

10.11.3rd Quarterly Commercial Property Portfolio Report FY2024/25

AUTHOR	Alistair White, Commercial Property Specialist
ENDORSED BY	Duncan Rennie, Acting Director Corporate Services
ATTACHMENTS	1. CONFIDENTIAL - 3rd Quarterly Property Portfolio Report 2024/25 [10.11.1 - 16 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 3rd quarter of financial year 2024/2025, covering the period from 1 January 2025 to 31 March 2025.

EXECUTIVE SUMMARY:

- The total budgeted income for year-to-date March in the 2024/25 financial year was \$4,733,873. The actual income year-to-date March 2024/25 was \$4,459,457 — 6% below expectations. The primary reason for the shortfall is the lease of 1 James Place. Council anticipated this property would be leased during the year; but the expected occupancy rate was not achieved.
- Council's property manager's (Colliers) reports are prepared on a cash basis. The actual cash received at the end of the third quarter of the 2024/25 financial year amounted to \$4,294,714 — 24% below the budgeted income, primarily due to arrears. All subsequent figures will be presented on a cash basis, in line with the reports provided by Colliers.
- Council's Property Portfolio vacancy rate at the end of March 2025 was 5.28%, a decrease from the previous 5.8% due to the leasing of Suite 3.01, 1 James Place but offset by a new vacancy of Shops 3-6, 283A Miller Street at North Sydney Oval. The majority of the vacant space is office accommodation, which remains the most challenging commercial property sector post-pandemic.
- 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 5.28% across the Portfolio (this is a reduction in the vacancy rate from 5.8% for the 2nd Quarter FY24/25 ending 31 March 2025) – 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.

Building	Unit	Area (m²)	Comments
James Place, 1 North Sydney	Level 1	480.8	B-Grade Office space - Low office space demand for this larger size of suite
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	Shops 3-6	181.4	Four shop units under the O'Reilly Stand of the North Sydney Oval. Secondary retail location.
Miller Street 283A, North Sydney	Levels 1 & 2	320.7	C-Grade office space under the McCartney Stand of the North Sydney Oval. Low demand for this type of space.

Table 1(a): Current Vacancies as at 3rd quarter 2024/25 within Council's property portfolio

(Note: 1 James Place – Suite 5.01 - Heads of Agreement have been signed in late April 2025 outside the reporting period of this Quarterly report. Further updates to follow in the Q4 report).

MONTH	January	February	March
Total Vacant Areas (m ²)	1,380	1,380	1,256
Portfolio NLA (m ²)	23,778	23,778	23,778
Vacancy % of Portfolio NLA	5.8%	5.8%	5.28%

Table 1(b): Vacancies at 3rd quarter 2024/25 - as an overall area (m²) and % of the total property portfolio

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 3rd quarter 2024/25

Leasing Transactions for the 3rd Quarter 2024/25

Table 2: Leasing transactions for Council's owned and leased properties for the period ending 31 March 2025

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
New Lease	Address: - Suite 3.01, Level 3, 1 James Place, North Sydney Lessee: Lifeline Harbour to Hawkesbury, Sydney	Period: 01/07/2025 – 30/06/2028 Term: 3 years Option: 3 years	Offices	304.8 sqm
Lease Renewal	Address: - Shops 9-9A, 283A Miller Street, O'Reilly Stand, North Sydney Oval, North Sydney Lessee: Joel Alan Werman t/a The Oval Physio	Period: 01/04 2025 – 31/03/2030 Term: 5 years Option: 5 years	Physiotherapist and clinic for the treatment of sports injuries	85.3 sqm
Lease Renewal	Address: - Sexton's Cottage, 250 West Street, Crows Nest Lessee: Link Wentworth Housing Ltd	Period: 01/07/2024 – 30/06/2024 Term: 10 years Option: Not applicable	Residential social housing	sqm

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
New Air Space Lease And Deed of Agreement for Minor Encroachment	Address: - 68 Alfred Street South, Milsons Point Lessee: Owners Corporation SP56293	Period: Date of first Occupation Certificate as per DA approval Term: 15 years Option: 15 years	Decorative Façade / Awning over Footpath – Airspace encroachment Overhang of Awning	29.6 sqm
Deed of Agreement for Minor Encroachments	Address: 1 John Street, McMahons Point Lessee: John Patrick Harvey and Katherine Jane Davies	For the life of the building	Small retaining walls constructed between Council's new sandstone wall and the properties internal low level boundary retaining wall.	0.15m ²

	Address	Reason	Date	Remarks
Acquisitions	Nil			
Disposals	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. Based on the income year-to-date, Council is currently 6% below budget.

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.