

9.8. 3rd Quarterly Commercial Property Portfolio report FY2025/26

AUTHOR	Aigul Utegenova, Chief Financial Officer
ENDORSED BY	Olena Tulubinska, Director Corporate Services
ATTACHMENTS	1. CONFIDENTIAL - 3rd Quarterly Property Portfolio Report 2025-26 [9.8.1 - 17 pages] 2. CONFIDENTIAL - Colliers Australian North Sydney Q 3 2026 Market Snapshot [9.8.2 - 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 3rd quarter of FY2025/26, covering the period from 1 January 2026 to 31 March 2026.

EXECUTIVE SUMMARY:

- The budgeted year-to-date income as at Q3 FY2025/26 is \$4,652,854. Actual year-to-date income on an accrual basis as at Q3 FY2025/26 is \$4,475,022, which is slightly below Council’s forecast, mostly due to vacancies.
- Council’s Property Portfolio vacancy rate as at 31 March 2026 (Q3 FY2025/26) was 7.5%, comparing to 6.46% as at 31 December 2025 (Q2 FY2025/26).
- The confidential attachment to this report includes monetary information relating to property income, including outdoor dining, leasing transactions, arrears data, and car park 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 in accordance with section 10A(2)(d)(ii) of the Local Government Act.

RECOMMENDATION:

- 1. THAT** the report be received.
- 2. THAT** Council approve the write-off of outstanding balances in the amounts of \$44,528.64 and \$150,864.90, with details disclosed in the confidential attachment to this report.
- 3. 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 comprises a diversified mix of office, retail, community centres, outdoor dining licences, and other assets. As at the end of Q3 FY2025/26, the overall Portfolio vacancy rate was 7.5% comparing to 6.46% vacancy rate reported at the end of Q2 FY2025/26. One property became vacant in the last quarter and are currently being advertised, contributing to a higher vacancy rate.

Details of the current vacancies, including a summary, are provided in the table below.

The larger vacancies are primarily in office spaces, reflecting current demand levels in that sector. Retail spaces are occasionally vacant; however, demand for this type of space is generally stronger. In addition, some retail spaces that would normally be in demand cannot currently be leased by Council due to their condition and the funding required to bring them to a lettable standard.

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.

Table 1(a): 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	
1 James Place, North Sydney	Level 1	480.8	\$288,480	\$600	\$262,440	\$550	B-Grade office space - low demand for this size of suite.
1 James Place, North Sydney	Level 4.01	250.1	\$154,561	\$618	\$175,070	\$700	B-Grade office space - low demand. Became vacant in the last quarter.
1 James Place, North Sydney	Level 5.01	273.2	\$140,208	\$513	\$136,600	\$500	B-Grade office space - low demand.

Building	Unit	Area sqm	Previous Rental (PA)		Forecast Rental (PA)		Comments
			\$ Per Annum	Rate (\$)/sqm	\$ Per Annum	Rate (\$)/sqm	
283A, Miller Street, North Sydney	Suite 9	320.7	\$115,516.44	\$360	\$102,624	\$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	\$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	\$750	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	In the tender preparation stage. Additional information provided in the confidential report.

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.

Update - 41 Alfred Street South, Milsons Point

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. Given that Council is in a position to enter into a long-term lease, a decision was made to review the condition of the asset following complaints regarding the structural condition of the property.

The expert contractor Macutex was engaged by Council to undertake condition assessments across its property portfolio, including the premises at 41 Alfred Street, Milsons Point. The report identified a substantial scope of maintenance, repairs, and structural works required before the building can be considered suitable for lease. Management is currently finalising the detailed scope of works and exploring funding options to ensure a positive return on investment.

Table 1(b): North Sydney Council Portfolio Vacancy Rate			
Quarter	Q1 FY2025/26 (Sept 2025)	Q2 FY2025/26 (Dec 2025)	Q3 FY2025/26 (Mar 2026)
Total Vacant Areas	1,640 m ²	1,534 m ²	1,785 m ²
Portfolio NLA	23,778 m ²	23,778 m ²	23,778m ²
Vacancy % of Portfolio NLA	6.90%	6.46%	7.5%

Table 1(b): Vacancies at the end of Q3 FY2025/26 as an overall area (m²) and percentage of the total property portfolio.

Leasing Transactions for Q3 FY2025/26

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
Exercise of Option including a further Option	Address: Shop 1, 190-192 Military Rd, Neutral Bay	Term: 2 years Period: 1 January 2026 to 31 December 2027 Option: Further 2-year option	Shoe Repair Shop	13.2 sqm
Exercise of Option including a further Option	Address: Shop 5, 34-48 Alexander St, Crows Nest	Term: 5 years Period: 7 June 2026 to 6 June 2031 Option: Further 5-year option	Retail sales including the sale of alcoholic liquors and beverages and ancillary items	127 sqm
New Lease - Existing tenant	Address: Shop 2, 36 Hume Street, Crows Nest	Term: One (1) year Period: 1 December 2025 to 30 November 2026	Commercial Office	83.1 sqm

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
		Option: No option		
New lease – Existing Tenant	Address: 220 Miller Street, North Sydney	Term: 5 years Period: 1 May 2026 to 30 April 2031 Option: Further 5-year option	Community Centre with Children Services	n/a
New lease	Address: 238A Miller Street, North Sydney	Term: 3 years Period: 1 February 2026 to 31 January 2029 Option: 3 years	Chiropractor's Office	92.2 sqm
Variation to Exercise of Option and addition of further Option	Address: 35 Ridge Street, North Sydney	Term: 2 Years Period: 1 February 2026 to 31 January 2028 Exercise of Option: 3 years	Café	42 sqm
New Lease to Premises and Licence to playground – existing tenant	Address: Intersection of Hume and Clarke Streets, Crows Nest	Term: 1 year Period: 1 January 2026 to 31 December 2026 Option: No Option	Children Services	500 sqm
New Lease	Address: Smoothery Park, 14 Russell Street, Wollstonecraft	Term: 5 years Period: 1 January 2026 to 31 December 2030 Option:	Woodworking Shop for men's community centre	529 sqm

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
		No further option		
Exercise of Option	Address: 240 Miller Street, North Sydney	Term: 5 years Period: 1 June 2026 to 31 May 2031	Café	91 sqm
Exercise of Option	Address: 40A McDougal Street, Kirribilli	Term: 5 years Period: 1 July 2026 to 30 June 2031 Option: No Option	Retail: Supermarket and Convenience Store	Retail: 90 sqm Residential: 45 sqm
New Lease: Existing Tenant	Address: Shop 1, 283A Miller Street, North Sydney	Term: 3 years Period: 10 February 2026 to 9 February 2029 Option: 3 years	Retail sale of home brewing supplies	43.5 sqm
Exercise of Option	Address: 232 Miller Street, North Sydney	Term: 5 years Period: 1 December 2025 to 30 November 2030 Option: No Option	Café & Restaurant	161.7 sqm
New Lease	Address: 165 Blues Point Rd, McMahons Point	Term: 5 years Period: 1 May 2026 to 30 April 2031 Option: No Option	Children Services	Leased Area: 144.9m ² Licenced Area: 221 m ²
Licence Agreement	Address: 33A Benelong Rd, Cremorne over	Term: 5 years Period:	Vehicular access over Brightmore Drainage Reserve	n/a

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area
	Brightmore Drainage Reserve	1 July 2026 to 30 June 2031		
Exercise of Option & Further Option	Address: Shop 2, 34-48 Alexander Street, Crows Nest	Term: 5 years Period: 25 May 2026 to 24 May 2031 Option: Additional 5 year option	Asian Supermarket	59 sqm

Table 2: Leasing transactions for Council's owned and leased properties for the period ending 31 March 2026

	Address	Reason	Date	Remarks
Acquisitions	Nil			
Disposals	Nil			

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

Outdoor Dining

The Outdoor Dining portfolio continues to experience operational challenges, primarily relating to arrears management. Several operators remain in breach of payment terms, with some cases escalating to enforcement stages as well as insolvency proceedings.

Council has recently identified instances of non-compliant use of licensed areas, unauthorised structures, and impacts on Council land, which Council is addressing on an ongoing basis.

It should be noted that Outdoor Dining is primarily associated with small businesses, and Council takes a particular approach to debt management and recovery processes, recognising the conditions and challenges facing small businesses.

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.