



Llywodraeth Cymru
Welsh Government

RESEARCH, DOCUMENT

Research to develop an evidence base on second homes (summary)

A report setting out available evidence relating to prevalence and impacts of second home ownership across Wales.

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Introduction and research objectives

This is a summary of the findings of research conducted into the evidence base on second homes and their impact in Wales. The research sought to explore several key questions.

- How are second homes defined?
- What evidence is available on the impacts of different types of second homes in Wales, the UK and internationally to inform policy and intervention development?
- What does the evidence identified tell us about the possible policy levers or approaches in relation to second homes?
- What approaches have Welsh local authorities and other bodies explored or implemented in relation to second homes?
- What impact have or would the policy levers or approaches have in relation to second homes and communities?

The impact of second homes on communities is complex and multi-faceted. This review has explored the evidence that is available in an attempt to isolate the impact of second homes as distinct from other issues that have an impact on communities. Its purpose is to inform future policy decisions and the development of interventions.

Methodology

The research was undertaken between March and August 2021 and included the following activities:

- scoping interviews with nine officials from a range of Welsh Government departments

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- a review of empirical data relating to second homes in Wales
- a review of academic and grey literature relating to the key research themes
- in-depth stakeholder interviews with 58 individuals whose work related to second homes in some form
- an online survey of Senedd members (nine responses) and follow-up interviews when requested (two interviews)

The literature review[1] found a broad range of academic and grey material exploring the dynamics and impact of second homes. The review process, though focussed on recent publications, also drew on historic publications. In doing so, the review has identified and synthesised 83 relevant publications in detail.

The interviewees included individuals working for various local authority departments, housing associations, estate agents and community or campaigning groups around second homes. Ultimately, the key criterion was that an element of the individual's work or activities should relate directly to second homes, allowing them to draw upon their own experiences as well as wider knowledge during the interviews. All local and national park authorities were invited to contribute, resulting in 30 interviews covering the majority of authorities in Wales.

[1] Due to time and resource constraints, the secondary evidence reviewed during the study were appraised using literature review rather than systematic review techniques. Nonetheless, the review can be considered to offer a firm indication of the extent and nature of the evidence base, particularly within a Welsh and UK context. However, it should not be seen as a definitive statement in relation to the evidence base for second homes.

Limitations of the literature

The literature review found that the evidence is strongest in respect of

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understanding the impact of second homes on house prices and access to housing. However, there is only limited robust or objective evidence that addresses the secondary impact of second homes on issues such as community sustainability, the Welsh language and private and public services.

The relevance and value of international examples to Wales is considered in the literature to be limited due to differences in local contextual factors. Caution should be taken when looking to policy options from outside the UK due to the differences between housing markets, populations and demographic patterns, language contexts as well as broader cultural or societal norms that influence home ownership in other countries compared to Wales or the UK.

Most importantly, the evidence is limited in its explanatory potential. Isolating and quantifying the impact of second homes, independently of the range of other factors and variables is particularly challenging. In the absence of delineated objective data, studies and interviewees frequently drew on qualitative but also subjective or anecdotal data and theoretical or policy discussions to draw conclusions. This further limits the extent to which the impact of second homes can be comprehensively explained and evidenced in order to inform the development of policies or interventions.

Main findings

The number and location of 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 or properties that have not been registered as either a second home or a commercial let.^[2] The definition of second homes is discussed further later.

[2] Second Homes as defined by Council Tax data. Source: StatsWales

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The data shows that 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^[3] and Cardiff are the two largest cities in Wales, and also the location of 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's two main cities.

^[3] Swansea local authority also includes the Gower Peninsular, a rural and coastal area. In this sense, Swansea may straddle both categories.

Whilst quantitative data at a more granular level is not widely available, it appears that distribution is even more varied and acute on a community level. Data collected and analysed by Anglesey and Gwynedd Councils in 2016 found that whilst second homes account for around 9% of dwellings in Gwynedd, this figure rises above 20% in several areas and as high as 40% in one community council area.

Welsh Government data^[4] shows that, overall, 2,005 additional second homes have been registered in Wales since 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%. A possible explanation for the drop in Gwynedd offered by interviewees for this research was that owners are potentially '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). It is prudent to again note that these figures will not account for commercial holiday lets or properties that have not been registered as either a second home or a commercial let. This is one of the reasons that caution is necessary when using such data to estimate and map second homes in Wales.

[4] Again, using Council Tax data, source: [StatsWales](#)

Definition of second homes

The definition of 'second homes' is fluid depending on context and varies between sources. A single and widely shared definition would clearly be of significant value to any efforts to understand and develop policy and interventions to address the impact of (the different types of) second homes. This research has however also found that a single definition, risks masking the nuance and differences in the type of properties in question.

Evidence of the impacts of second homes

Whilst the limitations noted above need to be taken into account, both research and the interviews for this study suggests that second homes can raise demand for houses and, thereby, drive an increase in local house prices. Direct competition between local and external buyers was identified in research and also by interviewees as pushing prices up and out of reach of local residents. However, as discussed later, quantifying just how much of an impact second homes have on house prices compared to other factors is challenging.

This impact was thought to occur most commonly within particular localities or 'hotspots' that had a degree of prevalence. Indeed, some publications and interviewees suggested that there was a threshold of second home numbers, beyond which the impact was felt or became particularly acute. However, there

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was little data to inform where or what this threshold was. Both these issues are discussed further later.

Alongside house price inflation, the clearest direct impact of second homes was to reduce the housing stock. This was more easily quantifiable, with some localities having lost significant percentages of their housing stock to second homes of some kind. However, this loss of housing stock could happen over a longer period of time. Moreover, it is reliant on an assumption that second and first home buyers compete for the same stock. Some publications and interviewees suggested that this was the case, but others suggested that there may be a degree of separation between the two markets.

The evidence base is relatively weaker in terms of broader impacts of second home ownership. A limited number of studies explore, for example, the impact of second homes and outward migration. A few publications also document the 'culture clashes' that can occur between 'local' communities and in-migrants. Very few publications detailed the impact upon the Welsh language, although this was an important issue for many interviewees. Indeed, interviewees tended to stress various aspects of the erosion of a sense of community. As well as the Welsh language, this included service decline, and the seasonality of economic and social life characterised by low-paid tourism employment in season, and periods of relative desertion during the off-seasons although, again, the limited evidence base needs to be noted.

Some older publications noted the positive benefits of second homes. These were largely related to employment and economic contribution as a result of refurbishment or renovation and the spending of owners within the localities. However, more recent publications challenge the extent of this contribution, whilst it is also possible that such expenditure merely displaces (likely only some of) what primary home owners would spend in the locality. A few publications and interviewees also noted that second home owners can play a positive role in renovating derelict properties.

A key development was identified within the interviews that was largely missing from publications. The growth of short-term lets (STLs - Airbnb type properties) both in rural areas and some cities was a cause for concern for a number of local authority personnel and wider stakeholders. However, the poor data available on the number and distribution of STL properties leads to difficulties quantifying this. The type of properties bought for STLs as well as their location was deemed more varied than second homes. Concentrations were thought to have emerged in areas hitherto unrelated to tourist or second home 'hotspots'.

The chain of impact and key assumptions

When the impacts discussed above are 'mapped' a causal chain can be identified and it becomes apparent that a number of important assumptions are sometimes made.^[5] Moreover, the risks of engaging with the 'second homes issue' in isolation of wider factors become apparent. Figure 1.1 seeks to illustrate the causal chain of impacts that have been identified.

^[5] These assumptions are often implicit, likely due to the narrow focus that tends to characterise the literature and interviews.

Figure 1.1: Second Homes Potential Chain of Impact Diagram



Understanding the causality is important. Second homes are understood to cause a reduction in available housing stock and an increase in house prices. These are the direct impacts, as a result of which, local residents are thought to be less or unable to afford to buy or rent. Consequently, it is suggested that at least some of these individuals leave the area. These are the indirect (or secondary) impacts of second homes. It is then suggested that as a result of this, and with the presence of more empty properties and transient populations, communities, their languages and services are more difficult or impossible to sustain. These are the consequences that are frequently, within the literature and in interviews, traced back to second homes.

Two key assumptions can be identified. Firstly, to be sure of the secondary impacts and wider consequences of second homes, the primary impact must be explored and evidenced. It must be ascertained that second homes are indeed having a sufficient enough impact on the available housing stock and prices, to stop local residents from buying or renting within a particular locality. Research findings highlighted the significance of thresholds, and a point at which the

impact was sufficient enough to cause this. It is upon this link and the suggestion that second homes cause a significant enough impact upon housing stock and prices, that all secondary and consequential impacts are contingent. This is itself an assumption that could be better supported by more objective data relating to that link and the impact upon prices and stock.

The second assumption relates to the risks of isolating the issue and focussing on second homes alone. Attributing the indirect impacts and consequences to second homes alone fails to recognise the role of wider factors in influencing these issues. Service decline, language decline and out-migration are complex issues in themselves, with a range of factors believed to exert an influence; second homes being only one. The ability to purchase housing is likewise influenced by a range of factors, including average wages, ability to borrow, the types of housing available as well as cultural factors such as the desire to live within a locality. The impact of second homes should only be examined and understood in relation to other variables or factors that influence the housing market. Only when compared with wider factors will it be clear if and when second homes cause significant impact.

Thresholds and critical mass

A consistent theme throughout the literature and interviews was the perception that second homes cause impact once a particular threshold was passed, and a critical mass of such properties was located within localities. As noted earlier, these were often referred to as 'hotspots' of second homes.

Some interviewees suggested that, in some areas, as the number of second homes weren't close to this threshold, there was little or no impact and consequently, no need for action. Meanwhile, others suggested that in some areas, the threshold had been crossed, leading to irrevocable impact on the housing market and local communities. The concern of interviewees was that policy and intervention is unlikely to address the latter category unless they were

focussed on actively reducing second homes – an approach suggested by very few authors.

The suggestion is that, potentially, the focus of policy should consequently be on areas that have not yet, but due to increasing numbers, are in danger of crossing this threshold. Policy and interventions could be focussed on avoiding significant and irrevocable impact. However, where this threshold lies remains a subjective judgement. The fact that the proportion of second homes also varies significantly between local areas also suggest that such judgements should be made at the local level, taking into account concentrations of second homes. Any policy or interventions such as limits or ratios on second homes in an area, would need to draw on an informed notion of where the threshold lies, and consequently, where the limit or ratio should be set. However, further research should seek to identify and develop the understanding of such a threshold and their potential impact.

Approaches explored or implemented in relation to second homes

A range of policy interventions were discussed during the research, some of which in operation across local authorities in Wales as well as other parts of the UK and Europe. Those in operation in Wales consisted primarily of council tax premiums, thought by only a minority to have slowed demand for second homes. A majority of interviewees thought that the interventions in question had little or no impact beyond potentially encouraging owners to ‘flip’ their properties registering them as holiday accommodation and so paying non-domestic rates rather than Council Tax. The only benefit was linked to the additional funds raised and added to supply-side solutions in supporting access to the housing market. More generally, it was thought that those who could afford a second home, would likely be able to afford a Council Tax premium.

Most interviewees noted that existing efforts to tackle the impact of second

homes upon house prices relate to supply-side solutions and the construction of more affordable housing. However, this approach was thought to have some drawbacks in practice, as the planning for and allocation of affordable housing was commonly a regional (local authority) level endeavour, which is unable to address the acute and localised contexts and issues caused by second homes. Moreover, interviewees considered localised opposition to housebuilding a further barrier to developing more affordable housing in localities pressured by second homes, as well as a general absence of volume builders within rural localities.

Possible policy levers or approaches in relation to second homes

It was clear from interviews that there was a demand for more powers at the local authority level in order to address, or at least monitor, the numbers and prevalence of second homes, including STLs, in their widest sense. This may be linked to a wider frustration at being unable to halt a wider community erosion, language decline and the unsustainability of local services.

Local authority personnel suggested that they were ill-equipped at the moment to address the negative impact of second homes. Even in areas where second homes were not considered a significant issue, the lack of data available to monitor STL properties in particular, was a concern.

The planning system emerged within both the literature and interviews as a means by which second home numbers could be monitored and controlled. Creating a specific use class and/or requiring permission to change the use of a property to a second home or commercial holiday let was particularly attractive to local authority personnel. This, it was felt, would offer a means by which the situation could be mapped, tracked and, if required, controlled through denial of permission. Closely associated with the change of use was the notion of limits or ratios being placed upon second homes. Ratios or limitations would complement

the notion that there were thresholds that should be avoided.

International examples illustrated the potential to use the planning system as an approach to monitor/control numbers, though wider consideration should also be made of the possible additional or unintended impact of such an approach. Limits in particular areas could, for example, drive prospective second home owners to buy in hitherto unaffected areas. A limit on the number of second homes could also create a premium on the cost of a second home in areas close to the limit. Moreover, further consideration would be required in relation to STLs and other commercial holiday lets, and if a limit was desirable on holiday accommodation within areas relatively economically dependent upon tourism.

Planning related solutions were only however thought by interviewees to be as effective as their enforcement, and interviewees expressed concern in relation to the ability of local authorities to ensure that owners were accurately reporting and changing the use of properties.

Stakeholders commonly suggested that further tax increases were desirable, seeing the approach either as a deterrent or a means of raising funds to support supply-side solutions. These comments contrasted with the perception that the council tax premium was not particularly effective. Interviewees also desired a means by which second homeowners could not 'avoid' paying council tax premiums by switching to a business property and benefit from rate-relief on non-domestic rates (NDR).

However, wider factors were frequently noted in relation to the impact caused by second homes and the interventions that could mitigate such impact. The issue of affordability was understood to be complex, multifaceted and nuanced, and when discussion sought to consider second homes in their wider context, most interviewees reflected components of the literature in noting that a range of other factors contributed to the impact that second homes were perceived to cause. The solutions therefore were sometimes felt to require a wider scope, and to engage with the issue of affordability and the challenges of rural Wales as much

as, if not more than second homes.

Interviewees for example, drew wider factors into consideration such as the need to bring empty and derelict properties back into the stock being used. A few also noted the suitability of properties in rural Wales, noting that there was a need for smaller properties to suit young people alongside more mixed tenures.

The impact policy levers or approaches have or could have in relation to second homes

A key weakness of the literature and of local authorities' experiences was the limited evaluative work available. There was little evidence that local authorities had formally evaluated their approaches to limit the impact of second homes or their numbers. The evaluative comments, presented above in relation to policy, were anecdotal or based on personal experience and reflection.

It was common however for the literature and interviews to note the need for a local approach not only to evaluating the extent and impact of second homes, but by-extension, to evaluating interventions that address that impact.

Recommendations

Recommendation 1

The Welsh Government should support further research to explore the impact that second homes have or could in future have upon house prices.

Comparative case studies from across Wales, drawing on objective data, would likely enable this. Moreover, methodological approaches discussed in this report could inform the approach of such research. Importantly, the research should look to delineate and compare the impact of second homes alongside wider

factors that are considered to impact housing prices in rural areas, such as immigration, National Park designations, coastal and natural beauty, and wider, national-level inflationary factors.

Recommendation 2

Policy responses should not be developed in isolation. Responses that seek to tackle the negative impacts of second homes should form a component of wider efforts to address affordability issues and actions with which to unlock the housing market.

Recommendation 3

The Welsh Government should support further research to identify and develop the understanding of the threshold (beyond which significant impact is caused by second homes in relation to the housing market). This threshold should inform wider interventions with which to limit the impact of second homes, and may inform any limitations or ratios placed on second homes.

Recommendation 4

Local authorities should look to map second homes by drawing on a wider definition that includes commercial holiday lets and STL properties (see recommendation 6).

Recommendation 5

The Welsh Government should give greater clarity with regard to the preferred direction of travel and the aims of any interventions in relation to second homes.

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This should include what a satisfactory and sustainable situation would be in relation to second homes.

Recommendation 6

The Welsh Government should adopt a broad definition of second homes and provide clarity as to what types of properties are understood to fall within such a definition.

Recommendation 7

Piloting and evaluating a range of policy approaches to tackling the impact of second homes may offer a means of developing effective interventions and the wider understanding of the impact of second homes.

Contact details

Report Authors: Dyfan Powel, Llorenc O'Prey and Sam Grunhut (Wavehill),
Catrin Wyn Edwards and Lowri Cunnington Wynn (Aberystwyth University),
Endaf Griffiths (Wavehill)

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

For further information please contact:

Hannah Browne Gott

Email: sustainablefuturesresearch@gov.wales

Media: 0300 025 8099

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