

## 10.9. 1st & 2nd Quarterly Commercial Property Portfolio Report FY2024/25

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<b>ATTACHMENTS</b>	1. CONFIDENTIAL - 1st & 2nd Quarterly Property Portfolio Report 2024/2025 [10.9.1 - 16 pages]
<b>CSP LINK</b>	3. Our Innovative City 3.1 Our commercial centres are prosperous and vibrant

### PURPOSE:

The purpose of this report is to provide an overview of the performance of Council's property portfolio and activities for the 1st and 2nd quarters of financial year 2024/2025, covering the period from 1 July 2024 to 31 December 2024.

### EXECUTIVE SUMMARY:

- 1st Quarter 24/25 - The total actual income for the 1st quarter (Q1) July to September 2024 of the 2024/2025 financial year, received on a cash basis, amounted to \$1,603,318. This was above the forecasted budget of \$1,602,160 for the quarter by \$1,158, representing (when rounded) a 0% variance from the forecasted budget.
- 2nd Quarter 24/25 - The total actual income for the 2nd quarter (Q2) October to December 2024 of the 2024/2025 financial year, received on a cash basis, amounted to \$1,506,241. This was below the forecasted budget of \$1,558,370 for the quarter by \$52,129, representing a 3% negative variance from the forecasted budget.
- The actual full year income received year to date at the end of the 2nd quarter of the financial year 2024/25 on an accrual basis amounted to \$3,109,558. The forecasted full year budget for income on an accrual basis is \$3,160,530. The variance for the full year is negative 2%.
- Council's Property Portfolio vacancy rate at the end of June 2024 was 5.8%, a decrease from the previous 6.63% due to the leasing of a few retail spaces. All of the now vacant space is office accommodation, which remains the most challenging commercial property sector post-pandemic due to the widespread changes in working patterns.
- The confidential attachment includes monetary information relating to property income including Outdoor Dining, 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 value in the order of \$53.7m. The portfolio comprises office space, retail, food premises, residential units and outdoor dining licences.

## 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 dining licences, and other assets. There is currently an overall vacancy rate of 5.8% across the Portfolio (this is a reduction in the vacancy rate from 6.63% for the 4<sup>th</sup> Quarter FY23/24 ending 30 June 2024) – details are in Table 1(a) below. The vacancies are all office space, the property sector where there is weakest demand. Occasionally there are vacancies of retail space, but there is more demand for this type of 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.

<b>Building</b>	<b>Unit</b>	<b>Area (m<sup>2</sup>)</b>	<b>Comments</b>
James Place, 1 North Sydney	Level 1	480.8	B-Grade Office space - Low office space demand
James Place, 1 North Sydney	3.01	304.8	B-Grade Office space - Low office space demand. Early lease discussions with a potential tenant ongoing.
James Place, 1 North Sydney	5.01	273.2	B-Grade Office space - Low office space demand. Early lease discussions ongoing with potential tenant.
Miller Street 283A, North Sydney	Suite 9	320.7	C-Grade office space under the Macartney Stand of the North Sydney Oval. Low demand for this type of space.

Table 1(a): Current Vacancies as at 2nd quarter 2024/25 within Council's property portfolio

<b>MONTH</b>	<b>October</b>	<b>November</b>	<b>December</b>
Total Vacant Areas (m <sup>2</sup> )	1,380	1,380	1,380
Portfolio NLA (m <sup>2</sup> )	23,778	23,778	23,778
Vacancy % of Portfolio NLA	5.8%	5.8%	5.8%

Table 1(b): Vacancies at 2nd quarter 2024/25 - as an overall area (m<sup>2</sup>) and % of the total property portfolio

There are also early discussions with potential tenants for Suites 3.01 and 5.01, 1 James Place, which would further improve the vacancy rate.

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 2nd quarter 2024/25

### Leasing Transactions for the 1st & 2nd Quarters 2024/25

**Table 2:** Leasing transactions for Council's owned and leased properties for the period ending 31 December 2024

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
Renewal Lease	<b>Address:</b> - Forsyth Park Scout Hall, 2A Montpelier Street, Neutral Bay  <b>Lessee:</b> Kirribilli Neighbourhood Centre Co-op Ltd	<b>Period:</b> 01/07/2024 – 30/06/2027  <b>Term:</b> 3 years <b>Option:</b> Nil	Community Centre	168 sqm
Renewal Lease	<b>Address:</b> - Air Bridge over Upper Pitt Street, Milsons Point  <b>Lessee:</b> St Aloysius' College	<b>Period:</b> 01/07/2024 - 30/06/2049  <b>Term:</b> 25 years <b>Option:</b> Nil	Private pedestrian bridge. (Enables access over public road between school sites).	35.5 sqm
New Lease	<b>Address:</b> - 41 Ridge Street, North Sydney  <b>Lessee:</b> Maria Issa, trading as Casa Amaria	<b>Period:</b> 01/11/2024 – 31/10/2026  <b>Term:</b> 2 years <b>Option:</b> Nil	Shop – gift shop and interior design services	29 sqm
New Lease	<b>Address:</b> -	<b>Period:</b> 01/12/2024 – 30/11/2029	Shop - cafe	45.8 sqm

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
	Shop 8, 80 Pacific Highway, North Sydney  <b>Lessee:</b> SMM Group Pty Ltd	<b>Term:</b> 5 years <b>Option:</b> Nil		
New Lease	<b>Address:</b> - 43 Ridge Street, North Sydney  <b>Lessee:</b> A Watson & N Thiruthaneeswaran, trading as Good Thing Cafe	<b>Period:</b> 01/11/2024 – 31/10/2029  <b>Term:</b> 5 years <b>Option:</b> Nil	Shop – café and ancillary use	155.6 sqm
Renewal Lease	<b>Address:</b> - Shop 9-9A, O'Reilly Stand, 283A Miller Street, North Sydney  <b>Lessee:</b> The Oval Physiotherapy and Sports Injury Centre Pty Ltd	<b>Period:</b> 01/04/2025 – 31/03/2030  <b>Term:</b> 5 years <b>Option:</b> Nil	Physiotherapist and clinic for the treatment of sports injuries	85.3 sqm
Lease Renewal - Exercise of Option	<b>Address:</b> - 80 Pacific Highway, North Sydney  <b>Lessee:</b> Open Text Pty Ltd	<b>Period:</b> 01/07/2024 – 30/06/2029  <b>Term:</b> 5 years <b>Option:</b> Nil	Sky sign situated on the eastern side of the Rooftop	9 sqm
New Lease	<b>Address:</b> - Primrose Park Tennis Courts, Matura Lane, off Young Street  <b>Lessee:</b> Dalbech Pty Ltd	<b>Period:</b> 01/10/2024 – 30/09/2029  <b>Term:</b> 5 years <b>Option:</b> 5 years	Tennis coaching and multi-sport facility	3,325 sqm

	Address	Reason	Date	Remarks
<b>Acquisitions</b>	Nil			
<b>Disposals</b>	Nil			

*Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q1 & Q2 24/25*

### **Consultation requirements**

Community engagement is not required.

### **Financial/Resource Implications**

Property represents an important source of revenue for Council. The budget for 2024/25 for this income is \$6,219,116.

### **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.