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Research on second homes: evidence review summary

A summary of findings from an evidence review on second homes. The review focuses on impacts and interventions on second homes.

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Introduction and methodology

This paper summarises the emerging findings from research conducted into the evidence base on second homes and their impact in Wales. The research comprises a literature review and interviews with individuals and organisations across sectors impacted by second homes in Wales. Data collection is still ongoing, with interviews being conducted at the time of writing. It should be stressed therefore, that the data, analysis and conclusions of the final research report may differ from those summarised here.

As part of the research, the literature review found a broad range of academic and grey material exploring the dynamics and impact of second homes. The review process, though focused on recent publications also drew on historic publications. In doing so, the review identified and synthesised 84 relevant publications in detail.

Information from included studies were extracted, including study design and key findings. Considerations were given to the robustness of apparent study

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designs and the broader conceptual and methodological limitations of the work. Due to time and resource constraints, it was not possible to achieve a fully exhaustive and systematic search and appraisal of the literature. This review should therefore be understood as giving an indication of the existing international evidence base on second homes, rather than a definitive account.

The literature review was accompanied by empirical research that sought to explore the prevalence and implications of second home ownership across Wales. This will involve around 75 semi-structured interviews. These have, or will be, conducted with a range of individuals and organisations whose work is related to second homes. Examples of interviewees include local authority planning and housing officers, community councils, campaigning groups, estate agents, housing associations and academics.

The research was guided by the following research questions:

- How are second homes defined?
- What impact do/can second homes have?
- What policies and interventions have been introduced to address second homes?
- What have been the effects of policies and interventions introduced to address second homes?

This evidence review has sought to explore evidence on the impacts of and interventions on second homes. Whilst it is known that there are issues and impacts associated with second homes, this review has instead explored the evidence available that can isolate the unique impacts of second homes and the quality of evaluative evidence in order to inform future policy decisions and the design and development of interventions.

Second homes in Wales

The most recent data shows that there are 24,873 chargeable second homes in Wales in 2021-22. However, these figures will not account for commercial holiday lets.^[1]

There are significant differences between local authorities. When viewed as a proportion of all second homes in Wales, a few local authorities stand out with significant numbers. Gwynedd (20%), Pembrokeshire (16%), Anglesey (9%), Ceredigion (7%), Conwy (5%), Powys (5%) and Carmarthenshire (4%) account for fewer than one-third of Welsh local authorities, but two-thirds of all second homes in Wales (66%). These are rural/coastal counties that contain three national parks and a high proportion of Welsh speakers in relation to the rest of Wales. Swansea^[2] and Cardiff are the two largest cities in Wales, and also home to almost a quarter (22%) of all second homes. Over 88% of all second homes in Wales are therefore located within either rural, coastal authorities, or in/around Wales' two main cities. The distribution is even more varied and acute on a community level. Although second homes account for around 9% of dwellings in Gwynedd, this figure rises to around 23% in Beddgelert, 25% in Aberdaron and as much as 40% within Llanengan community council (Anglesey and Gwynedd Councils, 2016: 95-98).

Overall, 2,005 additional second homes in Wales have been registered since the first recording in 2017-18, an increase of 9%. The largest increases appear to have been in Pembrokeshire (1,267/ 45% additional second homes), Cardiff (761/ 28%) and Anglesey (668/ 45%), though significant proportional increases have also been witnessed in Denbighshire (71%/ 163 increase), Monmouthshire (46%/ 63) and Merthyr (29%/ 48). Gwynedd, the local authority with the highest proportion of second homes, now has 528 fewer second homes registered than in 2017-18, a drop of 9%. The drop in Gwynedd may be explained by owners 'flipping' their properties, and registering as holiday accommodation and so paying Non Domestic Rates rather than council tax (and, in some cases, no tax at all as business rates relief may apply).

[1] Second Homes as defined by Council Tax data. Source: Statswales

[2] Swansea local authority also includes the Gower Peninsular, a rural and coastal area. In this sense, Swansea may straddle both categories.

Findings

Literature review

The studies identified as part of the review were undertaken across various locations in the UK and internationally. Some studies used multiple case study areas and others were located in a single community. Different studies adopted different definitions of second or empty homes. A range of research methods were applied in understanding the prevalence, dynamics and impacts of second homes. Most used surveys, for example, in order to identify unoccupied properties, the characteristics of second homeowners, and patterns of second home usage. Others used interviews with different groups of key informants. Some studies also drew on secondary information such as administrative and market research data, or Census, employment and labour market statistics.

Most studies exploring the impact of second homes tend to be narrow in focus. They tend to present analyses of a limited number of factors, such as the impact of second home ownership on local house prices. This serves to limit the ability of this research to explain relationships between second homes and other factors such as local economic conditions, outward migration, housing stock, commuting and retirement trends, amongst other possible factors that have a similar impact to second homes.

Alongside the narrow focus of much of the literature, there are also apparent methodological limitations across the research base. There is a reliance on subjective measures (i.e. interviews) and/or anecdotal data sources or theoretical discussions as a basis for conclusions, further limiting the extent to which the impact of second homes can be comprehensively explained and evidenced. This is an issue across the evidence base and should be kept in mind when considering the conclusions drawn from the evidence review set out below.

Most existing research is also limited in its explanatory potential. Study designs adopted within the literature often set out to describe certain characteristics of second homes within specific communities. These approaches are limited in

their ability to objectively determine the dynamics or impact of second homes. There were more isolated examples of research that was more sensitive to dynamics, such as longitudinal cross-sectional study designs. These were however again limited by the narrow focus of the research to a few variables, such as prevalence of second homes and house prices. There may be many social and economic factors and trends that can influence trends in local housing markets. Overall, methodological weaknesses present in the literature limit its ability to isolate and consequently quantify or explore the impact of second homes independently of other factors.

As previously stated, the evidence base supporting our understanding of the impact of second homes on communities is mixed. The largest number of publications focused on the impact of second homes on demand for housing, including access to affordable housing. There was a smaller body of work that explores the economic impacts of second homes on the viability of rural facilities, services, employment and businesses. Additionally, there is some research exploring the socio-economic status of second homeowners, and their interaction with local communities.

There is only limited robust evidence however, that addresses the impact of second homes on community sustainability and cohesion, including for example on Welsh language and culture; the way in which perceptions of communities/localities drive demand for second homes; crime and anti-social behaviour; social exclusion and poverty; and the accessibility of facilities, services, and employment.

Furthermore, whilst literature exploring international (outside the UK) examples were included in the review, their relevance and value to Wales is limited and questioned by some authors. This was primarily due to differences in local contextual factors, such as between the housing market, population and demographic patterns as well as broader cultural or societal norms that influence home ownership in other countries compared to Wales.

Definitions and limitations

The multiple definitions of second homes present particular problems when

trying to establish quantitative estimates of the distribution and extent of the dwellings used in this way. There is no common or consistent understanding of a second home beyond the consensus that it is a property that is not the main residence of the owner. The lack of consistent or standardised definitions and the range of ways in which second homes are defined limit the extent to which publications and their findings can be compared.

The term is also used differently, largely depending on the context. Narrow, specific definitions may draw upon tax or planning definitions, whilst broader definitions are present within academic and grey literature, and within media representations. Some of these representations may even be misleading, such as the use of higher rate Land Transaction Tax data as a proxy for second home sales in Wales [3].

Key factors influencing the range of definitions include how much/long the property is in use during the year (Paris, 2009); the purpose or nature of the property's use (Perles-Ribes, Ramón-Rodríguez & Such-Devesa, 2018; Zoğal, Domènech & Emekli, 2020; Gallent, Mace, & Tewdwr-Jones, 2017; Gwynedd Council, 2020c; Müller & Hoogendoorn, 2013; Mottiar, 2006); the type of property (i.e. a purpose-built second home or converted into a second home) (Back & Marjavaara, 2017; Paris, 2014; Mottiar, 2006; Næss, Xue, Stefansdottir, Steffansen & Richardson, 2019; Quinn, 2004). A key divide, particularly in a Welsh context, is between second homes that are defined as purely for personal and leisure use, and second homes that can also be commercially let holiday properties. Many publications define second homes more loosely, to refer to a range of property types and use (Gallent, Mace & Tewdwr-Jones, 2003; Back & Marjavaara, 2017; Zoğal, Domènech & Emekli, 2020; Mace 2017; Paris, 2009; 78).

The emerging literature on Airbnb type properties or those commercially let through largely unregulated online platforms appears to suggest a third and relatively distinct type of second home, in some ways different to those that have been previously identified (see also Dias Correia & Lopez, 2015; Stiman, 2020).

[3] Welsh Government. 2020. Welsh Revenue Authority local area statistics explained

Impact

In terms of the broad findings of the existing evidence base, there is evidence to suggest that second homes can raise demand for houses and subsequently local house prices (Gallent 2014; Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2020; Welsh Government, 2021; Gallent, Mace, & Tewdwr-Jones, 2017; Gwynedd Council, 2020c; St Ives, 2016; Müller & Hoogendoorn, 2013; Wallace, Rhodes & Webber, 2017; Mottiar, 2006; Næss, Xue, Stefansdottir, Steffansen & Richardson, 2019; Tewdwr-Jones, Gallent & Mace, 2002; Broomby, 2016; Barnett, 2014; Norris & Winston, 2010). This is seen largely as a negative impact in relation to local populations that are priced out of markets. However, some publications claim that the increase in house prices bring benefits to local homeowners who may sell for higher prices (Back & Marjavaara, 2017; Ashby, Birch & Haslett, 1975; Barnett, 2014). Second home sales may also reduce the stock available for local buyers (Gallent 2014; Gallent, Mace & Tewdwr-Jones, 2003; Bourne, 2019; Brooks, 2020; Welsh Government, 2021; Gallent, 2007; Gallent, Mace, & Tewdwr-Jones, 2017; Gwynedd Council, 2020c; Gallent, 1997; Brida, Osti & Santifaller, 2011; Ashby, Birch & Haslett, 1975; Kislali & Köse, 2020).

Many types of property can become second homes, and therefore direct competition may exist for specific types of property between local residents and external buyers. Many studies look at strong external demand pushing house prices beyond the means of local residents. Some studies found retirement and commuting to present the most significant demand in rural housing markets, but that, alongside these, second homes do exert pressure on local markets. Within these studies, the precise impacts of different forms of external demand on housing prices are difficult to isolate.

Most of the existing literature does not provide objective data and evidence of this primary impact however. Nor does the literature offer any quantification of the impact upon house prices with objective data in Wales, independently of other factors i.e. it is not clear how much of an impact second homes have upon house prices. Nor is it clear if any price rise from second home sales is a more important factor than other factors influencing property values.

This is not to suggest that second homes are not impacting local housing markets. However, it is a key weakness within the literature, that leads to difficulty in establishing if second homes are the main or a significant factor which is leading to (significant) house price increases or stopping local people from buying homes (or that they are even stopped from buying at all). Evidencing (or disproving) this link with objective data would be a significant contribution to the literature on second homes in Wales and beyond.

In terms of broader impacts of second home ownership, the evidence base is relatively weak. A limited number of studies explore, for example, the impact of second homes and outward migration and service decline (Gallent, Mace, & Tewdwr-Jones, 2017; Adamiak, Pitkänen & Lehtonen, 2017; Back & Marjavaara, 2017; Paris, 2009; Gwynedd Council, 2020c). These studies tend to conclude that the outward migration of young people and young families from rural areas is more closely allied to a lack of appropriate employment, education and leisure activities than to a lack of housing. The literature again largely fails to isolate the impact of second homes specifically and independently from the range of other factors that contribute to outward migration.

However, other publications do claim that second home ownership is a cause of a decline in services within particular localities whilst the literature from within and beyond the UK claim that rises in second home ownership leads to culture clashes and tensions between local people and communities and a more transient population (Gallent 2014; Gallent, Mace & Tewdwr-Jones, 2003; Bourne, 2019; Stiman, 2020; Mace 2017; Paris, 2009; Tewdwr-Jones, Gallent & Mace, 2002; Ellis & Ireland, 2008; Barnett, 2014; Wallace, Rhodes & Webber, 2017).

The literature identifies challenges in researching the impact of second homes on broader community viability. It is difficult to examine the impact of second homes on public services such as schools, as it would require analyses that isolate the impacts of second homes independently of other trends, such as outward migration and other demographic factors.

Research on the positive economic impacts of second home ownership is mixed and limited. Earlier and a few recent studies suggest that employment opportunities related to renovation and building were created by second home

ownership, although more recent studies have found additional jobs are limited, low skilled and seasonal (Brida, Osti & Santifaller, 2011; Paris, 2014; Czarnecki, 2014; Gwynedd Council, 2019; Somuncu, Okuyucu & Öncü, 2019). Publications also suggest that second homes attract tourists and increase the profile of the area as an attractive tourist destination, consequently benefitting the local economy (Zoğal, Domènech & Emekli, 2020; Paris, 2009; Ashby, Birch & Haslett, 1975; Barnett, 2014). Again, however, isolating these impacts and the extent of the impact in relation to other factors remains challenging.

As with the impact of second homes on house prices however, there is little objective data on the economic impact of second homes or the expenditure of their owners in Wales.

Policy interventions

The complex social and economic processes that shape second home ownership and any subsequent impacts on local communities present challenges in identifying effective interventions or policy options that seek to address any negative externalities.

Nonetheless, a range of policy interventions are detailed and explored within the literature in relation to the different types of second homes. Most common are related to planning restrictions or a range of punitive taxes to discourage ownership. These include introducing classifications for second homes (Adamiak, Pitkänen & Lehtonen, 2017; Bourne, 2019; Brooks, 2020; Welsh Government, 2021; Gallent, Mace, & Tewdwr-Jones, 2017; Gwynedd Council, 2020c; Revenue Scotland, 2020; Welsh Government 2020a), limiting numbers and types of second homes (Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2020; Gallent, 2007; Paris, 2010; Somuncu, Okuyucu & Öncü, 2019; Gallent, 2007; Gwynedd Council, 2019b), introducing additional second home or tourist taxes (Gwynedd Council, 2020c), and limiting sales in some form to local buyers (Gallent, 2007; Gallent, Mace, & Tewdwr-Jones, 2017; DCLG 2011; Gallent & Tewdwr-Jones, 2001; Wallace, Bevan, Croucher, Jackson, O'Malley & Orton, 2005; Tewdwr-Jones, Gallent & Mace, 2002; Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2020; Gallent, Mace, & Tewdwr-Jones, 2017; Fowey Town

Council, 2020; Lynton and Lynmouth Town Council, 2013). More recent policy interventions have tended to focus upon the poorly regulated holiday accommodation market, particularly Airbnb or similar models of holiday accommodation. The comparability and relevance of these latter publications with Wales appears limited to cities such as Cardiff however.

However, there is little empirical evidence that supports our understanding of the effectiveness of policy interventions in rural areas that specifically focus on the demand for second home ownership. There has been a tendency to focus on supply side interventions, including those that seek to expand affordable housing. There is also little evaluative evidence of these interventions that shows their impact upon second home ownership and/or the impact that second homes have.

Conclusions

Second and holiday homes are considered to be a significant issue in areas of Wales. The empirical data available also suggests that second homes are particularly prevalent within certain localities. The literature recognises that the impact of second homes is complex and multi-faceted. However, the literature does not enable us to either delineate or quantify the impact of second homes in Wales with precision in order to fully understand the breadth of impacts. Evaluating and addressing the impact of second homes on housing markets and communities therefore remains largely a matter of judgement, likely to be best made at a local (community) level.

The varied definitions of second and holiday homes, the complexities of housing markets and the issue of affordability, and particularly the limited evidence of robust evaluation make it difficult to design and develop policy and interventions using the existing evidence base. Further and robust evaluation of the impact of policy and interventions would support this process, as would, to a greater extent, piloting a range of interventions on a community level in Wales.

The full research report will build on the themes set out in this summary using findings from interviews with organisations and individuals whose work relates to

second homes in Wales.

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Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government.

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