



A Guidebook for NDIS–SDA Property Investment

A COMPREHENSIVE GUIDE TO
INVESTING IN ACCESSIBLE
PROPERTIES



THE WALL

Property Services

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INTRODUCTION

The **National Disability Insurance Scheme (NDIS)** and **Specialist Disability Accommodation (SDA)** housing are two interconnected concepts aimed at improving the lives of people with disabilities in Australia. The NDIS provides funding for participants to access support services and equipment, while SDA housing provides accessible and specialised accommodation for individuals with high support needs. **The NDIS and SDA housing work together to ensure access to appropriate housing and support services, enabling people with disabilities to live independently and participate fully in their communities.** This relationship is crucial in ensuring participants have access to support and accommodation to live fulfilling lives.

Investing in SDA properties can bring a range of social and financial benefits. From a **social perspective**, SDA properties can help to improve the quality of life for people with disabilities by providing them with a home that is tailored to their needs. This can help to promote independence, improve social connections, and enhance overall well-being. From a **financial perspective**, investing in SDA properties can provide investors with a stable and reliable income stream, as well as potential capital gains.

Additionally, the **Australian government provides financial incentives for investors** who invest in SDA properties, including higher rental yields and tax benefits. However, **as with any investment, there are inherent risks associated** with investing in SDA properties, including property management challenges and supply/demand fluctuations in the property market.

In this ebook, **we will delve into each of these areas and provide valuable insights and tips for aspiring SDA investors to mitigate the risks associated with investing in this type of real estate.**

To start, **we will analyse the demand and supply.** This includes examining factors that impact demand, such as the number of NDIS participants and the availability of suitable properties. Additionally, **we will discuss tips for finding the right SDA property** based on location, features, and potential rental income. Moving forward, **we will cover the steps to become an SDA provider**, including legal considerations like establishing a legal entity and securing financing or partnerships. Our focus then shifts to **effectively managing SDA properties**, which entails tasks such as tenant screening, lease agreements, repairs and maintenance, and fostering positive tenant relationships. **We will also provide valuable insights on maximising financial returns** in SDA investments by optimising rental rates and staying abreast of market trends, as well as exploring tax benefits. Finally, **we address mitigating risks associated** with SDA property investment by conducting comprehensive due diligence.

We hope this guide provides you with a comprehensive roadmap for investing in SDA properties.

CHAPTER I

UNDERSTANDING THE NDIS MARKET: SUPPLY AND DEMAND

Market Overview

The Special Disability Accommodation (SDA) market in Australia is a thriving sector that caters to individuals who require specialised housing. Also offers a diverse range of housing options, including purpose-built apartments, group homes, and individual dwellings, all of which are subject to strict standards and guidelines to ensure that they meet the needs of their occupants.

As the demand for specialised housing continues to rise and the NDIS continues to roll out, the SDA market is expected to grow even further. In fact, during the first quarter of the 2022-2023 fiscal year, “the NDIS assisted 554,917 individuals with disabilities in Australia, with 20,262 new participants joining the program. Among these new participants, 11,554 individuals, or 50%, were between the ages of 0 and 6”(4).

Supply

The availability of SDA homes in Australia is on the rise. A report by the Summer Foundation (2022) indicates that there are currently “7,720 registered SDA dwellings, capable of supporting up to 20,400 participants in the NDIS” (1).

The majority of these dwellings are situated in New South Wales, Victoria, and Queensland, with smaller numbers in other states and territories.



Demand

As of March 31, 2023, there were 22,680 active participants with SDA support in their NDIS plans in Australia, indicating significant demand for Specialist Disability Accommodation. This demand is projected to increase to 36,700 by June 2042, with an annual growth rate of 2.4% (3).

The design categories with the highest demand in 2022 were improved liability and high physical support, accounting for 44% and 29% respectively. This highlights the urgent need for greater investment in SDA to ensure that people with disabilities can access affordable and suitable housing options. While the NDIS is collaborating with providers and investors to increase the supply of SDA dwellings, more action is required to meet the growing demand.



Supply/Demand

The supply and demand of Specialist Disability Accommodation (SDA) homes in Australia are not balanced. While the availability of SDA homes is increasing, the demand for them is growing at a faster rate. The uneven distribution of SDA homes across Australia also suggests that there is a need for greater investment in SDA to ensure that people with disabilities can access affordable and suitable housing options. The projected increase in demand for SDA homes highlights the urgency of addressing this issue.

Now that the demand and supply have been assessed, it is important to evaluate various factors before investing. These factors include comprehending the requirements of potential tenants, verifying that the property fulfils their needs, scrutinising the location and accessibility to essential amenities, evaluating financial feasibility, and ensuring adherence to regulatory requirements and NDIS guidelines.

The upcoming section will delve into these factors in depth to provide investors with the essential knowledge to acquire appropriate housing for individuals with disabilities.

CHAPTER II

FINDING THE RIGHT SDA PROPERTY: WHAT TO LOOK FOR?

Location, location and location

Considering the location comes as the first factor when choosing a suitable housing option for participants. It highlights that the location of SDA can significantly impact the quality of life of the residents, as it can affect their access to support services, employment opportunities, and social connections. Therefore, it is crucial to prioritise the location of SDA over other factors such as the design or features of the accommodation. The report suggests that a collaborative approach between housing providers, disability service providers, and local communities can help ensure that SDA is located in areas that meet the needs and preferences of the residents.

In order to ensure that there is a demand for Specialist Disability Accommodation (SDA) and that appropriate transport and facilities are available to participants, it is important to refer to Table 1. **(8)**.

This table displays the data on the percentage of SDA participants in different areas relative to the population. By referring to this table, we can assess the suitability and feasibility of providing SDA support in those areas.

Table 1. % Participants per States

| STATE | % SDA Participants in Area Population |
|-------|--|
| NSW | N Sydney (7.7%), Western NSW (5.8%), SE Sydney (4.7) |
| VIC | Inner E Melbourne (8.7%), Western District (7.5%), NE Melbourne (6%), Bayside Peninsula (5.1%) |
| QLD | Toowoomba (3.5%), Ipswich (3%), Brisbane (2%) |
| WA | Central North Metro (6%), SE Metro (5.6%), N Metro (2.3%) |
| SA | S Adelaide (6.1%), E Adelaide (4.6%), Murray and Mallee (4.2%) |
| TAS | SW Tas (4.9%), NW Tas (4.2%) |

Source: Dsc by Winther (2021)

The percentage of SDA participants in Australia varies greatly depending on location, with some areas having as low as 0.1% and others as high as 5.4%. This highlights the importance of considering location when investing in SDA, as investing in an area with a high percentage of SDA participants can increase the likelihood of finding tenants and generating income. It is crucial for investors to research and consider location before investing in SDA.

Features and Amenities

It is important to look for certain features and amenities when considering SDA properties:

- The property should be designed to meet the specific needs of the tenants, with features such as wide doorways, accessible bathrooms, and adjustable bench heights.
- The property should be located in a convenient and accessible location, with access to public transport and community facilities.
- Other important features to look for include assistive technology, such as smart home systems and communication aids, as well as communal spaces for social interaction and support services.
- The property has to meet the requirements of the National Disability Insurance Scheme (NDIS), which provides funding for SDA properties.

There are **four common design categories** within SDA, each with its own set of requirements and features **(6)**.

1. Improved Liveability SDA is designed for participants with moderate to severe disabilities who require assistance with daily living activities. This category includes features such as wider doorways, level thresholds, and reinforced walls to accommodate mobility aids.

2. Fully Accessible SDA is designed for participants with severe disabilities who require full-time support. This category includes features such as ceiling hoists, adjustable bench heights, and accessible bathrooms to ensure maximum independence and comfort.

3. Robust SDA is designed for participants with challenging behaviours or complex needs. This category includes features such as reinforced walls, secure outdoor areas, and sensory rooms to create a safe and calming environment.

4. High Physical Support SDA is designed for participants with very high support needs, such as those with spinal cord injuries or severe cerebral palsy. This category includes features such as ceiling hoists, adjustable beds, and specialised bathroom equipment to provide the highest level of care and support.

Cost and Affordability

There are **three ways to invest** in SDA properties **(2)**.

The **first** involves modifying an existing property to meet the necessary standards, which can be complicated and more expensive. The **second** option is to purchase an already approved SDA housing, but the supply is limited. The **third** and most popular option is to purchase a house and land package specifically designed for SDA properties. This option is likely to be the easiest, and there is a high demand for newly built properties as the current supply of NDIS housing is insufficient.



CHAPTER III

NDIS PROVIDER: DO I BECOME A PROVIDER AS AN INVESTOR?

SDA providers offer specialised housing solutions for individuals with high support needs who desire to live independently. These providers offer various housing options, such as purpose-built homes, apartments, and shared living arrangements, and collaborate with support coordinators and disability service providers to ensure that the accommodation meets the unique requirements of each resident.

They play a crucial role in assisting people with disabilities to live fulfilling lives in their own homes.

As investor, there are **two alternatives** to contemplate when investing in this type of property, which are as follows:

Option One

Investors can become NDIS providers and offer housing and support services to NDIS participants.

They must meet specific standards and regulations set by the NDIS. This option can provide a steady income stream. However, it requires a significant investment of time, money, and resources to meet requirements and maintain compliance.



Option Two

Investors can invest in NDIS property and lease it to NDIS providers to generate rental income without the added responsibility of providing support services. However, they may have less control over the management of their properties and rely on NDIS providers or participants to maintain the properties and pay rent on time.



Key factors for Investing in SDA

1. Compliance with the SDA Rules: Investors must ensure that the SDA property they are investing in complies with the SDA Rules, which outline the requirements for the design, construction, and management of SDA properties.

2. Certification of SDA properties: SDA properties must be certified by an accredited assessor to ensure they meet the required standards for accessibility and safety.

3. Compliance with state and territory regulations: Investors must comply with state and territory regulations related to disability accommodation.

4. Insurance: Investors must ensure that the SDA property they are investing in has appropriate insurance coverage, including public liability and professional indemnity insurance.

5. Financial management: Investors must ensure that the SDA provider they are investing in has sound financial management practices in place to ensure the sustainability of their operations.

6. Due diligence: Investors must conduct thorough due diligence before investing in an SDA property or provider to ensure that they are making a sound investment decision.

Investing in SDA housing is a long-term journey and requires a significant amount of capital.

It is recommended that investors seek professional advice before making any investment decisions. A real estate agent would help you with the following:



Knowledge and Expertise.



Access to Listings.



Negotiation Skills.



Time-Saving.



Avoiding Bad Decisions.



CHAPTER IV

MANAGING YOUR SDA INVESTMENT: TENANT, RENT, AND MAINTENANCE

Finding the right tenants



Finding appropriate tenants is a crucial aspect of managing the property. It is important to remember that potential tenants are not simply renters, but individuals with specific needs and preferences that must be taken into consideration.

Advertising the property through relevant channels, such as disability support organisations and social services agencies, can help attract the right candidates.

It is also important to screen applicants thoroughly, not just for financial stability but also suitability for the SDA environment. Potential tenants should be given a detailed tour of the property and provided with information about the accommodations available to ensure that it meets their particular needs. By finding the right tenants for the SDA, investors can ensure that they are providing a valuable service, while also helping to foster a sense of community and support among residents.

Rent Collection

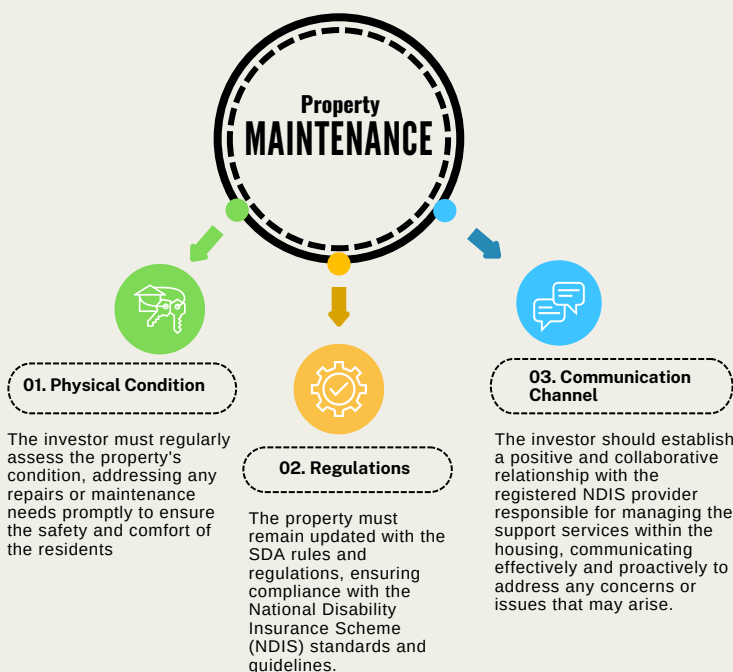
The Specialist Disability Accommodation (SDA) provides additional funding to cover the cost of housing and associated supports. SDA providers must meet specific quality and eligibility criteria to receive this funding.

The payment structure varies depending on the level of support required by the participant, with three categories or "designators" determining the level of payment.

The funding is paid directly to the SDA provider, who is responsible for ensuring the accommodation supports the needs of the participant.

The payment system is designed to ensure eligible participants have access to high-quality housing options that are tailored to their unique needs, while also supporting the development of a sustainable and efficient SDA market in Australia.





Working with a Property Manager

Another option is to hire a property manager who specialises in SDA management. With their expertise, they can advertise the property to potential tenants, screen applications, and help find the best fit for the SDA and its residents. They can also handle rent collection, ensuring that payments are made on time and in compliance with NDIS regulations. Maintenance issues can also be easily managed, ensuring that the property is always up to code and providing a safe and comfortable living environment for tenants. **Hiring a property manager can relieve the burden of managing the property and free up time to focus on other investments.**

CHAPTER V

MAXIMISING YOUR RETURNS: RENTAL, TAX DEDUCTION, AND CAPITAL GROWTH

Rental yield

Investing in an SDA property can offer an attractive rental yield and potential capital growth.

Let's consider Patrick who purchased an SDA property for \$800,000. The annual rent per participant per room is approximately \$39,000 (5). If the dwelling has two or three rooms, the rental yield will experience a significant increase.

To calculate the rental yield, we need to determine the annual rental income and divide it by the property's value. In this case, let's assume the SDA property has three rooms, resulting in an annual rental income of \$117,000 (\$39,000 x 3). The rental yield would be 14.6% (\$117,000 / \$800,000). (SDA Price Calculator)



Additionally, let's consider the potential capital growth of the property. If the growth rate is around 2% per year, we can calculate the future value of the property using the compound interest formula.

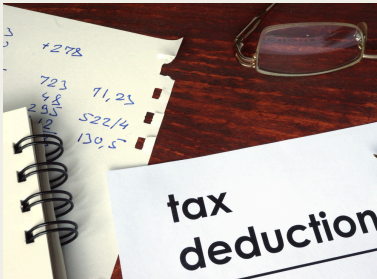
Assuming a holding period of 5 years, the future value of the property would be approximately \$882,000 ($\$800,000 * (1 + 0.02)^5$).

It is important to note that these calculations are based on the provided example and may vary depending on various factors such as location, property type, and market conditions.

Conducting thorough research and consulting with professionals in the field can provide more accurate insights into rental yield and capital growth expectations for SDA property investments.

Tax deductions

- **Depreciation:** Investors can claim depreciation on the building and its fixtures and fittings, which can result in significant tax savings.
- **Capital gains tax (CGT) exemption:** If an investor holds an SDA property for more than 10 years, they may be eligible for a CGT exemption.
- **Negative gearing:** Investors can offset any losses from their SDA property against their other taxable income, reducing their overall tax liability.
- **GST exemption:** SDA properties are exempt from GST, which can result in significant tax savings for investors.
- **Stamp duty concessions:** Some states in Australia offer stamp duty concessions for SDA properties, which can reduce the upfront costs for investors (7).



Capital growth



Investors must consider the potential capital growth of the property.

If the growth rate is around 2% per year, we can calculate the future value of the property using the compound interest formula. Assuming a holding period of 5 years, the future value of the property would be approximately \$882,000.

CHAPTER VI

RISK ANALYSIS: RISKS AND MITIGATION PLAN

| RISK | DESCRIPTION | MITIGATION STRATEGY |
|--------------------------|---|--|
| Vacancy Risk | SDA payments belong to SDA participants, and if a participant moves out, the property may remain vacant until a new participant is found. | <ul style="list-style-type: none">• Partner with experienced SDA provider.• Diversify your portfolio.• Offer incentives.• Stay up-to-date with eligibility criteria.• Conduct regular maintenance. |
| Regulatory Risk | Changes in government policies and regulations can impact the SDA market and affect the rental returns of SDA properties. | Stay informed about changes in government policies and regulations to anticipate potential impacts on SDA property investment and take proactive measures to mitigate risk. |
| Property Management Risk | Managing an SDA property requires specialised knowledge and experience, and if not managed properly, it can lead to increased costs and reduced rental return. | <ul style="list-style-type: none">• Engage a professional property management company.• Regular communication with property managers.• Conduct periodic property inspections.• Stay updated on regulations and compliance requirements.• Plan for contingencies. |
| Location Risk | The location of an SDA property can impact its rental returns and capital growth potential. Investing in SDA properties in areas with low demand can result in lower rental returns and reduced capital growth. | <ul style="list-style-type: none">• Research the supply and demand for SDA housing in the location.• Consider the proximity to support services.• Consider the type of SDA demanded in specific areas using SDA data |
| Tenant Risk | While SDA properties are designed to provide high-quality housing solutions to people with disabilities, finding suitable tenants can be challenging. Investors should be prepared to deal with tenant-related issues such as maintenance and support services. | <ul style="list-style-type: none">• Conduct thorough tenant screening.• Stay informed about tenant needs• Maintain open communication with tenants. |

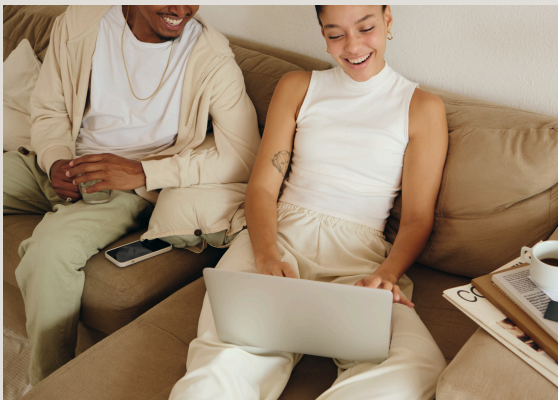
CONCLUSION

THIS IS THE BEGINNING OF A SECURE FUTURE.

Investing in NDIS properties can be an excellent opportunity to secure a prosperous future. By conducting a thorough supply and demand analysis, we can identify areas with high demand for disability accommodations, ensuring a consistent stream of tenants and potential for long-term growth. Working with NDIS property managers can be beneficial as they possess valuable expertise in navigating the disability accommodation market and ensuring compliance with NDIS guidelines.

Managing property expenses, tax deductions, and capital growth is essential for maximising returns on investment. We have to familiarise ourselves with the various expenses associated with property maintenance, insurance, and ongoing management. Lastly, it is prudent to develop a comprehensive risk mitigation plan to ensure a profitable investment. Assessing the financial feasibility of the property, maintaining appropriate insurance coverage, and staying informed about any regulatory changes are critical steps towards safeguarding our investment.

By considering these factors and planning ahead, we can embark on a secure and profitable journey in the world of NDIS property investment, all while making a meaningful contribution to the lives of individuals with disabilities.




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