

Lease Approval - 46-52 Mountain Street, Ultimo

File No: X125160

Summary

The City of Sydney's property portfolio spans offices, retail, community facilities, and heritage assets, generating revenue while supporting civic and cultural outcomes. The Wilcox Mofflin Building, located at 46–52 Mountain Street, Ultimo, is categorised within the investment portfolio, reflecting its commercial value alongside its role in activation, innovation, and education.

A heritage-listed warehouse from the late nineteenth century, the building has transitioned from industrial use to a mix of commercial and educational spaces, reinforcing its place within the Ultimo and Tech Central precinct. While the broader leasing market remains challenging, with rising vacancies and pressure on yields, market advice confirms strong demand from the higher education sector.

A university, outlined in Confidential Attachment A, has approached the City to lease the premises. This proposed use aligns with the building's heritage and location, activates the site, and supports the City's objective of attracting and retaining knowledge-based industries.

Recommendation

It is resolved that:

- (A) Council approve the grant of a new lease for Suite 3 on Ground Floor and Levels 1 and 2, 46-52 Mountain Street, Ultimo, to the University of Notre Dame Australia (ABN: 69 330 643 210) for a term of 5 years with an option to renew for a further 5 years in accordance with the essential lease terms and conditions contained within Confidential Attachment A to the subject report; and
- (B) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the terms of the lease in accordance with the essential terms and conditions contained within Confidential Attachment A to the subject report.

Attachments

Attachment A. Essential Lease Terms and Conditions (Confidential)

Background

1. The City of Sydney's property portfolio spans a wide range of assets, including offices, retail tenancies, community facilities, and heritage buildings. These assets not only generate revenue but also play a critical role in supporting civic, cultural, and community outcomes, aligning with the City's long-term objectives of place activation, sustainability, and heritage preservation.
2. Among these assets is the Wilcox Mofflin Building, which has been categorised in the investment portfolio, recognising its role in generating commercial returns while also contributing to activation, innovation, and knowledge-based industries in the Ultimo precinct.
3. The Wilcox Mofflin Building, located at 46–52 Mountain Street, Ultimo, is a heritage-listed warehouse building dating from the late nineteenth century. Originally constructed during the peak of Sydney's manufacturing and warehousing era, it reflects the industrial character of Ultimo, with robust brickwork, large windows, and utilitarian design typical of warehouse architecture of the time.
4. Over the decades, the building has undergone progressive adaptation, transitioning from industrial use to accommodate commercial and storage tenancies throughout the mid-twentieth century. More recently, the City has curated the building's use to provide a mix of commercial and educational spaces, ensuring it continues to deliver both financial and social value.
5. The building's location, within close proximity to leading universities, cultural institutions, and the Tech Central innovation precinct, has reinforced its appeal as a site for knowledge-based and educational uses. Its flexible floorplates and character features make it particularly well-suited for adaptive reuse, aligning with the City's broader strategy of activating underutilised spaces and securing long-term tenancy stability.
6. The broader property leasing market continues to present challenges, with economic conditions and changing work patterns making it difficult to secure long-term tenants that align with the City's values and strategic objectives. Rental yields across the sector have been declining, while vacancies in office accommodation are increasing, creating a competitive leasing environment that requires careful positioning of assets.
7. Market advice confirms the subject premises are well-positioned for institutional use, with strong demand from the higher education sector presenting an opportunity for sustainable rental income. A university, as outlined in Confidential Attachment A, has approached the City's leasing agent to seek a lease within the building.
8. This proposed use is consistent with the building's character, would contribute to increased activity within the precinct, and directly supports the City's goal of attracting and retaining knowledge-based industries.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

9. 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 commercial operations and the property portfolio.

Risks

10. The decision is within the City's risk tolerance and represents a well-considered opportunity that delivers on commercial, operational, and civic priorities while maintaining appropriate safeguards.

Financial Implications

11. Financial implications are outlined in Confidential Attachment A.

Relevant Legislation

12. Local Government Act 1993 - Section 10A 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.
13. Attachment A to the subject report 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.
14. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

15. Critical Dates are outlined in Confidential Attachment A.

Options

16. Current Proposal: The proposed commercial use of the space that will become vacant on expiry of lease on 31 March 2027 within the Wilcox Mofflin Building represents an effective utilisation of the property. This deal ensures activation of a significant heritage asset in the Ultimo precinct and secures a tenant for additional tenure whilst mitigating any loss of revenue whilst securing a tenant. The lease proposal delivers a solid financial return to Council, reflecting fair market rent for the location, while supporting a tenant sector in higher education that is experiencing strong demand due to the precinct's proximity to universities and Tech Central.
17. Leave Vacant: Leaving the space vacant after the expiry of the current lease (31 March 2027) would result in a loss of rental income whilst trying to secure a tenant and undermine the activation of this important heritage building. An underutilised asset in a precinct focused on education and innovation would be inconsistent with the City's broader strategic objectives of optimising the use of its investment portfolio and supporting knowledge-based industries. In addition to the opportunity cost of foregone revenue, extended vacancy would attract higher maintenance and security costs that cannot be offset against income, compounding the ongoing leasing challenges associated with this site..

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