**TBP 266 Edited\_Transcription**

[Daniel Hill] (0:00 - 22:28)

What is going to happen next with the UK economy? The people who do really well in business and property are those who can understand where we are, where we're going and how to navigate that route. If you do not want to wait until my January 2025 predictions of what is happening next year, tune into this podcast episode now, where I'm going to take you for the first time behind the scenes at the Property Entrepreneur Super Event, where I've shared the forecast for the next 12 months and what I think is going to happen in business, property and the economy to ensure you can have low competition, high margins and do the deals that you want to do, get maximum returns and remove the risks in the 12 months ahead. Success and failure with these things are very predictable and over the last five years I've successfully predicted it.

Let's see if I'm right for the sixth year running. 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 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. Mastering the market, the first thing to note is it's all a game and however seriously we take business and life and reading the paper, remember it's all going to be over before we know it.

We're all going to be dead pretty soon. This is all a game and all you've got to do is know the rules, play the game and score the goals. And if you follow what we've done over the last five years, this will put you in good stead.

This is my sixth year of creating a model. This was the model I stood on stage last year and shared. And now that we're 12 months on, you can see, give or take probably a couple of weeks in some circumstances, we were pretty much bang on.

And for those of you that used it, including us, you would have gone and made hundreds of thousands, if not millions of pounds in your business and portfolios just by following this model. I've been doing this for six years now, making these models and the only thing I can tell you that's consistent is that timing is a moving target. And a soundbite for you to take away is what you're not waiting for is for rates to come down or prices to go up.

You're aiming to just play the game all the time and just ride the market as it moves. I made the most amount of wealth in the two and a half years of the pandemic, without question, because we knew how to play the game. Everybody else stands on the sidelines and doesn't move.

So this is the sixth model that I've created. It's the most challenging one that I've had to do to date. And in a moment, I'm going to share that with you.

The footnote to this is that at the moment, we are playing a waiting game because we have a big announcement at the end of the month, which is? Absolutely, the budget. And one of two things is going to happen.

The first is that the Labour government managed to really harness this. Obviously, the big thing is they want growth. They harness it.

They find the investment capital. And this really takes the UK out of a decade of treading water and blows us back onto the global stage, which would be fantastic. And actually, as the weeks are progressing, I think this is a possible outcome, primarily because what they're looking at is basically it's got to be funded somewhere.

We want to do big spending, national infrastructure, public and private sector investing, but it's got to come from somewhere. And that's either taxation, but that's going to be a false economy, or it's going to be private investment, which is going to be both domestic and worldwide, countries that want to invest in a booming economy. Or third, which I think is going to be the big stage stopper or stealer in the budget, is find money in the public budget.

And what they're actually looking at doing now is restructuring the way that the government's balance sheet works, where investment into assets doesn't go against the P&L, it goes on the balance sheet. Now, I won't bore you with the complexities of that. But in my head, it makes absolute sense.

And you would do that if you were a private company, but they don't, and they haven't for decades. If they do, that will create a headwind or a headspace of between 50 and 60 billion pounds worth of spending. And that's just public.

You throw in the mix some domestic private investment, some global private investment, all of a sudden we could be off to the races. That said, this is politics. And the alternative is this whole thing blows up.

And the economy completely stops. Labour government tax everything. You've already heard the jets are on the runways.

Millionaires, billionaires are already looking to leave in the country, go into places where they're better treated. That is a very possible outcome. And we'll see how it plays out.

I think it'll either be this, which I would say confidence is increasing by the day. Or I think it'll be a flat line, and it will just go stagnation. And it'll be death by 1,000 cuts for the next two or three, not terms, but probably generations.

So who wants to see my best guess at what 2025 looks like? Yes, let's do it. Let's see how right I am, or wrong, as the case may be.

This is my sixth attempt at projecting it. The last five, give or take, have been pretty much bang on. This is what I think 2025 is going to look like.

And in your workbooks, you have a blank version. So all you have to do is draw the lines. So starting from the top, the first step is inflation.

And we are now down at a 2% inflation rate. And what I suspect will happen is we will stay around that period, stay around that position for this period. The main reason being the economy, and we use my analogy of a car, which I've used for the last few years, is coasting.

So the car is now coasting. If you know what coasting means, coasting, when you're in a geared car, manual car, is when you put your foot on the clutch, you take your foot off the accelerator, and you just roll on the inertia of the vehicle. This is called coasting.

And those of you that know anything advanced about cars, you know it's actually a pretty dangerous thing to do. You should never do it because you can lose control. But this is what the economy is doing.

It's coasting because inflation is down where it needs to be. It's ticking around 2%. And I think that will stay there.

I don't think it will move. The next is with inflation at 2%, we've then got to look at interest rates. So if you think about inflation is the speedo.

The car is going faster and faster. Prices are going up and up and up. Interest rates are the brakes.

So you slam on the brakes, increase the interest rate, and it pulls down the inflation. Because the logic is when interest rates are high, people save, don't spend. It pulls it down.

And that's basically the analogy. Now, I don't see any reason as it stands for interest rates to come down aggressively. I suspect over the next 12 months, you will see at maximum 1.5% drop if something goes wrong. Probably more likely a drop from 5% to 4%. So just to manage your expectations, I don't see any reason why they need to bullishly drop rates, in which case it will start to crawl down over the next 12 months to about 4%. If we have to drop rates, it's because something's happened.

It'll either be global conflict, or it'll be unemployment spiking. Think about when the car is in coast when you're out of gear, or rather when you're in gear and you slow it down. If it's starting to stall, because you haven't got any gas on it, then we would have to be a bit more aggressive with the rate drops.

But there is no reason in the UK at the minute at all to drop rates apart from getting us onto this road of recovery. And if you think about the racetrack again, we've come flying into this straight of double-digit inflation, slammed on the brakes. We're now coasted into the corner.

And the trick now is to when do we put the foot on the gas? And remember, foot on the gas is accelerating the economy by bringing down the interest rates, taking the foot off the gas, bringing the interest rates down, and then accelerating again and going into the corner. If the Bank of England do it too soon, the danger is they've put the foot too soon, they've been coasting around here, put the foot down too soon, the car will spin off in the ditch, and we're back to where we were 18 months ago with high inflation.

Because people go out and spend, supply chain hasn't caught up, prices go through the roof, it's just the way the world works if they do it too quick. The problem if they do it too slow is we're coasting, the foot's on the brake, inflation's where it needs to be. If it's too slow, the car starts to stall.

And we're going into this corner, and not only do the other economies start to overtake us, which is never good, especially with the UK where it is on a global stage right now, not only do they overtake us, but actually the economy stalls. And if you think when a car stalls, it isn't just something you can fix quickly, you've got to take it out of gear, you've got to start it again, you've got to get it warmed up, and all of a sudden we lose the next five years in a lull. So they've got to get this balance really, really right.

They've dropped 0.25% at the minute, and I think what you'll get is a gradual one to see where it goes, and then what that will do is actually the statistic will be very gradual, very minimal, but the sentiment will be significant. What do I mean by that? The Bank of England dropped 0.25, and then they dropped 0.25 again. In real terms, it's not going to really affect anyone's lives, but what happens then is the markets get confidence, the investors start to invest, the lenders start to put money out the door because they start to price in this change. And this is what you'll see happen with mortgage rates. Again, last year when I predicted what would happen with mortgage rates, it was just pretty predictable, because if you think what mortgage rates do is they're going to track the base rate.

So base rates say at five, mortgage rates are always going to be a little bit, or not always, but in this scenario they're going to be a little bit lower because they anticipate rates coming lower. The second that, and this is the market, you know, Mr Market is very temperamental at the minute. The second that Mr Market has confidence that these rates are going to keep coming down, and that would probably be two consecutive 0.25 base rate drops, which could happen, people are saying we're going to have two before the end of the year. I don't think we will. If we do, fantastic, it's going to be great. The second that happens, and we're in the corner, we're coming out of the corner, the lenders will be throwing money at you.

They'll be pricing in five-year drops. If there's a base rate of three and a half percent, there'll be mortgages out there at three, 2.75. They'll be pricing in five, ten, twenty-year fixes, because they've got confidence over the term they can get money out the door. Just jumping in quickly with a opportunity for you.

So in Profit Entrepreneur, we use a scorecard called the Life by Design Scorecard, and it shows you exactly where you are excelling in life, and where you have the opportunity to improve. We created this two years ago, and it uses every single life mapping, matrix, and psychometric testing that is out there to rate your life, and show you where you currently excel, and where you have the opportunity to improve. If you want to do yours now, go to the show notes and visit www.lifebydesignscorecard.co.uk. Now, there's a link in the show notes, you can click it, and in less than five minutes, it's completely free. You'll get a full bespoke report, and it will show you exactly where you're excelling in certain parts of your life, and which specific areas you need to pay more attention to. It's completely free. We've never shared it before outside of Profit Entrepreneur.

Go into the show notes now, click the link. It's www.lifebydesignscorecard.co.uk. Back to the podcast. So what's that going to do for property prices?

This, I'm gung-ho confident on, and I may be wrong. I suspect, and I predicted this two months ago in advance, you would have heard me do it. I shared it again at the super event last month.

I also, if any of you were at Property Magic Live, I did this on stage. I think we're going to have a delayed summer, and October, November, December, I think the market's going to keep going up. And I said that two months ago, I stand by, and it is actually now starting to happen.

I then think as it does, winter will cool things down a bit. There'll be a good steady growth, good activity in the market, nothing crazy. But in spring, I think the market will ping.

And if you're trying to time flips, do deals, buy in the winter when it's cold, sell in the spring when the market's hot. It'll come up here, in spring it'll ping, and then in summer it'll just be on that trajectory. And I think we'll be back to, and you can hold me to this, I think we'll be back to an annual 5% macro property price growth rate within the next 12 months.

Bear in mind we're at 2.2 now, and we have been for the two years. That's a very bold statement, but I think it's accurate. And if you want to get some confidence in your decisions based on that, two months ago, I said I think we will hit a new record house price by Christmas.

At Property Magic last month, and you were there, I said that, and nobody really agreed with me. The Halifax pricing report came out yesterday. Bear in mind there's three reports, they're all very different.

Halifax housing came out, and said we're now £100 away from the highest average house price we've had in history in the UK. I suspect by Christmas we'll go straight through that. I can't see anything happening but the market going up and up and up.

Mortgage approvals are up, sales values are up, transaction times are down. I just can't see any reason why we won't now turn a corner. And remember, with property pricing, there's only three things.

There's three things that affect the market. It really is this simple. It's demand, it's supply, and it's finance.

That's it. And if you look what it is, demand, you've got two years of pent up demand. People who've been stuck in their houses, looking out the window, waiting to move house, but haven't been able to because rates have been too high.

So you've got demand. Supply is now increasing. People are starting to move.

People are downsizing. Landlords are selling up. Supply is gradually increasing.

And then affordability and finance and liquidity, it's everywhere. Yes, rates are up. Yes, affordability is down.

But all that's going to happen is the law of logic in the commercial world will come back, which means yields will go up or rates will come down. And all that's going to happen in the resi market is terms will increase. You go to other countries in the world, you can have a three-generation mortgage, whereas in the UK we've been quite comfortable around 20, 25 years.

You're now seeing 30-year terms. And I don't think there's going to be any bottleneck in affordability. Also, I think the government may, which would probably be a good vote winner, but not be good politically, bless you, will actually introduce a new government guarantee in the budget for probably for next year for first-time buyers to replace help to buy.

So the logic is it's just going to go up and up and up. I can't see anything at the moment that says property prices aren't going to keep going up and up and up. It's two years of limited activity and then on the way back up.

And then with that in mind, what's going to happen to rents? So rents are here. Rents are just going to go up and up and up and up.

And obviously, as investors and homeowners, this is a fantastic thing for the economy, for society. It's not good. But the reality is this is going to go up and up and up.

And this is actually, I managed to get into Rachel Reeves' Spotify playlist. And I saw she's had this on repeat for quite some time. They obviously have no idea what they're doing because every decision that's being made at the moment is going to force rents up.

And here's just a few for you. So landlords are selling up and exiting pressure tax, capital gains tax. Stock is going to reduce.

Demand is up. Remember, every year we stay in the market, there's another generation of people moving into the rental space. Immigration figures.

So bear in mind, we're already of a shortage of stock. I read a report this morning. Don't quote me exactly on this, but they're pretty bang on.

In the last five years, our population has grown two million people. And I did the maths this morning. We've built about 850,000 houses.

But we've welcomed a net figure, net immigration. And this is good immigration. It's like healthcare professionals.

It's not. There's only about 70,000 sort of people seeking asylum. But two million people have joined the population.

Although births and deaths are now, you might argue that that would impact it. Births and deaths now are pretty much identical. It used to be like deaths, births in the UK were reducing and deaths were increasing.

It's now hit, literally this year, hit that point. So we're at equilibrium. The population has grown by two million people in five years.

It's now growing by 650,000 people a year. And they reckon it will grow by another 10 million. Population is going to increase by 10.

If it stays on its current trajectory, and unless they do something, it would actually get worse. Over the next 15 years, by 20, whatever that is, 15 years time, meant to reference it. Yeah, yeah, let's go for that.

2039, actually, as I remember 2039, it will increase by another 10 million people. 700,000 people, the best part of 670,000 people a year are joining the population. And we're currently building 220,000 houses.

Do the math. It's like, and the people who are coming in, they're not homeowners. They're people who want to want to rent, you know, it's, it's absolutely bonkers.

And it's going to go up and up and up and up. And yeah, it's just very predictable, which is great for us as investors. Not so good for the economy and society.

And then finally is GDP, what's gonna happen with GDP, I think it will start ticking up, but you're not gonna see anything groundbreaking. Even if we have a fantastic budget, and it's hugely capitalist, and it encourages entrepreneurship and investment, I don't think you're gonna see a huge spike. But it is going to be modest, you can see probably a 1% uptick in GDP.

The main sentiment really is what you're seeing now, and you may or may not have clocked it, is we're pretty much back to business. And although this might seem like ages that it's taken to get here, and actually, we were back to business ages ago. Remember, the economy is like a tanker or a cruise ship takes ages to turn one way and then it takes ages to turn back.

What you're seeing now is the economy is back to business, people are getting confidence, employment's high, earnings are good. It's just sort of back to business. So I think GDP is gonna start to tick up.

And if we have a great budget, we could really start to get traction on that over the next couple of years. But also, we're not out of the wind yet. There's definitely a tailwind of two things.

One is sectors that have been hit by inflation, salaries and cost of living, primarily hospitality and restaurants. There's so many zombie businesses out there that I'm talking about the economy will come back next spring, they might not make it. And the other is people who are trapped in maybe they've got developments that took two to five years, some of these big developers building big office blocks.

I know quite a few of them, and they're all just in this little stalemate at the minute where the clock is ticking. And basically, they've got stock, it's finished, it's on the market, chatting to a developer the other day, and he's got a block of 160 apartments, he's paying £300,000 a month in interest, and he hasn't sold a single unit. This market will come back and it's coming back and I had breakfast with someone this morning and said, oh, yesterday, I was saying, yes, without a doubt, we're starting to see it turn.

It's now getting out of that corner before time runs out, which means there could be great opportunities for you. It's just make it be an acknowledging that we're on our way out of it. But we're not, you know, we're in the turn, but we're not out of the corner corner just yet.

So this is master the market that is my best guess as to what's going to happen in the economy. I will update it next month. Once you've seen the budget, I feel reasonably confident and clear as to what's going to happen.

But as with anything, things can change. Two closing sentiments, if you take nothing else away. The first is whatever happens, whether it's pro-business or anti-business, the budget, the wealth gap will continue to increase.

You may or may not have noticed, in real terms, the people who own assets and are wealthy are getting crazy wealthy. They own loads of assets, they've got loads of rent coming in, they've got capital growth, the gearing's going down, the cash flow is going up, we're killing it. You know, the people who own the assets are doing well.

The people in the mass market and the bottom end of the market are slowly, by the skin of their fingers, falling into cost of living issues, lower standard of living, higher cost of housing. And that's going to continue to happen, whether it's pre or whether it's anti or pro-business, that's going to keep happening. So you want to make sure, and I said this to the board yesterday at Supper Club, the only thing you need to do is buy assets.

It's like, you can always run a business and make money and pay the mortgage. The more assets you own, the wealthier you'll get, and over a period, the more you'll get towards that higher side of the wealth gap. And then the second is, as I always say, watch out for the black swan.

I say it, but you won't see it, so it doesn't matter. And if this happens, you can throw everything I've just said in the bin because it's completely irrelevant, the world's over, and I'll have to rebuild the model that I've just spent the last three months building. But that's life.

But this is always a risk, right? So it's hope for the best, expect the worst, be bold, be brave, but don't be foolish, because we're not out of the woods yet. I hope you enjoyed this Blueprint podcast episode.

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