

THE NATIONAL DISABILITY INSURANCE SCHEME (NDIS)





OVERVIEW OF NDIS SCHEME

There are currently 4.3 million Australians living with a disability, many of whom are living in inappropriate housing. The National Disability Insurance Scheme (NDIS) is a program that aims to rehouse people with disabilities in privately established and high-quality specialist accommodation. According to research, in order to meet current demands there needs to be a 60% increase in the number of specialist homes available.

To make up for the shortage in Specialist Disability Accommodation (SDA), the Australian Federal Government has pledged to spend \$700 million per year in SDA funding for the next 20 years. The government anticipates that this funding will attract private investment and stimulate development of these much needed properties and make it easier for NDIS participants to access the sort of accommodation they require.



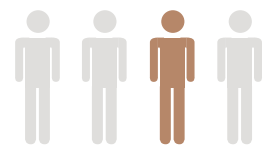
6,200

Young people with disability live in nursing homes across Australia.



59 %

Enter from hospital settings



1 in 4

Are parents of school aged children.



2,000+

Young people enter a nursing home every year.

82%

Rarely or never visit their friends.





WHY IS THIS ATTRACTIVE AS AN INVESTOR?

Aside from the fact that an investment in Specialist Disability Accommodation will help to house thousands of young people in need, the initiative also offers investors the opportunity to earn returns of up to 10% - 16%. This is achievable through the substantial rental assistance offered by the Australian government, which is designed to generously compensate investors and developers for building high quality, fit-for-purpose properties. To provide further confidence for investors, the Australian government has guaranteed the SDA payments for a period of 20 years.



HOW DO INVESTORS GET PAID?

Young people with high disability support needs register with the NDIS and receive a package of support that includes annual funding to pay for the cost of their housing ('Specialist Disability Accommodation (SDA) payment'). Each 'participant' then has a choice in where they live and their SDA payment will be paid to the owner of the property the participant chooses to reside in. The participant has a separate amount in their package to pay for their day-to-day support costs.

Each participant (tenant) living in the property will receive their own SDA payments, meaning that SDA payments will be paid to the owner of the property for each participant living in the property. This means that investors can increase their rental income by providing properties that can cater for more than one resident.

TYPES OF SPECIALIST DISABILITY ACCOMMODATION

Depending on initial investment appetite, investors can choose from a range of approved property types including apartments, townhouses, standalone homes and group homes. The size of the property will determine how many tenants it can house, which will subsequently determine the potential rental returns. These homes provide the opportunity for people to live in homes that aren't just suitable to their needs, but could also house their families or carers.

Regardless of the type of dwelling, there are four categories of NDIS SDA homes: improved livability; fully accessible; robust; and high physical support. Each level demands a higher level of accessibility:

IMPROVED ACCESS

Improved Access buildings require a 'reasonable' level of physical access. New buildings must have improved livability design features such as luminance contrasts, improved wayfinding or lines of sight for people with sensory, intellectual or cognitive impairment.

FULLY ACCESSIBLE

Fully Accessible housing must have a 'high' level of physical access provision for people with significant physical impairment and have good wheelchair accessibility in the bathroom, kitchen and external areas.

HIGH PHYSICAL SUPPORT

High Physical Support housing needs a very high level of specialised design and physical access. New builds must have structural provision for ceiling hoists, be assistive and communication technology ready, and have emergency power solutions and wider than usual door openings.



ROBUST

The other category of housing has a different focus. Robust housing must also have good physical access, but is also designed to be very resilient and safe. The design must include retreat areas for participants and staff, and the materials used must be impact resistant and reduce the need for repairs and maintenance. Each level of accessibility will have different design requirements, which must be factored in the cost of building the property. To account for the difference in construction costs, the government initiative is set up in such a way that the SDA payments will be higher for those NDIS participants who are living in a 'Robust' home, as opposed to a 'Fully Accessible' home (for example).

NDIS HOUSING OPTIONS



Apartments

Maximum 2 residents



Duplex/Townhouse

Maximum 3 residents



House

2 to 3 residents



Group Home

4 to 5 residents

POTENTIAL RETURNS

The National Disability Insurance Agency (NDIA) pays a standardised yearly amount for housing directly to the SDA homeowner. The amount is calculated based on the location, size and level of accessibility of the property. In addition to the SDA payment from the NDIA, investors will also receive a separate rental payment directly from the tenant(s), which is calculated based on the market rate of comparable rental properties in the area that are not NDIS approved properties. In total, investors can expect returns between 10% - 16% depending on the property and location.

Assuming investors hold the property for a 20 year period, they will recoup their initial investment after 10 years, and continue to receive healthy returns for a further 10 years. Furthermore, at the end of the 20 year period, the property can be sold at current market value - allowing investors to profit from the capital appreciation over this period.

In total, the NDIS funding model could pay investors in excess of \$2,000,000 for providing these much needed SDA properties.



SECURING A TENANT FOR YOUR PROPERTY

Of course, these attractive returns are based on the assumption that an NDIS-approved tenant will be living in the property, thus allowing investors to claim the SDA payments. At Kallea Property Group, our process is designed to mitigate the risk of having an untenanted property. We do this by firstly coordinating with care organisations and approved NDIS providers to establish areas in which there is an existing demand for SDA properties.

The NDIS Scheme is designed to give disabled participants the freedom to choose a home that meets their needs in a location of their choice. For this reason, it is paramount to put the tenants' needs and wants first. Our network of NDIS providers provide us with a list of pre-approved NDIS participants who are actively seeking new properties. We then coordinate with the participants, their care providers and our network of builders to design a house that will suit the needs and desires of the tenant. Once that demand has been established, our team will source blocks of land in the area that meet the NDIS requirements.

This approach helps to mitigate the risk of a vacant property as the home will be purpose-built to suit the needs and desires of a specific tenant who is NDIS approved and ready to move into the property once completed. Kallea Property Group will further assist in the process of organising a long-term lease agreement between the tenant(s) and investors for the specified property.

INVESTMENT OPPORTUNITY

Due to the different variables, no two investment scenarios will be the same. Ultimately it will depend on the location of the block of land, the cost of the build and the SDA payment amount. However, by following the process outlined above we are able to predetermine all of these components and provide an exact breakdown to investors before they make a decision.

Investors will receive an investment package, which will consist of a specific block of land, an approved building proposal and an NDIS participant whose needs have been catered for and is ready to move into the property. Our team will provide investors with a full cost analysis and expected return on investment for that package based on the price of the land, the cost of the building, and the predetermined SDA payment for that particular tenant.

The contracts will consist of two parts - land contract and build contract, with stamp duty only payable on the land component. Once contracts are signed the care organisation or providers will start the process of getting the tenants onboarded. Typically the build time is approx. 6 months, which gives the providers plenty of time to organise everything so the tenants are ready to move in as soon as it is completed and the investor can start claiming rent.



NDIS RETURNS EXAMPLE

	NDIS INVESTMENT		STANDARD INVESTMENT PROPERTY	
	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
CAPITAL INVESTMENT				
LAND PURCHASE PRICE:	\$275,000.00	NA	\$300,000.00	NA
COST OF BUILD:	\$440,000.00	\$552,000.00	\$275,000.00	\$400,000.00
STAMP DUTY:	\$9,625.00	\$19,320.00	\$10,500.00	\$14,000.00
TOTAL INVESTMENT:	\$724,625.00	\$571,320.00	\$585,500.00	\$414,000.00
INCOME				
NDIS PAYMENTS:	\$89,004.00	\$50,544.00	\$0.00	\$0.00
RRC: (REASONABLE RECOMMENDED CONTRIBUTIONS)	\$19,884.62	\$24,946.15	\$25,985.58	\$18,076.92
TOTAL INCOME:	\$108,888.62	\$75,490.15	\$25,985.58	\$18,076.92
EXPENSES				
ANNUAL PROPERTY RATES:	\$2,500.00	\$1,000.00	\$2,500.00	\$1,000.00
MANAGEMENT FEES:	\$10,888.86	\$7,549.02	\$2,598.56	\$1,807.69
BODY CORPORATE:	\$0.00	\$5,200.00	\$0.00	\$5,200.00
TOTAL EXPENSES:	\$13,388.86	\$13,749.02	\$5,098.56	\$8,007.69
NET POSITION				
INCOME:	\$108,888.62	\$75,490.15	\$25,985.58	\$18,076.92
LESS EXPENSES:	\$13,388.86	\$13,749.02	\$5,098.56	\$8,007.69
NET INCOME:	\$95,499.75	\$61,741.14	\$20,887.02	\$10,069.23
RETURNS				
ROI PER ANNUM:	13.18%	10.81%	3.57%	2.43%
NET INCOME OVER 10 YEARS:				
NET INCOME OVER 10 YEARS:	\$954,997.54	\$617,411.38	\$208,870.19	\$100,692.31
VALUE OF ASSET AT 10 YEARS (COMPOUND AT 5% PER ANNUM):	\$1,327,549.12	\$899,149.83	\$936,614.41	\$651,557.85
NET GROWTH:	\$677,549.12	\$347,149.83	\$361,614.41	\$251,557.85
NET POSITION AFTER 10 YEARS:	\$1,632,546.66	\$946,561.22	\$575,681.41	\$358,039.05

SCENARIO A:

3 bedroom/ 2 bathroom/ low set/ high physical/ 2 participants/ 1 carer

SCENARIO B:

2 bedroom/ 2 bathroom/ apartment/ improved liability/ 1 participant/ 1 carer

SCENARIO C:

2 bedroom/ 2 bathroom/ apartment

SCENARIO D:

4 bedroom/ 2 bathroom/ low set property

ASSUMPTIONS

1. Body corporate for units and townhouses calculated at \$100/week.
2. NDIS payments are based on SDA Payments Table published on the official government website
3. RRC based on 47 weeks or rental income (90% occupancy rate)
4. Management fee calculated at 10% of annual income generate from the property



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