



# NDIS PROPERTY FAQs



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# GENERAL FAQs

## What is the NDIS?

The National Disability Insurance Scheme is a government initiative implemented to provide financial assistance to hundreds of thousands of Australians with a significant and permanent disability and their families and carers. The NDIS is designed to assist people with disabilities to live more independently.

## What is an NDIS Participant?

A 'Participant' is a person with a disability who has been accepted into the National Disability Insurance Scheme and receives funding to purchase supports and services that will help them achieve their goals.

## What is an NDIS Provider?

A 'provider' is a person or business, registered with the NDIS to offer supports and services to a Participant.

With respect to SDA, a SDA Provider will hold a head lease with the government and a lease with the property owner. The provider acts as the 'Property Manager' and sources participants.

## What is SDA?

Some Participants in the NDIS will receive funding for SDA. SDA stands for 'Specialised Disability Accommodation' and is a system created under the NDIS for people with high support housing needs to ensure they are able live independently and also receive support they require whilst at home in specially designed or adapted homes to help deliver their support needs. The funding for SDA housing has been allocated to allow these Participants to live seamlessly in society, relieving pressure on nursing homes and aged care facilities as well as families who have been supporting their loved ones in the family home but are finding it increasingly difficult to do so in homes that are inadequately designed to suitably house Participants with very high support needs.

## What is SIL?

Supported Independent Living (SIL) is help or supervision with daily tasks to help a Participant live as independently as possible, while building skills.

## What is the difference between SDA & SIL

Supported Independent Living (SIL) is funding for the support or supervision of daily tasks to live independently. Specialist Disability Accommodation (SDA), on the other hand, is the 'bricks and mortar' component - funding for housing for people with disability who have severe functional impairment or highly complex support needs that require specialist housing alternatives.

## What is RRC?

This is a Reasonable Rental Contribution (RRC) paid by the tenant, capped at 25% of the base rate of the Disability Support Pension and 100% of any Commonwealth Rental Assistance scheme. This is the same for the participant no matter where they live; it is approximately \$9,700 p/a per person.

## How do I receive my payments from an SDA Investment Property

The SDA payment from the NDIS is a standardised annual amount calculated based on the dwellings location, size and level of accessibility. This is on a per tenant basis.

Payments for a SDA property are paid through differently to that of a non SDA property. Your rental payments will be paid to you from SDAMA at the end of each calendar month. Each Tenant's payment is made up of 3 parts;

- Reasonable rent contribution (RRC): (25% of base disability supplement) Paid Fortnightly by the participant (tenant)
- 100% Commonwealth Rent Assistance Paid Fortnightly by the participant (tenant)
- NDIS SDA Payment (Refer to the NDIS SDA Schedule) Paid Quarterly in arrears

## Who qualifies for SDA Funding and Accommodation?

The NDIS (National Disability Insurance Scheme) provides the SDA funding for people whose disability or ongoing very high support needs require special accommodation which enables them to receive housing, care and onsite support by their carer.

There are 4 levels of NDIS SDA homes each designed for a different level of disability and care:

- Improved Livability – built to LHA Silver Level
- Fully Accessible – built to LHA Platinum Level
- Robust – built to LHA Silver Level
- High Physical Support – built to LHA Platinum Level

## **What is the Shortage Of Suitable Housing for NDIS Participants requiring SDA?**

There is a huge shortage of suitable accommodation currently available for NDIS participants. Recent government estimates are that in addition to the 17,500 people already residing in SDA housing, a further 33,200 people may require SDA. Of these, 6,200 people are currently residing in aged care facilities despite being under 65 years of age! Furthermore, another 4,000 participants who are currently in SDA legacy housing will need their existing home replaced by new stock in the near future.

## **Is the SDA Funding Here to Stay?**

Yes. The SDA funding under the NDIS is a legislated commitment of Australia's Commonwealth, State and Territory governments, set out in the NDIS SDA Rules (2-18) under the NDIS Act 2013. This legislation provides the foundation for government's long-term and firm commitment to SDA funding under the NDIS. Beyond the legislative commitment, SDA funding enables eligible participants to achieve better outcomes while representing value for money for the NDIS saving the government and taxpayers a lot of money otherwise spent on accommodating the applicants themselves.

## **Can the Govt cut or reduce the NDIS payments mid-way through the 20-year term?**

There's a bipartisan agreement that's been signed off by all the parties in Canberra – the scheme has a 20 year timeframe of NDIS Certification. All the States and Territories also are unified in this program to ensure federal funding goes where its supposed to go.

## **Why is there a Government initiative?**

The SDA policy is an ambitious initiative requiring \$5Bn to build housing. Government cannot achieve this and thus launched the \$700M a year NDIS Scheme to create an investor and user driven market. Empowering people with disability to decide where they live and who they live with. The package of support includes annual funding to pay for the cost of their housing where the participant has a separate amount in their package to pay for their attendant care support needs to live independently in our communities. It is anticipated that the SDA pricing and framework will continue for 20 years, after which your property will revert to the general market.

## What are the Stats so far in uptake in the NDIS Scheme?

- Around 1800 new SDA places were created or commissioned in 2020.
- For 2020-2021 there was only \$204M spent on SDA funding for accommodation. The target is \$700M every year.
- The 2021-2022 numbers are estimated to be around 1660 homes (2366 places) due for completion around Australia.
- Over the next three years (2022-2025), there will be well over 14,000 new or refurbished SDA places needed around Australia.

## How can the Govt sustain such a high budget?

Research demonstrates that for the government to accommodate one person with disability and provide them with services at the same time, it costs both government and tax payers around \$1M per annum. And for a person who ends up in a hospital disabled, whilst recovering and waiting on suitable accommodation, this person costs government and tax payers around \$1,500 per day to accommodate them in the hospital. If this research is accurate or even half accurate, by you the investor receiving circa \$30,000 to \$50,000 per participant per year you are saving both government and tax payer an incredible amount of money they have to spend otherwise.

So yes, it is financially absolutely viable. If it costs \$1M to accommodate one applicant in the system, this means a savings of \$950,000 per annum per Participant, therefore this is a significant savings for the Government.

## How does the government funding work and how does the investor receive the payments.

Government SDA Funding is provided to the NDIS Participant, not the SDA property. Therefore, if you do not have an approved SDA funded tenant in your property, you will not receive the rental payments from the Government.

Some investors build NDIS properties in areas with little, or no demand from NDIS SDA approved tenants or in areas saturated with adequate SDA housing. These investors will not receive the SDA rental payments as there will be no approved tenants to move in. So, ensure you do your due diligence before you select an area to build, making sure there is demand from potential SDA funded tenants, and that you've built to the required SDA standard for which there is demand. This will ensure you will be able to source eligible tenants to rent your property.

# BUILDING/INVESTOR FAQs

## How does the NDIS help Property Investors

The NDIS's SDA funding scheme will provide accessible housing for those Australians with a disability who require specialised housing. Housing is delivered through an ongoing subsidy for people with a disability to access housing.

Before NDIS was implemented, the funding for housing people with disabilities mostly came from governments or non-profit providers using upfront capital grants. As banks have started to become lenient and are lending to finance SDA projects, there is a growing appetite among investors for investing in SDA housing projects.

Out of the 466,000 participants in the NDIS, an estimated 30,000 of them qualify for SDA.

Currently there are around 14,000 people in accommodation that is inappropriate for them, because it doesn't meet their needs, they are isolated from the community, and they really have no choice. These 14,000 are likely living in residential aged care, government housing, hostels or with family in unsuitable situations (inappropriate design, living with aging parents, etc).

Additionally, there is a need to replace existing old homes with contemporary SDA. This means the real demand for new housing could be considerably higher than 14,000 places over the next 10 years, as current SDA tenants in basic and legacy housing look for alternative housing

The Summer Foundation estimate that there will be considerably more people who will come out of the woodwork and join the NDIS program.

Sadly, only around 1800 places were created in the past 12 months (2020). There is an incredible need and a chronically short supply.

The SDA scheme is designed to address the massive under supply. Demand is not the problem here, and if you can build the right home for the participants, then your property will not face the problem of vacancy.

Furthermore, the government wants to motivate private investment of \$5 billion to encourage the build of brand-new residential properties built for inclusion in the scheme. The government has committed \$700M per annum in the SDA scheme funding from the overall NDIS budget of \$22B planned over 20 years.

Your investment property not only provides rental income for yourself, but it provides the perfect home for Australians with disability – moving them out of inappropriate aged and other institutionalised care and place them in suitable housing. This is a perfect example of 'Impact Investing' – a win-win situation.

## How does my investment help?

You enjoy a combined revenue from SDA payments, Reasonable Rent Contributions and then the proceeds from the sale value of the property when you choose to sell. The housing market is developing for people with disability accommodation needs and is highly underfunded. The NDIS is radically transforming thousands of lives for the positive in an inflexible market where these consumers have limited choice. It is a planned shift from segregated and institutional disability housing and a major move towards genuine choice and community inclusion through NDIS SDA property. It is transformational for a person with disability. It is also a “feel great” investment for you, the investor, making it an ethical investment.

## What makes SDA Property Investment appealing?

The approach to SDA funding has been to make investing in accommodation designed for NDIS participants both commercially viable and attractive for investors.

A summary is as follows:

- The NDIS is attractive to investors who want a long term, steady income, while receiving market-beating yields.
- NDIS properties are being built in high demand areas where clients are already investing.
- Gross rental yields of up to 25% on the high end, and 10% gross yields on the low end. However after costs, investors should expect an average 8-15% pa net return just to be conservative, as it depends on many factors.
- Prices start from around \$500K, and can range up to \$900K, as a ball-park figure. It all depends on land prices in the area selected, and the inclusions required for the different category of participants living within the SDA home.

## How is the build quality?

There are different builders building NDIS SDA Homes and there is no official building standard. A good builder will provide a quality home which is compliant with current NDIS SDA built to Livable Housing Australia (LHA) standards. It takes around 6 months to build a NDIS SDA approved home (depending on in which State and weather). There are Builder’s warranties provided on structure for 6 years and other build warranties and guarantees as per any other property.

## **Where can I build an SDA home?**

The land and location must meet SDA requirements, so not just any block in any location will be suitable. The land must have no more than a 7-degree slope to the road to be approved.

Proximity to transport, shops, entertainment and other essential services is critical to enabling people with disability to easily leave their homes and live a meaningful life. When investing in a NDIS home, ensure they are within close proximity to amenities such as health care, employment hubs and transport. We ensure our SDA House & Land packages are being built where the highest demand is.

## **Where are your NDIS SDA homes located?**

Currently, we work predominantly in SE QLD, due to the restrictions of Covid-19 with border restrictions etc. In the long term, we hope to have a variety of locations around Australia to present to investors and thereby participants for their SDA requirements. Our properties are spread between regional and more central areas due to the demand for disability housing. We are taking a cautious approach to housing placement, fully aware that we don't want to see an oversupply of property in any area. Once we have placed tenants in our current supply of properties, we will then continue to work with Service providers, to create an ongoing balance between supply and demand.

## **Why are SDA homes more expensive to build?**

In order to meet stringent requirements under NDIS guidelines, the homes include many features the house next door will not have and thus present as a higher cost to build. These homes need to have a larger floor plan for ease of mobility, depending on the category of SDA (Robust or High Physical support etc) the homes have to include materials sound enough to withstand damage from wheelchairs or movement etc and thus require stronger materials for floors and walls etc. Some of the categories require full home automation for lights, curtains, windows and doors. Each build is customised and not cookie cut like most new builds built by volume builders. Material is not purchased in bulk as done with volume builders and thus also costs more. Based on requirements, materials used, customisation, automation, floor plan size etc the cost per square metre in no way can be compared to the new home being built next door.

## **Are these new SDA homes overpriced?**

The answer is yes and no and maybe, depending on how you view it and who you talk to. Sometimes it is true, however more often than not the issue is that properties are over capitalised for a certain area. If you build an \$750,000 SDA home in a suburb full of \$600,000 homes you will definitely have problems with your valuation being short.



Factors which affect the valuations are: the size of the home being too large, or the land price is way too expensive given the demand right now in certain areas, and the fact that these homes may have a lot of special features and that naturally pushes up the cost.

We know of builders who are thinking of doing very high custom builds which aren't necessary, just because the SDA provider wants the "bells and whistles" plus gold plated toilet seats (kidding!). The problem is that these features push up the cost of the build but make zero difference to its valuation, and as a result the valuations come in lower than expected. We advise investors to allow for a 15-20% discrepancy in the valuation, and thus it is recommended that investors have cash or equity of around \$250,000 – \$350,000 (for a 20% deposit + valuation shortfall + SDA provider costs + loan repayments during construction). In addition, the lender will calculate the serviceability of the investment property based on a market rate of 4%-5% pa rental income, not the expected rental return forecast. This also plays a part in their calculations in valuations because their job is to protect the lender and the mortgage insurer, not the borrower.

## **What is the time frame to build a SDA Home?**

It used to be 6 months, but since 2021, we now see 7 to 9 months as the norm for construction. When taking into account council delays, supply chain, the Christmas period and weather delays, a 12 to 15 month project "maximum" turn around time is possible, from day one commitment of an EOI, if working with untitled land.

- 7 to 9 months for registered land
- 12 to 15 months for unregistered land
- This always depends on the location

## **At what stage is my property eligible for enrolment?**

Under current NDIS SDA policy, the enrolment application commences as soon as you have received the certificate of practical completion from your builder, and we are in receipt of the required documentation. New policies are being introduced throughout the year and we will hopefully see the introduction of pre-certification of SDA dwellings. (This is a pre enrollment approval pending completion of your build as per requirements of relevant codes and NDIS SDA requirements).

## **Is there a builder's warranty for the property, and if so, how long?**

Yes, each home is offered a 6-year structural builder's warranty dated from practical completion. This warranty covers structural items and faults of original workmanship.

## Is there an expected warranty for fixtures and fittings?

There is a 12-month maintenance period on build so any maintenance issues or defects that come to light within this period are the responsibility of the builder to fix and repair, at no additional cost to you. Fixtures and fittings are covered by the manufacturer's warranty applicable to each item e.g. Oven and cooktop.

## When does SDA certification/compliance happen?

Compliance is checked at several stages throughout the process.

1. At the plan stage

Before committing to the land and build contracts, the package goes in for initial certification with the SDA certifiers. This then goes into local council for Building approval like a normal house build.

2. At the frame stage

The certifier will come to the site to ensure that the approved plan is matched.

3. At completion.

Final certification will happen when the home is at Practical Completion. This process ensures that the investor will be able to receive SDA funding. Without certification the house will never be able to have NDIS/SDA tenants and therefore will not receive the high returns

## What is an accredited SDA assessor?

The Specialist Disability Accommodation (SDA) design standards released on October 25th 2019, superseded the Livable Housing Design guidelines that SDA had been based on until then.

The release of the standards means that from 1st July, 2021, all applications to enrol a dwelling for Specialist Disability Accommodation (SDA) will be required to include a certificate from an Accredited SDA Assessor.

SDA assessors will as a part of the certification process, nominate the Design Category the dwelling satisfies based on the Design Standards.

The new Design standards mandated SDA assessors can be 1 of 4 professions:

- Builder surveyors
- Architect
- Occupational Therapist
- Access Consultant

## **Do you ever build High Physical Support homes and can I get all Participants as High Physical Support Category?**

Yes, the builders we work with will have High Physical design as well as the other variety of different specs and design layouts for the other categories.

No, we cannot be sure of who the participants will be that ultimately live within your property. Even though a High Physical Support design is built, the participants may end up being “HIGH PHYSICAL SUPPORT” + “IMPROVED LIVABILITY” + “FULLY ACCESSIBLE” for a 4 bedroom house, with the 24/7 onsite carer (OOA).

We offer these homes to investors who fully understand the downside of these investments but are prepared to accept those for the higher cash flow they will get. The downside is that they are building a more bespoke home to allow for wheelchairs so the bathrooms, corridors etc. are a little larger than normal, which may not be seen as the same value as the house next door. These are still a relatively regular 4 bedroom home but as you’d imagine, you can notice the additional features on a casual inspection of the property and this may slightly impact the future sale value.

## **Is it a complicated process once the house is built, or is it fairly passive?**

The SDA provider is the company who is tenanted and managing the property. They handle everything. They do the monthly submission to collect the SDA payments according to the number of tenants you have and the payment category they are in. They also collect the Reasonable Rent Contribution (RRC) from the tenants. This is then forwarded to your account monthly (less their management fees). They also do the annual audit of the property that is required too but this is not an additional fee as it is covered by their management fee. Your experience of it is very passive, it’s mostly hands free except for the annual rates and insurance bills etc. This is called ‘armchair investing’. You sit back and let the professionals deal with all matters relating to your NDIS investment property.

## **Are these new SDA homes full turnkey packages?**

Yes, they are finished and “ready to rent”. Turnkey is a word too loosely used in the building world and can in fact represent a very low level of finish (i.e. no clothesline, mailbox, gardens etc.). The builders we work with have NDIS compliant inclusions that make sure that there is nothing else that is needed for the property to spend on. You of course get to go through this contract in detail with your lawyer during the cooling off period, just like you would for any property.

## **Is the land registered?**

Currently, in most cases land is unregistered due to demand from first home buyers, but investors will know if it isn't the case. Since the HOMEBUILDER SCHEME was launched, all the home buyers are out in droves on land estates snapping up all available lots. This will continue to have an adverse effect on land availability over the coming months for all buyers, both investors and first home buyers, and thus we cannot predict that the packages we recommend for sale will be registered. We are seeing a delay of titles to land by around 3 to 6 months in 2021.

## **Are there current delays in build times in 2021?**

Yes, the building industry is going through a major challenge at the moment. Raw materials such as timber and steel are in short supply as well as workers for construction sites. This is causing delays in the completion of houses. Construction times which used to take 4-5 months, but are now taking 6-8 months.

## **How has the lack of supplies and trades impacted pricing for building an NDIS SDA home?**

The cost of building NDIS SDA homes has been steadily increasing during the second quarter of 2021. Timber has gone up by 18%. The cost of builds has been going up 10-15% and the margin for builders has reduced significantly. The biggest problem is that contracts signed by investors has locked in prices, but the construction of the home will occur over the next year, and increasing costs will cause problems with builders not making money, with building costs going up even after contracts have been signed.

## **What are the challenges with land supply in Australia at the moment?**

In South East Queensland, recent internal migration of people from VIC and NSW has resulted in significant population growth - with 10s of thousands moving to South East Queensland in the past 12 months, partly due to Covid. Additionally, more than 200,000 expats returned from overseas since the beginning of the Covid pandemic, buying up property, significantly impacting the available land supply.

In 2020, the government's Home Builder Grant resulted in lots of First Home Buyers buying a lot of land, which combined with low interest rates resulting in a lack of land supply in the marketplace. In Victoria, land is in very short supply and there is a delay of 1-2 years for land titles. In Brisbane we're now seeing delays of 6 months or more for land titles.

High demand for house and land packages is creating a fast paced market with new land releases selling out in under a week. Developers now require pre-approval letters or a broker qualification letter with an EOI. In some cases, larger deposits of \$5,000 are now required

With the influx of owner occupiers in the market, developers are less interested in selling to investors and are favouring direct sales. It is therefore vital to act fast and to always complete everything on the EOI forms to ensure you don't miss out.

## **What areas are you promoting for SDA?**

We have House & Land packages as well as Units and Villas available, or coming soon in Brisbane, Melbourne and Perth and we have land also throughout Queensland in regional centres like Toowoomba, Cairns, Mackay, Hervey Bay and Townsville.

Land supply in Brisbane, Ipswich and the Gold Coast is very limited. Neither land developers, nor councils can keep up with approvals of land sites in South East Queensland and this imbalance of supply and demand of land will be the case for the next 2 years or so.

## **Do you help with SMSF investors who want to buy ndis property?**

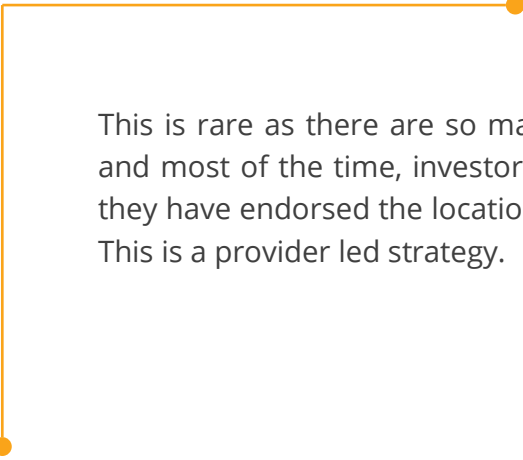
SMSF investments in NDIS seems to be a hot topic currently. We are getting a lot of buyers with large amounts in super exploring the idea of NDIS.

Yes we can assist. We can refer clients to SMSF funders who will do one-part contracts for House & Land packages and we help facilitate this as a property advisor only. We recommend SMSF investors have at least 33% of the House & Land contract price, plus additional costs such as stamp duty and holding costs etc. This would amount to over \$250,000 as an SMSF balance minimum, ideally at least \$400,000.

Please consult your accountant for further advice, as we are not financial advisors

## **Is it always possible to have participant led house packages to choose from?**

Participant led strategy basically refers to packages put together by providers and builders which have participants (as tenants) ready for the particular house in the particular area for the package presented. This is the safest way for investors to move forward with an NDIS investment as the provider and tenants are already in place. All that needs to then be done is construction of the house.



This is rare as there are so many buyers who want to purchase a participant led package and most of the time, investors would need to follow providers into certain areas where they have endorsed the location as a high demand area for participants with SDA funding. This is a provider led strategy.

# PROPERTY MANAGEMENT FAQs

## Who finds suitable tenants for each property?

We will try to refer a client to an appropriate Housing Provider to assist, however each investor is free to engage whichever Housing Provider they wish to engage in order to procure participants for the home.

A SDA Provider, once engaged, will be the specialist property management firm that works with NDIS Service Providers in assisting their NDIS clients to apply for and be placed in suitable Specialist Disability Accommodation. This process starts as soon as the finance has been approved and prior to commencement of build, with the intention of having the property occupied as soon as possible after the property is completed.

## What is the length of a typical rental lease?

Initial leases will be for 12 – 24 months where possible, but once locked in, they've been considered as 'forever homes'. NDIS homes are built to a very high standard. They do not present as a hostel or over crowded old-style disability housing. These homes are built and designed to a high level, to accommodate and last.

## Can you guarantee 100% occupancy?

While there is a massive demand and shortage, there is absolutely zero guarantee that anyone – the SDA Provider, the SIL Provider or the Builder – will guarantee you tenants. It's simply impossible to do that and anyone doing this is to be avoided.

However, based on research undertaken, many disabled SDA residents want to "stay for life", when they are in appropriate accommodation and our team have mitigated that risk as much as possible, thanks to the process of building the design of the home according to participants requirements in the area, and consulting with the SDA provider(s) as to whom they have on their waiting list for accommodation. Sometimes, we may only build once we have participants qualified and thus building to their specific requirements (custom build) but this will add much more money to the price tag. Then, and only then, is there is a very strong chance that the property will tenanted quickly after completion of the brand new house. The provider must be approved with NDIS, and the builder needs to be approved by NDIS, and the house package must be approved by NDIS. We are not going out to market to find a 'block of dirt' to get a house 'plonked onto it' just to leave it empty. That's not what we do!

When our team put a property together, the steps are:

- Coordinate with the care organisation and meet the need where they have existing demand
- Test demand in new areas by placing ads to get interest or applications from tenants.
- After establishing demand, we first need to find land that comply with the NDIS specifications
- After identifying sites we then need to confirm that the location meets the requirements of the care organisations
- Determine the right house design wanted by the care provider can be placed on the land.
- Present property package to our investors (i.e. you)
- Take sales advice deposit from investor.
- Have the sales contracts for the land and construction drawn up from the land developer and the builder. Note: we have fixed price contracts with zero variations allowed to eliminate any surprises during construction.
- Contracts signed and returned to the builders and you enter the standard finance period before moving onto unconditional.
- Upon moving to the land settlement or slab phase of construction, the care provider needs to be engaged by the investor to begin the process of vetting tenants on-boarded into the SDA. This gives them about 6-9 months to have tenants prepared and ready to move in on completion of the new home.

What we say to anyone looking at investing in NDIS property, is that the absolute WORST CASE SCENARIO, is that the house can be rented on the open market at market rate, eg \$500/w, if there are no participants available to rent the brand new home. Yields would be about 5.0% pa usually, but the likelihood of this happening is very unlikely. The demand right now, is very strong, especially in Queensland as the program is quite new and there are many more participants than properties. If you are building a NDIS home in an area where there are 40 people on the waiting list to find accommodation, then the chances of having a vacant home funded by government with free 24/7 care provided for free, is impossible to fathom.

## What happens if I lose a Tenant?

Like all ongoing investment property ownership, there is always the risk of losing a Tenant. Although research has shown that once someone with a disability finds a home they are happy with, they don't ever want to move. Once your property has been enrolled and tenanted initially, the NDIS has allowances for vacancy payments (NDIS SDA portion only). The amounts covered are for up to 60 days for properties with 2 or 3 participant rooms, and for up to 90 days for properties with 4 or 5 participant rooms.



## **Can I as an investor lease out my property through a local Real Estate Agent?**

A SDA home must be managed by a property manager that is registered service provider under the NDIS. There are very strict practices that have to be adhered to when working with people in the disability sector and only an authorised service provider can manage your property.

## **How does the lease agreement work?**

With a non SDA Home, you work with a Local Real Estate Agent to help find you a suitable tenant. You sign a lease management agreement with the Agent so they can then find a tenant and then sign a lease agreement with the Tenant on your behalf. With a SDA property it is slightly different. A SDA Provider will hold a Head Lease, which enables them to sublet the property to suitable SDA approved Participants (tenants).

## **Is the landlord responsible for furnishing the property?**

It would be unlikely that a complete furniture package would be required, as most Tenants would have their own furniture for their bedrooms, but we would suggest there might be some furniture required for the shared spaces. Each home would have different requirements, but we believe an allowance of \$5,000 - \$10,000 for items like a fridge, washing machine, table and chairs and lounge would be wise.

## **Who is responsible for maintenance and the associated costs?**

It is generally understood that Tenant's will look after their own maintenance of the home, but it is suggested that a Landlord look after lawn mowing and basic garden maintenance. The Landlord is responsible for all other normal maintenance as per any other investment property. The Tenants would be responsible for damage caused to the property.

## **Who is responsible for utilities?**

The Tenants are responsible, but it is advised that the Landlord connects utilities such as NBN and electricity in their own name and bill the ongoing costs back to the Tenant's, as it will be hard to get connections made to the home with 3 or 4 separate Tenant's.

## **What's the estimated time to get tenants into my property?**

Unlike a non SDA style home, there are many factors at play when looking for and securing an NDIS-SDA approved Tenant. Location of the Property, suitability of the style of property in that area, demand for that style of home with a suitable tenant and current Government "red tape" are just some of the factors that come into play. The process of looking for a Tenant starts before the build has even started. We work closely with Service Providers, most of whom have Participants on file, but there can be many factors that can delay this process also, as they may not yet have SDA funding approval on their Care Plans, or they may need to move out of current accommodation which may take time to transition across. There are still some challenges with the current NDIS structure and speed of delivery, but we are doing our best to push as hard as we can to get a tenant in every one of our homes.

## **Does the SDA Provider have tenants lined up to move in?**

Most likely, yes, but there are no guarantees. With careful planning and working with an efficient provider, and the vetting in advance of potential participants, one would hope that tenants will be ready to move in on completion of the new home. However there is no guarantee that this will always happen on day one, and one must assume a short period of time between house completion and transition to bring the participants into accommodation. This all depends on the area chosen and the number of participants in the waiting list.

## **What happens after the first 24 months?**

Leases between the SDA provider and the participant are normally for 2 years. These new homes are very sought after as many disabled people are currently living in less desirable accommodation like nursing homes, hospitals or low standard living accommodation so are likely to stay for an extended period. The lease is extended based on all participants living happily together. It is up to the SIL to ensure all tenants are happy and if not, move participants in or out to provide the best outcome for the participant and the household.

## **How does the lease agreement work with more than one tenant?**

A separate lease agreement is signed with each tenant, and these are usually for a 2 year lease.

## **Is there a bond payable by the tenant for a SDA Property?**

Currently in QLD there is a bond payable when letting a SDA property, although Queensland has yet to incorporate specific legislation surrounding SDA with the RTA. With multiple tenants, at present, all are handled under a rooming accommodations agreement where all are charged separately per room and not as part of a single lease arrangement. The bond fee will be the equivalent to four weeks rent for each participant per room (which is the participant contribution amount only, the NDIS payment is not factored for bond calculation).

## **What makes a forever home for NDIS tenants?**

NDIS homes are built to a very high standard. They do not present as a hostel or over crowded old style disability housing. These homes are built and designed above a spec home, built to accommodate and last.

## **Can my property be converted back to a regular home?**

Yes, if you wish, your property can be easily used as a standard home.

# FINANCE FAQs

## Can I purchase a SDA property through a SMSF?

Yes, you can, but if borrowing only as a single contract. This would normally mean you would need to purchase the property in cash from your SMSF. Only single contract purchases can be purchased in a SMSF, not a 2-part contract purchase.

## Is there anything special I need to do/set up when purchasing a SDA investment property?

A Family Trust is worth considering for holding this type of investment due to its tax benefits, but we suggest you speak to your Accountant or Financial Advisor for advice. We can refer you to a planner, accountant or broker to assist.

## How can I get a property investment loan from a lender?

Some lenders have become lenient when it comes to lending money for SDA projects and property. Besides providing home loans for participants, lenders are encouraging investment loans for family, friends or any interested investor. Since there is a 20 year rental backing from the government for SDA property, lenders should be willing to lend to investors with a deposit of 20%, but we still recommend investors have a large amount of cash available to consider this opportunity. Here are some ways you can get a loan approved for SDA funding:

- Find an SDA compliant builder who knows the requirements of the participants.
- Get a deposit of at least 20% so you do not have to pay LMI.
- A good credit history.
- Exceptional credit score
- Stable employment with good income.
- Build a house that has an adaptable design to accommodate people with different disabilities

## How much can I borrow?

Borrowing to build a Specialist Disability House is generally limited between 60% to 80% as this is a niche segment that is still growing. Furthermore, you might be able to borrow more if you plan to invest in a property that requires more improvements according to the SDA Design Category. In theory, you can borrow up to 80% of the total cost of land and construction (but assume 70% LVR as the norm). We reiterate, in the word 'theory' because lenders are few and far between and it's going to take time for most lenders to open up to this NDIS sector for residential lending.

## What are the challenges of getting a home loan?

Since this is a niche area of finance for lenders to be in, investors are bound to face some challenges as a borrower:

The biggest challenge is that the banks generally do not lend for NDIS. Usually you would need to go through a non-bank lender, and even then it can be difficult to find a funder. Then, it is rare for them to offer construction lending for NDIS.

It is recommended that investors have between \$250,000 – \$350,000 cash and or equity that can be redrawn from existing property, to obtain a new home loan with a lender.

As the requirements for Specialist Disability Housing are quite specific, the cost of construction might exceed the final value. The property may become overcapitalised. This happens quite a lot if it's a custom build due to provider requests of the builder, prior to building for the participants.

Other challenges to getting a home loan:

- The property is only made for a specific niche of people, so it might be harder to sell later on.
- Lenders generally do not prefer to lend to long terms leases to tenants. They would rather see you sell the property.
- Since the property is extremely specialised (i.e. a normal abled tenant would generally not live there), some lenders might not accept it as security.
- There could be problems with valuations as the property might be valued as a normal housing and will not account for the special modifications made to it.
- The construction has to be compliant; signed off by a SDA design certifier.
- There could be vacancy rates if the tenant moves out, while waiting for a new tenant to come in.

## What about Capital growth and resale of the property?

Often we are asked about capital growth; it is our logic that the property will attain land value and should achieve similar growth as per other homes around it. Aside from wider passageways, and doorways and other features, it is very easy to turn the dwelling into one that any family could comfortably live it. Based on this logic, we are of the opinion (opinion only) that your SDA property will escalate in value and achieve capital growth during the life of the investment. If the location achieves say an average of 3% per annum, there is no logical reason why your SDA home should not achieve a similar growth or the same growth.

Yes, upfront it costs more to build and taking this into consideration, especially if sold as a SDA dwelling, your investment should hold its value. After 10 years it should have achieved capital growth, however investing in a SDA property is investing for very high rental yields and secondary is the bonus of capital appreciation.

## **What happens after 20 years?**

The investor can sell the property as per standard Real Estate legislation requirements. The investor also has the option to roll over their agreement and continue the NDIS as existing NDIS stock once the 20-year period is up. Otherwise, to convert the home to a normal home is about \$7,000 to \$10,000 in today's prices.

# ABOUT US FAQs

## **Do you sell your own properties?**

No. We don't have any vested interest in any developments or properties we recommend to clients. We are not builders or developers. We are effectively a builder broker and investors' agency. As an independent advisory business we can assist you along your NDIS property journey and help you find the best properties to match your goals and financial capacity.

## **Do you own a development company or finance brokerage business?**

Again, no. We are at arm's length from any property source, and that way we can select the best products, suppliers, and services for you at any given time. Ultimately we source properties, but we also give building, development and investment advice in NDIS property.

## **Do you only advise on properties in certain areas only?**

No. Whilst our supply and demand research will point us in certain directions, there is no fixed connection or tie to any particular area. However, we do have professional opinions as to where an astute NDIS investor should get into, and this is based solely on demand and land availability as well as opportunities that arise. If there is a property type or a property area that fits your goals, criteria and needs then we will assist and source it.

## **There is so much contradictory information about NDIS property investments out there, how do I know who to trust?**

That's a very good question, and one that is very commonly pondered! The key is to look at who is supplying you the information. If it is someone who has a vested interest in selling you their product or service they are very rarely impartial or balanced. We however are completely independent and only offer advice that is specific to your unique situation. We are not and never will be a "one size fits all" organisation.

## **NDIS property investment all looks so complicated, so what is the easiest way to get started?**

Let's not beat around the bush, It can be pretty complicated and daunting – especially the first time. There are also many people who have lost money by rushing into the market unprepared. That is why we exist. Our job is to work with you in putting together your team of advisers who have your best interests at heart! Our strong suggestion would be to

give us a call, or drop us an email and we can have a relaxed and informal chat about where to go from here. It is an exciting and rewarding journey. You do however have to “bite the bullet” at some stage and start!

### **I am worried that by asking a few questions I will be exposed to “high-pressure” sales people, is this a valid concern?**

This is a valid and justifiable concern. Whether you come to us directly or from another business, we will maintain a level of professionalism to ensure you are comfortable with the entire process. We act as the “buffer” between the sales people and you. We only go to the market when we know what we are looking for and therefore we are the ones who are in control. Moreover the approach that these organisations will take – with us as your adviser involved every step of the way – is very different!

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## GET IN TOUCH

"With our expertise, industry networks and experience, our team would welcome the opportunity to work with you to ensure we achieve the best possible outcomes for everyone involved. Let us collaborate together to help tailor NDIS Participants' requirements for Specialist Disability Accommodation."

Debbie Kindness  
Marketing Manager

NDIS PROPERTY AUSTRALIA

