



## Report to General Manager

Attachments:  
Nil

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**SUBJECT:** 2<sup>nd</sup> Quarterly Property Portfolio Report 2019/20 – October to December 2019

**AUTHOR:** Damian Warren, Property Officer

**ENDORSED BY:** Duncan Mitchell, Director Engineering and Property Services

### EXECUTIVE SUMMARY:

The purpose of this report is to provide Council with the following information for the quarter ending 31 December 2019:

- Financial position of the Property Portfolio
- Vacancy Position of the Property Portfolio
- Leasing Transactions for the quarter
- Acquisitions and Disposals for the quarter
- Major Property Projects for the quarter

### FINANCIAL IMPLICATIONS:

Council's actual Year-to-Date income received through the Property Portfolio is on target as per the annual forecast. For the detailed breakdown of income received through the Property Portfolio refer to Table 1 of this Report.

### RECOMMENDATION:

**1. THAT** the Quarterly Property Portfolio Report for the 2<sup>nd</sup> Quarter of 2019/20 (October to December 2019), be received.

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## **LINK TO COMMUNITY STRATEGIC PLAN**

The relationship with the Community Strategic Plan is as follows:

Direction: 2. Our Built Infrastructure

Outcome: 2.1 Infrastructure and assets meet community needs

## **BACKGROUND**

This Quarterly Property Portfolio report is designed to give Council a detailed overview of the performance of Council Property Portfolio for the quarter ending 31 December 2019:

The report comprises both a Public and Confidential Report that provides detailed information on the following key business activities of the Property Portfolio.

- Consolidated summary of income received through the Property Portfolio including
- Property Portfolio Vacancy Rates
- Leasing Transactions for the quarter
- Major Property Projects (Maintenance and Capital works) for the quarter
- Acquisitions and Disposals for the quarter

To effectively manage Council's large and varied Property Portfolio, Council engages Property Consultants. The existing Property Management Services Contract was awarded to the current Management Consultants, Colliers International (NSW) Pty Ltd in 2019, with options to extend the contract based on performance on a 2+ 2-year basis up to a total of 6 years.

## **CONSULTATION REQUIREMENTS**

Community engagement is not required.

## **SUSTAINABILITY STATEMENT**

The sustainability implications are of a minor nature and did not warrant a detailed assessment.

## **DETAIL**

### **Financial Position of North Sydney Councils Property Portfolio – Q2 -2019/2020**

The following information is a consolidated summary of North Sydney Councils Property Portfolio financial performance for Q2 – the period ending 1 October to 31 December 2019.

- Total number of leases: 311 including 174 Outdoor Dining licences.
  - Total number of Outdoor Dining Licences: 174
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- Overall vacancy rate: 8.32%
- Vacancy rate excluding short term leases: 3.47%
- The total income received through Council's Property Portfolio as at 31 December 2019: \$4,088,428.00
- The total arrears for Council's Property Portfolio this quarter: \$33,920.82

### Vacancy Position of the North Sydney Council Property Portfolio

The following Properties are currently listed as vacant in North Sydney Councils Property Portfolio. Councils Property Managing Agents – Colliers International manage all of Councils leasing transactions and are responsible for all aspects of lease negotiation and management of Councils Properties that are under lease.

Overall vacancy rate of Councils Property Portfolio: 8.32%

**Table 1. Current Vacancies within the North Sydney Council Property Portfolio**

<b><u>Building</u></b>	<b><u>Unit</u></b>	<b><u>Area (m2)</u></b>	<b><u>Comments</u></b>
Alfred St, 52 Milsons Point	Car Park Spaces	8 spaces	Colliers International current marketing car spaces for Lease
Alfred St, 56 Milsons Point	Camden Villa	157.2	Property leased. Lease to commence in February 2020
41 Alfred Street, Milsons Point	Community	286.2	Tenant vacated August 2019. Colliers International awaiting further instructions from Council regarding future use in order to market the property.
Hume St, 43 Crows Nest	Ground Floor	79.72	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 43 Crows Nest	Level 2	210	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Ground	281	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 45-47 Crows Nest	Parking	1 space	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 1	254.6	Vacated for proposed Hume Street Park Development – Building to be demolished
Hume St, 49 Crows Nest	Level 2	198	Vacated for proposed Hume Street Park Development – Building to be demolished
James Place, 1 North Sydney	Level 3	169.8	Lease commenced 1 November 2019.
James Place, 1 North Sydney	5.01	273.2	Tenant did not proceed. Colliers International currently marketing property for lease.

Military Road, 190-192 Neutral Bay	3	21.7	Colliers International current marketing for Lease
Munro Street, Shed McMahons Point	Shed	21.2	Colliers International current marketing Property for Lease
Pacific Highway, 80 North Sydney	Car Space	1 space	Colliers International current marketing Property for Lease
Pacific Highway 261- 263 North Sydney	Level 1	216.3	Property sold and settled 27 November 2019.
246 Miller Street North Sydney	Shop & Residential	63	Structural Engineers are preparing a structural report on this property.
283A Miller Street, North Sydney	Shop 3	45	Colliers International marketing for a new tenant.
Willoughby Rd, 90-92 Crows Nest	Shop 1 & 2	188	Vacated for proposed Hume Street Park Development – Building to be demolished

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

MONTH	October	November	December	Comments
<b>Total Vacant Areas (m<sup>2</sup>)</b>	2464.9	2295.1	2078.8	
<b>Portfolio NLA (m<sup>2</sup>)</b>	25,508	25,508	24,988	Due to the settlement of 261-263 Pacific Highway on 27 <sup>th</sup> November 2019
<b>Vacancy % of Portfolio NLA</b>	9.66%	9.00%	8.32%	Vacancy rate high because this figure includes all Hume Street Park project properties that can no longer be leased as they are earmarked for demolition as part of the Hume Street Park redevelopment.
<b>Total Short Term Lease Areas</b>	1427.62	1427.62	1211.32	Due to the settlement of 261-263 Pacific Highway on 27 <sup>th</sup> November 2019
<b>Vacancy % of Portfolio NLA less Short Term Lease Areas</b>	4.07%	3.40%	3.47%	Excluding Hume Street Park properties, pending demolition for the Hume Street Park Development

**Table 1(b): Parking Spaces for lease in the Property portfolio**

MONTH	October	November	December	Comments
<b>Total Vacant Parking Spaces</b>	10	10	10	Colliers International current marketing Property for Lease
<b>Total Parking Spaces under Portfolio</b>	12.00	12.00	12.00	Most parking spaces are at 52 Alfred Street.

**Note:** Rental income information submitted in a separate memorandum to Councillors.

### Leasing Transactions for the Quarter

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 December 2019.

Note: As per the report to Council in August 2019, Councils General Manager has the delegated Authority to enter into leases and will be the signoff authority for Council when entering into a lease. It is no longer a requirement for Council to have its Official Seal affixed to Leases pursuant to Section 400(4) of the Local Government (General) Regulation 2005, Whereby:

- (a) the use of the Council seal only in circumstances where the Council has resolved that the seal is to be affixed.
- (b) the discontinuing of the use of the Council Seal relating to the following documents:
  - (i) The sale or purchase of land;
  - (ii) The entering into leases relating to Council property;
  - (iii) The entering into of Voluntary Planning Agreements.

**Table 2. Councils Leasing Transactions for the Period Ending 31 December 2019**

<i>Proposed Transaction</i>	<i>Subject Property &amp; Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
Lease Renewal	<b>Address:</b> 11 and 12 O'Reilly Stand, The Colonnade, 283A Miller Street, North Sydney	<b>Period:</b> In the quarter commencing January 2020 the period ending December 2023  01/01/2020 – 30/11/2023  <b>Term:</b> 3 Years  <b>Option:</b> 3 years	Chiropractic Office	64m <sup>2</sup>	The Lessee must pay the Lessor's reasonable costs in relation to the preparation of the Lease. Lessee is responsible for the cost of the registration of the lease.
Lease Renewal	<b>Address:</b> Shops 3-6 283A Miller Street, North Sydney	<b>Period:</b> In the quarter commencing March 2020 the period ending December 2025  01/03/2020 – 28/02/2020  <b>Term:</b> 5 years  <b>Option:</b> 5 years	Retail Hire and storage of exercise equipment	182.67m <sup>2</sup>	The Lessee must pay the Lessor's reasonable costs in relation to the preparation of the Lease. Lessee is responsible for the cost of the registration of the lease.
New Lease	<b>Address:</b> 3/43 Hume Street, Crows Nest	<b>Period:</b> In the quarter commencing November 2019 the period ending April 2020	Residential Premises	80m <sup>2</sup>	Legal Costs not applicable to the Lease Agreement.

<i>Proposed Transaction</i>	<i>Subject Property &amp; Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
		01/11/2019 – 30/04/2020  <b>Term:</b> 6 months  <b>Option:</b> Nil			
Licence Agreement	<b>Address:</b> Lower Ground Floor in Neutral Bay Community Centre, 190-192 Military Road, Neutral Bay	<b>Period:</b> In the quarter commencing November 2019 the period ending January 2023  01/11/2019 – 03/11/2023  <b>Term:</b> 3 years  <b>Option:</b> 3 years	Community Services	90m <sup>2</sup>	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease.
New Lease	<b>Address:</b> 56 Alfred Street, Milsons Point	<b>Period:</b> In the quarter commencing February 2020 the period ending January 2022  01/02/2020 – 31/01/2022  <b>Term:</b> 3 years  <b>Option:</b> Nil	Commercial Office	157.2m <sup>2</sup>	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease. The Lessee is responsible for the cost of the registration of the lease.
Assignment of Lease	<b>Address:</b> 2 Elizabeth Plaza, North Sydney <b>Lessee:</b> U-I Australia Pty Ltd <b>Assignee:</b>	<b>Period:</b> In the quarter commencing November 2019 the period ending April 2021  01/11/2019 – 31/03/2021	Car Park and Retail	2363m <sup>2</sup>	Lessee to pay all legal costs in relation to the assignment of lease.

<i>Proposed Transaction</i>	<i>Subject Property &amp; Lessee/ Tenant</i>	<i>Term</i>	<i>Permitted Use</i>	<i>Lettable Area</i>	<i>Terms of Lease / Remarks</i>
	ACME Co. No.3 Pty Ltd as Trustee for Scoreplus Management No 1. Trust	<b>Term:</b> 27 years  <b>Option:</b> 46 years			
Assignment of Lease	<b>Address:</b> 100 Miller Street, North Sydney	<b>Period:</b> In the quarter commencing December 2019 the period ending May 2023  06/09/2019 – 24/05/2039  <b>Term:</b> 20 years  <b>Option:</b> Nil	Airspace encroachment	N/A	Lessee to pay all legal costs in relation to the Licence Agreement.
Renewal of Option	<b>Address:</b> Suite 9 283A Miller Street North Sydney	<b>Period:</b> In the quarter commencing April 2020 the period ending March 2025  01/04/2020 – 31/03/2025  <b>Term:</b> 5 years  <b>Option:</b> Nil	Physiotherapy practice	85.3m <sup>2</sup>	The lessor will be responsible for the preparation of the lease documentation. Each party is responsible for their own costs to review the lease. The Lessee is responsible for the cost of the registration of the lease.

Refer to Attachment dated 4<sup>th</sup> February 2020 (Confidential Memorandum) for details relating to the rental income Council will receive through these leasing transactions.

### Acquisitions and Disposal for the Quarter

**Table 3. Acquisitions and Disposals within the North Sydney Council Property Portfolio**

	<b>Address</b>	<b>Reason</b>	<b>Date</b>	<b>Remarks</b>
<b>Acquisition</b>	Nil			

	Address	Reason	Date	Remarks
<b>Disposal</b>				
	261 Pacific Highway, North Sydney	Low performance property that was earmarked for disposal.	<b>Settlement of the sale took place on 25 November 2019.</b>	Contracts were exchanged on 23 May 2018 and an 18 month settlement period was agreed to.

### List of Property Projects for the Quarter (Major Periodic maintenance and Upgrade)

Apart from routine maintenance for Council properties, the Property Asset Management Plan has identified major periodic maintenance and capital works upgrades for properties throughout Councils Property portfolio. These essential works need to be carried out in each financial year. These works are funded from the annual Property Capital Works program which is essential to avoid asset deterioration that would result in operational and functional degradation of the buildings.

**Table 4: Major Maintenance and Capital Works to Council Properties for the last quarter**

Property	Project Description	Commencement Date	Completion Date
Alexander Street Car Park	Construction of additional toilets on Level one	27/08/2019	03/12/2019
Central Depot	New roof and upgrade of washdown bay – new slab	18/11/2019	20/12/2019
Coal Loader Site	Installation of (additional) 25.6KW solar panel system	25/11/2019	23/12/2019
Kirribilli Community Centre	Roof repainting	09/12/2019	04/01/2020
Neutral Bay Community Centre	New Signage	01/11/2019	18/12/2019
Council Chambers	BMS upgrade	17/10/2019	04/12/2019