A new sub-sector: Specialist Disability Accommodation

While the core of most infrastructure portfolios has remained reasonably constant over time, dominated by PPPs, utilities and transport infrastructure assets such as ports, toll roads and airports there are a range of non-core infrastructure opportunities that arise from time to time. These range from mobile phone towers, tank storage facilities, hospital carparks, registry businesses and rail rolling stock leasing. A new sector to emerge in Australia is specialty disability accommodation (SDA).

SDA is specialist residential accommodation for disabled people. A core element of the National Disability Insurance Scheme (NDIS) is a move to provide disabled people with more choices over their accommodation. In particular, more residential style accommodation with less focus on large institutional facilities. SDA will be distributed through residential neighbourhoods and provide greater opportunities for disabled people to have broader social and economic engagement within the community.

There is a chronic shortage of SDA. For example, the Productivity Commission estimates there is a national requirement for 28,000 high care places against a stock of 16,000 places. This shortfall sees over 6,000 young people living in aged care homes (as this may be the only place they can access the high levels of support they need) and a further 5,800 in inappropriate care arrangements. Many disabled people are dependent on their aging parents for care – creating a further need for SDA once their parents are no longer able to provide full time support.

Part of the NDIS is to respond to this requirement for SDA and to harness institutional capital for the funding of SDA (historically SDA has been provided by the States and the not for profit sector). To facilitate this the NDIS provides for a system to subsidise the provision of SDA. Interestingly for infrastructure investors, the subsidy framework has drawn on the regulation of utilities, with subsidies calculated based on a weighted average cost of capital (WACC) applied to the estimated capital cost (both land and building).

This is a significant departure from other social housing approaches, as subsidies are not linked to market rents of residential properties. This is important because the residential rental market is dominated by individual investors, with very different return expectations (and motivations) than institutional investors.

This is a new space with few transactions to date but one to watch as it is likely to grow substantially over the decades ahead given the substantial supply shortfall facing the sector.