



April 2020

National Rental Affordability Scheme

Maximum Rent

The National Rental Affordability Scheme (NRAS, the Scheme) involves two important concepts relating to how rent is to be charged for a property that has been approved to be in the Scheme (an approved rental dwelling): ‘market value rent’ and ‘maximum rent charged’. The market value rent represents the full value that is expected to be paid to reside in a dwelling according to the market in the locations of the dwelling. The maximum rent charged is the amount of rent that a NRAS tenant is charged to reside in a rental dwelling under the Scheme, which must not at any time exceed 80 per cent of the market value rent.

Maximum rent charged

The maximum amount of rent that can be charged for a rental dwelling must be at least 20 per cent less than the market value rent for the dwelling, as determined by the market rent valuation requirements set out in the National Rental Affordability Scheme Regulations 2020 (the Regulations). This is a core principle of the Scheme.

The maximum rent charged for a rental dwelling in NRAS must always remain at or below 80 per cent of market value rent for that dwelling. **Charging a higher rate of rent for any period during an NRAS year is considered a failure to satisfy the conditions of allocation. Should this happen, part or all of the incentive for the allocation covering the dwelling may not be paid to the approved participant.**

Market Value Rent

Under section 36 of the Regulations, the market value rent for a rental dwelling is defined as being for:

1. the ‘initial rental period’, which is the period beginning on the day the dwelling is first available for rent under the Scheme, and ending at the end of the incentive year for the allocation that includes that day,
 - a. the ‘incentive year’ for an allocation is a 12-month period that is in the incentive period for the allocation and begins on the first day of that incentive period or on an anniversary of that day;

2. 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;
3. 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 beginning of the fifth and eighth years of the incentive period respectively; and
4. any other year (the 'indexed year') after that initial rental period, the market value rent for a rental dwelling covered by an allocation is the market value rent for the previous incentive year (or, if that initial rental period ends just before the indexed year – then the market value for that initial rental period) indexed in accordance with the NRAS market index for the dwelling for the NRAS year in which the indexed year begins, rounded to the next whole dollar.

Further information

Further enquiries on market value rent can be sent to nras@dss.gov.au.