**TBP 243 UK Economy Edited\_Transcription**

[Daniel Hill] (0:05 - 18:28)

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. The UK economy. So I have recently been getting quite a lot of attention and backlash for saying that Dubai is like the best new place to be, and the UK is on its way out.

Somebody approached me the other day and said, if the UK is that bad and Dubai is that good, why do you not leave? The answer was because actually, the UK is pretty good for me. In this podcast episode, I'm going to take you behind the scenes at the Property Entrepreneur Advanced Workshop, where I shared our economic updates with all of our advanced property entrepreneurs on exactly what has happened in the economy, where we are now, and what is likely to happen over the next six to 12 months.

Success and failure in business and property are both very predictable when you know where you are, where you are going, and what you need to do. So listen to this. It's behind the scenes of Property Entrepreneur, our advanced workshop, never usually shared outside of the Property Entrepreneur community, but in this podcast, for a one-off, I want you to hear what I actually think about the UK economy.

Success and failure are both very predictable. Don't be the one that missed the boat. We're going to do a bounce pack boom update, just bring you up to speed where we are, and no huge change from what we said at the beginning of the year.

There really is this window of opportunity, and it's wide open at the minute. So what I'm going to try and do is give you as much update on this as I can. So if you're looking for deals, you'll know where to look.

If you're doing deals, you'll know what to do. And when we're looking towards our portfolios, you'll know where this stuff's going to go. To me, it's pretty clear.

I'm going to take you through this. One thing that is just consistently clear, and you've heard me say this before, is if you read the newspapers, then you're misinformed. If you don't read the newspapers, you're uninformed.

If you read anything in the newspaper since I created this model in September, I delivered it to yourselves, those of you that are new to Advance, at the super event in October, and everything that I've read in the paper since October has basically said all the things that I was forecasting were incorrect. And it convinced me that it was incorrect as well. So it's very convincing stuff.

When we actually look at it today, six months on, seven months on now, you'll see that it's pretty much exactly where we anticipated, which is great, because hopefully you've made your decisions based on it. But also, all the stuff that's going to be out there in the news that's scaring everybody off that we've seen for the last six or seven months, in most cases, isn't actually accurate. And you need to understand what's actually happening, and you definitely don't find that in the news.

So this is the model that I shared with you, I created it last September, some of you would have seen it in September, those of you that are new to Advance would have seen it in October. And this is essentially where we're tracking. So I'll take you through the different bits.

And this is the UK economy. And this will tell you what's going to happen with rates, GDP, property prices, inflation. And if we start off with inflation, so this green line here is where we are now, the start of May.

And the last data up to end of March is 3.8 for inflation. So it's coming down as expected. And it's probably going to, we might, some people are forecasting a big drop.

But with all this sort of international conflict and energy prices, there's a lot of uncertainty. But the reality is, it's just going to gradually chip away, and for various reasons, work its way down. And we'll get here in this time.

So that's as expected, pretty much bang on, we were expecting to be at 4, we were at 3.8, pretty much bang on. So look at when the most important thing with inflation is what does it do to our deals? You know, we're going out there and we're doing deals and we're raising money.

Well, what does that actually mean in practice with interest rates? Well, again, interest rates we were forecasting would not move. And although they were saying, you know, we're going to see rate drops as early as last Christmas, we're now in May and we're not seeing anything.

I don't think we're going to see anything significant anytime soon. I'll explain why that is. But basically, we've ended up here.

So we know we're bang on where we're expecting to be of interest rates. And then it's like, right, well, if that's the base rate, which is obviously a clear indicator of what's going to happen, what we actually care about is what's going to happen to our mortgage rates, because we've got portfolios we own and we've got deals we want to do. Well, we forecasted that they would come down, and then they would settle.

But what did happen, which we weren't expecting, was we got to here and then we had this false dawn in the news that base rate was going to come down. And if you remember, two months ago, I put in the app and I shared on Private Dining. I said, the lenders, someone's jumped in, I can't remember who it was, and just bottomed their rates out because they think base rate is going to come down.

So then all the other lenders jumped in because they don't actually care what's going to happen. They care about doing business. These are people earning bonuses and making sales.

So all of the lenders jumped in, bottomed their rates out, and I put it in the app. Akash commented on the thread. Those of you that had Private Dining with and came on Mid-Month Mentoring, I said, if you've got the opportunity, jump in now and get these rates, because I think they're going to go back up rather than down.

If you've seen what's happened in the last week or so, it's exactly what we forecast. So yes, rates have dropped down below base, but I'll give you an example in a moment. I suspect they're actually going to come back up to where we thought they would be, because the only reason they dropped was because first mover advantage made the market panic.

Everyone went and did deals, and then they realized actually it was a false storm. As lenders are going into, I had an interesting experience with my house, with the hall, which we've now completed on, which I'll take you through in a moment, where I went from a five-year fix is normally lower rate than a two-year because you've got a longer term, they expect rates to come down. I actually had an experience on my own house where the five-rate term was more expensive than the two-rate, which sort of indicated that they were uncertain whether their pricing on the two-year was accurate.

But the main message here is I think rates are going to go back up, and I think they'll probably stay where they should be, sort of somewhere between 4.5% and 5.5%, maybe a little bit more for HMO, significantly more for commercial. Commercial's probably about 8% at the minute. So for resi, somewhere between 4% and 5.5%, depending on your loan-to-value and your property. Buy-to-let, I would say anywhere from 5%, it depends. If you get a five-year fix and rates stay where it is, you might get it down into the fours, but between there and 5.5%, HMOs edging up into the bit above, and commercial's probably about 8% at the minute. But there was that window of opportunity.

Did anybody else here take advantage of that opportunity with rates in the last few weeks? Excellent. It was an absolute no-brainer.

So this was for the whole. I started my application with OnPoint when I bought it, whenever that was, about five, six months ago, when I exchanged on that. My loan-to-value is 70%, and my initial application was in the high 9% because it was like peak rate period, which is one of the reasons why I bought the deal, because rates were high, which meant the market was slow.

And because I had plans around how I was going to work the finance, it made sense. And it actually came out. I bought the building for 1.47 million. It actually turns out it had a last valuation in February at 1.875 million. So I actually bought it at 400 grand discounted, or it dropped 400 grand in that period. But I bought it.

The application was at 5.9. Then the rates tanked. And I said to you guys, look, there's going to be this window to get lower rates. Go and get on that.

So I said to Akash, where have rates gone down to? They went down to 4.8. But the lender said, if you want to do that, you're going to have to start a completely new application. So I was like, absolutely.

Started at 4.8. So it got 4.8 at five years. And then they sent the offer out. And they actually offered 4.65. So it come down again, which I was impressed with. But they'd reduced it to two years. And I thought, that's strange that they've reduced it to two and given a lower rate. So I said to Akash's team, I want the lower rate, but I want five years.

And I'm nervous that if I go for five years, they're now going to ramp the rate up. And they did say, yeah, if you go for five years, we're going to have to increase the rate. But it was marginal.

It was like five quid a month. So I said, yeah, let's go for that. And then went on point, actually got the offer in.

I don't know how they did it. They got me five years at 4.37%. And it's aiming at 1,500 quid a month. And that must have been the last drip of that window of opportunity of getting a lower rate, 1.1 million quid on 4.37%. You won't see that again for a while. So when I'm standing here and sharing these things with you, I'm not just saying, I think you should do it. I'm actively doing it. And when I say, you'll miss the opportunity, I suspect that window now is closing.

And over the next week or so, you'll miss it. But the most important thing is. It's very close, because someone last night in Barcelona was sharing their rate.

Just, yeah, it's changed. Has it? Yeah.

Yeah, it doesn't surprise me. And this is the game. Hopefully, in this session, I'm going to explain to you how to play the game.

Because this is what we do. We're here to play the game. And it doesn't matter whether the market's booming or busting.

The good thing is, as long as you're confident you know what to do. Actually, when it's busting, it's better, because there's lower competition and higher margins. But it is a moving target.

When are rates actually going to come down? But who could tell me when? Not necessarily either the date.

Who's got the date? Is it 14th of September 2024? Who could tell me?

Like, nobody knows. Myself included. Who could take a guess?

October 17th. October 17th for rates to come down. Yeah, that's pretty bold.

But that's indicative. It's not tomorrow. It's in the future.

Any other guesses? Summer 25th. Summer 25th, so like this time next year.

Year after, 26. This is it. The reality is, nobody knows.

But what we do know is why rates will come down. And this is when you play the game. If you're guessing on when rates are going to come down, you'll never get it right.

If you understand why rates come down, then you'll be able to guess it. You'll be able to forecast it. And that's how I knew that that window would be a false dawn, because I didn't think rates would come down.

There's two reasons that rates move, or two things that will happen that rates move. One will be GDP. So if GDP starts to drop and the economy starts to shrink, the country will need to expand and invest and spend.

So then the government will drop rates, stimulate the economy, and then it'll go. GDP isn't moving at the minute. We'll talk about that in a minute.

In fact, there, GDP isn't moving. It's, again, I've been saying this for two years. It will just flatline.

It's just flatlining and flatlining. And then second is unemployment. Unemployment isn't moving in the UK, really, not significantly.

There's still over 700,000 vacancies for jobs that people can't fill. Unemployment's strong. Wage growth is strong.

So as long as you've got this, there isn't any motivation, really, to pull down interest rates. And this is a key thing. When will rates come down?

Will rates are put up for a reason, and they're brought down for a reason? Rates were put up to slow down inflation, and they're doing that. Rates will come down when they want to increase spending, or they want to reduce unemployment.

At the minute, inflation hasn't come all the way down. So it makes sense to keep it there. When you look at what's happening globally, international conflict is increasing, not reducing.

So the risk of utility bills, supplies, global supply chains, locking up again is quite possible. There's high risk of bringing rates down unless they have to. But at the minute, they don't have to bring rates.

So I think that's why they're up. Why would they bring them down? Because unemployment goes up.

The economy starts shrinking. We all start losing our jobs or, you know, you know what I mean? But the minute, yes, it makes a lot of sense to keep them high.

But no, it makes no sense to start bringing them down. And this is really important, because this is like, in my head, this is the new normal. This is where the deals are.

And this is what's going to happen to the economy. So GDP has basically stayed where it is. We said it was flat line.

It's flat. It came down a bit. You know, we saw recession Q4 2023.

Yes, by definition, but it doesn't make any difference. It's just it's flat line. And it's just staying steady.

And then what's going to happen with property prices? Well, we said they would drop because the market was hot. Everyone was trying to buy.

The market would come down. Front end right move rates, right move prices is up. So confidence is coming back.

Remember that spring is the busiest season. Everyone thinks it's summer. It's not.

Everyone's on holiday in summer. Kids are off school. Nobody wants to move house.

Spring is the busiest season for the property market. And the prices on the front end are going up. But on the back end, with the actual sales data, it's actually still marginally coming down.

It's sort of flat lining. So this concept of them coming down, there's an uptick on the front end. But actually, it's sort of staying there.

Ironically, the stock that is going up is large houses. So I just bought a large house in that top end of the market. It seems that actually that space is now starting to increase because people are moving into it.

There's good deals to be done. And actually, the bottom end of the market or the mass market, the first time buyers is actually slower because it's very reliant on interest rates. So it's just a little bit uncertain.

Mortgage approvals are sort of in the swings. Rates are up and down. But the property market will stay loosely where it is.

And in the resi space, I don't necessarily think that's where the big deals are. However, when we talk about windows of opportunity, this made me laugh last month, because obviously, this is my sense of humor reading the right move report, because there's nothing better to do in my life. There appears to be a window of opportunity for those considering to move to act with a busy summer of sporting events, followed by likely general election, creating more home mover distractions than usual.

So all things considered in the summer market, resi rates up and down, even right mover saying there could be an opportunity in that space. I think if you're really active in that space, there's always deals to do. I don't think it's where I would be looking.

It's still busy. There's always people buying houses. Mum and dad's bank is open 24 seven.

It's like that space will always keep moving. I'm not seeing big opportunity there. But there's always deals to be done.

And what I'm going to do is show you where they are, where I think they are. So this is where we are. And again, despite the fact the headlines for the last six months have said completely opposite to this.

They said rates are going to come down. Base rate will be down by June. I'm not seeing any of that.

I think this is pretty much where it will be. Base rate might come down just to sort of humor people. But you're not going to be down to like 3%.

There's no major drive to get the economy going. And actually, if I was to explain this. Sorry, a few of you are taking photos.

There you go. And if I was to explain this, here's a question for you. If you were to explain the UK economy in three words, which three would you choose?

Then I'll share mine. Supply and demand? That is three words, actually.

It's a sentence. I didn't think about that. I was thinking of three separate words.

Supply and demand. Absolutely. A lot of this is about supply and demand.

And when I show you where the deals are, that'll make sense. Wales. Window of opportunity.

Very good. Another three-word sentence. Definitely window of opportunity.

That goes without saying. If there was ever a window of opportunity since the pandemic, this is it. The words that I've chosen are actually three separate words to describe the economy.

There's no right or wrong answer. These are just my words. Any others?

Banging. Stagnant. That's one of mine.

So it's stagnant. Somebody I spoke to. In fact, I was chatting to Mike over dinner yesterday.

And he said the UK economy has got a glacier-like movement. If you know what a glacier is like, it's like this big thing that just moves a millimetre a day. That's the UK economy.

It's like this big, unnurtured, unhealthy thing just sitting there. And it's not getting better, but also it's not getting worse. So stagnant.

It's just stagnant. If you know what a stagnant pond is like, that's the UK economy. What do you think one of the other two might be?

Anticipation. Lazy. Lazy.

Lethargic. Lethargic. All of these sort of things.

The second one that I went for. So stagnant is like, you know, imagine just a stagnant pond where it's like a bit mingy. And especially, you know, yeah, there's that.

Stagnant. Uninspiring. Uninspiring.

So it's stagnant. The second one I actually went for was resilient. I can't believe how resilient it is.

When you see somebody that's decades out of shape and hasn't looked after themselves, and you just think this person is trying to do themselves harm, and they're not being successful, that is the UK economy. It's like, it's just resilient. We've spiked rates.

We've spiked inflation. And employment's going up. Salaries are going up.

Everyone still seems to have money. It's like, it's just resilient. You're just beating it and beating it and beating it, and it's not moving.

And then the third, and this is more about, I would say, what's going to happen. Wouldn't expect you to get it. Although I have talked about it for maybe three years, is the wealth gap.

Somebody said to me the other day, because I've been doing lots of stuff, go to Dubai. Dubai's amazing. I'm like, what?

Well, that's me done, ladies and gents.

[Speaker 2] (18:28 - 18:29)

See you later. Thanks for having me.

[Daniel Hill] (18:31 - 23:20)

The third is wealth gap. And although it's resilient and it's stagnant, what is happening, which people may or may not be aware of, is everybody who's surviving in the UK, average salary, average house, average outgoings, they may or may not be aware, but they're gradually sliding down this hill. And they're not going out three times a week.

They're going out two times a week. And they're not quite meeting their bills every month. They're paying most of their credit card off.

And somebody said to me the other day, if Dubai's that amazing and the UK's that bad, why don't you just leave? And I said, well, as sad as it is to say, the UK economy actually works quite well for me. Because when you look at the wealth gap, the top 5%, 10% who own everything, they own the businesses.

They employ the people. They own the houses. They own the commercial buildings.

When you're in that space, you actually do really well in a period like this. Because what's happening is everybody else's costs are going up. So their bills are going up.

The rents are going up. But you're actually benefiting from that. And it's just acknowledging where you are on that spectrum.

And this is where the window of opportunity comes, if you go out now and be bold and be brave, but don't be reckless and buy assets, you will benefit through this period. If you don't, the money you've got will be gradually eroded by inflation. The costs of running your house and your family and your car will gradually go up.

And it does become death by 1,000 cuts. And I can't see this changing in the next 12 to 18 months. This is, especially if we end up in a hung parliament or a Labour government, unless we end up with some ginormous stimulus package, which, while the rest of the world's distracted on global conflict, international supply chains, if you're into the advanced economic stuff, the new world order, and the shift of power, this is just going to be like this for a long time.

It's quite likely this is going to be like this for a long time, unless a new government come in and bring in some huge subsidies. Or worse, there's a bigger issue, local or globally. And then we deal with it.

Are you saying that the window of opportunity is within the next 12 days? No, it's now. It started six months ago.

It started like nine months ago. I would say it's now. And it's the deals that we do.

I'm going to show you a few deals just before we finish. This is absolutely the window of opportunity. And it's knowing where the deals are and going out and doing them.

If you're waiting for rates to drop, you're wasting your time. If you're waiting for the economy to come back, why bother? There's no competitors out there at the minute.

What do you think will happen if the Labour government gets in? Well, nobody knows today. The problem now is what happens is when you have a far right and a far left political parties, they compete by going further apart.

When you get to the extreme, they then come back together and they compete with how similar they are. If you took the colour scheme and the font off the Conservative manifesto and the Labour one, you would struggle to tell the difference. Because everyone wants to help everyone.

It's all like, let's pay everyone at the bottom and tax everyone at the top. It's like some of the decisions for the Conservative party over the last three to five years, you wouldn't have seen 10 years ago. Things like changing landlord taxes and stuff like that.

What's going to happen? I don't know. If a Labour government comes in, it's quite likely Keir Starmer puts in some big growth plan, like the Liz Trust one, and we go all guns blazing, in which case, happy days.

But are they economically savvy enough? Have they got the balls to do it? Or do we end up just in a five to 10 year lethargic cruise control of an economy, which is what's happening now, quite possibly?

Because it's not painful enough to change. If you're not in shape, but you're not out of shape, you still get up, you have a shower, you put your clothes on, you go to work, and you're okay. You don't do anything about it.

It's not until you start having breathing problems, or you struggle to get up the stairs, and one day you go to the doctors and they give you the bad news. You're like, this is now a problem. The problem with the UK economy is we're not there.

It's not bad enough to be bad, if you know what I mean. But the good thing for you guys is the more this drags on, the more deals there are to be done. So yeah, it's a place to be.

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