



# National Rental Affordability Scheme

## Application and timing of NRAS Market Index

The purpose of this information sheet is to inform National Rental Affordability Scheme (NRAS) approved participants of the NRAS market index that applies to NRAS approved rental dwellings. The NRAS market index also applies to dwellings covered by an allocation that has been transferred (a substituted dwelling) and/or dwellings covered by a provisional allocation (a provisionally allocated dwelling).

### What is the NRAS Market Rent Index?

The NRAS market index is based on the Australian Consumer Price Index (CPI). According to the Australian Bureau of Statistics, the CPI is conceptually designed to provide a general measure of price inflation for all Australian households – for NRAS, the price inflation that applies to housing rent. In practice, the index is constrained to only measure the changes in prices faced by private households living in the six state and two territory capital cities.

The NRAS market index is indexed according to movements in the rents component of the Housing Group of the CPI, December quarter to December quarter published by the Australian Statistician on 1 March of the immediately preceding NRAS year, rounded to the nearest single decimal point.

The NRAS market index is applied to the market value rent each year except for the first, fifth and eighth NRAS years of the incentive period, with the exception of any years where there has been a substitution and a new market value rent (MRV) is required (further information on substituted dwellings is found below).

The NRAS market index is effective from 1 May each NRAS year; however, it is not applied to a dwelling until the anniversary of the commencement of the incentive period. Approved participants must ensure that when they apply the NRAS market index to the market value rent, the rent charged for the dwelling remains at least 20 per cent less than the market value rent at all times during the year. The change in market value rent and the corresponding change in maximum rent that can be charged for the dwelling, will take effect from the anniversary of the commencement of the incentive period, regardless of any pre-existing lease arrangements covering the dwelling.

## Substituted dwellings

An allocation can be transferred to another rental dwelling (substituted dwelling) under section 20 of the National Rental Affordability Scheme Regulations 2020 (the Regulations). A new market rent valuation needs to be submitted for the substituted dwelling, regardless of the incentive period in which the transfer occurs. This new market rent valuation is used to determine the market value rent for the substituted dwelling and to calculate the rent that can be charged for that incentive period. The new market rent valuation is effective from the date that the substituted dwelling was actually first available for rent (referred to as the 'actual first available rent date' or 'AFAR date'), with the NRAS market index applied annually from that time on, until the next scheduled market rent valuation is due, at either the end of the fourth or seventh NRAS years of the incentive period.

Please note there is no change to the anniversary of the commencement of the incentive period when a dwelling is substituted. The NRAS market rent index is still applied in each relevant year (except for the first, fifth and eighth NRAS years where a market rent valuation is undertaken), on the anniversary of the commencement of the incentive period for the original dwelling.

## Provisionally allocated dwellings

Where a dwelling has been provisionally allocated, the NRAS market index will be applied the same way as it is applied to substituted dwellings. The first NRAS year of the incentive period the market value rent, as determined by the initial market rent valuation, is applied on the AFAR date, the NRAS market rent index is applied on the anniversary of the date that it was agreed the dwelling would begin delivering rental accommodation (known as the 'agreed rental delivery date' or 'ARAD date') for all subsequent years until the fifth or eighth NRAS year of the incentive period.

At the beginning of the fifth or eighth NRAS year of the incentive period, a new market rent valuation is undertaken and this is applied to the dwelling on the anniversary of the ARAD date.

## Examples

### 1. The application of the NRAS market index.

- A dwelling was allocated into the scheme on 15 June 2015 (the start of the incentive period)

Dwelling A - Market rent record (year)	Dwelling A - Valuation or NRAS market index increase	Dwelling A – NRAS market rent index applied from	Dwelling A - Relation to incentive period
1	Valuation	15/06/2015	AFAR date (Incentive period begins)
2	NRAS market index	15/06/2016	Anniversary of the commencement of the incentive period
3	NRAS market index	15/06/2017	Anniversary of the commencement of the incentive period
4	NRAS market index	15/06/2018	Anniversary of the commencement of the incentive period
5	Valuations	15/06/2019	New Market Rent Valuation provided

This will continue throughout the incentive period with the exception of the fifth and eighth NRAS years, where the new market rent valuation is applied.

## 2. The application of the NRAS market index to a dwelling being substituted in into the Scheme.

- A dwelling was allocated into the Scheme on 15 June 2015 (the start of the incentive period)

<b>Dwelling A - Market rent record (year)</b>	<b>Dwelling A - Valuation or NRAS market index increase</b>	<b>Dwelling A - Effective from date</b>	<b>Dwelling A - Relation to incentive period</b>
1	Valuation	15/06/2015	AFAR date (Incentive period begins)
2	NRAS market index	15/06/2016	Anniversary of the commencement of the incentive period
3	NRAS market index	15/06/2017	Anniversary of the commencement of the incentive period

- Dwelling A left the Scheme 9/10/2017
- Dwelling B substituted into Scheme on 10/11/2017

<b>Dwelling B - Market rent record (year)</b>	<b>Dwelling B - Valuation or NRAS market index increase</b>	<b>Dwelling B - Effective from date</b>	<b>Dwelling B - Relation to incentive period</b>
3	Valuation	10/11/2017	Initial valuation provided at time of substitute dwelling commencing in Scheme.
4	NRAS market index	15/06/2018	Anniversary of the commencement of the incentive period
5	Valuation	15/06/2019	Anniversary of the commencement of the incentive period
6	NRAS market index	15/06/2020	Anniversary of the commencement of the incentive period
7	NRAS market index	15/06/2021	Anniversary of the commencement of the incentive period
8	Valuation	15/06/2022	Anniversary of the commencement of the incentive period
9	NRAS market index	15/06/2023	Anniversary of the commencement of the incentive period
10	NRAS market index	15/06/2024	Anniversary of the commencement of the incentive period

### 3. The application of the NRAS market rent index to provisionally allocated dwellings.

- A dwelling was provisionally allocated from 15 June 2015 (the start of the incentive period)
- the dwelling was activated into the Scheme on 1 September 2015 (the AFAR date)

Market rent record (year)	Valuation or NRAS market index increase	Effective from date	Relation to incentive period
1	Dwelling allocated (Provisionally)	15/06/2015	No incentive eligible until dwelling is rented to eligible tenants.
1	Valuation	01/09/2015	AFAR date
2	NRAS market index	15/06/2016	Anniversary of the commencement of the incentive period
3	NRAS market index	15/06/2017	Anniversary of the commencement of the incentive period
4	NRAS market index	15/06/2018	Anniversary of the commencement of the incentive period
5	Valuation	15/06/2019	Anniversary of the commencement of the incentive period
6	NRAS market index	15/06/2020	Anniversary of the commencement of the incentive period
7	NRAS market index	15/06/2021	Anniversary of the commencement of the incentive period
8	Valuation	15/06/2022	Anniversary of the commencement of the incentive period
9	NRAS market index	15/06/2023	Anniversary of the commencement of the incentive period
10	NRAS market index	15/06/2024	Anniversary of the commencement of the incentive period

## Further information

Further queries on the NRAS Market Index can be sent to [nras@dss.gov.au](mailto:nras@dss.gov.au).