

## *Online property bidding platform eyes expansion*

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By Tom Lyons

The inside of the Waterloo Exchange Building in Dublin 4 is buzzing. Plasma screens dominate the walls. One screen blinks as four bidders battle it out to acquire a commercial property for €400,000 near the M50. This is BidX1, an online property bidding platform founded by Stephen McCarthy.

McCarthy is a ball of energy as he watches his creation in action. Over the course of just two days, more than 300 properties will be sold online on his platform, for over €60 million. Everything is done online, he explains, from booking viewings to reviewing legal documentation, to complying with know-your-customer regulations, to taking in the money.

“Buy property from anywhere in the world, at any time, on any device,” is BidX1’s rather grand tagline.

McCarthy is evangelical in his insistence that technology is going to change how many people buy property. Inspirational quotes from Apple cofounder Steve Jobs dot the walls of the office, alongside an array of numbers detailing the growth of the various arms of McCarthy’s overarching company, Space Property Group.

It has been some journey for McCarthy, who lost a fortune in the crash only to subsequently come out a winner. His joint venture with British auctioneers Allsop – which McCarthy bought out two months ago – handled over €1.2 billion in property sales in six years.

Now McCarthy feels he can sell even more by bringing technology to real estate, not just in Ireland, but in Europe.

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Steve McCarthy’s story is one of rise, fall and recovery. In 1993, at the age of 24, the Blackrock, Co Dubin native moved to California to seek his fortune. He became general manager and a minority shareholder in one of the largest Mercedes-Benz dealers in Silicon Valley. Tech companies in the Valley were creating millionaires overnight, so things were busy. McCarthy led a team of 120 people and was selling \$600 million worth of cars a year.

“I lived the American dream,” he laughs. McCarthy invested his salary in property and other businesses. By his early 30s he was a millionaire. He and his wife, Simone, had the first two of their three daughters in California, but they didn’t want

to settle down in America. They missed their parents and wanted their children to grow up here, so in 2004 they came home. McCarthy sold his stake in the business. “We came back with a good few euro,” he says.

They arrived at the tail end of Ireland’s property bubble. Financiers like Derek Quinlan, Kevin Warren and Deirdre Foley were putting groups of high-net-worth investors together to buy property at ever greater prices.

McCarthy started to invest in these syndicates, which at the time were seen as the place for smart money. “My timing wasn’t good,” he says ruefully. “The best way to describe it is that it was one in the morning and I started to try and catch up. I got involved in a lot of property very quickly and that wasn’t a good outcome.”

When the crash came all his cash was sucked into keeping these property syndicates going. “I could see I was in deep, deep . . .” McCarthy says. He sat down with his wife and suggested they move back to the United States. She talked him out of it and convinced him to start again here.

In September 2008 – the month Lehman brothers collapsed – they set up the Space Property Group. It was a one-room operation on Leeson Street in Dublin 2 that began by letting six apartments. “We were fortunate. Irish people like the underdog,” McCarthy says. “Within nine months we had 300 apartments inside the M50 to manage and rent. Soon we had 11 employees.”

McCarthy now had some income, but was also in Nama, which took over his syndicates. How much was he in the hole? “I can’t say. But it was significant enough to keep me awake for many, many nights. It was in the tens. It was very significant.”

McCarthy says the nature of syndicates made him joint and severally liable with his fellow investors for their total debts. It was an impossible situation to get out of.

He watched as Nama was turned into the world’s biggest property agency. “All I could think was somebody will have to sell those properties eventually,” he says. “I was determined to do whatever it takes [to get out of Nama]. I didn’t want to be in limbo for seven years. I wanted an outcome. I wanted to do something.”

McCarthy saw that Allsop was selling large numbers of properties in giant auctions in Britain and realised that some day they would be needed here. McCarthy pored over Allsop’s website and noticed that one of its partners, Gary Murphy, had an Irish sounding name.

For a week he tried every day to get through to Murphy, but was fended off by his secretary.

“On the sixth day, I thought I’ll call him at 6.30pm because I might get him in his office and his secretary might be gone,” McCarthy recalls.

“He answered the phone, ‘Hello Gary Murphy’, in a very posh English accent. I said, ‘Stephen McCarthy’ He said, ‘Are you stalking me?’.” Murphy said Allsop had no interest in Ireland, but he agreed to meet McCarthy for coffee in London.

McCarthy convinced him to come to Ireland and promised to pay all the bills and find enough property to make it worthwhile.

In April 2011, Allsop’s first Irish auction was held in the Shelbourne Hotel. Eighty-two of the 83 properties on offer were sold for a total of €16 million. An iconic photograph (which McCarthy has on the wall of his office) was taken outside the auction, of IMF chief Ajai Chopra en route to the Department of Finance, looking bemused as he passes through a crowd of people queuing up to get in.

“There were 700 or 800 in the room and I’d say 500 were other agents hoping it wouldn’t work,” McCarthy laughs. Then the protests started. Allsop became hated by groups resisting the sale of properties by their banks or vulture funds.

“I was naive. I thought we were offering a great solution by selling properties,” McCarthy recalls. “Our offices were broken into by the Land League and others. They came into my office and were filming our staff. It wasn’t much fun. It was a civil matter. We needed to deal with it.”

McCarthy sat down for six hours with his invaders, listening to their grievances. “They were going to stop us and pull things off the wall. Eventually we agreed in the event of a legal dispute between a borrower and a seller, we step aside.”

With peace restored, McCarthy added a more traditional estate agent experience to his portfolio. He co-founded with Rowena Quinn a new estate agent called Hunters. It has three branches in Dublin and is considering opening franchises in Cork and elsewhere.

“We are a bespoke brand pitched at between €250,000 and €4 million.” It has sold between €300 million and €400 million worth of property since launching. The final part of McCarthy’s business is QRE, a commercial advisory business which draws upon Space’s experience and data about the Irish market.

McCarthy uses the word “escaped” when referring to his time in Nama. Was it the right idea? “I think that under the guise that they were created they have done a decent job, but I am not sure that the guise that they were created under was the right way to do it,” he says.

“Nobody is perfect . . . My personal dealings . . . quite difficult. They were firm but fair.”

“Am I glad I have created a resolution with them? Unbelievably glad. They did a good deal. I don’t have any assets left from that time in my life. It was all done consensually. From a personal point of view, was it painful? Yes.

“Do I wish I had kept some of the assets? Yes. Am I glad I have got an outcome and I am free to go on? Yes. From my personal point of view, yeah, I am happy enough.”

McCarthy was fortunate to be able to deal with his debts. Others, he says, will need solutions like that offered by David Hall’s iCare Housing, which has bought hundreds of distressed mortgages and is committed to keeping people in their homes.

“I don’t agree with moral hazard,” McCarthy says. He argues that people who cannot repay their loans should not be “tortured” forever. “I do believe they need a bit of pain. You make a decision, you have to deal with the consequences, but it should not be a fatal blow.”

“I don’t think every situation is the same. The reason why funds have been able to buy assets from the banks is because they didn’t want to be seen to do solutions themselves . . . so it has worked against people.”

McCarthy says the funds could be good or bad. “I think it depends on the person you are dealing with. They can allow people draw a line, sell the assets, get the best resolution and move on and become productive members of society.

“I am very disappointed we are where we are,” he says. The housing and rental markets are both broken, he believes. The state, he argues, needs to think about long-term rental contracts to create more certainty in the market and to give tax breaks to private investors to encourage them to make more accommodation available quickly.

“It takes three years to deliver a house and we can’t wait three years,” he says. Solutions, he says, are also needed to unlock the distressed buy-to-let market. “We need to not worry about moral hazard and get properties back into the market and moving again.” In other words, like McCarthy, we need to start doing things in more of a hurry.

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McCarthy’s own business trajectory is now firmly on the up. In August, his Space Property Group bought out Allsop and rebranded itself BidX1. He has big

expansion plans. “We want to go on a journey where we are creating a European trading platform for property,” he says.

BidX1 is in Ireland and will expand into Britain this month. He says he is between the “cup and lip” of buying a traditional estate agent in Britain which he will use as a platform to grow into Britain. “The UK is a massive auction market, but it is all traditional. There is very little online.”

He has firm plans to move into South Africa and is also looking at Spain and Cyprus. McCarthy says he bought out Allsop as it did not want to go online. “I thought, someone is going to do this,” he says. Google, he notes, invested in a similar business in America called Auction.com in 2014. “Traditional agents don’t necessarily like what we are doing,” he says.

“They don’t like it because they think it is a threat to them.”

McCarthy is passionate about the benefits of online auctions, where all issues relating to the sale, including legal documents, are available in advance. “It is not a fees issue. This is a speed-of-execution issue and it is a transparency issue,” he says. “I think most people look at our industry and think something has got to change here.

“Everything else we do [as consumers] is online, yet the only thing we did online up until now was view a property.” McCarthy says his business has a dataset of 77,000 buyers and is adding to this number all the time. In time, he says, he would like to be able to offer finance online in order to give purchasers everything they need to close a sale.

“We are working with a couple of big institutions – we are getting there – where they will offer finance with our auctions,” he says. “The traditionalists don’t want it, which is probably why I like it.”

BidX1, he says, is considering a fundraising drive to allow it to expand in Europe and South Africa. “If you are to be pan-European you can be based in Dublin, but you need regional offices. That would be a big investment. It would be €10 million or north of that. We might be able to do it in 2017. We either go now or maybe someone else will do it.”