



A 'Sharing Economy' model for international student accommodation

Scoping study and recommendations

April 2018

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Glossary and Acronyms

Accreditation	Accreditation is the process in which certification of competency, authority, or credibility is presented. In the context of accommodation, this would include a 'stamp of approval' for accommodation which is proven to be safe, reliable and as advertised.
ESOS Act	The Education Services for Overseas Students Act 2000 (ESOS Act) sets out the legal framework governing delivery of education to international students in Australia on a student visa. The Australian Government, through the Department of Education and Training, administers the ESOS Act and its associated instruments.
National Code of Practice	National Code of Practice for Providers of Education and Training to Overseas Students as determined by the Education Services for Overseas Students Act 2018 (latest).
Rating scheme	A user review based system where consumers provide feedback on a given product/service. Typically involves leaving a scaled rating (i.e. 1-5 stars) and can involve providing short comments regarding experiences.

Student measures:

Commencements	The number of students commencing (starting) a course in any given year.
Enrolments	The number of students currently registered as enrolled in any course in a given year. Includes students enrolled in all stages of study (not just students starting a course – see commencements) and counts <i>all</i> courses that any one student may be enrolled in. (i.e. one student studying two separate courses would count as two enrolments).
Student numbers	Physical count of current students. International student numbers are typically derived from international student visa approvals.

Traditional vs Sharing economy

Sharing economy	In the sharing economy, transactions that involve an individual renting shared accommodation directly from another individual – for example, through a homestay arrangement or renting a single/ shared room from a head tenant – could be considered a peer-to-peer sharing economy transaction. These arrangements are generally facilitated through some type of "platform". A sharing economy platform can be in a variety of forms, from a university noticeboard through to websites.
Traditional economy	In the traditional economy, transactions that involve an individual directly renting a property, or a group of friends jointly applying to a tenancy are considered part of the peer-to-business 'traditional' market.

Types of Accommodation:

Homestay	When a household in Australia rents out a room in their house to an international student. The student is typically then included as part of the household, with the host providing meals and making them feel 'a part of the family'. Homestay is a common accommodation option for younger students and ELICOS students.
PBSA	Purpose Built Student Accommodation. Built and maintained by private/commercial interests or universities. Often they are smaller rooms with minimal furnishings, with shared facilities or common spaces.
Private rental	For the purpose of this report a 'private rental' is one considered to be conducted via 'traditional' means – either via a real estate manager or private agreement between tenant and landlord not established via a sharing economy platform (i.e. a landlord who has established a relationship with their tenant during a real estate managed tenure decides to offer a private agreement to the tenant).
Sharehouse	<p>The act of sharing a room within a house or apartment with flat mates. Residents share bathrooms, kitchens, laundries and other common areas.</p> <p>A group of students who already know each other and decide to sign up to a tenancy together is considered part of the traditional economy.</p> <p>Students who do not previously know each other and form a share house are considered part of the sharing economy. They have typically required an online platform to either meet and apply for a tenancy together, or connect with a head tenant who sublets rooms.</p>

Executive Summary

Australia is a popular destination for international students. This is due to the high quality of education that Australian institutions provide, and the quality of life that people in Australia have. Providing a positive experience for students visiting Australia is important to maintain and grow Australia's reputation for international education. In addition to receiving excellent education and training from Australian providers, promoting the best possible experience should include the ability to enjoy and spend leisure time in Australia's cities and regions, interact with students from a variety of cultural backgrounds, and having a safe and comfortable living environment to make the most of their experience.

With over 50 per cent of international students in Australia staying in private rental accommodation, it is important that they are able to access to reliable information to assist them to find safe and suitable accommodation.

In 2016, international students reported an overall high level of satisfaction, with 89 per cent of students satisfied with their living arrangements while studying in Australia. While this is overall positive, international students have been reported to be less satisfied about the price of their accommodation, with 64 per cent satisfied with costs in 2013 (Lawson, 2013). Australia has comparably higher living costs than other countries, and this is still an area that could be improved to enhance Australia's competitiveness in the global education market.

While the student accommodation landscape in Australia has changed significantly over the past decade, with a large amount of investment focussed into on-campus and purpose built student accommodation, the private rental market will continue to play an important role in providing student accommodation. With many reported challenges in this marketplace for students, access to information is key.

This report explores the accommodation market for international students, and the role that the sharing economy plays in this market. To help students further access information, this study also examines the potential benefits of a user review scheme for student accommodation.

Key themes

Through discussions with international students and consultation with industry stakeholders, a number of key themes have emerged about the experience of international students in accommodation in Australia.

- **Managing expectations** of students as they sign up for accommodation and before arriving in Australia is one of the key factors in creating a positive experience. The combination of exchange rate impacts and the relatively high cost of living in Australia often means that rental prices offered to students appear particularly high. As a result, some students expect a premium service and this leads to disappointment on arrival, negatively impacting their experience from the start.
- **International students are particularly vulnerable to exploitation** in their accommodation arrangements. Being new to Australia, they typically have less information about important details such as location, price and their rights as tenants. International students may have less ability to access the information by either not knowing where to find it or having less familiarity with English language or terminology.
- **Dissatisfaction** with accommodation is common. International students frequently experience accommodation situations in which they are not satisfied with the service, but these go unreported because the student is concerned about losing their place to stay, or they simply accept the situation and try to find something better after they learn more about their options.

- **Students are often confused** by the complicated process required to move into a place, such as needing to lodge a bond with the rental authority, what their rights are as tenants, and organising utilities. While these steps are important, they can be bypassed by informal arrangements. These informal arrangements are initially attractive because of their simplicity, however they often lead to difficulties for international students later – such as inability to access their bond on departure, or liability for restoration of property.
- **Rapid growth in the student accommodation market** has seen the sector become an industry in its own right. Keeping up with demand and providing a variety of options for accommodation is increasingly recognised as an important part of the student experience and a necessary complement to quality education services.
- **A clear definition** of what is classified as student accommodation is lacking. A formal definition would provide more structure to discussions around the international student accommodation market and would allow the industry to be clearly identified under the appropriate regulatory frameworks. The industry is currently classified as either residential or hotel accommodation, which can cause problems/inconsistencies in identifying appropriate regulatory treatments for operators, and can mean that many students are not protected by tenancy agreements.
- **Improving the availability and quality of information** is strongly desired by both students and industry stakeholders to better inform decisions on accommodation options, improve the student experience, and continue making Australia a destination of choice for international education.
- **The sharing economy is already an active part of the international student accommodation market.** Australian households utilise spare rooms for homestay students, which can be a good fit for international students first arriving in Australia and adjusting to a new lifestyle. Many international students also organise their accommodation through house-sharing websites and social media platforms, particularly after they have established themselves in Australia. The 2014 international student survey shows that over 50 per cent of international students stayed in the private rental market, highlighting the importance of this sector.
- **International students strongly support the idea of a user review rating scheme** for student accommodation. Many students are currently active in review systems such as Airbnb and Uber, and also frequently use sources like Tripadvisor to find information about a place before travelling there.
- **There is mixed support by industry stakeholders for a user review rating scheme** for student accommodation. While there is broad support for the idea of improving the availability of information for students, there are concerns on how a review system would be managed, how accommodation options might be fairly compared, and the additional compliance and expense brought to businesses or institutions.

Scoping a user review rating scheme

There are several areas to consider if a user review scheme were implemented, such as:

- Is there value in a user review rating scheme for student accommodation?
- Who would implement and maintain (and finance) a scheme?
- What features would be included in a rating scheme?

Feedback from international students has indicated that there are significant information gaps in the accommodation market, and that a user rating review scheme would likely be a valuable resource to help address some of these gaps – assisting with understanding and selecting accommodation options. Providers of student accommodation also generally acknowledge that a review scheme could

potentially improve the market and reduce the number of sub-standard or inadequate operators in the market.

There is a complicated mix of stakeholders in the international education and student accommodation industries, and identifying an organisation type that would be best placed to implement and maintain a user review scheme is challenging. Additionally, how a system would be funded is dependent on how the review scheme would be operated, and what resources or processes currently exist to reduce costs of operation and compliance.

The design features included in the user review rating scheme are also important to ensure that quality information is generated, identities are protected, and reputations are evaluated fairly. Feedback from international students has been compiled into a list of features that could be part of a user review scheme, with input from industry stakeholders into the advantages and challenges of these features. Examples of features include:



Recommendations

Through the process of researching the student accommodation market and engaging with international students and stakeholders, a number of recommendations on sharing economy models, a user review rating scheme, and the role of government, accommodation providers and education institutions have been developed.

Sharing economy models

Recommendation 1: *Encourage the supply and quality of homestay hosts for international students.*

A tech-uplift, such as improved websites and verification systems, could better promote this accommodation option to international students, and also encourage more households to consider hosting a student.

By bringing more awareness of and accessibility to the homestay market, international students can potentially make use of under-utilised assets (spare rooms) in households that have capacity.

The buzz and popularity of Airbnb shows that many households are willing to be a part of the sharing economy, but have perhaps overlooked alternatives such as homestay.

Recommendation 2: *Provide better protections for sharehouse arrangements and proactively educate international students on their tenancy rights and responsibilities*

Improving the tenancy system for sharing arrangements in houses and flats will improve the market and provide safer accommodation options for international students as well.

- Local governments have a role in monitoring residences so that they do not breach housing codes in terms of occupancy.

- State governments have a role in providing appropriate regulatory frameworks so that share housing arrangements can be entered into fairly and safely – to better avoid exploitation of either tenant. Reviewing and improving regulatory frameworks around the accommodation sharing economy will have flow on benefits to international students who are frequently participating in this market.

The current requirement for head-tenants to lodge bond on behalf of the sub-tenant can lead to exploitation of international students. International students need to be aware of the importance of completing written contracts between themselves and head-tenants. Providing international students with a standard subletting agreement template would raise awareness and offer practical assistance. As the first point of contact, educational institutions would be best suited to provide this template. Doing so would signal a strong commitment to standards of the National Code of Practice.

Essential information regarding tenancy agreements and related legal requirements should be made easily accessible to international students and translated appropriately. A lack of uniformity across states makes understanding the intricacies of the renting or sub-letting process confusing for visiting students. Tenant unions are generally well suited to generate this information, whilst educational institutions offer the most effective channel of communication with students.

User review rating scheme

Recommendation 3: Intensive consultation and representative workgroups would be needed if a user review system were to be developed across all accommodation types.

A user review systems that encompasses all accommodation types for international students would be extremely challenging in the current market.

If there was a requirement to implement a review system across the whole student accommodation spectrum, a number of issues would need to be overcome. A key challenge is that the various types of accommodation across the student market are not directly or easily comparable. There would need to be a clear set of criteria applicable across all types of accommodation for a rating system to be both informative and fair. To progress this idea successfully, intensive consultation and representative working groups would need to be established to fully identify all of the potential criteria, challenges and solutions.

Recommendation 4: Continual improvement and further implementation of internal review mechanisms could assist in protecting students from exploitation in the accommodation market.

While a review system specifically focussed on the sharing economy market could be established to remove some of the challenges identified under Recommendation 3, this type of system has its own drawbacks.

There are two key challenges for a review system that is applied purely to this market.

- Hosts do not experience a high enough turnover of guests; and
- The quality of student experiences in sharehouses often depends largely on their housemates, and not the features of their accommodation.

While a user ratings system to help inform student choices may not be feasible, there are other review processes that can help, behind the scenes, to protect students. For example, sharing economy platforms such as Flatmates.com.au and StudyStays.com which use internal review processes to identify scams and fake advertisements.

The role of accommodation providers, education institutions and government

Recommendation 5: *Accommodation providers should consider the use of existing user review rating systems such as Google reviews and Facebook reviews to better capture and address student feedback.*

As the trend towards user review schemes increases, businesses in the student accommodation industry need to be increasingly aware of their online presence/community feedback that is being posted online. With this in mind, some businesses are already engaging with the online community, with Google reviews and Facebook pages that allow user ratings.

With recent levels of high demand for student accommodation, some providers may be less vigilant with the quality of their accommodation. However, negative feedback on these experiences (through word of mouth/online forums) may deter new students from studying in a particular region or even in Australia. With extensive global competition for students, this can be detrimental to the market.

Recommendation 6: *Education institutions should collectively aim to exceed minimum ESOS requirements pertaining to the provision of accommodation information; on the basis that making accommodation options clearer can strengthen the international student market as a whole.*

While there is a requirement for education institutions to provide accommodation information to international students under ESOS, the level of assistance can vary significantly from institution to institution. Some institutions have recognised the importance of accommodation in international students' experiences and far exceed the minimum interpretation of the ESOS when providing information. For example, accommodation guarantees that are being offered by a number of universities provide significant support to new international students and signal a greater commitment to the international student. As more institutions embrace this or other types of accommodation support services, this can help build the reputation of student accommodation, and more broadly the student education experience, in Australia.

Recognising the importance of all accommodation types, and not just on-campus accommodation or other purpose built student accommodation (PBSA), is important to support international students in Australia. While PBSA is an excellent option for many new students, there are significant numbers of students still accessing the private market. Additional support mechanisms to help with information access and risk avoidance in the private market can also help strengthen international student education experiences in Australia. Some examples are provided in Recommendation 2.

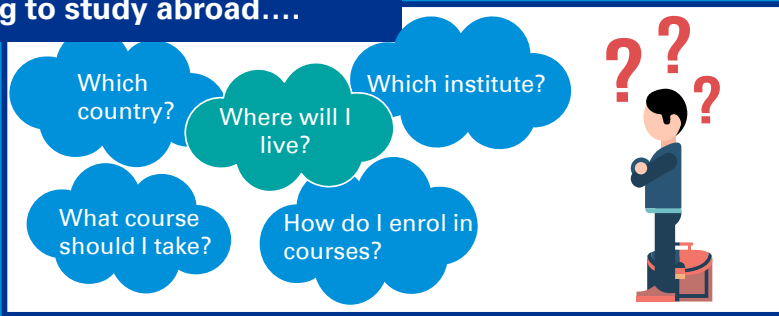
Recommendation 7: *The Government should take a support, rather than intervention, role in the student accommodation market.*

Review mechanisms are often more effective when consumer driven and facilitated by independent platforms.

While there are some market failures identified in the student accommodation market, education institutions and high quality accommodation providers can be in a better informed position to improve communication in the market without the need for additional layers of procedures or compliance.

There are peripheral roles where different levels of government can assist in improving the student accommodation market, such as policing over-crowded residences and in tenancy laws for roomsharing (as mentioned above).

Students are faced with a large number of decisions when choosing to study abroad....



Where to live is important, and there are many things to consider..

Access to information about accommodation options is essential..



The quality of information about accommodation can greatly impact a student's experience..

Optimisation

Improving the availability of information can help international students to optimize their accommodation outcomes for their preferences around accommodation type, distance to education / training institution, proximity of shops and amenities.



Misled

Unclear or misleading information can put students in accommodation that they are not happy with. They may not officially report any issues, but word of mouth and social media can generate negative reputational impacts.



Satisfied

Adequate information about where to stay and the details of their accommodation means student have a better understanding of what to expect.



Scammed

International students falling victim to accommodation scams is a detrimental outcome for the students and breeds a bad reputation for Australian education and training, our institutions and Australian society more broadly.



1. Introduction

International education in Australia is the country's third largest export industry. Exports of education services in Australia include tuition fees and the living expenses of foreign students while studying in Australia. To maintain our strength and global competitiveness in this industry, Australia must ensure that international students continue to experience a high level of wellbeing and support during their time in the country.

Enhancing a student's overall experience in Australia can provide economic benefits that extend beyond the education sector. These additional benefits to the economy can include generating soft marketing for tourism, and strengthening the transnational mobility of skills and knowledge.

It is important that international students not only have a positive education experience in Australia, but also a positive lifestyle experience. Accommodation plays a key role in this. However, the international student accommodation market is subject to significant information asymmetries, where students often have limited information about the accommodation they are buying. With international students accessing accommodation from a variety of providers, it is important that they are able to determine the quality of information that is being provided to them.

An important consideration, but not the focus of this report, is the role of regulation and the sharing economy. The sharing economy is a disruptor to many industries, and brings into question whether greater regulation, or a different form of regulation, is necessary for the market to operate efficiently. This risk is that imposing new regulation can potentially stifle economic growth, while maintaining existing regulations can lead to exploitation of consumers if existing consumer protection frameworks are circumvented.

The Department of Education and Training ("the Department") has commissioned KPMG to assist in a scoping study of a 'sharing economy' model for international student accommodation in Australia. This research examines the current student accommodation market, investigates the feasibility of a user review ratings scheme and considers the role of government and various stakeholders in the student accommodation sharing economy.

This study is part of the National Strategy for International Education 2025, which aims to help support and continue to build Australia's strong reputation as a destination for international students. The international appeal of Australia as a student destination is influenced not only by the student's education and training experience, but also through their lifestyle and personal interactions whilst staying in Australia.

1.1. Scope

The scope of this engagement includes:

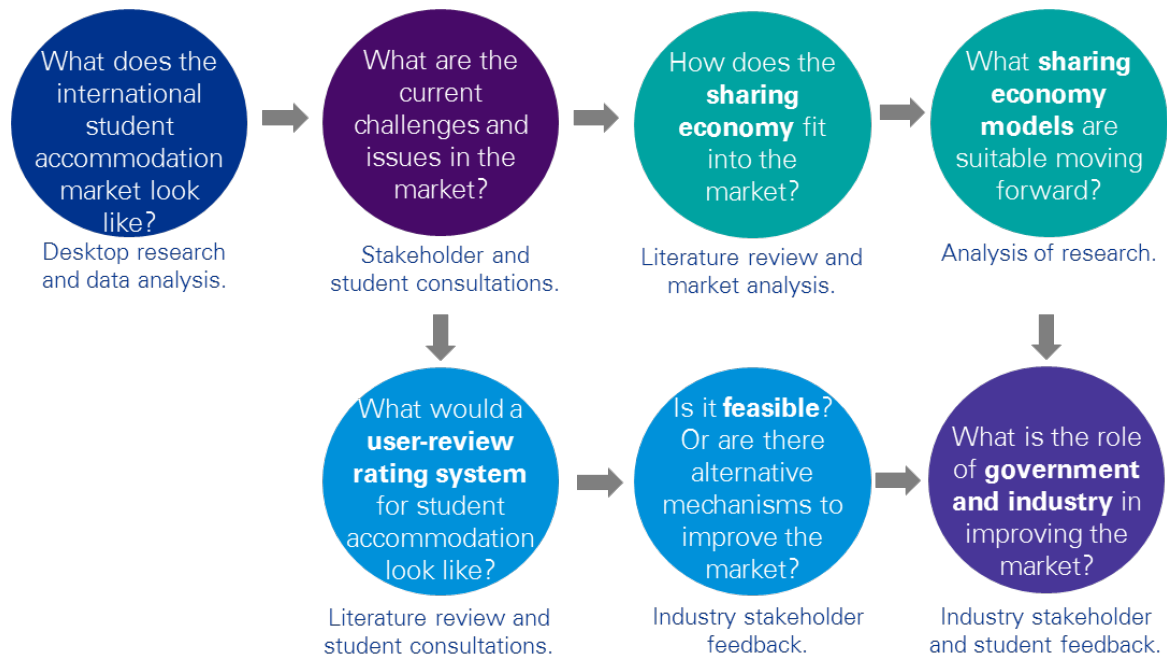
- Examining existing sharing economy models for international student accommodation.
- Examining the feasibility of a user review ratings scheme for international student accommodation.
- Providing evidence-based recommendations for sharing economy models for international student accommodation suitable for Australia.
- Examining the role of the Australian Government in these sharing economy models.

1.2. Approach and report structure

To undertake this analysis, KPMG has applied a methodology which combines desktop literature research, data analysis and stakeholder consultations. This provides a balance between understanding the data and the findings of other studies, and an awareness of the current experiences and views of students, industry and other stakeholders.

The methodology steps through a basic structure to answer the questions posed by the Department on current issues associated with student accommodation for international students, and if and how the sharing economy might help.

Figure 1: Methodology overview



The remainder of this report follows the key methodology questions illustrated in the figure above. Each section is structured as follows:

- Section 2 defines the sharing economy in the context of the student accommodation market.
- Section 3 provides context to the study by summarising the current state of the international student accommodation market, including the types of accommodation used and recent trends. It then discusses how the future of international student accommodation might look based on industry forecasts and emerging trends.
- Section 4 presents an understanding of the current challenges that international students face in finding safe, affordable and convenient accommodation.
- Section 5 explores the sharing economy and how peer to peer markets might assist international students to find accommodation.
- Section 6 looks at the potential role of regulation, ratings systems and government in the student accommodation market and, in particular, in the student accommodation sharing economy.

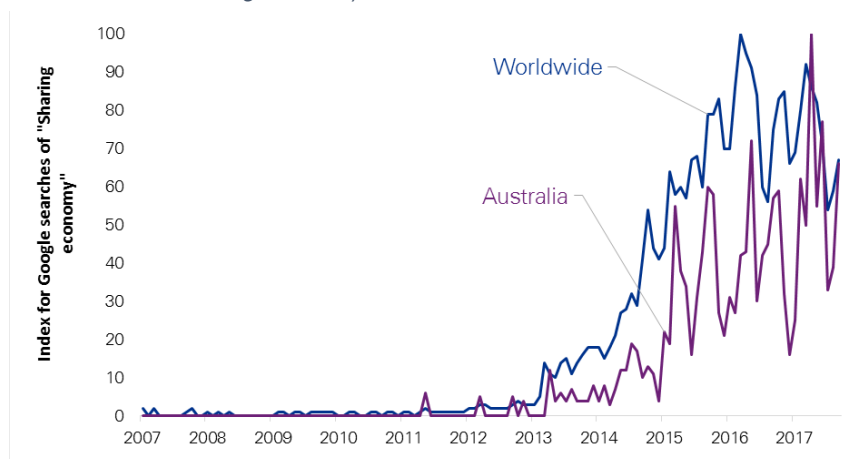
2. Defining the 'sharing economy'

The definition of 'sharing economy' can vary in both application and context. As described by Kennedy et al. (2017) from Melbourne University:

The sharing economy is an umbrella term used to describe various forms of exchange that range from renting and lending, to swapping, bartering, giving and sharing. It invites individuals, communities and organisations to forgo ownership in favour of access to resources or experiences shared between parties through a variety of mechanisms. ... The sharing economy, clearly, is a slippery concept to define. It is easy to fall upon expansive and therefore meaningless or contradictory descriptions that encompass all activities with any of the characteristics described above. (p.7, p.8)

The figure below shows that the term "Sharing Economy" has achieved a significant increase in use/recognition over the past few years (as recorded on Google Trends). Google searches for "sharing economy" both globally and in Australia starting increasing in 2012, then grew strongly 2015 onwards.

Figure 2: Internet searches for "Sharing economy"



Source: Google Trends (trends.google.com). Note: The index is set to 100 for the peak search period then reference for other periods. A value of 0 means the search was less than 1% as popular as the peak.

2.1. Sharing economy definition

While the term has often been used more broadly (as described in the box above), our study focusses on a more targeted definition, aligned to that contained in the Oxford Dictionary (2017), which defines the sharing economy as:

"an economic system in which assets or services are shared between private individuals, either for free or for a fee, typically by means of the Internet".

Thus, one of the key differences between "traditional" transactions in the economy and those in the sharing economy is that the good or service is provided by one private individual to another, termed a "peer-to-peer" model.

While a sharing economy platform (facilitated by a business) may have coordinated the transaction, it does not provide the service (as illustrated in Figure 3). Popular examples of the sharing economy are Uber and Airbnb, who provide peer-to-peer transport and short-term accommodation services through online platforms.

Figure 3: Peer to peer model of sharing economy

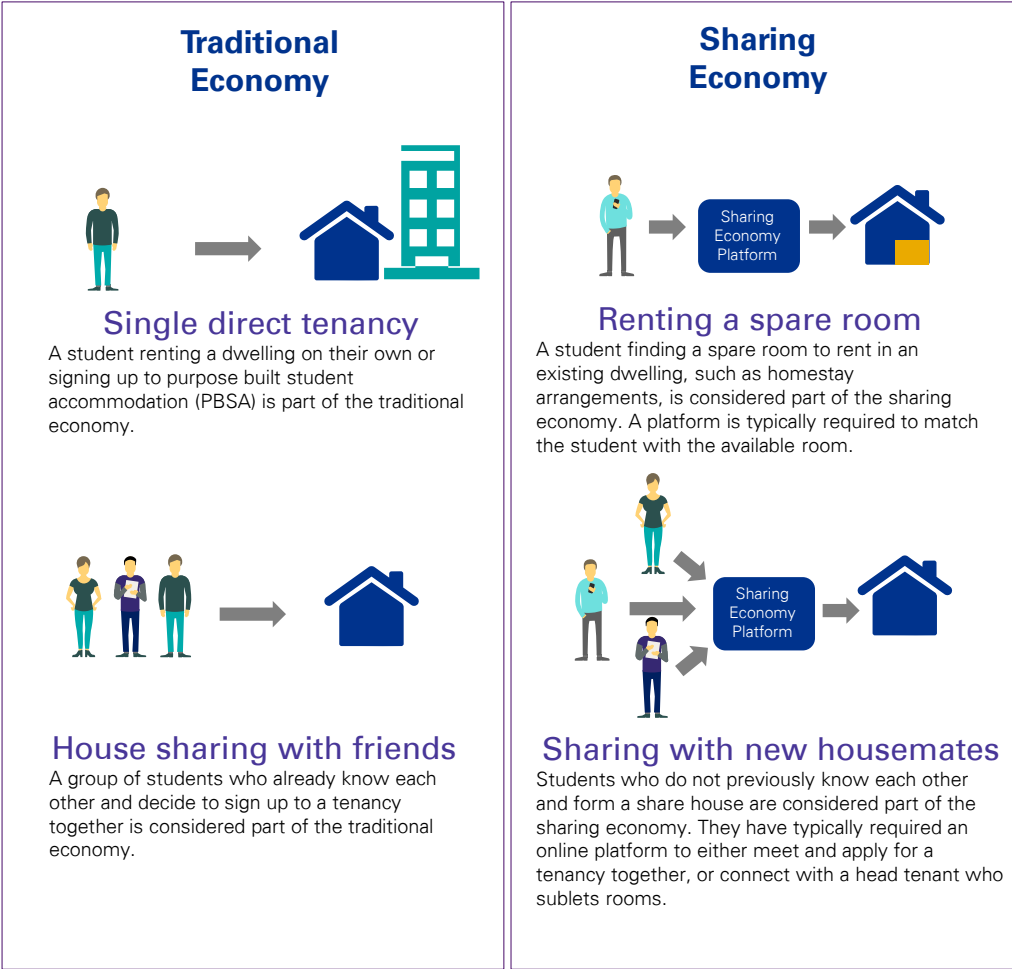


Source: Demary (2015)

2.2. Student accommodation sharing economy

Any interpretation of how the sharing economy for student accommodation currently operates (or could operate in the future) needs to consider the specific student accommodation market dynamics. The figure below provides examples of student accommodation options under the “traditional” economy and under the “sharing” economy.

Figure 4: Comparison of the Traditional Economy and Sharing Economy for student accommodation



Source: KPMG Economics, based on Demary (2015) and stakeholder consultation.

In the **traditional economy**, transactions that involve an individual directly renting a property, or a group of friends jointly applying to a tenancy are considered part of the peer-to-business market.

In the **sharing economy**, transactions that involve an individual renting shared accommodation directly from another individual – for example, through a homestay arrangement or renting a single/shared room from a head tenant – could be considered a peer-to-peer sharing economy transaction. These arrangements are generally facilitated through some type of “platform”. A sharing economy platform can be in a variety of forms, from a university noticeboard through to websites.

Much of what might be defined as the sharing economy is not actually new – housemates have previously shared tenancies before the term sharing economy came into use. However, the use of technology is making the sharing economy increasingly accessible and is enhancing many sharing activities. Technology is being used in new ways, and has clearly been a key driver in the significant expansion of sharing economy activities in recent times.

3. International student accommodation in Australia

In 2016, there were 710,000 international student enrolments in Australian onshore programs - placing Australia third on the list of most desirable study locations in the world (DET, 2017a; OECD, 2017).¹ Australia boasts a highly regarded education system, supported by the Australian Qualifications Framework which sets a high standard for Australian qualifications internationally.

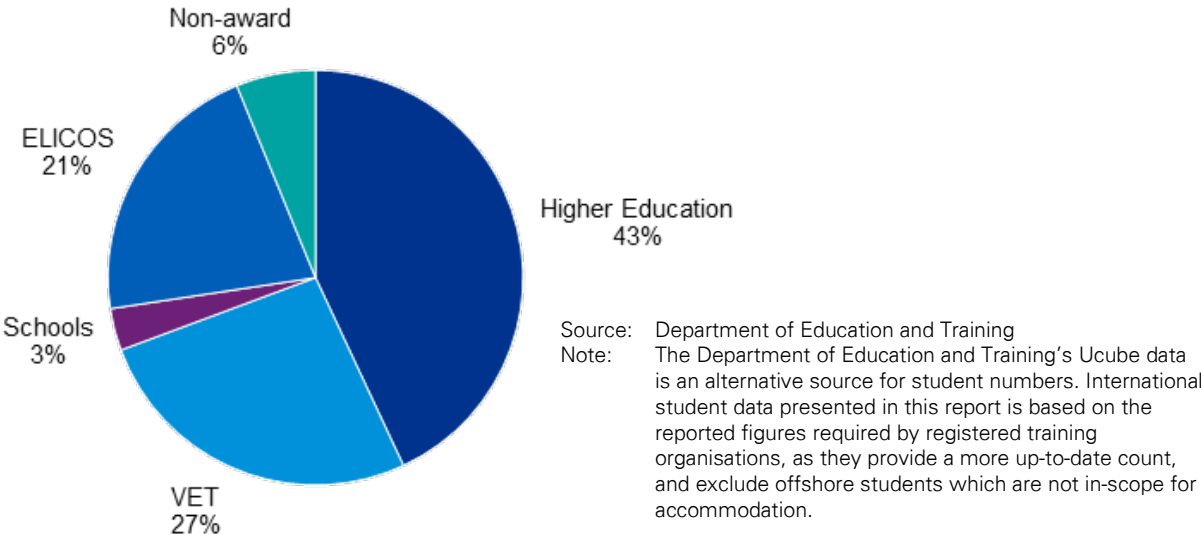
Student accommodation is an important complementary service to international education delivered onshore in Australia. Before one can understand the potential impacts of a sharing economy model in the student accommodation market, it is important to understand the context - through understanding the size and structure of the market, and also the existing challenges faced by international students seeking accommodation in Australia.

This section explains this context – by first identifying trends in international student numbers and demographics, and providing details around the current accommodation options available to students. The following section then outlines some of the key challenges facing this cohort.

3.1. International student enrolments

In 2016, approximately 305,000 (or 43 per cent) of international enrolments were within Australia’s higher education system (DETA, 2017); Australia’s Vocational Education Training (VET) sector attracted 187,000 international enrolments (27 per cent); English Language Intensive Courses for Overseas Students (ELICOS) recorded 150,000 (21 per cent) enrolments; whilst non-award courses had 44,000 (6 per cent) and schools 23,000 (3 per cent) enrolments.

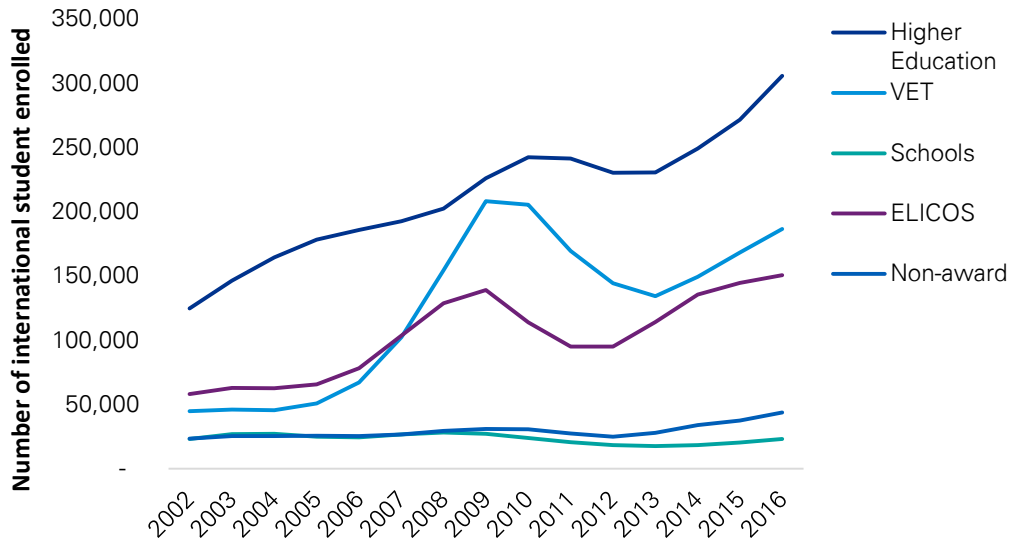
Figure 5: International student enrolments by sector (YTD December 2016)



¹ Note that the number of international student enrolments typically exceeds the number of actual international students in Australia, as a student can enroll in more than one course. More information is available at <https://internationaleducation.gov.au/research/International-Student-Data/Pages/ExplanatoryNotesforAEIStudentEnrolmentData.aspx>

International student enrolment across Australia’s education sector has almost doubled over the past decade, with growth in aggregate enrolments averaging 5 per cent annually since 2006. VET, despite a drop between 2010 and 2013, has experienced the strongest growth in enrolments over the past decade; almost tripling in size between 2006 (67,000 enrolments) and 2016 (187,000 enrolments).

Figure 6: International student enrolments by sector (YTD - December)

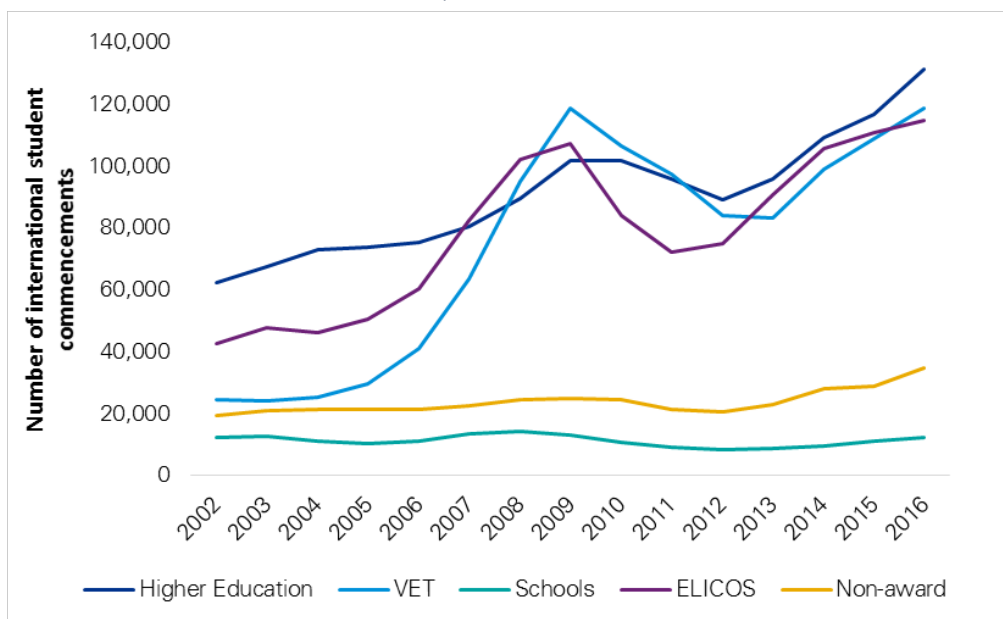


Source: Department of Education and Training

The chart above shows that higher education courses naturally maintain large enrolment figures due to length of courses (typically 3-5 years). Total enrolment figures, whilst informative, are not adjusted for duration of study.

To further understand international demand for education across different Australian courses, examination of commencement figures shows that in 2016 roughly an equal proportion of international students commenced either higher education (32 per cent), VET (29 per cent) or ELICOS study (28 per cent). This trend has been fairly consistent over the past decade, particularly after the near-exponential growth of ELICOS and VET commencements between 2005 and 2008.

Figure 7: International student commencements by sector (YTD - December)



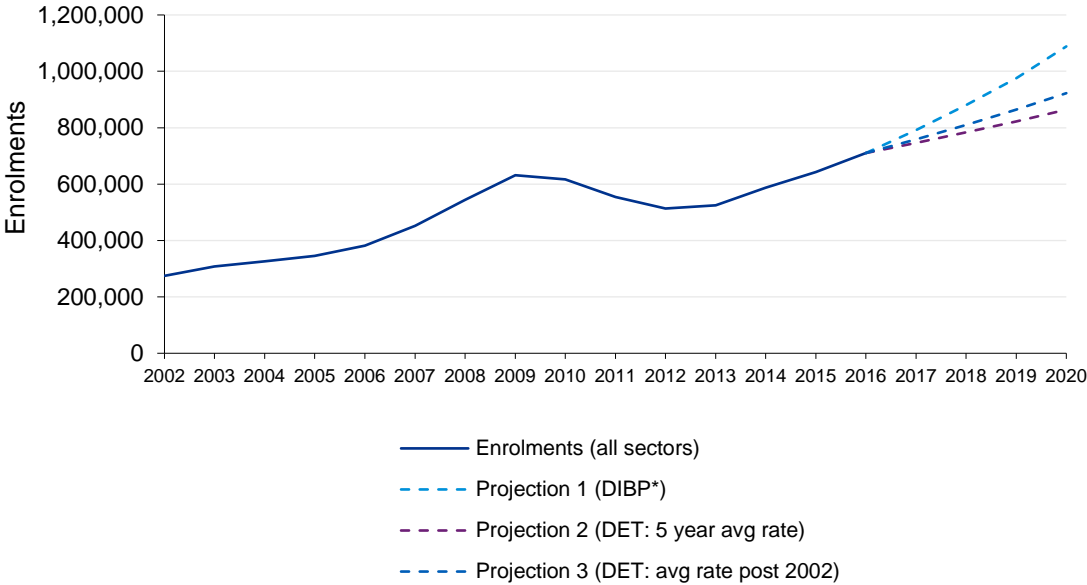
Source: Department of Education and Training

At a five-year average growth rate of 5 per cent per annum, international student enrolments are expected to increase from 710,000 in 2016 to 864,000 by the end of 2020 (20 per cent). This estimate could be considered conservative given that it is heavily influenced by the decline in international student enrolments experienced in 2012; due in part to the strength of the Australian dollar during 2011 and 'hangover' post GFC.

If, instead, growth realigns with the long-run average growth rate of international enrolments (7 per cent per annum), enrolments would be expected to reach 920,000 by 2020 (30 per cent increase). Finally, based on forward estimates of net student visa arrivals into Australia provided by the Department of Immigration and Border Protection, international student enrolments are estimated to increase to 1,090,000 by the end of 2020 (an optimistic 53 per cent increase).

Whilst a formally modelled forecast of future enrolments is outside the scope of this report, preliminary analysis concludes that **international student enrolments will continue to experience a large rate of growth in the immediate term. This will further increase demand for student accommodation.**

Figure 8: Projected growth in international student enrolments

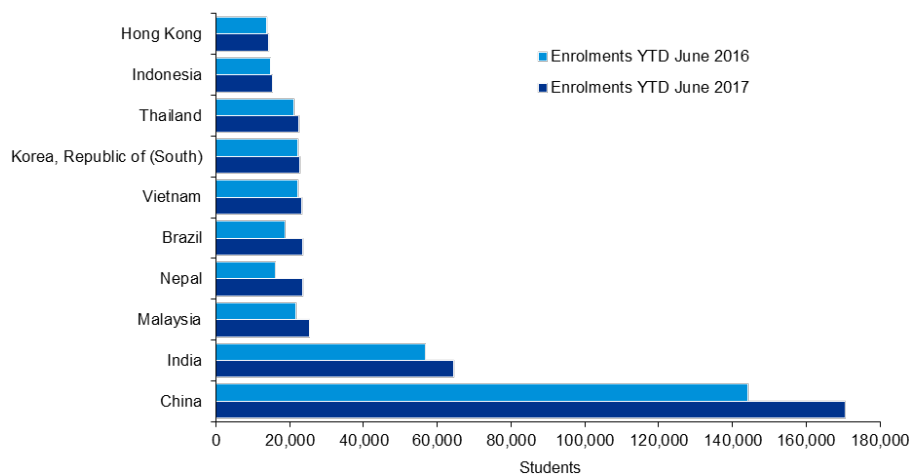


Note:
 Projection 1 *based on estimates of net student visa arrivals provided by the Department of Immigration and Border Protection.
 Projection 2 based on Department of Education and Training enrolment data 5-year average growth rate of 5 per cent pa.
 Projection 3 based on Department of Education and Training enrolment data average growth rate since 2002 of 7 per cent pa.
 Projections do not account for future economic shocks, such as currency fluctuation or deteriorating global conditions.

3.2. Student nationality

Australia’s international students come from a diverse range of cultural backgrounds. Whilst the majority arrive from China (30 per cent) or India (11 per cent), the remaining 59 per cent of students visit from various countries all over the world. The strongest growth in student numbers between June 2016 and June 2017 were Nepalese students (47 per cent increase), followed by Brazilian students (26 per cent increase). **Consideration of cultural backgrounds is an important factor in understanding the accommodation requirements of international students – different cultures often have different needs, priorities and expectations around accommodation.** For example, expectations regarding the amount of space a student requires, the freedom of pets in a residence, types/availability of catering, or the proximity to busy city centres can vary across different types of students, and can influence a student’s experience.

Figure 9: International student nationality



Source: Department of Education and Training

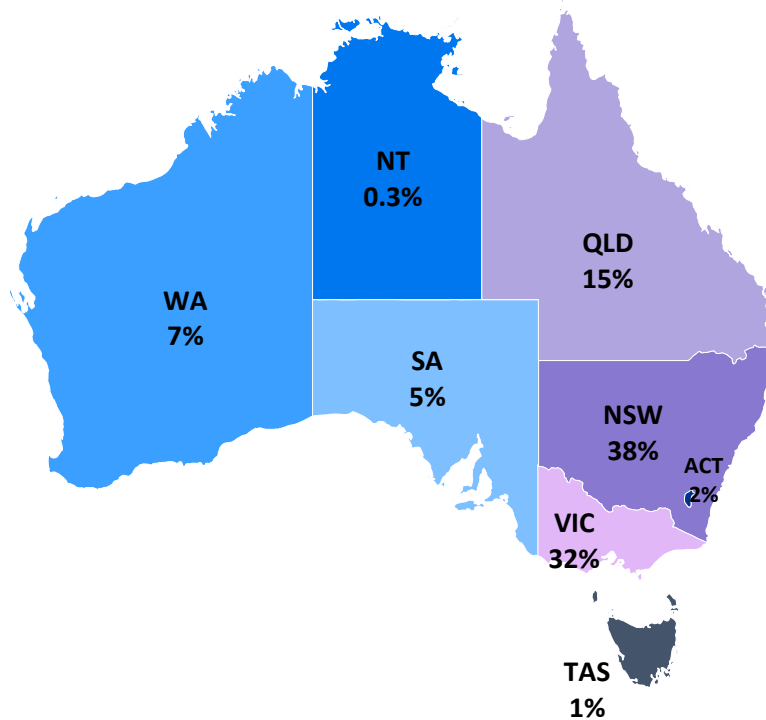
3.3. Australian study destinations

Looking at the current distribution of international students across Australia, the majority (over two-thirds) of all enrolments are in institutions located in either New South Wales or Victoria. Queensland is the third most popular destination, whilst Northern Territory and Tasmania have the smallest international student cohorts. The top three city destinations for international students are Sydney, Melbourne and Brisbane (DET, 2017b).

Each state’s share of enrolments is reflective of a mix of variables, most pertinent of which being the availability of study institutions; the brand and reputation (international ranking) of such institutions; and the tourist appeal of each state.

- Australia hosts a total of 43 universities. Ten are located in New South Wales, and seven are in Victoria (Study in Australia, 2017).
- Over half of Australia’s universities feature in one or more of the main sets of world rankings, making the Australian system amongst the most desirable in the world.
- In 2017, New South Wales, Victoria and Queensland were the first, second and third most visited states by international tourists, respectively (Tourism Research Australia, 2017).

Figure 10: International student place of study, by share of total **enrolments** (as of June 2017)

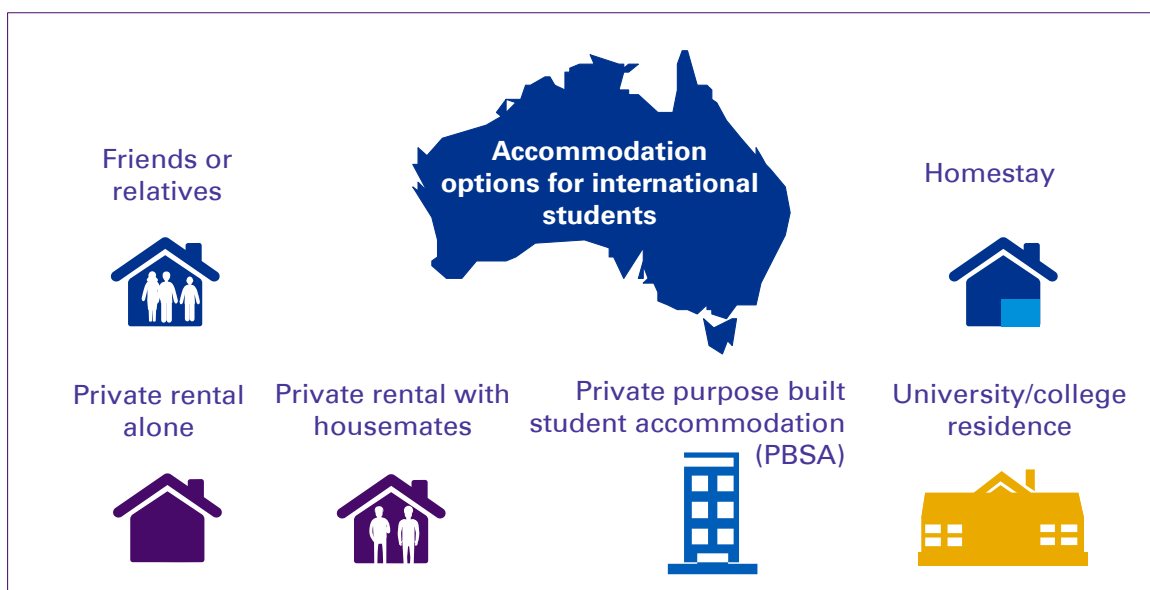


Source: Department of Education and Training

3.4. Accommodation options

An integral part of the student experience is finding suitable accommodation. Living arrangements available to international students in Australia are summarised in Figure 11 below.

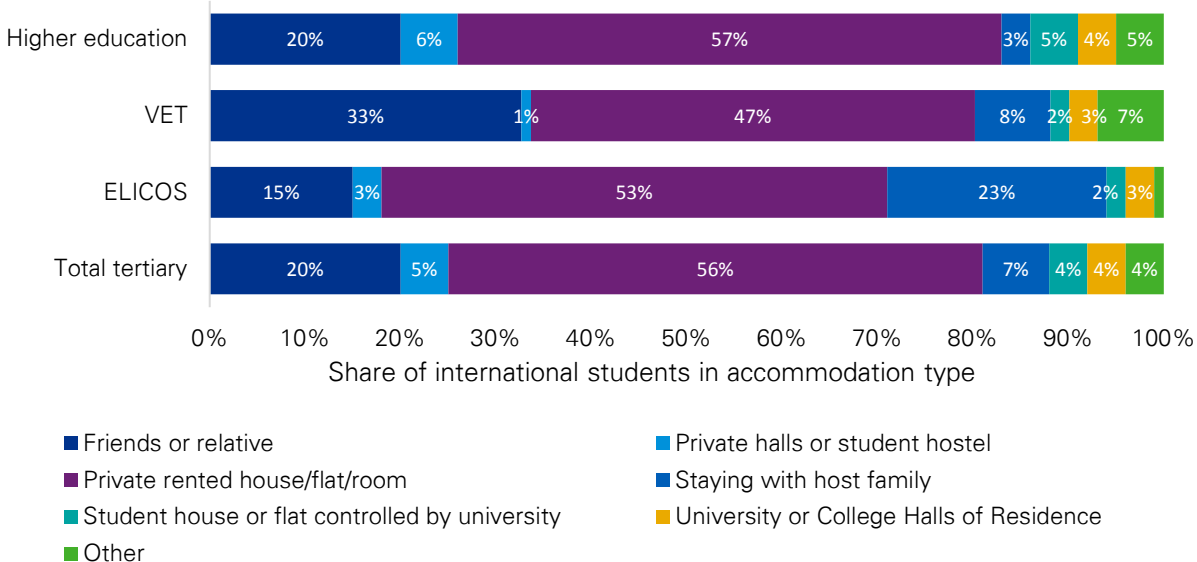
Figure 11: Accommodation options for international students in Australia



Note: University/college residences are often included as part of purpose build student accommodation.

Findings from the 2016 international student survey (DET) indicate that just over 60 per cent of international tertiary students are in the private non-PBS market – either renting on their own, in a sharehouse, or with a host family (homestay). Around 20 per cent of international students stay with friends or relatives. Purpose built accommodation accounts for another 9 per cent – with students residing in university/college halls of residence or private halls/student hostels. This profile does vary across the different tertiary education types.

Figure 12: Accommodation type used by international students in tertiary education (2016)



Source: 2016 International student survey
 Note: based on 65,612 respondents

According to the recent survey, ELICOS students are the cohort most likely to stay with a host family (23 per cent of ELICOS students), which is not surprising given that ELICOS students are encouraged to enter homestay arrangements to access the additional benefit of being immersed in the English language by living with an English-speaking family.

Income constraints may explain why VET students are the most likely cohort to be living with friends or relatives (33 per cent of VET students). Research has found an over representation of lower socio-economic status students in the VET sector within the domestic Australian student cohort (Karmel & Lim, 2010; Foley, 2007). Consultations with a small sample of international VET students also indicate that many chose VET study as it was “a more affordable option to the Universities”. Thus international students in VET may also be price sensitive in their accommodation selection. Additionally, many TAFE and some private VET campuses are located outside city centres and metropolitan areas, and often have less developed markets for student-specific accommodation.

According to the survey, higher education students are the student cohort most likely to be residing in a university-owned or commercial purpose build student accommodation arrangement. 15 per cent of higher education students reside in either university halls of residence, student housing or private halls. There is a growing presence in this sector, with both university-run and private purpose built student accommodation sites strategically locating accommodation blocks close to university campuses.

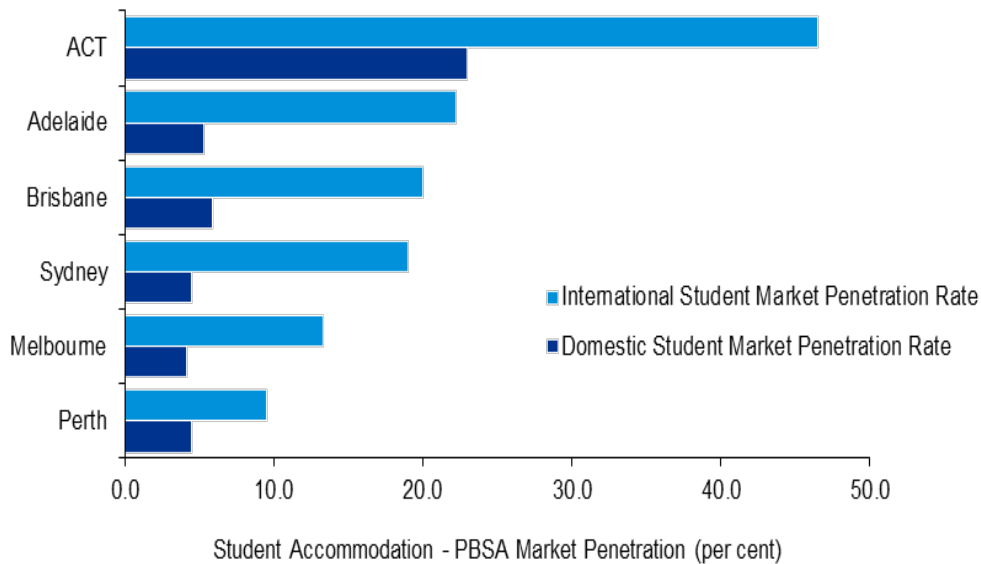
Across all student cohorts, the private rental market provides the greatest share of accommodation – housing 57 per cent of higher education students, 47 per cent of VET students and 53 per cent of ELICOS students. Such figures highlight the important role that the sharing economy can play in enhancing student experiences in the private accommodation market.

3.4.1. Purpose built student accommodation (PBSA)

Purpose built student accommodation (PBSA) is specifically designed for and marketed towards tertiary students. PBSA aims to offer a safe environment where students can focus on their studies and socialise with peers. Rooms are typically small yet practical, conveniently located close to education providers and only offered to students. PBSA can be provided by the education provider (such as the university or college halls of residence in Figure 12) or by a private provider. There are also hybrids, where the institution owns the premises but they are managed by a private provider.

For the international student with little knowledge about the local area or culture, PBSA offers a simple transition into living and studying in Australia. For parents of international students, PBSA offers peace of mind. Tenancy figures show that, proportionally, PBSA is far more attractive to international students than domestic students. Figure 13 shows that, while the penetration rate varies considerably across the states and territories (generally as a result of availability of PBSA properties), as a proportion of enrolments, international students are more than twice as likely to access PBSA as domestic students.

Figure 13: PBSA market penetration rates – international vs domestic (higher education)

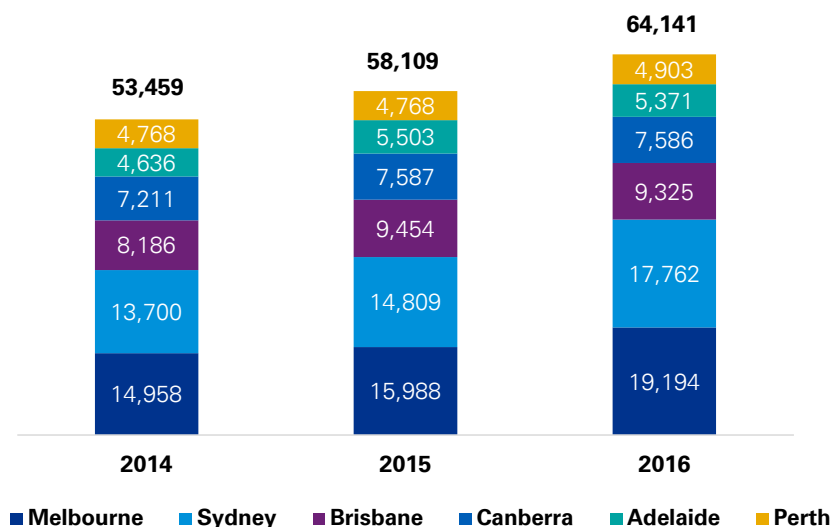


Source: JLL estimates, 2016

There are varying estimates of purpose built student accommodation availability in Australia. Alternative data collection approaches have led to different findings (Savills, 2016; Urbis, 2015; Colliers, 2016); yet the proportion of beds available within each Australian state remains similar across reports.

Recent reports by JLL (2014, 2015 and 2016) analysed the existing supply of purpose built student accommodation within six capital cities across Australia, the findings of which are presented in Figure 14.

Figure 14: Student accommodation availability (2014-16)



City	University Provision (beds)			Commercial Provision (beds)			Total Beds			Total full-time students* 2016	Full-time students per bed
	2016	2015	2014	2016	2015	2014	2016	2015	2014		
Melbourne	9,546	5,930	5,865	9,648	10,058	9,093	19,194	15,988	14,958	234,844	12.2
Sydney	8,721	7,296	7,182	9,041	7,513	6,518	17,762	14,809	13,700	198,330	11.2
Brisbane	4,613	3,929	4,186	4,712	5,525	4,000	9,325	9,454	8,186	95,757	10.3
Canberra	3,168	3,207	2,831	4,418	4,380	4,380	7,586	7,587	7,211	24,174	3.2
Adelaide	2,323	2,313	1,889	3,048	3,190	2,747	5,371	5,503	4,636	53,988	10.1
Perth	3,123	3,929	3,929	1,780	839	839	4,903	4,768	4,768	78,856	16.1
Total Major Cities	31,494	26,604	25,882	32,647	31,505	27,577	64,141	58,109	53,459	685,949	10.7

Source: JLL, 2014, 2015 & 2016

Note: *full-time higher education students. Includes domestic students

Of all the major cities, Melbourne and Sydney have the largest number of student beds available, with over one-quarter of total PBSA beds each. However, Melbourne and Sydney also have a higher ratio of students per available PBSA bed – indicating a potential undersupply. Perth has the least amount of beds on offer per student count (1 bed per 16 students), while Canberra offers the greatest relative supply of PBSA beds (1 bed per 3 students).

Since 2014, the PBSA market has seen significant growth across Australia. The number of beds in Sydney and Melbourne both increased by around 30 per cent between 2014 and 2016, with Brisbane and Adelaide both growing by around 15 per cent. The number of beds in Canberra and Perth grew by a modest 3 to 5 per cent over the same period.

- In Melbourne, this growth has been predominately in the University provided segment of the market, with this segment now providing a similar number of beds as the commercial sector.
- In contrast, Sydney has seen significant growth in both university provision and commercial provision, with the number of beds provided by the commercial segment slightly overtaking university provision in 2016. Brisbane has seen a similar pattern.
- The number of commercial provided beds are also slightly higher in Canberra and Adelaide, however in contrast to the Sydney and Brisbane trends, university provision is the stronger growing segment in both these markets.

Despite this growth, from an international perspective, Australia is still lagging behind on PBSA availability. Across the top student destination cities, Australia averages one PBSA bed per 10.7 higher education students. In comparison, New Zealand offers a bed to every 5.7 students; the USA a bed to every 4.5 students and the UK a bed to every 3.5 students (Urbis, 2015).

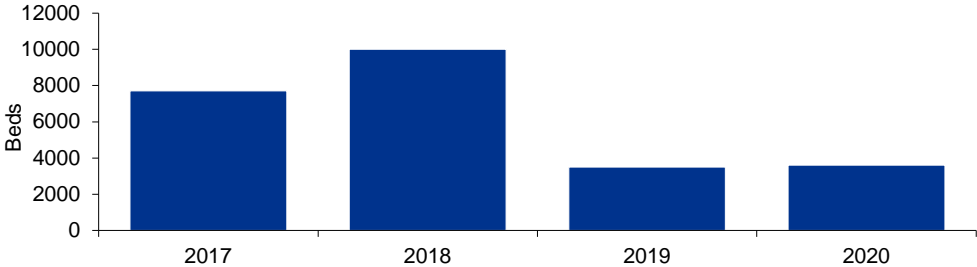
While it should be noted that the actual level of undersupply in any given market will depend on a number of factors, including the proportion of students who have travelled to study. However, Australia has struggled to construct PBSA at a rate that matches demand growth; particularly during a time when residential and commercial real estate has been more attractive to investors.

Future supply – PBSA

PBSA developers are actively seeking to capitalise on the shortage of supply in Australia’s student accommodation market. A high willingness to pay by some international students, and the adoption of accommodation models from the US and UK, has attracted some investors to Australia’s relatively new student accommodation sector. Yet challenges still remain. Acquiring suitable land can be difficult, particularly in Sydney and Melbourne where residential developers regularly outbid developers of student housing.

Between 2017 and 2020, Knight Frank estimates that an additional 24,800 PBSA beds will be made available to students nationally (Knight Frank, 2016).

Figure 15: National construction pipeline – PBSA beds



Source: Knight Frank, 2016. Assumes completion of all proposals.

The expected growth rate in the supply of PBSA beds (28 per cent) between 2017 and 2020 is higher than the expected growth rate in total higher education enrolments (both international and domestic) over the same period (21 per cent), indicating a positive movement towards reducing supply shortage. Yet this growth in PBSA supply will still be insufficient to cover the *absolute growth* in expected student higher education enrolments. The result is that an increasing number of students will be unable to access PBSA due to supply constraints.

Figure 16: Estimated growth in Full-time higher education enrolments, PBSA beds, potential supply gap

Student Cohort	2016	2020	Growth (%)	Absolute Growth
International students (higher education)	254,388	333,451	31%	79,063
Domestic students (higher education)	718,366	840,387	17%	122,021
Total students	972,754	1,173,837	21%	201,083
PBSA beds	87,439	112,239	28%	24,800
Supply gap (students unable to access PBSA)	885,315	1,061,598	20%	176,283

- Notes:
1. International student growth based on LR enrolment avg (7%pa). Domestic student growth based on LR avg (4%pa). (DET)
 2. In comparison to the data in Figure 14, this data shows PBSA in both major capital cities and regional Australia.

This preliminary analysis shows that, by 2020, only 9 per cent of full-time higher education students will be able to access PBSA. This leaves approximately 1 million full-time higher education students, both domestic and international, requiring accommodation options other than PBSA. Thus, an increasing number of students will need to turn to the private market for their accommodation needs.

Furthermore, whilst PBSA is typically targeted towards higher education students, the 2016 International student survey showed that a portion of VET and ELICOS students also sought purpose built accommodation (as shown earlier in Figure 12). Including these students further increases the supply gap and places additional pressure on other avenues of the student accommodation market to deliver accommodation.

3.4.2. Private rental market

Information on the private rental market for international students is difficult to find, but trends in the broader rental market can provide an indication of pressures that the student market may be facing. Market reports from real estate analyst Domain (2016) indicate that rental prices and rental yields continue to rise around Australia. Troubling for international students is that the two most popular destinations, Sydney and Melbourne, have both had median weekly rental price increases above the inflation rate in the past year. Rental price increases in Sydney (1.9 per cent) and Melbourne (2.5 per cent) both outpaced annual inflation (1.3 per cent). Promising for students was the finding that both Brisbane and Adelaide median rent prices remained stable, whilst rental prices in Perth dropped by a considerable 8.6 per cent. Perth may see an increase in student numbers as the cost of living decreases, provided this fact can be communicated to the market.

Figure 17: Median weekly rental prices by major city

Major City	State	Share of Int. Student Enrolments (state)	Median weekly rent (Dec 2015)	Median weekly rent (Dec 2016)	Change
Darwin	NT	0.3%	570	550	-3.5%
Sydney	NSW	37.8%	530	540	1.9%
Canberra	ACT	2.1%	465	500	7.5%
Melbourne	VIC	31.9%	400	410	2.5%
Brisbane	QLD	15.2%	400	400	0.0%
Perth	WA	6.9%	405	370	-8.6%
Adelaide	SA	4.7%	360	360	0.0%
Hobart	TAS	1.0%	340	355	4.4%

Source: Domain 2016

3.4.3. Support from Educational Institutions

As student numbers grow there is increasing pressure on educational institutions to assist their students in finding suitable accommodation. Not only does the availability of accommodation play a pivotal role in the institution attracting international students, but the Education Services for Overseas Students (ESOS) legislative framework requires institutions to supply relevant information on accommodation options (ESOS Act).

In order to satisfy obligations under the ESOS Act, many institutions provide branded platforms, or 'portals', where students can search for local accommodation. These portals offer a user friendly environment for students to find accommodation (see Section 5.3.1 for examples). However, the nature of a university/TAFE-branded portal means that some students are led to believe that the accommodation is university/TAFE endorsed and therefore trustworthy. This may expose international students to potential scams, since the portal is merely a search engine for the private open accommodation market.

Importantly, this raises the question as to how active institutions need to be in monitoring their portal for legitimate accommodation offerings, and also whether the information contained is accurate. Regulation of the private rental market is not the traditional role of an educational institution, and such an exercise would likely require significant time and costs. Thus imposing this burden on an institution has the potential to dis-incentivise the institution to continue providing such a service.

A number of educational institutions are investing in additional on-campus accommodation either university owned (e.g. Australian National University, University of Technology Sydney), or run by a private company on behalf of the institution (e.g. Griffith University Village). To cater to the

international market, some institutions manage their accommodation such that places are guaranteed to all arriving international students (e.g. University of Queensland, University of Canberra). Given the competitive nature of the educational sector, it would be reasonable to expect that educational institutions will increasingly move to offer accommodation guarantees to international students.

3.4.4. The role of Education Agents

Education agents play an important role in sourcing students overseas and guiding them into Australia's education sector. The Australian Trade and Investment Commission (2016) describes the role of an education agent as follows:

*"An education agent can tell you about your options for **studying and living** in Australia and assist with your visa and institution applications. In many cases, **agents have had experience studying in Australia and can share their experiences with you.**"*

Australian universities actively recruit agents to source international students on their behalf; a practice that is not tightly regulated. ABC's Four Corners estimated that Australian Universities spent a total of \$257 million on commission payments to agents in 2013 (ABC News, 2015). However, international education exports earned \$15.9 billion in the same year (DET, 2016a), making commission payments to agents, or 'sales expenses', negligible by comparison. While Australian Universities terminate contracts with agents who do not operate with integrity, there can already be reputational damage done.

Critics of the commercialisation of student recruitment point out that agents are motivated to, in some circumstances, capitalise on information asymmetry that results in students making an adverse selection. During KPMG focus groups, some international students discussed how agents were not effective at communicating living expenses. It was generally perceived that the agent was eager to sell an education package, but in some circumstances failed to adequately provide the student with information regarding accommodation expenses in locations close to the university being 'pitched'.

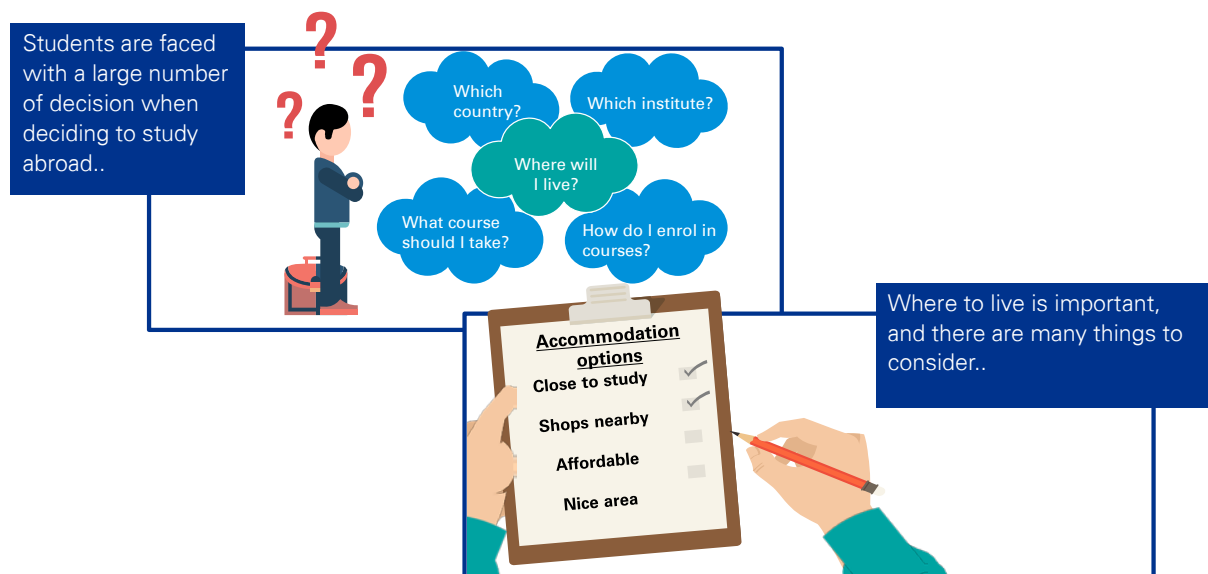
Failing to provide international students with correct information can mislead expectations, causing a poor student experience and negative soft marketing. Universities need to be vigilant in contracting reliable agents who provide adequate information not just on the education service but other important aspects like accommodation.

4. International student accommodation challenges

Growth in student numbers, both domestic and international, has outpaced growth in purpose built student accommodation, creating a shortage in availability. Whilst investment in PBSA has been increasing, there is strong competition from residential and commercial property development, particularly as many education institutions are located in high value city locations.

Besides supply shortage, there remains a significant proportion of international students who are priced out of the PBSA market due to premium rental prices. Furthermore, the PBSA market's preference for longer-leasing university students often pushes TAFE and ELICOS students out of the market.

Students who don't access PBSA turn to the private rental market for accommodation. The private market plays a pivotal role in housing international students, allowing students to balance affordability and quality to find accommodation that suits their needs. A timely solution to the current PBSA shortage is to improve access to the private rental market. However, the private market entails significantly greater risk, especially for students who are unfamiliar with their chosen study location and those with poor English skills.



Through consultation with students and industry stakeholders, a number of key student accommodation challenges were identified.

- International students commonly find themselves living further away from their study institution than preferred, which results in excessive public transport costs and time spent travelling between home, study and work.
- Rooms are not always as advertised, quality expectations are not always met and the surrounding location can be challenging to assimilate with.
- In extreme cases, international students are scammed by fake 'bond' schemes, or forced into cramped, hazardous shared living arrangements.

When expectations are not met, negative experiences flow back via word of mouth to the student’s home country. This is detrimental to the image of Australia’s education sector and deters future international students from choosing Australia as their place of study.

4.1. Availability of Information

International students are able to search for accommodation through various avenues, with many advertising platforms now competing for the growing international student accommodation market.

Australian students are generally more aware of, and better understand the basis of, local advertising platforms such as Realestate.com.au, Flatmates.com.au and Urbanest.com.au. In contrast, many new students from overseas are unlikely to be familiar with such websites and may not possess the English skills required to best utilise these websites.

To ensure their platform is accessible to a wider student audience and a key component in the student’s decision making process, it is crucial that Australian accommodation providers understand the different ways students search points.



International agents actively promote Australian education and training to potential students overseas through market fairs and presentations to students. The level of service varies between agents, with some of them simply providing advice on how to find accommodation, to others who sell and coordinate homestay, on-campus or purpose-built accommodation.



Websites for universities and other education institutions, and accommodation advertising platforms are a common place for international student to find information about accommodation.



Friends and family are a key source of information, often sharing from past experience or from stories they have heard from friends. This is an important channel of information as potential students and parents often place a lot of trust in the experiences of others.



Social media has become an increasingly popular way of finding accommodation. There are dedicated Facebook pages that are often hosted in closed groups and shared with other international students from the same country or region. Other examples of social media influence include discussion groups in chat forums such as WeChat and WhatsApp, where students can find other international students with a spare room to lease.

In each of the information channels, it is important to also consider the role of parents in the student’s accommodation decision process. Parents often have considerable influence on their child’s accommodation arrangements; prioritising safety and practicality.

4.2. Student sentiment

The English Language Barometer (English Australia, 2013) provides insights into the experiences of students who are studying English Language courses in Australia.

- An area that achieved one of the lowest scores in terms of student satisfaction was the 'cost of accommodation and access to financial support'.
- The 'condition of accommodation on arrival' was identified as a potential area for improvement.
- Internet access at accommodation was also mentioned as an area for improvement.
- The highest satisfaction score was recorded for 'standard of physical premises and the surrounding environment'.

Another student survey, *The International Student Barometer*, captures a large range of metrics on the experience of international students in Australia. This survey shows that, compared to global benchmarks, Australia ranks favourably in quality, access and cost of accommodation (I-Graduate, 2016).

Furthermore, the 2016 International Student Survey (DET) found positive sentiment amongst international students over a range of factors:

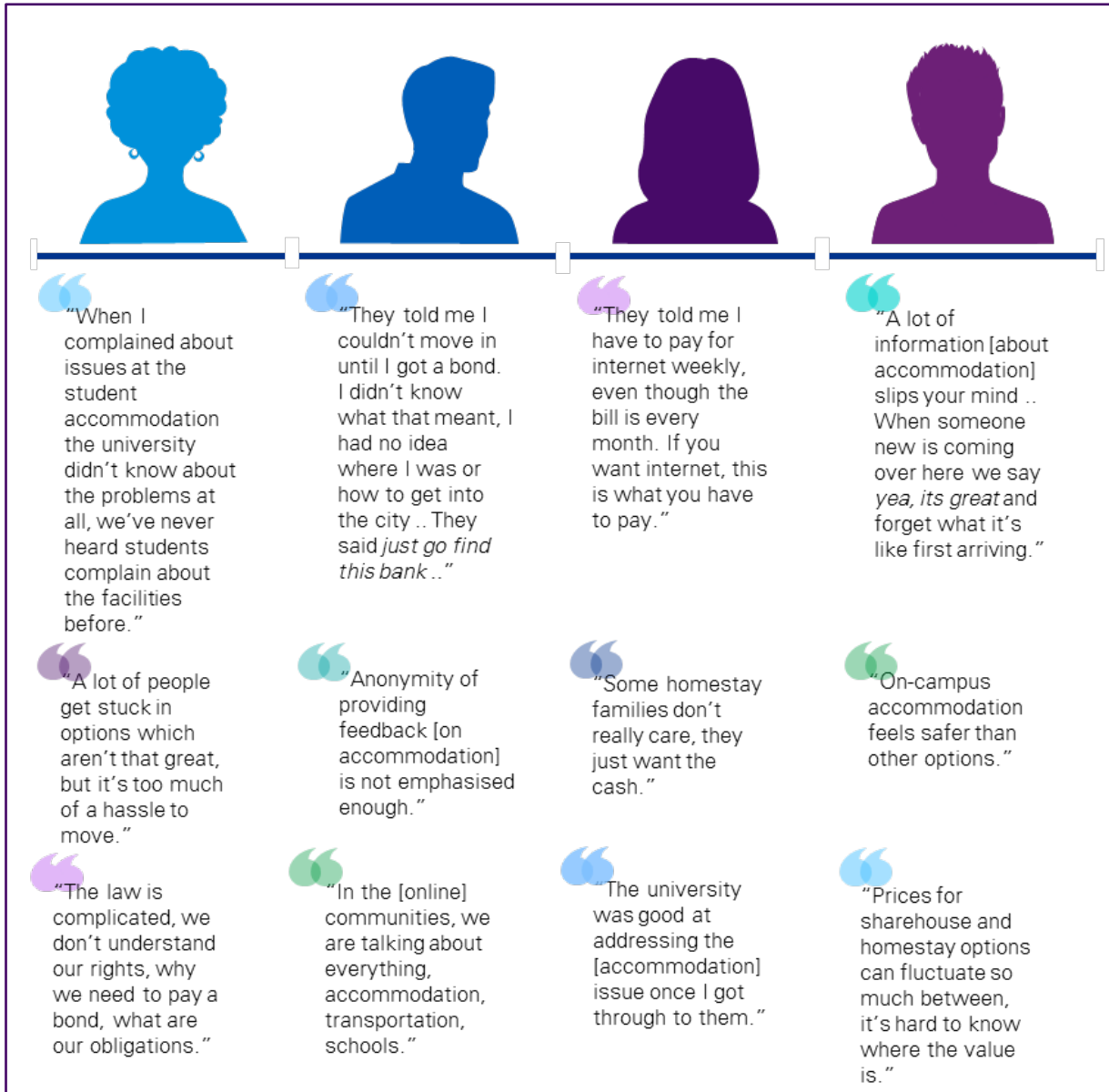
- 92% arrival satisfaction;
- 89% living satisfaction;
- 87% learning satisfaction; and
- 90% support satisfaction.

Department of Education and Training: International Student Survey (2016)
Based on 65,696 respondents

An 89 per cent living satisfaction score indicates that international student accommodation experiences are generally positive, yet room for improvement remains. Living satisfaction varies across student cohorts – higher education students reported 88 per cent satisfaction; VET students 90 per cent; ELICOS 91 per cent; and school students just 77 per cent. Whilst school students report the lowest satisfaction with accommodation, it is worth noting satisfaction across all metrics is generally lower than other student cohorts (77 per cent 'overall' satisfaction compared to an aggregate 89 per cent).

These surveys indicate that, at the aggregate level, international students generally enjoy living in Australia while studying. However, individual experiences can vary. Through a series of focus groups, a sample of individual experiences in student accommodation has been collected. Figure 18 presents comments from international students about their accommodation experience (See Appendix B: for further details).

Figure 18: Student comments on their sharing experience



Source: Responses from international student focus groups (KPMG)

5. The role of the sharing economy

The sharing economy can potentially bring underutilised assets (spare rooms) to the student accommodation market and bridge supply gaps that may be faced by international (and domestic) students.

As highlighted in Section 3.4, the majority of international students stay in the private rental market (53%) or homestay (8%). While the spread across the different options may vary as more PBSA options come to market, other private accommodation will always be an important component of the student accommodation market. Within the student accommodation market, there are two distinct sub-sets, which vary in terms of support.

5.1. Accommodation sub-sets

In understanding how different sharing economy models could help the international student accommodation market, it is useful to distinguish two sub-sets for student accommodation.

Figure 19: Market sectors of international student accommodation







High-support market

Examples include new arrivals, younger students and those facing language barriers.



Low-support market

Examples include students who have settled into study and living, or already have a family or friend network in Australia.

<p>Sharing economy</p>	 <p>Homestay</p>	<p>Homestay can be a highly suitable share economy option for students first arriving in Australia. In a Homestay arrangement, students can be provided with more support and opportunity to adjust.</p>	<p>While some students may stay in homestay over a number of years, as students become more familiar with Australian student life, they often move towards other accommodations options.</p>
	 <p>Sharehouse</p>	<p>A sharehouse arrangement can be a cheaper option for students, but it can come with higher risks and less support. As such, it is a good idea for a student to book temporary accommodation on initial arrival before inspecting and verifying the features of the new sharehouse.</p>	<p>A sharehouse arrangement is the most popular option for international students in the settled market, once they are familiar with their study institution and have made a friends network.</p>
<p>Traditional economy</p>	 <p>On-campus and other PBSA</p>	<p>On campus and other purpose build student accommodation is a popular and safe option for students first arriving in Australia. Many PBSA provide additional services that can help students transition into study life.</p>	<p>Some students choose to stay in their on-campus or PBSA accommodation after settling. Many students may choose to move into an option with less services (i.e. food) or into the private market to save money.</p>

5.1.1. High-support (new arrival) market



When international students first arrive in Australia to begin their studies, they have a large number of things to organise. These include setting up a bank account, enrolling in university courses, settling into accommodation and meeting new people. Many of these needs are common to both international students and those domestic students who move interstate or inter-region to pursue their studies. However, these are generally more acute for international students, as they grapple with other challenges such as language barriers and cultural differences.

For new arrival international students, student accommodation options that provide more services and support – such as PBSA or homestay – are often preferable, as they ease the transition for the student.

Despite this, there is still a significant portion of new student arrivals who choose to stay in the private rental market. This choice may be due to pricing, availability, recommendations or personal preferences. Through consultation with students and industry stakeholders, a strong recommendation to these students is that they organise temporary accommodation for when they first arrive. This allows them time to inspect and check that the longer-term accommodation they select is appropriate, as expected, and legitimate before they make any binding commitment.

Younger students

There were approximately 18,386 international students in Australia under the age of 18 in 2015, accounting for around 3 per cent of the total international student numbers as estimated by the Department of Education and Training (DET, 2016b).² Not all international students under 18 are in school, as the number of international students in school were 18,167 in 2015 and some younger students may have started tertiary training earlier. Importantly, students under the age of 18 are classified as minors and require education providers to take additional steps to care for the welfare of the student. Minors form part of the high-support market, given the considerable effort and duty of care required when accommodating younger students with an appropriate guardian or carer.

Standards pertaining to younger overseas students in the National Code of Practice for Providers of Education and Training to Overseas Students (2018) are discussed further in section 6.2. They include additional requirements by registered training organisations such as verifying every six months that the accommodation is appropriate to the student's age and needs.

5.1.2. Low-support (established) market



After international students have spent a period of time at the education institution in Australia, they have had time to adjust to their new lifestyle and establish a network of friends. This generally provides them with better exposure to information around their lifestyle choices, such as accommodation options and work opportunities.

The established international student market is largely mixed in with the domestic student market, and in fact the broader rental market. Sharehouses often combine students from a range of backgrounds, and may also include professionals or others not in full-time study. There is also competition from similar markets, such as accommodation for travellers on temporary working visas.

As international students become more established over time, the private rental market becomes increasingly popular. These students often then move from high-support options to lower-support options – either moving in with friends from their institution, or finding flatmates through a platform.

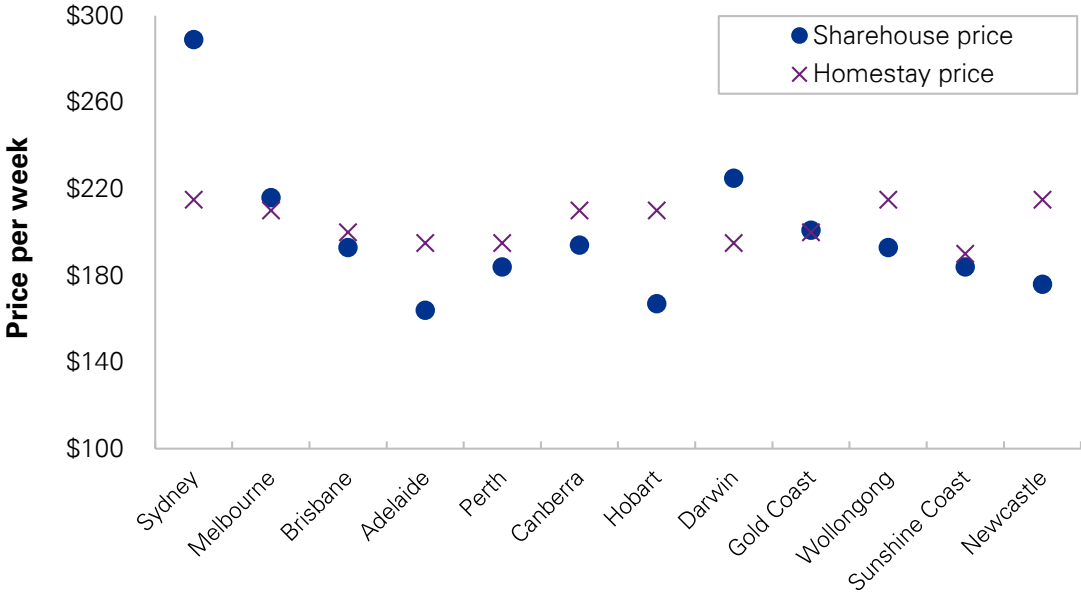
² Data on commencements, enrolments and student visas is reconciled to determine international student numbers.

5.2. Existing and emerging sharing models

The sharing economy already exists and is an active part of the international student accommodation market – predominately through sharehouses and homestay.

Figure 20 presents a comparison of prices for sharehouses and homestays across various cities. Generally, homestays are around \$20 more expensive per week than sharehouse arrangements, reflective of additional support that students can receive in homestay accommodation. Sydney is an extreme exception, with rental prices significantly higher than homestay prices. It is important to note that the sharehouse prices are largely influenced by incomes of professionals who work in the city, and not just demand from students.

Figure 20: Comparison of homestay and sharehouse prices (price per week)



Source: Flatmates (2017), Australian Homestay Network (2017)

Note: Homestay prices are the 'no meal' option for a more suitable comparison. Both prices are for 'own private room'. Prices are a broad comparison as features such as own bathroom and location are not distinguished.

Homestay

Homestay is an example of an accommodation sharing economy model that is generally a high-support option. Homestay is where a household in Australia rents out their room to an international student. The student is typically then included as part of the household, with the host providing meals and making them feel 'a part of the family'. Homestay presents a sharing economy option that offers a high level of support for international students in Australia.

International students can have homestay options arranged for them through international agents, universities or networks such as the Australian Homestay Network, Homestay Network, and Auzzie Families Homestay Care. Many universities provide homestay finding services or refer students to homestay organisations.

There are benefits for international students staying in homestay accommodation, such as:

- Learning more about Australian lifestyles and having more personal support in adapting to a new culture.
- Strongly improving English language skills and reducing communication anxiety (Wong, 2015).
- Homestays with certified hosts are suitable for international students under 18 years old.

- Higher overall satisfaction of accommodation, with approximately 90 per cent of international students satisfied with their accommodation compared to approximately 84 per cent student satisfaction across all accommodation types (Lawson, 2013).
- Higher satisfaction with costs, with approximately 64 per cent of international students satisfied with the cost of their homestay accommodation, compared to approximately 51 per cent satisfaction across all accommodation types (Lawson, 2013).
- Some homestay options allow tutoring or nanny work to provide income or subsidise rent (Homestay Tutoring, 2017).

While there are multiple benefits identified with homestay accommodation, there is room for improvement. Feedback from stakeholders has suggested that a lot of the homestay market is unregulated, and varies significantly in quality. There is scope to improve the availability of quality homestay places and ensure that hosts of international students are adequately vetted and informed to provide a suitable level of support.

There is potential for the homestay market to play a larger role in the future. The popularity of Australian households to supply rooms via Airbnb, shows a willingness to engage with the sharing economy. International students could be an alternative guest for hosts via homestay, but this may require improved engagement and facilitation by homestay organisations and education institutions.

Recommendation 1: Encourage the supply and quality of homestay hosts for international students.

5.3. Potential sharing model designs or features

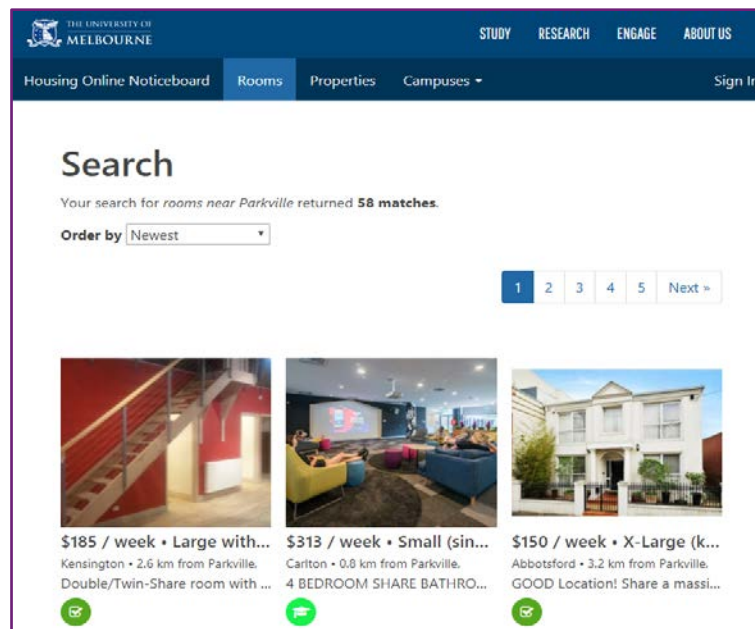
The student accommodation sharing economy is evolving and expanding, with technology enabling more and distant connectivity between providers and students. While this has brought more risks to the international student sharing economy market, it has also brought more opportunities for students to better access appropriate/preferred accommodation options.

Many existing technology platforms have tried to address these risks and better harness the benefits that technology brings to the traditional and sharing accommodation economies. These include platforms hosted by educational institutions and private platforms. Examples of these are now discussed in turn, with an emphasis on how the platform provides information to the users, and also (where available) an understanding of any safeguards in place.

5.3.1. Education institution websites

A number of universities host their own portals that include listings of local sharehouses or homestay options available. These are generally not operated by the university, but are a referral platform for students to find a vacant property or room. An example of a room search page is shown in Figure 21.

Figure 21: Screenshot of room search on housing.unimelb.edu.au



Source: Housing.unimelb.edu.au (visited 8 September 2017)

Many private room searches through university run portals have a similar appearance. Notably a large number of universities use the StudyStays³ website platform. One benefit of the StudyStays website platform is that the level of administration and supervision is flexible and can be determined by the institution, from having a single person supervise the portal to a team that are engaged with assisting students in the sharehouse market. Institutions also have flexibility in the features and presentations of listed properties, with the option to apply badges indicating features of a listing, or allow students to provide feedback to the institution on their accommodation experience.

These portals are an example of how access to the sharing economy (and also other traditional rental options) has evolved and expanded through use of technology. However, the quality of listings on these websites can vary greatly between properties. Universities generally do not have a lot of oversight of the accommodation situations, as outlined in the examples in Figure 22.

³ <http://studystays.com.au/>

Figure 22: Private rental accommodation portals on University websites

Institution	Information	Link
University of Melbourne	The University of Melbourne's housing website delivers a range of advertisements which identify whether the property is partnered or is council registered.	https://housing.unimelb.edu.au/
University of Sydney	Student Accommodation Service will look over the listing to ensure that it is aligned with the Tenancy Act and Anti-Discrimination Legislation in NSW.	https://sydney.study-stays.com.au/%20
Australian National University	ANU Housing will not approve any discriminatory advertisements or those which may be offensive. Advertisements are checked for this before being approved.	https://housingonline.anu.edu.au/
University of Queensland	Accommodation Services do not check any properties listed in the UQ Rentals database. UQ Rentals is purely offered as a resource to assist students finding accommodation.	https://uqrentals.com.au/
University of New South Wales	The website displays a number of laws relating to tenancy and share housing to help the provider and student understand what applies at the time of renting.	https://studystays.unsw.edu.au/
University of Adelaide	Accommodation services do not inspect the properties listed and emphasis that, to help avoid issues, self-inspection is a must.	https://adelaide.studystays.com.au/
Macquarie University	Advertisements are approved by staff at the university – during approval the staff member checks the listing for standard lease agreements, what facilities are available and safety. The website features a form where students can rate their accommodation.	https://find.accommodation.mq.edu.au/
University of Wollongong	As the university approves the listings it reserves the right to reject any listing not following the rules listed.	https://uow.studystays.com/
Southern Cross University	SCU does not endorse any of the listing on its website or links from within listings to other websites.	https://unistays.scu.edu.au/
Queensland University of Technology	The QUT housing database offers an easy way to search for properties suitable to a QUT student. Some of these properties have been inspected by QUT as noted in their advertisements.	https://qut.studystays.com.au/
University of Technology Sydney	Share accommodation listings on this site are only acceptable as single or twin share.	https://uts.studystays.com.au/
University of Newcastle	Rental agreements must be on a standard form NSW Residential Tenancy Agreement. If the property is a boarding house, then the university suggests the use of a Standard Occupancy Agreement (as recommended by NSW Fair Trading).	https://offcampusaccommodation.newcastle.edu.au/
University of South Australia	The University of South Australia requires that providers on the advertisement website comply with all relevant laws.	https://unisa.studystays.com.au/
Swinburne University of Technology	Swinburne University does not recommend students or providers, and states that no recourse shall be had to the university by students in respect of any claim arising out of an accommodation arrangement.	https://swinburne.studystays.com.au/
Griffith University	The university promotes equal opportunity and aims to maintain an environment that is without harassment, bullying and unlawful discrimination.	https://griffith.studystays.com.au/
RMIT University	The lease arrangement negotiated between the lessor and the lessee is the sole responsibility of the said parties and is in no way affiliated with RMIT University.	https://housing.rmit.edu.au/
Deakin University	The Deakin University HouseMe database offers providers a free place to advertise their vacant room/property to Deakin students. Some rooms/properties are checked for Residential Tenancy Agreement compliance.	https://studystays.deakin.edu.au/
James Cook University	James Cook University runs their own advertising website, advertisements are within the guidelines and regulations of the Residential Tenancy Authority.	https://secure.jcu.edu.au/app/offcampus/index.cfm?event=listinq.search
La Trobe University	The university provides a way to get to the relevant tenancy form and publications on tenancy.	https://latrobe.study-stays.com.au/

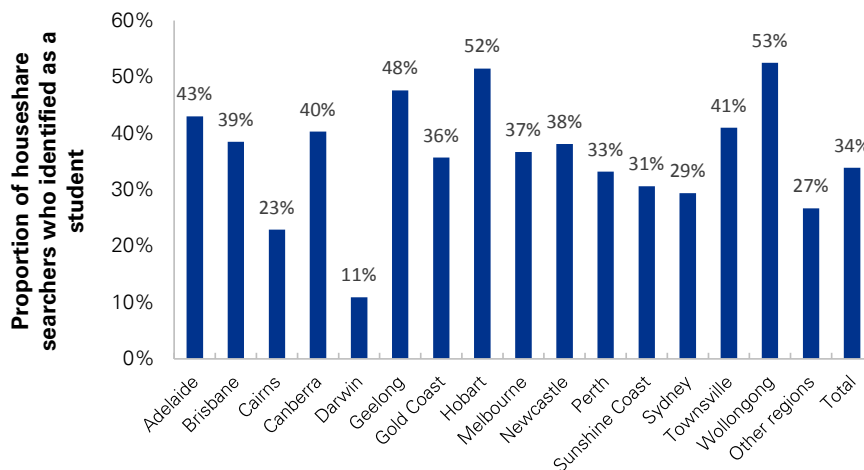
5.3.2. Flatmates.com.au

Flatmates.com.au is a share accommodation website where individuals can list a room that they have available for rent, search for available rooms to move into, or 'team-up' with another room seeker to jointly rent and move into a property together.

When using the platform, a flatmate lists information such as their budget, dates required, preferences about accommodation type, their age, and some basic background information about themselves. People with a room to rent list information on the features of their accommodation offering such as price, general location, bills, and length of stay available, in addition to any preferences for a housemate such as gender, occupation and personality type.

Flatmates.com is the largest share accommodation website, and is estimated to receive 2.8 million website visits per month, and 14 million flatmate searches per month (SMH, 2016). The business was acquired by REA Group in 2016, to complement their existing platforms including Realestate.com.au and Realcommercial.com.au (REA Group, 2016). Figure 23 shows that a significant share of people using Flatmates.com.au to find accommodation are students, but the mix of domestic and international students is not known. Feedback from focus groups has identified that the website is indeed popular with international students and it is frequently used to find accommodation.

Figure 23: Proportion of sharehouse searchers identified as students (2017)



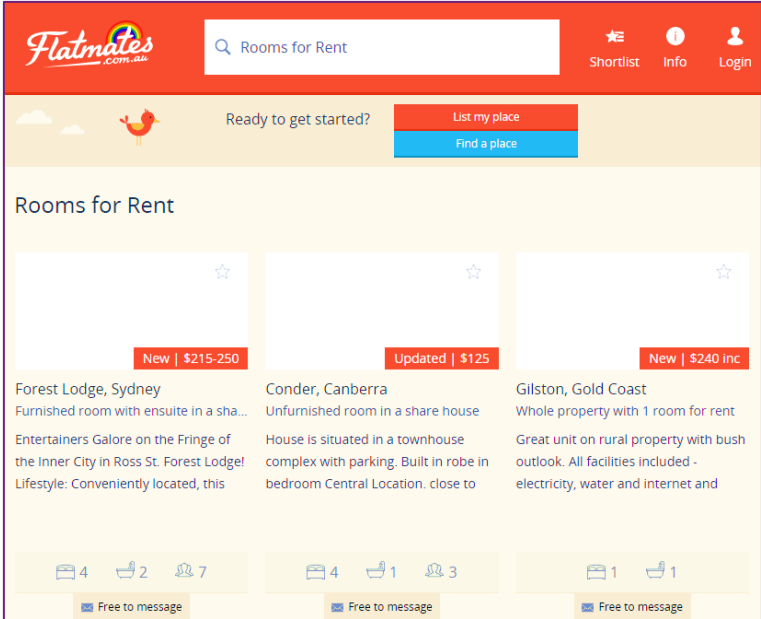
Source: Flatmates.com.au (visited 8 September 2017)

Note: Data indicates the number of flatmate profiles that ticked 'student' when registering. Data cover the period between March 2017 and August 2017. No distinction between full-time and part-time student is made. 'Other regions' includes all regions not listed.

Flatmates.com has its own internal checks and review systems. The platform has mechanisms in place to identify advertisements that are fraudulent or inappropriate. When posting an advertisement, there is also a standard set of questions about the property inclusions that must be answered. Further, the service also has its own internal review system, which can be used to remove members that have consistently bad or problematic reviews.

International students have indicated that Flatmates.com.au is one of the most popular sources for finding accommodation in Australia, and is an example of how information on accommodation options in the sharing economy can be accessed by the student accommodation market.

Figure 24: Screenshot of 'Rooms for Rent' on Flatmates.com.au



Source: Flatmates.com.au (visited 8 September 2017)

5.3.3. Bedssi.com

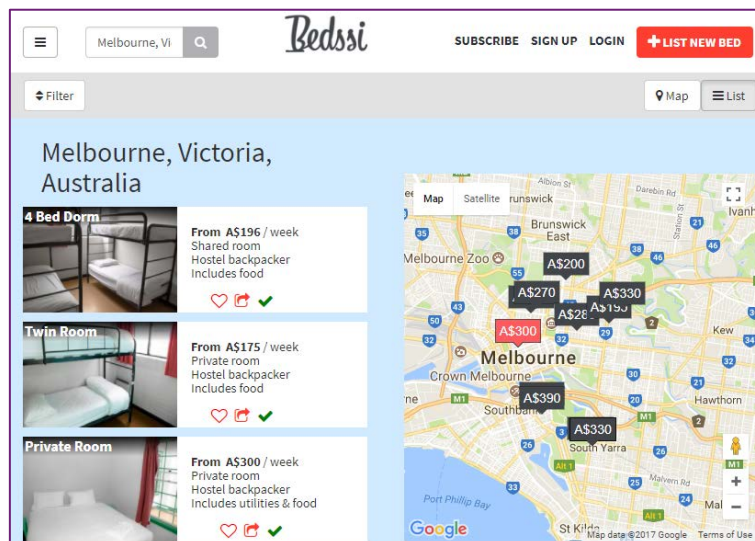
Bedssi (**B**eds for **s**tudents **i**nternational) is an online portal that connects hosts and property owners with students. The platform started in 2015 and operates in a similar format to Airbnb.com, with a focus on accommodation for international students.

Hosts and room owners can post a listing with information including the type of accommodation they have (private listing / on-campus / PBSA / homestay / hostel), price, location, room size, preferred guest type, and services available such as food. Hosts can include both private individuals and businesses.

Students looking for a room can browse available accommodation offerings, and also fill in an online form with information about their stay in Australia and their accommodation preferences. The service also extends to visiting faculty staff and delegations. The website aims to help students find suitable accommodation and avoid international students being left in situations where they are in inadequate facilities (Jacobs, 2016).

Bedssi requires a number of verification steps to help reduce the potential for scams. The students are required to provide proof of identity (in the form of a passport). The providers must provide proof of identity and address. If the provider is offering homestay accommodation, they must also undertake a police check. To further help avoid unscrupulous activity, the student is only required to pay a maximum of 4 weeks rent in advance, and this payment is processed through the Bedssi website.

Figure 25: Screenshot of room search on Bedssi.com



Source: Bedssi.com (visited 8 September 2017)

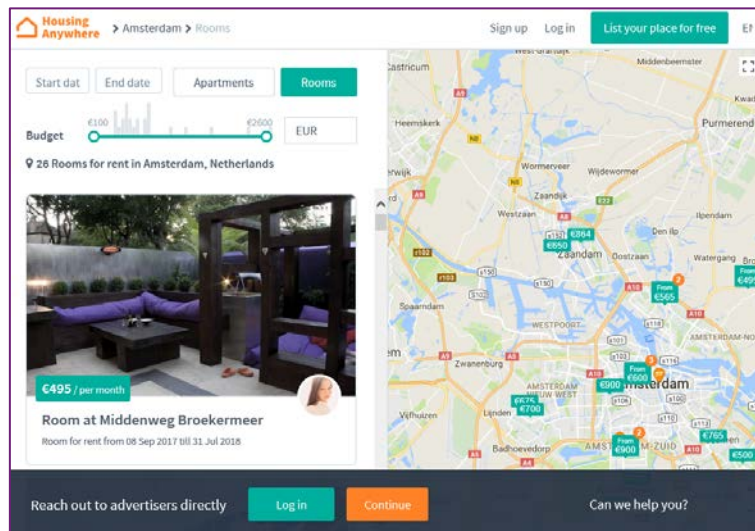
5.3.4. HousingAnywhere.com

HousingAnywhere.com is a platform where students can both rent out their rooms and also find rooms to rent in different countries. The website was founded in 2009 in the Netherlands, and has expanded to other parts of Europe, the United States and China. HousingAnywhere does not currently operate in Australia.

The website states that they have over 100,000 property listings in over 50 countries, and aim to grow to 100 countries in 2018 (HousingAnywhere, 2017). The business recently secured €5 million in investment to continue expanding their operations (RDM, 2017). Housinganywhere.com not only connects students and rooms but also hosts the payment mechanism through a secure booking service.

HousingAnywhere indicates that property advertisements will only be accepted once the advertiser has been verified – through either a university email address or phone. They also note that “every user on our platform, be it a landlord or student looking for a place, goes through a screening and approval process”. Payments are also made through the platform, to allow an additional checkpoint. The website explains that “after moving in, a tenant has 48 hours to report whether a room is not as communicated on Housing Anywhere. If no complaints are received, the payment will be initiated by Housing Anywhere...”

Figure 26: Screenshot of room search on HousingAnywhere.com



Source: Housinganywhere.com (visited 8 September 2017)

6. Regulating the Sharing Economy

There are clear benefits if the accommodation sharing economy can assist in opening up better access to affordable, safe and appropriate accommodation. However, there are also additional risks associated with this, often less regulated, part of the market.

To potentially help minimise these risks, this study includes reviewing the applicability of a ratings system in the international student accommodation market. This section also includes a brief overview of other regulatory/review mechanisms to provide further context.

6.1. Sub-tenancy agreements

As identified in Section 5.3, house sharing is becoming increasingly accessible. However, feedback from international students has highlighted there can be confusion regarding to appropriate process for being a sub-tenant, and often agreements are not put in place between the head tenant and the sub-tenant.

Real estate agents often manage the agreement between a tenant and landlord. However, the agreement between head-tenant and sub-tenants is often not conducted properly. These agreements are important for both parties to ensure information about rent, duration, and shared facilities are made clear. Whilst subletting arrangements can be, and often are, agreed upon verbally, it is in the best interests of the student to have a written agreement with the head-tenant. A good example of an agreement template is provided by the Tenants' Union of New South Wales⁴.

Another important issue is the management of bonds. States and territories have their own rental bond authorities where bond payments must be held. The process of lodgement, return and dispute varies across states, which can be both confusing and time consuming for international students researching their responsibilities across a broad range of location opportunities. In the case of sub-tenants, bonds are meant to also be lodged for protection of property. However, lodgement of the sub-tenant's bond with the relevant authority is the responsibility of the head-tenant. Without a receipt or proof of deposit, the sub-tenant is vulnerable to losing their bond payment without trace.

State/Territory	Provisions for sub-letting	Example sub-tenancy and bond forms
New South Wales	Written consent needs to be acquired from the landlord for permission to sublet. Landlords generally can only withhold consent if the sub-letting would lead to over-crowding.	Rental Bonds Online. Information sheet: http://www.fairtrading.nsw.gov.au/biz_res/ftweb/pdfs/About_us/Getting_started_with_rental_bonds_online_information_for_tenants.pdf Share house agreement template: https://files.tenants.org.au/resources/share-housing-agreement.pdf
Victoria	Written consent needs to be acquired from the landlord for permission to sublet. Landlords consent must not be unreasonably withheld.	Bond issues and transfers: https://www.rentalbonds.vic.gov.au/
Queensland	Written consent needs to be acquired from the landlord for permission to sublet. The landlord must act <i>reasonably</i> in failing to agree to the transfer or subletting. Any agreement between a head-tenant and sub-tenant should be in writing.	Residential Tenancies Authority (RTA) bond forms: https://www.rta.qld.gov.au/Forms-and-publications/Forms/Forms-for-general-tenancies/Bond-lodgement-Form-2

⁴ <https://files.tenants.org.au/resources/share-housing-agreement.pdf>

State/Territory	Provisions for sub-letting	Example sub-tenancy and bond forms
Western Australia	Residential tenancy agreement stipulates whether tenant i) is able to sublet ii) is <i>not</i> able to sublet iii) may sublet only with written consent of lessor.	Commerce WA bond lodgement form https://bonds.commerce.wa.gov.au/bonds/pages/external/public/lodgement/index.jspx
South Australia	Written consent needs to be acquired from the landlord for permission to sublet. Landlords consent must not be unreasonably withheld.	Residential Bonds Online: https://tenancies.applyonline.sa.gov.au/rbo/bond User guide: https://www.sa.gov.au/_data/assets/pdf_file/0010/117694/TenantManual-2017.pdf
Tasmania	Written consent needs to be acquired from the landlord for permission to sublet. Landlords consent must not be unreasonably withheld.	Rental Deposit Authority – bond lodgement form: http://www.consumer.tas.gov.au/fair_trading2/forms/Bond_Lodgement_Form_November_2015.pdf
ACT	Written consent needs to be acquired from the landlord for permission to sublet. Landlords consent must not be unreasonably withheld.	ACT Revenue Office - bond lodgement form: https://www.revenue.act.gov.au/rental-bonds?result_1060955_result_page=2 Tenants Union ACT - a legal guide to share housing: http://www.tenantsact.org.au/wp-content/uploads/2016/02/Share-Housing-Booklet-Crowded-House-PDF.pdf
Northern Territory	Written consent needs to be acquired from the landlord for permission to sublet. Landlords consent must not be unreasonably withheld.	Money paid to a landlord as a security deposit is held by the landlord in trust for the tenant. Only one bond can be charged for a residential tenancy agreement, regardless of the number of tenants or changes in tenants. If there are multiple tenancy agreements for different parts of the one premises, then one rental bond can be charged for each of those agreements. Introduces a grey area for share house bond arrangements https://legislation.nt.gov.au/Legislation/RESIDENTIAL-TENANCIES-ACT

Recommendation 2: *Provide better protections for sharehouse arrangements and proactively educate international students on their tenancy rights and responsibilities.*

6.2. National Code of Practice

Education institutions that provide education and training to international students have an obligation to provide information on accommodation for international students according to the National Code of Practice for Providers of Education and Training to Overseas Students:

- 2.1 *Prior to accepting an overseas student or intending overseas student for enrolment in a course, the registered provider must make comprehensive, current and plain English information available to the overseas student or intending overseas student on:...*
 - 2.1.10 *where relevant, the policy and process the registered provider has in place for approving the accommodation, support and general welfare arrangements for younger overseas students (in accordance with Standard 5)*
 - 2.1.11 *accommodation options and indicative costs of living in Australia.*

Excerpt from Education Services for Overseas Students Act 2018 (ESOS Act),
National Code of Practice for Providers of Education and Training to Overseas Students

Industry stakeholders in the student accommodation market have suggested that this code of practice is insufficient to appropriately support international students in finding and staying in suitable accommodation. Some stakeholders argue that further requirements could be established for education providers to better support students' wellbeing during their study in Australia.⁵

Younger overseas students

The National Code of Practice includes standards for education providers enrolling students under the age of 18. Specifically, *Standard 5* of the code states:

- 5.1 *Where the registered provider enrolls a student who is under 18 years of age, it must meet the Commonwealth, state or territory legislation or other regulatory requirements relating to child welfare and protection appropriate to the jurisdiction(s) in which it operates.*

Pertaining to accommodation requirements for younger overseas students:

- 5.3 *Where the registered provider takes on responsibility under the Migration Regulations for approving the accommodation, support and general welfare arrangements (but not including guardianship) for a student who is under 18 years of age, the registered provider must*
 - 5.3.1 *nominate the dates for which the registered provider accepts responsibility for approving the student's accommodation, support and general welfare arrangements and advise Immigration, which is responsible for administering the Migration Regulations, of the dates in the form required by that department*
 - 5.3.2 *ensure any adults involved in or providing accommodation and welfare arrangements to the student have all working with children clearances (or equivalent) appropriate to the jurisdiction(s) in which the registered provider operates*
 - 5.3.3 *have and implement documented processes for verifying that the student's accommodation is appropriate to the student's age and needs:*
 - 5.3.3.1 *prior to the accommodation being approved*
 - 5.3.3.2 *at least every six months thereafter...*
 - 5.3.7 *have documented policies and processes for selecting, screening and monitoring any third parties engaged by the registered provider to organise and assess welfare and accommodation arrangements.*

Excerpt from Education Services for Overseas Students Act 2018 (ESOS Act),
National Code of Practice for Providers of Education and Training to Overseas Students

As highlighted in the ESOS Act, there are special considerations required for younger international students studying in Australia. Detailed analysis of this sub-sector is beyond the scope of this report, and further consideration should be given to the support necessary for under 18 year old students studying and residing in Australia.

⁵ Note that stakeholder comments were received prior to the release of the updated code of practice (which comes into effect 1 January 2018), and thus were based on the previous version of the code (2000).

6.3. Regulatory frameworks

Findings from research undertaken by QTIC (2014) and Samaan (2015) show that without an appropriate regulatory framework, sharing economy participants may facilitate illegal profit making. The main issue is that traditional regulations in local areas do not fully address the dynamic operations of the sharing economy (Koopman, Mitchell & Thierer 2014). Many participants in the sharing economy believe that the existing regulation is irrelevant to their activities, and thus do not apply the regulation of the respective market to their activities.

Turning to international student accommodation in the sharing economy, in its submission to the **Inquiry into International Student Accommodation in New South Wales (2011)**, the Australian Human Rights Commission identifies some key issues around the appropriateness of existing standards for international student accommodation.

29. Nor does the NSW Act cover agreements under which a person boards or lodges with another person (e.g. boarding or lodging in a private home) or share-housing arrangements where a person sub-lets part of a premises to another without a written tenancy agreement. Again, these arrangements are commonly used by International Students.

30. International Students living in these premises or arrangements effectively fall between the existing regulatory frameworks, and do not have access to the same consumer protections, enforceable by law, as associated with standard residential tenancy agreements.

31. The Commission considers that greater regulation of boarding and lodging agreements and home stay arrangements is required in order to ensure International Students living in these premises or arrangements have access to the same consumer protections as other standard rental accommodation.

32. The Commission acknowledges the complexity around these issues, and suggests that they require attention within a national policy framework, where it can be more clearly determined who has responsibility for better regulating those types of accommodation regularly utilised by International Students.

Source: Australian Human Rights Commission (2011)

While this study is not designed to thoroughly assess current regulation and its application to the sharing economy in the context of international students, it is clear that this should be examined more in any further work in the area of student shared accommodation. This is both in terms of the applicability of existing regulations according to the law, and also in practice.

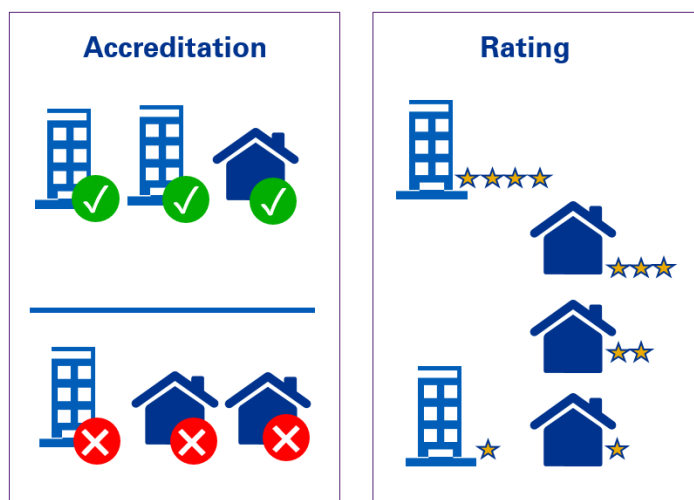
Without close regulatory scrutiny, sharehouse arrangements can lead to exploitation. Research by Sarkar and Gurran (2017) on the sharehouse market in Australia identified that investment properties could achieve higher incomes by renting out individual room or roomshares rather than renting out the property as a whole. This suggests existing exploitation of tenants who are sub-letting individual rooms (or in some extreme cases, who are subletting beds).

“Many students have had experiences where the landlords overcharge them and cram as many as twelve students into one house with no proper facilities such as heating or a fire alarm system. Some houses do not have legal contracts which puts students at risk of losing their bond deposit if there is no proper documentation of them living in that house. To make matters worse, living in these unsafe conditions make students the easy targets of crime”

Aishwarya Ramji (2013, para.4)

While examining the benefits of strengthening, redesigning, and/or implementing further regulation is one option to look at when addressing the risk side of a growing sharing economy market, another potential option is through self-governance or providing students access to more information to help them make a more informed choice. The remainder of this chapter looks at how a user review rating scheme could be used to improve access to information on accommodation for international students.

Instead of introducing a strict regulated market, other levels of accountability have been suggested – including accreditation and a ratings scheme. These options provide different mechanisms for promoting quality in a market.



Broadly, an accreditation system is very black and white – separating accommodation offerings into either suitable or unsuitable. A rating system can provide more of a scale, differentiating options across a variety of levels.

6.4. Accreditation

The topic of accreditation has come up regularly with stakeholders as a potential strategy to assist in improving the international student accommodation market. The quality of student accommodation can vary significantly – with some options at very high standards, some satisfactory and value for money, to others that are below expectations or even described as “unfit for habitation”.

There is currently no official definition of student accommodation. This is, in part, due to student accommodation being a relatively new “established” industry. This ambiguity can cause a problem where accommodation offerings are marketed to students as ‘student accommodation’, but are effectively budget or, in some cases, sub-standard residences without any support services.

Looking more broadly at sharing economy businesses, one of the recommendations for the share economy in the UK was to establish a kitemark or government approval tick to identify business that are responsible sharing platforms (Demary, 2015). This is a system designed to provide a style of accreditation to give user trust in the service.

In the United Kingdom student accommodation market, UniPol run a number of accreditation schemes (referred to as “Codes”) that are applicable for different sectors of the student accommodation market. Examples of these include:

- An accreditation code for private landlords providing shared student accommodation
- Codes for owner-occupiers who provide accommodation in their own home
- A national accreditation framework for the web-based private shared housing market (Unipol, 2017a).

This accreditation idea has also been picked up in the Australian student accommodation market. The South Australian Government and South Australian Student Accommodation Association (SASAA) are working on a minimum standards framework which is designed to promote the quality of student-only accommodation (South Australia Department of State Development, 2017).

While there are benefits in providing students with a clear indication of the suitability of different accommodation offerings by requiring accreditation, there are potential disadvantages. One key disadvantage is if the accreditation process creates significant extra paperwork/red tape, and a second disadvantage is the cost to establish and maintain the system. This may discourage suppliers – particularly in the peer-to-peer or share economy market - and further limit the options available to students.

6.5. Rating schemes

Online consumer reviews, product and services recommendations and peer opinions have become increasingly popular; with other people's experiences now playing a pivotal role in the consumer decision making process. From large online retail to small offline services, incorporating rating schemes into business models is conducive to success in today's competitive environment.

Rating schemes offer various benefits to both the business and the consumer. For businesses, rating schemes provide marketing opportunities, channels of direct communication with the customer, and an insight into consumer perceptions that would otherwise be costly to research. For consumers, rating schemes bridge information gaps, inform choice, mitigate risk, and build trust.

Operating in an environment where regulatory frameworks are either not yet clearly defined or applied, the sharing economy has embraced rating schemes as a method of self-governance and regulation. For example, Airbnb encourages not only guests to review the quality of their accommodation, but the landlord to rate the quality of their guest. In the absence of protections offered by the traditional real estate market, this two-way review system seeks to alleviate safety concerns by holding both parties publically accountable for their quality of patronage or service. In pursuit of the desire to continue operating within the sharing economy model, both owner and renter are motivated to exceed minimum expectations. Within the sharing economy model, trust is built on reputation.

Rating schemes also have downsides. Reviews can be fraudulently manipulated by business owners to create a positive image; undermining the concept of rating schemes. Similarly, business owners can leave negative reviews on competitors' products and services to gain market advantage. Such downfalls of the rating system has led to progressive solutions, such as only allowing reviews from verified (proof of purchase) consumers.

Furthermore, relying on rating schemes in lieu of traditional regulatory protections may also present safety concerns. Bad service, scams or unsafe practices are only recognised after someone has experienced it; whereas traditional regulation seeks to prevent such instances from occurring in the first instance. In addition, once a large enough review base is built up around a 'good image', it may take some time for the average rating to be affected by more recent 'bad reviews'. The International Student Accommodation Symposium Outcomes Report highlights that the rise of online user rating platforms could supersede attempts to regulate the market (Ziguras, 2015).

6.5.1. Rating schemes and the international student accommodation market

Industry stakeholders have identified international students as being more likely to be exploited or scammed in the accommodation market. There are cases where international students have paid deposits for accommodation that did not exist (Ashton, 2017; Paynter, 2010); or the student finds themselves confined within tight, hazardous shared accommodation arrangements (Knight, 2017; Welch, 2014).

As discussed in Section 4, there are a number of challenges for international students finding accommodation in Australia. These include not knowing what is considered value for money, being misled in the description of accommodation, and not knowing their rights as a tenant. These problems can be compounded with language barriers and adjusting to cultural differences.

Rating schemes could help international students overcome one of the cohort's biggest challenges - information asymmetry. A common source of market failure, information asymmetry presents itself when one party to a transaction possesses greater material knowledge than the other party.

6.5.2. Rating scheme designs

There are user review rating schemes already established in many markets. Figure 27 provides several screenshots relating to student accommodation and broader accommodation markets.

- **Bedsii** have a rating system built into the website, allowing students to provide a star rating against several features of their accommodation.
- The **Macquarie University private accommodation** website provides the ability for students to provide feedback on their private accommodation. The feedback they provide then is applied to a star rating system, where a star is awarded for each 'yes' response, and 5 stars is awarded if all responses are 'yes' or positive. This system is similar to the star rating scheme operated by Unipol in the UK, which also applied stars according to the level of amenity provided (Unipol, 2017b).
- Additionally, **Study Stays** also allows universities to apply badges to private accommodation listings, such as whether they provide facilities, meet a safety requirement, or have bills included. This is an additional mechanism which can help communicate features of accommodation to students.
- **Airbnb**, one of the most popular sharing economy platforms, has a user-review system which is an important part of communicating the quality and features of property offering.
- **Tripadvisor** is a user-review website where travellers can post reviews on hotels and tourist attractions they have visited. The site is very popular, and has developed a large number of reviews providing a wealth of information for prospective travellers.

As user review schemes such as TripAdvisor become more popular, traditional rating schemes such as Stars Ratings Australia are put under pressure. This accommodation rating provider closed operations in early 2017 and subsequently was taken up by the Australian Tourism Industry Council (Clark, 2017; Gardiner, 2017). Trends like this highlight the shift away from review systems that require significant inspection, resources and compliance from businesses, to review systems that are developed organically by users and provide real time feedback to other potential users.

Figure 27: Screenshots of user review schemes on Airbnb, BEDSII, Tripadvisor and Uber

Bedsii

Hi Name

Thanks for taking the time to review room name and host name. This will take less than one minute of your time.

Location ★★★★★

Surrounding neighbourhood ★☆☆☆☆

BedRoom ★★★★☆

Cleanliness ★★★★★

Host communication ★☆☆☆☆

Host (Name) ★★★★★

Value ★☆☆☆☆

Submit Feedback

Thanks again for using Bedsii!
The Bedsii team

Macquarie University (Study Stays)

Search

Your search for rooms returned 58 matches.

Order by Newest

\$235 / week

Single bedroom available in 5-bedroom shared house, Marsfield

Quiet, responsible students preferred. Male or female students welcome. The property, about 1 km from the university, has a swimming pool. The property has 3 single rooms and 1 double room available for students. One single room (downstairs, \$235 a week) is available from Tuesday, October 24, 2017...

\$ no bills
✓ facilities
⊘ safety

★★★★★

\$195 / week

Single bedroom available in 5-bedroom shared house, Epping

Modern and recently renovated two story house, fully furnished, two rooms available, built-in wardrobe, desk with book shelf, heater, good kitchen and bathroom facilities, Rent \$195/w for a single room. Electricity, water and internet bills and sundry bills are included. In winter 3 months heating...

\$ no bills
✓ facilities
⊘ safety

★★★★★

Airbnb

7 Reviews ★★★★★

Search reviews

Accuracy ★★★★★	Location ★★★★★
Communication ★★★★★	Check In ★★★★★
Cleanliness ★★★★★	Value ★★★★★

Steve
July 2017

Report Helpful

Alex's place is great if you are after somewhere basic to spend the night on a business trip. Wouldn't recommend for holiday travel however. Little furnishings and comforts that most places have.

Steve
July 2017

Report Helpful

This apartment is conveniently located in the city and includes access to a 25m indoor heated pool and a bouldering wall so if you love getting active while you're away these are great. The apartment is spacious and perfect for short trips. For longer trips it could do with the addition of a TV and couch. The mattress on the bed is very hard so if you like that kind of thing it's perfect. Communication with Alex was exceptional and he was very helpful and quick in responding to my queries. Overall summary is that I'll be back again.

Trip Advisor

Reviews (3,634) Write a Review

Traveler rating <input type="checkbox"/> Excellent 1267 <input type="checkbox"/> Very good 1538 <input type="checkbox"/> Average 482 <input type="checkbox"/> Fair 138 <input type="checkbox"/> Terrible 54	Traveler type <input type="checkbox"/> Families <input type="checkbox"/> Couples <input type="checkbox"/> Solo <input type="checkbox"/> Business <input type="checkbox"/> Friends	Time of year <input type="checkbox"/> Mar-May <input type="checkbox"/> Jun-Aug <input type="checkbox"/> Sep-Nov <input type="checkbox"/> Dec-Feb	Language <input type="checkbox"/> All languages <input checked="" type="checkbox"/> English (3476) <input type="checkbox"/> Chinese (Simpl.) (216) <input type="checkbox"/> Chinese (Trad.) (216) More languages
---	---	---	--

Show reviews that mention

Search reviews

All reviews

southern cross station

great location

skybus terminal

eltham stadium

spencer street

easy access

public transport

buffet breakfast

room service

would definitely stay here again

drown casino

bed was comfortable

valet parking

pleasant stay

central location

train stop

city

1 - 5 of 3,634 reviews

Demas66
Reviewed 5 days ago Via mobile

Close to everything clean and good service

We have stayed at the vibe savvy many times over the years and we keep going back due to location and value for money. Some rooms are small but if you're in town for the footy or concert and Eltham over the road or an... [More](#)

1 Thank Demas66

Management response:
Responded 4 days ago

Dear Demas66, Thank you for taking the time to provide us with your valuable feedback. We are glad to hear you are a return guest to the hotel. We are delighted to hear that our location suited your needs throughout your stay. We are lucky to... [More](#)

Source: Bedssi.com.au, Macquarie University (find.accommodation.mq.edu.au), Airbnb.com.au, Tripadvisor.com

6.5.3. Potential elements of a rating system

A rating system is recognised as a useful system for the sharing economy (as discussed in section 0), and indeed is often also useful when applied in traditional markets. Information collected from focus groups with international students, and in consultation with international education stakeholders, has provided views on which elements could be considered if a user review rating scheme was applied to assist the current information gaps for international student accommodation. These elements have both benefits and challenges, as Figure 28 shows.

Figure 28: Potential elements of a student accommodation rating system

Rating Feature	Benefit	Challenge
Reviewers are verified	Helps ensure that a review is from a student who has stayed at the accommodation, and not from other sources.	Extra processes on a platform such as logins and/or tracking of users is required to verify reviewers. Requiring constant updating of information about details of students staying in various residences is a difficult and expensive task.
Rating multiple features of student accommodation	Breaking down features of accommodation can provide more information to prospective international student tenants and can provide a more targeted and less emotive review. Examples could include: <ul style="list-style-type: none"> • Location / neighbourhood • Cleanliness • Public transport access / distance • Value for money • Accuracy of description 	The careful selection of the type and number of features will be very important. Adding more features to a review can require more of the student's time to complete and reduce participation. The type of features would also need to be applicable to the accommodation type being reviewed (for example, reviewing the quality of food in a room-only arrangement). There are also features that students may not notice, such as the 'safety' of the building.
Two way ratings	Places that offer accommodation may also like to know the quality of the person staying there. This can also create an incentive for students to be good tenants, and inform someone who is considering to rent out their room to students (such as how Airbnb works).	International students arriving in Australia for the first time would not have any information to be reviewed on (also true for domestic student first moving out of home). There is also a risk that a one-off bad review on a student would be difficult to recover from and could disrupt their entire study experience.
Characteristics of reviewer shared	Allowing reviewers to be identified by characteristics such as which country they are from and age could be useful for students researching their options to understand the cultural and lifestyle perspective of a rating.	Getting a good balance between the level of personal details provided by the reviewer and the protection of their privacy will be very important. The more information required about the reviewer would likely improve the quality of information and also discourage bias in reviews. However, students may be concerned about the risk of being identified and it jeopardising their accommodation situation or future options.
High volume of transactions	The more frequently transactions occur, the more reviews that can be available and 'outlier' opinions can be smoothed over time.	There is a risk that, for particular accommodation types with low turnover, a single negative review could stick with a place for a long time.

Rating Feature	Benefit	Challenge
Reviewing all options of student accommodation available	It would be ideal if students could compare different accommodation types (such as PBSA, residence halls, private dwellings etc.) on a single platform.	Features vary across accommodation types, including different levels/types of services. This creates a challenge when trying to develop a consistent and fair rating framework across different accommodation options.
Prompting when students should review	There can be benefits in capturing student's experiences at different points in time. - To provide a better understanding of the initial experience, it may be timely to capture feedback in the first few weeks of arrival. - Also including a review at the end of their stay would provide more holistic feedback on the good and bad aspects of their accommodation.	Students are busy with other tasks in settling into life and study in a new country and may not respond to prompts for review. Monitoring students accommodation movements to prompt feedback at particular points in time could potentially be laborious.
Allow students to provide a review when it suits them	This could allow students to provide feedback on aspects of their accommodation as it occurs, rather than later when the details may be less clear.	These types of reviews would likely to be biased toward negative experiences.
Allow free text comments	Further information and detail about the student experience could be shared by allowing students to provide comments in addition to a rating.	Reviewers may go "off track" and review things other than the features of the accommodation – such as their housemates or more general complaints.
Allowing accommodation provider to respond to reviews	Specific points raised in a review could be responded too, such as defending an aspect of their service or acknowledging an issue and committing to addressing it in future.	Responses from accommodation providers may suggest future improvement but take no further action. This can also add to the workload of accommodation providers.
Warnings / actions required for low ratings	If a property receives consecutive low ratings, then a warning could be sent to the owner / manager, prompting improvement in the accommodation provision. Extremely low ratings could flag further action or even de-listing (depending on how the review system is implemented).	Establishing suitable warnings and actions that could be applied to all accommodation types could be a challenge. Enforcing actions can also require considerable resources by the organisation maintaining the rating system.

Exploring the potential elements of a user review rating scheme allows the feasibility of a system to be better understood. Two of the key challenges highlighted by stakeholders are verifying reviewers and the low volume of transactions. End-to-end providers such as Airbnb, who list properties, manage accounts and process transactions, have the supporting systems to verify reviewers before a review is posted. An external system that is reviewing services from a variety of sources requires significant resources to establish and operate, which presents a large barrier to developing a user review system.

A second major challenge is that student accommodation also has a low volume of transactions. This is because typically students are staying for at least a semester, compared to the tourism market where stays are shorter. Data provided by StudyStays.com.au indicates that private rental properties advertised to students are listed on average 1.8 times per year. This means that on average, a property could receive less than two opportunities to be reviewed in a year, which would not provide a robust measure for review.

Recommendation 3: *Intensive consultation and representative workgroups would be needed if a user review system were to be developed across all accommodation types.*

Specifically for the sharehouse market (a major component of the international student market), websites such as Flatmates.com.au and StudyStays.com are developing increasingly sophisticated internal reviews mechanisms to catch out fraudulent properties. As an alternative to external reviews, these mechanisms are an effective way to improve the market.

Recommendation 4: *Continual improvement and further implementation of internal review mechanisms could assist in protecting students from exploitation in the accommodation market.*

6.5.4. The role of the industry and government in a rating scheme

There are many possible ways that a review system could operate (as discussed in section 6.5.3). A further consideration is who would be responsible for implementing and maintaining such a system. This question drew many different opinions and interests from industry stakeholders consulted as part of this study. As identified earlier in this report, there are multiple stakeholders across education providers, accommodation providers, industry groups and government. This gives way to multiple approaches in determining who might be suitable to support a user review system.

Figure 29: Potential organisations that could be responsible for a student accommodation rating system

	Incentive	Disincentive	Example
Education institutions	Many universities already list purpose-built and private listing accommodation options for students on their websites. These platforms could potentially provide a starting point for developing a user review platform.	Coordination between institutions in different locations, of different education offerings, and private/public funding would be required. Many institutions would be most interested in accommodation ratings in their own areas. Sufficient incentive to collaborate with institutions in other regions or states may not be present.	Many education institutions are actively engaged in reviews of study courses, to allow for national and international comparisons, and to identify their ranking in the quality of their education and training services.
Government platform	The government is more independent to the student accommodation market. Further, a Government implemented scheme would potentially appear more credible to international students.	It would be costly for a scheme to be implemented solely by government, particularly to cover the entire student accommodation market.	Energy rating scheme
Industry group	An organisation representing the industry could be in a credible position to facilitate a user-review system.	Fair representation across all accommodation providers would be important.	Unipol (UK)
Purposed rating business	An existing business responsible for maintaining a rating platform could increase market share by expanding into the accommodation space, backed by an established brand.	This could require significant establishment costs, and required an organisation to develop strong knowledge and connection with the industry. A new cost would be imposed to make a business commercially viable, and would require adequate buy-in from major players for this system to be recognised.	TripAdvisor

Ultimately, all stakeholders have an interest in providing the best student experience possible to continue promoting Australia as an ideal location to study and live. Based on current and potential roles of different organisations in the student accommodation market, a number of recommendations are put forward:

Recommendation 5: *Accommodation providers should the use of existing user review systems such as Google reviews and Facebook reviews to better capture and address student feedback.*

There are existing platforms where reviews can be posted and allow potential students to research their accommodation options. Many international students share information about accommodation through informal channels such as online forums and chat groups. By utilising existing platforms, accommodation providers can better facilitate this information, and also benefit directly from the feedback provided.

Recommendation 6: *Education institutions should collectively aim to exceed minimum ESOS requirements pertaining to the provision of accommodation information; on the basis that making accommodation options clearer can strengthen the international student market as a whole.*

The level of support provided to international students on accommodation varies between education institutions. Recognising that accommodation is a critical requirement, and that there are a variety of accommodation options to fit the circumstance and budgets of international students, is important to be able to adequately support and provide a positive experience for all international students. There are exponential benefits for institutions to exceed their minimum ESOS obligations regarding accommodation.

Recommendation 7: *The Government should take a support, rather than intervention, role in the student accommodation market.*

The challenges identified above suggest that the government is not considered to be in the best position to implement a user review rating scheme for student accommodation. However, there is still an important role for the government at various levels to support the market, such as policing overcrowded residences that could be exploiting students, and improving the protections for tenants in sharehouse or subletting arrangements (as mentioned in section 5.3.4).

7. Conclusion

This report has explored the current state of the accommodation market for international students, with consideration for where the market is heading, how the sharing economy operates, and the suitability of a user review rating scheme.

Overall, student satisfaction is high, although continual improvement is important to remain globally competitive. Examples of areas for improvement have been highlighted by international students through focus groups, and by stakeholders in consultations. They broadly include improving the quality of information, and better capturing the feedback of international students to improve the market.

There are two areas to point out that call for further research. First, this study has mostly considered the international student accommodation market from a national perspective. Some variances across states has been discussed, there but are likely to be nuances in local markets and different distributions of issues discussed in this report. A better understanding of these could further assist in improving the international student accommodation market. Second, the investment into PBSA combined with the rise of online platforms that facilitate the sharing economy, means that the pattern of accommodation choices by international students is difficult to predict. Continuing to monitor and understand this market as it changes is important to position stakeholders to best support international students.

Recommendations

Research and consultation by KPMG has identified a number of recommendations that have been put forward throughout this report. They align broadly to three key areas within the student accommodation market: the role of the sharing economy; the feasibility of a user review rating scheme; and the role of government, accommodation providers and education institutions. The recommendations include:

1. Encourage the supply and quality of **homestay** hosts for international students.
2. Provide better protections for **sharehouse** arrangements.
3. Intensive consultation and representative workgroups would be needed if a **user review system** were to be developed across **all accommodation types**.
4. Continual improvement and further implementation of **internal review mechanisms** could assist in protecting students from exploitation in the accommodation market.
5. Accommodation providers should **consider the use of existing user review systems** such as Google reviews and Facebook reviews to better capture and address student feedback.
6. Education institutions should collectively aim to exceed minimum ESOS requirements pertaining to the provision of accommodation information; on the basis that making accommodation options clearer can **strengthen the international student market as a whole**.
7. The Government should take a **support**, rather than intervention, role in the student accommodation market.

These recommendations are designed to improve the accommodation market for international students, and continue promoting Australia as a desirable place to study. Student accommodation can be considered as essential 'supporting infrastructure' for a sector that Australia has a strong comparative advantage in.

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Appendix B: Consultation summary

An overview of consultations with stakeholders and students is summarised below. KPMG engaged a range of stakeholders in the student accommodation market, but note that there are still many other relevant organisations for this industry.

B.1 Stakeholder consultation

KPMG consulted with 20 stakeholders involved with international education and student accommodation. These stakeholders have included peak bodies, training providers, and accommodation websites.

Figure 30: Organisations included in consultations

Australasian Association of College and University Housing Officers (AACUHO)	QLD TAFE
Australian National University	South Australian Student Accommodation Association (SASAA)
Bedsii.com	Student One
Box Hill Institute	Study Brisbane
Council of International Students Australia (CISA)	Study Stays
English Australia	TAFE Directors Australia (TDA)
Flatmates.com.au	Universities Australia
Griffith University	University of Technology Sydney
International Education Association of Australia (IEAA)	Urbanest

B.2 Focus groups

KPMG held three focus groups with international students to gather their experiences on the student accommodation market in Australia, and hear their opinions on the usefulness of a user review rating scheme for student accommodation in Australia.

Assistance from Study Brisbane, University of Technology Sydney, and the Box Hill Institute in coordinating these groups was greatly appreciated.

Students included in the focus groups represented 15 different nationalities, and shared experiences on many accommodation types including on-campus, PBSA, homestay, sharehousing and staying with friends or family. Most student had moved to Australia for study within the past 18 months.

Figure 31: Nationalities included in student focus groups

Brazil	Indonesia	Spain
Canada	Japan	Sri Lanka
Colombia	Mauritius	Switzerland
Hong Kong	Pakistan	Thailand
India	Philippines	United Arab Emirates

