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HD Wake up to potential of Sleepyhead property
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Manufacturer moving on, so opportunity for savvy buyer to snap up site with loads of development potential

Sleepyhead is saying "good night" to its big Otahuhu head office property in Great South Rd, offering it for sale and short-term leaseback while it awaits construction of its new Manukau complex.

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Unlike other large manufacturers which have moved offshore, the bed-making company is committed to manufacturing in New Zealand and Australia and is investing $45 million in its new head office, research, manufacturing and distribution centre on land adjacent to the Pacific Events Centre which will bring together the company's 400 employers from its Otahuhu and Avondale sites.

The 41-71 Great South Rd site is being sold with a one to two year leaseback by private treaty closing on June 26 through Savills joint managing director Paddy Callesen and colleague Bruce Webb, Savills associate director commercial sales.

"A decision was made two years ago to build a new complex," says Craig Turner, joint managing director of Sleepyhead. "We decided to move after acquiring a competing business located in Rosebank Rd, Avondale. Running a significant business from two separate sites has major inefficiencies and site amalgamation is essential to remain a competitive manufacturer with other parts of the world."

Built in the 1950s, the 19,319sq m Great South Rd plant has become too small for Sleepyhead's growth with the company having to cut back a planned export drive due to running out of room for making foam products to supply markets.

Sleepyhead's owner, The Comfort Group, is the largest bedding and foam manufacturer in Australasia employing more than 1100 staff and making 65,000 pieces of bedding each year. About half of the company's employees are located in New Zealand.

Turner says the company is constrained by the size of its Auckland premises. "About 11 per cent of what we manufacture is exported outside of Australasia and this could be as high as 30 per cent over the next five years."

He expects the new Manukau complex to create jobs during the design and build, and long-term manufacturing positions as the company grows, particularly in China where Sleepyhead has taken advantage of New Zealand's free trade agreement.

Callesen says the sale of the property will provide capital to complete development of Sleepyhead's new complex.

The property for sale has about 2000sq m of corporate-styled head offices with the balance manufacturing and distribution.

"Sleepyhead originally bought the property in the early 1990s. At that stage the property was the manufacturing and distribution centre for Arnotts biscuits," Callesen says. "It has been progressively added to since the 1950s and the offices were upgraded to corporate standard a few years ago."

He says a substantial and visible site located in a fully developed brownfields location is a rare purchasing opportunity.

"Having dual frontages of 47 metres to Great South Rd and 300 metres to Saleyards Rd provides full drive through and gives a new owner the ability to carve the site into smaller freehold titles. It can be sliced up in a way to better utilise the building and meet market needs.

"Alternatively, larger owner occupiers wanting to be located in a more central Auckland location could grab the opportunity to buy and redevelop completely or partially retain the building stock."

The site is primarily zoned Business 5 under the Auckland Scheme, however the block fronting Great South Road is zoned Business 4. Callesen says the variation in zoning has little effect on worth with both being of equal value in this location.

"The real value of this property sits in its position as a consolidated landholding with many usable buildings in a central built up and well established industrial area close to the motorway systems and other traffic arterials."

Callesen says the existing buildings will create extra value in addition to the land's value and the one to two year leaseback being offered by Sleepyhead will provide short-term income to a buyer while organising plans for occupation when the bed manufacturer leaves the property.

Sleepyhead also has facilities in Christchurch, Sydney and Melbourne.

Turner says the manufacturing base in New Zealand is good to build from if companies have their costs under control.

"A lot of manufacturing has gone out of New Zealand and Australia but it needn't. If manufacturers address the cost base of their business they can stay and manufacture here and this is the opportunity with our new Manukau complex."

Webb says firming yields across the majority of the industrial sector, dropping vacancy rates, rising rentals and the increasing scarcity of business zoned land make a development property such as the Sleepyhead site sought after.

"Commercial and industrial growth quickly follows on from a surge in residential demand fuelled by net migration to Auckland swelling, bringing a spike in building consents, an increase in existing house prices and an improvement in general consumer confidence.

"Construction in the industrial sector is already starting to increase. At this stage of the property cycle, the industrial market's performance will continue to improve, barring any unexpected events."

Webb quotes Statistic New Zealand figures in stating that South Auckland accounts for a big percentage of Auckland region's 30,000 industrial-type businesses.

Most of these businesses are located in the "golden triangle" between Wiri, Onehunga, East Tamaki, Penrose and Mt Wellington, while companies provide almost a third of Auckland's industrial-related jobs, he says.

Callesen says continued growth in Otahuhu and South Auckland is helped by its closeness to the airport, improving roading networks, inland port, major markets and development land held by substantial developers.

"Investor confidence has risen steadily over the past year and it is likely to lead to the industrial sector providing better results than other property sectors," he says.

"Owner-occupiers have been particularly active and are buying to remove their businesses from the rises in rent and outgoings. Often the mortgage payments are lower than rental outlay. Many businesses are not only looking at new, purpose-built premises but also existing premises that better suit their businesses and ensure flexibility for future growth.

"They are also aware that investing in their own premises offers them long-term security, the ability to increase their profile, reflect their company values through their property and take advantage of the low interest rate environment."

Webb says an investor could also lease the property in tranches. "Finding efficient and cost-effective premises remain a key driver for industrial tenants and this property lends itself to a number of uses."

Webb says the **property** will also be attractive to developers because there are a number of options. "It is just a stone's throw from Otahuhu's town centre from a **commercial** use perspective, and adjoins Mt Wellington, Auckland's most desirable industrial **estate**."

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