**TBP 258 Needle Haystack Edited\_Transcription**

[Daniel Hill] (0:00 - 22:20)

The needle in a haystack. So people always ask me, what is the number one tip you would give to people to understand how to get wealthy in business and property? And without a doubt, this is the tip I always offer.

You've heard me talk about it before, you've seen it in blueprints, and I'm sure you'll agree that it's the difference between those that make it and those that don't. And it's the ability to go out there and find businesses and deals that are the needle in a haystack. In this podcast, I'm going to take you through what the definition of a needle in a haystack is, whether your business or your deals is one or are one, and if they're not, where you need to go and look to find one for your portfolio.

Now, this needle in a haystack blueprint is the single thing you need to understand if you genuinely want to get into the top 1% who are genuinely making six, seven and eight figure net wealth while everyone else is running around building businesses that do not make money. 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. In this podcast, I'm going to take you through the needle in a haystack blueprint, and the single biggest thing that I see between those that go out there and actually genuinely make good money, they've got businesses that are lucrative, portfolios that have low gear in, they've got good, strong equity and value across their asset classes, is that they understand the difference between what the mass market are doing and what the needle in a haystack actually looks like. In business, if you're doing 10% to 15% end of year net profit, you're deemed to be in the country's elite.

10% to 15% net profit in the UK is the country's elite of businesses making that profit. To give you an idea, I wouldn't touch a business unless it was making an absolute minimum of 20%. Even then, there would have to be a reason why it's only making 20%, like it's drop shipping or something like that.

20% to me would be the absolute lowest I would go. Ideally, I want to be getting into 25%, 30%, ideally 30% to 40% end of year net profit. And we've got six and seven figure businesses that do those numbers.

And if you look at everything we've done in the past, that's the space that we've operated in. When you're looking at deals and developments or flips or whatever asset class and profile and strategy you're looking at, people are aiming at, the numbers you sort of hear are, if they're being realistic, 15% to 20% net margin. So you're doing a development, you want to aim for 20% minimum, ideally 25% net margin.

And that's what people are aiming for. In the current market, it's not uncommon for that to be slipping down to 20%, 15%, 10%. I spoke to a developer the other day who was targeted 12% if everything went to plan on their most recent development.

Now those to me look like very, very tight margins. Now there's nothing critical about those because similar to the businesses at 10 and 15% to be the country's elite, in property, if you can get 20% net margin, people are ecstatic. They've found a deal, they're off to the races.

But again, what I'm talking about here is if you're looking for needles in the haystacks, I would be looking for double that. I genuinely looking for sites where I can put in a million quid, a few years later, get a million quid back as in a million quid gain. And really I want to be looking for a minimum of 40% margin, ideally up to a hundred, which is basically, I spend a million and it's worth one and a half million, 2 million.

Now that sounds crazy and sounds unrealistic, but that would be a 40 to 100% net margin on a million pound spend to then be worth one and a half to 2 million. We're looking at those big margins, those really lucrative deals and not mass market deals. Everyone's competing on price.

They're overpaying. They're being unrealistic with the build. They're unrealistic on the way out, what it's going to be worth.

And they end up paying too much for the site. The build costs more than they expect and took longer. The finance eats up the margin.

And then at the end, the actual refinance value or sale value isn't quite as high as they were hoping. This is really the needling haystack concept. And what we want to do is find you.

Those deals I'm talking about where you can make 40% rather than 20% or 50, 60, 70% rather than 20% or the businesses where you can make 40% profit rather than 15% profit. Where are they? Well, they are the needling haystack.

And the reality is you're not going to be able to do a million of them. They're going to be few and far between. Most people won't even know what they look like or where to find them.

But when you do, you make more money in one deal than most other people would in a full decade. And really when you're doing deals and building businesses, you've got two choices. You've got the needling haystack, which is the deals and businesses that will absolutely change your life.

They'll increase your wealth, increase your income, change the life for you, your family and the generations after. Or you don't go for a needling haystack deal. You go for what everybody else is doing and you end up with a needling the eyeball deal, which will change your life and the fact that it'll actually ruin it.

You'll spend months, if not years, running businesses and doing deals that at the end of it at best will make you a small margin, at worst will make you literally no margin. And in the current market where rates are expensive, competition is high, stock levels are low, labor and materials are still reasonably highly priced. The top end of the exit market has been still for 12 to 24 months.

You really do want to do deals that change your life, not deals that ruin your life. So when we define it, a needling haystack, what is a needling haystack? Well, a needling haystack is a deal and a business and a strategy and an opportunity and a product that is one in a hundred or maybe one in a thousand.

The reality is these are going to be low volume, but they're going to be really lucrative. So you're not going to see them. If you think about the things that go viral, business opportunities, think about the deals that I share where we make 30, 50, 100% return on investment.

The needling haystack, there's not many of them about. We sort of sit there like the Warren Buffett strategy of having the harpoon gun. We're always lock and loaded.

We're ready to go, but we're not doing the deals for the sake of it. And I'll be quite happy just to do one deal a year and I won't rush into it. I'll only do deals that make money.

But when the deal comes, I'm ready to move. I've got cash. I know what I'm doing and I'm ready to catch that deal because there's a needle in a haystack.

They're few and far between. Where do you find these? Well, this is basically the whole property entrepreneur blueprint and the whole financial fortress blueprint is about understanding just before I started recording this, I was chatting to one of the chaps who owns the studio.

It's like, where do you actually find these deals? What do they actually look like? Well, you've just got to know where to look really.

And you're not going to find them on the mass market where everybody else is because high competition is low margin. If everyone else is running around doing the new big thing, crypto or whatever, whatever the new hot topic is, it's probably not going to be there that you're going to find your needle in the haystack. The whole blueprint we teach on financial fortress and on property entrepreneur is about three things really.

One is niche. So to find a niche that you can own, nobody else operates there. It's just you.

You're in that niche where there's low competition, high margin, and you can have a massive market share. The second would be waves. So a strategy that's brand new.

So a government incentive that's coming out or a policy change or a new type of permitted development that changes the way that an asset class, the valuation model, the agents market and sale, because you get in there first. It's a crest of a wave. It's brand new.

It's low competition. It's high margin. No one else really understands it.

And the third is to master your market. You've got to understand your market better than anybody else. You've got to be able to know what you're looking at and see angles or see opportunities that nobody else can see because you just know your market.

You understand it better than anybody else. And you know how to play the game because you can see things that other people can't see. So success when you're needle in a haystack investments is what you want to do is knowing what one looks like.

So you've got to understand what a needle in a haystack looks like. And you've also got to have the patience to wait for one to come up. But then you've got to have the confidence and resources to move when it does.

So it's a bit of a strategic position to be in. You've got to know what you're looking for. You've got to understand that you're going to have to wait and patience is a virtue.

A lot of people, especially young guns in the game, are going to want to run around focusing on top line growth, deals, deals, deals. When you get to the point where the deals are big enough, you genuinely can do one a year or one every couple of years and make a high six, if not seven figure returns on it. And you've got to be able to move.

You've got to stay liquid. You've got to do the Warren Buffett strategy and be ready to move. And when you see it and it's a no brainer, then you actually move for it.

If you're currently making over £100,000 a year or have a seven figure net wealth, then this is for you. Starting December the 10th, we are running our annual online six week financial fortress training and mentoring where you can learn start to finish the 15 step blueprint that I used to achieve genuine financial independence so I never have to work again and how you can do the same. This is not financial freedom, get rich quick, HMOs or service accommodation.

This is genuine generational wealth creation and management. If you are at the top of your game already and you're making good money but want to secure your future for you and your family, regardless of what happens in the market, your business or even your health, where the music stops and your current income stream ceases, it's the assets you own that ensures the party continues. Now you must be making over £100,000 a year or have a seven figure net wealth to qualify.

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So take action now, it's unique, it's proven. And once you put it into practice, if you do not achieve a minimum 10x return on the £5,500 you've paid, we will give you 100% of your money back, no questions asked and guaranteed. Take action now if you want to step up to the highest level of wealth creation, wealth management and genuine financial independence, go to www.livingoffthesteam.co.uk or click the link in the show notes. Back to the podcast. So what do they actually look like? Well, if we look at say, companies or deals or investments, all of my companies that you've heard me talk about over the last however many years and decades have been niche businesses.

So property entrepreneur is a niche business. Every man and his dog is teaching you how to invest in property, HMOs, rent to rent, development, service accommodation, whatever. You can go anywhere and get that.

There's hundreds or thousands of people teaching that every day. Whereas if you look at the niche of once people learn how to invest in property and they're making money, how do they then turn into a business? Because they used to be an IT consultant or they used to be a graphic designer and now they own a portfolio and assets and they're doing developments.

How do they actually run it as a business? It's very niche. There's probably less than a handful of people in the world that do that high standard with long track record.

There's probably, you can count on a couple of fingers how many people do it in the UK for business, specifically in property for going from the six to seven and eight figure net wealth space. That's the sort of niche that we operate. And all the other businesses that you would have seen in mind, whether they're portfolio building or the way that we used to run maintenance companies, or the design company that I used to own, or the clothing company that just focused on doing university branded graduation merchandise, or going to different schools and universities and doing school hoodies.

They were just very niche. They were very crest of a wave. They were high margin, low competition.

Nobody else really did it. They were very sort of niche. If you look at my development sites, so I've been in property for the last 20 years and I've been very actively doing larger developments since 2013.

And if you look at the developments I've done, they've been very crest of a wave. So it's like, I'm not looking, I'm not doing what everybody else is doing, like office to Resi or C3 houses into C4 HMO. I'm just not doing that stuff.

I'm like, right, where are the markets that nobody else has really dominated? So things like when talking about crest of a wave would be things like permitted development. So for about six years, I did high density.

So national space standards came in nationally. It was then up to the local councils locally, whether they wanted to adopt it. I found out that Nottingham and Derby hadn't adopted minimum space standards.

So I could use permitted development in areas that I knew really well and do high density. Then I started doing high density permitted development build to rent, which was no brainer because it was very niche. It was very creative.

I knew my market better than anybody else. And people look at the deals that I was doing saying, this never doesn't make sense. You're never going to get it through planning.

The GDV will never work. And I was like, well, yeah, but I know things that you don't know. I know how to do high density, which is really optimising schemes below minimum space standards.

I know how to use PD, B1 to C3, B1A to C3, MAPD. I just understood how the PD model worked. And as the markets change, so MAPD now, buying big commercial buildings, understanding how to use other types of permitted development, which are on existing buildings in different sectors.

It's just understanding those niches. And then specifically the BBC model, so like buying below build cost. Up in the North East, I was buying houses that you couldn't build.

I was buying them for 50, 60, 80,000 pounds. We couldn't build them for less than 120. And they're in good rental markets, good residential areas.

To me, it was just a no brainer because I couldn't build it for that. I'm still renting it for a similar level to what it would be in other areas where you don't get that same equity and capital value sort of arbitrage between what you're buying it for and what it would cost to build. And that strategy did me really well, really well as well.

They're the sort of things that you want to be looking at. Mancor House, I bought it at £33 a square foot for a 30,000 square foot completely operational business centre. These are Neyland Haystacks.

Where do you find them? Well, it'll be things like they're listed incorrectly. So if they're listed incorrectly on the portals, maybe the photo has been done wrong.

Or I viewed a site the other day as a block of residential apartments, but it had been listed in the commercial section. Now there's some people like me looking in the commercial section, but a lot of resi investors wouldn't necessarily look there because it's a little bit awkward. It's a different section on your phone.

You can't even get through it on the app. You know, these things listed incorrectly, incorrectly valued. If you buy stuff off like pension funds, they might value it on the yield.

And if you can buy something that's really low yielding, like Wycliffe Mill, I bought that on a yield basis. I paid 255 grand for it. Probably was actually worth 470 if it had been valued right as a residually valued development site.

I then used high density PD to develop it. And for a site I bought for 255 grand, it's now worth well over 1.8 million pounds. So it's learning these sort of things about where to spot them, understanding the niches, the waves, knowing more than other people.

And then investments as well. It's looking at business models. So I'm an investor in quite a few big companies.

I was a second round angel investor in one that I was speaking to there. Or in fact, I was speaking to them, but I actually was at the angel investment update meeting. And at the minute it's currently valued.

It's only a few years old. It's valued at 33 million. And they're looking now at an exit between 50 and 100 million.

But I invested right at the beginning where that was just an idea. It was a beta product because I understood the niche. I understood the crest of a wave.

I understood how the market worked. These are the sort of opportunities and investments I'll be looking for where you find these businesses that are doing fantastic money. So it might be a dropshipping opportunity where someone's found out how to broker a high ticket item, get a good enough margin, but then back to back the leases between the supplier and the client.

95% of businesses will not make game changing money. In that 5% that will, whether they're businesses or deals, you want to spot them and be like, wow, this is a needle in a haystack. I see it.

I get it. It makes sense. It's highly lucrative.

And it's not like it's a magic trick. It's just the fact there's not many around. And when you find that needle in a haystack, you want to grab it and put it to good use.

Few sound bites to finish with. First is, in order to find a needle in a haystack, you need to observe the masses and do the opposite. If everyone else is running around buying Bitcoin, go and find something else that's going to be more lucrative.

The second would be, you want to look in places where there's low competition and high margins. So things that other people aren't doing. So a needle in a haystack might be a deal that's got huge problem with planning or structural issues or leaseholder restrictions.

Something that's just a nightmare to resolve. Asbestos. These big things that are not mortgageable.

These big issues that people bring up that means there's low competition. And if you get low competition, you get high margin. You don't want to take on high margin and high risk.

You just want to take on big problems, big profits. Find an angle where no one else can see one. You need to find a way of doing deals that nobody else understands.

Because then when you can see it and understand it, you got several strings to your bow that nobody else even knows about. If you're going to go for a niche, you want to own a space that nobody else can touch. So if you're going to find an angle that nobody else can see, if you're going to go into a space, make sure that you can own that space that nobody else can touch.

You do high density permitted development, build to rent on grade two listed buildings. Just own that space, master it, drill for oil, go deeper than anybody else will. Less is more.

If you've got a business and you're running around doing loads of clients, loads of products, you grow in their front and center, you can do that and you'll probably get good top line and you'll probably survive, but you'll never make really good bottom line. You'll have less businesses, less deals is more money. One deal a year that's going to be fantastic.

One client profile and strategy that's going to make you 30, 40, 50%. You'll find that 80% of your profit in your business comes from 20% of your products and services. Rather than do the 80 that is a waste of time, just try and double down on that stuff that's really lucrative.

And then finally, in the same vein is focus on bottom line, not top line. The amount of people I hear about in business that say, we're making eight figures a year. We're doubling it every year.

We're going to go to 10 locations around the UK. That's great. It's fun.

I've done it. It's good for the ego, but it's not good for making money. If you want to make money, it's like what are the three key products that if we double down on will make us more money than all the other 80%.

What deal strategy can we do one of a year that will make us more money than doing 10 every five years? It's just being understanding that less is more bottom line over top line and more revenue does not mean more profit. So they're the needle in a haystack.

Keep your eyes peeled for them. When you spot one, absolutely run with it, but just observe the masses. Don't do the opposite and don't get caught up doing deals and running businesses that don't make money.

I hope that's of good value for you. You'll definitely need this if you're building your financial fortress and success and failure in this space of getting wealthy and making money are very predictable. I hope you enjoyed this blueprint and I'll see you on the next one.

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