

# ONE YEAR ON!

## WHAT WINNING A PROPERTY INVESTORS AWARD MEANT FOR NELLIE MCQUINN

Interview: **Ant Lyons & Angharad Owen** Words: **Angharad Owen**

Last year, Nellie McQuinn won the Property Investors Award for New Investor of the Year. With this year's awards coming up at the beginning of December, we were interested to find out what winning an award really means. Nellie has been kind enough to chat to us about the awards experience, the winning deal and what has happened within her property business in the succeeding year.

### GETTING INTO PROPERTY

My history is very much in the entertainment industry, having started working as a professional actress as a child on television in Australia. When I was 17, I moved over to the UK to pursue a career in the arts.

I set up my own production company, which I still run today alongside my property business. The property business came out of nowhere for me. Back in the 1950s, my gran bought our family home in Sydney's answer to Chelsea, Greenwich. After my grandmother passed away, we had to sell the house. I inherited some money from the sale, and one of the conditions was that I'd use the money for property.

I didn't make the choice to get into property, but my gran obviously knew me very well and it's been a very successful venture so far.

I'm very fortunate to have my husband, Mat, as co-founder of Property 165. He supports me extremely well. We're a good team.

### THE WINNING DEAL

We found the apartments through the purchase of a small one-bedroom flat in the same block. It was a lovely flat in a terrible building, and that's what caught my eye. We were unhappy with the condition of the rest of the building. One flat even had graffiti on the door.

I reached out to the management company, who had essentially washed their hands of it. They put me in touch with the owner



... who turned out to be the vendor of the flat I had just purchased. He had two other apartments in the building, and offered for us to take them off his hands. We accepted although we had no way of paying for them. In all honesty, I just wanted a nose around the flats.

I did some research and one thing led to another. The next thing I know the deal was done.

The sale of the first flat had taken ten months to complete. The freeholder was being extremely difficult – it was a long,

drawn out process, and the vendor didn't want to go through it again with the other two.

The flats were in a terrible state. There were holes in the ceiling, tiles falling off the bathroom walls, cockroaches, water on the floor in the kitchen, and they smelled. We couldn't wait to get our hands on them.

### CREATIVE STRUCTURE

When I went to look at the flats, I completely fell in love with them. I immediately saw their value. But we didn't

have any capital whatsoever so we needed to find a way to buy them.

While I was researching on how to pull off the deal, I came across a broker who had written an article about delayed completion. It ticked every single box.

It was straightforward, but a lot of people get scared by it. The concept is that we exchange on the property without putting down a massive deposit. The only money we needed upfront was for the refurb. Our intention was to get bridging finance on the post-refurb value of the property upon finishing.

If it was possible to add 25% of value, a 75% LTV bridge should have covered 100% of our costs. Not only would we have got 100% of our purchase price, but then the additional money to do the refurb would have come back at that stage as well. We weren't going to refinance them because of the six-month rule. We wanted to get them straight into the open market to find some cash buyers or investors, take the profit and move on.

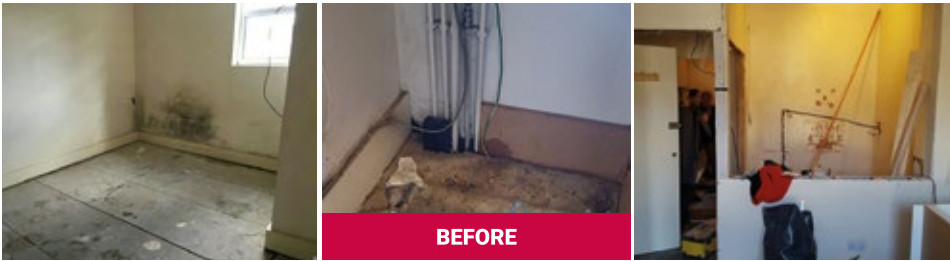
We didn't want to keep the flats because we didn't have any money of our own to invest. This was a great way of giving us a buffer to start investing with our own money. The principle of the deal worked out, but things did go wrong along the way.

### WHAT WENT WRONG?

It wasn't our fault, and I think that was educational. This was the first flip that my husband and I had ever done, and we also decided to move to a new house, get married and have my mother move in with us. It was the most stressful time of my entire life.

As we were rapidly approaching the deadline for completion, we found out from the bridging company that they were turning into a publicly-floated bank. I didn't understand the legalities of what that meant, but what I did understand was that they were still happy to lend but we needed to go back to the beginning of the lending and vetting process. It would have added another six to eight weeks, which wasn't viable as we had two weeks until the completion deadline.

Christmas was approaching, and we had to go out and raise finance by ourselves, otherwise we would have lost the two properties. I was very unhappy to give them back fully refurbished to the vendor. We had also negotiated a £30,000 break clause if either party walked away from the deal, because I'd initially financed that amount for the refurb from my mum.



FLAT B & D, 147-149 HOE ST, LONDON E17 3AL WALTHAMSTOW	
Type of property	2 x 1 bedroom flats above commercial on the high st.
Purchase price	2 Flats purchased for £312,862 on delayed completion. (£310,000 purchase price + £2,862 to cover seller's bills during refurbishment). Deposit of £1 each per flat.
Open market value	As it was a D2V sale, it's hard to establish open market value (safe to say more than we paid for them!). I would estimate 25% BMV, with the advantage of easily adding much more value through the refurb.
Purchase/ Acquisition costs	£22,894 – all purchase fees, legals, SDLT and cost of sale to exit.
Funding method	Finance for refurbishment was via private investor, with intention of bridging the full purchase price on completion. This fell through and private financing had to be found for the entire acquisition last minute. Properties were put straight back on the market after refurb for sale.
Deposit paid	£2 (£1 per flat)
Amount of funding	£368,484 (100% of costs were financed via private finance)
Borrowing rate(s)	Private finance at 0%. We arranged with our private investor to source and manage the refurbishment of their next project in return for the cost of borrowing on this project. Win win!
Total money in	£368,484
Personal money in	£0



It was important to me that no matter what happened, the money came back to her. If he had walked away, I would have still got that money back.

Unfortunately, when it was looking like we were going to have to break the deal, handing the flats back along with an extra £30,000 would have been adding insult to injury. We had to raise £320,000 in private finance in a relatively short space of time.

Luckily, we had been very social and open about the refurb online. It was a big learning curve for us because we had been laying the foundations of looking for finance without realising it. A lot of people had seen what we were doing and were following the pictures.

We found someone within our friends-and-family network prepared to lend us the money. It wasn't a cold raise, as such. But I don't think we would have been able to get it if we hadn't been so vocal about what we were doing for the previous couple of months.

Our finance ended up being 0%. Our financier was based in Australia and wanted to bring some money over to the UK to invest in a property over here. We struck a deal and agreed that the money would come via our account so that we could finish off our project, and we'd then source and facilitate a purchase for them.

It worked well, because they got what they needed and we got much-needed cash at the right time. We created a win-win for both parties.

THE REFURB

I always like to walk into a space and see what I can do with it. Not just in terms of a light refurb, but in terms of changing things around. If I can, I like to open a wall or swap around rooms.

One of the flats, for example, had a very small bathroom in the middle and then a strangely large kitchen at the back, but neither had natural light. It didn't make sense to me, so we swapped them around, and knocked through the kitchen into an open dining and living space.

The refurbishment cost £34,000 for both flats. We approached one contractor who did the two flats as one job. It was almost like one refurb because they were down the hall from each other.

One of the biggest mistakes we made was skimping on our builders. We ended up having to spend money rectifying what they had messed up. In hindsight, if we had had a slightly more expensive builder, the costs would have been the same.

It was the first refurb we had done, and it was the first time we'd ever really negotiated any of that stuff, so it was a good learning curve. Obviously, we won't make the same mistake again.

We weren't part of the property world at this point, so we didn't have anyone to ask for recommendations. We went onto MyBuilder and found a local guy. We thought that we had done quite a lot of research – checking reviews, insurances, etc – but he just wasn't that great.

Things weren't finished to a satisfactory standard. It was mostly small details, but the flat didn't look great and it was frustrating. I had to teach myself how to silicone the entire bathroom at half past midnight on a Saturday night. I'm now very good at it.

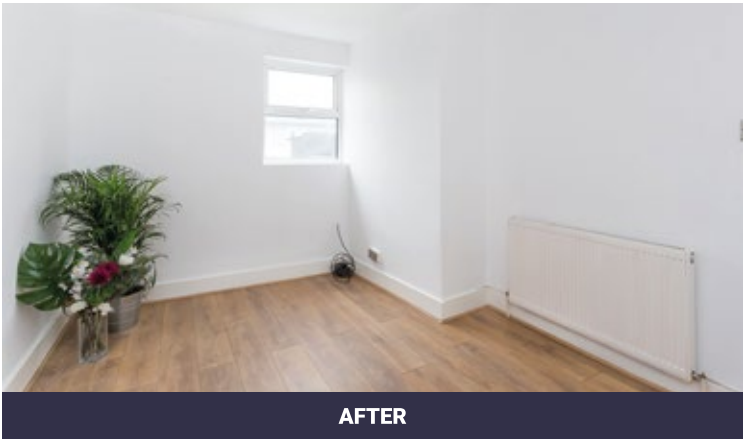
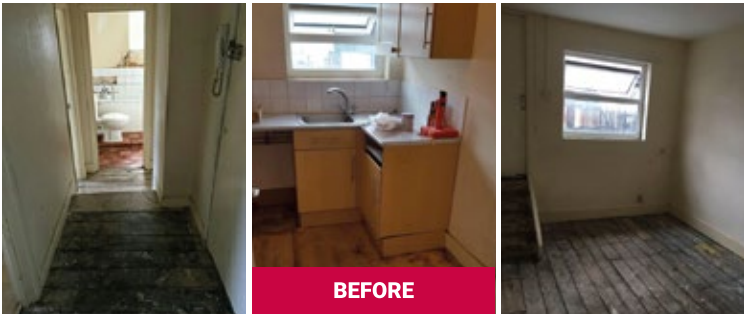
Now, we have a network we can ask for recommendations. It's something we rely on completely.

COST OF WORKS

Duration of project	8 weeks
Planning costs	Light refurb – no planning required.
Total costs	£32,728

VALUATION & INCOME

Post-works valuation	£275K and £250K (confirmed by RICS valuation)
Sale price (if sold)	£518,500
Profit	£150,016 (pre-tax)



DESIGN

My mum had just retired and had come over to spend a few months in the UK being mother of the bride in the lead up to my wedding. She accidentally became a bit of a project manager for the properties instead. Together, she and I made the design decisions.

My mum was amazing. I was working full-time running my production business, so was at the office five days a week. Along with Mat, who's a professional actor working sporadic hours, they were both able to be on site and meet builders.

SALES

Our market was either first-time buyers or investors looking for a nice little BTL for a young working couple. Because we had put both properties back onto the market straight away, we were in breach of the six-month rule, meaning someone who wanted to buy with a mortgage was going to be an issue.

They took a little while to sell, although we had a lot of interest. We sold one to a cash buyer very quickly, and the other got so close to the six-month mark that the buyers' lender allowed them to have a mortgage. We had three buyers fall through on that one. It was very frustrating.

I don't think our estate agents were particularly great either, because people coming to the viewings told us that they didn't know the flat was above commercial. I don't think they were conveying information very well.

But we sold them, and that's what mattered in the end.



THE PROPERTY INVESTOR AWARDS

Nomination

Since doing the deal, I started to focus on subscribing to and reading as much as I could. I was listening to a lot of podcasts, reading a lot of books, magazines, etc. I don't remember where exactly, but I saw an advert for the awards.

I nominated myself. The initial nomination consisted of putting in my name and email address. I got onto their radar, and they invited me to put together a proper proposal.

I had to explain the wins, the losses, what I would do differently, and went through the deal in minute detail. That application saw me become a semi-finalist, and on the night, I was the only female winner – something I'm both proud and mortified of at the same time.

I don't think I can underestimate that we learned everything during this process. I had only ever bought two properties before, the one I lived in at the time and the small investment flat. These were the first properties we had ever bought through a company.

We hadn't done any sort of bridging, financing, liaising with anyone apart from the average broker before. It taught us absolutely everything and we've taken it forward in every aspect, from the way we design, to the colour schemes, to the materials.

THE FUTURE

We bought another flat the day before our honeymoon in April. Mat rolled his eyes when I told him the plan. We bought it on bridging and spent our honeymoon month liaising with solicitors trying to get the application through.

It's a two-bedroom flat in Tottenham and has been converted illegally into studio flats. We saw the immediate value. We're currently in the process of getting planning permission to keep it as it is, but failing that we'll convert it back into a two-bed.

It's a little different but still quite safe for us because we own another flat in that block. I know the value of the real estate in that area very well.

In a competitive property market, it's important to think outside of the box. We make some creative decisions when it comes to financing but try to do it within safe guidelines. I like to have as much information as I can.

I don't love rental properties, I find them quite dry. I like the thrill of doing a refurb and selling it on but rentals are great for small amounts of regular cash flow, and we have a small portfolio of BTLs. We see them as a rainy-day fund for the future if we ever needed to sell anything.

I love flipping and enjoy the yearly cash flow injection, but commercial is where we want to end up. We will be moving on to commercial conversions at some point in the near future.



Benefit on business

The impact of winning on the business is two-fold.

One, the exposure we've had has been amazing. We've been able to do a lot of press, I've done a lot of speaking events, and been invited on to webinars and podcasts. Getting our name out there has been great.

Two, property can be a very lonely business. I was lucky that I had Mat with me, but we were still just two people. It was isolating wondering if I was making the right decisions, especially with big sums of money.

From a personal perspective, winning the award was a seal of approval for ourselves to say we did make the right decisions.



The profit coming into the bank should have been enough, but it is nice to get industry recognition.

Advice for others who want to win

You've got to be in it to win it. I don't think I can ever say that enough. I didn't think this deal was particularly special, it was just the deal we did. I didn't think the financing was creative, I needed the money and it was the only way I knew how. The fear of losing £30,000 on top of the money I'd spent refurbishing it was a pretty big motivator to pull it out of the bag.

It's only since I've started going to a lot of events and have met first-time investors that I realised that it was a creative way of structuring the deal.

For anyone thinking about applying, just do it. You might be sitting on an amazing deal that you don't value, but in the eyes of a judging panel, it might be extraordinary.

Listen to our full interview with Nellie

https://bit.ly/20Qc9sP



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