



## Chatswood Real Estate Market Review— 2nd Quarter, 2015

### Sales Market

Its now coming up to almost 2 years since we Auctioned 28 Violet Street, Chatswood. This property went to Auction on 17 August, 2013 and the auction went for 1 hour and 3 minutes. We had approximately 30 people registered for the Auction and the reserve was \$1,500,000. The original 3 bedroom cottage sold for \$1,908,000. That \$408,000 above the reserve. You can see the auction here:

<https://www.youtube.com/watch?v=u-JeUPP44JE>

Robert McElhone started selling Real estate in the Eastern suburbs of Sydney in 1986. He has seen many cycles and still remembers when getting \$400,000 for a house in Kensington in the 1990's was amazing. A large property in Chatswood was recently sold which netted the owner 66% capital growth in just 5 years!!

So we are coming up to almost 2 years of a bull Sydney Real Estate market and it doesn't appear to be easing. Auction results of over 80% success every Saturday continues to give the impression that there is a shortage of properties on the market for sale. The reality is that the volume of property is similar historically, but the fact property is selling so quickly gives the impression of low stock levels.

With Sydney having growth of approximately 16% in 12 months, it's hard to imagine a large amount of growth in the next 12 months. The talk of a bubble and the market bursting is normal. The difference in 2015 is that demand is high. The number of properties available are fundamentally not enough, and of course low interest rates make funds easily available.

We just sold a 1 bedroom unit in a 14-year-old building in Chatswood for \$800,000. Based on the unit size, this is very close to a price for a brand

new unit. Also, a 2 bedroom unit, which was 42 years old and not in the centre of Chatswood, sold last week at \$890,000. It must be difficult to be a property valuer in Sydney at present.

So it continues to be a Sellers' Market with many achieving exceptional results. A house in Stanley Street, Chatswood sold last week for \$500,000 over the reserve. Chatswood's large business district, train station and strong Asian community continue to make Chatswood and surrounding areas very popular amongst buyers.

### Rental Market

With negative gearing relying on capital growth, anyone with an investment property will be happy at the moment. But, like low interest rates for cash in the bank, returns on rental properties continues to drop as prices rise. A cap rate of 3.5% gross for a unit is realistic. Expect less for a house that is rented out. Vacancy rates have risen also, so you need to factor this in for cash flow. Remember, if buying an investment property, look for the properties close to infrastructure, especially transport or near Universities or Hospitals. You should vet new tenants heavily, as there are a lot of costs up front to secure a new tenant and you don't want them moving out in 6 to 12 months. We spend 90 minutes with a new tenant when signing a lease to cross our t's and dot our i's.

We estimate that 99% of properties are For Lease UN-furnished. The return and demand for furnished properties is low, with these properties often more difficult to lease.

If you have a query on Real Estate call or email Robert or Christine McElhone any time.