Mornington Peninsula Technology Business Park

A new high amenity regional technology campus

Prepared by Macroplan
For Sealite Pty Ltd

15 June 2020
The development of a new $540 million high-amenity, high-tech campus on Bungower Road near Somerville has the potential to create up to 1,500 jobs on the Mornington Peninsula and generate at least $1.2 billion in economic value for the region and Victorian economy.

This paper identifies an opportunity to develop a new high amenity, high-tech manufacturing cluster on Bungower Road in Somerville, Victoria.

The proposed high-amenity, high-tech cluster will be of regional significance and unique to the Mornington Peninsula as it will provide new community infrastructure and active recreation facilities for surrounding residents.

Science, technology and environmental sustainability will be a focus, with substantial use of solar power, recycled water, and electric car charging points.

The new facility will be anchored initially by Sealite Pty Ltd, who specialise in marine and aviation product design and manufacturing in the Mornington Peninsula region.

Sealite was established in 1982 and has expanded into an international business with globally significant marine and aviation contracts servicing markets worldwide.

Sealite is actively seeking to expand its marine and aviation manufacturing operations in Somerville, with a current permit (Permit Number P14/1846) for the development of its property at 79 Bungower Road.

However, the property is zoned Special Use Zone Schedule 1 (SUZ1) for port and marine industry use, limiting the potential for broader specialist manufacturing.

Unfortunately, there are no high-amenity high-technology business parks on the Mornington Peninsula.
The recently released Melbourne Commercial & Industrial Land Use Plan (MICLUP) identifies the property and several adjoining properties as being of regional significance for future industrial development during the next 30 years.

According to the Port of Hastings Development Strategy 2018, the Bungower Road site and surrounds are considered surplus to port requirements and should be considered for alternative industrial development.

Sealite is actively collaborating with neighbouring landowners to jointly rezone and redevelop up to 50 hectares of SUZ1 land into offering 250,000m2 gross floor area (GFA) high amenity space targeting technology businesses.

Regional demand for high-amenity industrial land from neighbouring areas such as Dandenong South and potentially Carrum Downs is estimated at between 5-8 hectares p.a.

This is partly due to a lack of high-amenity business parks within Melbourne’s South-east region offering a mix of commercial and community spaces, allowing users and visitors opportunities to interact and engage in the space around them.

Regional demand will supplement local demand for industrial land estimated at approx. 4-5 hectares p.a.

This means during the next 30 years, total demand for industrial / employment land could reach approx. 300-400 hectares.

The development of Sealite’s land and neighbouring properties into a high amenity, high-technology precinct will:

— create $1.2 billion in direct and indirect economic benefits, at least 250 jobs at Sealite and the potential for a total of 1,500 jobs on completion.
— include end of trip facilities, sustainable building attributes, recycled water and waste-water recovery.
— balance employment-related uses on site with adjoining rural residential dwellings through new open spaces including recreation areas.
— enhance the experience of workers and improve views for residents.
— provide a substantial net increase in flora and fauna habitat that will increase the quality and amount of open space in Somerville and surrounding areas.

Sealite is an important employer providing much needed Science, Technology, Engineering and Mathematics (STEM) related career opportunities and international business perspective that are highly important to the region.

Sealite’s proposal promotes investment in skilled employment on the Mornington Peninsula with a focus on attracting high-tech businesses to the region that will strengthen economic resilience and support long term regional sustainability.
**Location & Characteristics**

The subject properties (shown in red on the adjoining map) are well connected to the Western Port Highway and Peninsula Link (full diamond intersection), both providing connections to the Dandenong South Industrial area.

Further to this, the properties have a direct connection to the Port of Hastings and the Hastings State Significant Industrial Precinct (SSIP).

Bungower Road is a direct east-west connector road between Peninsula Link (full diamond intersection) and Port of Hastings.

A high amenity precinct concept allowing for a mix of high-tech tenancies is shown overleaf, showing Sealite as a major tenancy complemented by a mix of other businesses as part of an integrated business cluster.

*Source: Melbourne Industrial and Commercial Land Use Plan*
Subject Site
Indicative Land Use Concept

Source: DaCode, 2020
Regional Context

Site Location & Regional Connectivity

The subject properties identified in this report (referred to separately in Section 2.3 The Site) are located to the south of the Dandenong South Industrial area.

Connection to the site from the Dandenong South Industrial area is provided via Western Port Highway/Dandenong Hastings Road. This indicates that the site is accessible to other significant industrial areas.

Further to this, the site is located to the north of the Port of Hastings and sits outside the Hastings State Significant Industrial Precinct (SSIP). This again shows that the site is well connected and the accessible relationship that the site has with other industrial areas.

Bungower Road is also accessible via the Peninsula Link Freeway. There is an entry and exit ramp for both northbound and southbound traffic.

Source: NearMap (2020), Macroplan (2020)
Regional Context (cont)

Industrial Land Context

The Mornington Peninsula Shire (the Shire) has limited industrially zoned land available with there currently being no Industrial 1 Zone (IN1Z) land and 329ha of Industrial 3 Zone (IN3Z) land. Only 17.3% of INZ3 land is unoccupied.

This means that there is as little 20ha of IN3Z land that is available and ready to be developed.

This suggests that the Shire has a shortage of industrial land across the municipality.

Taking into consideration that the Shire also contains a large area of Special Use Zone (Schedule 1 – Port related uses)(SUZ1) land, this land is limited to uses that meet the port related condition and is not available for traditional industrial development.

This further reduces the amount of developable employment land.

Given this, the Mornington Shire may experience a future outflow of jobs given the shortage of appropriately zoned employment land.

Therefore, in order to remain competitive in a regional context, there needs to be consideration around supply of new land and review appropriate sites within the SUZ1 to allow for employment growth.

In this context, the subject site presents the opportunity to rezone surplus SUZ1 land to an industrial zone to support a broader range of both traditional and emerging higher value industrial based employment.
Land Use Policy & Planning

Context

The Melbourne Industrial and Commercial Land Use Plan (MICLUP), 2020 states that the strategy to allow for long term commercial and industrial land supply is to identify how growth will be accommodated over the long term (at least 30 years) through state, regional and local assessments of land supply and demand. The Mornington Peninsula Shire predicts a 15-year industrial land supply which is 4 – 5 hectares of industrial land per year. As stated above, there is a need to accommodate for long term supply for a 30-year period.

MICLUP identifies the site as not being a part of the Hastings SSIP but is existing - Regionally Significant Industrial Land. The document states that planning for this area should consider the potential for Special Use Zone (Schedule 1 – Port related uses) to allow for range of industrial uses in consultation with a range of stakeholders.

Given the Mornington Peninsula Shire contains 2,874.5ha of Special Use Zone (SUZ1) land, it has the capacity to convert some of this land into industrial zoned land to accommodate for 30 year as imposed to the current 15 year supply.
Special Use Zone (Schedule 1)

Source: macroplan, 2020
The Site

The properties that are subject to investigation (collectively known as the site) are located south east of the Somerville urban area approximately 4km kilometres to the north west of Yaringa Harbour and comprise four separate titles:

- 1 / LP200254 – 83 Bungower Road, Somerville – 2.96ha
- 2 / LP200254 – 79 Bungower Road, Somerville – 33.9ha
- 3 / LP20025 – 75 Bungower Road, Somerville – 20.3ha
- 1 / TP403907 – 73 Bungower Road, Somerville – 2.50ha

Equating to a total site area of **59.66 hectares**, the site is located on and to the south of Bungower Road Somerville and bounded by the unsealed lower Somerville Road to the west.

The site is well positioned with proximate access to two key arterial roads - Frankston - Flinders Road and the national freight route (Western Port Highway). The site also has relatively direct access to Yaringa Harbour via Whitneys Road and Lumeah Road. The site is largely cleared and currently predominately used for horse agistment.

Under the Mornington Peninsula Planning Scheme (the Scheme), the site is zoned Special Use Zone (Schedule 1 – Port related uses) with 83 Bungower Road, Somerville containing a Heritage Overlay (Schedule HO269).
Regional & Local Road Network

Source: macroplan, 2020
Mornington Peninsula Technology Business Park
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Source: macroplan, 2020
**Existing Permit**

Planning permit P14/1846 was issued by the Mornington Peninsula Shire on 09 July 2015 for *the use and development of the land for industry (manufacture of marine products), native vegetation removal and reduction of car parking requirements in accordance with endorsed plans* for 79 Bungower Road, Somerville.

Once this permit is acted upon, Sealite will occupy 79 Bungower Road, Somerville.

This business will anchor the site and have the potential to draw in other high tech innovative related businesses with them.

However, this can not occur under the current SUZ1 as a number of uses are prohibited such as office and retail premises as well as some industry uses becoming prohibited if the port related condition is not met.

In order to facilitate this high-tech innovation cluster, there will need to be a rezoning of the site to allow for this to occur.

*Source: Sealite*
Indicative Sealite Development Concept
High Tech Business Park Opportunity

Melbourne’s Southern Region comprises 9,420 gross hectares zoned industrial land of which 2,146 hectares (22.8%) is vacant.

The Southern subregion possesses a large allotment of industrial land, but a majority (77.2%) of this land is already occupied, and industrial land consumption in the region is extremely high at 107.2 hectares per annum. At this rate, the vacant industrial land supply in the Southern subregion will be exhausted in approximately 31 years. This timeframe suggests that there is a need to plan for 30 years instead of 15 years.

It is noted that the exhaustion of industrial land stocks will affect specific regions first, notably Frankston (2.3 years), Kingston (7.4 years) and Dandenong (7.6 years).

Other areas, while appearing to have sufficient industrial stocks based on historic / current consumption rates, may experience the exhaustion of available industrial land sooner, due to potential demand transfer from the established industrial precincts with tightening land supply (such as the Southern SSIP, Frankston and Kingston).

This is particularly prevalent for the Mornington Peninsula where the majority of supply is not available for traditional industrial uses.

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<th>Sub-Region LGA</th>
<th>Occupied (Ha)</th>
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<th>Total (Ha)</th>
<th>Proposed (Ha)</th>
<th>Consumption (Ha / p.a.)</th>
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Source: UDP, macroplan

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Source: UDP, macroplan
Dandenong South Industrial Area

Dandenong South is an established industrial area, containing a large number of high-tech firms who operate within the space of engineering, manufacturing, fabricating and testing. A visualisation of the major hi-tech firms operating in Dandenong South can be found on Map 3.2 overleaf.

At present, a majority of industrial land in Dandenong South is occupied, and at the current consumption rate of 54.2 ha per year, it is expected that the remaining stock of vacant industrial land will be exhausted within the next 7-8 years.

Along with this, Dandenong South suffers from a number of negative characteristics that affect the viability of further industrial development, including:

• Clustering – limited vacant land stocks and major barriers, such as train lines, prevent Dandenong South from benefitting from the positive effects of clustering.

• Amenity – Dandenong South possesses extremely low levels of amenity, with little to no wide open green spaces and limited options for retail services.

Due to these market conditions, it is expected a proportion of current demand will transferred out of Dandenong South and into other industrial areas located to the north and south.

Source: UDP, macroplan
Hi-Tech Industrial Operators, Dandenong South
Regional Demand Transfer Scenarios

The trend towards rapid consumption and exhaustion of vacant industrial land stocks in Dandenong South is expected to increase industrial land demand across the Mornington Peninsula and other adjoining localities due to increasing demand transfer.

The development of a new high-tech business park anchored by a Sealite will be an attractive option for hi-tech firms located in Dandenong South and elsewhere including Carrum Downs who are looking to collocate.

Industrial land stocks in both Dandenong South and Carrum Downs will be exhausted in the future with limited potential in both areas to rezone Green Wedge land for industrial purposes.

Major firms operating within Dandenong South with the potential to consider this location include:

- Aspen Pharma – a major manufacturer, supplier and exporter of prescription, specialty and OTC pharmaceutical products and nutritional products.

- Eurofins Scientific - a major operator in the laboratory services market, Eurofins Scientific manufactures and supplies diagnostic testing kits as well as a wide range of services including food testing, AgroSciences, BioPharma services and environmental testing.

Nissan Casting Australia – operates within the commercial and passenger vehicle industries, offering manufacture and supply of aluminium and machined castings.

By moving their operations to the aforementioned business park, firms could take advantage of a range of benefits that do not exist in Dandenong South, including:

- Accessibility – Bungower Rd possesses high levels of north/south accessibility via direct access to full-diamond Freeways and major connecting arterial road networks.

- Amenity – the proposed business park development will possess a high level of amenity through the implementation of setbacks, open green spaces and generous landscaping.

- Clustering – the co-location of high-tech firms at the proposed business park development will give firms the benefit of industry clustering, allowing for economies of scope, cost minimisation and flexible innovation and production. Clusters also attract and develop highly educated employees and enable high value knowledge sharing and industry innovation.

At present, the current consumption rate of vacant industrial land in Dandenong South is 54.2 ha per annum. It is expected that approximately 10 to 15% of this demand or approximately 5.42 to 8.13 hectares per annum could be attracted to the Mornington Peninsula.

In addition to demand transfer, there is also a level of local demand for industrial land stock, totalling 4.6 hectares per annum of industrial land consumption according to the Urban Development Program.

Therefore the expected total demand for vacant industrial land in the Mornington Peninsula is between approx. 10 hectares to 12.7 hectares per annum.

Over 30 years this has the potential to account for 150-240 hectares regional demand and between 300-400 hectares total demand in the Mornington Peninsula region.
Benefits of Clustering / Agglomeration

The development of a high-tech industrial business park on the Mornington Peninsula will result in the co-location of hi-tech industrial businesses, allowing firms to take advantage of the positive benefits of industry clustering, which include:

- The clustering of businesses operating within similar industries allows for strong knowledge-flows between companies, allowing for the evolution of industry knowledge stocks, stimulating long term competitive advantage and economies of scale.

- Industry clustering will result in the migration of knowledge intensive businesses to the area, as employees move closer to their place of work reducing commute times.

- Stronger growth in economic, employment and activity nodes which together have the potential to respond to growth requirements and drive productivity and employment at a sub-regional level.

- Increased local and regional servicing capacity allowing greater inter-regional flows of investment, employment, skills and ultimately productivity improvements.

- Increased ability to facilitate just-in-time and flexible production and logistic processes.

- Facilitates economies of scope, a process whereby the production of complementary goods reduces the cost of producing another good.

These advantages will make the high-tech business park development in Mornington Peninsula very attractive to businesses operating within relevant industries who are looking to move or expand their operations.

The result of this will cause a significant volume of demand transfer from both within and outside the region.

It is extremely likely that the volume of demand transfer will be highest in regions that face the imminent exhaustion of industrial land stocks, such as Dandenong, Frankston and Kingston.

Summary

The rapid consumption and exhaustion of industrial land stocks in Dandenong South and Carrum Downs presents a great opportunity for demand transfer into the Mornington Peninsula.

The subject site is strategically located in an area with high market accessibility and strong underlying demand fundamentals and is well positioned to take advantage of the industry clustering benefits that arise from co-locating high-tech industrial firms.

Currently, high-tech businesses operating within Dandenong South exist in a low amenity environment that possesses major accessibility barriers such as train lines. A high-tech business park development on the Mornington Peninsula will therefore provide a host of benefits to firms who are looking to expand their operations.

With Sealite as an anchor, a high-tech business park will be able to draw other related businesses to the area, creating the conditions for industry clustering, which allow for economies of scope, cost minimisation and flexible innovation and production. Clusters also attract and develop highly educated employees and enable high value knowledge sharing and industry innovation.

Overall, there appears to be significant potential for the development of a high-amenity, high-tech business park in Mornington Peninsula.
Mornington Peninsula Technology Business Park
A new high amenity regional technology campus

Source: DaCode, 2020
Indicative Land Use Concept

The following indicative land use option was considered the most preferred option relative to several other options explored as it provides significant open space resulting in a high-amenity, high-tech business park.

The concept entails a high-amenity high-tech business park offering up to 250,000m² NLA anchored initially by Sealite on Bungower Road with the potential to attract a wide variety of complementary high-tech businesses to the precinct.

The concept demonstrates a strong commitment to open space and community infrastructure in the form of a community playing field, a community hub and after-trip facilities with significant open space and public realm connections linking business uses with a heritage precinct via a network of walking, cycling and running paths.

Source: Yurie Tyblewych, June 2020
Indicative Land Use Concept

Source: DaCode, 2020
Economic & Community Benefits

This section provides a high-level economic impact assessment in relation to the potential development at the subject site as presented in Section 4.1, including:

- Sealite: approximately 9,000 sqm floorspace; and
- The balance of high tech business park development: 211,000 sqm floorspace.

For analysis purposes, the following assumptions have been made in relation to construction costs and construction phase timeframe.

- Construction cost of the Sealite facility at estimated $963/sqm including building works, new furniture and new equipment, as indicated in the Quantity Surveyor’s Initial Report (13 February 2017);
- Construction cost of the balance of high-tech business park development at an average of $2,500/sqm reflecting a mix of industrial and commercial uses, based on the Rawlinsons Australian Construction Handbook;
- Construction timeframe for the Sealite construction during FY2021-2022, with balance of uses being developed following.

The cost estimates are subject to further detailed plan and need to be independently verified by a quantity surveyor.

Based on the assumptions, the total initial construction cost for the proposed development of the subject site is estimated at approximately $536.2 million.

Initial construction investment will translate into a first round of benefits, realised as increased construction output and employment during the construction phase.

ABS Input-Output (I-O) tables have been used as a basis for calculating the economic benefits of this capital expenditure upon local and wider economy in the construction sector.

Based on output multipliers, the initial construction investment of $536.2 million at the site is likely to create another $676.5 million indirect construction output elsewhere in the wider economy, totalling up to $1.2 billion construction output (including direct and indirect) to the economy during the construction phase.

Based on employment multipliers, the development is also expected to generate approximately 200-275 direct construction FTE jobs per annum on site and another 320-435 indirect FTE jobs per annum elsewhere in the economy, totalling 520-710 construction related FTE jobs per annum during the construction phase.

As the development moves into the operational phase, more ongoing employment growth will potentially be generated from the operation of the proposed facilities at the site.

The indicative concept demonstrates a strong commitment to open space and community infrastructure in the form of a community playing field, a community hub and after-trip facilities.

Significant open space and public realm connections will link business uses with a heritage precinct via a network of walking, cycling and running paths creating both community and environmental benefits for the local area and wider region.

Assuming an average employment density of around 60 jobs per ha reflecting the use of industrial / commercial, manufacturing and high-tech spaces, it is estimated that the proposed development at the site can support approximately 1,500 ongoing jobs upon completion.
Conclusions

Sealite has a current permit (Permit Number P14/1846) for the development of its property at 79 Bungower Road.

However, the property is zoned Special Use Zone Schedule 1 (SUZ1) for port and marine industry use, limiting the potential for broader specialist industrial applications.

Unfortunately, there are no high-amenity high-technology business parks supporting advanced design and manufacturing on the Mornington Peninsula.

There is a lack of suitable land with high quality amenity supporting a large-scale facility of this type in Carrum Downs or Dandenong South.

The Melbourne Commercial & Industrial Land Use Plan (MICLUP) identifies the property and several adjoining properties as being of regional significance for future industrial development.

According to the Port of Hastings Development Strategy 2018, the Bungower Road site and surrounds are considered surplus to port requirements and should be considered for alternative industrial development.

Several adjoining property owners have expressed interest in a joint development project, anchored by Sealite, which would unlock approx. 50 hectares offering 250,000m² gross floor area (GFA) high amenity space targeting technology businesses.

Regional demand for high-amenity industrial land from neighbouring areas such as Dandenong South and potentially Carrum Downs is estimated at between 5-8 hectares p.a. which is in addition to local demand for industrial land of approx. 4-5 hectares p.a.

The development of Sealite’s land and neighbouring properties into a high amenity, high-tech manufacturing precinct has the potential to create up to 250 jobs initially and attract a cluster of other high-tech businesses that could result in up to 1,500 jobs on completion.

The indicative concept for Bungower Road demonstrates a strong commitment to open space and community infrastructure in the form of a community playing field, a community hub and after-trip facilities.

Significant open space and public realm connections will link business uses with a heritage precinct via a network of walking, cycling and running paths creating community and environmental benefits for the region.
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