



Specialist Disability Accommodation (SDA) Explainer for Investors

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The Summer Foundation is a not-for-profit organisation, established in 2006, dedicated to changing human service policy and practice related to young people in nursing homes. Our mission is to create, lead and demonstrate long-term sustainable changes that stop young people from being forced to live in nursing homes because there is nowhere else for them.

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Executive Summary

Impact investment is gaining considerable momentum in Australia and is starting to engage mainstream investors, investment banks and super funds. Impact investments generate a positive and measurable social and/or environmental impact as well as a financial return for investors. One of the limiting factors for the growth of impact investment in Australia is the lack of products that have the capacity for investment at scale. The Specialist Disability Accommodation (SDA) market is well placed to leverage private capital. The aim of this report is to provide a plain language summary of the SDA market to support impact investors to make informed choices about SDA impact investment opportunities.

The National Disability Insurance Scheme (NDIS) provides housing payments for people with disability who need housing designed to maximise independence and access to supports. This housing payment is called SDA. With SDA payments expected to total approximately \$700 million per year, building the scale of housing required for the SDA market has the potential to stimulate around \$5 billion in private sector investment. Using SDA payments to leverage private capital has enormous potential to transform disability housing in Australia.

This report provides a succinct analysis of the SDA demand and supply outlook. Four years after the commencement of SDA policy and payments, only 54% (15,240) of the anticipated 28,000 NDIS participants eligible for SDA have funding for SDA approved in their NDIS plans. There are over 12,000 people who are eligible for SDA who are not receiving SDA payments. These potential SDA tenants are currently living with parents, living in government owned disability housing in Victorian and Tasmania or living in other forms of inappropriate housing such as aged care, hospital, hostels or boarding houses. Concerted effort and investment are needed to engage and build the capacity of potential SDA tenants to consider a range of housing options, document their housing needs and preferences and navigate the NDIS to be approved for SDA. The 12,000 people who are eligible for SDA who are not receiving SDA payments is not an indication of unmet demand, it is more about the practical administration of SDA and explains some of the challenges in finding NDIS participants with SDA in their plans. The level of unmet demand and the scale of new housing needed is much bigger.

Most of the NDIS participants that do have SDA payments in their NDIS plans do not have SDA approved at a level that would enable them to move into newly built SDA. This is reflected in the fact that only 26% (\$185 million) of the promised \$700 million is currently allocated in the plans of NDIS participants. Investment is also needed to engage and build the capacity of the thousands of people with SDA who have not made an informed choice about their living situation.

Since the commencement of the SDA market in 2016, there has been a steady increase in the growth of SDA supply. The most significant growth has been in the number of dwellings for people with high physical support needs with a four-fold increase. There is housing for over 1,800 SDA tenants in the pipeline in addition to the registered SDA that is new or refurbished and has the capacity to house 2,615 people. Up to two thirds of the SDA built prior to 2016 will need to be rebuilt or reconfigured to meet contemporary standards and consumer expectations. New SDA for an estimated 19,000 NDIS participants needs to be built over the next 10 years.

A recent desktop scan of investment opportunities found 32 entities raising funds to build new SDA. Some of the advertised returns were unrealistic. Only a small group of funds were investing in SDA at scale. The findings of this study demonstrate the level of interest and momentum generated by the SDA market. As an emerging market, SDA has enormous potential to provide both long-term stable returns to investors, while also meeting the housing needs of people with disability. However, like any investment opportunity, there are a range of risks that require careful due diligence.

Valuable insights into the SDA market are provided by a recent survey of active SDA investors. Although there were only 9 participants, together they were financing 13 SDA providers and building dwellings for over 1,200 NDIS participants. This survey found that at this stage, the SDA market is suited to sophisticated investors with a substantial portfolio looking to diversify and interested in a long-term investment with stable returns and a social impact. Risks identified by investors included property vacancy, certainty on pricing and government regulation, and the quality of the housing and the support provided within the dwellings. Active SDA investors and fund managers emphasised the need for rigorous due diligence on counterparties, vacancy risk management and the operating model.

The report includes investment principles and questions to support investors considering SDA investment opportunities. These principles relate to the properties, the quality of the new dwellings, the tenant selection process, disability support and ensuring that the investment is set up for a long-term positive social impact.

SDA is an emerging asset class that has enormous potential to have both a measurable impact on the lives of people with disability and meet the demand for impact investment opportunities that have the capacity to deploy private capital at scale. As with any developing market and new asset class, potential investors need to do a significant amount of research to understand the risks and returns associated with each specific investment opportunity and the risks associated with the market as a whole.



Introduction

Over the past couple of years, impact investment in Australia has gone from a niche investment for philanthropists with an interest in a particular area or sector, to engaging mainstream investment banks, super funds and private sector investors.¹ Impact investing is defined as investments made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return.² In Australia, the total value of impact investment products has tripled over the past 2 years (from \$5.7 billion in December 2017 to \$19.9 billion in December 2019).³ Australian investors are looking to increase their allocation to impact investment over the next 5 years from 0.7% to 4% of assets under management, which would result in a five-fold increase to \$100 billion.⁴ We are now seeing mainstream players testing the waters. The big 4 banks are building their impact capability and superannuation funds are starting to make significant commitments to impact investment portfolios. One of the limiting factors for the growth of impact investment in Australia, is the lack of products that have the capacity for investment at scale.

The Specialist Disability Accommodation (SDA) market is well positioned to leverage this private capital.⁵ The National Disability Insurance Scheme (NDIS) provides housing payments for people with disability who need housing designed to maximise independence and access to supports. This housing payment is called SDA.⁶ With SDA payments expected to total approximately \$700 million per year, building the scale of housing required for the SDA market has the potential to stimulate around \$5 billion in private sector investment.⁷

SDA was deliberately designed to incorporate features that are familiar to mainstream capital markets including weighted average capital costs and investment horizon assumptions. SDA does not carry the same discounted rate of return typical of some impact investing models (i.e. SDA 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 relatively new, there are a limited number of people with expert knowledge of the emerging SDA market. SDA investment opportunities are best suited to sophisticated, long-term investors with large amounts of capital to deploy. While SDA has enormous potential to provide both a financial return and a measurable social impact, like any investment opportunity there are associated risks. There are risks associated with the financial return but also risks related to the impact of the new SDA dwellings.

¹ Michaux, F., Lee, A., and Jain, A. (2020). 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>; and Williams, W. (2020). 'Look How Far We've Come: Impact Investing.' Pro Bono Australia. <https://probonoaustralia.com.au/news/2020/07/look-how-far-weve-come-impact-investing/>

² Mudaliar, A., and Dithrich, H. (2019). 'Sizing the Impact Investing Market.' Global Impact Investing Network. https://thegiin.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf

³ Michael, L. (2020). 'Aussie Impact Investing Market Grows to \$20 Billion.' Pro Bono Australia. <https://probonoaustralia.com.au/news/2020/06/aussie-impact-investing-market-grows-to-20-billion/>

⁴ Michaux, F., Lee, A., and Jain, A. (2020). 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>

⁵ Lenaghan, N. (2020). 'Powerbrokers Make Impact in Disability Accommodation.' *The Australian Financial Review*. <https://www.afr.com/property/residential/powerbrokers-make-impact-in-disability-accommodation-20200817-p55miz>

⁶ Australian Government (2020). *National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020 (Cth)*. <https://www.legislation.gov.au/Details/F2020L00769>

⁷ PricewaterhouseCooper and Summer Foundation (2017). 'NDIS Specialist Disability Accommodation: Pathway to a Mature Market.' <https://www.summerfoundation.org.au/wp-content/uploads/2017/08/pwc-summer-foundation-sda-market.pdf>

While investors and impact funds spend significant resources on due diligence regarding the financial modelling and returns on impact investment opportunities, the measurement of the social impact from those investments is limited. Currently impact funds and investors in Australia often seem content simply to identify that the intent of their investment is to have an impact and identify who the beneficiaries are.⁸ Significant work is required to come up with the right metrics to measure the outcomes of tenants moving into new SDA. Systematically measuring the impact of SDA on tenant outcomes will ensure appropriate transparency and accountability to help investors make informed decisions. Without authentic measures of SDA tenant outcomes and impact, there is a significant risk that some well-meaning impact investors will fund poor quality SDA housing at scale.

The aim of this paper is to provide a plain language summary of the SDA market to support impact investors to make informed choices about SDA investment opportunities purporting to provide both a measurable social *and* financial return.



⁸ Michaux, F., Lee, A., and Jain, A. (2020). 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>

Impact and Responsible Investing

This part of the report details the growth and changing nature of impact investing, highlighting positive trends towards including social impacts when assessing the desirability and financial rewards of competing opportunities. It also explains why investors focusing primarily on social impact are looking towards investment markets as part of a sustainable and scalable solution.

In all but one of the countries surveyed for the UN's Non-Profit Handbook, the not-for-profit sector has been growing faster than overall country GDP since the late 1990s.⁹ Separate analysis suggests Australia is no different, with not-for-profits growing around 3% faster annually over a similar period.¹⁰ This growth points to the increasing demand for social and environmental services but raises the question of whether continuing growth is sustainable if the not-for-profit sector continues to rely on traditional sources of funding. In Australia, this growth has mainly been funded by the government as their share as a source of not-for-profit income has increased at an even faster rate alongside outsourcing of previous government activity to the sector. At the same time, philanthropy has maintained a flat income share in Australia. There is little suggestion that growth in demand for services will slow and it is unrealistic to think that governments can continue to fund an ever-increasing share of not-for-profit sector income. This presents a problem.

One of the solutions to growing the availability of social and environmental activity is through organisations (both for-profit and not-for-profit) creating sustainable models which produce both social and financial returns. Additionally, there is a fast-growing awareness from both households and the business sector of the need for, and advantages of, including social and environmental impacts when considering how they undertake various activities. What is changing is the urgency of these measures, the breadth of activity and the range of interested and active participants.

What is impact investment?

A widely accepted definition of impact investment is:

*"Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare and education."*¹¹

⁹ United Nations (2003). 'Handbook on Non-Profit Institutions in the System of National Accounts.' <https://www.un.org/development/desa/capacity-development/tools/tool/handbook-of-national-accounting-handbook-on-non-profit-institutions-in-the-system-of-national-accounts/>

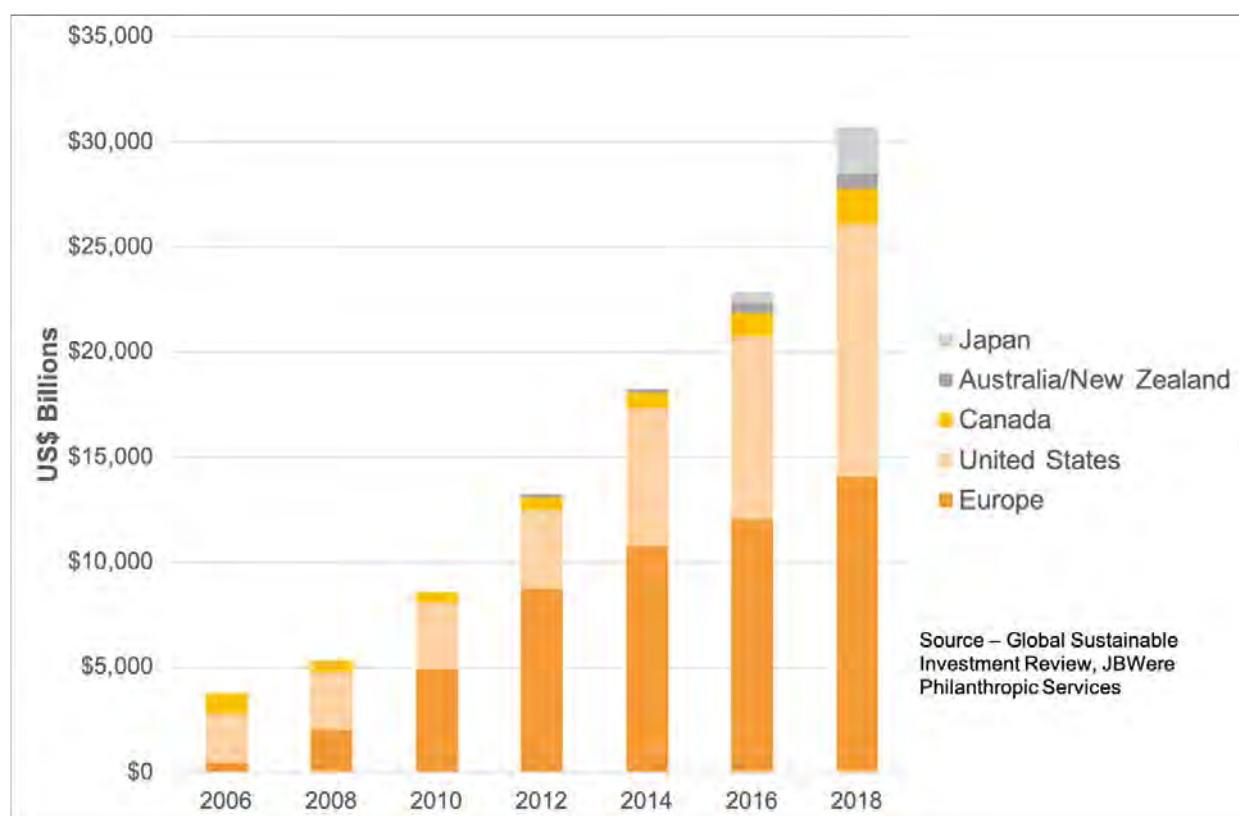
¹⁰ McLeod, J. (2016) 'The Cause Report: 20 years of revolution in the not for profit sector.' [JBWere https://www.jbwere.com.au/content/dam/jbwere/documents/the-cause-report.pdf](https://www.jbwere.com.au/content/dam/jbwere/documents/the-cause-report.pdf)

¹¹ Global Impact Investment Network (2020). 'What is Impact Investing?' <https://thegiin.org/impact-investing/need-to-know/#what-is-impact-investing>

Global trends in responsible and impact investing

The interest in matching how investments with responsible and sustainable themes are managed continues to grow. This is mainly due to investors' increased understanding that investing in companies or assets which consider sustainability has a positive link to their own long-term quality of life and better financial returns or lower risks. In the past decade, professionally managed funds which incorporate these themes have seen assets rise from under US\$4 trillion to now almost US\$30.7 trillion (see Figure 1).¹² This now represents 38% of all professionally managed funds. While Europe has continued to dominate these funds with 46% of the global total and around 50% of all their investments managed this way (partly through legislation requirements), much faster rates of growth are now being seen in North America and Asia/Oceania.

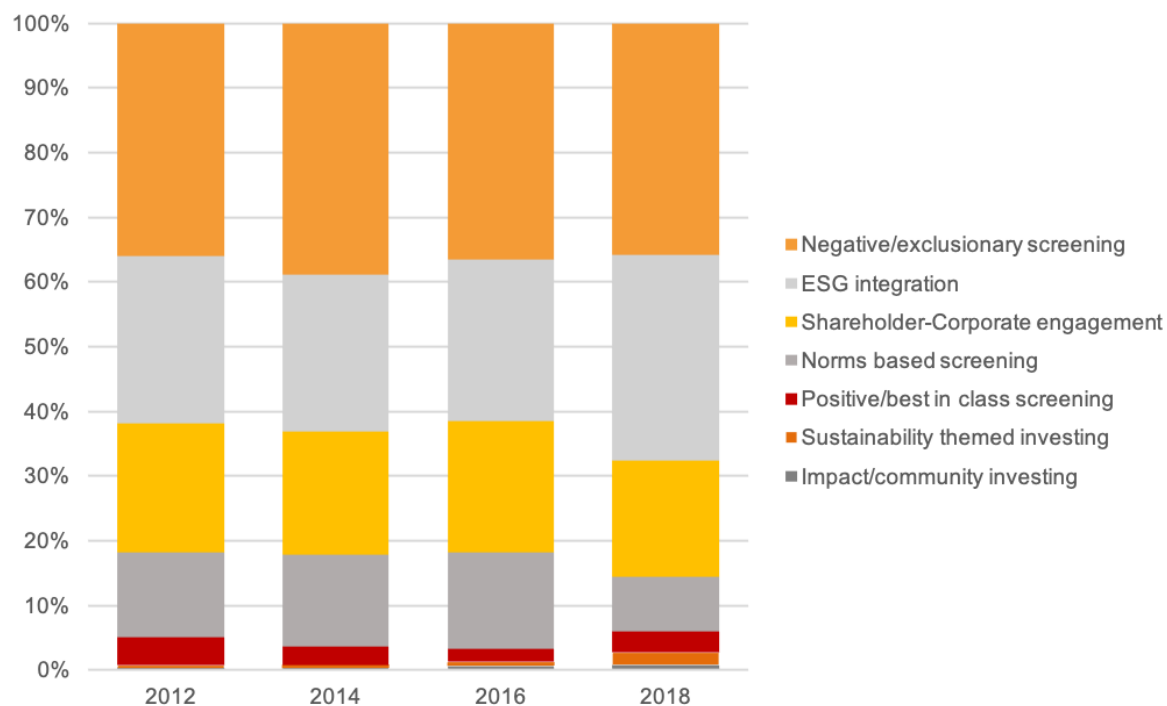
Figure 1: Global sustainable investment assets (2006-2018)



¹² Global Sustainable Investment Alliance. (2018) '2018 Global Sustainable Investment Review' http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf; Global Sustainable Investment Alliance. (2016) '2016 Global Sustainable Investment Review'. http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf; Global Sustainable Investment Alliance. (2014) '2014 Global Sustainable Investment Review'. http://www.gsi-alliance.org/wp-content/uploads/2015/02/GSIA_Review_download.pdf; Global Sustainable Investment Alliance. (2012) '2012 Global Sustainable Investment Review'. <http://gsiareview2012.gsi-alliance.org/pubData/source/Global%20Sustainable%20Investment%20Alliance.pdf>

The methods used by managers to achieve sustainability goals vary considerably although negative screening (not investing in certain industries, often for ethical/belief reasons) remains the most popular strategy with strong growth in integrating environment, social and governance (ESG) factors, now a close second (see Figure 2).¹³ While it is still the smallest of the strategies, impact and community investing saw the fastest growth rate from 2012 to 2018 rising more than four-fold to reach US \$444 billion. The different approaches taken are often driven by the relative importance the investor places on industry themes, ethics or risk control but for those where intentional impact is the dominant requirement, impact and community investing are seeing strong support.

Figure 2: Global investment strategy (2012-2018)



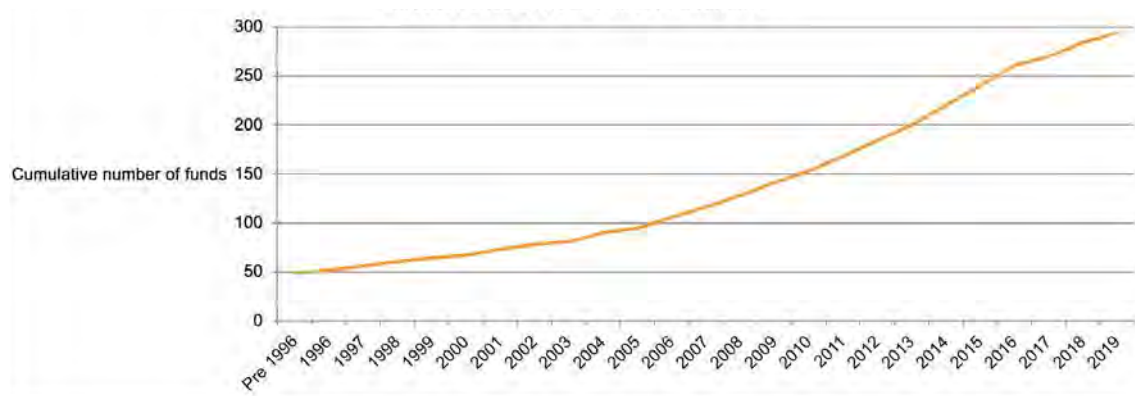
A rise in the use of specific impact funds

When investors consider investing for impact, there are many choices available. Options vary across causes or impact themes (e.g. education, health or housing), the types of asset classes used (e.g. debt, public or private equity) and between direct investments or managed funds. The use of specific impact fund managers is proving very popular as seen by the increase in both their number and types of funds under management. Some of the reasons for this are around the easier diversification available and the specific skill sets in both social and financial analysis brought by their teams. The annual survey conducted by the Global Impact Investment Network (GIIN) has shown the number of funds reporting impact investments has doubled around every 8 years (and assets even faster) as existing funds also gain new investors (see Figure 3).¹⁴

¹³ Global Sustainable Investment Alliance. (2018) '2018 Global Sustainable Investment Review' http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf; Global Sustainable Investment Alliance. (2016) '2016 Global Sustainable Investment Review'. http://www.gsi-alliance.org/wp-content/uploads/2017/03/GSIR_Review2016.F.pdf; Global Sustainable Investment Alliance. (2014) '2014 Global Sustainable Investment Review'. http://www.gsi-alliance.org/wp-content/uploads/2015/02/GSIA_Review_download.pdf; Global Sustainable Investment Alliance. (2012) '2012 Global Sustainable Investment Review'. <http://gsiareview2012.gsi-alliance.org/pubData/source/Global%20Sustainable%20Investment%20Alliance.pdf>

¹⁴ Hand D., Dithrich, H., Sunderji, S., and Nova, N. (2020). '2020 Annual Impact Investor Survey.' <https://thegiin.org/research/publication/impinv-survey-2020>

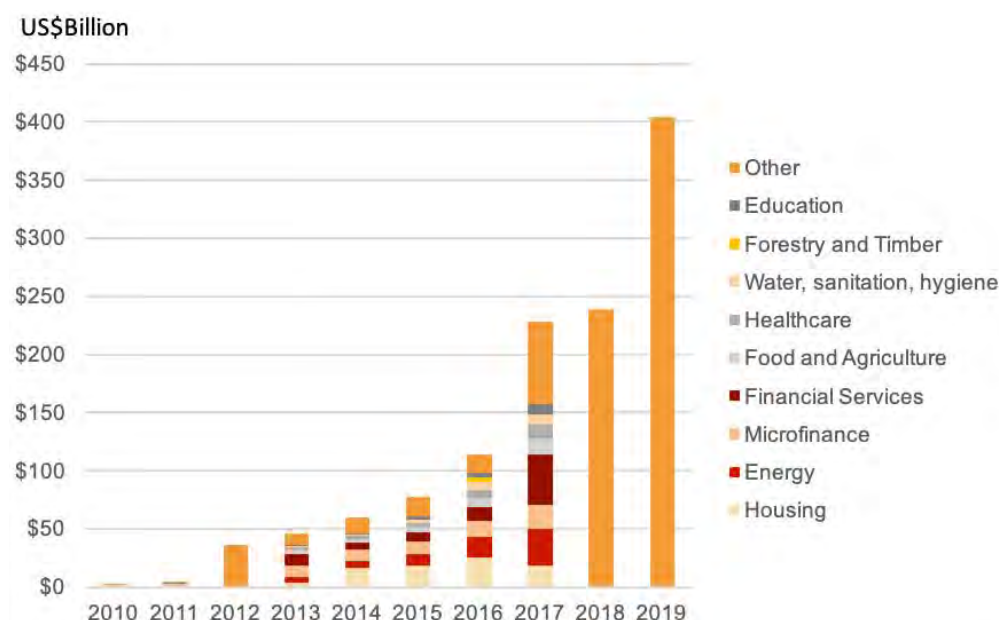
Figure 3: Impact funds by year of first investment



Growth and changing focus in investment cause areas

There has been considerable growth in both the value of impact investments and diversification in the range of causes or themes as measured by the annual GIIN surveys. There has also been a gradual change in the range of causes attracting substantial investment with housing and, more recently, energy overtaking the previously dominant microfinance sector (see Figure 4).¹⁵ The increase in investment in these sectors is due to housing availability issues in Western countries and increasing concern about climate change. In addition, new investors that require scale are limited in their investment choices. The GIIN surveys in 2018 and 2019 did not break up investments for the full cohort of respondents.¹⁶ While total impact investments from survey respondents were similar to the total estimated by GSIR at US\$444 billion,¹⁷ GIIN also estimated the entire impact investment market at US\$715 billion in 2019.¹⁸

Figure 4: Impact investment by sector 2010-2019



¹⁵ Hand D., Dithrich, H., Sunderji, S., and Nova, N (2020). '2020 Annual Impact Investor Survey.' <https://thegiin.org/research/publication/impinv-survey-2020>

¹⁶ Mudaliar A., Bass, R. and Dithrich, H. (2018). '2018 Annual Impact Investor Survey.'

https://thegiin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf;

Mudaliar A., Bass, R., Dithrich, H., and Nova, N. (2019). '2019 Annual Impact Investor Survey.'

https://thegiin.org/assets/GIIN_2019%20Annual%20Impact%20Investor%20Survey_webfile.pdf

¹⁷ Global Sustainable Investment Alliance. (2018) '2018 Global Sustainable Investment Review' http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf

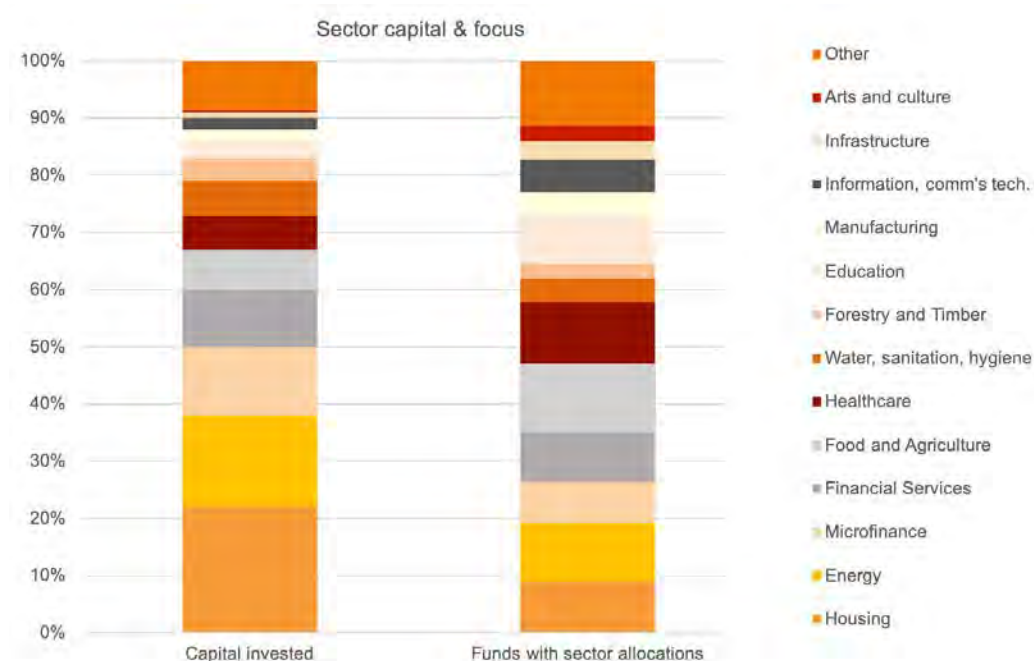
¹⁸ Hand D., Dithrich, H., Sunderji, S., and Nova, N (2020). '2020 Annual Impact Investor Survey.' <https://thegiin.org/research/publication/impinv-survey-2020>

Differences in investment sizes by sector and type

While there are many worthwhile “cause” themes that can increase impact through financially rewarding investments, some causes can absorb more capital than others. Areas such as housing, energy and microfinance have employed more capital per project than others such as food and agriculture, healthcare and education (see Figure 5).¹⁹ This has implications for larger scale investors such as superannuation or pension funds, which need scale to efficiently enter the impact investment market.

In the 2017 GIIN survey of impact funds, the average fund size was US\$547 million, although the median was much lower at US\$97 million, highlighting the large range of investor scale.¹⁹ As the average individual deal size for investments made in 2016 was only US\$2.8 million, many funds are unable to justify individual small-scale deals, leading to the trend for higher capital consuming investment opportunities such as housing. This aligns well to the current demands for solutions to affordable housing, homelessness and disability issues.

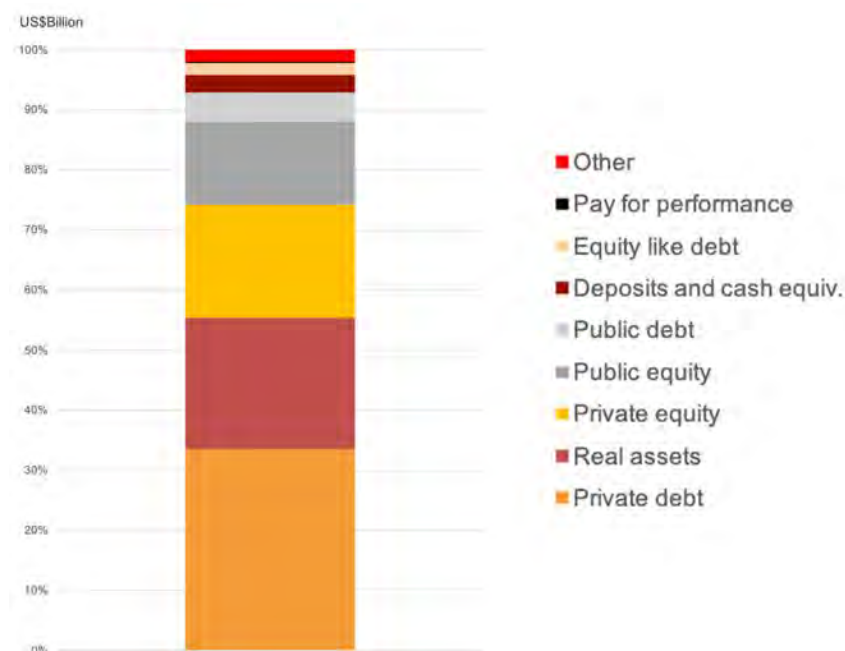
Figure 5: Sector and capital focus



There is also a wide range of asset classes available to investors with private deals still dominating opportunities over publicly available investments. While the private offerings still include debt, real assets and equity, their nature continues to require greater individual investor due diligence than many public markets where more established analysis is likely to be available to investors (see Figure 6). As markets continue to evolve and grow, this due diligence “burden” will be shared by an increasing number of investors and third party service providers.

¹⁹ Mudaliar, A., Schiff, H., Bass, R., and Dithrich, H. (2017). '2017 Annual Impact Investor Survey.' https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

Figure 6: Impact investment instruments



Australian trends in responsible and impact investing

Australia is experiencing strong growth across all responsible investing areas including impact investing, albeit from a low base in some categories. Annual surveys by the Responsible Investment Association Australasia (RIAA) have shown large increases, particularly in ESG integration with overall responsible investments reaching \$1,149 billion in 2019, 37% of total professionally managed assets.²⁰

These surveys collected data from asset managers, superannuation funds, financial advisers, banks and community investment managers, so may not capture the smaller and/or more private equity impact investments.

As part of this growth in responsible investing, impact investing has grown strongly in Australia reaching \$19.9 billion in 2019.²¹ A 2015 survey by Impact Investing Australia (IIA) asked managers what proportion of their assets they would like to be tied to impact investments in 5 years.²² Taking those responses and multiplying by the assets of each of those managers gave a projected demand for impact investments in Australia of \$18 billion by 2020, slightly under what has already been achieved. Interestingly, this compares well with the analysis from the Impact – Australia Report in 2013, which calculated a potential \$32 billion impact investment market within a longer time frame of 10 years and based on supply potential using the relative size of the not-for-profit sector (see Figure 7).²³

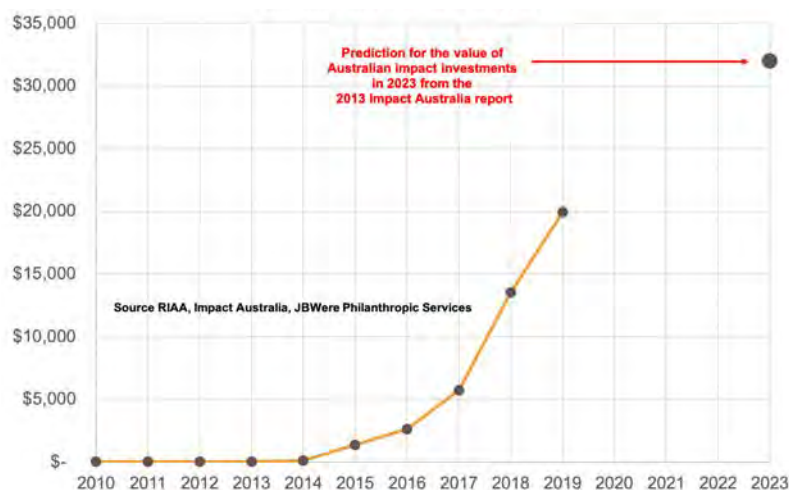
²⁰ Boele, N., and Bayes, S. (2020). 'Responsible Investment Benchmark Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/10/RIAA-RI-Benchmark-Report-Australia-2020.pdf>

²¹ Michaux, F., Lee, A., and Jain, A. (2020). 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>

²² Dembek, K., Madhavan D., Michaux F., and Potter, B. (2016). 'Impact Investing Australia 2016 Investor Report.' Impact Investing Australia. <https://impactinvestingaustralia.com/wp-content/uploads/Impact-Investing-Australia-2016-Investor-Report.pdf>

²³ Addis, R., McLeod, J., and Raine A. (2013). 'IMPACT - Australia: Investment for Social and Economic Benefit.' JBWere. https://www.jbwere.com.au/content/dam/jbwere/documents/IMPACT_Australia.pdf

Figure 7: Australian impact investments (\$ million)



Some of the other more significant developments and observations in Australia, have come from government consultations and support for impact investment. The Social Impact Investing Taskforce established under the Department of Prime Minister and Cabinet released the Social Impact Investing Discussion Paper in January 2017,²⁴ and then an interim report in January 2020 investigating ways of further developing the impact investing market.²⁵ Recognising both the potential and also that development is at an early stage, several challenges were highlighted including:

- Investments are generally small scale, bespoke and illiquid
- Due diligence and transaction costs are high for investors and intermediaries
- Few mainstream advisers or wealth managers were willing to provide advice
- Often long timeframes involved for social outcomes may not match investor demands

Recommendations were made in the interim report for initiatives to further develop sector data and support capacity building and connections through an information portal.

Another development of the potential of impact investment is the encouragement given to utilise philanthropic capital for impact investment. The fastest growing area of philanthropy in Australia is the private ancillary fund (the equivalent of the US private foundation) where individuals and companies have the ability to make tax deductible donations to a charitable trust which then makes annual distributions to eligible charities. However, these trusts also have a pool of investable capital (currently estimated at around \$10 billion after commencing in 2001). The most recent changes to legislation for these trusts have included specific guidance about impact investment opportunities such as below market rate loans, providing guarantees and counting the value of allowing charities the use of trust assets such as property.²⁶

In Australia, one of the limiting factors for the growth of impact investment is the lack of products that have the capacity for investment at scale. The Specialist Disability Accommodation (SDA) market for National Disability Insurance Scheme (NDIS) participants is well placed to leverage this growing interest in impact investing.

²⁴ Australian Government (2017). 'Social Impact Investing Discussion Paper.' <https://cdn.tspace.gov.au/uploads/sites/72/2017/01/Social-Impact-Investing-Discussion-Paper.pdf>

²⁵ Australian Government (2020). 'Social Impact Investing Taskforce Interim Report: December 2019.' <https://www.pmc.gov.au/resource-centre/domestic-policy/social-impact-investing-taskforce-interim-report>

²⁶ ATO (2019). Taxation Administration (Private Ancillary Fund) Guidelines 2019 (Cth). <https://www.legislation.gov.au/Details/F2019L01227>

The Specialist Disability Accommodation Market

What is the NDIS?

The National Disability Insurance Scheme (NDIS) was introduced in Australia in mid-2013 as a national public social insurance scheme designed to provide individualised funding packages to people with “permanent and significant disability”, as well as helping people with disability to access mainstream and community services, and maintain informal supports.²⁷ The NDIS replaced state-based disability service systems described by the Productivity Commission as “underfunded, unfair, fragmented, and inefficient”, arguing that it gave people with disability “little choice and no certainty of access to appropriate supports.”²⁸ Within the next 5 years, the NDIS will provide more than \$22 billion in funding per annum to an estimated 500,000 Australians.²⁹ Currently over 412,000 people with disability are funded by the NDIS. Appendix A provides a summary of the key milestones and references related to the development and implementation of both the NDIS and the SDA market.

The NDIS allocates funding to individuals and aims to give people with disability more choice and control over services and supports. As of July 2020, the NDIS has national coverage in Australia. Prior to the NDIS, disability services were state funded. State governments block-funded disability services, as payments were made directly to disability providers and there was limited accountability or customer service to people with disability. Unlike the previous state-based funding, the NDIS is not a welfare system. The NDIS is designed to help people get the support they need so that their skills and independence improve over time.

While the transition from block funding to individualised funding has been relatively straightforward for some disability supports and services, disability housing has some additional challenges. The predominant model of housing for people with disability is still segregated group homes where the organisation providing the disability supports is also the landlord. One positive step within SDA policy is that the NDIS has reduced the maximum size of group homes to 5 bedrooms for anything built after 2016.³⁰

Although the NDIS is meant to empower people with disability through individualised budgets, funding is largely going directly to the providers of housing and support for traditional models of disability housing. The predominant model has not changed because NDIS participants have not been asked what they want. Allowing people with disability to have choice regarding their living arrangements is a human right. The United Nations Convention on the Rights of Persons with Disabilities (UNCRPD) states the right of people with disability to choose where and with whom they live, and not be obliged to any particular living arrangement.³¹ The obligation to the UNCRPD is reflected in the implementation of the NDIS by the Australian Government, which intends to provide more appropriate housing opportunities and support options for people with disability.³²

Many traditional disability providers are still operating in the old pre-NDIS mindset. Seven years after the introduction of the NDIS, too many people with disability are living in housing where they have little or no control over who supports them, where they live or who they live with. For some NDIS participants, the entity providing their disability support and support coordination is also their landlord.

²⁷ Australian Government (2013). *National Disability Insurance Scheme Act* (Cth). <https://www.legislation.gov.au/Details/C2013A00020>

²⁸ Productivity Commission (2011). ‘Disability Care and Support.’ <https://www.pc.gov.au/inquiries/completed/disability-support/report>

²⁹ NDIA (2020). ‘What is the NDIS?’ <https://www.ndis.gov.au/understanding/what-ndis>

³⁰ Australian Government (2020). *National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020* (Cth). <https://www.legislation.gov.au/Details/F2020L00769>

³¹ UN (2006). ‘Convention on the Rights of Persons with Disabilities.’ United Nations Department of Economic and Social Affairs. <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

³² UN (2018). ‘Combined Second and Third Periodic Reports Submitted by Australia Under Article 35 of the Convention, due in 2018: Convention on the Rights of Persons with Disabilities.’ Committee on the Rights of Persons with a Disability. <https://digitallibrary.un.org/record/1663867?ln=en>

As evidenced by the current Disability Royal Commission,³³ one organisation having so much control over the life of a vulnerable person increases the risk of abuse, neglect or very poor customer service. Many people with disability have lived with low expectations for decades and have little opportunity to make life choices. Significant investment is needed to support NDIS participants to explore a range of housing possibilities, develop a vision of what housing might be possible for them, document their housing and support needs and preferences and make an informed decision.

What is Specialist Disability Accommodation (SDA)?

SDA funding is provided through the NDIS 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.³⁴ Under the NDIS, housing and support funding are considered separately. This gives NDIS participants more choice and control over where they live and the services they use. The NDIS does not own or operate any housing. Prior to the NDIS, disability housing was either owned by state governments or funded by grants from government and philanthropy. Neither government nor philanthropy have the resources needed to develop new housing for the unmet housing needs of NDIS participants or redevelop the majority of legacy stock that does not meet current design standards.

The NDIS provides funding for SDA to participants through their individual NDIS plans. Participants can then select an SDA dwelling and associated provider within the budget of the SDA amount in their plan. The SDA payment from the NDIS is then paid to the provider and the NDIS participant living in the property pays a rent contribution. The revenue that SDA housing providers receive is made up of a Reasonable Rent Contribution from the tenant (capped at 25% of the Disability Support Pension, plus rent assistance or equivalent for a person receiving a different source of income, approximately \$8,550 per annum) and the SDA payment from the National Disability Insurance Agency (NDIA).

SDA policy and payments are designed to foster investment in housing for people with disability that promotes independence and community inclusion. SDA payments cover the difference between standard housing and the additional costs of the physical environment needed by 6% of NDIS participants. An estimated 28,000 NDIS participants with the highest support needs are eligible for SDA payments.³⁵ The NDIS has a recurrent annual budget of \$700 million for SDA to foster investment in new housing for people with disability.³⁶

SDA also refers to housing that has been specially designed to meet the needs of people who have been deemed as having extreme functional impairment and/or very high support needs resulting from their disability. SDA housing must be “enrolled” with the NDIS to be eligible for SDA payments. SDA funding is designed to give NDIS participants choice and control of where they live, how they live and with whom they live. Funding of other disability supports for an individual is separate to SDA funding for their specialist housing needs. The SDA model of funding is designed to create a user-driven market where individuals can make decisions about the type of housing they will access with their SDA payment. The SDA funding and market supply model is expected to deliver better and more person-centred housing outcomes for people with very high and complex disability support needs.³⁷

Figure 8 outlines how SDA works from the perspective of the NDIS participant.

³³ Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability (2019). <https://disability.royalcommission.gov.au/>

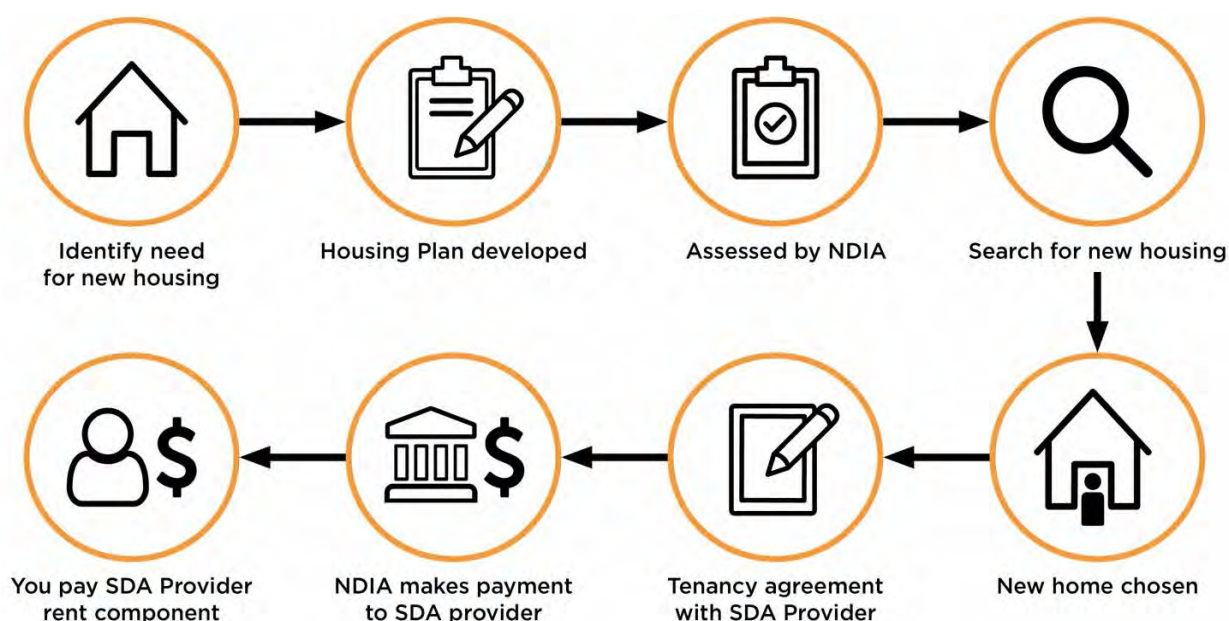
³⁴ NDIA (2020). ‘SDA Price Guide.’ <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments>

³⁵ NDIA (2018). ‘SDA Provider and Investor Brief.’ <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-provider-and-investor-brief>

³⁶ Joint Standing Committee on the National Disability Insurance Scheme (2019). ‘Accommodation for People with Disabilities and the NDIS.’ https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Disability_Insurance_Scheme/JNDIS-44th/NDIS_accommodation/Report

³⁷ For the perspective of a property developer in the SDA space, see: <https://www.summerfoundation.org.au/keiths-story/>; for more stories, including from SDA tenants, go here: <https://www.summerfoundation.org.au/people-category/accessible-housing-stories/>

Figure 8: SDA funding application process for potential tenants



In order to be eligible for SDA payments, dwellings must be enrolled with the NDIA 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 plan³⁸

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 Build³⁹
- 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

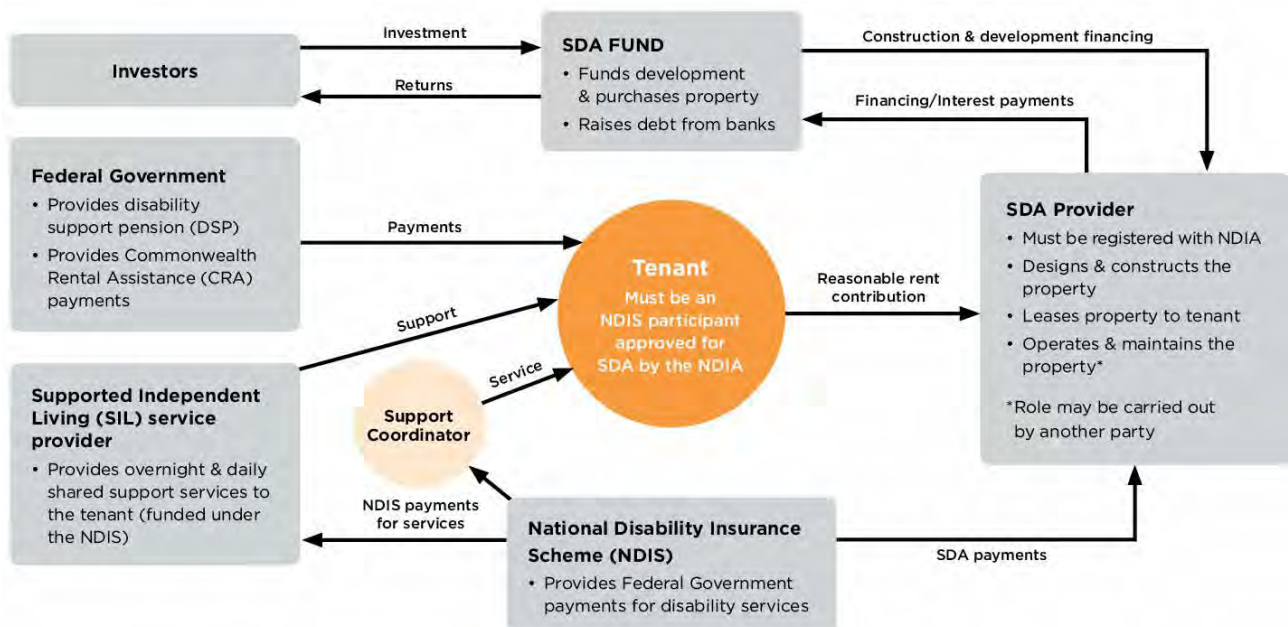
The level of SDA funding approved for a person will depend on whether the person is living in (or seeking to live in) an SDA dwelling based on these 6 factors. There is a significant difference in SDA pricing (subsidy) and payments for Existing and Legacy SDA housing compared with New Build SDA housing. 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.

³⁸ For a detailed explainer of SDA eligibility and payments, see: Summer Foundation (2020). 'About Specialist Disability Accommodation.' <https://www.summerfoundation.org.au/wp-content/uploads/2020/07/About-Specialist-Disability-Accommodation.pdf>

³⁹ "Existing" SDA means the dwelling was built prior to April 2016, was previously primarily used as housing for people with disability who have an extreme functional impairment or very high support needs and housed someone who was funded for disability supported accommodation under the previous system. "Legacy" is similar to "Existing" but the dwelling houses more than 5 people. "New Build" SDA refers to SDA housing completed after April 2016.

There are a range of stakeholders involved in the development and management of SDA. Figure 9 outlines the typical relationships and cashflow between stakeholders. In addition to receiving SDA payments from the NDIS, SDA tenants also make a 'reasonable rent contribution'. The reasonable rent contribution usually includes Commonwealth Rental Assistance and 25% of the Disability Support Pension. Funding for support and support coordination is provided separately via the tenants NDIS plan.

Figure 9. Cashflow between SDA stakeholders



Adapted from Thomas, R. (2020) 'Putting tenants first: how Synergis Fund is investing in disability housing' SVA Quarterly <https://www.socialventures.com.au/sva-quarterly/putting-tenants-first-how-synergis-fund-is-investing-in-disability-housing/>

What is Supported Independent Living (SIL)?

The outcomes of tenants moving to new SDA are highly dependent on the quality and culture of the support provided within their housing. Supported Independent Living (SIL) is the name of the funding that the NDIS provides to support NDIS participants living in SDA. SIL was originally designed around a roster of care and was intended to be only for people living in SDA. There are now over 8,000 people receiving SIL who are not living in SDA. SIL payments cover the help or supervision of daily tasks to support participants to live as independently as possible while building their skills.⁴⁰ While only 6.2% of all NDIS participants access SIL, these payments represent 30% of total NDIS expenditure. The average annual cost of SIL is \$351,899 per person and there has been a 29.5% increase in the average cost of SIL in the past 18 months.⁴¹ Unfortunately for people with disability and the NDIS, in the predominant model of disability housing (group homes) there are no drivers or incentives for support providers to foster independence. There is little evidence to date that the NDIS investment in existing SDA dwellings or SIL supports is effectively transforming the predominant service model to one that promotes independence and community inclusion.

However, there is an added incentive to redevelop Legacy stock that is built into the design of the SDA policy and pricing framework. While the NDIA is currently providing SDA payments to Legacy stock that houses 6 or more residents, these payments will cease. After Year 5, SDA Legacy stock payments for properties with 11 or more residents will cease. For properties with 6 to 10 residents, the price will continue until 10 years after the property's location transitions into the NDIS, at which time it will also cease. Depending on the location of Legacy stock, SDA payments for some dwellings with 11 or more residents will cease from 2021 and SDA payments for dwellings with 6 or more residents will cease from 2026.⁴²

New models of disability support are needed that are cost-effective and evidenced based. Given the annual NDIS SIL bill is over \$8.3 billion, even a relatively small improvement in the outcomes of tenants living in new SDA designed to maximise independence has the potential to dwarf the investment made by the NDIS in SDA. Contemporary models of disability support delivery are needed to deliver measurable outcomes for NDIS participants and support them to achieve their goals for autonomy and independent living.

An SDA tenant's advice to those moving into SDA

An SDA tenant was asked what advice they would give a friend considering moving into new SDA. Their response was: "Stay motivated, don't give in and don't settle for less than what you want or deserve. Consider your location and amenities and the geographical area to your family and friends. Be prepared for a long haul. I would also say, do your due diligence. Go to the area that your SDA property is located in. Look for public transport. Can you access it easily? Is there more than one form nearby? More is better. Can you access the shops you need? Make sure you are happy with the area and can get around the surrounding environment easily. Know what support model the SDA provider has in place. If you are looking into moving into an apartment, you don't want a support model that will replicate a group home. Have your say and do not accept your daily living as part of the SIL arrangement." – SDA Tenant

⁴⁰ NDIA (2020). 'Providing Supported Independent Living.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/supported-independent-living>

⁴¹ NDIA (2020). 'COAG Disability Reform Council Quarterly Report: 31 September 2020.' <https://www.ndis.gov.au/media/2351/download>

⁴² NDIA (2016). 'Specialist Disability Accommodation: Decision Paper on Pricing and Payments.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments#sda-pricing-and-payments-framework>

A sector ripe for investment and transformation

Housing for people with disability in Australia is ripe for transformation. In June 2016, the NDIS SDA policy and payments commenced. 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. However, significant investment in SDA market stewardship and infrastructure is needed to enable people with disability to be informed and empowered consumers of housing and support.

The NDIS allocates funding to each person. By providing individualised funding, the NDIS gives people with disability choice and control over where they live, who they live with and who supports them. Having SDA in an NDIS plan is designed to give people with disability the purchasing power to choose from a range of housing options and providers. For example, if an NDIS participant likes where they live but is unhappy with their support provider, they should not have to leave their home to change support providers.

Ideally the growth of SDA stock will result in a “mild oversupply” so that NDIS participants are able to freely exercise choice and control. This will drive constant improvement in both the quality of housing and support provided within the housing.

What will a successful SDA market look like?

At its best, the SDA market will be driven by the preferences and choices of housing seekers which will foster the development of innovation and well-designed, high-quality homes that are in the right location.⁴³ SDA funding is designed to both increase the scale of housing available and transform more traditional models of housing to a diverse range of contemporary housing based on new patterns of participant demand.

A successful market-based approach to disability housing requires informed and empowered housing seekers and detailed demand data. Ultimately the SDA market needs to transition to developments and investments that are evidence-based and demand driven.

A flourishing SDA market will see a diverse and progressive supply of new housing for people with disability.⁴⁴ Healthy competition among SDA providers and investors will foster an iterative process of evidence-based innovation that continually improves the built design, technology and support provided in SDA. Outcome measurement is a crucial part of effective innovation. The selection of the internal features and models of housing selected for replication and scale should be based on empirical evidence regarding tenant outcomes.

A fully functioning SDA market is expected to yield positive outcomes not only for investors, but also for tenants and the NDIS. Some of these outcomes are explained below.

⁴³ NDIA (2018). 'National Disability Insurance Scheme Market Enablement Framework.' <https://www.ndis.gov.au/news/996-new-framework-ensure-ndis-provider-markets-are-available-participants>

⁴⁴ PricewaterhouseCoopers and Summer Foundation (2017). 'NDIS Specialist Disability Accommodation: Pathway to a Mature Market.' <https://www.summerfoundation.org.au/wp-content/uploads/2017/08/pwc-summer-foundation-sda-market.pdf>

Outcomes for SDA tenants

- Greater range and choice of housing providers
- A range of housing types and options to choose from
- An opportunity to realise a range of goals and aspirations because accessible and affordable housing is an essential foundation for an ordinary life
- Housing that maximises opportunities for social and economic participation
- Housing that fosters independence and autonomy
- More independent living arrangements
- Housing options that enable access to informal supports and connection with the community
- Ability to arrange a personal approach to home, living and being in the community
- Opportunity to live with others who do not have a disability
- Choice and control in the design and delivery of supports
- Choice regarding both the provider of supports and individuals employed to provide daily supports

Advice from SDA tenants for those considering moving into SDA

"My number one thing is be patient 'cause I never thought it was going to happen but it did. I couldn't have done it without good people around me. Living in SDA is better than I thought it would be."

– Lisa, SDA Tenant ⁴⁵

"Never stop dreaming and working towards making your dreams become true. Your dreams can become reality even though it may seem impossible. For others on the journey to SDA, don't give up. There will be obstacles but I believe the pain will be worth it in the long term."

– Jono, SDA Tenant ⁴⁵

Outcomes for the NDIS

What are the anticipated outcomes for the NDIS of a fully functioning SDA market?

- Leverage private capital to build the scale of accessible and affordable housing required for 6% of NDIS participants with the highest support needs (i.e. additional housing stock for 12,000 people)
- Leverage private capital to transform old disability housing stock to more contemporary models of disability housing
- Housing and support options that deliver better value for money
- Increased NDIS participant independence, reduced support needs (i.e. SIL costs) and a reduction in long-term liability

⁴⁵ Summer Foundation (2020) 'Finding Our Way Home: Navigating the Journey to SDA. Annual Public Forum 12 November 2020. <https://www.summerfoundation.org.au/event/annual-public-forum-2020/>

SDA demand outlook

NDIS participants live in a range of settings. Only 6% of NDIS participants with the highest level of support needs are eligible for SDA. This 6% includes NDIS participants of all ages, the vast majority of NDIS participants living in SDA are over 25 years of age. Less than half (43%) of NDIS participants are aged 25 years or over.⁴⁶

An SDA tenant's reflection on moving out of aged care

"I ended up in aged care 'cause there was nowhere else for me to go. It was very lonely at the nursing home 'cause I stayed in my room and people just ignored me. I told my children not to visit me anymore because of the crying and screaming. My room, you couldn't swing a cat and there was a window on one side with lots of weeds that used to drive me nuts. I wanted to go out there and garden. And it's amazing what I actually fitted in that room ... My new SDA apartment is wonderful, it has a kitchen and a bathroom that I don't have to share with a man like in the nursing home. And I also have my plants on the balcony. In the nursing home I lost my imagination and finally that has come back, that's a big thing! I go shopping and I eat when I want and I go to the park. It's wonderful. I'm finally free." – Lisa, SDA Tenant⁴⁷

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. Approximately 40% of current SDA has a joint SIL and SDA provider. Even when there is a separate housing and disability provider, anti-competitive practices are commonplace in disability housing with the provision of SIL in SDA dwellings. NDIS participants who live in most SDA dwellings are obliged to use a specific SIL provider. Often the SIL provider is also the NDIS participant's support coordinator. These arrangements and inherent conflicts of interest deny many NDIS participants the opportunity to become aware of or explore other housing options. This can mean that poor support practices are allowed to continue.

Four years after the commencement of SDA payments, 54% of the estimated 28,000 eligible NDIS participants have SDA in their plans.⁴⁸ 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.

Experience of SDA providers to date shows that most NDIS participants who are eligible for SDA are not aware of SDA funding, the implications this has for their freedom of choice, or the possible housing and support options available to them. Even people with SDA in their plans are often unaware that SDA gives them "purchasing power" and enables them to choose from a range of housing options. While anticipated total funding for SDA is \$700 million per annum, NDIS data shows that the current annual commitment by the scheme has reached \$185 million per annum.⁴⁹ To date there has been limited investment by government in engaging NDIS participants who are likely to be eligible for SDA to build their capacity to be informed and empowered consumers in the SDA housing market.

⁴⁶ NDIA (2020). 'NDIS Quarterly Report - 2019-20 Quarter 4.' <https://www.ndis.gov.au/about-us/publications/quarterly-reports>

⁴⁷ Summer Foundation (2020) 'Finding Our Way Home: Navigating the Journey to SDA. Annual Public Forum 12 November 2020. <https://www.summerfoundation.org.au/event/annual-public-forum-2020/>

⁴⁸ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P. Data available at: <https://data.ndis.gov.au/data-downloads>

⁴⁹ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.10. Data available at: <https://data.ndis.gov.au/data-downloads>

While the growth of SDA supply is very encouraging, the lack of detailed demand data is a substantial impediment to market development. Without comprehensive demand data and a focus on tenant outcomes, there is a significant risk that we will be left with social infrastructure for the next 20-30 years in the wrong location that does not meet the needs of NDIS participants. The NDIA continues to release more granular SDA demand data.⁵⁰ Table 1 provides a summary of the demand for SDA.

Table 1. Overview of SDA demand by jurisdiction

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	National
People living in disability specific housing pre-NDIS ⁵¹ (NSW & ACT: June 2014. Other: June 2016)	5,730	4,260	3,340	1,590	1,720	500	210	160	17,510
Active NDIS participants ⁵² (Sep 2020)	130,118	111,210	78,811	34,751	36,712	9,358	7,909	3,636	412,543
NDIS participants with SDA in their plan ⁵² (Sep 2020)	5,429	5,004	1,451	1,024	1,669	424	106	132	15,240
NDIS participants in SDA seeking alternative dwelling ⁴⁹ (Sep 2020)	185	26	32	7	21	2	3	0	276
NDIS participants not in SDA and seeking dwelling ⁴⁹ (Sep 2020)	170	213	177	32	70	7	15	7	691
Potential SDA tenants ⁵³ (Sep 2020)	5,595	5,216	1,628	1,056	1,739	431	121	139	15,931⁵⁴
Annualised committed supports in NDIS plans (\$million) ⁵⁵ (Sep 2020)	\$66.0	\$60.2	\$20.2	\$11.7	\$18.7	\$5.0	\$1.5	\$1.7	\$185
NDIS participants with SDA in plan compared to no. of NDIS participants in jurisdiction (Sep 2020)	4.2%	4.5%	1.8%	2.9%	4.5%	4.5%	1.3%	3.6%	3.7%

⁵⁰ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Data available at: <https://data.ndis.gov.au/data-downloads>

⁵¹ Disability Services National Minimum Data Set (AIHW) in SGS Economics & Planning and Summer Foundation (2018). 'Specialist Disability Accommodation: Market insights.' <https://www.summerfoundation.org.au/wp-content/uploads/2018/03/sda-market-insights-web-2.pdf>

⁵² NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.1. Data available at: <https://data.ndis.gov.au/data-downloads>

⁵³ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.20. Data available at: <https://data.ndis.gov.au/data-downloads>

⁵⁴ Totals may not add due to missing data.

⁵⁵ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.2. Data available at: <https://data.ndis.gov.au/data-downloads>

Segments of NDIS participants eligible for SDA

There are an estimated 28,000 NDIS participants eligible for SDA and only 15,240 participants with SDA supports in their plan. One obvious question for investors and SDA providers to consider is, “Where are all the NDIS participants eligible for SDA currently living?” Table 2 summarises the likely living arrangement of people with disability who are eligible for SDA and an estimate of the numbers in each category.

Table 2. Estimated number of NDIS participants likely to be eligible for SDA and their current housing

Segment	Estimated number (30 September 2020)
NDIS participants receiving SDA supports	15,240
Other people likely to be eligible for SDA	
NDIS participants living in “in-kind” stock owned by the Victorian and Tasmanian governments	≈ 4,000
SDA eligible NDIS participants living with parents	≈ 4,700
Estimated eligible YPIRAC without SDA in their plans ⁵⁶	≈ 4,195
Supervised hostels - estimated 7,700 across Australia. The % of people in supervised hotels eligible for SDA is unknown.	< 7,700
Total number of NDIS participants eligible for SDA	≈ 28,000

An SDA tenant’s perspective on why they moved into SDA

“I have always dreamt of moving to the city but I thought it was never going to be a reality because even 3 years ago it was impossible. But with the NDIS implementing Specialist Disability Accommodation, SDA housing developers are now building accessible accommodation in the city. My dream of living in the big smoke just became a reality.

A few years ago my good friend, Stuart, who was the same age as my mother, passed away. I was still living at home and my mother was my primary carer. This got me thinking about what I would do if something happened to her. I didn’t have the structure to live without her so I decided that it was time for me to move out. As well as this, I was starting to struggle with privacy and independence.

Four years ago I moved into a complex of 6 separate units, which have 24-hour support workers. I require assistance for daily living so having access to these workers is critical for me. This living arrangement meant I could have my privacy and freedom. It was a great first step.

Around March last year, I began feeling like I needed more out of my housing situation and started to think about moving somewhere that was more suited to my needs. I told my support worker what I wanted. Then he asked me a question I didn’t know the answer to. He asked me what my dream home would look like? So we sat down and we nussed out what I was actually looking for in a new place. I wasn’t even looking at the city because I still thought that it was impossible. Now that I have a clear vision on what I wanted I needed to find the right people to help make it happen. Before COVID I needed to be in the city for one reason or another and while there I would at times impulsively decide to see a sporting match. I can’t wait to be more spontaneous now that I live in the city.” – Jono, SDA Tenant⁵⁷

⁵⁶ Assumptions: 3% of YPIRAC are not eligible for the NDIS, 3,651 are NDIS participants and 519 have SDA in their plans.

⁵⁷ Summer Foundation (2020). ‘Finding Our Way Home: Navigating the Journey to SDA.’ Annual Public Forum: 12 November 2020. <https://www.summerfoundation.org.au/event/annual-public-forum-2020/>

The latest NDIS SDA data revealed that while there are only 15,240 NDIS participants with SDA in their plans, there are 23,457 NDIS participants with SIL in their plans.⁵⁸ While tenants moving to new SDA require a SIL quote for the shared support they need, SIL is generally associated with group homes and congregate living. Some of the NDIS participants with SIL and no SDA in their plans are living in SDA that is provided “in-kind” by the Victorian and Tasmanian state governments. It is estimated that there are at least 4,000 NDIS participants living in enrolled SDA dwellings provided “in-kind” by the Victorian and Tasmanian state governments.⁵⁹

There are 4,860 people under 65 in residential aged care.⁶⁰ Most (97%) 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. While there are 793 registered providers, only 272 are active.⁶¹ Recent reports indicate that the SDA market has built new homes for more than 1,287 participants.⁶² Preliminary data from the current Summer Foundation supply survey due for release in December 2020 indicates that there is housing for more than 1,800 NDIS participants in the pipeline. Table 3 provides a summary of the supply for SDA by jurisdiction from the recent data released by the NDIA.⁶³ The inclusion of data about “in-kind” SDA provided by state governments is a welcome addition to the data release because it enables a more complete picture of SDA supply.

⁵⁸ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Data available at: <https://data.ndis.gov.au/data-downloads>

⁵⁹ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.9. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁰ DSS (2020). ‘Younger People in Residential Aged Care: Strategy 2020-25.’ https://www.dss.gov.au/sites/default/files/documents/09_2020/dac_younger-people-residential-aged-care_20092020.pdf

⁶¹ NDIA (2020). ‘COAG Disability Reform Council Quarterly Report.’ <https://www.ndis.gov.au/media/2351/download>

⁶² Social Ventures Australia and Summer Foundation (2020). ‘Specialist Disability Accommodation Supply in Australia.’ <https://www.socialventures.com.au/assets/Specialist-Disability-Accommodation-Supply-in-Australia-March-2020-webres.pdf>

⁶³ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Data available at: <https://data.ndis.gov.au/data-downloads>

Table 3. Overview of SDA supply by jurisdiction as at 30 September 2020

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	National
Registered SDA providers ⁶⁴	544	590	552	122	535	515	510	511	793
Active SDA providers ⁶⁴	140	74	50	3	21	14	7	4	272
No. of in-kind dwellings provided by state governments ⁶⁵	0	853	0	0	0	203	0	0	≥1,056
No. of Enrolled SDA dwellings with 5 or less residents (excluding in-kind) ⁶⁶	1,984	590	584	39	989	39	30	23	4,278
No. of Enrolled SDA dwellings with 6 or more residents (excluding in-kind) ⁶⁶	58	86	37	1	10	3	0	5	200
No. of places for tenants in Enrolled SDA dwellings with 5 or less residents (excluding in-kind) ⁶⁶	6,091	1,564	1,244	99	2,330	101	63	70	11,562
No. of places for tenants in Enrolled SDA dwellings with 6 or more residents (excluding in-kind) ⁶⁶	>348	>516	>222	>6	>60	>18	0	>30	≥1,200
No. of places for tenants in in-kind SDA dwellings owned by state governments with 5 or less residents ⁶⁷	0	2,842	0	0	0	543	0	0	3,385
No. of places for tenants in in-kind SDA dwellings owned by state government with 6 or more residents ⁶⁷	0	≥702	0	0	0	0	0	0	≥702
Total no. of places for tenants in SDA dwellings with 5 or less residents (including in-kind) ⁶⁸	6,091	4,406	1,244	99	2,330	644	63	70	14,947
Total no. of places for tenants in Enrolled SDA dwellings with 6 or more residents (including in-kind) ⁶⁸	>348	>1,218	>222	>6	>60	>18	0	>30	≥1,902

Prior to the NDIS, state governments were the predominant provider of disability specific housing in Australia. The NSW Government owns approximately 800 properties that are all leased out to Community Housing Providers who are the registered SDA providers for those properties. The NSW Government has ensured that there is a clear separation of the support provider and housing provider. Queensland has approximately 50 government owned SDA. In Queensland, most people under shared support in the pre-NDIS system had shared tenancies in social housing. The Queensland Government owned SDA is included in the SDA data provided because the Queensland Government has registered as an SDA provider.

In 2018 there were an estimated 200 properties owned by the South Australian Government housing over 500 people with disability. Most (90%) of these dwellings were in the Adelaide metropolitan area. There were also more than 520 properties in the non-government sector. NGOs were managing 10-40 properties with a few managing 75-170 properties. Most of these properties housed 4 or more tenants. In the past few years the South Australian Government funded the development of 100 additional disability specific homes, as part of the “1000 Homes in 1000 Days” initiative delivered by Renewal SA. These homes were due for completion in 2018-19. Of these 100 homes, 50 were to be fitted with assistive technology as part of the NDIS SDA initiative.⁶⁹

⁶⁴ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.3. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁵ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.8. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁶ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.6. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁷ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.9. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁸ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Tables P.6, P.9. Data available at: <https://data.ndis.gov.au/data-downloads>

⁶⁹ Office of the Public Advocate (2019). ‘South Australian Office of the Public Advocate Annual Report 2018-19.’ http://www.opa.sa.gov.au/files/270_opa_18-19_annual_report_final_300919.pdf

In Victoria, there are 74 active SDA providers with 676 SDA dwellings enrolled with the NDIA and a further 853 owned by the Victorian Government and provided “in-kind” to the NDIS for over 3,000 NDIS participants. In Victoria, the state government is the dominant provider of SDA.

Similarly, in Tasmania 21 active SDA providers have enrolled 42 SDA dwellings and a further 203 dwellings are provided “in-kind” to the NDIS for an estimated 540 NDIS participants. In Tasmania, the state government is the dominant providers of SDA.

The current “in-kind” arrangement between the Victorian and Tasmanian state governments and the NDIA reduces the choice and control NDIS participants have over where they live and who they live with. The NDIS participants living in state government owned dwellings should have SDA in their plans and receive capacity building to enable them to have choice and control over housing options. The NDIS commenced 7 years ago. It is time that state governments transitioned out of providing SDA for NDIS participants.

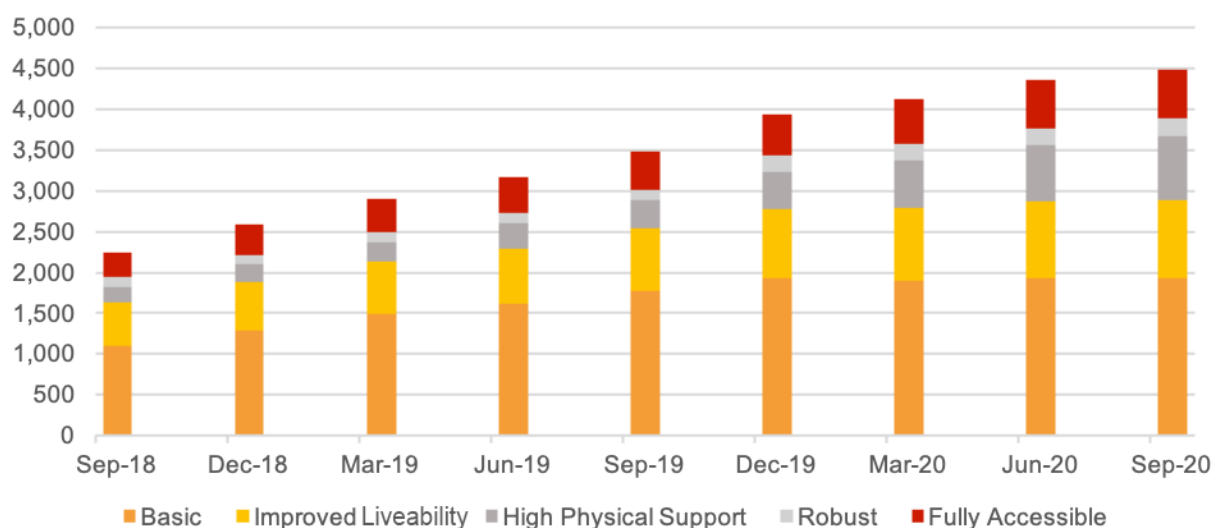
In addition to the additional SDA needed to address the unmet housing needs of 12,000 NDIS participants, approximately two thirds of SDA stock built prior to 2016 (including “in-kind”, existing and Legacy) is old, run-down, or the wrong configuration and needs to be either rebuilt or refurbished.

Development of the SDA market

SDA dwellings

The NDIA provides a detailed quarterly breakup of dwellings enrolled for SDA by several categories.⁷⁰ The growth in the number of enrolled dwellings since data became available in September 2018 is reflective of both existing buildings being registered and new constructions being completed. Figures 10 and 11 show this growth by the design category and building type.

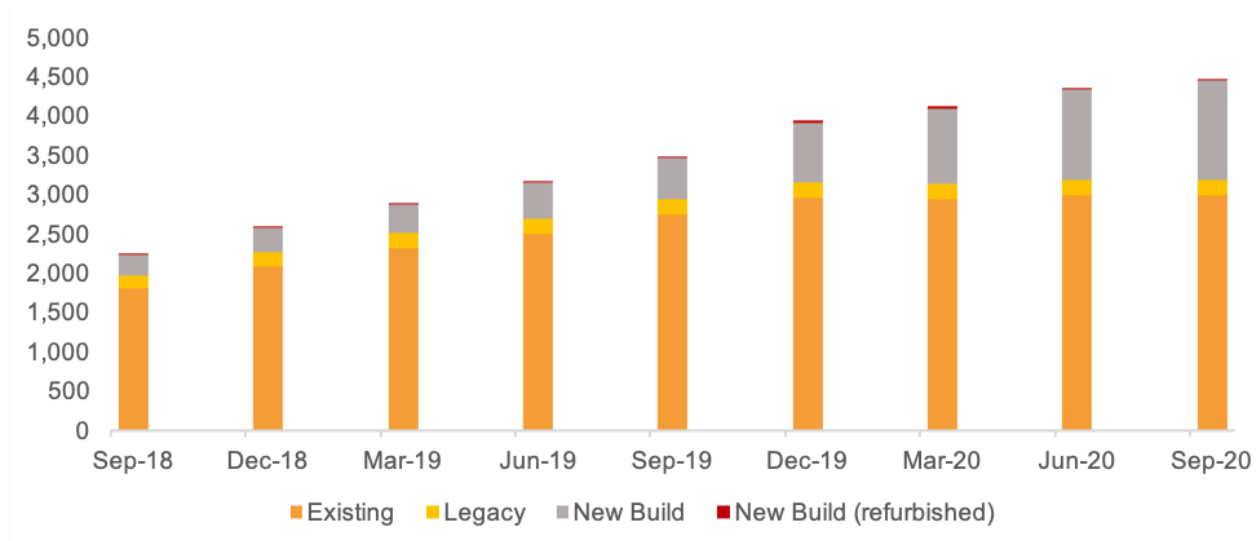
Figure 10: Dwellings by SDA design category



The need for significant further new builds still being required is due to a combination of the phasing out of Legacy stock and some replacement or rebuilding of existing stock over time plus the large increase in people with SDA requiring housing.

⁷⁰ NDIA (2020). ‘SDA Enrolled Dwellings and NDIS Demand Data.’ Appendix P, Table P.4. Data available at: <https://data.ndis.gov.au/data-downloads>

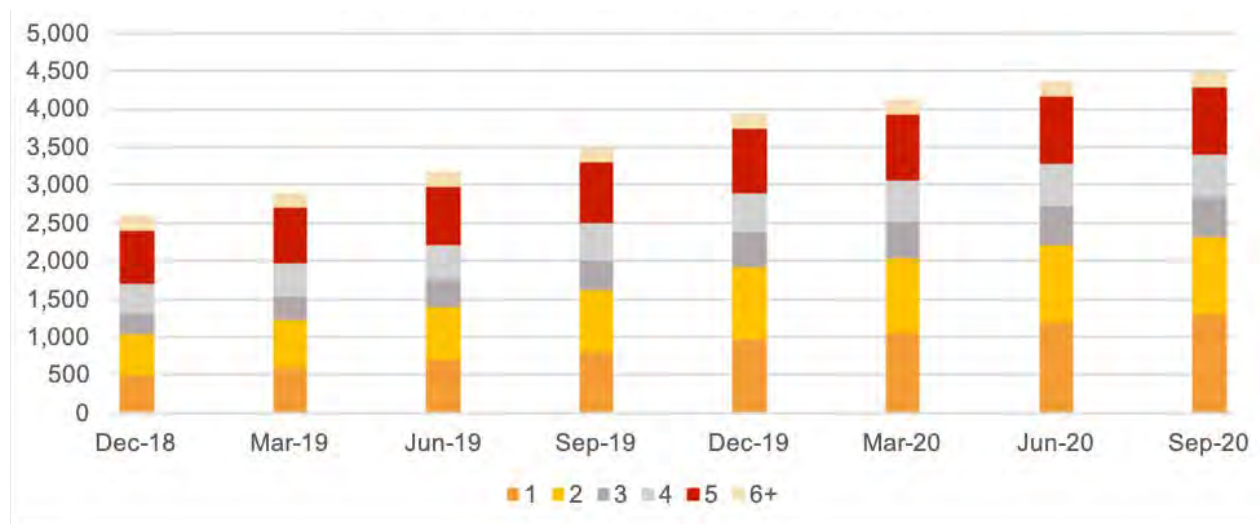
Figure 11: Dwellings by SDA building type



People per dwelling

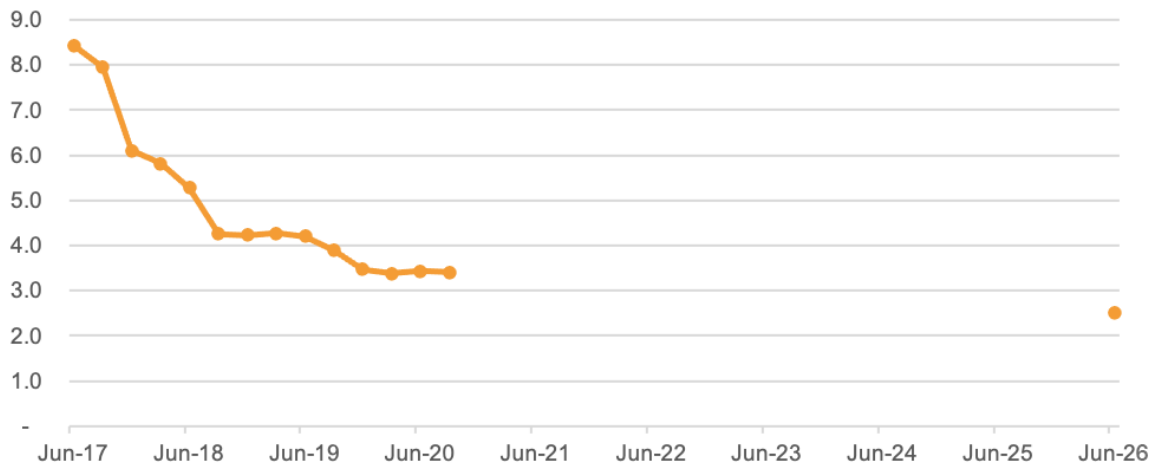
The NDIA also provides a breakup of enrolled dwellings by the maximum number of people that can be accommodated in each and highlights the range available (see Figure 12). The data clearly shows the growth in single person and 2 person dwellings up 160% and 90% respectively, compared to larger capacity dwellings.

Figure 12: Dwellings by maximum number of people



A calculation of the average number of people per dwelling shows the gradual decrease in intensity of occupation as a large proportion of new builds are matching people's preference for one or 2 person dwellings. In Figure 13 below we have used a 2026 ratio of 2.5 as an estimation of where this trend might settle.

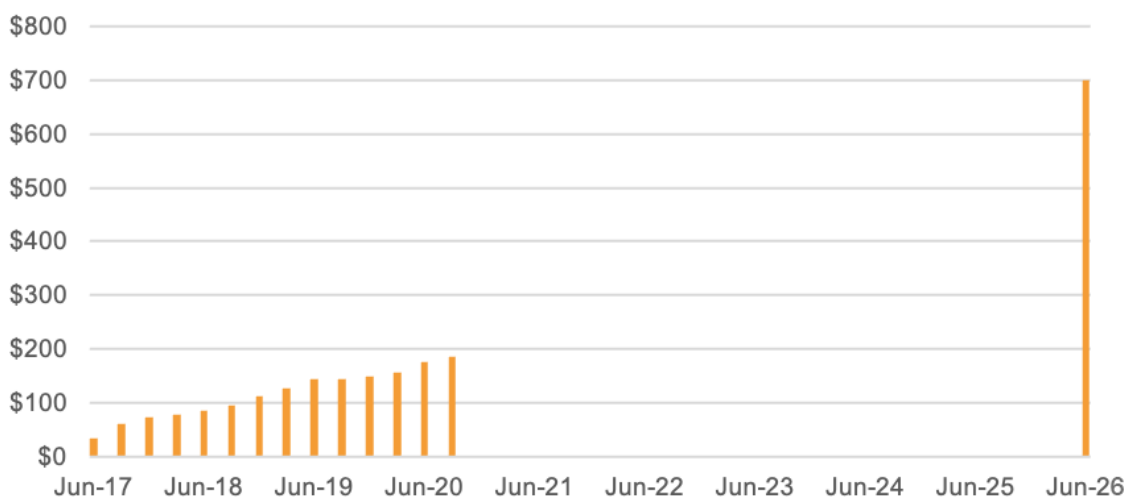
Figure 13: Average number of people per dwelling



Expenditure on SDA

The NDIA provides the value of annualised support for SDA in active plans with this having grown to \$185 million annual at September 2020. The longer term projection of \$700 million annual reflects an average annual value of \$25,000 per person (see Figure 14).

Figure 14: Annualised SDA supports in active plans (\$ million)



The current average cost of SDA payments per participant is \$12,139 per person per annum, which reflects the fact that many people receiving SDA are living in Legacy stock and have the “basic” level SDA payment in their SDA plan. These “basic” dwellings do not include the minimum required SDA specialist design features. Approximately 20% of people living in disability housing in Australia are living with 5 or more other people with disability. This Legacy stock urgently needs to be replaced with more contemporary models of disability housing. Many of the 2,993 dwellings built for people with disability before 2016 are old, do not meet current design standards or foster the independence, autonomy or community inclusion of tenants. Since the introduction of SDA payments in 2016, there has been virtually no investment in service redesign to transition traditional models and old stock to contemporary disability housing that would yield higher rates of SDA.

Investing in the SDA Market

The SDA market in Australia is gaining momentum and beginning to attract a broader range of fund managers and providers. While much of this momentum is welcome, it also has the risk of attracting investors and providers who are focused on profit at the expense of delivering high-quality housing stock and tenant outcomes. The impact of a couple of rogue players would pose a significant risk to the reputation of the SDA market.

In August 2019, the Minister for the Department of Social Services, Stuart Robert, made a speech in response to concerns specific to “*dodgy operators*” in the SDA market.⁷¹ The Minister stated that “*the Government is acutely aware of the risks to participants and the wider SDA market from dodgy operators who may attempt to unscrupulously take advantage or scam well intentioned Australians. The SDA market needs a diverse range of investors to achieve great outcomes for participants but I give you my firm commitment that we will be tough on any sharp practice from financial institutions or the like who make claims overstating the returns that can be achieved particularly to everyday Australian investors*”.

The range of investment opportunities

Given the rapid expansion of the SDA market and the resulting risks of unscrupulous deals, a desktop scan was conducted in October-November 2020 to identify and document the range of entities looking to raise funds to build SDA. A Google search used a combination of the following search terms: “SDA”; “Specialist Disability Accommodation”; “disability housing”; “NDIS housing”; AND “invest”; “investment”; “fund”. Only results within Australia, and which offered investment opportunities, rather than media articles commenting on the market, or official NDIS reports, were included.

The desktop search identified 32 entities advertising SDA investment opportunities. Further information about the investment opportunities was obtained by contacting these organisations. A summary of the results of this scan is provided in Appendix B. This desktop scan demonstrates the range of investment SDA opportunities available in the market. The returns advertised ranged from 7-22%. Some of the promised returns are “too good to be true” and probably are. Less than a quarter of the entities identified in the desktop scan are known and trusted players in the SDA market. There are, however, a smaller group of authentic investors and fund managers that are investing in SDA at scale, have deep knowledge of the SDA market and established partnerships with SDA providers with a strong brand and track record of building quality SDA.

Comparing SDA to other property investments

Notwithstanding the residential asset class being the largest of all property asset classes in Australia, institutional investors have historically found it challenging to access, and instead have focused their attention and investment dollars on the traditional commercial asset classes of retail, office and industrial.

Facilitated by ongoing industry stakeholder engagement (i.e. investment product leaders and investor appetite) and legislative change (i.e. NDIS and taxes/duty changes for Residential BTR) we are seeing for the first time the residential asset class being made available for scale investment in Australia.

⁷¹ Robert S (2019). ‘Access 2019 - Association of Consultants in Access Australia (ACCA) Conference.’ <https://ministers.dss.gov.au/speeches/5086>

To this end, we seek to compare and contrast the SDA investment proposition to more established asset classes of residential (build-to-rent), retail, office and industrial, Table 4. We do this by assessing each asset class quantitatively through market size and growth statistics, and qualitatively through *'high, medium or low'* relative attraction scores for each of the characteristics commonly assessed as part of real estate investment attractiveness. Notwithstanding BTR being a newer asset class, we do include it here within the 'traditional' asset classes owing to its relative maturity compared to SDA.

From a market size perspective, SDA (\$2.2bn) is somewhat comparable to build-to-rent (\$10.2bn), however significantly smaller than the more established retail, office and industrial asset classes (combined \$700bn+). The main conclusions based on the market data are:

- Residential (SDA and BTR) are considerably smaller asset classes for investment compared to commercial traditional asset classes of retail, office and industrial
- Residential BTR asset class is around five times larger than Residential SDA
- Residential (SDA +25% pa and BTR +9% pa) asset classes are growing (in terms of capacity) at a far higher relative rate to the commercial traditional asset classes of retail, office and industrial (each growing at 2-5% pa)
- Residential SDA is the fastest growing (relative) asset class, +25% pa



Table 4. Comparison of SDA to other property investments

	Australian real estate asset classes				
	Non-traditional		Traditional		
	SDA	Residential (BTR)	Retail	Office	Industrial
Market overview					
Size of market* (\$bn)	2.2	10.2	300	320	90
Growth of market** p.a. (absolute) (\$bn)	0.6	0.9	6.8	14.7	4.4
Growth of market p.a. (relative) (%)	25%	9.2%	2.3%	4.6%	4.9%
Investment outcomes					
Gross return potential	High	Medium	Medium	Medium	Medium
Volatility of returns	High	Medium	Medium	Medium	Low
Liquidity risks	High	Medium	Medium	Medium	Low
Income characteristics					
Creditworthiness / strength	High	Low	Medium	Medium	Medium
Tenure / duration	Low	Low	Medium	High	High
Income preservation/growth prospects	Medium	Medium	Low	Low	Medium
Cost and supply characteristics					
Landlord occupancy cost risks	High	Medium	Medium	Medium	Low
Barriers to entry	Medium	Medium	Medium	Low	Low
Over-supply risk	High	Medium	High	High	Low
Risk/opportunities					
Diversification appeal	High	High	Low	Low	Medium
Manager differentiation potential	High	Medium	Medium	Medium	Low
Stakeholder interactions					
Tenancy demand sustainability	High	High	Low	Medium	High
Community/social impact	High	Medium	Low	Low	Low
Scores					
More attractive	6	2	0	1	6
Neutral	2	9	8	7	4
Less attractive	5	2	5	5	3
Totals	/13	/13	/13	/13	/13

* Size of market: Represents an approximation for the size of the current institutional investment market for each asset class.

Notes: SDA sourced from: NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.4. Data available at: <https://data.ndis.gov.au/data-downloads>. Assumes \$0.5mn value per dwelling.

Residential (BTR) sourced from CBRE, Mirvac, Macquarie Research (Nov 2020), assumes Mirvac's average value/unit.

Retail, Office, Industrial sourced from JLL, Macquarie Research (Nov 2020), institutional grade assets.

** Growth of market (absolute): Represents an approximation for the increased investment capacity growth each year in each asset class. Depending on data availability, varies time periods have been used to come up with estimates. Growth of market (relative): Growth of market (absolute) / Size of market.

Notes: SDA sourced from: NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.4. Data available at: <https://data.ndis.gov.au/data-downloads>. Calculated over the two-year period ending Sep 2020.

Residential (BTR) sourced from CBRE, Mirvac, Macquarie Research (Nov 2020), assumes flat value/unit over the forecast period 2019-2022.

Retail, Office, Industrial sourced from JLL, Macquarie Research (Nov 2020), uses transaction volumes to approximate growth by asset class since 2010-2019.

Focusing now on the qualitative characteristics. We note that real estate markets are in reality more nuanced and localised, with the qualitative assessments meant to best capture a national perspective for each of the characteristics and asset classes.

From an income characteristic perspective, SDA screens well given the strong government payer covenant. This compares to individuals (BTR) and businesses in the case of the traditional sectors, which investors will typically consider a higher risk to government backed cash flows.

We place a “low” outlook on growth prospects for the retail and office sectors, with increased structural headwinds of e-commerce and working-from-home likely to impact the demand/supply for each. This view has only been further supported through and beyond the COVID impacted period.

Lease-type has an impact on the “landlord occupancy cost risks” score, with triple net leases scoring highest. Maintenance cap-ex requirements play into this assessment. Over-supply risk is deemed “high” for both retail and office given the expectation of higher vacancy rates in future years. The same cannot be said for industrial, which is facing a strong demand profile, driven by supply chain efficiency projects, and e-commerce tailwinds. While community/social impact is lifting across the traditional sectors across environmental (i.e. solar, water efficiency) and social (i.e. human interaction considerations) factors, these are not at the same level to the direct benefit to resident quality of life presented via high quality SDA.

Table 4 highlights potential shortcomings of SDA investment compared to alternate property asset classes:

- Liquidity or exit risk. Owing to less asset class maturity and expected lower transactional depth, exiting future investments in a timely manner could be more challenging.
- Higher volatility of returns. Driven on the cash flow side by vacancy considerations (expected shorter tenancy leases) and on the yield side by uncertainty on where potential industry future capitalisation rates may settle.
- Higher or less certain maintenance or refurbishment costs. Owing to the more specialist nature of tenant appropriate fixture and fittings of SDA, that may have a higher replacement cycle requirement to alternate asset classes.
- Over-supply risk to be monitored. Improved availability and certainty of government funding to the SDA asset class may attract an elevated industry supply response, which in turn could lead to higher vacancy risks.

In conclusion, SDA scores well in comparison to alternate property asset classes, standing out positively in the following areas:

- Gross return potential, albeit with offsets of liquidity risk (at end of investment term), and volatility
- Income characteristic, underpinned by the strong covenant in the Government
- Diversification appeal for investors with expectation of low correlation with existing overall investment portfolios
- Future demand profile, underpinned by the future tenancy need
- Community and social impact, through positive tenancy wellbeing and flexibility impacts

Financial Risks, Social Risks and Returns on SDA Investment

A survey of active investors was conducted in November 2020 by the Summer Foundation. The survey included 9 respondents. To date, the scale of capital invested in SDA ranged from \$15 million to over \$200 million. The total amount invested in SDA was over \$700 million with an average of over \$76 million per respondent. Between them, investors and fund managers were financing 13 SDA providers and housing for over 1,200 people. For further information about the respondents and the survey, please refer to Appendix C.

Below is a summary of the findings of the survey.

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.

“SDA is in its infancy and has tremendous potential to serve the needs of both participants but also offers an attractive asset class to investors.” – SDA Investor

SDA was deliberately designed to leverage private capital and has enormous potential to transform disability housing in Australia.

“The SDA scheme is fantastically designed and has drawn substantial capital into the market in a short space of time.” – SDA Fund Manager



There are a range of risks associated with investing in SDA that require careful due diligence.

“Like any investment, do your research. The sector offers long-term stable returns, but there are risks around house specifications, qualifying for SDA payments and tenant eligibility, competing houses, poor service provision and possibly further changes to regulations.” – SDA Investor

Given that SDA is relatively new, there are a limited number of people with expert knowledge of the emerging SDA market.

“Whilst investing in SDA is the ‘right thing’ to do and offers good stable returns, there is little expertise and experience in the market yet, meaning that significant investments are being made with only a few people or organisations who have a strong understanding of the space.” – SDA Investor

Which investors are the best fit for the SDA market?

Investors best suited to the SDA market at this stage are sophisticated, long-term investors with large amounts of capital to deploy.

“The most appropriate investors in the market, however, are long-term ones – those investors who are expecting to hold the assets for 20 years, and can provide permanence of housing. These investors necessarily take a long-term view of pricing, and require threshold returns because of the illiquidity (they don’t expect to exit).” – SDA Fund Manager

“Investment in SDA requires specialist skills to be successful in considering the risk of such an investment. It is not suited to unsophisticated investors. Ensure that you are appropriately aligned with the developer, tenant (who are often vulnerable people) and that you have a long-term investment horizon.” – SDA Fund Manager

“SDA is a person-centred scheme, not a scheme appropriate for lay property investors. Invest via a fund established to create/hold SDA rather than directly into individual property.” – SDA Financier

Financial risks

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

Vacancy risk

SDA dwellings that are vacant do not receive SDA payments. At the moment only 54% of the 28,000 NDIS participants eligible for SDA have SDA in their plans. Most of the NDIS participants that do have SDA do not have the level of SDA needed to move into new SDA. In an ideal SDA market:

“All NDIS participants who are eligible for SDA would have approved, coherent SDA and support plans.” – SDA Funder

Another factor that contributes to vacancy risks is the time that the NDIA takes to approve the funding that NDIS participants need to move into new SDA. Most NDIS participants who are identified as potential tenants in newly built SDA do not have the level of SDA and support needed in their NDIS plan. One respondent identified the time taken for NDIA processes as a risk for the future of the SDA market.

“If NDIA approvals are not provided in a timely manner inevitably investor confidence will dissipate and new construction will cease.” – SDA Investor

*“To date the agency have... introduced a variety of administrative challenges and process constraints which has caused unnecessary uncertainty and inhibited the rollout of the SDA market. These aspects impede the ability to secure institutional capital for SDA.”
– SDA Fund Manager*

The lack of granular data about SDA demand heightens the vacancy risk for investors. Most respondents identified the need for better SDA demand data.

*“To date the agency have not provided sufficient forward looking guidance about supply”
– SDA Fund Manager*

“The challenge is the limited visibility or centralisation of actual participants searching for accommodation. We understand the anecdotal shortage of SDA based on NDIA data but it needs to go one step further to provide visibility and access to real participants. Without this, there is a risk that we are investing capital in products that may not be fit-for-purpose for the requirements of the participant, or worse yet, create an environment of high vacancies and increased perceived sector risk by investors.” – SDA Investor

“More information, in a consistent format, on demand and supply projections in different regions and property types. Notwithstanding the recognised government risk this is the key piece of information that would assist with understanding medium and long-term vacancy risk. We have seen issues in the renewables market when developers all flock to the one part of the market and believe a more transparent approach to SDA would be beneficial for all.” – SDA Fund Manager

“Tenant visibility, to help with planning and investment decisions. It will help investors and developers allocate time and capital to building homes in the right places to the right specifications so that they are needed and used.” – SDA Investor

“Not knowing the depth of demand for each type of dwelling and the specific locations desired make investing at scale very hard. Overall the market is small compared to mainstream housing and there is fear of over-investing in an asset or location that does not have durable demand through the life of the asset. This leads to smaller, more hesitant investments.” – SDA Investor

Counterparties

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

“Ensure you have a good partner, who is mission and commercially aligned. The industry is early in its development, there are very few capable developers and it is a sensitive part of the infrastructure market that requires care, understanding and a long-term investment strategy.”

– SDA Fund Manager

“Be very careful who you invest with to make sure it is someone that has focus on people not property. Ask them what their tenancy approach is, why they are building in an area, what is their approach to tenant safety?” – SDA Fund Manager

“Not all SDA investments are analogous, and those considering investing in the space should focus on ensuring their dwellings provide the most appropriate housing. This means assessing: (1) the operating model at dwellings - specifically around the separation of SDA and SIL and mitigation of any 'third line forcing' that might be going on; and (2) the likely long-term demand for a specific type of property that is being financed - specifically not only focusing on High Physical Support given the potential higher vacancy risk being taken by investors in this category.” – SDA Fund Manager

“Make sure you do your homework on the SIL provider(s) you are going to partner with and choose wisely! Some SIL providers talk a good talk, but when it comes to the point of committing, the Boards can sometimes baulk and this leaves you in a difficult position if you have structured the SDA in line with the SIL provider's clients.” – SDA Fund Manager

Pricing certainty

Respondents also identified risks related to government regulation and pricing related to SDA. One respondent indicated that having absolute certainty on SDA payments from government is the main challenge/barrier to investing in SDA at scale:

“At the moment, the SDA market remains a nascent one, and from an investment perspective, there remains uncertainty around pricing and how this might change over time.”

– SDA Fund Manager

The Federal Government is limited in its ability to provide greater pricing certainty. Essentially, a government cannot bind future governments – but short of crossing that line, the current government has provided as much certainty as possible. For example, the Department of Social Services has published the basis on which prices are calculated.⁷² This measure attempts to demonstrate that the circumstances which would lead to a price reduction are reasonably unlikely.

⁷² DSS (2019). 'Review of the SDA Pricing and Payments Framework: COAG Disability Reform Council Response to Recommendations.' https://www.dss.gov.au/sites/default/files/documents/02_2019/disability_reform_council_response_to_recommendations.pdf

Location factors

The SDA price for a particular dwelling depends on the location of the dwelling. The location factors applied in SDA pricing are based on Australian Bureau of Statistics (ABS) Statistical Area 4 regions.⁷³ One respondent stated:

"We would change location factors to correctly reflect the cost of providing accommodation in areas such as most of Sydney. This is significantly reducing choice of participants to live close to communities and family." – SDA Fund Manager

Social risks

The social risks associated with SDA identified by respondents related to understanding the needs of potential tenants, potential tenants who are vulnerable languishing in inappropriate housing waiting for NDIA approval processes and the need for rigorous and authentic impact measurement. One survey respondent emphasised the need for counterparties to have a deep knowledge of the specific market they are building SDA for.

"Ensure you invest in a project on behalf of participants and not assume that if you build, they will come." – SDA Investor

One respondent identified a significant social risk associated with the delays in NDIA processes to approve funding SDA and other supports in the NDIS plans of potential tenants.

"Vulnerable Australians still reside in inappropriate accommodation notwithstanding the fact that new, purpose built housing is available today with more coming online." – SDA Investor

Another respondent identified the need for a great focus on the measurement of impact.

"As investors who focus on the positive impact of our assets, we were particularly keen to engage with impact 'measurement' and 'management' in this space. It quickly became clear that it's challenging to measure the positive impact of investments in SDA with a focus on the ultimate goals - improving choice and control for tenants - with rigour and authenticity. Impact investors looking to focus on the space should be aware of this in advance rather than seeking to overlay comprehensive reporting metrics onto SDA providers/SILs, which may actually inadvertently make service delivery slower and more challenging." – SDA Investor

⁷³ NDIA (2020). 'SDA Price Guide.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments>

SDA market development

Respondents reflected on the enormous potential of the emerging SDA market to create a new asset class and deliver housing for people with disability at scale. The SDA market is experiencing some of the teething issues that are normal for this stage of market development. Along with the risks associated with investing in individual projects, SDA investors are also aware of the risks associated with the SDA market as a whole.

These risks include scaling too quickly or players seeking outsized returns at the expense of housing quality:

“It has been impressive to see the SDA market develop. It is now at a point where it needs to mature and quality standards need to be really clearly articulated and delivered on. Scaling too quickly risks standards slipping and the sector not being able to attract institutional capital. Similarly, returns focused investors who do not focus on building quality SDA stock risk bringing broader reputational risk to the sector. We see there being pending challenges around the SIL budgets and think a coherent consideration of SIL provision, including pressure on the funding envelope, is one of the key challenges for the overall NDIS provisions. If SDA providers can engage in this challenge openly it would be beneficial.” – SDA Fund Manager

“The space is constantly evolving and [a] flexible approach is required. The willingness of government and the NDIA to engage with the sector is a significant positive. There are many good providers in the market but still many opportunists but it feels like a sustainable industry is developing.” – SDA Fund Manager

The rising NDIS expenditure on support within SDA (called Supported Independent Living (SIL)) is a significant risk to the sustainability of the NDIS. The average annual cost of SIL is \$325,000 per person and is increasing.⁷⁴ There has been a 34% increase in the average cost of SIL in the past 7 quarters. The SDA market has a significant opportunity to address the rising SIL bill by fostering innovation and developing contemporary models of housing and support that incorporate smart home technology and are designed to maximise independence and reduce reliance on paid supports. Many of the financial risks and uncertainties identified by respondents need to be addressed in order for the SDA market to transition from infancy to maturity:

“The asset class at this stage is still unproven for large scale institutional capital. This is driven by an emerging regulatory environment, unclear tax policy framework, questions around real participant supply, and also the fragmented nature of underlying projects that affects investment scalability. This is not unusual for an emerging industry but should be an area of focus that, if resolved, could help stimulate significant institutional capital to the sector.” – SDA Investor

Respondents reported that the emerging SDA market requires investors to spend more time, effort and resources to make an informed decision about investing:

“The SDA market is still finding its rhythm, and new models and approaches are constantly being developed to provide finance at scale. It's always positive to have more people developing new investment approaches, but it has resulted in a lot of 'false precision' for investors about how investments can/should be made... Investors need to cut through this, because ultimately they have a responsibility to finance the most appropriate dwellings. This just takes time, research and work.” – SDA Fund Manager

⁷⁴ NDIA (2020). 'COAG Disability Reform Council Quarterly Report: 30 June 2020.' <https://www.ndis.gov.au/media/2610/download>

Investor appetite

Despite many of the issues raised by active investors in the SDA market, most respondents are looking to make further investments in SDA. The survey asked: “If a diverse and high-quality pipeline of new SDA was available to invest in, what scale of capital would you like to invest in SDA in 2021 (calendar year)?” Two investors were unsure about further investment in SDA in 2021. Other respondents indicated that they would look to invest between \$25-400 million in SDA in 2021. The total capital from all respondents was over \$1.2 billion with an average of \$283 million for respondents planning to invest. However, investors emphasised the need for a diversified and high-quality pipeline of SDA properties.

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?
- Do you have a substantial portfolio of investments with the capacity to diversify further and deploy capital to an emerging asset class that is dependent on government regulation and pricing?

Vacancy Risk Management

Finding suitable tenants

Only 26% (\$185 million) of the projected \$700 million per annum of SDA payments is allocated in the plans of NDIS participants.⁷⁵ Four years after the release of SDA policy and payments, SDA providers and investors anticipated that there would be 28,000 informed and empowered people with disability with resources from SDA payments that would enable them to explore and choose from a range of housing options and providers.

The NDIA directs participants to 2 leading online platforms in Australia that support two-sided matching for housing seekers and housing providers in the SDA market.⁷⁶ Both the Housing Hub⁷⁷ and Nest⁷⁸ list vacancies and obtain information about the housing needs and preferences of housing seekers. However, in the current market, these platforms alone are not enough to fill vacancies in new SDA dwellings. NDIS participants are generally marginalised and many of the people who are eligible for SDA need skilled support and capacity-building to explore, consider and document their specific housing and support needs and preferences.

The experience of most SDA providers to date is that significant resources are required to find suitable tenants and support them to get the SDA and SIL they need in their NDIS plans in order for them to move into new SDA properties. Over the past year, the Summer Foundation's Tenancy Matching Service has matched over 180 NDIS participants to new SDA dwellings. The cost to the Summer Foundation for finding suitable tenants has ranged from \$6,000 – \$16,000 depending on the geographical location, housing project and established channels for finding potential tenants.



⁷⁵ NDIA (2020). 'SDA Enrolled Dwellings and NDIS Demand Data.' Appendix P, Table P.6. Data available at: <https://data.ndis.gov.au/data-downloads>

⁷⁶ NDIA (2020). 'SDA Vacancy Matching Platforms.' <https://www.ndis.gov.au/participants/housing-and-ndis/sda-vacancy-matching-platforms>

⁷⁷ Available at: <https://www.housinghub.org.au/>

⁷⁸ Available at: <https://gonest.com.au/>

Perpetuation of third line forcing

In order to mitigate their vacancy risk, some SDA providers, perhaps encouraged by their investors, are partnering with SIL providers to fill property vacancies. In some cases, the SIL provider provides a partial or complete “guarantee” that vacancies will be filled. This practice results in third line forcing. Third line forcing is defined by the ACCC as “a business will only supply goods or services, or give a particular price or discount, on the condition that the purchaser buys goods or services from a particular third party. If the buyer refuses to comply with this condition, the business will refuse to supply them with goods or services.”⁷⁹ In the SDA market context, this is when the SDA provider pre-selects the SIL provider and only allows participants to move into SDA properties if they accept services from the chosen SIL provider. At best, this ongoing practice diminishes choice and control for NDIS participants. At its worst, the practice may impact the quality of service delivery to people living in the SDA property. This model effectively enables traditional SIL providers to continue with a “block funded” style of service provision. This outdated practice is unlikely to be an effective strategy for vacancy management in the long run. Once NDIS participants are more aware of the range of housing and support options available, they are likely to choose housing options that enable more choice and control over who supports them.

An SDA tenant’s perspective on models of support provided in SDA

An SDA tenant was asked if they could change one thing about SDA, what would it be:

“I would limit the model of supports that SDA providers could use. I would see to it that SIL was only used as backup - concierge, and I believe there are ways this could be done in all SDA design categories. I would also make it that a SIL company could only be selected by the tenants themselves. If an SDA provider insists that they select the SIL company prior to them even selecting tenants, then I would want to limit the number of times an SDA provider could collaborate with a single SIL provider.

Supports are so vital in the life of a person with a disability and it’s extremely important that they are comfortable with what supports are in place. For them to be able to live their best independent life, it is required that they have the one that provides them with the best support, choice and flexibility. Every SDA tenant needs to have a say in who gives them that support. As for limiting SDA and SIL collaborations, too many projects would lead to a conflict of interest and would stifle any growth either company could have.” – SDA Tenant

⁷⁹ Australian Competition & Consumer Commission (2020) ‘Exclusive dealing’ <https://www.accc.gov.au/business/anti-competitive-behaviour/exclusive-dealing>

SDA Market Stewardship and Infrastructure

In order for a mature SDA market to develop in Australia, which meets the needs of investors, tenants and the NDIA, steps must be taken to carefully steward the market by increasing information and developing infrastructure. Some of the most important steps are discussed below.

Engaging SDA-eligible participants

A targeted strategy is needed to find, engage, inform and build the capacity of the 28,000 NDIS participants eligible for SDA. The Housing Hub team at the Summer Foundation is implementing a national engagement campaign to support people with disability and those around them to “believe better is possible.” Many people eligible for SDA funding are not aware of SDA or that it is even an option. We need a campaign to reach these people and spark their interest in finding out more and learning about available housing options.

Improving information and resources

NDIS participants urgently need high-quality information, resources and capacity building to transition from recipients of welfare to informed and empowered consumers in an SDA market. Information and resources for NDIS participants about housing and support needs to be co-designed for and by people with disability. Innovation is best guided by NDIS participants. Most NDIS participants need significant support to develop a housing aspiration that supports independence and community inclusion. The Housing Hub team at the Summer Foundation has developed workshops that are designed and facilitated by people with disability who have been through an SDA housing search and approval process. There are 3 workshops for 3 groups of market participants being Housing Seekers, Support roles and Providers to support people with disability to understand their housing options and then articulate their housing needs and preferences.

Collecting SDA demand data

Detailed information about the housing and living preferences of participants will enable SDA providers to deliver homes which support participant goals and are consistent with emerging trends. The new version of the Housing Hub has a broader range of features including the capture of more detailed data on the housing needs and preferences of housing seekers.⁸⁰ By June 2021, the Housing Hub will start releasing regular reports containing demand data. The NDIA is also “committed to continuing to increase SDA market data as the market becomes more mature and the quantity of available data improves”.⁸¹

⁸⁰ Available here: <http://housinghub.org.au/>

⁸¹ NDIS SDA data available here: <https://www.ndis.gov.au/news/5514-latest-specialist-disability-accommodation-data-now-available>

Collecting SDA supply data

A new process for SDA enrolment will allow developers to obtain certification from qualified third-party assessors of proposed dwellings from the design-stage in order to improve investor certainty. The NDIA will also collate this information and release data to inform the market of the pipeline of SDA under development.⁸² The NDIA will obtain data about SDA certified at the design stage from July 2021. Some initial data about the pipeline of SDA under development is likely to be available from the NDIA in late 2021. The Summer Foundation will continue to implement and publish SDA supply surveys to document the pipeline of SDA and review the need for this survey when this data is routinely available from the NDIA.⁸³ In addition to this, the Summer Foundation will continue to survey SDA investors in order to better understand their perspective and barriers to investing in the SDA market.

Building an evidence base about tenant outcomes and impact

Research is needed to better understand the outcomes of NDIS participants moving into innovative housing and the impact of the built form, technology and support. La Trobe University is working with 15 industry partners on a national study to measure the outcomes and impact of new build SDA. One aim of the study is to develop a minimum data set that is feasible for SDA and SIL providers to use to routinely measure tenant outcomes. This research will also develop a practical outcome measurement tool to enable ongoing quality improvement and an iterative innovation process. The project will work with financial institutions and investors to use the knowledge generated from the research to develop practical and meaningful impact measures for investors and impact funds. The SDA market has the potential to provide a unique opportunity in Australia for impact investment at scale that demonstrates systematic and transparent measurement of social outcomes and financial growth.

Increasing the range of housing options

The NDIA has committed to develop a Home and Living policy, which will assist future direction and provide clarity to some of the issues raised in this paper in relation to choice and control. The NDIA states that one of the agency's strategic goals is to "support the development of greater choice in living options for people with disability, and work with the market to provide competitive market supply".⁸⁴ The NDIA is also encouraging Individualised Living Options "as an alternative to traditional group homes". Specifically, it also pledges to support "Young Persons in Residential Aged Care to live elsewhere".

⁸² NDIA (2019). 'Special Disability Accommodation (SDA) Design Standard Implementation Plan.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-design-standard>

⁸³ Summer Foundation and Social Ventures Australia (2020). 'Specialist Disability Accommodation Supply in Australia' <https://www.summerfoundation.org.au/documents/specialist-disability-accommodation-supply-in-australia/>

⁸⁴ NDIA (2020). 'National Disability Insurance Scheme Corporate Plan 2020-2024.' <https://www.ndis.gov.au/about-us/publications/corporate-plan>

Timely SDA decisions and payments

The NDIA has committed to processing applications for all supports associated with housing and accommodation issues together and more quickly, and to a more streamlined application process for SDA.⁸⁵ While the NDIA is clearly working on its systems and processes, to date, the SDA provider experience is that the time the NDIA takes to determine the outcomes of SDA and support applications continues to be a major contributor to vacancies. Over the past couple of months, some potential tenants in new SDA properties have been told that they are ineligible for SDA either over the phone or via emails that provide virtually no information about the rationale for the determination. This has left vulnerable people who have been waiting for up to 12 months distressed and without the information they need to determine if they should appeal the decision. There is significant room for improvement in order to achieve more streamlined and transparent SDA processes and communication. Hopefully, the new SDA systems and processes currently being established will also result in the accurate and timely payment of SDA payments to SDA providers. Teething issues with the payment of SDA to providers has caused some SDA providers unnecessary financial stress. Genuine and open collaboration between the agency, providers, investors, participants and other stakeholders with a central focus on tenant outcomes has enormous potential to strengthen the processes and ensure a viable and responsive market.

SDA tenants' perspectives - navigating the journey to SDA

"If I could change one thing about the current SDA market, [it would be] for the policy and process to be more streamlined and not so difficult for people to access or complex to follow."

– SDA Tenant

"In May of last year I talked with the Tenancy Matching Service team to tell them what I wanted and to help me find a place that was suitable. I told them I wanted complete control of my support workers. They asked me where I wanted to live. I said the city, but I thought there was no way. This is when they told me about a new apartment building that was being built in Docklands that was exactly what I was after. I couldn't believe it. The Tenancy Matching Service team helped me with filling in the application and gave me some advice on SDA. I then started the process to get all the necessary paperwork ready for my SDA application. It took a while to get everything together but in September I submitted my application to the NDIS to get SDA in my plan. I knew SDA would be a critical part of my next house move so I started the process before I was even offered a house. In December, whilst I was out Christmas shopping, I received a phone call informing me that I had receive a conditional offer for Docklands, subject to getting SDA. I was already confident I had met the eligibility criteria to receive SDA. However, you need to keep on top of the NDIA case with the progress of your assessment. Mine took 9 months and it was with me checking in with them weekly."

– Jono, SDA Tenant⁸⁶

⁸⁵ NDIA (2020). 'National Disability Insurance Scheme Corporate Plan 2020-2024.' <https://www.ndis.gov.au/about-us/publications/corporate-plan>

⁸⁶ Summer Foundation (2020) 'Finding Our Way Home: Navigating the Journey to SDA. Annual Public Forum 12 November 2020. <https://www.summerfoundation.org.au/event/annual-public-forum-2020/>

Increasing choice of who tenants can live with

New legislation and processes within the NDIA have increased flexibility in living options for people with disability, for example the choice to share your SDA dwelling with family or friends, if you are eligible for SDA.

Applying the SDA Design Standards

The NDIA has released the SDA Design Standards, which codify the requirements for SDA dwellings that must be met in order to receive enrolment.⁸⁷ These new design standards will come into effect and apply to SDA enrolled after June 2021. With the release of the new standards, a third-party assessment program has been rolled out by the appointed training provider, Access Institute.⁸⁸

The new SDA Design Standards based on AS1428 will require SDA to have additional floor space with larger bedrooms, bathrooms and more circulation space and shower curtains instead of a shower screen. There is some risk that the SDA Design Standards will result in dwellings that have a more institutional feel and are less “homelike.” One significant advantage of the previous design requirements was that SDA providers were able to build adaptable apartments that had an alternate use and could readily be leased or sold to the general public as a last resort.

Strengthening the SDA Reference Group

The SDA Reference Group was established to support the development of the SDA market and provision of SDA supports under the NDIS.⁸⁹ The SDA Reference Group meetings involved discussing and providing feedback and advice on particular matters brought to the group by the NDIA. The group has largely been a forum for the dissemination of information to SDA stakeholders. To date, the SDA Reference Group has been largely ineffective in identifying and clarifying major challenges to the development of a diverse and flourishing SDA market and developing potential solutions. An Expression of Interest process was recently implemented to establish a new, leaner reference group. Hopefully, the next iteration of the SDA Reference Group will establish a forum for constructive conversations and authentic collaboration, focused on joint solutions.

⁸⁷ NDIA (2019). ‘Specialist Disability Accommodation Design Standard.’ <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-design-standard>

⁸⁸ Available at: <https://accessinstitute.com.au/events/category/courses/>

⁸⁹ NDIA (2019). ‘Specialist Disability Accommodation Reference Group.’ <https://www.ndis.gov.au/about-us/reference-group-updates/sda-reference-group>

Investment Principles and Due Diligence Considerations

Investors typically complete a significant amount of due diligence on the financial model associated with impact investment opportunities. At present, most impact investors in Australia are content to know that the intent of their investment is to have a positive social impact and to identify the beneficiaries of the impact investment. Following are a set of principles for impact investors to consider to determine the likelihood of a positive social return on their investment in SDA.

Impact investments are most powerful when the positive social return they generate makes the fundamental investment a better one. This is the power of impact investing. By focusing on these principles, impact investors will improve the likelihood of a positive social return, and potentially mitigate future vacancy risk by building more attractive SDA homes. This vacancy risk mitigation approach may be most valuable once the SDA market is mature and there are a greater range of housing and support options.

There are 5 areas that require due diligence for investors that are interested in a measurable social return as well as a financial return. Due diligence includes focusing on the properties, quality of dwellings, process of tenant selection, disability support arrangements and the duration of the impact.

1. **Properties**

Location: SDA housing projects funded are located close to accessible public transport, supermarkets, cafes, pharmacies and other amenities in order to foster the social and economic participation of tenants. The proposed SDA project fills an identified gap in the SDA market in terms of location, dwelling type and the model of support provided.

Contemporary housing model: If the property is a shared dwelling, there should be a maximum of 3 SDA tenants. A separate bathroom should be provided for each SDA tenant. The design should incorporate sufficient private and communal areas to foster independence and enable privacy for social interaction with friends and family.

Safety: The dwelling has fire sprinklers installed. Tenants in apartment buildings have access to at least 2 lifts. In the event of one lift being out of order, tenants can access another lift to get in or out of their home. SDA providers have policies and protocols to ensure safe quality alternative accommodation is made available for residents in the event that both lifts are inoperable.

Inclusive design: Dwellings are integrated into a larger mainstream housing development rather than segregated. The local neighbourhood and common areas in a residential development are accessible to tenants using a wheelchair.

2. **Quality of dwellings**

Contemporary housing design and quality: Housing design is aesthetic and incorporates modern domestic design features. Dwellings do not contain finishes and fixtures that provide an institutional or “facility” like feel. Housing is delivered by an experienced and reputable contractor with a track record of delivering quality housing without material defects.

Tenant outcomes: The housing and/or the support provider measures the outcomes of tenants to inform innovation and iteratively improve the built design, technology and support provided in new SDA.

3. **Process of tenant selection**

Given the imperative to lease properties as soon as they are ready, it may seem counterintuitive for investors to preference projects that offer potential tenants a range of housing options from different SDA providers. However, people with disability are more likely to be long-term and stable tenants if they are well matched to a property and have made an informed decision based on the range of SDA available.

Choice of housing provider: Tenant selection process enables potential tenants to choose between a range of SDA providers, housing projects and dwellings.

Choice of co-tenants: Tenants can choose to live alone or live with people without disability. Tenants who live with other people (either with a disability or without) have a say in who they live with.

4. **Support**

The quality of support provided is critical to the outcomes of the tenants living in new SDA. Engaging tenants as much as possible in the selection of their disability supports is critical to mitigating vacancy risk in SDA properties. Exploring the contractual arrangements between the SDA provider, disability support (SIL) provider and tenants will assist to determine if there is a heightened vacancy risk. Tenants may have to move out if they are unhappy with the quality of the support provided.

Choice of support provider: Some models enable tenants to choose the provider of their core supports (i.e. the individual support provided to them for everyday activities such as personal care or grocery shopping) and have a say in the provider of shared supports (i.e. SIL).

Choice of support workers: Some providers involve tenants in the recruitment of the support workers that provide their core supports. Some support providers also have a way for tenants to trigger a review or change workers if required.

Individualised support: Some support providers enable tenants to tailor supports to fit with their preferred routine and way of living and being in their home and community. Other support providers deliver an older, institutional style of support, which is incompatible with dwellings designed to maximise independence and autonomy.

Independent support coordinators: Support coordinators assist to ensure that NDIS participants have the mix of supports they need to achieve their goals. Given the inherent conflict of interest, a support coordinator employed by an NDIS participant's support provider and/or housing provider is unlikely to assist them to choose from all the housing and support options available from a range of providers. A tenant's support coordinator should be independent of their support and housing provider.

5. **Duration of Impact**

Tenure: Quality investment opportunities will deliver long-term secure tenure to NDIS participants and permanently contribute to the growth of SDA stock. The SDA provider and their financiers have the capacity to make a long-term commitment to the asset class.

Maintenance and improvement of dwellings: There is allowance in the financial model for maintenance and improvements that is sufficient to enable the property to maintain its market appeal. Over a 20-year horizon, this is likely to include the refurbishment of kitchens and bathrooms in addition to funding some modifications for new tenants.

Appendix D contains some suggested due diligence questions for investors.

Conclusion

Prior to the NDIS and the SDA market, housing and support for people with disability was a welfare model where people with disability were expected to be grateful recipients of whatever housing was offered to them. In a market-based system, the NDIS invests in people with disability with the aim of maximising their independence and community inclusion, and reducing the long-term liability of the scheme. As the SDA market develops, it will turn the welfare culture within the disability service systems on its head. People with disability will become informed and empowered consumers. Innovation and the housing stock built will be increasingly driven by the perspectives, outcomes and insights of people with disability.

As an emerging market, SDA has enormous potential to provide both long-term stable returns to investors, while also meeting the housing needs of people with disability. The emerging SDA market is well suited to sophisticated investors with a substantial portfolio looking to diversify and interested in a long-term investment with stable returns and a social impact. However, like any investment opportunity, there are a range of risks that require careful due diligence. Risks include property vacancy, certainty on pricing and government regulation, and the quality and experience of counterparties. Rigorous research is needed on any SDA investment opportunity with additional focus on counterparties, vacancy risk management and the operating model. This report provides an outline of investment principles and questions to support investors considering SDA investment opportunities. These principles relate to the properties, the quality of the new dwellings, the tenant selection process, disability support and ensuring that the investment is set up for a long-term positive social impact.

The SDA market has the potential to stimulate world-class innovation in disability housing and support that incorporates smart home technology and is cost-effective and evidenced based. Given the annual cost of the support provided in the dwellings (SIL) is over \$8.3 billion (SDA is 2.3% of SIL), even a relatively small improvement in the outcomes of tenants living in new SDA designed to maximise independence has the potential to dwarf the investment made by the NDIS in SDA. The SDA market provides a unique opportunity to demonstrate how the provision of good quality housing designed to maximise independence and autonomy has the potential to reduce reliance on paid supports and the long-term liability of the NDIS. Establishing a rigorous evidence base regarding tenant outcomes and the impact on paid supports over the next 5 years also has the potential to justify the expansion of SDA beyond the initial 28,000 NDIS participants.

Appendices

Appendix A: Timelines for the establishment of the NDIS and the SDA market

Appendix B: Desktop scan of SDA investment opportunities

Appendix C: SDA investor survey

Appendix D: Due diligence questions for SDA impact investors

Appendix E: Contributors

Appendix A: Timelines for the establishment of the NDIS and the SDA market

The table below provides a summary of the and key milestones, references, media coverage and announcements related to the establishment and development of both the NDIS and the SDA market.

Date	Milestone/Activity	Purpose
December 2006	The United Nations adopted the <i>Convention on the Rights of Persons with Disabilities</i> . ⁹⁰	Article 19 of the Convention affirmed the equal rights of people with disabilities to live in the community, including "the opportunity to choose their place of residence and where and with whom they live on an equal basis with others".
April 2008	The Federal Government announced the establishment of the Disability Investment Group. ⁹¹	The group would explore innovative funding ideas from the private sector that would help people with disability and their families access greater support and plan for the future.
September 2009	The Disability Investment Group handed down its report, 'The Way Forward - A New Disability Policy Framework for Australia'. ⁹²	The report recommended (i) a comprehensive NDIS to deliver care and support for life for people with severe and profound disability using an individualised and lifelong approach; including reform of state-based insurance schemes to include all traumatically injured people; (ii) a strong income support system that facilitates people with disabilities who cannot support themselves through work, to live in dignity; and (iii) a range of measures to facilitate increased private expenditure.
Nov 2009	The Federal Government announced a Productivity Commission investigation. ⁹³	The Commission investigated the feasibility of new approaches for funding and delivering long-term disability care and support.
July 2011	The Productivity Commission submitted its report, 'Disability Care and Support'. ⁹⁴	The report recommended replacing the current disability system with a new disability care and support scheme, the National Disability Insurance Scheme (NDIS). The report includes funding for the "cost of capital" for housing for 6% of NDIS participants at an annual cost of \$700 million.
August 2011	The Federal Government committed to the introduction of the NDIS. ⁹⁵	Following the release of the Productivity Commission's report, the Government announced that it would 'start work immediately ... [to] build the foundations for a National Disability Insurance Scheme.'
November 2012	The Summer Foundation launched the first Housing Demonstration Project in Abbotsford, Victoria. ⁹⁶	The Summer Foundation and the Transport Accident Commission purchased six accessible apartments within a mixed-use apartment complex in inner Melbourne and leased them to NDIS participants.
July 2013	The <i>National Disability Insurance Scheme Act 2013 (Cth)</i> came into effect. ⁹⁷	The Act established the National Disability Insurance Scheme Launch Transition Agency (known as the National Disability Insurance Agency or NDIA) to implement the scheme.
October 2015	The Summer Foundation launched the Social Finance Think Tank. ⁹⁸	The think tank brought together experts from finance, law, housing, and philanthropy to develop a model of social finance for the Summer Foundation innovative model of housing and support.

⁹⁰ UN (2006). 'Convention on the Rights of Persons with Disabilities.' United Nations Department of Economic and Social Affairs. <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html>

⁹¹ Shorten, B. (2008) 'Government announces Disability Investment Group.' https://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/5855690/upload_binary/5855690.pdf;fileType=application%2Fpdf#search=%22media/pressrel/5855690%22

⁹² Disability Investment Group (2009). 'The Way Forward - A New Disability Policy Framework for Australia.' https://www.dss.gov.au/sites/default/files/documents/05_2012/dig_report_19oct09.pdf

⁹³ Rudd, K., Macklin, J., and Shorten, B. (2009). 'Media Release.' <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22media/pressrel/9IAV6%22>. See also, Buckmaster, L., and Klapdor, M. (2010) 'Funding Support for People with Disability', in *Parliamentary Library Briefing Book: Key issues for the 43rd Parliament*. <https://www.aph.gov.au/binaries/library/pubs/briefingbook43p/briefingbook43rd.pdf>

⁹⁴ Productivity Commission (2011). 'Disability Care and Support.' <https://www.pc.gov.au/inquiries/completed/disability-support/report>

⁹⁵ Gillard, J., Macklin J., Shorten, B., and McLucas, J. (2010). 'Productivity Commission's Final Report into Disability Care and Support.' <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22media/pressrel/990336%22>

⁹⁶ Fyffe, C. (2015). 'Learnings from the Abbotsford Housing Demonstration Project – 2012-2013.' Summer Foundation Ltd. https://www.summerfoundation.org.au/wp-content/uploads/2015/11/Abbotsford-Report_lowres.pdf

⁹⁷ Australian Federal Government (2013). *National Disability Insurance Scheme Act (Cth)*. <https://www.legislation.gov.au/Details/C2013A00020>

⁹⁸ Winkler, D., Reynolds, A., Klein, L., & McLeod, J. (2015). 'Housing for young people in nursing homes: A report from a Social Finance Think Tank.' Summer Foundation. https://www.summerfoundation.org.au/wp-content/uploads/2015/11/social_think_tank_report_oct_2015.pdf

Nov 2015	The Coalition of Australian Governments (COAG) Disability Reform Council endorsed the 'Specialist Disability Accommodation Pricing and Payments Framework'. ⁹⁹	The Framework set out initial pricing and payments guidance for the funding of SDA under the NDIS. The SDA Framework applied for the period 1 July 2016 to 30 June 2021.
April 2016	The NDIA released a draft position paper on SDA pricing and payments. ¹⁰⁰	The NDIA sought stakeholder feedback on proposed 'benchmark pricing, pricing structures and the rules and administration arrangements' for SDA.
May 2016	The Joint Standing Committee on the NDIS released its report on accommodation for people with disabilities, and the Government responds. ¹⁰¹	The report made six recommendations regarding building accessibility, affordability, assessing and supporting proposals for disability accommodation, and funding availability and models. The Government agrees to five of the six recommendations.
June 2016	The NDIA published the 'SDA Decision Paper on Pricing and Payments'. ¹⁰²	This paper set out the Agency's final decisions in relation to initial SDA Benchmark Pricing and Payments. It explained that SDA "will be developed and provided by the market in response to demand from participants. The Agency will not be a property developer or project sponsor, but will provide payments for the SDA that participants choose to live in, allowing the market to directly respond to their needs and preferences. As the market matures and supply grows, the Agency expects greater choice for participants and diversity in the options that are available to them".
May 2016	The Summer Foundation launched the second Housing Demonstration Project in the Hunter Region, New South Wales. ¹⁰³	The Summer Foundation purchased 10 fully accessible apartments designed for people with disability peppered throughout a 110-unit private development. In addition, a standard additional apartment was purchased in the complex to house 24/7 on-site support staff, pioneering the 10+1 SDA model.
June 2017	The Summer Foundation established a sister entity, Summer Housing. ¹⁰⁴	Summer Housing is an SDA provider and aims to replicate and scale the two Housing Demonstration Projects, and to commission 300 apartments by 2022.
July 2017	The NDIA released the 'NDIS Price Guide: Specialist Disability Accommodation'. ¹⁰⁵	The guide set out the prices and payments for particular SDA types and locations, including allowances for features and details on design categories and building types.
Aug 2017	PricewaterhouseCoopers and the Summer Foundation released the report, 'NDIS Specialist Disability Accommodation: Pathway to a Mature Market'. ¹⁰⁶	The report provided a vision of a mature, properly functioning disability housing market as well as described key elements needed to achieve maturity. The report also shared lessons learned from other markets, some related (community housing) and some not (financial deregulation) and what to look out for as the SDA market matures.
February 2018	The Summer Foundation released a report on insights gleaned from the two Housing Demonstration Projects. ¹⁰⁷	The report shared insights for key accessibility, adaptability and technology features included in the project apartments, as well as practical elements of what is involved in creating housing projects that are suitable for people with complex needs and eligible for SDA payments.
April 2018	The NDIA published the 'SDA Provider and Investor Brief'. ¹⁰⁸	The brief was the first in a series of planned communications to enable provider and investor understanding of the SDA market.

⁹⁹ DSS (2015). 'Specialist Disability Accommodation Pricing and Payments Framework.' <https://www.dss.gov.au/disability-and-carers-programs-services-government-international-disability-reform-council/specialist-disability-accommodation-pricing-and-payments-framework>

¹⁰⁰ NDIA (2016). 'Specialist Disability Accommodation: Position Paper on Draft Pricing and Payments.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments#sda-pricing-and-payments-framework>

¹⁰¹ Joint Standing Committee on the NDIS (2016). 'Accommodation for People with Disabilities and the NDIS.' https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Disability_Insurance_Scheme/JNDIS-44th/NDIS_accommodation/Report; and, DSS (2017). 'Response to the Joint Standing Committee on the NDIS Report.' https://www.dss.gov.au/sites/default/files/documents/10_2017/accessible_response_-_jsc_inquiry_accommodation_for_people_with_disabilities.pdf

¹⁰² NDIA (2016). 'Specialist Disability Accommodation: Decision Paper on Pricing and Payments.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments#sda-pricing-and-payments-framework>

¹⁰³ Summer Foundation (2015) 'Hunter Housing Demonstration Project.' <https://www.summerfoundation.org.au/our-focus/housing/housing-prototypes/hunter-housing-demonstration-project/>

¹⁰⁴ Summer Housing (2017). 'About Us.' <https://summerhousing.org.au/about-us/>

¹⁰⁵ NDIA (2017). 'NDIS Price Guide: Specialist Disability Accommodation.' <https://www.ndis.gov.au/media/1043/download>

¹⁰⁶ PricewaterhouseCooper and Summer Foundation (2017). 'NDIS Specialist Disability Accommodation: Pathway to a Mature Market.' <https://www.summerfoundation.org.au/wp-content/uploads/2017/08/pwc-summer-foundation-sda-market.pdf>

¹⁰⁷ Reynolds, A. (2017). 'Establishing Effective SDA Projects.' Summer Foundation. <https://www.summerfoundation.org.au/wp-content/uploads/2018/02/establishing-effective-sda-projects-web.pdf>. See also, Ryan, S., Reynolds, A., (2015). 'New Housing Options for People with Significant Disability – Design Insights.' Summer Foundation. https://www.summerfoundation.org.au/wp-content/uploads/2015/nho_design_report.pdf

¹⁰⁸ NDIA (2018). 'SDA Provider and Investor Brief.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-provider-and-investor-brief>

September 2019	The Joint Standing Committee on the NDIS handed down its report, 'Market Readiness for Provision of Services Under the NDIS.' ¹⁰⁹	The report found that there were barriers to growing the SDA market, including a lack of demand data, restricted choices for NDIS participants, and a lack of clear information for potential investors.
November 2018	The NDIA released the 'NDIS Market Enablement Framework.' ¹¹⁰	The framework outlined the 'market stewardship role,' of the NDIA, which aims to build a competitive marketplace that responds to the choices and preferences of NDIS participants.
December 2018	KPMG handed down its report on the 2015 SDA Pricing and Payments Framework. ¹¹¹	The review of the Framework was commissioned by the COAG Disability Reform Council and found that the SDA market was still developing - NDIS participant understanding of SDA was increasing, but supply and choice remained limited.
July 2018	Summer Housing released its first annual report. ¹¹²	The report outlined Summer Housing's successful commissioning of 30 new SDA, with another 110 in the pipeline.
Nov 2018	The Australian Financial Review published an article on the emerging SDA market. ¹¹³	The article reported on the increased level of investment in what was expected to become a \$5 billion housing class.
Nov 2018	Impact Investing Australia released a report on investment opportunities. ¹¹⁴	The report discussed the rapid growth of impact investment globally and in Australia, including in SDA.
February 2019	The COAG Disability Reform Council responded to the review of the SDA Pricing and Payments Framework. ¹¹⁵	The Council agreed to the recommendations in the KPMG report, in the interest of ensuring the "long-term viability of SDA for participants, providers and investors".
February 19	The Federal Government announced reforms to SDA policy. ¹¹⁶	The Minister for Families and Social Service stated at the opening of a Summer Housing SDA development that, "The Government is introducing immediate changes to improve choice and control for eligible NDIS participants, build market confidence and drive stronger investment in Specialist Disability Accommodation ... These reforms will stimulate construction and supply of SDA properties, creating more diverse accommodation options for NDIS participants ... The Federal Government is committed to removing barriers to investment, increasing market information and providing greater pricing certainty to investors in this crucial early stage of the SDA market".
February 2019	The Federal Government established the Specialist Disability Accommodation Reference Group. ¹¹⁷	The group comprised key investors and government stakeholders, as well as disability services and housing providers. It supported the development of the SDA market, and aimed to increase choice and control for participants, as well as the long-term viability of SDA investments under the NDIS
March 2019	Summer Housing increased its stock of accessible housing. ¹¹⁸	The housing provider purchased 20 SDA apartments for \$10 million at two mixed-used developments in Canberra built by Geocon, as well as further apartments in Sydney.
March 2019	Social Ventures Australia and the Summer Foundation released the second SDA supply report. ¹¹⁹	The report provided the findings of a 2018 national survey of 55 SDA providers. It found that there were 1,518 SDA places in development in Australia at the time, with the most activity in NSW, Victoria and South Australia.

¹⁰⁹ Joint Standing Committee on the NDIS (2018). 'Market Readiness for Provision of Services Under the NDIS.'

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/National_Disability_Insurance_Scheme/MarketReadiness/Report

¹¹⁰ NDIA (2018). 'National Disability Insurance Scheme Market Enablement Framework.' <https://www.ndis.gov.au/news/996-new-framework-ensure-ndis-provider-markets-are-available-participants>

¹¹¹ KPMG (2018). 'Specialist Disability Accommodation Pricing and Payments Framework Review.' https://www.dss.gov.au/sites/default/files/documents/02_2019/sda-framework-review-08022019.pdf

¹¹² Summer Housing (2018). 'Annual Report: 2017/2018.' <https://summerhousing.org.au/wp-content/uploads/2019/04/SH-AR-2018-web-final-3.pdf>

¹¹³ Lenaghan, N. (2018). 'Institutional Investors Head Into \$5b Disability Housing Sector.' <https://www.afr.com/property/institutional-investors-head-into-5b-disability-housing-sector-20181120-h183mr>

¹¹⁴ Addis, R., Michaux F., and McCutchan S. (2018) 'Scaling Impact: Blueprint for Collective Action to Scale Impact Investment in and from Australia.' Impact Investment Australia. <https://impactinvestingaustralia.com/wp-content/uploads/2020/06/Scaling-Impact.pdf>

¹¹⁵ DSS (2019). 'Review of the SDA Pricing and Payments Framework: COAG Disability Reform Council Response to Recommendations.' https://www.dss.gov.au/sites/default/files/documents/02_2019/disability_reform_council_response_to_recommendations.pdf

¹¹⁶ NDIA (2019). 'Governments Take Action to Increase Specialist Disability Accommodation.' <https://www.ndis.gov.au/news/1448-governments-take-action-increase-specialist-disability-accommodation>

¹¹⁷ NDIA (2019). 'Specialist Disability Accommodation Reference Group.' <https://www.ndis.gov.au/about-us/reference-group-updates/sda-reference-group>

¹¹⁸ Doherty, M. (2019). 'Disability Housing Provider Buys Geocon Apartments for \$10 Million.' *The Canberra Times*. <https://www.canberratimes.com.au/story/5992750/disability-housing-provider-buys-geocon-apartments-for-10-million/>; Kolimar, E. (2019). 'Shire Housing Expansion for People with a Disability as Summer Housing Project Grows at Kirrawee.' *The Leader*. <https://www.theleader.com.au/story/6107306/shire-housing-expansion-for-people-with-a-disability/>; and, Kolimar, E. (2018). 'Property Developer Peity THP Aims to Address Disability Living Shortage With New Rockdale Apartments.' *The Leader*. <https://www.theleader.com.au/story/5799647/new-rockdale-apartments-aim-to-address-disability-living-shortage/>

¹¹⁹ Social Ventures Australia and the Summer Foundation (2019). 'Specialist Disability Accommodation Supply in Australia.' <https://www.summerfoundation.org.au/documents/specialist-disability-accommodation-supply-in-australia/>

April 2019	The Federal Government announced the establishment of the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability. ¹²⁰	<p>The Commission's Terms of Reference aimed to:</p> <ul style="list-style-type: none"> • Prevent, and better protect, people with disability from experiencing violence, abuse, neglect and exploitation • Achieve best practice in reporting and investigating of, and responding to violence, abuse, neglect and exploitation • Promote a more inclusive society that supports the independence of people with disability and their right to live free from violence, abuse, neglect and exploitation
July 2019	Summer Housing released its second annual report. ¹²¹	The housing provider reported that in the previous year it has commissioned 160 accessible apartments around Australia.
August 2019	Christian Super invested \$40 million into the Brightlight Real Estate Impact Fund. ¹²²	The fund initially aimed to build 25 SDA through provider DPN Casa Capace.
September 2019	Living Bright Australia and LBA Capital are accused of defrauding Korean investors by claiming to be building SDA. ¹²³	Korean investment house JB Asset Management alleged in the Victorian Supreme Court that an Australian company that received \$395 million of investor funds was not an SDA provider, despite claiming to be one.
October 2019	The NDIA released the 'SDA Design Standard.' ¹²⁴	The new standard aimed to provide greater clarity of design requirements for all new SDA. It also requires that as of 1 July 2021, all new applications for SDA enrolment must include certification listing one of the nominated design categories: 1. Improved Liveability; 2. Robust; 3. Fully Accessible; or, 4. High Physical Support.
October 2019	The NDIA released the 'SDA Innovation Plan.' ¹²⁵	The plan outlined the steps the NDIA would take to encourage innovation in SDA, based on three pillars: placing participants at the centre of innovation and design; establishing an evidence base; and increasing the range of supports for participants through individualised funding.
March 2020	Social Ventures Australia and the Summer Foundation released the third SDA supply report. ¹²⁶	The report provided the findings of a 2019 national survey of over 50 SDA providers. It found that there were 1,766 SDA places in development in Australia at the time.
April 2020	Hesta, Suncorp, and the Paul Ramsay Foundation invested in the Synergis Fund. ¹²⁷	The fund, established by Social Ventures Australia and Federation Asset Management, aimed to raise \$600 million to invest in SDA across Australia.
June 2020	The COAG Disability Reform Council released the revised 'SDA Pricing and Payments Framework.' ¹²⁸	The framework explained the pricing and payment arrangements for SDA, and also aimed to "provide long-term certainty for participants, providers and infrastructure investors about the enduring nature of SDA under the NDIS".
June 2020	The NDIA published the new 'SDA Operational Guideline.' ¹²⁹	The guideline was intended as a plain-language explainer of SDA for NDIS participants and housing providers.
June 2020	The <i>National Disability Insurance Scheme (Specialist Disability Accommodation) Rules 2020 (Cth)</i> came into effect. ¹³⁰	The new SDA rules gave NDIS participants more choice and flexibility, including the ability to live with spouses, children, and other non-SDA funded persons.

¹²⁰ DSS (2019). 'Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability.' <https://www.dss.gov.au/disability-and-carers-royal-commission-into-violence-abuse-neglect-and-exploitation-of-people-with-disability/royal-commission-into-violence-abuse-neglect-and-exploitation-of-people-with-disability-fact-sheet?HTML>. Updates and interim reports from the Royal Commission are available here: <https://disability.royalcommission.gov.au/>

¹²¹ Summer Housing (2019). 'Annual Report: 2018/2019.' <https://summerhousing.org.au/2018-2019-summer-housing-annual-report/>

¹²² Bleby, M. (2019). 'Specialist Disability Accommodation Gets \$40m Boost.' *Australian Financial Review*. <https://www.afr.com/property/commercial/specialist-disability-accommodation-gets-40m-boost-20190807-p52eu5>

¹²³ Danckert, S. (2019). 'Questions Over NDIS Role for Company at Centre of Alleged Fraud.' *The Sydney Morning Herald*. <https://www.smh.com.au/business/banking-and-finance/questions-over-ndis-role-for-company-at-centre-of-alleged-fraud-20190920-p52t86.html>

¹²⁴ NDIS. (2019). 'Specialist Disability Accommodation Design Standard.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-design-standard>

¹²⁵ NDIA (2019). 'SDA Innovation Plan.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-innovation-plan>

¹²⁶ Social Ventures Australia and the Summer Foundation (2020). 'Specialist Disability Accommodation Supply in Australia.' <https://www.summerfoundation.org.au/documents/specialist-disability-accommodation-supply-in-australia/>

¹²⁷ Bleby, M. (2020). 'Hesta, Suncorp, Paul Ramsay Foundation Back Disability Housing Fund.' *Australian Financial Review*. <https://www.afr.com/property/commercial/hesta-suncorp-paul-ramsay-foundation-back-disability-housing-fund-20200429-p54o2o>; and, Social Ventures Australia and Federation Asset Management (2020). 'Synergis Fund.' <https://www.synergisfund.com.au/fund>

¹²⁸ DSS (2020). 'Specialist Disability Accommodation Pricing and Payments Framework.' https://www.dss.gov.au/sites/default/files/documents/06_2020/sda-pricing-and-payments-framework.pdf

¹²⁹ NDIA (2020). 'Specialist Disability Accommodation Operational Guideline.' <https://ourguidelines.ndis.gov.au/supports-you-can-access-menu/home-and-living-supports/specialist-disability-accommodation>

¹³⁰ NDIA (2020). 'More Choice and Flexibility for SDA.' <https://www.ndis.gov.au/news/4865-more-choice-and-flexibility-sda>. Full legislation available here: <https://www.legislation.gov.au/Details/F2020L00769>

June 2020	The Responsible Investment Association Australasia released its 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020'. ¹³¹	The report found that at the end of 2019 there was \$19.9 billion in Australian investment products, a tripling in value in two years. The average annualised return across the investment products was 5.3%, and the potential demand from investors could rise to \$100 billion within five years.
July 2020	The NDIA released the new 'SDA Price Guide 2020-21'. ¹³²	The guide explained the payment rules that applied for SDA, including price limits based on housing type and location.
August 2020	The Ramsay Foundation and Conscious Investment Management invested \$48 million into SDA through the Impact Fund. ¹³³	The multi-asset fund included investment in SDA, through housing providers like Summer Housing.
September 2020	The NDIA released its Corporate Plan for 2020-24. ¹³⁴	In the plan, the Agency committed to: <ul style="list-style-type: none"> • Encouraging Individualised Living Options as an alternative to group homes • Increasing the flexibility in living options for SDA-eligible participants • Processing applications for housing and accommodation supports more quickly • Standardising the application process for SDA • A national SDA-matching website showing all available properties
September 2020	The Federal Government released the 'YPIRAC Strategy 2020-25'. ¹³⁵	The new strategy was governed by a Joint Agency Taskforce that includes the Departments of Health and Social Services, alongside the NDIS. It outlined measurable targets with explicit timeframes, including: <ul style="list-style-type: none"> • No people under the age of 65 entering aged care by 2022 • No people under the age of 45 living in aged care by 2022 • No people under the age of 65 living in aged care by 2025
October 2020	Journalists highlighted some possible issues arising from the SDA market. ¹³⁶	The articles reported on the rapidly expanding SDA market, and highlighted issues such as the possible conflicts of interest that occurs when the SDA provider is also the SIL provider, or the rise of 'dodgy operators who may attempt to take advantage or scam well-intentioned Australians' by inflating possible returns on investment for SDA.
October 2020	The NDIA listed the Housing Hub and Nest as SDA vacancy matching platforms. ¹³⁷	The platforms listed available SDA in Australia, and allowed NDIS participants to search by support funding, accommodation funding, accommodation type, duration and living arrangements.
October 2020	The NDIA announced the release of new supply and demand data for the SDA market. ¹³⁸	The release of this new data was "part of the NDIA's commitment to publish additional SDA data for participants and the sector. It supports participants and providers to understand not only the current SDA supply but where the demand for SDA is greatest, and where there are opportunities to increase SDA supply".

¹³¹ Michaux, F., Lee, A., and Jain, A. (2020). 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020.' Responsible Investment Association Australasia. <https://responsibleinvestment.org/wp-content/uploads/2020/06/Benchmarking-Impact-2020-full-report.pdf>

¹³² NDIA (2020). 'SDA Price Guide.' <https://www.ndis.gov.au/providers/housing-and-living-supports-and-services/housing/specialist-disability-accommodation/sda-pricing-and-payments>

¹³³ Lenaghan, N. (2020). 'Powerbrokers Make Impact in Disability Accommodation.' *The Australian Financial Review*. <https://www.afr.com/property/residential/powerbrokers-make-impact-in-disability-accommodation-20200817-p55miz>; and, Conscious Investment Management (2020). 'The Impact Fund.' <https://www.consciousinvest.com.au/investment/>

¹³⁴ NDIA (2020). '2020-2024 Corporate Plan.' <https://www.ndis.gov.au/about-us/publications/corporate-plan>

¹³⁵ DSS (2020). 'Younger People in Residential Aged Care: Strategy 2020-25.' https://www.dss.gov.au/sites/default/files/documents/09_2020/dac_younger-people-residential-aged-care_20092020.pdf

¹³⁶ Hardarker, D., and Schultz, A. (2020). 'Government Guarantees Fuel Disabled Homes Investment Rush With Double-Digit Returns.' *Crikey*. <https://www.crikey.com.au/2020/10/09/sda-honey-pot/>; and, Harkdarker, D. (2020). 'The Disability Provider, the Ex-Minister and the Government-Fuelled Gold Rush.' *Crikey*. <https://www.crikey.com.au/2020/10/08/disability-accommodation-provider-michael-keenani/>

¹³⁷ NDIA (2020). 'SDA Vacancy Matching Platforms.' <https://www.ndis.gov.au/participants/housing-and-ndis/sda-vacancy-matching-platforms>

¹³⁸ NDIA (2020). 'Latest Specialist Disability Accommodation Data Now Available.' <https://www.ndis.gov.au/news/5514-latest-specialist-disability-accommodation-data-now-available>; Data available here: <https://data.ndis.gov.au/data-downloads>

Appendix B: Desktop scan of SDA investment opportunities

Aim

The aim of this scan was to identify and document the range of entities looking to raise funds to build SDA.

Method

A Google search was conducted from October-November 2020, using a combination of the following search terms: 'SDA'; 'Specialist Disability Accommodation'; 'disability housing'; 'NDIS housing'; AND 'invest'; 'investment'; 'fund'. Only results within Australia, and which offered genuine investment opportunities, rather than media articles commenting on the market, or official NDIS reports, were included.

Findings




This desktop scan does not constitute a recommendation or endorsement of any of the listed entities. Some of the entities and people are well known to the authors because they are investing in Summer Housing and 2 authors are directors of Summer Housing.

	Entities that have invested in Summer Housing
	Organisations known to Summer Foundation
	Organisations with some information available publicly
	Organisations with limited information available publicly

Desktop scan of SDA investment opportunities

Organisation	Fund Name	Date of IM	SDA Providers	Named individuals	Associated entities	Date started
Macquarie¹	NA	-	Summer Housing		Macquarie Specialised Accommodation Solutions - Macquarie hold all these assets on their own balance sheet and as yet are not technically a fund manager	
<u>Lighthouse Infrastructure²</u>	Lighthouse Infrastructure Fund Trust	-	Summer Housing BlueCHP Compass Housing	Peter Johnston Mitch King James Hooper	LGIAsuper	2018
<u>Conscious Investment Management³</u>	The Impact Fund	Sep-20	Summer Housing	Adam Gregory Matthew Tominc	Paul Ramsay Foundation APS Foundation Crestone	Apr 2019
<u>Social Infrastructure Investment Partners⁴</u>	Synergis Fund	Nov-20	Illowra Projects SDA Australia Group Good Housing Chapter 2 Access 2 Place	Michael Lynch Jason Walter Cameron Brownjohn	Social Ventures Australia Federation Asset Management HESTA Paul Ramsay Foundation Suncorp	Dec 2019
<u>Brightlight Impact⁵</u>	Brightlight Real Estate Impact Fund	-	DPN Casa Capace	Samuel Richards Tim Macready	Christian Super The Northcott Society	Est. Mid-2019
<u>Australian Unity⁶</u>	Australian Unity Specialist Disability Accommodation Fund	Feb-20	Housing Choices Australia	Ryan Banting	Guardian Living Annecto Melba	Apr 2020
<u>Spring FG</u>	Specialist Residential Property Impact Fund	Apr-20	SDA Liveable Homes	Keith Cullen	MSI Funds Management Limited Spring FG Funds Management Pty Ltd	Mar 2019
<u>SDA Platinum Invest</u>	SDA Platinum Invest	Apr-20	SDA Platinum Homes	Craig Cameron Bernie Ripoll		Apr 2019
<u>Inspire Impact</u>	Inspire Impact Property Fund (x 3 funds)	Sep-20	Zenitas Disability Housing Solutions Mi Haven Vera Living	Irene Vidaller Andrew Tyndale	Aruma Mercy Care Southern Cross Quest Care National Community Care AbbaCare Healthcare Australia	Dec 2018
<u>DomaCom Australia</u>	DomaCom Fund NDIS SDA 3 BR HPS Campaign	Dec-20		Arthur Naoumidis	Disability Property Trusts	Dec 2019
<u>Inclusive Housing Australia (Leftfield Social Housing + Achieve Australia)</u>			Inclusive Housing Australia Achieve Australia	Greg Paramor	Paramor Group	Mid 2019
<u>Arena⁷</u>	Arena REIT	May-19	SACare	Rob de Vos		Feb 2019

KEY

 Entities that have invested in Summer Housing
  Organisations known to Summer Foundation
  Organisations with some information available
 Note: This desktop scan does not constitute a recommendation or endorsement of any of the listed entities.

¹ Lenaghan, N. (2018) 'Institutional investors head into \$5 billion disability housing sector' <https://www.afr.com/property/institutional-investors-head-into-5b-disability-housing-sector-20181120-h183mr> Macquarie Group Annual Report 2020 <https://www.macquarie.com/assets/macq/investor/reports/2020/Macquarie-Group-FY20-Annual-Report.pdf>

² Lenaghan, N. (2020). 'Arena launches into disability housing sector with Adelaide deals' <https://www.afr.com/property/commercial/arena-launches-into-disability-housing-sector-with-adelaide-deals-20190218-h1bekw> Lenaghan, N. (2020). 'Powerbrokers make impact in disability accommodation' <https://www.afr.com/property/reforms-to-ndis-funded-specialist-disability-accommodation-to-boost-investment-20190207-h1az1n>

³ Lenaghan, N. (2020). 'Powerbrokers Make Impact in Disability Accommodation.' The Australian Financial Review. <https://www.afr.com/property/residential/powerbrokers-make-impact-in-disability-accommodation-20200817-p55miz>

⁴ Bleby, M. (2020). 'Hesta, Suncorp, Paul Ramsay Foundation Back Disability Housing Fund.' Australian Financial Review. <https://www.afr.com/property/commercial/hesta-suncorp-paul-ramsay-foundation-back-disability-housing-fund-20200429-p54o2o> and, Social Ventures Australia and Federation Asset Management (2020).

⁵ Bleby, M. (2019). 'Specialist Disability Accommodation Gets \$40m Boost.' Australian Financial Review. <https://www.afr.com/property/commercial/specialist-disability-accommodation-gets-40m-boost-20190807-p52eu5>


⁶ Lenaghan, N. (2020). 'Australian Unity raises for disability housing fund' <https://www.afr.com/property/residential/australian-unity-raises-for-disability-housing-fund-20200415-p54k0u>

⁷ <https://www.afr.com/property/commercial/arena-reit-builds-disability-housing-portfolio-20190521-p51pp4>

Organisation	Fund Name	Date of IM	SDA Providers	Named individuals	Associated entities	Date started
<u>Property Investment Company</u>	N/A	N/A	SDA Manage Australia (SDAMA)	Maurice Watson		
<u>SDA Housing Investments</u>	N/A	N/A	SDA Housing Investments	Barry Rice Chris Carmody		
<u>True Wealth Property</u>	N/A	N/A				
<u>Horizon Property Alliance</u> ⁸	N/A	N/A	Horizon SDA	Michael Knights	Horizon SDA	
<u>Disability Homes Investments</u>	N/A	N/A	NDISP	Kevin		
<u>Financial Advisers Australia</u>	N/A	N/A	SDA Smart Homes			
<u>NDIS Property Investment</u>	N/A	N/A			WAI Group	
<u>Property Professionals of Australia</u>	N/A	N/A		Peter Ingram	Aruma, Life without Barriers, Access industries and CPL	
<u>Nieuvision</u>	N/A	N/A		Nick Nieuwenhoven		
<u>properT network</u>	N/A	N/A	SDA Manage Australia (SDMA)			
<u>WAI Group</u>	N/A	N/A				
<u>JSA Property</u>	N/A	N/A	SDA Manage Australia (SDMA)	Stewart Cochrane		
<u>NDIS Investing</u>	N/A	N/A			Gray Holdings Trust	
<u>SDA Smart Homes</u>	N/A	N/A	SDA Smart Homes	David Beard	The Disability Housing Centre	
<u>National Disability Housing Group</u>	N/A	N/A				
<u>Positive Investment Australia</u>	N/A	N/A		Gerard McHugh		
<u>High Income Property Prosperity Solutions</u>	N/A	N/A	SDA Manage Australia (SDAMA)			
<u>Home Loan Experts</u>	N/A	N/A				
<u>NDISP</u>	N/A	N/A	NDISP			
<u>Triple Zero Property Group</u>	N/A	N/A				

⁸ <https://www.yourinvestmentpropertymag.com.au/news/ndis-housing-as-a-promising-investment-258024.aspx>



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 Organisations with limited information available publicly

Note: This desktop scan does not constitute a recommendation or endorsement of any of the listed entities.

Organisation	Investors type	Returns*	Size of raise	Min. investment	SDA Location	Fund Structure
Macquarie	Institutional					
<u>Lighthouse Infrastructure</u>	Wholesale	N/A	over \$200 million	\$25 million	Australia-wide	Open-ended
<u>Conscious Investment Management</u>	Wholesale or institutional only	7-11%	No defined amount	\$500,000	Australia-wide	Diversified impact investment fund that includes SDA. Open-ended
<u>Social Infrastructure Investment Partners</u>	Sophisticated and institutional only	10-11%	Currently \$45m committed with intention to scale to \$1 billion over 5 years	\$1,000,000	Investing Australia wide across the full matrix of SDA eligible properties. Projects committed, underway or completed in NSW, Vic, Qld & SA	Open-ended with 5 year liquidity windows
<u>Brightlight Impact</u>		7.8% ⁹	Est. \$40 million			10 year fund closing in 2029
<u>Australian Unity</u>	Wholesale or institutional only	10%	\$39 million Targeting \$150m - \$250M in 3 years	\$500,000 (may accept less)	Diverse with Victorian seed assets and national pipeline of all property types	10 year term
<u>Spring FG</u>	All types of investors	8.25%	\$100 million	\$25,000	Australia-wide	3 year min investment
<u>SDA Platinum Invest</u>	Sophisticated investors. Wholesale or retail	10-14% ¹⁰	\$2 million	\$20,000	Brisbane and Melbourne will be the medium term focus.	Ongoing
<u>Inspire Impact</u>	Sophisticated investors	8-10%	Fund 1 \$11.5 million Fund 2 \$13.5 million Fund 3 \$30.0 million		QLD, ACT and SA	7 year fund
<u>DomaCom Australia</u>	All types of investors	9.50%	\$886,675	\$2,200	QLD	
<u>Inclusive Housing Australia (Leftfield Social Housing + Achieve Australia)</u>	Wholesale only	10%	\$12 million equity \$8 million debt		NSW	
<u>Arena</u>	This is listed on the ASX	6.5%	\$24 million		Houses in SA	Arena has a Real Estate Investment Trust which holds the properties run by SA Care

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	Entities that have invested in Summer Housing		Organisations known to Summer Foundation		Organisations with some information available
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
* Advertised returns (%) After fees and before tax

⁹ Nothing on the website. AFR article states 7.8% gross yield

¹⁰ Range applies depending on how much is invested

Organisation	Investors type	Returns*	Size of raise	Min. investment	SDA Location	Fund Structure
<u>Property Investment Company</u>	Direct investment in a whole SDA Property. Not via a fund.	12-18% ¹¹	N/A	N/A	Houses	N/A
<u>SDA Housing Investments</u>		11%	N/A	N/A	Houses in QLD	N/A
<u>True Wealth Property</u>		10%	N/A	N/A	Houses in VIC, NSW, QLD	N/A
<u>Horizon Property Alliance</u>		>10%	N/A	N/A	Houses	N/A
<u>Disability Homes Investments</u>		10-12%	N/A	N/A	N/A	N/A
<u>Financial Advisers Australia</u>		14-22%	N/A	\$35,000	N/A	N/A
<u>NDIS Property Investment</u>		8-10%	N/A	N/A	VIC, NSW, WA	N/A
<u>Property Professionals of Australia</u>		11%	N/A	N/A	Houses	N/A
<u>Nieuvision</u>		10-14%	N/A	N/A	N/A	N/A
<u>properT network</u>		12-16%	N/A	N/A	Australia wide	N/A
<u>JSA Property</u>		11-18%	N/A	25,000	QLD	N/A
<u>NDIS Investing</u>		10-14%	N/A	\$85,000	N/A	N/A
<u>SDA Smart Homes</u>		14%	N/A	N/A	3 tenants in a House	N/A
<u>National Disability Housing Group</u>		13.3-18.7%	N/A	N/A	2 resident house	N/A
<u>Positive Investment Australia</u>		8-17%	N/A	N/A	N/A	N/A
<u>High Income Property Prosperity Solutions</u>		12-18%	N/A	N/A	Houses	N/A
<u>NDISP</u>		10.50%	N/A	N/A	Houses	N/A
<u>Triple Zero Property Group</u>		15.60%	N/A	N/A	N/A	N/A
<u>Home Loan Experts</u>	Mortgage Broker		N/A	N/A	N/A	N/A
<u>WAIGroup</u>	Advisory	NA	N/A	N/A	N/A	N/A

KEY

 Organisations with limited information available publicly

Note: This desktop scan does not constitute a recommendation or endorsement of any of the listed entities.

* Advertised returns (%) After fees and before tax

Appendix C: SDA investor survey

Aim

The aim of this survey was to obtain the perspective of investors who are actively engaged in the SDA market.

Background

Feedback from stakeholders on the initial draft of the SDA Explainer for Impact Investors suggested that obtaining the perspectives of different stakeholders within the SDA market would be a valuable addition to the explainer.

Method

An email was sent to 10 SDA investors and fund managers inviting them to participate in an online survey. Participants were selected by the authors' knowledge of sophisticated investors in the SDA market and the desktop scan. The survey had an 100% response rate. One respondent was excluded because although they were in the final stages of due diligence on an SDA investment opportunity they were not yet an active investor in the SDA market.

Respondent characteristics

Respondents included 5 investors, 3 fund managers and a financier. The scale of capital invested in SDA to date ranged from \$15 million to over \$200 million. The total amount invested in SDA was over \$700 million with an average of over \$76 million per respondent. Between them, investors and fund managers were financing 13 SDA providers and housing for over 1,200 people.

Appendix D: 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 will 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, they do not 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?

Appendix E: Contributors

Thank you to the following people who provided input, feedback and suggestions for this report:

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Impact Investing & Social Enterprise: *Paul Ramsay Foundation*

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Head of Government Relations & Policy: *Summer Foundation*

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Lived Experience Workshop Facilitator: *Summer Foundation*

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Director – Investment Solutions: *Brightlight Group Pty Ltd*

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Chief Executive Officer: *Summer Housing*

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Head of Alternative Investments: *JBWere*

Jacob Edwards

Senior Manager, Impact Finance: *Bank Australia*

Jeremy Burke

Head of Product & Strategy: *Impact Investing Australia*

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