

10.8. 4th Quarterly Property Portfolio Report 2023/2024

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ENDORSED BY	Luke Harvey, Director Corporate Services
ATTACHMENTS	1. CONFIDENTIAL - 4 th Quarterly Property Portfolio Report 2023.2024 [10.8.1 - 14 pages]
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

PURPOSE:

The purpose of this report is to provide an overview of the performance of Council's property portfolio and activities for the 4th quarter of financial year 2023/2024, covering the period from 1 April 2024 to 30 June 2024.

EXECUTIVE SUMMARY:

- The total actual income for the 4th quarter (Q4) of the 2023/2024 financial year, received on a cash basis, amounted to \$1,442,984. This was below the forecasted budget of \$1,617,159 for the quarter by \$174,175, representing an 11% negative variance from the forecasted budget.
- The actual full year income received year to date at the end of the 4th quarter of the financial year 2023/24 on an accrual basis amounted to \$6,101,812. The forecasted full year budget for income on an accrual basis is \$6,351,032. The variance for the full year is negative 4.1%.
- Council's Property Portfolio vacancy rate at the end of June 2024 was 6.63%, which has largely remained the same. Most of the vacant space is office accommodation which remains a challenging commercial property sector post-pandemic in the current economic environment.
- The confidential attachment includes monetary information relating to property income, including Outdoor Dining, as well as leasing transactions, arrears data and carpark income. Should Council wish to discuss this report it is noted that the attached confidential document includes information that would, if disclosed, confer a commercial advantage on a competitor of the Council. Further, release of the information would, on balance, be contrary to the public interest as it would affect Council's ability to obtain value for money services.
- If Council wishes to discuss the report, the meeting should be closed to the public to do in accordance with Section 10A(2)(a) of the Local Government Act (LGA).

RECOMMENDATION:

1. **THAT** the report be received.

2. THAT Council resolves that the identified attachment to this report is to be treated as confidential in accordance with section 11(3) of the Local Government Act for the following reason under Section 10A (2) of the Local Government Act:

(d) commercial information of a confidential nature that would, if disclosed (ii) confer a commercial advantage on a competitor of the Council. It is further noted that the release of this information would, on balance, be contrary to the public interest as it would affect Council's ability to obtain value for money services.

Background

Council has a significant portfolio of commercial properties, with a total replacement cost in the order of \$53.7m. The portfolio comprises office space, retail, food premises, and outdoor dining spaces.

Report

Vacancy Position of North Sydney Council's Property Portfolio

Council's Property Portfolio incorporates a diversified portfolio, consisting of office, retail, community centres, outdoor seating arrangements, and other assets. There is currently an overall vacancy rate of 6.63% across the Portfolio – details are in Table 1(a) below. The vacancies are predominately office space, with a smaller amount of retail space.

The following properties are currently vacant. Council's Property Managing Agents, Colliers International, are responsible for the lease negotiations and management of Council's properties under lease.

Building	Unit	Area (m²)	Comments
James Place, 1 North Sydney	Level 1	480.8	Low office space demand
James Place, 1 North Sydney	3.01	304.8	Low office space demand
James Place, 1 North Sydney	5.01	273.2	Low office space demand. Early lease discussions underway with potential tenant.
Miller Street 283A, North Sydney	Suite 9	320.7	Low demand for this type of space.
Pacific Highway, 80 North Sydney	Shop 8	43.3	Under offer to a Cafe operator. Draft lease issued. Use and tenant-proposed alterations subject to a DA.
Ridge Street, 43 North Sydney	GF & 1.02	155.7	Under offer to a Cafe operator. Draft lease issued. Use and tenant-proposed alterations subject to a DA.

Table 1(a): Current Vacancies as at 4th quarter 2023/24 within Council's property portfolio

MONTH	April	May	June
Total Vacant Areas (m ²)	1,578.5	1,578.5	1,578.5
Portfolio NLA (m ²)	23,778	23,778	23,778
Vacancy % of Portfolio NLA	6.63%	6.63%	6.63%

Table 1(b): Vacancies at 4th quarter 2023/24 - as an overall area (m²) and % of the total property portfolio

Once the leases of Shop 8, 80 Pacific Highway, North Sydney, and 43 Ridge Street, North Sydney complete, this will reduce the vacancy rate to 5.8%. There are also early discussions

with a potential tenant for Suite 5.01, 1 James Place, which will improve the vacancy rate further.

MONTH	April	May	June	Comments
Total Vacant Parking Spaces	3	3	3	Colliers marketing for Lease
Total Parking Spaces under Portfolio	11	11	11	10 of the spaces are at 52 Alfred Street.

Table 1(c): Parking Spaces for lease in the Property portfolio as at 4th quarter 2023/24

Leasing Transactions for the 4th Quarter 2023/24

Table 2: Leasing transactions for Council's owned and leased properties for the period ending 30 June 2024

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
Option Lease	Address: - Shop 4, 34-38 Alexander Street, Crows Nest Lessee: Bobrox Pty Ltd, trading as The Plant Food Co	Period: 01/07/2024 – 30/06/2027 Term: 3 years Option: Nil further option	Shop – health food store	93.9 sqm
New Lease	Address: - 246 Miller Street, North Sydney Lessee: Misterdd Pty Ltd	Period: 01/10/2024 – 31/09/2029 Term: 5 years Option: 1 x 5-year option	Shop – Pet grooming & supplies shop	117.4 sqm
Renewal Lease	Address: - Part Ground Floor, 283A Miller Street, North Sydney Lessee: The Cricket Centre Pty Ltd	Period: 01/06/2024 - 30/06/2029 Term: 5 years Option: Nil	Shop – sports goods	208 sqm
Renewal Lease	Address: - Shop 2, O'Reilly Stand, 283A Miller Street, North Sydney	Period: 01/08/2024 – 31/12/2026	Shop – art framing,	45 sqm

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
	Lessee: Fantastic Art Internation Pty Ltd	Term: 2 years Option: Nil	prints and supplies	
Renewal Licence	Address: - The Anderson Room, Ground Floor, Neutral Bay Community Centre Lessee: Neutral Bay Community Centre Inc	Period: 1/07/2024 – 30/06/2027 Term: 3 years Option: Nil	Community Centre	77.04 sqm
Option Lease	Address: - Suite 3.04, Level 3, 1 James Place, North Sydney Lessee: Cabel Pty Ltd	Period: 01/07/2024 – 30/06/2027 Term: 3 years Option: Nil	Commercial Office	185.2 sqm
New Lease	Address: - Shop 8, 80 Pacific Highway, North Sydney Lessee: SMM Group Pty Ltd	Period: 01/12/2024 – 30/11/2029 Term: 5 years Option: Nil	Shop - cafe	45.8 sqm
New Lease	Address: - 43 Ridge Street, North Sydney Lessee: A Watson & N Thiruthaneeswaran, trading as Good Thing Cafe	Period: 01/11/2024 – 31/10/2029 Term: 5 years Option: Nil	Shop – café and ancillary use	155.6 sqm

	Address	Reason	Date	Remarks
Acquisitions	Nil			
Disposals	Nil			

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q4 23/24

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

Leasing of office space within the North Sydney area remains challenging; the overall vacancy for commercial space at North Sydney remains high at about 20%, compared to approximately 12% in the Sydney CBD. It should be noted that vacancy rates are higher for B Grade and lower grade buildings, and for secondary locations.

Legislation

The management of leases within Council's Property Portfolio is governed by the provisions of the Retail Leases Act 1994 and the Local Government Act 1993. These legislations set out the legal framework and requirements for handling retail leases and property management in Local Government, NSW.