

10.7. 3rd Quarterly Property Portfolio Report

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ATTACHMENTS	3 rd Quarterly Property Portfolio Report - Confidential
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

PURPOSE:

The purpose of this report is to provide Council with information on the Property Portfolio for the third quarter (Q3) of 2022/2023 (period commencing 1 January 2023 and ending 31 March 2023).

EXECUTIVE SUMMARY:

- This report comprises the following information:
 - overview of Council’s Property Portfolio;
 - Property Portfolio vacancy rates;
 - leasing transactions for the quarter;
 - acquisitions and disposals for the quarter; and
 - major property projects (maintenance and capital works) for the quarter.

- Council’s Property Portfolio has been tracking well this quarter with a vacancy rate of 4.21% as at the end of March. Although slightly increased from January’s rate of 4.11%, this is very good when compared to the North Sydney CBD vacancy rate of 19.2%.

- The total annual revenue budget for the Property Portfolio for the 22/23 financial year is forecast at \$6,505,229.00. The actual income for Q3 of 22/23 (January 2023 to March 2023) which was received on a cash basis through Colliers International was \$1,724,359.00 as of 31 March 2023. This is \$80,798.00 more than the forecasted budget of \$1,643,561.00 for the quarter, 4% more than projected. This was primarily due to arrears payments made and income from tenants on payment plans. Outdoor dining tenants’ payments made in advance were also a contributing factor. The income received on an accrual basis for the third quarter of 22/23 was \$1,604,113.00.

- Long term arrears were reduced by 8% over the quarter because of payments made by tenants and tenants in arrears adhering to their payment plans.

- The confidential attachment includes monetary information relating to property income, including Outdoor Dining, as well as 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 the Council wishes to discuss the report, the meeting should be closed to the public to do so in accordance with s10A(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 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

This Quarterly Property Portfolio report comprises information on Council's property portfolio for the third quarter of 2022/23, 1 January 2023 to 31 March 2023. It is designed to give Council and the Community a detailed overview of the Property Portfolio, including its financial performance for the quarter.

The Public and Confidential attachments provide detailed information on the key business activities of the Property Portfolio.

This reports also includes updates on some of the major projects being undertaken by Council.

Report

The following information is a consolidated summary of North Sydney Council's Property Portfolio financial performance for Q3, 1 January 2023 to 31 March 2023.

Total number of leases: 291 including 156 Outdoor Dining Licenses.

Overall vacancy rate: 4.21%

Vacancy Position of the North Sydney Council's Property Portfolio

The following properties are currently listed as vacant in North Sydney Council's Property Portfolio. Council's Property Managing Agents, Colliers International, manage all of Council's leasing transactions and are responsible for all aspects of lease negotiation and management of Council's properties that are under lease.

Overall, the vacancy rate of Council's Property Portfolio is 4.21%

Table 1(a) Current Vacancies within North Sydney Council's Property Portfolio

<u>Building</u>	<u>Unit</u>	<u>Area (m2)</u>	<u>Comments</u>
Alexander Street, 34-48 Crows Nest	Shop 4	93.9	Lease issued to a prospective tenant
James Place, 1 North Sydney	Suite 5.01	273.2	Colliers marketing for Lease
Pacific Highway, 80 North Sydney	Shop 8	43.3	Colliers marketing for Lease
Ridge Street, 43 North Sydney	GF & 1.02	155.7	Council is considering a short-term lease with their arts & culture team

Table 1(b) Summary of Vacancies as an overall area (m²) and % of the total property portfolio

MONTH	January	February	March
Total Vacant Areas (m ²)	977.90	977.90	1,000.90
Portfolio NLA (m ²)	23,778	23,778	23,778
Vacancy % of Portfolio NLA	4.11%	4.11%	4.21%

Table 1(c) Parking spaces for lease in the Property portfolio

MONTH	January	February	March	Comments
Total Vacant Parking Spaces	4	4	4	Colliers marketing for Lease Have leased an additional car spot to an existing tenant as of 01/05/2023.
Total Parking Spaces under Portfolio	11.00	11.00	11.00	10 of the spaces are at 52 Alfred Street.

Table 2 Leasing Transactions for the 3rd Quarter 2022/2023

The following information is provided to Council in relation to the leasing transactions for Council's owned and leased properties for the period ending 31 March 2023.

Proposed Transaction	Subject Property	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Lease Renewal	Address: Ground Floor Shop, 41 Ridge Street	Period: 01/03/2023-29/02/2024 Term: One (1) Year Option: Two (2) Years	Florist, gift and homewares shop	29sqm	Each party to bear their own costs.
Assignment of Lease	Address: 2 Henry Lawson Drive	Period: 30/07/2023-29/07/2028 Term: Five (5) Years Option: N/A	Seating for restaurant patrons in conjunction with a restaurant conducted by the Lessee on the adjoining land		Tenant is responsible for lease preparation costs, any mortgagee's consent, stamp duty and transfer registration fee.
New Lease	Address: Shops 11 & 12, O'Reilly Stand, 283A Miller Street	Period: 01/02/2023-31/01/2026	Chiropractor Office		Tenant is responsible for lease preparation costs, any mortgagee's

Proposed Transaction	Subject Property	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
		Term: Three (3) Years Option: N/A			consent, stamp duty and transfer registration fee.
New Lease	Address: Shop 4, 34-48 Alexander Street, Crows Nest	Period: 15/06/2023-14/06/2023 Term: One (1) year Option: Three (3) years	Retail Shop	93.9sqm	Council will be responsible for the Lease preparation costs in accordance with the Retail Leases Act.
New Lease	Address: 53 Ridge Street, North Sydney	Period: 12/06/2023-11/06/2025 Term: Two (2) Years Option: Three (3) Years	Retail Use	116.9sqm	Council to pay for the preparation of initial lease documentation. Each party is responsible for their own costs incurred to review the lease documentation.
New Lease	Address: Level 2, 1 James Place, North Sydney	Period: 01/06/2023-31/05/2026 Term: Three (3) Years Option: Two (2) Years	Commercial Office	779.8	Council to pay for the preparation of initial lease documentation. Each party is responsible for their own costs incurred to review the lease documentation.

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q3 22/23

	Address	Reason	Date	Remarks
Acquisition	Nil			

	Address	Reason	Date	Remarks
Disposal	Nil			

Major Property Projects (Maintenance and Capital works) for the quarter

Central Depot – Solar and Battery system

An existing solar photovoltaic (PV) system has been installed on the roof of Central Depot – the original 24kW system was installed in 2012 which was expanded with another 40kW system in 2019. The combined system has a total maximum output of 64 kW. The solar system

was recently enhanced and further complemented by the installation of three Tesla Powerwall2 batteries (each 13.5kWh capacity). The project was undertaken by EPS Property Department under the building sustainability initiative, in collaboration with Council's OSES Sustainability Team.

The Tesla battery installation was completed by ZEN Energy which is the energy provider of 100% renewable electricity to North Sydney Council – they are very proactive in energy projects. The battery system has been sized to maximise on-site consumption of solar electricity by charging from excess solar generation during the middle of the day and discharging when solar generation is less than the on-site consumption during peak hours and/or during non-sunlight hours. The system is expected to generate 76,000 kWh of free electricity from the sun each year with a reduction of 60.5 tonnes of CO2 greenhouse gas emissions per annum which is equivalent to 1170 trees planted. The new system has become part of the list of Council solar PV systems which help significantly in reducing the carbon footprint of Council in the coming years.

Repainting

The following properties were repainted during the quarter:

- Hume Street shops – external
- Nicholson Street Carpark – entire carpark
- 43 Ridge Street – internal
- Indoor Sports Centre offices

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

The total annual revenue budget for the Property Portfolio for the 22/23 financial year is forecast at \$6,505,229.00. The actual income for Q3 of 22/23 (January 2023 to March 2023) which was received on a cash basis through Colliers International was \$1,724,359.00 as of 31 March 2023. This is \$80,798.00 more than the forecasted budget of \$1,643,561.00 for the quarter, 4% more than projected. The income received on an accrual basis for the third quarter of 22/23 was \$1,604,113.00.

Financial Performance

Table 1: Actual income received through the North Sydney Council Property Portfolio for the period 1 January 2023 to 31 March 2023.

Current Period Date: January to March (Q3 only)						
	Actual Income Received: January	Actual Income Received: February	Actual Income Received: March	Actual Total Income Received for the 3rd QR:	Budgeted Forecast for the 3rd QR:	Variance (%)
Commercial	\$557,437.00	\$373,109.00	\$320,592.00	\$1,251,138.00	\$1,278,461.00	98%
Outdoor Dining	\$164,514.00	\$37,295.00	\$50,894.00	\$252,703.00	\$204,034.00	124%
Recreational	\$53,407.00	\$24,842.00	\$28,922.00	\$107,171.00	\$73,579.00	146%
Residential	\$15,180.00	\$9,819.00	\$10,524.00	\$35,523.00	\$36,456.00	97%
Public Land	\$1,651.00	\$0.00	\$0.00	\$1,651.00	\$1,624.00	102%
Licenses	\$2,595.00	\$2,595.00	\$2,145.00	\$7,335.00	\$6,393.00	115%
Community Centres	\$21,727.00	\$4,200.00	\$9,513.00	\$35,440.00	\$31,518.00	112%
Community Housing	\$2.00	\$3.00	\$0.00	\$5.00	\$23.00	22%
Total	\$839,922.00	\$453,611.00	\$430,826.00	\$1,724,359.00	\$1,643,561.00	104%

Note: All income is reported as excluding GST (Ex GST)

The actual income received for the 3rd Quarter of 2022/23 is 4% more than the budgeted forecast.

Table 2: The following table outlines the Actual Year to Date income in comparison to the Budgeted Income for the Full Year for the 3rd quarter of the 2022/23 financial year.

Income	Full Year 2022/23		
	Actual YTD	Budget	%
	\$	\$	
Commercial	\$3,470,491	\$4,856,821	71%
Outdoor Dining	\$560,580	\$945,350	59%
Recreational	\$270,439	\$285,271	95%
Residential	\$93,930	\$138,981	68%
Community Housing	\$5	\$23	23%
Public Land	\$63,186	\$61,459	103%
Roads	\$77,564	\$60,398	128%
Licences	\$22,564	\$25,572	88%
Community Centres	\$99,251	\$131,354	76%
Total	\$4,658,010	\$6,505,229	72%