thereabouts. And he's going to have to be quite cautious because otherwise there's going to be some kind of uprising to try and take him out once they've got power. And that, you know, nothing scared me more than John McDonnell being Chancellor of the Exchequer.

That was the most frightening thing that I could ever have imagined.

[Daniel Hill] (1:29:43 - 1:29:45)

What are you guys doing about corporation tax gone up this year?

[Adam Lawrence] (1:29:46 - 1:30:12)

Well, obviously, we've got a couple, we've got two different problems, really. One is this sort of aggregation across vehicles where there's common control because you've got a lot of JVs and things like that. So we're not getting the, if we've got five companies between two of us, then we're only getting a 10 grand allowance each company before we go and pay 26 and a half percent.

All right. What's it supposed to do? It's supposed to make you 26 and a half because it goes 19 up to 50k.

Then it's 26 and a half to 300. And then it becomes 25.

[Daniel Hill] (1:30:13 - 1:30:14)

Where's the extra 1 percent?

[Adam Lawrence] (1:30:14 - 1:30:43)

The one and a half supposed to make up the 19 to 25 on average as you get to the 300. So it's like blended. It's a bit like, you know, if you go, if you earn over 100, your personal allowance starts to get eaten away.

So you're actually paying 60 percent tax between 100 and 125k, which is obviously a bit of a killer because you're also, there's other things you might lose as well. So some people say it's 70, 80 percent tax. So what you should do, well, economically, what you should do is you should be reinvesting and all the rest of it.

[Daniel Hill] (1:30:44 - 1:30:59)

Then even in property, like unless you develop, unless you can put it as a expense, you know, it's not a capital allowance necessarily. How much of that net profit? I mean, I'm looking at my tax bills for this year and they're going to be hundreds of thousands of pounds.

I'm like. That's not what I signed up for.

[Adam Lawrence] (1:31:00 - 1:31:06)

Exactly. And that's this is why, you know, people are sitting in your seat and then thinking, you know, should I go abroad? Yeah.

[Daniel Hill] (1:31:06 - 1:31:07)

I mean, to buy Portugal.

[Adam Lawrence] (1:31:08 - 1:31:14)

It's like Portugal to change their NHL rules. Just bear in mind. So Portugal's off the agenda at the moment.

Yeah. They're withdrawing it.

[Daniel Hill] (1:31:15 - 1:31:16)

It's ten years tax free, wasn't it?

[Adam Lawrence] (1:31:16 - 1:31:30)

Non-habitual residence, stopping the clock for capital gains and all the rest of it. It was a brilliant solution for it. Malta's still still viable, though.

But this is it. This is what we're losing. Fifteen hundred ultra high net worths a year in the UK.

[Daniel Hill] (1:31:30 - 1:31:35)

Well, I showed a diagram on Proper Entrepreneur the other day of the net flow of millionaires around the world.

[Adam Lawrence] (1:31:35 - 1:31:35)

Yeah.

[Daniel Hill] (1:31:35 - 1:31:37)

And UK is like minus.

[Adam Lawrence] (1:31:37 - 1:31:38)

Yeah, yeah, yeah.

[Daniel Hill] (1:31:38 - 1:31:43)

Whatever it is, whereas Singapore, well, obviously, like all Dubai is sucking them in like a.

[Adam Lawrence] (1:31:43 - 1:31:53)

Well, someone told me the stat and it's something insane. People with a net worth over 500 million. How many have moved to Dubai over the last three years?

It's a huge, huge amount.

[Daniel Hill] (1:31:53 - 1:31:59)

And there's so much necessity in some cases. It's like you would you would just look at it and be like, of course, afford to stay in this country.

[Adam Lawrence] (1:31:59 - 1:32:47)

And the golden visa system, there's no clever things with what they did, what they used to do at a really basic level, it seems to me, in the Emirates is they used to get the best people in the world over. They pay them more money and there'd be no tax. And that was very attractive.

What it now works out is right. What we need to do is then we need to keep those people. We don't want to let them go back home when they finish working or whatever it is.

We need to keep those people. So how do we make sure, you know, what's what keeps a lot of very high net worth in London? Yeah, the non-dom rules.

And obviously Labour are talking about scrapping those. And you will see a bit of an exodus from prime London because people aren't going to just sit there. You know, if you're worth 500 million, a billion plus whatever, you're not just going to suck it up and suddenly start paying 20 percent tax on on your profits that you don't need to because you're a non you're a non-domiciled person.

They also don't realise.

[Daniel Hill] (1:32:47 - 1:32:48)

So you're just going to foot the bill.

[Adam Lawrence] (1:32:48 - 1:33:23)

So we either are buying companies with losses, are using which is not really necessarily new thing we've done before. We're making sure we do as much work as we can that can be expensed against P&L when we're talking property. So if it's replacement work legitimately, obviously the accountants have got to sign all that off.

But we're doing that. But if you're taking it out at the moment, my kids are where they are. I think they're at the best place for them and I don't want to move them to a different country.

I'm happy with their education. I'm putting that first and I'm closing my eyes when I pay HMRC.

[Daniel Hill] (1:33:24 - 1:33:26)

And I suppose it is a good problem to have.

[Adam Lawrence] (1:33:27 - 1:33:27)

It is.

[Daniel Hill] (1:33:27 - 1:33:43)

So we can't complain. And obviously, as you've got family and kids, there's allowances and games you can play there to like to mitigate it. But yes, did you follow Scott Galloway at all?

I know the name. It's American. He seems to have a second wind.

I used to follow him about five years ago. Is he a professor at NYU or something?

[Adam Lawrence] (1:33:44 - 1:33:47)

Yeah, yeah, yeah, yeah. Yeah. So he's I've seen him talk a couple of times.

I wouldn't say I follow him, but yeah.

[Daniel Hill] (1:33:47 - 1:34:29)

He's our sort of bag, you know, like just a normal person. Like he's savvy. He knows economics.

He knows deals. And, you know, and he's just very easy to listen to because he knows what he's talking about. He was saying basically the danger zone, which is what he called the workhorses, is the people that are earning between 200 grand a year and a million pound a year because they're paying 50 percent rate tax.

They're going to work. Yeah. Well, that's the danger.

When you get into the tens of millions of money, you're you're basically using these really advanced tax structures, which maybe it's a thing in America. I just completely got the logic of like when you're up in that, there's games you can play with capital allowances for various structures.

[Adam Lawrence] (1:34:29 - 1:34:42)

Well, people don't understand a lot of this stuff. So they like it's one thing being people like Musk, you know, they have gigantic personal loans because what they don't want to do is sell their shares because they don't want to sell the shares in their companies. And if they do, they've got to pay the capital gains.

[Daniel Hill] (1:34:42 - 1:34:45)

Well, he exercised that option, didn't he? Paid the largest tax bill in history.

[Adam Lawrence] (1:34:45 - 1:34:50)

Yeah, well, he wanted to get I think because he wanted to get rid of a few shares and he thought the price was quite high, but he can't come out and say that.

[Daniel Hill] (1:34:51 - 1:34:55)

He had those options that were expiring, didn't he? He had to use them or he wouldn't. He would have lost it.

Right.

[Adam Lawrence] (1:34:55 - 1:34:57)

And then he had to sell them, did he? I didn't realize that.

[Daniel Hill] (1:34:57 - 1:34:58)

I think he had to exercise the option.

[Adam Lawrence] (1:34:58 - 1:35:01)

I don't know what he did, but yeah, there would have been there would have been taxed either way.

[Daniel Hill] (1:35:01 - 1:35:03)

So it was like 20 billion or so.

[Adam Lawrence] (1:35:04 - 1:35:08)

No, it was it was the biggest, biggest anyone had ever paid. I think it was maybe 30 billion. So it's crazy.

[Daniel Hill] (1:35:08 - 1:35:20)

Absolutely crazy. Anyway, that last round has run well over. I've absolutely enjoyed that.

I've absolutely loved that. Any closing sentiments for those who listen and about what to do in the next 12 months? Words of advice or just top tips to finish?

[Adam Lawrence] (1:35:21 - 1:35:29)

I think the big thing is don't listen to too much of the noise. I'm obviously going to say read the Sunday supplement, but I don't write it with an agenda. I write it based on what I really think is happening.

[Daniel Hill] (1:35:29 - 1:35:31)

And I personally read it and I think it's huge value.

[Adam Lawrence] (1:35:31 - 1:36:22)

So I recommend that if it was going to hit the fan, I really thought was going to hit the fan. The black swan was right there. I'd like to think if I've been writing it in 2007, I'd have been saying, you know what?

There's a lot of leverage out here at the moment and it's not covered and prices can't keep going up forever. You know, so as and when I see things change, I will say it. I would say turn off the news as much as possible and make sure you're you're looking after physical and mental health definitely.

And do the work, you know, because there is it's so easy to get distracted. Don't do you mentioned comparison earlier on, you know, probably the thing I say to my kids more than anything. Comparison is the thief of joy.

Right. Peterson is big on compare yourself to who you were yesterday. That's the only comparison you've got to make.

And that's so easy to say and it's difficult to do, especially with all the messaging we've all got in all of our faces all the time. But take that, take those words seriously and act on them and remember, just try and be better than you were yesterday.

[Daniel Hill] (1:36:23 - 1:36:49)

Wise words. And I would say that for the first time, which was only in the last 10 years where I got absolute confidence in myself was when I stopped comparing myself to others and just felt really content of running my own race at my own pace. And everything's so much more enjoyable because, you know, the elusive there never comes.

There's always somebody ahead of you. And yeah, it's yeah. Wise words.

Do you want to smash the bell to finish us? Daniel Hill, Adam Lawrence, six rounds. Smashed it.

[Adam Lawrence] (1:36:49 - 1:36:49)

Thanks for having me, Daniel.

[Daniel Hill] (1:36:52 - 1:37:36)

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