

10.10.2nd Quarterly Property Portfolio Report 2023/2024

AUTHOR	Risha Joseph, Senior Property Officer
ENDORSED BY	Gary Parsons, Director Open Space and Infrastructure
ATTACHMENTS	1. CONFIDENTIAL - 2nd Quarterly Property Portfolio Report 2023/2024 [10.10.1 - 8 pages]
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs

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 2023/2024, 1 October 2023 to 31 December 2023.

EXECUTIVE SUMMARY:

- The total actual income for the 1st and 2nd quarters (Q1 and Q2) of the 2023/2024 financial year, received on a cash basis amounted to \$3,096,798. This was slightly under the forecasted budget of \$3,160,529 for the quarter by \$63,731, representing approximately a 2% decrease from the forecasted budget to the actual income for the 1st and 2nd quarters of the 2023/2024 financial year.
- The income received on an accrual basis for the 2nd quarter of 2023/24 amounted to \$1,493,623.
- Council's Property Portfolio vacancy rate at the end of December 2023 was 6.87%, which is slightly higher than it was at the end of 1nd quarter 2023/24 ie September 2023 at 6.4%.
- 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 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

Council has a significant portfolio of commercial properties, with a total replacement cost in the order of \$52.24m. The portfolio comprising office space, retail, food premises, and outdoor dining spaces.

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 seating arrangements, and other assets. There is currently an overall vacancy rate of 6.87% across the Portfolio – details are in Table 1(a) below. The vacancies are predominately office space and retail space.

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

Table 1(a): Current Vacancies as at 2nd quarter 2023/24 within Council's property portfolio

Building	Unit	Area (m²)	Comments
Balls Head Drive, 2 Waverton	Café	87.1	A new tenant has been sourced, signed the Heads of Agreement, and paid a Deposit
James Place, 1 North Sydney	3.01	304.8	Low office space demand currently in North Sydney
James Place, 1 North Sydney	5.01	273.2	Low office space demand currently in North Sydney
Miller Street 283A, North Sydney	Suite 9	320.7	Low demand for this type of space in North Sydney.
Pacific Highway, 80 North Sydney	Shop 8	43.3	HOA issued. Council is currently undertaking works to the premises.
Ridge Street, 43 North Sydney	GF & 1.02	155.7	Stair access restricts market demand. Currently occupied by Artists.

Table 1(b): Vacancies at 2nd quarter 2023/24 - as an overall area (m²) and % of the total property portfolio

MONTH	December	November	October
Total Vacant Areas (m ²)	1633	1633	1633
Portfolio NLA (m ²)	23778	23778	23778
Vacancy % of Portfolio NLA	6.87%	6.87%	6.87%

Table 1(c): Parking Spaces for lease in the Property portfolio as at 2nd quarter 2023/24

MONTH	December	November	October	Comments
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.

Leasing Transactions for the 2nd Quarter 2023/24**Table 2:** Leasing transactions for Council's owned and leased properties for the period ending 31 December 2023

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
Renewal Lease	Address: - Ground Floor, 1 James Place, North Sydney	Period: 1/2/2024 – 31/1/2029 Term: 5 years Option: NIL	Office	489.50 m ²	Existing Tenant new agreement. Face rent coincides with current market trends.
New Lease	Address: - Coal Loader Café, 2 Balls Head Drive, Waverton Period: 01/03/2024 – 28/02/2029	Period: 1/3/2024 – 28/2/2029 Term: 5 years Option: NIL	Takeaway, Café & Restaurant	122.70 m ²	The Lessor is responsible for the cost of the lease preparation.
New Lease	39 Ridge Street, North Sydney	Period: 1/11/2023- 31/10/2026 Term: 3 years Option: 2 years	Restaurant/Cafe	50.4 m ²	Retained same face rent.
Renewal Lease	Address: - Intersection of Hume Street and Clarke Street, Crowes Nest	Period: 1/1/2024 – 31/12/2025 Term: 2 years Option: NIL	Childcare Centre	500 m ²	The Lessor is responsible for the cost of the lease Preparation.

Proposed Transaction	Subject Property & Lessee/ Tenant	Term	Permitted Use	Lettable Area	Terms of Lease / Remarks
New Lease	Address: - Suite, 4.01, Level 4, 2-20 Ernest Place, Crows Nest	Period: 5/02/2024 – 4/02/2026 Term: 2 years Option: NIL	Office for the provision of community transport services, activities, and information	154.6 m ²	The Lessor is responsible for the cost of the lease Preparation.
New Lease	Address: - 5 Wallaringa Avenue, Kurraba Point	Period: 1/5/2023 – 30/4/2028 Term: 5 years Option: NIL	Gift shop, tea room/café, garden and museum.	260 m ²	The Lessor is responsible for the lease preparation

Table 3: Acquisitions and Disposals within the North Sydney Council Property Portfolio for Q2 23/24

	Address	Reason	Date	Remarks
Acquisitions	Nil			
Disposals	Nil			

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

Whilst staff are working to address arrears, leasing of office space within the North Sydney area remains challenging at this point in time as the overall vacancy for commercial space at North Sydney remains high at about 19% as compared to approximately 12% in the Sydney CBD.

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.