Investors in 37,000 NRAS homes will get no subsidy extension: Paul Fletcher

By Michael Bleby

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Investor owners of the 37,000 homes built under the National Rental Affordability Scheme will have to put those properties on the market or accept a lower return because the Commonwealth government will not extend the 10-year subsidy scheme when it expires.

Subsidies for the first 198 properties built under the affordable rental NRAS scheme started by the previous Labor government will expire next month and there will be no extension of the payment to owners to cover the yield gap on the units rented at 20 per cent below market value, Social Services Minister Paul Fletcher said on Thursday.

"The position for investors has always been clear," Mr Fletcher said.
"This was always a 10-year scheme and that was part of Labor's design."

Mr Fletcher said, however, that he was looking into ways to provide relief for tenants of those properties.

"The impact on a small number of tenants as the incentive begins to come off this year is a concern and I've asked my department for advice."

The total number of NRAS subsidies expiring will increase 36,721 by 2026. It is unclear how many of these properties investors will put back on the market but it is an additional issue for a possible future Labor government to resolve. The Labor opposition this week said it would to create 250,000 affordable dwellings over 10 years under a renewed subsidy scheme if it was elected next year.

Self-funded retiree investor John Johnston, who with his wife Narelle owns two four-bedroom houses rented out to working single mothers in
Ballarat, said they would likely sell when their subsidies, which they receive as a tax offset, ran out.

"We would sell it if there was no tax benefit," Mr Johnston said.

**Tenant welfare should be 'priority'**

The NRAS program was started to boost the stock of affordable rental housing by offering a subsidy to make below-market rents a viable investment. The current Coalition government stopped funding the NRAS scheme in 2014, saying it was subject to abuse. Mr Fletcher said the poor design of the scheme and lack of protections for investors allowed an administrator such as Ethan Affordable Housing Limited - which oversaw NRAS payments to investors - to not pass the incentives it received to investors.

Victoria-based Ethan, started by former Family First candidate Ashley Fenn, was no longer part of the NRAS, Mr Fletcher said.

"Ethan's 2053 allocations are valued at up to $15.6 million per NRAS year," he said. "Over the coming weeks, the Department of Social Services will issue incentive payments relating to Ethan's former allocations to [another administrator] Questus, who will pass them on to investors."

Carol Croce, a spokeswoman for National Affordable Housing Providers, the peak body of for-profit NRAS providers, said a focus on tenants should be the priority.

"I think it's always been about the tenants and tenant welfare," Ms Croce said. "If the government is open to options that will help those people and they're not going to be in severe hardship, that's a good outcome."