Item 11.

Lease Approval - 343 George Street, Sydney

File No: X103815

Summary

In 2011, the City purchased 343 George Street, Sydney, as a key asset within its investment property portfolio.

Recognised as a crucial income generator, the City has committed significant investment to the building within its Long-Term Financial Plan.

Burberry Pacific Pty Limited (Burberry) has been the anchor retail tenant since 2010, holding multiple leases at the property. These leases strategically position Burberry within 343 George Street, supporting its corporate and retail operations in Australia.

Burberry is now seeking to enter new office and retail leases to secure its long-term tenancy. These leases align with current market conditions and are mutually beneficial, ensuring financial stability and supporting the building's continued commercial success.

This report seeks Council approval to grant new leases to Burberry Pacific Pty Limited as the tenant for the ground-floor retail and basement storage and space on the first floor of the office Building at 343 George Street, Sydney.

The essential terms and conditions of the proposed leases are shown in Confidential Attachment A.

Recommendation

It is resolved that:

(A) Council approve the granting of a new leases to Burberry Pacific Pty Limited (ACN 098 381 161), commencing on 1 August 2025 for a term of 5 years with an option to renew for a further 5 years for the Ground Floor Retail and Basement Storage, 343 George Street, Sydney, in accordance with Confidential Attachment A to the subject report; and

(B) authority be delegated to the Chief Executive Officer to enter into and administer any documentation required to give effect to the new lease referred in (A) above and in accordance with Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. In 2011, the city purchased 343 George Street, Sydney, as part of its commercial investment property portfolio. The building is a crucial income asset for the City.

2. The City has committed to significantly invest in 343 George Street within the Long-Term Financial Plan (LTFP). It is currently undertaking critical facade repairs and seeking to invest in a significant building refurbishment to enhance its value and long-term viability.

3. Leasing commercial buildings while undertaking whole-of-building renewal works is complex due to the disruption caused by construction, shifting market perceptions, and the challenge of maintaining tenant confidence. Existing tenants may face operational impacts, while prospective tenants may hesitate to commit due to uncertainty around project timelines, access, and potential disruptions.

4. Securing anchor tenants is imperative as they provide financial stability, attract complementary businesses, and enhance the building’s market appeal. Their commitment signals confidence in the redevelopment, helping to secure additional leases and ensuring the long-term viability of the investment.

5. Burberry has been the anchor retail tenant of 343 George Street Sydney since 2010 and holds multiple leases within the building. These lease arrangements strategically position Burberry within the building, supporting its corporate operations and flagship retail presence in Australia.

6. To remain a tenant at 343 George Street, Burberry wishes to enter new office and retail operations leases. The new leases are in the best interest of both parties, as they secure the long-term tenancy, ensure financial stability, and align with current market conditions to sustain the building's commercial success. Details of the new leases are contained in Confidential Attachment A.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

7. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities’ vision for the sustainable development of the City to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:

   (a) Direction 1 - Responsible governance and stewardship - specifically expanding revenue from the commercial operations and the property portfolio.

Risks

8. The City's risk appetite statement encourages detailed planning and programming of asset renewal, which is consistent with the approach outlined in this report.

9. The recommendations in this report are within the City's risk appetite, which states:

    - The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.

    - We recognise the importance of prudent financial management when it comes to our assets and we strive to maintain a financially sustainable position. Our risk appetite acknowledges the need to balance investment in infrastructure with the Council's overall financial capacity. We allocate adequate resources to the maintenance and renewal of assets and ensure that there is alignment between asset management plans, the Delivery Program and our long-term financial plan.

Financial Implications

10. Financial implications are detailed in Confidential Attachment A.

Relevant Legislation

11. Local Government Act 1993 - sections 10A and 10B provide that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business and if discussion of the information in an open meeting would, on balance be contrary to public interest.

12. Attachment A contains confidential commercial information which, if disclosed, would confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business.

13. Discussion of this matter in an open meeting, would, on balance, be contrary to the public interest because it would compromise the City's ability to negotiate fairly and commercially to achieve the best outcome for ratepayers.

Options

14. Alternative options are discussed in Confidential Attachment A.

KIM WOODBURY

Chief Operating Officer

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