Affordable rental: 37,000 NRAS units to lose below-market subsidy

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Nearly 37,000 subsidised affordable rental homes will lose their existing subsidies over the next nine years just as Labor plans to bring in a new scheme to boost the supply of affordable rental stock.

Either the opposition, which on Sunday announced a new plan to create 250,000 new affordable dwellings over 10 years by subsidising below-market rental leases, or the current government – if re-elected next year – will have to resolve a situation in which 36,721 properties built under the now-discontinued National Affordability Rental Scheme (NRAS) will lose their subsidies after the original 10-year time frame.

The first subsidies expire next month, the first out of a total 198 due to run out by the end of April. The implications for both owners – largely private individuals – and tenants are significant. Owners can hold rent for the existing tenant at 20 per cent below the market rate, raise the rent to full market rate, or sell what has or may become an unprofitable investment.

An affordable housing development in Penrith. The expiry of existing subsidies poses a problem for whichever party forms the next government. Peter Rae SMH

The trick for the federal government – and for the managers of these properties, as well as their owners – is to find a way to ensure a soft landing that does not see tenants, unable to pay market rents, turfed out on the streets and owners selling properties in droves.

Next year, the number of units would creep up to 1220, with nearly another 1400 in 2020 before jumping to over 3000 in 2021, federal government figures show. In 2024 some 9000 properties are due to lose their subsidy.

For the first two years, the number of expiring subsidies is small and manageable, said Peta Winzar, executive director of the Community

Housing Industry Association, whose members account for about 45 per cent of NRAS tenancies.

The majority of units benefiting from the first subsidies to expire were managed by not-for-profit community housing providers, which had anticipated the change and were attempting to keep renting the units at below-market rates, Ms Winzar said.

"At least for the first couple of years this is not a dire prospect," she said. "The community housing providers have anticipated this. They've factored it into their plans."

But it had the potential to be a concern.

"As we move further out, the impacts become significantly larger," Ms Winzar said. "Once NRAS is fully withdrawn, you're talking about hundreds of millions of rental income in subsidy payments which would no longer be available".

Many of the properties rented out with NRAS subsidies were owned by mum-and-dad investors who generally purchased apartments off-the-plan from private developers with the rental incentive in place, said Carol Croce, a spokeswoman for National Affordable Housing Providers, the peak body of for-profit NRAS providers.

It was unclear what would happen, Ms Croce said.

"We really don't know yet," she said. "They haven't started falling off the perch."

The end of the subsidy coincided will falling apartment values in many markets. Investors wanting to sell the properties, because they could not keep renting them out at below-market rates, could take a capital hit.

"You start looking in the next year, you've got a number of places in the market that are are already really depressed," Ms Croce said.

Ms Winzar agreed it was a risk.

"In WA, SA and central Queensland are the areas of most concern," she said.