

NDIA SDA Pricing Review 2022-23

Technical Report – Exit Costs

Reliance Restricted

29 March 2023 | Final Report

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Ernst & Young (“EY”) was engaged on the instructions of National Disability Insurance Agency (“NDIA”) to assist in undertaking technical research and analysis to support the Specialist Disability Accommodation (“SDA”) Pricing Review (“Project”), in accordance with the contract dated 26 September 2022.

The results of Ernst & Young’s work, including the assumptions and qualifications made in preparing the report, are set out in Ernst & Young’s report dated 29 March 2023 (“Report”). The Report should be read in its entirety including this notice, the applicable scope of the work and any limitations. A reference to the Report includes any part of the Report. No further work has been undertaken by Ernst & Young since the date of the Report to update it.

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Our conclusions are based, in part, on the assumptions stated and on information from both publicly available information and other sources used during the course of the engagement. The modelled outcomes are contingent on the collection of assumptions as agreed with NDIA and no consideration of other market events, announcements or other changing circumstances are reflected in this Report. Neither Ernst & Young nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of errors in this Report arising from incorrect information provided by the NDIA or other information sources used.

The analysis and Report do not constitute a recommendation on a future course of action.

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1 Executive Summary

Purpose and Findings

Purpose

Ernst & Young (“EY”) has been engaged by the National Disability Insurance Agency (“NDIA”) to assist in undertaking technical research and analysis to support the Specialist Disability Accommodation (“SDA”) Pricing Review. This report will examine exit costs as a key input to assist the NDIA in developing new SDA benchmark prices. Further information on the SDA Pricing Review can be found on the NDIS website ([NDIS website](#)).

Findings

- ▶ There is not yet any real market evidence available to inform building loss on sale of SDA assets (for alternative use as private residential).
- ▶ The historic pricing model used by NDIA assumes a “loss on sale” assumption in year 20, for the building component (excluding land) of -20% to -40%, in addition to the straight-line depreciation of the building component over 60 years. Notably, a higher loss on sale of approximately -43% to -65% is applied by NDIA to the Robust and High Physical Support design categories for each of the building typologies.
- ▶ Upon expiry of the initial “New SDA” funding period of 20 years, an SDA property is likely to retain useful economic life due to the nature of its original design and layout (i.e. large, accessible floorplates). Specialist elements specific to SDA, such as automation and technology, will naturally depreciate at a faster rate which the historic “loss on sale” assumption appears to consider.
- ▶ Market research did not identify varying building loss on sale assumption on a geographic basis, however these have been identified on a building typology and design category basis.
- ▶ The updated building costs for SDA assets were analysed to identify any additional estimated costs associated with the automation and technological elements within the properties as a basis to inform the “loss on sale” assumption as outlined within Table 1.
 - ▶ Improved Liveability (“IL”) and Fully Accessible (“FA”) are considered to reflect no additional estimated building loss on sale over and above the typical straight line depreciation applied within SDA Pricing Model at year twenty (considering a useful building life of sixty years).
 - ▶ The Robust design category is considered to incorporate a 10% estimated building loss on sale.
 - ▶ The High Physical Support design category is considered to incorporate a 10% estimated building loss on sale for apartments and 20% for all other building typologies.

Refer to Section 4 of this report for a detailed overview.

Table 1 below represents the “loss on sale” assumption used within the Model.

Table 1: Estimated Building Loss on Sale

Building Type	Beds	Historic Assumption ¹	New Input (by Design Category)			
			IL	FA	Robust	HPS
Apartment	1	20%	0%	0%		10%
Apartment	2	20%	0%	0%		10%
Apartment	3	20%	0%	0%		10%
Villa / Duplex / Townhouse	1	40%	0%	0%	10%	20%
Villa / Duplex / Townhouse	2	30%	0%	0%	10%	20%
Villa / Duplex / Townhouse	3	35%	0%	0%	10%	20%
House	2	30%	0%	0%	10%	20%
House	3	35%	0%	0%	10%	20%
Group Home	4	30%	0%	0%	10%	20%
Group Home	5	40%	0%	0%	10%	20%

Source: SDA Pricing Model / EY Market Research

1. A higher estimated loss on sale of approximately 43% to 65% is applied to the Robust and High Physical Support design categories for each of the building typologies within the Historic SDA Pricing Model.

- ▶ The historic pricing model incorporates an allowance for Buying Costs which include stamp duty, conveyancing and other buying costs within the exit fees. Buying costs as an exit fee are not applicable and should be removed and accounted for as a land cost in the model.
- ▶ The historic assumption of 3.0% for selling costs provides a reasonable allowance for advertising, legal and other selling costs as indicated by the research range of 1.75% to 3.25%.

Table 2 below represents the Total Estimated Transaction Cost assumptions used within the Historic and new Models.

Table 2: Total Estimated Transaction Costs

Assumption	Historic Input	New Input
Stamp Duty	4.0%	n/a
<i>Plus</i> Conveyancing and other buying costs	0.3%	n/a
<i>Equals Total Estimated Buying Costs</i>	4.3%	n/a
Real estate agent commission	2.5%	2.5%
<i>Plus</i> Advertising, legal and other selling costs	0.5%	0.5%
<i>Equals Total Estimated Selling Costs</i>	3.0%	3.0%
Total Estimated Transaction Costs (Exit)	7.3%	3.0%

Source: SDA Pricing Model / EY Market Research

General Comments

-
- ▶ The market approach to terminal value differs to that of the SDA Pricing Model used by NDIA. The market generally assumes Terminal Value based on alternative use for private residential in year 20, or concurrent with the expiry of the initial 20 year funding period for “new SDA”. This is due to the significant difference between SDA funding used by NDIA and Market Rent.
 - ▶ The markets approach to assessing the Market Value for SDA property is heavily influenced by both the NDIA’s SDA funding model and Policy. Future changes to SDA Policy and Price by NDIA will have a direct impact on SDA Valuations (including valuation methodology). The commercial ramifications of future changes to the funding model or Policy to encourage new SDA development should also be considered in the context of completed SDA.
 - ▶ In general the valuation methodology and different operating models for SDA generate confusion in the market around how to assess the market value of SDA assets. Ultimately, the market will aim to align SDA valuation methodology with that of competing asset classes to improve comparison of investment opportunities.

2

Introduction

Background, Scope and Limitations

Background

EY has been engaged by the NDIA to assist in undertaking technical research and analysis to support the SDA Pricing Review. This report will examine exit costs as a key input to assist the NDIA in developing new SDA benchmark prices.

Exit costs form key assumptions with the SDA Pricing Model (“the Model”) in determining the terminal value of an SDA property at the end of the twenty year investment horizon and the exit fees associated with the sale of the property to the general market.

Scope

This report presents the findings from research and analysis on estimated exist costs for SDA in response to the below report scope provided by the NDIA.

- ▶ Estimate the loss in value that can be expected to occur on the conversion of an SDA property to general property at the end of an investment, including the extent to which this varies by Building Type and Size, Design Category and Region.
- ▶ Estimate the fees that are incurred on the sale of SDA properties, including the extent to which these fees vary by Building Type and Size, Design Category and Region.

Limitations

Based on the scope of work and the information available to us we have performed a like-for-like comparison. To enable this, certain assumptions have also been made. This Report is limited in time and scope, other more detailed reviews or investigations may identify additional issues or considerations than this Report has noted. The results of this work are limited by the availability and quality of data. The results of this work and procedures performed do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly EY does not express any form of assurance.

Our findings are based, in part, on the assumptions stated and on information from both publicly available information and other sources used during the course of the engagement. The modelled outcomes (where applicable) are contingent on the assumptions as agreed with the NDIA and no consideration of other market events, announcements or other changing circumstances are reflected in this Report. Neither Ernst & Young nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of errors in this Report arising from incorrect information provided by the NDIA and other information sources used.

The approach in assessing the Building Loss on Sale methodology is detailed below:

1. Historic Assumptions

- ▶ Identified the historic assumptions utilised by NDIA within the historic SDA Pricing Model including:
 - ▶ Building loss on sale; and
 - ▶ Exit fees on sale of property.
- ▶ Provided an overview of the historic methodology and the application of the assumptions within the SDA Pricing Model.

2. Collect and Process Data

- ▶ Key data points were collected from the following sources:
 - ▶ Building loss on sale
 - ▶ Obtained Quantity Surveyor (QS) construction cost estimates by building type and design category from our Benchmark Construction Cost Technical Report.
 - ▶ Identified existing reinstatement/renovation cost requirements.
 - ▶ Exit fees on sale
- ▶ Identified typical exit fee costs (sales commission, advertising and legal costs) through feedback from real estate agents, valuers, conveyancers and based on web based searches.

3. Analysis of Data and Key Findings

Building loss on sale

- ▶ Discussed the market approach to assessing terminal valuation methodology and how this compares to the SDA Pricing Model based off consultation feedback.
- ▶ Considered the suitability of the current approach and how this may change/develop over time.
- ▶ Identified the delta between the estimated construction cost of SDA properties as per our Benchmark Construction Cost Technical Report by building type and design category.
- ▶ Provided a benchmark range of building loss on sale by building type and design category (where applicable).

Exit fees on sale

- ▶ Consolidated data sources to identify applicable exit fees by building type, design category and region (where applicable).
- ▶ Considered the suitability of the current exit fees and how this may change/develop over time.

4 Building Loss on Sale

Historic Model – Building Loss on Sale Assumptions

Exit costs form key assumptions within the Model for determining terminal value (or residual value) of an SDA property at the end of the twenty year investment horizon. The terminal value is inclusive of any exit fees associated with a hypothetical sale of the property at this point.

- ▶ In order to determine the exit costs the following historic methodology and assumptions are adopted within the Model:
- ▶ The underlying land value of the SDA property is escalated by 2.4% per annum and the value of the original building improvements is depreciated in a straight line over 60 years (or 1.67% per annum).
- ▶ The terminal value (i.e. residual value at end of 20 years) is considered by the model as being the maximum of:
 - ▶ The underlying land value (escalated), plus a cost to return the site to vacant land assuming a \$50k demolition allowance; or
 - ▶ Land plus residual building value in year 20 (total asset value) less an additional building loss on sale (adopting a range of between 20% to 40% per Table 4) for the building component.
- ▶ Exit fees of 7.3% are then deducted from the assessed value.

The historic assumptions regarding building loss on sale were based on the following rationale and considerations:

Apartments – a 20% loss assumption was adopted considering the relatively adaptable design that allows an apartment to be reverted into the general market at an assumed relatively low cost.

Group Home – a 40% loss assumption was adopted for a five bedroom group home assuming the larger more institutional nature of group homes being less desirable in the general market.

The slightly greater reduction for 3 resident properties compared with 4 resident properties reflects the lower fit out quality assumed by quantity surveyors with higher wear and tear.

4 Building Loss on Sale

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Table 3 below represents the building loss on sale assumptions applied within the historic model.

Table 3: Historic Building Loss on Sale Assumption

Building Type	Bedrooms	Loss
Apartment	1	20%
Apartment	2	20%
Apartment	3	20%
Villa / Duplex / Townhouse	1	40%
Villa / Duplex / Townhouse	2	30%
Villa / Duplex / Townhouse	3	35%
House	2	30%
House	3	35%
Group Home	4	30%
Group Home	5	40%

Source: SDA Pricing Model

Notably, a higher estimated “loss on sale” of approximately -43% to -65% is applied to the Robust and High Physical Support design categories for each of the building typologies. The historic Model applies a maximum Building Value for resale in line with the Fully Accessible design category. Given Robust and High Physical Support SDA assets reflect a higher Building Value, the loss on sale is higher in comparison. There is no supporting rationale for this assumption within the SDA Pricing Model. Refer to **Annexure A – Building Loss on Sale** for additional analysis.

Building Loss on Sale - Findings

- ▶ There is not yet any real market evidence available to inform building loss on sale of SDA assets (for alternative use as private residential).
- ▶ Upon expiry of the initial “New SDA” funding period of 20 years, an SDA property is still likely to have a useful economic life due to the nature of its original design and layout (i.e. large, accessible floorplates). Certain elements specific to SDA, such as automation and technology, will naturally depreciate at a faster rate which the historic “loss on sale” assumption appears to consider.
- ▶ The updated building costs for SDA assets were obtained from our Benchmark Construction Cost Technical Report, and were analysed to identify variances between building types and design categories as outlined within **Annexure B - Building Loss on Sale Analysis**.
- ▶ Overall building costs vary significantly for SDA properties and are influenced by the Gross Floor Area (“GFA”) in addition to the specification requirements associated with each design category. On this basis, the building costs have been analysed on rate per square metre (“\$/SQM”) to isolate the size impacts on cost, albeit acknowledging the rates inherently incorporate economies of scale.
- ▶ Improved Liveability (IL) dwellings are typically larger than basic/standard dwellings across all building typologies. Whilst size is a key factor influencing overall cost, there are considered to be minimal technological elements that contribute to the cost variance. On this basis, we have considered IL dwellings across all building typologies would have no additional loss on sale over basic/standard dwellings and have adopted this as a base comparison for Fully Accessible, Robust and High Physical Support design categories.
- ▶ Fully Accessible (FA) dwellings reflected a cost variance of less than 5% from IL when analysed on a rate per square metre and reflected an overall 3% variance on average. The key cost differences between IL and FA are considered to be associated with the improved structural elements (i.e. reinforced ceiling joists and finishes) with minimal technological/automation elements influencing cost. Therefore, no additional loss on sale has been adopted over IL building typologies.
- ▶ On average Robust dwellings reflected a 9% cost increase over IL across building typologies when analysed on a rate per square metre. Notably, Robust dwelling sizes are mostly in line with IL dwellings across building typologies. Robust dwellings incorporate more technological elements such as standard of appliances, mechanical services and as such, we have adopted an overall estimated building loss on sale of 10% across the Robust design category.
- ▶ High Physical Support (HPS) dwellings reflected the highest cost variance of up to 20% when analysed on a rate per square metre against IL dwellings. This is largely attributed to the incorporation of greater allowances for appliances, electrical and mechanical services. On this basis a 10% estimated building loss on sale for apartments and 20% for all other building typologies has been adopted.

The building loss on sale assumptions applied within the Model compared to the Historic Model assumptions are outlined in Table 4 below.

Table 4: Building Loss on Sale- Historic Vs. New Inputs

Building Type	Beds	Historic Assumption ¹	New Input (by Design Category)			
			IL	FA	Robust	HPS
Apartment	1	20%	0%	0%		10%
Apartment	2	20%	0%	0%		10%
Apartment	3	20%	0%	0%		10%
Villa / Duplex / Townhouse	1	40%	0%	0%	10%	20%
Villa / Duplex / Townhouse	2	30%	0%	0%	10%	20%
Villa / Duplex / Townhouse	3	35%	0%	0%	10%	20%
House	2	30%	0%	0%	10%	20%
House	3	35%	0%	0%	10%	20%
Group Home	4	30%	0%	0%	10%	20%
Group Home	5	40%	0%	0%	10%	20%

Source: SDA Pricing Model / EY Market Research

1. A higher loss on sale of approximately 43% to 65% is applied to the Robust and High Physical Support design categories for each of the building typologies within the Historic SDA Pricing Model.

Pricing Model Assumption versus Market Assumptions

The Historic Model used by NDIA determines the terminal value of the SDA property at the end of the investment horizon as the maximum of either land value less demolition or land and building value less an allowance for additional building loss.

Market Approach

The market has established its own valuation methodologies for assessing SDA investments as Market Valuations have been required for mortgage security and financial reporting purposes.

SDA market valuation approaches are generally underpinned or derived from accepted methodologies used for more “traditional” or “core” specialised assets. The key difference is how SDA income is recognised and taken into consideration given the SDA income for “New SDA” is not available in perpetuity. As such, alternative use value is also considered as part of the valuation, as the potential return from a Private Residential (Market Rent) is likely to be significantly lower than the SDA price for New SDA.

The most common valuation approaches for the assessment of SDA income include the following:

- ▶ Discounted Cash Flow (“DCF”) analysis over 20 years to calculate the Net Operating Income (“EBITDAR”) from the property using the SDA price and costs.
- ▶ Year 20 Terminal Value (“TV”) is based on the alternative use value of the dwelling, typically private residential. The TV is calculated by assessing and inflating an existing alternative use value (private residential) or equivalent Market Rent today into the future capitalised at a terminal yield rate.
- ▶ The net cashflows are discounted at a market Discount Rate based on comparable property investments.

There are three predominant valuation approaches:

1. Discounted Cash Flow analysis over 20 years (with some compared over 40 years). The TV based on alternative use as Residential.
2. Capitalisation Approach based on a 20 year capitalisation rate (or commensurate with the remaining “new SDA” funding) applied to the SDA net income, plus the TV based on alternative use (Residential) discounted over 20 years.
3. Capitalisation Approach (Residential): Takes the capitalised income assuming a standard residential dwelling, plus the Net Present Value (“NPV”) of profit rent (over and above the residential rent) from the SDA headlease (where applicable).

Market Valuation Considerations

- ▶ Current market methodology recognises SDA funding over 20 years due to the existing funding rules and not into perpetuity. The SDA rules require significant capital expenditure at year 20 to maintain “New Build” SDA pricing.
- ▶ Some valuers have begun to adopt a perpetuity capitalisation rate / approach to assessing SDA (i.e. ignoring alternative use value) albeit this is not yet accepted by all financiers.
- ▶ Overall, a standardised and clear valuation methodology for SDA has still not been achieved. This is predominantly due to complexity of the SDA pricing methodology and policy rules.

5 Exit Fees on Sale

Historic Model Assumptions

The Exit Fee assumption within the Historic Model used by NDIA reflects the fees incurred by an owner when divesting an SDA property at the end of the investment horizon (20 years). The historic assumption of 7.3% used by NDIA reflects a percentage of the sale price (terminal value) and was based on Reserve Bank of Australia research as outlined within Table 5.

Table 5: Exit Fees - Historic Inputs

Assumption	Input
Stamp Duty	4.0%
<i>Plus</i> Conveyancing and other buying costs	0.3%
<i>Equals Total Estimated Buying Costs</i>	4.3%
Real estate agent commission	2.5%
<i>Plus</i> Advertising, legal and other selling costs	0.5%
<i>Equals Total Estimated Selling Costs</i>	3.0%
Total Estimated Transaction Costs	7.3%

Source: Reserve Bank of Australia Research Discussion Paper: Is Housing Overvalued RDP 2014-06

Key Considerations

- ▶ The historic Model used by NDIA incorporates a fixed assumption for Exit Fees of 7.3%, applied for all design categories and building types.
- ▶ The Exit Fee assumption incorporates a “Buying Cost” component comprising of stamp duty (4.0%) and conveyancing/other buying costs (0.3%). Whilst buying costs should be accounted for within the model, EY recommends the NDIA consider removing them from exit costs and instead reflecting them as a land or construction cost in the model.
- ▶ The Existing stamp duty assumption applies a fixed 4.0% fee across all design categories and building types. Each state and territory applies stamp duty at different rates albeit on a sliding scale increasing in line with the value of the asset.

Buying Costs

Stamp Duty

Stamp Duty is a tax applied by state and territory governments on the purchase of real estate. The Historic Model used by NDIA adopts a fixed **4.0%** allowance for stamp duty irrespective of region. We have provided stamp duty ranges for various states and territories based on asset values between \$250,000 to \$2,000,000 within Table 6. The indicative stamp duty rates are based on purchases for investment purposes and reflect a range between 1.4% to 5.5% with an average of 4.3%. Based on the asset value range, ACT reflects the lowest stamp duty with VIC reflecting the highest.

Conveyancing and Other Buying Costs

Conveyancing reflects the process of transferring legal ownership of an asset from a vendor to a purchaser and incorporates other buying costs including mortgage registration and transfer fees. The historic assumption within the Model used by NDIA incorporates these costs based on **0.3%** of the sale price.

Conveyancing

Based on our research, conveyancing fees typically range between \$800 - \$2,200 on a national basis, with higher value transactions incurring fees towards the higher end of the range. For the purposes of determining an appropriate percentage range we have adopted a range of \$1,000 to \$2,000.

Mortgage Registration Fee

Mortgage registration fees range from \$124 to \$209 on a national basis and are a fixed fee (i.e. are not influenced by the valuer of the transaction). Victoria has the lowest fees with Queensland reflecting the highest.

Government Transfer Fee

Government transfer fees are impacted significantly depending on the state or territory and the value of the transaction. Notably, New South Wales reflects the lowest government transfer fee of \$154 with South Australia reflecting the highest of \$18,151.

Comparison between the historic Model assumptions used by NDIA against market benchmarks are outlined in Table 6 below.

Table 6: Historic Model Assumptions vs Market Benchmarks

	Model		Market Benchmark	
	Historic	Min	Ave.	Max
Stamp Duty	4.0%	1.4%	4.3%	5.5%
<i>Plus</i> Conveyancing and other buying costs	0.3%	0.1%	0.4%	1.3%
Equals Total Estimated Buying Costs*	4.3%	2.0%	4.7%	6.2%

*Reflects the minimum/maximum ranges based on the overall total buying cost rather than the sum of the minimum/maximum of each component.

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

Key Findings

Each state and territory apply their own rates of stamp duty and other buying costs largely associated with the transaction value of an asset. Based on our research, total buying costs range between 2.0% to 6.2% with an average of 4.7% on a national basis.

The Historic Model incorporates buying costs as an exit fee, which we recommend be removed. Instead the NDIA could consider accounting for buying costs as a land cost in the model.

Refer to **Annexure E – Total Buying Costs** for a breakdown of the abovementioned rates.

Real Estate Agents Commission

Real estate agents commission reflects the fee charged by a real estate agent on the successful sale of an asset and typically reflects a share of the sale price. The Historic Model used by NDIA adopts a fixed **2.5%** assumption.

Based on our research, real estate agents commission typically ranges between 1.5% and 3.5% on a national basis. Higher value assets typically attract lower sales commission percentages given the proportional increase in the value of the commission payment. Based on the research, the historic assumptions of 2.5% is supported.

Advertising, legal and other selling costs

Whilst real estate agents are typically paid on a success fee basis, costs to advertise and market the property are paid upfront and not contingent upon a successful sale. Legal and other selling costs reflect the costs associated with the legal transfer of ownership from a sellers perspective. The Historic Model used by NDIA adopts a fixed **0.5%** assumption.

Advertising, legal and other selling costs depend on a number of factors primarily being asset type, location, target demographic, form of advertising being used and the length of the selling period. In general, reasonable advertising costs for real estate in Australia can range from a few hundred dollars for a basic online listing to several thousand dollars for a more comprehensive advertising campaign.

Given the subjectivity of the abovementioned factors and with consideration to anecdotal evidence, we consider the historic assumption used by NDIA provides a reasonable allowance for advertising, legal and other selling costs as indicated in Table 7.

Table 7: Advertising, legal and other selling costs

Asset Value Range	Advertising, legal & other selling costs range		
	0.25%	0.50%	0.75%
\$250,000	\$625	\$1,250	\$1,875
\$500,000	\$1,250	\$2,500	\$3,750
\$750,000	\$1,875	\$3,750	\$5,625
\$1,000,000	\$2,500	\$5,000	\$7,500
\$1,250,000	\$3,125	\$6,250	\$9,375
\$1,500,000	\$3,750	\$7,500	\$11,250
\$1,750,000	\$4,375	\$8,750	\$13,125
\$2,000,000	\$5,000	\$10,000	\$15,000

Source: Realeatste.com.au, EY Research 2022

Table 8: Historic Model Assumptions vs Market Benchmarks

	Model		Benchmark	
	Adopted	Min	Average	Max
<i>Real estate agents commission</i>	2.50%	1.50%	2.50%	3.50%
<i>Plus Advertising, legal and other selling costs*</i>	0.50%	0.25%	0.50%	0.75%
<i>Equals Total Estimated Selling Costs</i>	3.00%	1.75%	3.00%	3.25%

Source: Realeatste.com.au, EY Research 2022

6 Appendices

Annexure A: Estimated Building Loss on Sale – Robust and High Physical Support

An overview of the additional estimated loss on sale for the Robust and High Physical Support design categories based on a sample of building typologies are outlined in Table 9 below. The building values and resale values are based of the Median Capital City assumptions within the Historic SDA Pricing Model used by the NDIA.

Table 9: Additional Estimated Loss on Sale – Robust and High Physical Support

Item	Standard	IL	FA	Robust	HPS
Apartment, 1 bedroom, 1 resident					
Build Value for resale	\$308,409	\$313,392	\$473,766	N/A	\$473,766
Build Value	\$385,511	\$391,740	\$592,208	N/A	\$863,876
Building loss on sale	20.0%	20.0%	20.0%	N/A	45.2%
Villa, 1 bedroom, 1 resident					
Build Value for resale	\$134,756	\$137,417	\$206,994	\$206,994	\$206,994
Build Value	\$224,594	\$229,028	\$344,991	\$414,749	\$535,273
Building loss on sale	40.0%	40.0%	40.0%	50.1%	61.3%
House, 2 people					
Build Value for resale	\$219,539	\$222,496	\$321,244	\$321,244	\$321,244
Build Value	\$313,628	\$317,851	\$458,920	\$561,895	\$726,706
Building loss on sale	30.0%	30.0%	30.0%	42.8%	55.8%
Group Accom, 5 residents					
Build Value for resale	\$386,416	\$393,383	\$566,964	\$566,964	\$566,964
Build Value	\$644,026	\$655,639	\$944,940	\$1,127,805	\$1,569,568
Building loss on sale	40.0%	40.0%	40.0%	49.7%	63.9%
Group Accom, 5 residents (with OOA)					
Build Value for resale	N/A	\$413,910	\$566,964	\$566,964	\$566,964
Build Value	N/A	\$689,850	\$980,938	\$1,171,056	\$1,619,052
Building loss on sale	N/A	40.0%	42.2%	51.6%	65.0%

Source: Historic SDA Pricing Model 2016 / EY Analysis

Annexure B – Estimated Building Loss on Sale Analysis

Table 10 provides the Estimated Building Value rate per sqm utilising the new assumptions. Table 11 provides the estimated average dwelling size. Table 12 provides an overview of the estimated cost increase on a rate per sqm basis utilising IL as a base cost in comparison to FA, Robust & HPS.

Table 11: Estimated Average Dwelling Size (SQM)

Dwelling type	Beds	Basic	IL	FA	Robust	HPS
Apartment	1	60	63	65		65
	2	79	85	90		90
	3	111	119	121		122
Villa/ Townhouse/ Duplex	1	64	64	68	64	68
	2	85	84	89	84	89
	3	109	115	125	115	125
House	2	129	187	197	188	198
	3	138	206	215	205	218
Group home	4	179	255	264	253	266
	5	194	277	297	279	290

Source: MBM Costings/ EY Analysis

Table 12: Estimated Rate Per SQM Analysis

Dwelling type	Beds	IL	FA	Robust	HPS
Apartment	1	\$10,718	1%		10%
	2	\$8,463	-3%		6%
	3	\$6,658	2%		10%
Villa/ Townhouse/ Duplex /	1	\$5,620	2%	7%	18%
	2	\$4,949	4%	4%	18%
	3	\$4,549	5%	6%	18%
House	2	\$4,523	-3%	18%	20%
	3	\$4,570	-2%	13%	18%
Group home	4	\$4,229	-1%	13%	18%
	5	\$4,276	-3%	2%	11%

Source: MBM Costings/ EY Analysis

Table 10: New Estimated Building Value – Rate Per SQM

Dwelling type	Beds	Basic	IL	FA	Robust	HPS
Apartment	1	\$10,392	\$10,718	\$10,814		\$11,780
	2	\$8,322	\$8,463	\$8,201		\$8,930
	3	\$6,539	\$6,658	\$6,785		\$7,313
Villa/ Townhouse/ Duplex	1	\$4,884	\$5,620	\$5,745	\$6,163	\$6,638
	2	\$4,344	\$4,949	\$5,165	\$5,374	\$5,834
	3	\$4,286	\$4,549	\$4,776	\$5,043	\$5,384
House	2	\$4,387	\$4,523	\$4,407	\$5,186	\$5,438
	3	\$4,392	\$4,570	\$4,460	\$5,059	\$5,412
Group home	4	\$4,295	\$4,229	\$4,200	\$4,742	\$4,996
	5	\$4,056	\$4,276	\$4,148	\$4,228	\$4,767

Source: MBM Costings/ EY Analysis

Annexure C – Historic Building Loss on Sale (Equivalent Depreciation)

SDA Pricing Model Assumption

There is no market data available to inform the building loss on sale for SDA investments. The market is still establishing and therefore market transactions of 20 year old “new build” SDA properties have not yet occurred.

The historic assumption used by the NDIA was based on estimates for the loss on sale of the building component only ranging between 20% to 40% (and up to ~65% for HPS) depending on the dwelling type considering the relative adaptability of the design layout for alternative use as private residential.

The SDA Pricing Model used by the NDIA assumes a useful building life of 60 years and therefore depreciates the building value on a straight line proportionally over this term. In year 20, the model used by the NDIA assumes the SDA asset will be sold with the depreciation at this point being approximately 33.3%.

The building loss on sale assumption then deducts a further 20% to 40% of the building component (depending on dwelling type) and adds this to the underlying appreciated land value to reflect what the SDA asset may sell for into the general market.

Building Loss on Sale – Equivalent Depreciation

Table 13 provides a worked example for a 5 bedroom group accommodation dwelling (median capital city). The SDA Pricing Model assumes a building loss on sale of 40%, however we have provided a sensitivity range from 20% to 50% to indicate the equivalent depreciation assuming both the 20 year depreciation and building loss on sale assumptions. The table indicates the equivalent estimated useful life of an SDA asset is 33 years based on 40% building loss on sale or 43 years assuming 20%.

Within the example in Table 13, the depreciated value of the building component assuming no loss on sale is estimated to be \$629,960 and the value of the land component is estimated to be \$804,434 in year 20 reflecting a total estimated value of \$1,434,394. Applying the building loss on sale range of 20% to 50% reflects an overall loss in estimated value of 9% to 22% respectively to the total value (land and buildings). Whilst the building value depreciates the value of land appreciates over the same investment horizon.

We have assessed a sample of building types based on a Fully Accessible classification for all dwelling types and configurations (apartment, villa/duplex/townhouse, house and group accommodation) based on the median capital city input within the SDA Pricing model. The resulting overall estimated loss in value reflects a range of 14% to 24% when applying the historic building loss on sale assumptions. We have provided additional analysis overleaf.

A worked example for a 5 bedroom group accommodation dwelling (median capital city) is outlined in Table 13 below.

Table 13: Estimated Building Loss on Sale – Equivalent Depreciation

Original Construction Cost (Building)	Estimated Depreciated Value Year 20 (60yrs life)	Additional Estimated Loss in value (Y20)	Estimated Depreciated Value Inc. Additional Loss	Estimated Loss in Value from Orig. Cost	Estimated Loss in Value from Orig. Cost	Estimated Lost Value p.a.	Equivalent Total Yrs Depreciation (Lifespan)	Overall Estimated Value (Land + Buildings)	Overall Estimated Loss in Value
\$944,940	\$629,960	0%	\$629,960	33%	(\$314,980)	(\$15,749)	60	\$1,434,394	0%
		-20%	\$503,968	47%	(\$440,972)	(\$22,049)	43	\$1,308,402	9%
		-30%	\$440,972	53%	(\$503,968)	(\$25,198)	38	\$1,245,406	13%
		-40%	\$377,976	60%	(\$566,964)	(\$28,348)	33	\$1,182,410	18%
		-50%	\$314,980	67%	(\$629,960)	(\$31,498)	30	\$1,119,414	22%

Source: SDA Benchmark Pricing Model / EY Analysis

An overview of the equivalent estimated depreciation and overall estimated loss in value based on a sample of the overall portfolio for the Fully Accessible classification for all dwelling types and configurations within the median capital city input within the SDA Pricing model. Is outlined in Table 14 below.

Table 14: Estimated Building Loss on Sale – Equivalent Depreciation

Building Type	Original Construction Cost (Building)	Estimated Depreciated Value Year 20 (60yrs life)	Estimated Additional Loss in value (Y20)	Estimated Depreciated Value Inc. Additional Loss	Estimated Loss in Value from Orig. Cost	Estimated Loss in Value from Orig. Cost	Lost Value p.a.	Equivalent Estimated Total Yrs Depreciation (Lifespan)	Overall Estimated Value (Land + Buildings)	Overall Estimated Loss in Value
Apartment (1)	\$592,208	\$394,805	20%	\$315,844	47%	\$276,364	\$13,818	43	\$360,535	18%
Apartment (2)	\$738,023	\$492,015	20%	\$393,612	47%	\$344,411	\$17,221	43	\$438,303	18%
Apartment (3)	\$956,446	\$637,631	20%	\$510,105	47%	\$446,341	\$22,317	43	\$554,796	19%
Villa / Duplex / Townhouse (1)	\$344,991	\$229,994	40%	\$137,996	60%	\$206,995	\$10,350	33	\$298,883	24%
Villa / Duplex / Townhouse (2)	\$433,582	\$289,055	30%	\$202,338	53%	\$231,244	\$11,562	38	\$524,111	14%
Villa / Duplex / Townhouse (3)	\$568,594	\$379,063	35%	\$246,391	57%	\$322,203	\$16,110	35	\$729,051	15%
House (2)	\$458,920	\$305,947	30%	\$214,163	53%	\$244,757	\$12,238	38	\$535,936	15%
House (3)	\$644,608	\$429,739	35%	\$279,330	57%	\$365,278	\$18,264	35	\$761,990	16%
Group Home (4)	\$855,649	\$570,433	30%	\$399,303	53%	\$456,346	\$22,817	38	\$1,042,850	14%
Group Home (5)	\$944,940	\$629,960	40%	\$377,976	60%	\$566,964	\$28,348	33	\$1,182,410	18%

Source: Historic SDA Pricing Model/ EY Analysis

Annexure D - Total Buying Costs

A worked example of the total estimated asset purchase costs on a State by State Basis is outlined in Table 15 below.

Table 15: Total Estimated Buying Costs

Fee Category	Asset Value	WA	NSW	VIC	QLD	SA	TAS	NT	ACT
Stamp Duty	\$250,000	\$6,935	\$7,110	\$10,070	\$7,175	\$8,955	\$7,935	\$7,857	\$3,500
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$238	\$154	\$687	\$484	\$2,139	\$223	\$156	\$429
Conveyancing		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Stamp Duty	\$500,000	\$17,765	\$17,590	\$25,070	\$15,925	\$21,330	\$18,248	\$23,929	\$11,400
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$278	\$154	\$1,272	\$1,464	\$4,427	\$223	\$156	\$429
Conveyancing		\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Stamp Duty	\$750,000	\$29,741	\$28,840	\$40,070	\$26,775	\$35,080	\$28,935	\$37,125	\$22,200
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$338	\$154	\$1,857	\$2,444	\$6,714	\$223	\$156	\$429
Conveyancing		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Stamp Duty	\$1,000,000	\$42,616	\$40,090	\$55,000	\$38,025	\$48,830	\$40,185	\$49,500	\$36,950
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$256	\$160
Transfer Fees		\$378	\$154	\$2,442	\$3,425	\$9,002	\$223	\$156	\$429
Conveyancing		\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

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Fee Category	Asset Value	WA	NSW	VIC	QLD	SA	TAS	NT	ACT
Stamp Duty	\$1,250,000	\$55,491	\$52,950	\$68,750	\$52,400	\$62,580	\$51,425	\$61,875	\$52,950
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$438	\$154	\$3,027	\$4,405	\$11,289	\$223	\$156	\$429
Conveyancing		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Stamp Duty	\$1,500,000	\$68,366	\$66,700	\$82,500	\$66,775	\$76,330	\$62,685	\$74,250	\$68,100
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$478	\$154	\$3,612	\$5,386	\$13,576	\$223	\$156	\$429
Conveyancing		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Stamp Duty	\$1,750,000	\$81,241	\$80,450	\$96,250	\$81,150	\$90,080	\$73,935	\$86,625	\$79,450
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$538	\$154	\$3,612	\$6,366	\$15,864	\$223	\$156	\$429
Conveyancing		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Stamp Duty	\$2,000,000	\$94,116	\$94,200	\$110,000	\$95,525	\$103,830	\$85,185	\$99,000	\$90,800
Mortgage Fees		\$188	\$154	\$124	\$209	\$179	\$145	\$156	\$160
Transfer Fees		\$578	\$154	\$3,612	\$7,347	\$18,151	\$223	\$156	\$429
Conveyancing		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

The percentage of Total Estimated Buying Costs attributed to the overall asset value on a State by State and average basis are outlined in Table 16 below.

Table 16: Total Estimated Buying Costs by Region and Price Point

Asset Value	Average	WA	NSW	VIC	QLD	SA	TAS	NT	ACT
\$250,000	3.67%	3.34%	3.37%	4.75%	3.55%	4.91%	3.72%	3.67%	2.04%
\$500,000	4.22%	3.85%	3.78%	5.49%	3.72%	5.39%	3.92%	5.05%	2.60%
\$750,000	4.57%	4.24%	4.09%	5.81%	4.12%	5.80%	4.11%	5.19%	3.24%
\$1,000,000	4.76%	4.47%	4.19%	5.91%	4.32%	5.95%	4.21%	5.14%	3.90%
\$1,250,000	4.96%	4.65%	4.42%	5.91%	4.72%	6.08%	4.30%	5.13%	4.44%
\$1,500,000	5.06%	4.74%	4.60%	5.88%	4.96%	6.14%	4.34%	5.10%	4.71%
\$1,750,000	5.10%	4.80%	4.73%	5.83%	5.13%	6.18%	4.36%	5.08%	4.69%
\$2,000,000	5.13%	4.84%	4.83%	5.79%	5.25%	6.21%	4.38%	5.07%	4.67%

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

The percentage of Estimated Stamp Duty Costs attributed to the overall asset value on a State by State and average basis are outlined in Table 17 below.

Table 17: Estimated Stamp Duty by Region and Price Point

Asset Value	Average	WA	NSW	VIC	QLD	SA	TAS	NT	ACT
\$250,000	2.98%	2.77%	2.84%	4.03%	2.87%	3.58%	3.17%	3.14%	1.40%
\$500,000	3.78%	3.55%	3.52%	5.01%	3.19%	4.27%	3.65%	4.79%	2.28%
\$750,000	4.15%	3.97%	3.85%	5.34%	3.57%	4.68%	3.86%	4.95%	2.96%
\$1,000,000	4.39%	4.26%	4.01%	5.50%	3.80%	4.88%	4.02%	4.95%	3.70%
\$1,250,000	4.58%	4.44%	4.24%	5.50%	4.19%	5.01%	4.11%	4.95%	4.24%
\$1,500,000	4.71%	4.56%	4.45%	5.50%	4.45%	5.09%	4.18%	4.95%	4.54%
\$1,750,000	4.78%	4.64%	4.60%	5.50%	4.64%	5.15%	4.22%	4.95%	4.54%
\$2,000,000	4.83%	4.71%	4.71%	5.50%	4.78%	5.19%	4.26%	4.95%	4.54%

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

The percentage of Other Estimated Buying Costs attributed to the overall asset value on a State by State and average basis are outlined in Table 18 below.

Table 18: Other Estimated Buying Costs by Region and Price Point

Asset Value	Average	WA	NSW	VIC	QLD	SA	TAS	NT	ACT
\$250,000	0.69%	0.57%	0.52%	0.72%	0.68%	1.33%	0.55%	0.52%	0.64%
\$500,000	0.44%	0.29%	0.26%	0.48%	0.53%	1.12%	0.27%	0.26%	0.32%
\$750,000	0.43%	0.27%	0.24%	0.46%	0.55%	1.12%	0.25%	0.24%	0.28%
\$1,000,000	0.37%	0.21%	0.18%	0.41%	0.51%	1.07%	0.19%	0.19%	0.21%
\$1,250,000	0.37%	0.21%	0.18%	0.41%	0.53%	1.08%	0.19%	0.18%	0.21%
\$1,500,000	0.34%	0.18%	0.15%	0.38%	0.51%	1.05%	0.16%	0.15%	0.17%
\$1,750,000	0.32%	0.16%	0.13%	0.33%	0.49%	1.03%	0.14%	0.13%	0.15%
\$2,000,000	0.30%	0.14%	0.12%	0.29%	0.48%	1.02%	0.12%	0.12%	0.13%

Source: Stamp Duty Calculator Australia/NAB/EY Analysis

Term	Meaning
Building Type	The Design Category as per the SDA Framework - Apartment, Duplex/Villa/Townhouse, House or Group Home.
Apartment	Self-contained units that are part of a larger residential building.
Duplex, Villa, Townhouse	Separate but semi-attached properties within a single land title or strata titled area. This also includes stand-alone villas or granny-flats.
House	Detached low-rise buildings with garden or courtyard areas with fewer than 4 bedrooms.
Group Home	Houses that have 4 or 5 bedrooms.
Design Category	The Design Category as per the SDA Framework - Basic, Improved Liveability, Fully Accessible, Robust or High Physical Support.
Basic	Housing without specialised design features but with other important SDA characteristics (e.g. location, privacy, shared supports).
Improved Liveability (IL)	Housing that has been designed to improve “Liveability” by incorporating a reasonable level of physical access and enhanced provision for people with sensory, intellectual or cognitive impairment.
Fully Accessible (FA)	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment.
Robust	Housing that has been designed to incorporate a high level of physical access provision and be very resilient, reducing the likelihood of reactive maintenance and reducing the risk to the participant and the community.
High Physical Support (HPS)	Housing that has been designed to incorporate a high level of physical access provision for people with significant physical impairment and requiring very high levels of support.
Enrolled Dwelling	A dwelling enrolled under section 26 of the <i>NDIS (Specialist Disability Accommodation) Rules 2020</i> to provide SDA.
NDIA	National Disability Insurance Agency.
NDIS	National Disability Insurance Scheme.

Term	Meaning
SDA	Specialist Disability Accommodation.
SDA Type	The SDA type under the SDA Framework - Existing, Legacy, New Build or New Build (refurbished).
New Build	An SDA dwelling that was built (has a certificate of occupancy dated) after 1 April 2016 and meets all of the requirements under the SDA Rules and NDIS Price Guide.
Existing	Dwellings built before 1 April 2016 that were used as disability related supported accommodation under a previous State, Territory or Commonwealth scheme. Existing dwellings must substantially comply with the requirements of a new build, and must meet the maximum resident requirement (5 residents or less).
Legacy	Existing dwellings that do not meet the maximum resident requirement of 5 residents or less. Over time, the NDIA will stop making SDA payments towards Legacy dwellings.
New Build (refurbished)	A dwelling that was built before 1 April 2016 but has been significantly refurbished since and now meets all of the requirements for a new build in the SDA Rules and NDIS Price Guide. In order to qualify for as a New Build (refurbished) providers must spend a minimum amount. These minimum amounts are specified per dwelling type in the SDA Price Guide.
Historic Model	2016 SDA Pricing Model developed by NDIA.

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