



HORIZON HOUSING REALTY

EXITING THE NRAS

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Annual incentives have been provided to investors via the NRAS since 2008 to provide affordable rental dwellings at least 20 percent below market rates. Dwellings began exiting NRAS progressively from August 2018 through to June 2026, as the ten-year timeframe concludes. The ten-year timeframe attached to the financial incentive was an original design feature of NRAS.

The Federal Government has confirmed that there are no plans for the NRAS to be extended or for any replacement scheme to be offered.

Once your NRAS incentive allocation has expired you will no longer receive the annual NRAS refundable tax offset and incentive payment (after the final incentive has been processed) and you will need to consider your options for your investment property. HHR will continue to ensure that your tenant/s meet the eligibility requirements of the scheme right up until the end of your NRAS period in order to maximise your final incentive payment.

You will need to consider your long term plans well in advance of the NRAS end date to ensure that you are prepared for the transition and minimise the risk of any potential lost income. HHR recommends you start considering your options and engage with us at least 12 months before your NRAS end date. As required by law, we will notify your tenant/s of the end of the NRAS period at least 90 days before the expiry date and knowing your plans enables us to have an honest and productive interaction with the tenant to keep them fully informed. This will ensure the transition at the end of the NRAS is as smooth as possible.

Selling your property

If you are considering selling your property after the NRAS incentive has expired, you will need to think about the following:

- ◆ Appointment of a sales agent - allow yourself sufficient time to do thorough research on local agents and the local sales market performance.
- ◆ Ensuring that consideration is given to residential tenancy timeframes regarding vacant possession.
- ◆ When do you want to start marketing the property? Will you start marketing before the end of your NRAS incentive whilst it is still tenanted or wait until it is vacant?
- ◆ What is the current condition of the property? Will the property require maintenance or upgrades prior to marketing to allow you to be competitive with other properties in the area? Will you wait until the current NRAS tenant vacates before completing any maintenance or upgrades? HHR will advise of any maintenance items that you may need to consider in our routine inspection reports.

- ◆ How long can you afford the property to be on the market without a rental income before it has an impact on your finances? Will you negotiate a new lease with the current tenant to remain in the property after the NRAS whilst you market for sale and get a feel for how the market is performing? You will need to advise HHR of your intention so that we can make sure the final lease in the NRAS period supports your plans after the end date. You will need to enter a new property management agreement to manage your property whilst it is still tenanted and coordinate any maintenance or upgrades that may be required on your behalf after the end of NRAS, even if you are planning to sell.
- ◆ Is there likely to be an abundance of other ex-NRAS properties hitting the market at the same time in the surrounding area? What impact could this have on your potential sale price? Should you consider retaining the property as a rental and delay marketing your property until the sales market is less competitive? If you decide to engage HHR to continue to manage your property, we are best placed to discuss your options based on our knowledge of the local market and other NRAS properties reaching the end of the 10 year period. As one of the leading national NRAS property managers, we have access to substantial data on what's happening in the NRAS market in your area. We will provide you with a personalised Comparative Market Analysis to help you make the best financial decision to achieve your goals (an example is attached).

Removing the property from the rental market

If you would like to remove your property from the rental market, for example you would like to live in the property yourself, you will need to consider the following:

- ◆ When do you want to move into the property? Do you want the final lease to coincide with the NRAS end date? You will need to advise us in plenty of time to ensure that the final lease aligns with the NRAS end date and provide sufficient time for us to provide the relevant vacate notice periods in accordance with residential tenancy requirements and complete our vacate inspection and handover to you.
- ◆ What is the current condition of the property? Will the property require maintenance or upgrades prior to moving in? Will you wait until the current NRAS tenant/s vacate before completing any maintenance or upgrades? Once your agreement with HHR expires you will need to coordinate any maintenance yourself. HHR will ensure that you are advised of any maintenance items that you may wish to consider in our routine inspection reports.

Keeping your investment as a rental property

If you would like to keep your property in the rental market, you will need to consider the following:

- ◆ Are you going to charge market rent or continue to charge an 'affordable' rent? Make sure that you notify HHR of your intentions at the earliest opportunity so that we can

align the final lease with your end of the NRAS Incentive to allow you to implement an increase to at the earliest opportunity, if that is your goal. Should you decide to engage HHR to continue to manage your property we will provide you with a personalised Comparative Market Analysis report (example attached), detailing comparable rentals, suburb demographics, local amenities and services and recent and long term market trends. We will also provide an insight into what's happening with other NRAS properties (either still in or as they leave the NRAS) and the potential impact this may have on achieving your financial goals. Your property manager will have extensive knowledge of the local market and will be able to discuss with you the best course of action for you to minimise vacancy periods and maximise your potential income.

- ◆ What is the current condition of the property? HHR will ensure that you advised of any maintenance items that you may wish to consider in our routine inspection reports.
- ◆ Is it comparable with other properties in the area? Will the property require maintenance or upgrades prior to advertising at market rent to make your property competitive with other rentals in the area? Will you wait until the end of the NRAS period before completing any maintenance or upgrades?
- ◆ Would you like to try and retain your current tenant/s? Can your current tenant/s afford market rent? Your HHR property manager will already have a relationship with your current tenant/s and will be able to offer an insight into their ability to pay an increased rent and commitment to negotiating a new lease. Alternately, your property manager will make sure that the required notice periods are issued and vacate goes smoothly whilst advertising for new tenant/s in advance of the NRAS end date, thus reducing any potential lost income during the transition.

WHY CHOOSE HHR?

- ◆ We understand that our fees affect your investment returns. We are committed to providing competitive fees and exceptional value for money, ensuring that your asset and investment is well maintained and providing you with an excellent return on your investment.
- ◆ If your initial interest in the NRAS was motivated by a commitment to help other, less fortunate Australians to secure an affordable home, retaining your property with HHR will continue to support this ethos. Even if you are unable to continue to offer a reduced rent, HHR donates all of our profits into affordable housing initiatives to build better housing outcomes for Australians.
- ◆ Our staff have years of experience managing properties where your investment is located. They understand their local communities, markets and tenants and have an in depth understanding of how the end of the NRAS for other competing properties may impact your property's market value. We can develop a realistic strategy with you to minimise vacancies and maximise your return.
- ◆ You already have a relationship with your property manager and your property manager has built a relationship with your tenant. This will make the transition from NRAS to establish affordability and negotiating a new lease with your current tenant much smoother for you. Alternately, HHR will be able to ensure a seamless vacate and advertisement strategy to identify a new tenant with minimal vacant time.
- ◆ We hope that your experience with HHR has been a positive one! Signing a new management agreement with HHR will save you the time and hassle of researching other alternate managers, negotiating a new agreement and handover to a new agent. We already know the full history of your property, including previous maintenance and service records and tenant demographics, We also have an extensive established network of reliable and qualified trades in the location where your property is. We will provide you with a realistic assessment of the condition of your property and make recommendations to maximise the rental potential before the NRAS end date. Handover to another agent may also increase the risk of vacancy during the transfer period whilst they complete their inspection and assessment of your property if you don't retain your current tenant.

Please contact your property manager at your earliest opportunity if you would like to discuss appointing HHR as your property manager at the end of the NRAS.

FREQUENTLY ASKED QUESTIONS

Will the NRAS be extended or replaced?

The Federal Government has confirmed that the NRAS will not be extended and there are no current plans for any replacement schemes to address the supply of affordable housing at this time.

What happens with my final incentive payment after the NRAS end date?

Once your NRAS dwelling has expired, it will remain active in the DSS Portal until the final incentive has been processed and paid at the end of the NRAS year in which it expires. Subject to meeting the usual NRAS compliance requirements, your final incentive payment will likely be a partial payment for the period from 1 May to the end date of your NRAS property incentive. The claim for your incentive payment will be submitted by AAHS to the DSS for assessment and processing as normal, at the end of the NRAS year. You will not receive your incentive earlier than usual (i.e. when the incentive ends) in the final year.

What happens with my Property Management Agreement with HHR after the NRAS incentive end date?

Your Property Management Agreement with HHR will cease on the NRAS end date. You will need to negotiate new arrangements for the ongoing property management of your investment property, either with HHR or another agent.

Can I charge market rent as soon as the NRAS on my property ends?

Rent cannot be increased during a fixed term lease, therefore it is important to let us know your plans so that we can align the final lease with the NRAS end date and negotiate a new rent. In addition, if you would like to offer your current tenant a new lease at a higher rent, you must give the tenant at least 2 months notice of the increase, and it must be at least 6 months since the last the last increase or the tenancy start date.

You should also note that the increase should not be considered excessive and should reflect market rent for comparable properties. HHR will advise you of the market rent we consider appropriate, taking into account market conditions and the condition of your property, in the notification we send to you advising that your NRAS period is coming to an end. If you decide to engage HHR to continue to manage you property, we will provide you with a more detailed personalised market analysis report to enable you to make an informed decision on your property.

Can I keep the same tenant/s after the end of the NRAS?

You can retain the current tenant/s at the end of the NRAS but you will need to sign a new property management agreement with HHR or another manager of your choice who will negotiate a new lease with your current tenant. Tenants will not be required to meet the NRAS eligibility requirements after the NRAS end date. Our experience to date has demonstrated that Investors are

FREQUENTLY ASKED QUESTIONS ctd.

keen to keep good NRAS tenants, and tenants usually wish to sustain their tenancy at the end of the NRAS, subject to affordability. Should you engage HHR, we can assist you to determine your current tenants' affordability if you are considering increasing the rent and negotiate a manageable increase if you would like to retain your current tenants.

What if my current tenant cannot afford market rent?

If your current tenant cannot afford market rent and you do not wish to, or are unable to continue charging an 'affordable' rent, you will need to either:

- ◆ Issue the tenant with a notice to leave and advertise for a new tenant (subject to the required residential tenancies legislation for notice periods); or
- ◆ Negotiate an increased amount that is affordable for the current tenant.

Should you engage HHR as your property manager after the end of the NRAS, our team will be able to advise you of the best strategy, taking into account market conditions, other competing NRAS properties etc. in order to retain your tenant, minimise vacancies and maximise your income.

What if I don't appoint HHR as my agent after the end of NRAS?

If you decide to appoint another agent to sell or manage your property at the end of the NRAS, you should provide HHR with contact information for the new agent 6 months before the NRAS end date. HHR will provide your new agent with the details of the current tenant and lease details. Your new agent will manage your instructions for after the NRAS end date and liaise with HHR to arrange a handover for the property.

You should note that if you want your current tenant to vacate at the end of the NRAS period/ management agreement, you must advise HHR at least 3 months before the end date to allow HHR to issue the tenant a notice to leave with 2 months notice. Should we not receive instruction in time, the current tenant will move onto a periodic lease and vacate may not occur until after the NRAS end date, managed by your new agent.

If the tenant vacates on or before the NRAS end date, HHR will manage the vacate process (complete the exit inspection, manage the bond claim etc.). If the tenant vacates after the end of the NRAS, as there is no valid management agreement in place, your new agent will manage the vacate.

SERVICE CHARTER

We offer the following service guarantee in the management of your investment property:

- ◆ We will list your property on realestate.com.au as soon as a notice to vacate is received from an exiting tenant or when you first engage our services to select a suitable tenant.
- ◆ We will take and display colour photographs in promotional material to advertise your property.
- ◆ A sign advertising the vacancy will be displayed at the property (if permitted).
- ◆ We will access our tenant database to identify tenants that are seeking to rent within your property's price and location.
- ◆ We will conduct open houses for inspections for prospective tenants.
- ◆ We will communicate regularly with you during the pre-lease period to provide you with an update of activities and feedback from prospective tenants about your property.
- ◆ We will provide feedback on all applications received for the property and present all suitable applicants for your consideration.
- ◆ We will undertake thorough checks on the information provided by tenants in order to verify the character and affordability of the tenant.
- ◆ We will conduct internal and external inspections of your property as per your management agreement with us and provide you with a comprehensive report following each inspection, including the identification of any maintenance requirements.
- ◆ We will carry out regular checks and immediately follow up outstanding monies owed and take prompt action to deal with arrears in accordance with State residential tenancies legislation.
- ◆ We will attend to all repairs in a timely manner in accordance with your management agreement.
- ◆ If you feel we have not met these standards, please register your complaint to the Client Relations Officer at feedback@horizonhousinghrl.com.au or in writing to our head office. We will attempt to resolve your complaint within 10 business days after receipt of your feedback.



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