**TBP 192 Edited\_Transcription**

[Daniel Hill] (0:05 - 20:05)

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. Deals, deals, deals. We are property entrepreneurs.

We can talk about business. We can talk about recruitment. We can talk about making money all we want, but it all comes down to actually going out there and doing deals.

At the minute, the economy, interest rates are high, inflation's high, people are running for the hills, the property market's taking a nosedive, and everybody's scared to go out there and do deals. As Warren Buffett says, when the others are greedy, be fearful, but when the others are fearful, go out there and be greedy. Without a doubt, what we're seeing at the moment is the biggest window of opportunity that we've personally seen since COVID.

In the pandemic, we went out and in phase one, made an extra 1.9 million pounds that we couldn't have done before COVID, and in phase two, we made an extra 3.5 million pound that we couldn't have done before, couldn't have done after. Without a doubt, this is the next window of opportunity, and when you miss it, I don't think you're going to see it again for years, if not decades. In this podcast, I'm going to take you through just five examples of deals you can do in a downward market while everybody else runs for the hills.

So first, the window of opportunity is basically Elon Musk is taking spaceships to Mars, and he says that you can only launch the rocket to go to Mars once every six months. And the reason for this is that when you look at where the planets are aligned, so planet Earth is spinning, all the other planets in the galaxy are sort of moving around in the solar system and moving around, and there's a certain alignment where you can set the rocket off and it can go in a reasonably straight trajectory and get to Mars without hitting any planets, without having to go around any planets.

But in order to get that, what he calls a window of opportunity, you can only do it once every six months. It only happens once every six months. As a property investor, if I'd have said to you a year ago when people were queuing up to do deals and everything was going for above asking price, even this time last year, everything was going above asking price.

There was five bids on the first day it was listed. It was crazy. The market was hot.

It was absolutely out of control. If I'd have said to you in 12 months time, or there will be an opportunity at some point for you to go and buy any deal you want, get 10, 20 percent discount, there'll be no competition and you can go and buy it, you would absolutely jump to that because you had the confidence in the market. You knew there was an opportunity to do deals.

Everyone else was doing it. The sun was shining. Everything was great.

The reality is when the market goes cold like now and everyone's fearful, it makes you fearful. You think interest rates are high and property prices are going down and I feel nervous. Maybe they'll always go down.

Maybe there'll never be a deal to do again. Am I going to get the refinance? Are rents going to go up or down?

Am I actually going to be able to sell it? And the reality is there's very real risks with operating in a downturn in market. But I've been in this for 20 years.

And if you look back through the history of time, the property market in the economy to date has always come back over the medium term. It's always grown and over the long term, regardless of rates, tax changes, regulation, the landlords in the long term always win. And I appreciate it's hard to have that confidence when everything on the front page of the paper is negative.

But what I'm sharing with you here is if you can have the confidence, the clarity, be highly strategic and manage your risk well, there's definitely opportunities to go and do deals. And here's just five examples of deals that we're doing in this window of opportunity to go and do deals in a downward market and have low competition, high margins and go and make some some serious, serious gains. So the first is not necessarily a deal type, but it's a finance type.

And whilst the finance market is as it is, we're doing some deals at the moment on taking some seven figure loans on some sizable properties, which doesn't, you might not make sense. You know, borrowing money at 8, 9, 10 percent when I currently don't have a mortgage doesn't make any sense. Well, in theory, that might not make sense.

But if it means I can be liquid at the minute, I could do with capital rather than cash flow. And there's a whole pre-pandemic, we kept it lean when the pandemic came, we got very liquid, had nearly two million pounds in the bank just in case anything went wrong. So we didn't have any problems.

I had over 40 employees at the time, didn't want to make anyone redundant. After the pandemic, inflation rates went up. So I reduced my cash holding down to an absolute minimum because with inflation at 10 percent and interest rates at less than 1 percent, you don't want cash around.

So I bought schools, I bought office blocks, I paid mortgages off, quickly got all that money out there. So I didn't, it wasn't diluted or didn't depreciate with the inflation. We're now entering this phase here with high interest rates, inflation coming down.

I would say now you want to be getting liquid again. I think you're going to see problems, you're going to see bad payers, you're going to see deals fall through, interest rates go up. I would say now you want to be getting liquid again.

And that's one of the reasons I'm doing the things I just talked about there. When we're talking about finance, you don't have to go and do that. You don't have to go and raise money at 8 percent, 10 percent, private investment at 15 percent.

You could, the first opportunity to do deals in a downward market is to use creative finance. So at the minute I'm doing a deal, multiple seven figure deal, I'm using an EDC, I'm exchanging with a 10 percent deposit and then not completing for a delayed period on the basis that I can get my ducks in a row, I can add value to the building, I can sort out the most optimum mortgage product. EDC makes a lot of sense.

You could also control a property without actually buying it by doing a lease option. So where you've got people that have to sell. So let's say they're getting divorced or their mortgage is going to go off of a fixed rate onto a variable term.

They're past the age of being able to get refinance on a buy to let mortgage and they've got three months they have to have to sell. That may that probably be more of an EDC that one or somebody's got to get out of the property. You know, they can't afford the rent.

They can't afford the mortgage. Rates have gone up. The mortgage has gone through the roof.

Rather than buying it today, if they've got to be out of the property and maybe they need some of the money, but not all of it, or they need the deposit funds, but not the mortgage, or maybe the mortgage has got three years on a fixed term left to run and they've only got 50 grand equity. What you can do is a lease option. So you lease it, you know, I'll pay your mortgage for a term, but then you've got the option to buy it and you don't buy it now when rates are 6, 7, 8 percent.

You buy it in 12 months time or 18 months time or five years time and you pay a lease in the interim. You don't need a mortgage. You don't need to be paying high rates.

You can control that property, do a deal, give the seller what they want, and then you can complete in whenever you can exercise the option whenever you want. And the option is the option, not the obligation. You don't have to use it.

So that's the first is a creative finance option. The second is in a market like now, I would consider like playing the long game. I've been in this industry for 20 years.

I've seen it go up. I've seen it go down. I've seen it boom.

I've seen it bust. I've built some of my best business in a recession. If you're experienced in what you do and you've got cash, it's playing the long game.

It's like I could buy stuff now. But I saw I've seen two properties this week. I've had auctioneers calling me trying to offer me properties.

I don't think that's ever happened before. Not even in like 08, 09. Playing the long game is like looking at sites now where they're selling dirt cheap people to get.

There was a 38,000 square foot office block I was going to try and buy this this week. It was it was guided at one point four million, which is like thirty four pound a square foot. You look at that and say, right, I understand they're getting repossessed.

I can understand why there's issues with the block. It's full of small businesses. I'm sure there's bad payers.

There's lots of people in arrears. You look at that and think, well, you know, that's not a great deal. But it's like if you're looking on face value today, no, it's not.

It's not a great deal and it's not in a great market and it's not going to be easy to finance. But if you can buy cash and appreciate that market will be back in two years time and in the immediate by a three million pound asset for one and a half million happy days, you know, double your balance sheet value, one and a half million pound equity for doing nothing. You can buy it today and appreciate you're going to have six to 12 months of headache.

You might not even make any cash flow. Six to 12 to 18 months later, you can get it optimized. You can get it refined.

It's now cash flow in 24 months later. You can then start to look at refinance. If you can play the long game with these deals, you'll do really well.

Like Mancore House I've shared previously, I bought that in the middle of the pandemic for 960 grand, 30,000 square foot. I just knew I could knock it down and sell the bricks and not lose money. I had PD options.

I had full planning gain options, had the option to rent it out for 12 months. I figured out I didn't know what I was going to do with it. 12 months figured out what the best solution was.

I've now let out. It's now being refinanced on a 50 percent loan to value mortgage at what we had valuation at one point five million. That's like all I need.

Could probably even push that up a bit. One point five million owes me a million. So I've made 500 grand equity.

I'm going to refinance it at 50 percent, get the lowest loan to value rate. That's going to be 750. Now I'm in for 250.

It's kicking out 100 grand a year profit before before refinance at five percent with the existing financing at five percent. So it's making me 100 grand a year. It's made me half a million pound equity because I bought it.

It cost me 10 grand a month for last year. But now it's been well worthwhile. That's all about playing the long game.

I appreciate this is not going to be for everybody. You've got to go through the motions, go through the gears. You've got to have cash around you, investors around you, experience, expertise and confidence to do these deals.

But if you can buy now and then come out the other side, you know, you're going to do do pretty well. My new residential house, I said to all the property entrepreneurs, the top of the market is going to stop moving. So for me, somebody is looking to buy their sort of dream house or development site, either Class Q, which is a new agricultural class, is an absolute no brainer or going out and buying at the top of the market while the markets slow, get a great deal, buy a good price, play the long game, exchange delay completion, come off on a rate that's not ideal, develop it, refinance out in two years.

I'm in a fantastic position. Hopefully touch wood if the market goes well. It's just starting to think about that side of things and playing the long game, buying stuff today, being confident that it's going to come good in 12, 18, 24 months.

If you wait 12, 18, 24 months when everybody else is greedy again, you should be fearful and you're not going to get the deals. It's like observe the masses, do the opposite. And when there's low competition, there's high margins.

So the third is beat the price curve. And this is a strategy that we teach on Property Entrepreneur. And basically it means in a downward market price is going to go down.

And the reality is for the first six months, nobody dropped their prices because Mr. and Mrs. Jones sold last summer for 350 grand. Ours is exactly the same. And it's got a conservatory.

We want 360. It's not selling. It takes them a while to realize the market's coming down.

You're not going to get that price. And it chips away and it chips away in a downward market. The price curve goes down.

And it's quite likely prices will continue to go down as we go into the autumn, the winter this year. Success and failure are very predictable. But rather than wait for the price to go down, which means eventually somebody will buy it when it goes down, is you beat the price curve.

And what this means is, you know, over the next six to 12 months, that price curve is going to go down. And what you want to do is buy it below the listed value before it goes down. So basically, rather than wait for it to be dropped and then offer the asking price is go round and offer below market value on all of the stock that meets your criteria.

And the logic here is we're not looking for the property to buy. We're looking for the person. And there's going to be some people that have to sell.

And if they're getting divorced, they need the money for their business. They were whatever, whatever the reason is. Family's sick.

They need to finance. They need to release capital. Whatever is the aim of the game is to beat the curve.

You know, you offer before before they reduce it, you offer it. And of the of the every 10 offers you put in, you only get one or two accepted. It's a numbers game.

But you're you're looking at all the properties and you go to the age and say, look, we will buy cash, we'll we'll exchange them in 28 days. And but our price will be 20 percent below the listed prices or 25 percent below. And for every nine no's or for everyone, yes, you're probably going to get nine or 19 no's, but it's going through that process and be in the price curve.

You can look at commercial stock. I'm seeing all the time that's on the market now. And it's priced with last year's price in mind.

You know that in 12, 12 months ago, it was worth that. So in 12 months time, it'll be 20 percent below that offer now before it drops because at the minute that price is scaring everyone off offer before it drops and beat the price curve. That's the third option.

The fourth is playing the game. So we said about playing the long game, but then there's just playing the game in a booming market. You want to do flips in a busting market.

You want to do motivated sellers and creative finance. Just play the game is like, look at what's happening and just think logically. Where are the deals?

You know, things like. So REITs is a good one. So like REITs, real investment, real estate investment trusts.

You can go out and buy your own deals or you can just buy a portfolio of somebody else's and REITs go out and buy loads of property. At the moment, because the commercial market is very nervous and it's probably I don't think it's hit the bottom, but it's probably well on its way down. There's going to be time where that market comes back and it's probably going to be before the residential curve.

Optimistically, maybe next spring, next summer, if not the year after. On the way down, there's going to be some great deals at the minute. The commercial market's been really nervous.

Rates have been frozen now based on when you listen to this, but rates have just been frozen. They've not increased it. The Bank of England base rate not increased there.

That's going to give lenders more confidence that we're starting to hit the top of the curve. When confidence is low, prices drop. When confidence is high, prices hold or go up.

We're looking at REITs where the commercial market is low. Portfolios are being revalued. Those things can be bought really cheap.

And there's REITs that are trading at the minute below adjusted NAVs, net asset value. So they've been adjusted. They've taken their hit on the commercial property.

There's some commercial properties which I wouldn't go near, like in my opinion, like shopping centers. There's other commercial property that I really like in other sectors, which I won't share with you. But there's parts of the commercial space and industrial space that I really like.

And if you can find a portfolio of those assets and they're trading below market value, this is Warren Buffett's strategy. Basically, they're trading below the price of the shares is less than what the assets are worth. You're basically buying BMV on a big portfolio at not 10, 20, 30 percent below.

There's REITs at the minute trading up to 40 percent below their net asset value. You can buy it in your pension. You can buy it with some cash.

You can put 50 quid into it or 500 grand into it. Obviously, play your own game. But it's just understanding that game and playing with it, by appreciating that you can buy commercial property at the minute cash with a tenant, which would give you 16 or 20 percent gross yield.

Whereas a residential won't even cover the residential. You might get six, but it won't even cover a buy to let mortgage. But understand where these sweet spots are and play the game before the market comes back.

You know, observe the masses, do the opposite. Low competition, high margins. The number four is play the game.

REITs, commercial property, things like that. And then the fifth is if you are more risk averse and you don't want to be buying stuff and hoping for the best, you don't want to be reliant on the market coming back round because, you know, doomsday, the economy may never recover. It may never recover.

So don't want to lose your shirt. But I would say with a reasonable amount of confidence, I suspect in two years time will be in a very different place to where we are now. Is the fifth option is in a downward market to do deals is don't own anything.

Don't even control anything with lease options. Just sit in the middle. And if you can sit in the middle and broker finance deals, broker property deals, broker development deals, package deals up for other people, do consultancy for people, sell companies for people, do planning gain on.

You'd have to take an option, but planning gain on other people's sites. And take options on this good strategy called OAP, which a client of mine used to use called Option Auction Profit. Take an option on a building.

You know, they've got to sell quick. Put it in an auction because you know how the process works. Flip it and make a profit and either buy off what they wanted or split the gain, split the game with them.

Own nothing and just control the transaction. Be a broker, be a consultant, sit in the middle, package deals up for people and earn £10,000, £50,000, £100,000 for a package deal fee. You don't have to buy it.

You don't have to take any risk. You sit in the middle. If there's no deal done, it's not going to cost you any money.

And that's the fifth option. Just sit in the middle and broker deals. Whatever you do, I would say this is a window of opportunity.

And for those of you that saw us do really, really well in the pandemic, this is the next option. This is the next opportunity. This is the next window where you want to capitalize.

And they're just the top five I thought of in the car on the way to the studio of deals that we're doing at the minute in a downward market. I would say a downward market should make you excited, not scared. Equally, you should focus on the risk management and not lose your shirt.

But without a doubt, there's a reason more millions, more millionaires are made in recessions than any other period because it's low competition, high margin. But you need to have the expertise. You need to have the resources and you need to have the confidence of how to go out there and do these deals.

So deals, deals, deals, window of opportunity. Do not be the one that missed the boat. There's five options there how you can do deals in a downward market.

Go out there, research and read up. Take action. And I look forward to seeing you on the next podcast.

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I'll see you on the next episode.