

## 10.9. 4th Quarterly Property Portfolio Report 2022/2023

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<b>ENDORSED BY</b>	Gary Parsons, Director Open Space and Infrastructure
<b>ATTACHMENTS</b>	1. CONFIDENTIAL - Confidential attachment to 4th Quarterly Property Portfolio Report 2022 202 [10.9.1 - 9 pages]
<b>CSP LINK</b>	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

### PURPOSE:

The purpose of this report is to provide Council with an overview of the Property Portfolio's performance and activities for the 4th quarter of 2022/2023, 1 April 2023 to 30 June 2023.

### EXECUTIVE SUMMARY:

- The total annual revenue budget for the Property Portfolio for the 2022/23 financial year was forecast at \$6,055,229.00. The total actual annual income on a cash basis was \$6,384,145.00.

The actual income for the fourth quarter (Q4) of the 2022/2023 financial year, received on a cash basis amounted to \$1,726,135. This exceeded the forecasted budget of \$1,542,444 for the quarter by \$183,691, representing a 12% increase for the quarter, or 5% for the full year.

- The higher income was primarily due to long-term arrears payments made, as well as income from tenants on payment plans who consistently paid.
- The income received on an accrual basis for the fourth quarter of 2022/23 amounted to \$1,375,346. The year-to-date income received on an accrual basis from 01/07/2022 to 30/06/2023 totalled \$5,896,888.
- Council's Property Portfolio vacancy rate at the end of June was 6.4%, which increased from 4.21% in the third quarter due to two significant tenants vacating at 1 James Place North Sydney.
- 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 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

This report provides Council and the community with a detailed overview of the performance of Council's Property Portfolio, for the fourth quarter of 2022/23.

## Report

### Vacancy Position of North Sydney Council's Property Portfolio

Council's Property Portfolio incorporates 293 leases and licenses, including 157 Outdoor Dining Licenses. There is currently an overall vacancy rate of 6.4% across the Portfolio.

The office leasing market in North Sydney is currently experiencing increasing vacancy due to economic conditions and recent changes to work practices, which has seen increased working-from-home arrangements for office-based workers. The total vacancy office vacancy rate in North Sydney is currently 19.4%.

The following properties are currently listed as vacant. Council's Property Managing Agents, Colliers International, are responsible for the lease negotiations and management of Council's properties under lease.

<b>Building</b>	<b>Unit</b>	<b>Area (m2)</b>	<b>Comments</b>
Balls Head Drive, 2 Waverton	Café	87.1	EOI launched 17/07/2023
James Place, 1 North Sydney	3.01	304.8	Colliers marketing for Lease
James Place, 1 North Sydney	5.01	273.2	Colliers marketing for Lease. New office fit-out is currently in progress.
James Place, 1 North Sydney	Level 6	336	Colliers marketing for Lease
Miller Street 283A, North Sydney	Suite 9	320.7	Colliers marketing for Lease
Pacific Highway, 80 North Sydney	Shop 8	43.3	Colliers marketing for Lease

Table 1(a): Current Vacancies within the North Sydney Council Property Portfolio

<b>MONTH</b>	<b>April</b>	<b>May</b>	<b>June</b>
Total Vacant Areas (m <sup>2</sup> )	1,099m <sup>2</sup>	1,638m <sup>2</sup>	1,365m <sup>2</sup>
Portfolio NLA (m <sup>2</sup> )	23,778	23,778	23,778
Vacancy % of Portfolio NLA	4.59%	6.89%	6.4%

Table 1(b): Vacancies as an overall area (m<sup>2</sup>) and % of the total property portfolio

<b>MONTH</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Comments</b>
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

### Leasing Transactions for the 4<sup>th</sup> Quarter 2022/2023

<b>Proposed Transaction</b>	<b>Subject Property &amp; Lessee/ Tenant</b>	<b>Term</b>	<b>Permitted Use</b>	<b>Lettable Area</b>	<b>Terms of Lease / Remarks</b>
Renewal Lease	Shop 3, 34-48 Alexander Street, Crows Nest	<b>Period:</b> 25/05/2023-24/05/2030  <b>Term:</b> 7 years  <b>Option:</b> 7 years	Cafe	158.30sqm	Council responsible for Lease preparation costs in accordance with Retail Leases Act.
Renewal Lease	Harnett Street Carpark, North Sydney	<b>Period:</b> 01/09/2023-31/08/2026  <b>Term:</b> 3 years  <b>Option:</b> N/A	Carpark	384.30sqm	Lessee responsible for Lease preparation costs
Renewal Lease	5 Wallaringa Ave, Kurruba Point	<b>Period:</b> 01/05/2023-30/04/2028  <b>Term:</b> 5 years  <b>Option:</b> Two further terms of 5 years	May Gibbs Museum	1,360sqm	Road Lease: Council responsible for Lease preparation costs
Renewal Lease	2 Henry Lawson Ave, McMahons Point	<b>Period:</b> 30/07/2023-29/07/2028  <b>Term:</b> 5 years  <b>Option:</b> N/A	Seating for restaurant patrons	30sqm	Lessee responsible for Lease preparation costs

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Renewal Lease	Shop 3, 192 Military Road, Neutral Bay	<b>Period:</b> 10/09/2023-09/09/2026  <b>Term:</b> 3 years  <b>Option:</b> N/A	Barber shop	30sqm	Council responsible for Lease preparation costs in accordance with Retail Leases Act.
Renewal Lease	Part 41 Alfred Street South, Milsons Point	<b>Period:</b> 01/07/2023-30/06/2028  <b>Term:</b> 5 years  <b>Option:</b> N/A	Italian Restaurant	212.4sqm	Council responsible for Lease preparation costs in accordance with Retail Leases Act.

Table 2: Leasing transactions for Council's owned and leased properties for the period ending 30 June 2023

	Address	Reason	Date	Remarks
<b>Acquisitions</b>	Nil			
<b>Disposals</b>	Nil			

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q4 22/23

### Consultation requirements

There was no community engagement required in the development of this report.

### Financial/Resource Implications

There are no financial or resource implications for the Council in adopting the recommendations within this report.

### 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.