

10.11.4th Quarterly Commercial Property Portfolio Report FY2024/25

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| AUTHOR | Alistair White, Commercial Property Specialist |
| ENDORSED BY | Olena Tulubinska, Director Corporate Services |
| ATTACHMENTS | 1. CONFIDENTIAL - 4th Quarterly Property Portfolio Report 2024/25 [10.11.1 - 18 pages] 2. CONFIDENTIAL - Colliers North Sydney Office Market Snapshot Q2 2025 [10.11.2 - 1 page] |
| CSP LINK | Outcome 8 – An effective, accountable and sustainable Council that serves the community G8. Manage Council’s finances through robust long-term planning and ongoing financial management |

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 2024/2025, covering the period from 1 April 2025 to 30 June 2025.

EXECUTIVE SUMMARY:

- The total budgeted cash income for the full year-to-date in the 2024/25 financial year was \$6.44 million. The actual cash income received year-to-date in 2024/25 financial year was \$5.89 million - 8.5% below budget. Using accrual accounting, the total income received was \$5.98 million against a budget of \$6.3 million – 5% below budget.
- The primary reason for the shortfall is the leasing of vacant spaces at 1 James Place. Council anticipated these vacancies would be leased during the year but the expected occupancy rate was not achieved due to continuing unprecedented market weakness.
- Council's Property Portfolio vacancy rate at the end of June 2025 was 5.64%, an increase from the previous 5.28% due to new retail vacancy at Shop 1, 36 Hume Street, Crows Nest. The majority of the vacant space is office accommodation, which remains the most challenging commercial property sector post-pandemic.
- The confidential attachment to this report 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 resolve 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 \$58.1m. 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 5.64% across the Portfolio as at end 4th Quarter FY2024/25 (this is an increase in the vacancy rate from 5.28% for the 3rd Quarter FY24/25) – details are in Table 1(a) below. The larger 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, 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 demand for this size of suite |
| James Place, 1 North Sydney | 5.01 | 273.2 | B-Grade Office space - Low demand. A Heads of Agreement was agreed with a potential tenant, but they are not now proceeding due to changed business conditions. |
| Miller St 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. |
| Miller St 283A, North Sydney | Shops 3-6 | 181.4 | Four shop units under the O'Reilly Stand of the North Sydney Oval. Secondary retail location. Council's Oval team are investigating the use of these shops as a training and gym facility with North Sydney Oval sports teams. |
| Hume St, 36 Crows Nest | Shop 1 | 83.8 | Shop unit in secondary location under the Hume Street carpark. |

Table 1(a): Current Vacancies at end 4th quarter 2024/25 within Council's property portfolio

| North Sydney Council Portfolio Vacancy Rate | | |
|---|-----------------------|-----------------------|
| Quarter | Q3 | Q4 |
| Total Vacant Areas | 1,256 m ² | 1,340 m ² |
| Total Parking Spaces | 3 | 3 |
| Portfolio NLA | 23,778 m ² | 23,778 m ² |
| Vacancy % of Portfolio NLA | 5.28% | 5.64% |

Table 1(b): Vacancies at end 4th quarter 2024/25 - as an overall area (m²) and % of the total property portfolio

Leasing Transactions for the 4th Quarter 2024/25

| Proposed Transaction | Subject Property & Lessee/ Tenant | Term | Permitted Use | Lettable Area |
|----------------------|---|---|--|------------------------|
| New Lease | Address: - Shop 4, 190 Military Road, Neutral Bay Lessee: Ciao Enterprise Pty Ltd | Period: 01/06/2025 – 31/05/2027 Term: 2 years Option: 3 years | Retail | 24 sqm |
| Exercise of Option | Address: - Ground and First Floor, 53 Ridge Street, North Sydney Lessee: WeathCircles Financial Pty Ltd | Period: 12/06/2025 – 11/06/2028 Term: 3 years Option: Not applicable | Ground floor: office First floor: residential | 116.9 sqm |
| Lease Renewal | Address: - 124 Ben Boyd Road, Neutral Bay Lessee: Taldumande Youth Services Inc | Period: 02/06/2025 – 01/06/2028 Term: 3 years Option: Not applicable | Youth crisis housing | Land Area 594.4 sqm |
| New Licence | Address: - Lower Ground Floor, Neutral Bay Community Centre, 190-192 Military Rd, Neutral Bay Lessee: Neutral Bay Community Centre Inc | Period: 01/06/2025 – 30/11/2025 Term: 6 months Option: Not applicable | The provision of community services | 64.8 sqm |

Table 2: Leasing transactions for Council's owned and leased properties for the period ending 30 June 2025

| | Address | Reason | Date | Remarks |
|---------------------|---------|--------|------|---------|
| Acquisitions | Nil | | | |
| Disposals | Nil | | | |

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for FY 2024/25

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

Property represents an important source of revenue for Council. Based on the cash income year-to-date, Council is currently 8.5% below expectations, while being 5% below budget based upon accrual accounting. The difference being arrears.

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.