

SH 12

Ymgynghoriad ar ail gartrefi

Consultation on second homes

Ymateb gan: Dr Bob Smith, Prifysgol Caerdydd

Response from: Dr Bob Smith, Cardiff University

**Senedd Cymru**

## **Local Government and Housing Committee**

### **Inquiry into Second Homes**

#### **Submission of Written Evidence**

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#### **Introduction**

Thank you for the opportunity to submit evidence to the Committee's Inquiry into Second Homes. Please note that I am writing in a personal capacity and that my views do not necessarily reflect those of Cardiff University or the UK collaborative Centre for Housing Evidence (CaCHE).

#### **Inquiry: Terms of Reference**

I understand the Committee's terms of reference for its inquiry are:

- To examine the recommendations made by Dr Simon Brooks in his report, [Second homes: developing new policies in Wales](#), and the Welsh Government's response to those proposals.
- To consider the policy objectives and evaluate the evidence base for policy change in this area and to identify any gaps in knowledge and data.

#### **The Evidence Base**

There is a significant history of academic and policy-related research investigating the impacts of second homes in the UK (and beyond), certainly going back to the 1970s; perhaps earlier. Dr Brooks' report sets a context for examining the issues in the current environment in Wales, highlighting some of the regional and local variations in the prevalence of second homes. Although it is not a Wales-wide problem, it is evident that second home ownership is widespread. The analysis also highlights the complexity of the problems. It argues the need for policy interventions at different levels across different spheres of policy, focusing on land use planning policies and fiscal policy, in particular the use of taxation to influence behaviour and the local economy. It could perhaps have given more attention to the potential contribution of other housing policies; an issue I will return to in considering Dr Brooks' recommendations.

The Committee will no doubt be aware that since Dr Brook's research Welsh Government have published two further pieces of research which add to the evidence base. In July last year Welsh Government published a commissioned independent evidence review, focusing on the impacts and interventions of second homes (**Welsh Government 2021a**). What seems to be a comprehensive review of relevant recent literature complements the Brooks study. It was supplemented by analysis of interviews conducted with a wide range of appropriate organisations and individuals. This has helped to strengthen the evidence base for developing policy solutions, but also identified areas where the evidence remains relatively weak (e.g., the impacts on outward migration and on the quality of local services – highlighting out the difficulty of separating out the impact of second homes from the impacts of other issues, such as local labour market opportunities). This research also acknowledges the challenges of researching the impacts of second homes on local community well-being.

A second independent research report was published in November last year (**Welsh Government, 2021b**), building upon the earlier research and exploring the prevalence and impacts of second home ownership across Wales. This more detailed report highlights the potential impacts of second homes on local people (e.g., in terms of housing affordability and access to housing) as well as the impacts which out migration has on local communities and on local services (both public and private). In many ways its complements the research undertaken by Dr Brooks. It also highlights some of the limitations of the existing evidence base (e.g., in relation to the local impacts of second homes on house prices and the loss of available housing stock and some of the broader community impacts of second homes) and the need for further research in Wales.

In terms of the literature and evidence base for second homes, in the first week of 2022 the **House of Commons Library (2022)** published a short briefing paper on second homes, focusing on the position in England, English planning powers and non-planning powers. However, it also has a summary of the current position in both Scotland and Wales as well as links to a number of short articles in the media and professional press. This may be of value to the Committee.

### **Dr Brooks' Recommendations**

Let me now turn to consideration of the individual recommendations set out in his report. These are set out below with my comments, though in a number of cases I have indicated that I do not feel qualified to comment.

#### **1. Develop regional and local variations in public policy.**

Given the evidence highlights that the phenomenon of second homes is widely differentiated across Wales, and the problems acute in specific localities, whilst it is appropriate that Welsh Government should set the overall framework and direction for policy (where, as in the case of planning and much of housing policy this is a devolved issue) I agree there is a strong case for enabling the development of regional and local variations in policy.

This is happening to some extent (see 9 below) and there is a case for encouraging the wider dissemination of successful examples of local policy responses, which might be replicable elsewhere.

## **2. Control the numbers of second homes**

It's perhaps worth making the point (supported by some of the evidence highlighted above) that second homes need to be seen in a wider context of local housing markets and what is happening in local communities (e.g., changes in labour markets and provision of services). There are benefits from investment in second and holiday homes for local economies, but where in certain circumstances the concentration may be such that the negative impacts (not least in terms of restricting access to housing opportunities for local people and the outward migration of local households) may far outweigh any benefits.

The idea of "controlling" the numbers of second homes needs to be seen in this broader context and also in terms of both policies which may discourage/restrict second home ownership and policies designed to support the provision of additional housing (particularly non-market, affordable and social housing) to be targeted towards those in local housing need. I have outlined this in a little more detail under (5) below.

There are strong arguments in favour of up-to-date information on the scale of second home ownership at a local community level (and the monitoring of how this is changing) in order to inform local policy development and implementation.

## **3. (Improve) the definition of second homes**

A second home (in the sense of not being an owner's primary residence) ought to be relatively easy to define. Of course, the way such homes are used may vary considerably, being used on a regular or irregular basis throughout the year by the owner and their family and friends. However, there is a difference between a second home (which might be seen as primarily for personal enjoyment) and more commercial arrangements, where accommodation is let on a short-term basis. In the latter case the accommodation is being used as a business and might therefore be subject to business rates.

However, as a non-lawyer I am not able to comment how easy or not it might be to distinguish between different types of second homes/holiday lets, and even if this could be achieved how it might be regulated and enforced.

## **4. Respond to Brexit and Covid-19**

There is emerging evidence that both Brexit and the Covid-19 pandemic are impacting upon the delivery of public policies (and labour markets and supply chains). In Wales work by the Chartered Institute of Housing Cymru through their Tyfu Tai Cymru Project (**Kennedy et al, 2021**) has identified impacts of both Brexit and Covid-19 (as well as other factors, including rising inflation) in relation to both the supply of new homes and the improvement and maintenance of the existing housing stock. CaCHE (<https://housingevidence.ac.uk/>) has been undertaking a series of projects on UK housing policies and the Covid-19 pandemic. A

number of reports have already been published (see website) and a further report on the impacts of Covid-19 on the UK economy and housing markets will be published shortly.

There is also at least anecdotal evidence that the covid-19 pandemic, and the increase in working from home for some households, has added to the demand for housing in some more rural/coastal locations (placing additional pressures on affordability).

#### **5. The need for policy interventions across a range of policy areas**

Simon Brooks' report makes the case for policy interventions across a range of different policy areas. I agree entirely. However, his report focuses on land use planning and taxation only. I would wish to make the point that second homes should not be seen in isolation from broader housing policies, whether at national, regional, or local levels. Whilst it is appropriate to consider policies designed to regulate and control the extent of second homes, particularly in localities where this is a significant problem, and policies which might influence the behaviour of investors/purchasers, thought should also be given to housing supply side issues. There has been considerable research undertaken in the UK on housing affordability (one of the themes of CaCHE's work over the last 4-5 years), but perhaps there is a need for a better understanding of the problems of housing affordability in Wales, particularly in areas of high housing pressure exacerbated by the extent of second home ownership and holiday lettings. There is clearly also a role for the prioritisation of new affordable/social housing provision in such localities, as well as exploring issues around the opportunities for bringing back into use long-term vacant housing. Whilst relatively small scale in Wales, initiatives such as Community Land Trusts (CLTs) and housing co-operatives might also have a role to play in increasing affordable housing options. There may also be a role for social housing allocations policy, in terms of targeting priority local housing need, though I appreciate there will be enormous competing pressures for allocating what may be very limited social housing vacancies.

#### **6. (Opportunities to raise) local council tax premium**

I understand Welsh Government has given local authorities in Wales the power to introduce a 100% council tax levy on second homes. However, I am unclear how many authorities in Wales have applied such premiums (and at what rates) and also, perhaps more importantly, what evidence there is of the impacts this has had both on the prevalence of second homes and the effects on council tax revenues.

#### **7. Short-term holiday accommodation and business rates**

See comment under 3 above.

#### **8. (Variation) of land transaction tax**

There may be a case for varying rates of Land Transaction Tax for second homes. I understand that Welsh Government are looking at a pilot of such a scheme, presumably with a view to evaluating the effects before considering whether such a measure might have wider applicability. This seems a sensible approach.

## **9. Extending “Local Market Housing” schemes (Gwynedd and Anglesey)**

Whilst I do not have detailed knowledge of the Gwynedd and Anglesey schemes, if these are shown to be successful in tackling the second homes problem, then it would seem there is a case for these authorities to extend the scheme to other local communities. Other Welsh planning authorities may wish to consider whether similar schemes might work in specific communities in their own areas.

## **10. Creation of a new use class for short-term holiday accommodation**

This is not an issue I feel able to comment upon, although I can see the argument for a use class change to deal with short-term holiday lets. However, given the Welsh Government are currently consulting on planning policy for second homes and holiday lets (Welsh Government, 2021c) it seems sensible to wait for an analysis of responses to this paper.

## **11. Trialling a new use class for second homes**

As with 10 above, I do not feel able to comment.

## **12. Establishing a Commission to make recommendations regarding the future of the Welsh Language as a community language**

I do not feel qualified to comment on this recommendation. However, I note that Welsh Government has set a Welsh Language Communities Plan as a priority under its Programme for Government 2021-2026. Given there is an open consultation on the proposed plan (**Welsh Government, 2021d**) then analysis of the responses to this consultation (post February 2022) will be important in informing the development of such a plan.

## **Contact Details**

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## **References**

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