



NRAS Information Sheet – Maximum Permissible Rent

The National Rental Affordability Scheme ('NRAS' or 'the Scheme') seeks to increase the supply of affordable rental dwellings and reduce rental costs for low and moderate income households by providing dwellings at a rate that is at least 20 per cent below the market value rent.

NRAS has two separate rent components: **Rent Charged** and **Market Value Rent**. The market value rent represents the full value that is expected to be paid to reside in a dwelling. Rent charged is the amount of rent that a NRAS tenant is charged to reside in a dwelling under the Scheme. Under the NRAS legislative framework, this must not at any time exceed 80 per cent of the market value rent.

Rent charged

Rent for an approved rental dwelling under the Scheme must be at least 20 per cent less than the market value rent for that dwelling, as determined by the market rent valuation requirements set out in the *National Rental Affordability Scheme Regulations 2008* (NRAS Regulations). This is a core tenet of the Scheme.

In other words, the rent charged must always remain at or below 80 per cent of market value rent. **Charging a higher rate of rent for any period during an NRAS year is considered a failure to satisfy the conditions of allocation.**

Rents may be reduced by more than 20 per cent below the market value rent if, for example, approved participants wish to achieve greater improvements in affordability and/or to maintain the tax concessions available to endorsed charities, that require rents to be set below specified levels. State and territory governments may impose further restrictions on the amount of rent that can be charged (e.g. in the case of social housing providers). Market conditions may also compel approved participants to charge lower rent in order to ensure tenancy with an eligible tenant in the period for which an incentive will be claimed so as not to exceed the maximum vacancy limit as stipulated in the NRAS Regulations.

Market Value Rent

The market value rent for an approved rental dwelling is defined in the NRAS Regulations in respect of the year of the incentive period. These are:

1. For the period of 12 months beginning when the dwelling is first available for rent under NRAS – the market value rent for the dwelling is the amount determined in the first year market rent valuation.
2. For the fifth or eighth years of the incentive period - the market value rent for the dwelling is the amount determined in the market rent valuations undertaken at the end of the fourth and seventh years of the incentive period respectively.
3. For any other year of the incentive period (the relevant year) – the market value rent for the dwelling is determined by indexing the market value rent for the year immediately preceding the relevant year in accordance with the NRAS market index, and rounded to the next whole dollar. Further information

Further enquiries on market value rent, or any other aspect of the Scheme, can be sent to nras@dss.gov.au