

9.8. 2nd Quarterly Commercial Property Portfolio report FY2025/26

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ATTACHMENTS	1. CONFIDENTIAL - 2nd Quarterly Property Portfolio Report 2025 26 [9.8.1 - 14 pages] 2. CONFIDENTIAL - Colliers Metro Office Research Snapshot Q 4 2025 [9.8.2 - 2 pages]
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 2nd quarter of financial year 2025-26, covering the period from 1 October 2025 to 31 December 2025.

EXECUTIVE SUMMARY:

- The budgeted year to date income as at Quarter 2 in the 2025-26 financial year, is \$3,119,524. The income on accrual basis for year to date as at Q2 in 2025-26 financial year is \$2,977,935, which is 5% below budget.
- Council's Property Portfolio vacancy rate at the end of Q2 FY 2025-26 31 December 2025 is 6.46%, a decrease from 6.90% at the end of Q1 FY 2025-26 30 September 2025.
- 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 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 6.46% across the Portfolio as at end 2nd Quarter FY2025-26 (this is a decrease in the vacancy rate from 6.9% for the 1st Quarter FY2025-26). Details are in tables below.

The larger vacancies are primarily in office space, reflecting current demand levels in that sector. 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.

North Sydney Council Portfolio Summary Vacancy							
Building	Unit	Area sqm	Previous Rental (PA)		Forecast Rental (PA)		Comments
			\$ Per Annum	Rate (\$)/sqm	\$ Per Annum	Rate (\$)/sqm	
James Place, 1 North Sydney	Level 1	480.8	\$288,480.00	\$600	\$262,440.00	\$550	B-Grade office space - low demand for this size of suite.
James Place, 1 North Sydney	5.01	273.2	\$140,208.00	\$513	\$136,600.00	\$500	B-Grade office space - low demand.
Miller Street 283A, North Sydney	Suite 9	320.7	\$115,516.44	\$360	\$102,624.00	\$320	C-Grade office space - low demand for this quality and size of suite.
Shop 1, 36 Hume St, Crows Nest	Shop 1	83.8	\$28,156.50	\$544	\$45,588.00	\$336	Shop unit in secondary location under Hume Street carpark.

248 Miller St, North Sydney	Retail + Level 1	164	\$75,169.36	\$458	\$126,000.00	\$750	Interest in new lease from veterinary practice. Unfortunately, the property requires capital works before it can be leased. Project managed by Council's Capital Works team and subject to available funding.
Restaurant, 41 Alfred Street South, Milsons Point	Retail Ground + Level 1	212.4	\$141,099.70	\$664	TBC	TBC	Previous tenant in liquidation. Council resolved to tender the premises for lease for five years with two further 5-year options. Tender documents being prepared.

Table 1(a): Current Vacancies at end 2nd quarter 2025/26 within Council's property portfolio

In addition to being held for investment purposes, the abovementioned properties located in Miller Street and James Place are strategically held to support growth infrastructure and open space as the population increases. Master planning of this site is supported by the community and has been included for consideration within the special rate variation application.

41 Alfred Street is classified as community land and any lease exceeding five years requires a tender process under section 47 of the Local Government Act. Following Council's endorsement, a 28-day public notice has been issued for an upcoming tender, proposing a five-year lease with two further five-year extension options.

It has also been noted, based on visual inspection, that there may be signs of structural issues with the building. As a result, Council's Capital Projects team is undertaking an assessment of the building's structural integrity. This assessment may identify the need for additional capital investment by Council prior to the lease being awarded to a successful tenderer.

North Sydney Council Portfolio Vacancy Rate			
Quarter	June Q4 FY2024/25	Sept Q1 FY2025/26	Dec Q2 FY25/26
Total Vacant Areas	1,340 m ²	1,640 m ²	1,534 m ²
Portfolio NLA	23,778 m ²	23,778 m ²	23,778 m ²
Vacancy % of Portfolio NLA	5.64%	6.90%	6.46%

Table 1(b): Vacancies at end 2nd quarter 2025/26 - as an overall area (m²) and % of the total property portfolio

Leasing Transactions for the 2nd Quarter 2025/26

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
New Lease	Address: - 56 Alfred Street, Milsons Point Lessee: Physio Inq Pty Ltd	Period: 01/04/2026 – 31/03/2031 Term: 5 years Option: 5 years	Commercial office	168 sqm
New Lease	Address: 11 Ernest Place, Crows Nest Lessee: Little Bravo Pty Ltd	Period: 02/02/2026 – 01/02/2031 Term: 5 years Option: 5 years	Retail	70.5 sqm

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

	Address	Reason	Date	Remarks
Acquisitions	Nil			
Disposals	Nil			

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for FY 2025/26

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

Property is a significant revenue stream for Council, with a total budget of \$6,239,985 as reported in the September 2025 Quarterly Budget Review with no other amendment. This will continue to be monitored, and any emerging trends or variances will be flagged.

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.