



How to Invest in High-Equity NDIS-SDA Property



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Home and Land

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Contents

Introduction	3
National Disability Insurance Scheme	4
Specialist Disability Accommodation	5
Why Invest in NDIS-SDA Property	7
Our NDIS Property Services	8
SDA Demand Outlook	9
Due Diligence Investment Questions	10
Financial Risks and Investment Considerations	13
NDIS Properties for sale	15
Get in touch with us	16



Impact Investing

In recent years, impact investment in Australia has developed from a niche investment market to engaging mainstream investment banks, super funds and private investors. Impact investing is defined as investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return.

The total value of impact investment products in Australia has tripled from \$5.7 billion in December 2017 to \$19.9 billion in December 2019. It is envisaged that investors will increase their allocation to impact investment over the next 5 years from under 1% to 4% of assets under management - a five-fold increase to \$100 billion. The big 4 banks are building their impact investment capability and superannuation funds are starting to commit funds into impact investment portfolios. However, a lack of products with the capacity for investment at scale has been one of the limiting factors for the growth of impact investment in Australia.

Specialist Disability Accommodation (SDA) funding as part of the NDIS (National Disability Insurance Scheme) was designed to incorporate features that are familiar to mainstream capital markets and is intended to compete on an equal basis with other commercial investment options in the property sector. Using SDA payments to leverage private capital has enormous potential to transform disability housing in Australia.

Given that SDA is fairly new, there are relatively few people with expert knowledge of this emerging niche market. SDA investment opportunities are best suited to sophisticated, investors with long-term goals and significant amounts of capital to invest. While there is enormous potential to provide significant financial returns and a measurable social impact, there are, like any investment opportunity, associated risks.



Australia is turning away from segregated and institutional disability housing and moving towards genuine choice and control and inclusion via the National Disability Insurance Scheme's Specialist Disability Accommodation (SDA) policy.

What is the National Disability Insurance Scheme (NDIS)?

The NDIS is a new way of providing individual support for people with a permanent and significant disability, their families and carers. It provides peace of mind to anyone with a disability or those affected by someone who has a disability.

NDIS provides choice and greater control over the services that Participants will receive and replaces state-based disability service systems described by the Productivity Commission as 'underfunded, unfair, fragmented and inefficient'.

Current NDIS housing suppliers are not and cannot meet the urgent demand for applicable housing due to lack of funding. Estimates show a \$5 billion deficit to meet NDIS goals for SDA and housing participants, with an opportunity for private investment to underpin govt commitments.

This includes the pressing need for 12,000 participants who currently have no access to SDA, along with the high percentage of current housing which requires upgrading or redevelopment in the near future. Our team supports NDIS participants with a beautiful home to create freedom and independence, support carers and improve quality of life.

The NDIS applies to all State and Territories of Australia. This is a \$22 billion program to support 460,000 people to achieve their goals. The NDIS provides support to eligible people with intellectual, physical, sensory, cognitive and psychological disability.

The NDIS gives all Australians peace of mind if they, or their child, or loved one is born or acquires permanent or significant disability, and thus will get the support they need. The NDIS is not a welfare system. It is an insurance scheme designed to help people get the support they need so their skills and independence improve over time.



SDA stands for 'Specialist Disability Accommodation' and is a system created under the NDIS for people with high support housing needs. SDA funding is provided to eligible participants to pay for the physical property (bricks and mortar) when a person is deemed to have an extreme functional impairment and/or very high support needs and requires an SDA dwelling to enable them to live more independently and receive the support they need.

The number of people receiving SDA payments has grown by 13 percent in the past year, however housing options for people with a disability who want to live independently are growing but remain in chronically short supply with at least 28,000 and potentially 50,000 people needing Specialist Disability Accommodation.

The NDIS has an annual recurrent budget of \$700 million (indexed over the next 20 years) for SDA providers.

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The SDA Policy is designed to support housing for at least 28,000 Australians

28,000
Australians



In order to be eligible for SDA payments, dwellings must be enrolled with the NDIA (National Disability Insurance Agency) and meet the enrolment conditions, including:

- The dwelling must be enrolled by a registered SDA provider
- The dwelling must be occupied by a person with approved SDA funding
- Payments can only be sought once an enrolled SDA dwelling is tenanted to a person with SDA funding in their plan

To enrol an SDA property with the NDIA, a registered SDA provider submits dwellings for enrolment, providing the following information about the dwelling:

- Whether it is Existing, Legacy or New Build
- How many people it will house – New Build and Existing SDA dwellings must provide housing for 5 or fewer NDIS participants
- Building Type
- Design Category
- Number of bedrooms
- Location

The level of SDA funding approved for a person will depend on whether the person is living in (or seeking to live in) an SDA dwelling based on these 6 factors. There is a significant difference in SDA pricing (subsidy) and payments for Existing and Legacy SDA housing compared with New Build SDA housing. New Build pricing is much higher, reflecting the high costs associated with developing specialised housing, providing an incentive to the market to invest in the development of SDA. Funding levels are deliberately skewed to avoid perverse incentives and to deter larger models of accommodation.

SDA funding application process for potential tenants



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Why Invest?

The emerging SDA market has the potential to fund world-class disability housing at scale. It enables NDIS participants to realise their rights to choose where and with whom they live. SDA policy brings disability housing in Australia into line with the choice and control principles of the NDIS and the United Nations Convention.

The NDIS approach to SDA funding has been to make investing in accommodation designed for NDIS participants both commercially viable and attractive for investors. The returns that SDA property investors are aiming to achieve are up to 8-14% p.a net yields (based on a 20-year cash flow). This figure may vary depending on the location factor, property type, number of participants per dwelling, and category of participants residing in the property.

Investing in homes designed for people with disabilities presents a rare opportunity to do something that contributes to an urgent need in society, while achieving the highest rental yields available anywhere in the property market.

Our Role

Our NDIS Property Services help provide suitable long term accommodation – or forever homes – for some of the disabled Australians who require specialised accommodation.

Our role is to provide you with a choice of investment options based on properties that are being developed and built specifically to be SDA compliant. We can also connect you with relevant industry professionals to guide you through the process of applying for NDIS investment finance and completing a purchase.

Our ultimate goal is to help clients lay the foundation of their property portfolio, by investing in SDA property which is high yielding & positive cash flow. Clients have various options to choose from in the SDA homes category. 3 bedroom homes, 4 bedroom homes, 4 bedroom dual living homes, 5 bedroom dual living homes, or even 6 bedroom duplex homes. Whatever investors wish to create as a investment property, we are able to put together a solution.



Consulting

- Working with investors in sourcing appropriate locations and product providers, to acquire suitable SDA properties into their portfolio.
- Working with SIL and SDA providers in collaboration to deliver optimal solutions for Participants – whether to live in homes, apartments, villas or other suitable options.

Sales & Marketing

- Working in conjunction with agents and professional advisors with their clients in delivering SDA solutions for investment purposes.
- Working with builders directly to advise on pricing, designs and inclusions which would be appropriate for different categories of Participants.

Acquisitions

- Working with developers and builders in sourcing appropriate sites for rollout of their SDA products to the investor market.
- Working on the research and due diligence of locations that are in demand for NDIS Participants.

Project Management

- Working with developers on retro-fit designs of existing or new properties for SDA compliance for suitability for Participants.
- Working with town planners and design consultants on reconsideration of DA sites to be NDIS suitable.
- Managing and overseeing the successful the delivery of projects from initial feasibility through, design, approvals, construction and handover.

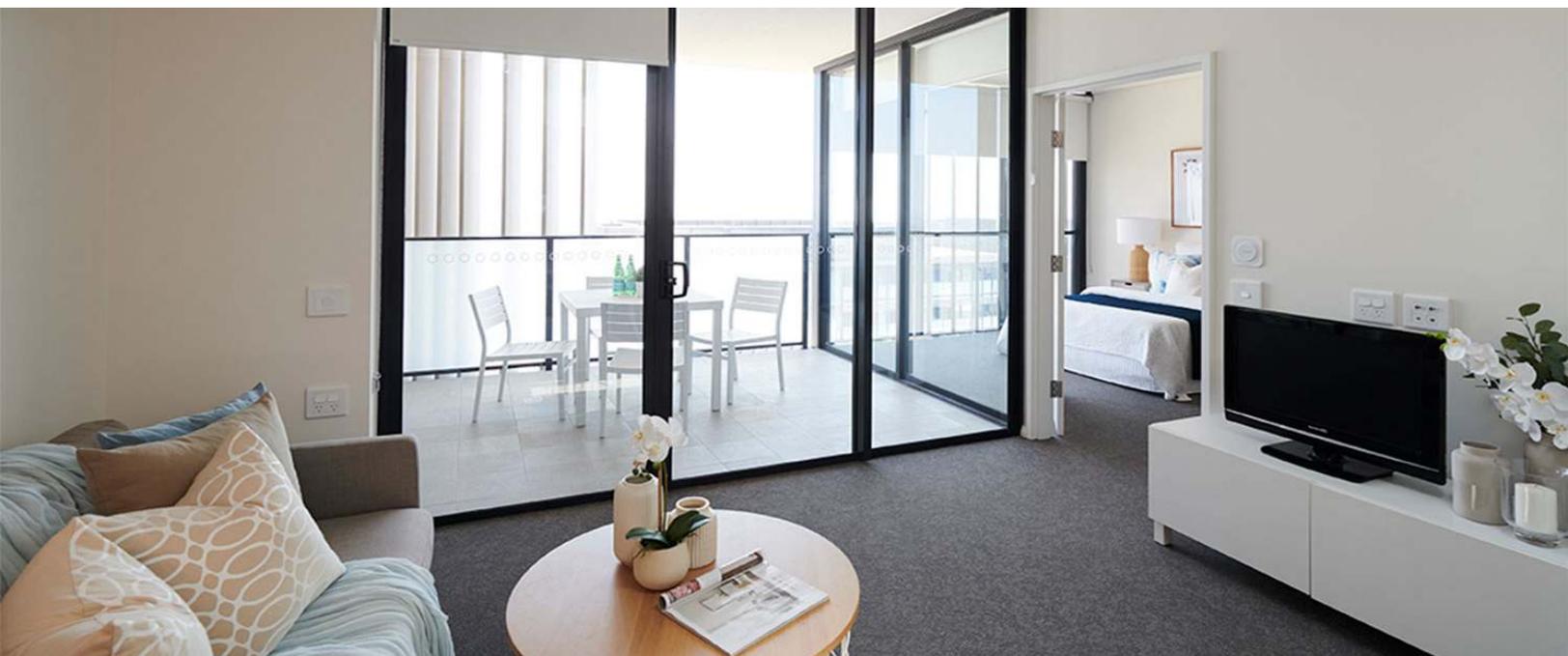


Most of the 15,240 NDIS participants with SDA in their plans are living in traditional group home models and may not be aware that they have SDA in their plans and therefore have purchasing power and a choice of housing options. Four years after the commencement of SDA payments, just 54% of the estimated 28,000 eligible NDIS participants have SDA in their plans. Some of the “missing” NDIS participants who are eligible for SDA are living in government owned SDA that is provided “in-kind” and is not included in NDIA data. Others are living in the family home supported by ageing parents or in inappropriate housing such as boarding houses, residential aged care or stuck in hospital.

There are 4,860 people under 65 in residential aged care. Nearly all younger people in aged care are likely to be eligible for the NDIS. Currently 3,690 young people in residential aged care have an approved NDIS plan and 519 have SDA in their plans. Once NDIA planners have engaged all younger people in aged care across Australia, an estimated 4,714 will be eligible for SDA.

SDA Supply Outlook

The supply side of the SDA market in Australia is gaining significant momentum. Given the relatively low returns on other investment classes, investors and property developers are highly engaged and new disability housing providers are entering the market. SDA is attracting increased interest among the property sector, large financial institutions, super funds, community housing providers and disability service providers. Recent reports indicate that the SDA market has built new homes for more than 1,287 participants. Preliminary data from the current Summer Foundation supply survey - December 2020 - indicates that there is housing for more than 1,800 NDIS participants in the pipeline.



Due diligence questions for SDA impact investors

The following questions are designed to support impact investors to complete due diligence on the quality SDA projects and the anticipated tenant outcomes and social impact.

1. Property

Location

- Is the dwelling within 800m of accessible public transport?
- How far is the dwelling from a supermarket, cafe, pharmacy and other services?

Contemporary Housing Model

- If the property is a shared dwelling, do more than 3 SDA tenants reside in the dwelling?
- Does the dwelling have a separate bathroom for each SDA tenant?
- Does the design incorporate sufficient private and communal areas to foster independence and enable privacy for social interaction with friends and family?

Safety

- Do dwellings have fire sprinklers?
- If the dwelling is above ground, do tenants have access to at least 2 lifts?
- Does the SDA provider have policies and protocols in place to provide safe quality alternative accommodation in the event that both lifts are inoperable?

Inclusive design

- Are dwellings segregated from mainstream housing or integrated into a larger mainstream development?
- Are all the common areas in a residential development accessible to tenants using a wheelchair?



2. Quality of Dwellings

Contemporary Housing Design and Quality

- Is the dwelling aesthetic with modern domestic design features?
- Does the dwelling contain finishes and fixtures which look like an institution or a facility or does the dwelling have a home-like feel?
- Will the dwelling be delivered by an experienced contractor with a strong track record and reputation for delivering quality housing without material defects?

Tenant outcomes

- Does the SDA provider or support provider measure tenant outcomes?
- How is this data used to inform innovation and iteratively improve the built design, technology and support provided?

3. Process of tenant selection

Choice of housing provider, project and dwelling

- Are the tenants in this project supported to make an informed choice regarding housing and support options?

Choice of co-tenants

- Can tenants choose to live alone?
- Can tenants choose to live with people without disability?
- Are tenants required to share their home with other people with a disability?
- How do tenants get a say in who they live with?

4. Support

Choice of support provider

- Is the housing and the support provided by the one organisation?
- Does the SDA provider choose the support provider?
- Do tenants get to choose the provider of their core supports?
- Do tenants have a say in the provider of shared supports?
- How is this organised?



- How often do tenants get an opportunity to change the provider of shared support services?
- If a tenant is not happy with their support provider, do they have to move home?

Choice of support workers

- Do tenants have a say in the recruitment of the support workers that provide their core supports?
- Is there a way for tenants to trigger a review of a support worker and/or change support workers?

Individualised support

- Are tenants able to tailor supports to fit their preferred way of living and being in their home and community?

Independent support coordinator

- Does the tenant have a support coordinator that is independent of their support provider and housing provider?

5. Lasting Impact

Tenure

- Does the SDA provider and their financiers have the capacity to make a long-term commitment to the asset class?
- Will the project deliver long-term secure tenure to NDIS participants and permanently contribute to the growth of SDA stock?

Maintenance and Improvement of Dwellings

- Does the financial model and return to investors allow for the cost of maintenance and improvements to the dwellings to maintain market appeal and quality housing for tenants?
- Does the financial model include an allowance for the refurbishment of kitchens and bathrooms over the 20-year period?
- Does the financial model include funding for some modifications for new tenants?



The below points constitute advice for anyone considering investing in SDA Property: Summarised from a survey of SDA Property Investors undertaken by The Summer Foundation in November 2020.

The Opportunity

SDA is an emerging market that has enormous potential to provide both long-term stable returns to investors and meet the housing needs of people with disability.

There are a range of risks associated with investing in SDA that require careful due diligence. Given that SDA is relatively new, there are a limited number of people with expert knowledge of the emerging SDA market.

Which investors are the best fit for the SDA market?

Sophisticated, long-term investors with significant capital to invest are best suited to the SDA market at this stage.

Risks

Most of the risks identified relate to vacancy risk. The other risks are certainty on pricing and government regulation. Working with high-quality and experienced counterparties is critical to success.

Vacancy risk

SDA dwellings that are vacant do not receive SDA payments. At present only 54% of the 28,000 NDIS participants eligible for SDA have SDA in their plans. Most of those participants that do have SDA do not have the required level of SDA needed to move into new home. Additionally, the time that the NDIA takes to approve the funding that NDIS participants need to move into new SDA is currently substantial.

Counterparties

A final risk identified by respondents was the expertise of the SDA and disability support providers.



Pricing certainty

Government regulation and pricing related to SDA is another consideration when investing in SDA property. While a government cannot bind future governments, the current government has provided as much certainty as possible and circumstances which would lead to a price reduction are reasonably unlikely.

SDA market development

The SDA property market is experiencing teething issues normal for this stage of market development. Along with the risks associated with investing in individual projects, SDA investors need to also be aware of the risks associated with the SDA market as a whole such as scaling too quickly or seeking outsized returns at the expense of housing quality.

Key considerations for potential investors

Drawing on the insights from current SDA investors and fund managers, some key questions for investors considering deploying capital in the SDA market are:

- Are you a sophisticated investor looking for a long-term investment with stable returns and a social impact?
- Do you understand the range of issues related to vacancy risks in the SDA market and how your counterparties are managing and mitigating these risks?
- Do your counterparties know how to deliver high-quality contemporary housing at scale for people with disability?
- Do the dwellings you are investing in have an operating model that prioritises the outcomes of tenants and ensures tenants have a choice of high-quality support providers?



Our NDIS Properties for sale are available throughout South East Queensland. According to the NDIA SDA supply report in March 2020, there is an estimated shortfall of 1716 SDA places in the South East Queensland region.

Below is an example of one of our NDIS registered homes.

We have more properties on file, so contact us to find out if we have a suitable house, apartment or townhouse that would suit your investment needs.

RIPLEY - House & Land Turnkey Price: \$511,500 - 3B | 3B | 2C

HOUSE & LAND

Land Size: 315m²
 Land Price: \$191,000
 Registration: March 2021
 House Size: 169m²
 House Price: \$320,500

HOUSE AREAS

Living: 116.94m²
 Garage: 37.15m²
 Porch: 4.68m²
 Alfresco: 12.98m²
 Total: 169.75m²

PACKAGE HIGHLIGHTS

- ⇒ Fixed site costs
- ⇒ Carpet & tiles throughout
- ⇒ Designed and costed to NDIS ROBUST SDA requirements
- ⇒ 2440mm ceiling height throughout
- ⇒ Split system air conditioner to living room and master bedroom
- ⇒ Stone benchtop to kitchen, ensuite and bathroom
- ⇒ Quality stainless steel appliances
- ⇒ Superior plumbing and electrical fixtures
- ⇒ Flyscreens throughout
- ⇒ Blinds throughout
- ⇒ Outdoor patio area
- ⇒ Turfed and landscaped
- ⇒ Driveways and paths
- ⇒ Fully fenced



Terms, conditions, fees and government charges may apply. The illustrations provided are artist impressions only and may include alternative finishes and features. Land and prices are subject to availability and can change without notice.



Why come to us?

Choice - Our team has access to a number of builders and networks that provide you with the greatest choice of investment options.

Confidence - Our contacts within the various industries involved in creating NDIS Property are amongst Australia's most qualified and awarded.

Quality - We select the packages and locations that are most likely to be tenanted for long into the future.

Service - We are here to provide you with all the information you need to make an informed choice when considering investing in NDIS Property.

Contact us today to book a session to find out how we can help you.

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