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Research to Develop an Evidence Base on Second Homes

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Research to Develop an Evidence Base on Second Homes

Author(s): Dr Dyfan Powel (Wavehill), Sam Grunhut (Wavehill), Llorenc O'Prey (Wavehill), Dr Catrin Wyn Edwards (Aberystwyth University), Dr Lowri Cunnington Wynn (Aberystwyth University), Endaf Griffiths (Wavehill)

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For further information please contact:
Hannah Browne Gott
Knowledge and Analytic Services
Welsh Government
Cathays Park
Cardiff
CF10 3NQ
Email: sustainablefuturesresearch@gov.wales

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Glossary

Acronym/Initialism/Keyword	Definition
FHL / Commercial Let / Holiday Let	Furnished holiday let (FHL) properties are furnished (i.e. there must be sufficient furniture provided for normal occupation) and commercially let (i.e. they must aim to make a profit). Importantly, properties may be let out of season to cover costs and even if they do not make a profit, the letting will still be treated as commercial. This latter point relates to claims of 'flipping', as detailed later in this report, where second home owners 'flip' their second homes into an FHL. Consequently, properties are not liable for council tax and must pay Non-Domestic Rates (NDR) but may be eligible to receive rate relief from Welsh Government.
Grey Literature/Sources	Grey literature is information produced outside of traditional publishing and distribution channels, and can include reports, policy literature, working papers, newsletters, government documents, speeches, white papers, urban plans, and so on.
LTT	Land Transaction Tax (LTT) is paid on property or land purchases. There are separate rates for residential property and non-residential property[1]. There are two sets of residential rates: the main rates that apply, broadly, to purchases of an only or main residence, and higher rates that apply to purchases where the buyer already owns an interest in another residential property. The higher rates apply to, amongst other types of purchase reasons, properties bought as second homes, holiday letting businesses, buy to let, etc. Incidences of higher residential rates have been used as a proxy for measuring the sales of second homes. However,

[1] Land Transaction Tax rates and bands | GOV.WALES

	due to the range of other possible uses, incidences of higher residential rates' LTT are not an accurate measure of second home purchases, and indeed may be a misleading means of measuring or tracking purchases of second homes.
LUP	Land use planning refers to the process of regulating the use of land for developmental purposes, usually by a planning authority.
NDR	Non-Domestic Rates, also known as business rates, cover all property consisting of land or buildings not classed as domestic property or exempt from rating.
Housing associations and RSLs	Housing associations are private, non-profit making organisations that provide low-cost social housing for people in need of a home. Registered social landlord (RSL) is the technical name for social landlords registered with the Welsh Government.
STLs	Short-term lets (STLs), for example, Airbnb-type properties.
Swiss Cantonal Authorities	The 26 cantons of Switzerland are the member states of the Swiss Confederation.
Use Classes	The Town and Country Planning (Use Classes) Order 1987 (as amended) puts uses of land and buildings into various categories known as 'Use Classes'. Further information is available Planning permission: use classes (change of use).
Vrbo	Vrbo is an American holiday rental online marketplace originally known as Vacation Rentals by Owner or VRBO.
Web Scraping	A process of extracting data from websites. Contact details of some stakeholders were collected using this method.

1. Introduction/Background

1.1 This report details the findings of research exploring the prevalence and impacts of second home ownership upon communities across Wales, which was conducted in 2021. The research aims to examine and build the evidence base relating to second homes and their ownership and impact.

Background and research objectives

1.2 The impacts that large numbers of second and holiday homes can have on communities have been the subject of opposition and even violent protest at different points since the latter half of the 20th century. Most recently, particularly in the light of the COVID pandemic, Brexit and other factors, the issue has come to the fore once again, with communities and campaigning groups seeking to highlight the negative impact that second homes have in relation to community cohesion and the housing market. The Welsh Government have also stated an intent to engage with those concerns and take action around the negative impact large concentrations of second homes can have. Consequently, robust evidence and data are being sought to inform any action that a government may consider taking in the field. The rich experiences of others that have already engaged with the issue internationally, as well as the experiences of individuals and groups in Wales, provide opportunities to learn and begin the process of developing practicable and effective policy solutions relating to second homes in Wales.

1.3 The Welsh Government commissioned Wavehill to undertake a review of the available evidence base to inform policy decisions in relation to second homes. The project has sought to produce a review of the existing literature to understand the available evidence on interventions or approaches relating to second homes. This was supported by primary fieldwork and the generation of new insight and knowledge relating to 'on-the-ground' personnel and stakeholders engaged with second homes in some form.

1.4 More specifically, the research sought to explore a number of key research questions, which have been condensed as follows:

1. How are second homes defined?
2. What evidence is available on the impacts of different types of second homes in Wales, UK and internationally to inform policy and intervention development?

3. What does the evidence identified tell us about the possible policy levers or approaches in relation to second homes?
4. What approaches have Welsh local authorities and other bodies explored or implemented in relation to second homes?
5. What impact have or would the policy levers or approaches have in relation to second homes and communities?

1.5 The aim of this report is to enrich, broaden and deepen the evidence base available in relation to second homes. However, while it focusses on second homes, their impact, and possible means of management of them, the subject matter ultimately informs a wide range of policy fields, and the report touches on their inter-dependencies and complexity. Indeed, this is acknowledged by established academic commentators in the field:

> 'The topic addresses key national and local policy concerns, notably sustainable communities and housing demand. The complexities of the policy context also present particular methodological challenges.' (Wallace et al., 2005: p.2)

1.6 In communicating the findings of the research and in considering their implications for policy, the report is structured as follows:

- Chapter 2 provides an overview of the methodological approach.
- Chapter 3 presents the available empirical data and a review of policy in relation to second homes in Wales.
- Chapter 4 presents the findings from the literature review of academic and grey sources.
- Chapter 5 draws on interviews conducted with key personnel and stakeholders whose work relates to second homes in Wales, so as to further inform the evidence base on second homes.
- Chapter 6 provides a summary of responses from members of the Senedd, which were collected through an online survey and follow-up interviews.
- Chapter 7 discusses and synthesises the findings in relation to the research questions and the wider social, economic and political context in Wales. Furthermore, it offers recommendations, based on the research, for the Welsh Government to consider.
- Annexe A provides a discussion of the literature review methodology.
- Annexe B presents the discussion guides and research tools used to collect data.

2. Methodology

2.1 This research adopted a mixed-methods approach, as agreed through the tendering process and through initial meetings with Welsh Government officials. The approach sought to reflect the need to consolidate existing viewpoints within the wider academic and grey literature and the hitherto underexplored experiences of stakeholders, individuals and organisations whose work related in some way to second homes in Wales. The method employed drew together insights from desk-based research and findings from consultations with sectoral stakeholders.

2.2 The research took place between March and August 2021 and included the following activities:

- Scoping interviews with nine governmental officials from a range of Welsh Government departments.
- 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 a further 58 individuals whose work related to second homes in some form.
- An online survey of Senedd members (nine responses) and follow-up interviews where requested (two interviews).

Literature review

2.3 Due to time and resource constraints, the secondary evidence reviewed during the study was appraised using literature review (rather than systematic review) techniques. Literature reviews are less robust in generating an evidence base than are systematic reviews, and may reflect the current context and stakeholders' assumptions (Robinson & Lowe, 2015). The approach adopted to search and identify relevant publications, as detailed in Annexe A, relies on the use of keyword searches of a limited number of online repositories. As discussed below, publications are also repetitive in their argumentation and focus on secondary data; in these instances, they have rarely been referenced explicitly in this report. Alongside a deliberate research focus on more recent publications, it is possible that some sources and articles have not been included in the review.

2.4 The literature review should, nonetheless, 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 to be a definitive statement in relation to the evidence base on second homes.

2.5 The terminology utilised whist setting out the findings of the literature review has sought to accurately reflect the prevalence of the points raised across the literature that has been reviewed. 'Most' refers to when more than 50 per cent of the literature discussing an issue is in agreement (in the case of the entire literature based considered this would be 41). The term 'mixed' is used when discussing a contested point or a topic in which there are multiple interpretations. 'Limited' is used to describe prevalence of arguments or points which are a non-majority (50 per cent or below) but have been put forwards as they are still important to consider.

2.6 The COVID-19 pandemic also limited the literature review to an entirely online process. Whilst a small number of physical copies of publications were available to the research team, due to the need to work from home and the limited accessibility of libraries and archives during the research period, the review is largely limited to sources accessible online.

Interviews and reporting conventions

2.7 Semi-structured interviews were offered to 90 and conducted with 58 individuals and organisations whose work related in some way to second homes, constituting a response rate of 64 per cent. These included individuals working for various local authority departments, housing associations, estate agents, and community or campaign groups relating to second homes. Ultimately, the key criterion for participation was that an element of the individual's work or activities should relate directly to second homes, allowing them to draw on their own experiences as well as wider knowledge in the interviews. Anonymity was a condition of participation, which limits the extent to which the sample can be broken down and discussed.

2.8 All local and National Park authorities were invited to contribute, resulting in 30 interviews that covered the majority of authorities in Wales. The interviews were conducted with senior local authority officials with responsibilities relating to second homes in some form. Consequently, this sample is fairly representative of officials' views and council attitudes in relation to second homes in Wales. However, it should be noted that views differed significantly by geography. The report seeks to include these local contexts where relevant.

2.9 In addition to these 30 interviews, a further 28 were conducted with wider stakeholders and people/organisations whose work or activities related directly to second homes to some extent.

2.10 Three similar discussion guides were shared beforehand, loosely dividing the sample into three groups: local authority personnel (n=30), relating to housing and property (n=12), and general stakeholders (n=14). The groups consisted of interviews with the following:

- Local authority personnel and officials from:
  - Housing departments
  - Planning departments
  - Tourism departments
  - Regeneration departments
  - Tax and finance departments
- Campaign/public action groups
- Housing associations
- Estate agents and representative bodies
- Academics
- Regulatory bodies
- Community councillors and active campaigners
- Other representative bodies

2.11 Follow-up interviews were offered to all who completed the survey, with six requesting but only two ultimately undertaking an interview. The interviews sought to explore the responses to the survey in more detail. The discussion guide was agreed with the Welsh Government beforehand and included an initial open-ended question that drew on narrative inquiry methodology. This approach seeks to allow interviewees to frame the discussion and key points of interest before focusing on the detailed questions that are of particular relevance to the researcher (see Yamasaki, Shark & Harter, 2014).

2.12 The Welsh Government supplied an initial list of contacts for the stakeholder interviews, whilst further contacts were sourced through web scraping and snowballing (i.e. exploring suggestions from interviewees). Particular efforts were made to include representation from areas in which second homes are particularly prevalent. Specific community councils, estate agents, housing associations, and campaign groups were approached due to their proximity to areas of second home prevalence, or due to their previous engagement with the Welsh Government, or public comment in relation to second homes.

2.13 The research team consequently relied on a convenience sample to explore the range of views present. With limited resources and time, the saturation and repetition of similar views was a key indicator that particular types of stakeholders or organisations had been explored.

2.14 A convenience sample should not be understood to represent all views present in Wales, nor should the views offered be seen to be representative of a particular subset or group of stakeholders. The reporting of occurrence and prevalence within the interviews should therefore consider the limitations of the generalisability of the data.

2.15 Due to the COVID-19 pandemic, all research activities and presentations were held remotely. Where primary research was conducted, this was carried out using Microsoft Teams.

2.16 The rate of engagement with stakeholders was mixed. A strong response rate was predicted due to the prominence of the issue within national media. However, in some cases the response from local authority personnel was lower than predicted. Moreover, although a number of estate agents were contacted, these were generally found to be less inclined to engage with the research.

2.17 Finally, in response to requests by Senedd members to contribute to the research, an online survey and follow-up interviews were offered to all members. Nine responses to the survey were received with two follow up interviews undertaken. Due to those numbers, as well as the self-selecting nature of the responses, the views collected should not be considered representative of all Senedd members.

2.18 Full copies of the discussion guides used to facilitate the interviews have been included as an annexe to this report (see Annexe B).

2.19 All quotes in this report are presented in the language of the report (i.e. Welsh or English). Interviewees were given the option to be interviewed in Welsh or in English. Where the interview quoted was undertaken in a language different to that of this report (English and Welsh versions of the report have been produced), the quotes have been translated.

3. Second homes in Wales

3.1 Mapping second homes in Wales can be challenging due to the varied definitions of second homes and the limited empirical data available. However, some sources allow for the prevalence of second homes to be examined.

3.2 The Welsh Government collect Council Tax dwellings (CT1) data that offers an accurate picture of the number of properties paying tax as a 'second home', i.e. a property that is neither the primary residence of its owner nor a commercial holiday let. This data offers a precise picture of the prevalence of second homes on a local authority basis. However, as discussed later in this report, this data only relates to second homes as defined by the Council Tax dwellings data. These figures do not include commercial holiday lets or properties that have not been registered as either a second home or a commercial let (an issue raised during interviews). Consequently, these figures only offer an accurate picture of part of the overall situation.

3.3 Table 3.1 below draws on this data to outline the total chargeable second homes by local authority in Wales. The most recent data shows that there are 24,873 chargeable second homes in Wales. However, there are significant differences between local authorities. Indeed, whilst there are an average of 1,131 second homes per local authority in Wales, the standard deviation of 1,444 illustrates the degree of variation from one council to the next.

Table 3.1: Total chargeable second homes by local authority (2021–2022)

Local Authority	Total Dwelling Stock	Number of Second Homes	Second Homes as a % of Dwelling Stock
Gwynedd	62,581	5,098	8.1%
Pembrokeshire	63,034	4,068	6.5%
Cardiff	153,365	3,477	2.3%
Isle of Anglesey	35,036	2,139	6.1%
Swansea	112,072	2,104	1.9%
Ceredigion	35,660	1,694	4.8%
Powys	64,913	1,333	2.1%
Conwy	57,850	1,181	2.0%
Carmarthenshire	88,473	1,113	1.3%
Neath Port Talbot	65,910	548	0.8%
Vale of Glamorgan	59,891	516	0.9%
Denbighshire	43,543	393	0.9%

Local Authority	Total Dwelling Stock	Number of Second Homes	Second Homes as a % of Dwelling Stock
Flintshire	68,952	280	0.4%
Rhondda Cynon Taf	108,420	241	0.2%
Caerphilly	79,301	238	0.3%
Merthyr Tydfil	27,072	214	0.8%
Monmouthshire	42,348	200	0.5%
Bridgend	64,789	27	0.0%
Torfaen	42,261	5	0.0%
Newport	68,584	4	0.0%
Wrexham	60,780	0	0.0%
Blaenau Gwent	32,733	0	0.0%
Total	**1,437,568**	**24,873**	**1.7%**

Source: StatsWales

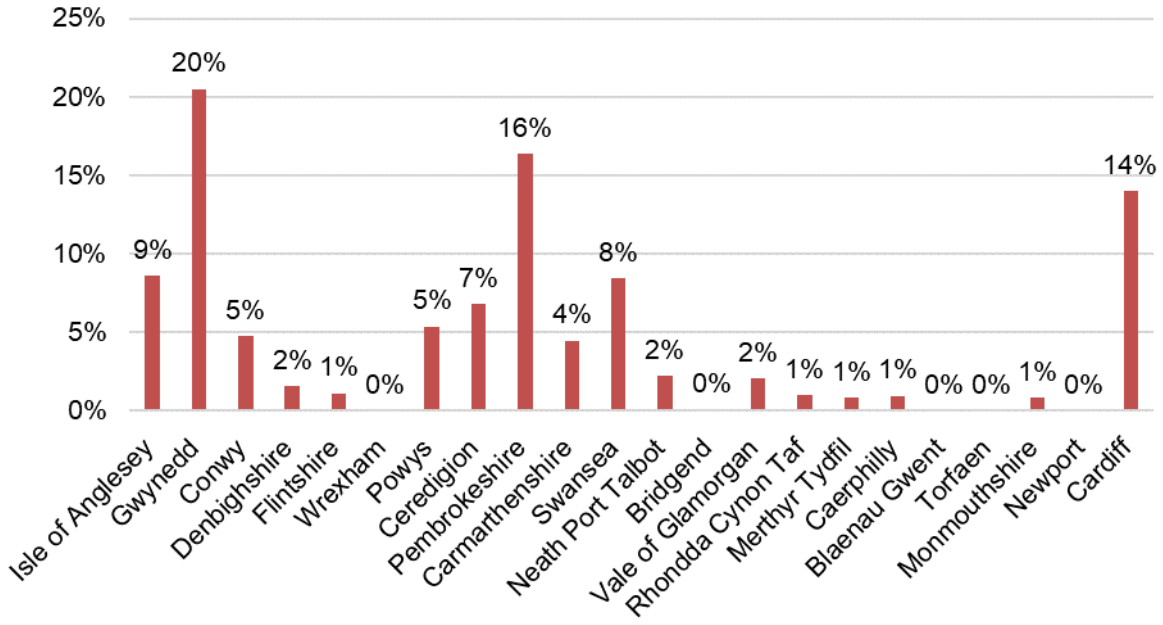
3.4 When viewed as a proportion of all second homes in Wales (see Figure 3.1), a few local authorities stand out with significant figures. Gwynedd (20 per cent of all second homes in Wales), Pembrokeshire (16 per cent), and Cardiff (14 per cent) represent half of all second homes in Wales.

3.5 Gwynedd and Pembrokeshire, alongside Anglesey (nine per cent), Ceredigion (seven per cent), Conwy (five per cent), Powys (five per cent), and Carmarthenshire (four per cent), represent rural/coastal counties that account for less than one third of Welsh local authorities but two thirds of all second homes in Wales (66 per cent).

3.6 Swansea[2] (eight per cent) and Cardiff (14 per cent) are the two largest cities in Wales, as well as being home to almost a quarter (22 per cent) of all second homes. Over 88 per cent of all second homes in Wales are therefore located either within rural, coastal authorities or within/around Wales' two main cities.

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

Figure 3.1: Percentage of all second homes in Wales by local authority (2020/2021)



Source: StatsWales 2020/2021

3.7 Table 3.2 outlines the changes in the number of second homes recorded for Council Tax purposes across local authorities in Wales between 2017 and 2021. Overall, there have been 2,005 more dwellings registered as second homes in Wales since 2017–2018, constituting an increase of nine per cent (this change may also reflect corrections in the categorisation of homes). The largest increases appear to have been in Pembrokeshire (1,267 additional second homes), Cardiff (761), and Anglesey (668), though significant proportional increases have also occurred in Denbighshire (71 per cent increase), Monmouthshire (46 per cent increase), and Merthyr Tydfil (29 per cent increase). The significant increase between the 2017–2018 and 2018–2019 figures for Pembrokeshire, combined with the relatively stable situation in the following years, may suggest an issue with recording during the first year and that the overall figures may be more stable than the data initially suggests.

3.8 Gwynedd, which is the local authority with the highest number of second homes, now registers 528 fewer second homes than in 2017–2018, constituting a reduction of nine per cent. Reductions in figures may be explained by owners 'flipping' their properties and registering them as holiday accommodation, thus paying Non-Domestic Rates rather than Council Tax (or, in some cases, no tax at all, as business rate relief may apply).

Table 3.2: Total chargeable second homes by local authority (2017–2021)

	Total Chargeable Second Homes (2017–2018)	Total Chargeable Second Homes (2018–2019)	Total Chargeable Second Homes (2019–2020)	Total Chargeable Second Homes (2020–2021)	Total Chargeable Second Homes (2021–2022)	Change since (2017–2018)	Change in % since (2017–2018)
Blaenau Gwent	0	0	0	0	0	0	0%
Bridgend	34	7	5	3	27	-7	-21%
Caerphilly	274	265	268	263	238	-36	-13%
Cardiff	2,716	2,720	2,973	3,188	3,477	+761	+28%
Carmarthenshire	1,182	1,164	1,153	1,125	1,113	-69	-6%
Ceredigion	1,766	1,741	1,713	1,735	1,694	-72	-4%
Conwy	1,473	1,467	1,475	1,182	1,181	-292	-20%
Denbighshire	230	269	437	422	393	+163	+71%
Flintshire	272	278	257	268	280	+8	+3%
Gwynedd	5,626	4,570	4,815	4,900	5,098	-528	-9%
Isle of Anglesey	1,471	1,754	1,956	2,112	2,139	+668	+45%
Merthyr Tydfil	166	199	228	214	214	+48	+29%
Monmouthshire	137	139	163	200	200	+63	+46%
Neath Port Talbot	504	563	509	522	548	+44	+9%
Newport	5	0	0	11	4	-1	-20%
Pembrokeshire	2,801	4,224	4,047	4,072	4,068	+1,267	+45%
Powys	1,261	1,098	1,245	1,313	1,333	+72	+6%
Rhondda Cynon Taf	232	214	220	226	241	+9	+4%
Swansea	2,064	2,103	2,133	2,125	2,104	+40	+2%
Torfaen	7	8	6	7	5	-2	-29%
Vale of Glamorgan	647	643	594	535	516	-131	-20%
Wrexham	0	0	0	0	0	0	0%
Wales	22,868	23,426	24,197	24,423	24,873	+2,005	+9%

Source: StatsWales 2020/2021

3.9 The distribution is even more varied and acute on a community level in some areas. Table 3.3 below draws on data collected and analysed by Anglesey and Gwynedd Councils in 2016. Although second homes account for around eight per cent of dwellings in Gwynedd, this figure increases to around 23 per cent in Beddgelert, 25 per cent in Aberdaron, and as high as 40 per cent within Llanengan Community Council.

Table 3.3: Second homes as percentage of housing stock

Community Council	Second Homes (as % of Housing Stock)	Local Government District
Llanengan	39.80%	Dwyfor
Llanfaelog	25.50%	Anglesey
Trearddur	25.30%	Anglesey
Aberdaron	24.50%	Dwyfor
Beddgelert	23.10%	Dwyfor
Betws Garmon	22.70%	Arfon
Rhoscolyn	21.60%	Anglesey
Llanbedrog	21.10%	Dwyfor
Arthog	19.60%	Meirionnydd

Source: (Anglesey and Gwynedd Councils, 2016: pp.95-98)

3.10 On a ward level, there can therefore be considerable deviation from the local authority average, with, in the case of Anglesey and Gwynedd, up to four times the authority average of second homes as a proportion of the housing stock.

3.11 Consequently, the localised nature of the phenomenon suggests that the impact of second homes upon communities will likely vary even within local authorities, and that the most accurate level of analysis is likely to be the local, village or community level.

Policy context

3.12 The Welsh Government recently reaffirmed their commitment to taking "ambitious action" in response to concerns about the impact of second homes on communities, notably relating to access to housing, affordable housing, and the effects on the Welsh language.[3] However, the policies and work of the Welsh Government in previous Government terms also provides useful context.

3.13 The Welsh Government's Programme for Government for 2016–2021, 'Taking Wales Forward 2016-2021', included a commitment to delivering an extra 20,000 affordable homes during 2016–2021, including supporting the construction of more than 6,000 homes through its 'Help to Buy' scheme. The provision of affordable housing was intended to offset, to some extent, the negative impact and pressures placed on the housing market, including those pressures created by second homes.

[3] Welsh Government announces three-pronged approach to address "second homes crisis"

This ‘supply-side’ solution has characterised the Welsh Government’s response for some years.

3.14 More broadly, the Housing (Wales) Act 2014 and Guidance on Implementation gave discretionary powers to local authorities with the means from 1 April 2017 to charge a premium of up to 100 per cent of the standard rate of Council Tax on long-term empty homes and second homes in their areas, with eight local authorities having done so.[4]

3.15 The Welsh Government have also delivered training to local authority personnel in relation to implementing compulsory purchasing powers and addressing affordable housing needs.[5] This would seem to indicate the Welsh Government’s desire, to date, to equip local and planning authorities to address issues sensitively and locally, rather than to offer a blanket, Wales-wide approach.

3.16 Some national-level interventions have, nonetheless, been introduced. In their budget for 2021–2022, the Welsh Government increased the rates of Land Transaction Tax paid by those liable to the higher residential rates (including those properties bought as a second home) by one percentage point. The rates payable now range from four per cent to 16 per cent.[6] At the time of the draft Budget for 2021–2022, the change was expected to raise around £16m per annum.

3.17 In relation to the Welsh language specifically, the Welsh Government’s ‘A living language: a language for living - Welsh Language Strategy 2012-17’ identified possible changes to planning Technical Advice Note 20[7] as a means of addressing the negative impact of second homes. Meanwhile, the Welsh Government’s current language strategy, i.e. ‘Cymraeg 2050: A million Welsh speakers’, sets the broad strategic framework for supporting the Welsh language and protecting the community language. Moreover, the strategy regards the planning system as a means of ‘creating suitable conditions for thriving, sustainable communities’, and states a desire to support young people in particular in remaining or returning to live in rural areas in which the language is strong. However, with its focus on increasing

[4] Eight local authorities have used the powers to charge a premium, but only two have opted to charge 100 per cent.
[5] As referenced in the Written Statement: Second Homes in Wales, January 2021
[6] Written Statement: Welsh Devolved Taxes and Welsh Rates of Income Tax - Draft Budget 2021-22 (21 December 2020)
[7] Technical Advice Notes provide detailed planning advice to local planning authorities for consideration when making planning decisions.

the number of speakers and on positive interventions with which to encourage this, the strategy does not explicitly address second homes or propose specific approaches that may limit the negative impact that second homes have upon the language.

3.18 The Programme for Government for 2021–2026 period has proposed the following more explicit efforts to engage with the issue and limit the negative impact of second homes. The work plan, primarily in response to a policy report published in 2021 (Brooks, 2021), proposes to:

> 'Take forward the three-pronged approach announced in July 2021 to address the impact of second home ownership on Wales' communities, focussing on:
>
> - support: addressing affordability and availability of housing
> - regulatory framework and system: covering planning law and the introduction of a statutory registration scheme for holiday accommodation
> - a fairer contribution: using national and local taxation systems to ensure second home owners make a fair and effective contribution to the communities in which they buy'. (Welsh Government, 2021)

3.19 This approach offers the most comprehensive effort by the Welsh Government to use a range of policy levers and tools to limit the negative impact of second homes in relation to affordability; an approach it will augment, specifically in relation to Welsh language impacts, with a Welsh Language Communities Housing Plan.

3.20 Other actors in Wales have also sought to limit the negative impact of second homes upon the language, and their experiences form part of the evidence base developed during this research. The Welsh Language Board,[8] for example, prepared 'Welcome Packs',[9] which were designed for distribution by estate agents to prospective buyers of second homes in Wales in 2001–2008.

[8] The Welsh Language Board was responsible for administering the Welsh Language Act (1993) and ensuring that public bodies in Wales kept to its terms. It also sought to promote and facilitate the use of the Welsh language. The Board was abolished in March 2012.
[9] Later called 'Moving to Wales Packs'.

4. Findings: Literature Review

4.1 The findings of the literature review are presented in relation to the research questions set out in section 1.4. The chapter begins with a discussion of the literature itself, before detailing the key and consistent themes alongside consideration of the publications' context (i.e. date of publication, scope, methodology, and data sources where relevant).

Overview of the literature

4.2 The studies identified as part of the review were undertaken across various locations in the UK and internationally. In total, 83 academic or grey publications were identified as having particular relevance to the research. A detailed methodological note outlining the literature review process is included in Annexe A. However, the literature review, though comprehensive, does not claim to be exhaustive as discussed in Chapter 2. We are also particularly indebted to a small number of key publications, particular for research relating to Wales, for example, Gallent, Mace, and Tewdwr-Jones (2003).

4.3 The publications adopted different methodological approaches. Broadly, the literature can be divided into publications that produced and discussed primary data, and 'discussion' pieces that drew on secondary sources as a basis for discussions. The characteristics and key limitations of these publications are discussed in this section but should be borne in mind during the following sections.

4.4 The former (sources that produced primary data) utilised a range of research methods in seeking to understand the prevalence, dynamics and impacts of second homes. Most drew on subjective and qualitative methodologies. Many used surveys, for example, in order to examine the characteristics of second home owners and the patterns of second home usage. Meanwhile, others used interviews with different groups of key informants to explore viewpoints, policy options, and impacts in relation to second homes. Some studies also drew on secondary information such as administrative and market research data, or Census, employment, and labour market statistics. The latter category of publications tended to draw on secondary data or present existing discussions of academic and grey publications on the issue.

4.5 Most studies exploring the impact of second homes tend to be narrow in their focus. They tend to present analyses of a limited number of factors such as the impact of

second home ownership upon local house prices. This limits the ability of this research to explain the relationships between second homes and other factors such as local economic conditions, outward migration, housing stock, and commuting and retirement trends, amongst other possible factors that have a similar impact to that of second homes.

4.6 Similar limitations relate to this research. The focus is on second homes specifically, and not the range of factors that contribute (alongside second homes) to issues of affordability, house prices, and the wider secondary impacts detailed below.

4.7 Alongside the narrow focus of much of the literature, there are also methodological limitations throughout the research base. There is a particular reliance on subjective measures (i.e. interviews) and/or anecdotal data sources or theoretical discussions as a basis for conclusions. There is more evidence exploring thoughts and experiences relating to second homes but less quantitative work that would enable us to unpick causal mechanisms and broader economic and social trends. Ultimately, this somewhat limits the extent to which the impact of second homes can be comprehensively explained and evidenced. This is a significant issue throughout the evidence base and should be borne in mind when considering the conclusions drawn from the evidence review set out below. These issues have been considered when concluding this report and drawing recommendations.

4.8 Study designs adopted (i.e. the method used) within the literature often set out to describe certain characteristics of second homes within specific communities. These study designs are limited in their ability to objectively determine the dynamics or impact of second homes. There were more isolated examples of research which were more sensitive to dynamics, such as longitudinal cross-sectional study designs. However, these were again limited by the narrow focus of the research to a few variables such as house prices and the prevalence of second homes. There may be many social and economic factors and trends which can influence fluctuations 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.

4.9 The largest number of publications focused on the impact of second homes upon house prices and the demand for housing, including access to affordable housing.

4.10 There was a smaller body of work which explored the economic impacts of second homes upon the viability of rural facilities, services, employment and businesses. Additionally, there is some research exploring the socioeconomic status of second home owners and their interaction with local communities.

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

4.12 Furthermore, whilst literature exploring international (i.e. outside of the UK) examples was included in the review, its relevance and value in understanding the impact of second homes in Wales have been questioned by some authors (for example, Gallent 1997). This is primarily due to differences in local contextual factors, including the housing market, population, and demographic patterns, as well as broader cultural or societal norms and political cultures which influence home ownership in those other countries in comparison to Wales. This issue is explored in detail below.

Interconnectedness to wider factors

4.13 The interconnectedness of a range of issues impacting the affordability of housing is a particular problem due to the perceived nature of the causal chain of impact that derives from second homes and their sale:

> ‘Second and holiday homes are not a stand-alone problem. Rather, they cause concern when allied to other issues, such as the lack of sufficient housing land to cater for local needs or economic decline in the countryside leading to low wage levels and to an inability among sections of the local population to compete in the general market.’ (Tewdwr-Jones, Gallent & Mace, 2002: p.7)

4.14 This is not to suggest that second homes are not impacting local housing markets, particularly within certain ‘hotspots’. However, it is a key weakness within the literature, which renders it difficult to establish whether second homes are the main (or even a significant) factor effecting (significant) house price increases or stopping

local people from buying homes, assuming that they are stopped from buying homes. Evidencing (or disproving) this link with objective data would be a significant contribution to the literature on second homes in Wales and beyond:

> '[…] it is extremely difficult to make general statements about the effects of second homes – from either a purely economic or a socio-economic perspective – without reference to local economic and market conditions.' (Gallent, Mace & Tewdwr-Jones, 2005: p.50).

4.15 This challenge of evidencing (or disproving) the link between second homes and the direct impact claimed was seen throughout the literature. More broadly, the difficulty in isolating, delineating and consequently measuring the impact of second homes independently of other factors should be borne in mind. Some authors conclude many years of academic research by claiming, in relation to wider factors, that second homes are as much a visible and convenient scapegoat of an issue as a major factor that causes the range of impacts claimed:

> 'On the whole, second homes are a visible and perhaps convenient scapegoat whilst the less tangible underlying causes of 'community decline' – a failing economic base and the changing nature of family life – are less visible and are becoming more difficult to address […] for local politicians – in particular – the occurrence of second homes provides an opportunity to present local problems as being externally driven, caused not by failures in the immediate economy or by misjudged policy interventions, but by the greed and carelessness of outside interests.' (Gallent, Mace & Tewdwr-Jones, 2005: pp.39 & 222)

4.16 These authors conclude by suggesting that there are several myths in relation to the impact of second homes. Moreover, they note that other factors, such as levels of house buying related to retirement in-migration, 'far [exceed] levels of second home purchasing' (Gallent, Mace & Tewdwr-Jones, 2005: p.222), despite the latter receiving much more prominence in policy and public discussion.

Publication date

4.17 Whilst the review sought to focus primarily on more recent publications (post-2010), there is a tendency for many to draw on secondary data and a few key texts. These texts (i.e. Wallace, 2005; Gallent, Mace & Tewdwr Jones, 2003; 2005; Bollom, 1978) signpost the seeming permanence of the issue and indeed its understanding.

Definition of second home

4.18 An important characteristic of the literature regarding second homes, as well as a key contextual consideration for the broader literature review presented here, is the lack of a precise definition of a second home. Definitions vary between authors and while some do not offer clear definitions, others do not define second homes at all. This aspect has important implications for the wider literature review. The lack of consistent or standardised definitions limits the extent to which publications and their findings can be compared. This issue is itself relatively widely acknowledged within the academic literature:

> 'The definition of what constitutes a second home or holiday home has been a perennial problem. This is an issue in all aspects of the research as it impedes comparison between studies and has the potential to cause confusion. Although individual studies may provide a clear definition of the types of accommodation that were included or excluded, it is unclear whether studies that compared evidence from other research findings to each other or to the Census material were talking about the same phenomena.' (Wallace, 2005: pp.26-27)

4.19 There is neither a common nor a consistent understanding of a second home beyond the consensus that it is a property which is not the main residence of the owner. This definition has remained consistent from the earliest writing on the issue through to recent publications (see Shucksmith, 1983; Aitchison and Carter, 1991; Halfacree, 2012; Dykes and Walmsley, 2015).

4.20 The term is also used differently, largely depending on the context. Narrow, specific definitions may draw on tax or planning definitions, whilst broader definitions are present within academic and grey literature (i.e. governmental and other non-academic reports and research) and within media representations. Some of these latter 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.[10]

4.21 The key divide, particularly in a Welsh context, is between second homes that are defined as purely for personal and leisurely/recreational use and second homes that can also be commercially let holiday properties. As detailed in the previous chapter, this divide is evident in the empirical data, with Council Tax data omitting commercial lets that pay NDR. Consequently, this necessitates caution when

[10] Welsh Revenue Authority local area statistics explained | GOV.WALES

seeking to map the distribution of second homes with the data available. Indeed, the lack of a consistent or established definition may lead to the use of unrepresentative proxies such as LTT data.

4.22 Most commonly, authors adopt a wide or loose definition of second homes that includes properties used for personal use as well as rented accommodation (Mace, 2017; Bourne, 2019; Back & Marjavaara, 2017; Zoğal, Domènech & Emekli, 2020; Mace, 2017; Paris, 2009). However, even within this broad category, there are significant differences in the types of properties that are considered to be 'second homes', which may influence the extent of the impact on wider issues such as house prices or the availability of housing stock:

> 'Holiday homes may take the form of chalets with restricted occupancy, or they may be ordinary dwellings, let out for vacations on a commercial basis. In this paper, these two types of property are dealt with together, and the generic term 'second homes' used to denote both holiday and second home types.' (Gallent, Mace, and Tewdwr-Jones, 2003: p.272)

4.23 Gwynedd Council, meanwhile, has offered terms that refer to both types of second homes whilst explicitly acknowledging the differences. 'Holiday homes' is offered as a term that relates to properties that are *either* let for holidays on a commercial basis *or* used for personal, holiday purposes. Gwynedd Council defines the term 'holiday homes' as follows:

- Short-term holiday let: dwelling house (C3 Use Class) which is not permanently occupied and let for holiday use on a commercial basis.
- Second home: dwelling house (C3 Use Class) which is used by the owner on an occasional basis (but not their main place of residence) as well as other visitors for holiday purposes. (Gwynedd Council, 2020: p.3)

4.24 This definition acknowledges the overlap between the two types as well as their presence within the same areas. Whilst useful for mapping the scale and distribution of the range of second homes, the definition may, nonetheless, be counterproductive in some contexts. If the impact of both types is acknowledged as being different, then the term conflates this impact and restricts the extent to which the impact of different types of second homes can be understood and delineated.

4.25 Indeed, some authors stress the importance of adopting an explicit distinction, suggesting that commercial or holiday accommodation have a particular economic impact that should be delineated and appreciated, and should be considered separate from second homes for personal use (Stiman, 2020). Combining both personal and commercial properties within the same definition would mask these distinctions:

> '[…] holiday accommodation has as much to do with economic policy as it does with housing policy. It could be argued that it promotes prosperity in a way which is not the case for 'second homes', and that it contributes to the local economy, either because it is owned by local people or because visitors who stay in holiday lets spend money locally. It is difficult to think of 'second homes' as being part of a coherent economic strategy in the same way.' (Brookes, 2021: p.6)

4.26 Some authors will refer to a specific type of second home, whilst others may discuss second homes with a broader definition. One of the implications of such differences is that drawing general conclusions in relation to the impact that second homes have — an aim of this report — becomes more difficult. The impacts are different depending on what a second home is, as well as its wider context:

> ''Second homes' is a catch-all term that covers a wide range of housing types and users and where the impact on the permanent 'host' community will vary accordingly. Impacts will differ where second home owners are purchasing housing in low-demand areas rather than in 'mature' markets, where there is direct competition with local residents.' (Mace, 2017)

Frequency of use and definitions

4.27 Other criteria emerge as important considerations for some authors in respect of the definition of second homes. The frequency with which the property is used is a definitional criterion for some authors (see Perles-Ribes, Ramón-Rodríguez & Such-Devesa, 2018; Zoğal, Domènech & Emekli, 2020; Gwynedd Council, 2020; Müller & Hoogendoorn, 2013; Mottiar, 2006; Paris, 2009). These authors commonly suggest that there is value in distinguishing between low-use properties (LUPs) and those that are used more frequently. An important distinction is made between, for example, homes that are designed to be a retirement home, but where the owner has not yet retired, and more frequently used weekend cottages (Gallent, Mace, and Tewdwr-Jones, 2017).

UK vs. European second homes[11]

4.28 Particular attention is also paid to the differences in how (intra-country) second homes are used in Europe in comparison to the UK (see Halfacree, 2012). Indeed, the differences in the nature of use — rooted in social and cultural differences in some instances — are a cause for caution and limit the extent to which international comparisons should be used to inform UK policy and understanding. Second homes have a different role within European communities in comparison to the UK:

> 'There is a strong distinction to be made between British second homes, whose owners represent an 'adventitious' rural population with usually little strong established connection with their second-home locations, and second homes in Scandinavia and elsewhere, where bonds between supposedly urban populations and specific rural places are often much more strongly rooted. This difference is, of course, partly a legacy of Britain's status as the first highly urban industrial society.' (Halfacree, 2012: p.211)

4.29 A few authors also note that European countries have different population structures to the UK, with there being fewer unspoilt rural areas in the UK. The distance between a primary residence and a second home is further evidence of important differences in the nature of second homes and their use in Europe in comparison with the UK and Wales. European second homes, particularly in Scandinavia, tend to be closer to the primary residence (Adamiak, Pitkänen, and Lehtonen, 2017), whilst second homes in the UK tend to be farther away. Moreover, the patterns regarding the demand and the nature of the markets for second or first homes differ. Consequently:

> 'The second home markets identifiable within many continental European countries are demonstrably different from those found in Britain. They are structurally different, comprising buyers whose motivations, and relationships with their property (and host communities), bear little resemblance to those in Britain.' (Gallent, Mace & Tewdwr-Jones, 2005: pp.143-144)

[11] Whilst this research takes into account the arguments outlined here and draws on them to inform the conclusions of this report, international examples of second homes and policies/interventions that relate to them are, nonetheless, explored in this chapter.

Type of property

4.30 The type of property is also a key consideration for some authors in respect of both defining second homes and their impact (see Back & Marjavaara, 2017; Paris, 2014; Mottiar, 2006; Næss, Xue, Stefansdottir, Steffansen & Richardson, 2019; Quinn, 2004). Paris (2014), for example, suggests that the type of property can vary widely and, by extension, the impact of the sale or purchase of the different types of properties will likely vary:

> 'We must avoid comparing apples and racing cars: super-expensive trophy penthouses, built commercially and marketed globally, do not sit within the same conceptual category as self-built shacks by remote trout lakes in Tasmania. Issues of definition are crucial because 'second homes' are not things like bananas; instead, this is a rather loose concept. Houses – as physical structures – are things, but 'home' is used in many ways, referring to different conceptions from diverse perspectives.' (Paris, 2014: p.8)

Short-term lets

4.31 The emerging literature on short-term lets (Airbnb-type properties, hereafter referred to as STLs) commercially let through largely unregulated online platforms appears to suggest a third and relatively distinct type of second home, in some ways different from those that have been identified previously (see also Dias, Correia & López, 2015; Stiman, 2020). This notion is at best a nascent one within the literature explored. Further publications were identified that explored the challenges of STLs within specific but almost exclusively urban areas such as Berlin, Amsterdam, and Barcelona. However, it is noted here due to the relevance to the interview comments discussed in the next chapter. There is also evidence of an increase in advance bookings for the winter period across different accommodation types in Wales.[12] This may suggest a trend towards more STL type holidays that in turn will drive demand for these properties from an investment perspective, amplifying the issue, although this is speculation at this time.

Research evidence on the impact of second homes

4.32 In terms of the broad findings of the existing evidence base, there is evidence to suggest that second homes have a range of impacts on the communities in which

[12] Source: Wales Tourism Barometer Summer Wave 2021

they are located. The majority of the literature tends to return to common claims in relation to impact, most notably to house price inflation.

4.33 However, the extent of the impact that second homes have, as well as the generalisability of the impact, appears to be difficult to gauge from the existing evidence base. The lack of empirical data and/or the challenges in isolating or delineating the impact of second homes from the range of other variables and factors that cause similar effects result, ultimately, in a need to analyse the significance of second homes on a local or case-by-case basis. Nonetheless, the existing literature does detail the range of possible impacts that second homes have.

4.34 The limitations of this evidence base may have implications for the policy development process and increase the value of any future trials and evaluations that attempt to explore the range of impacts in Wales and contribute to the evidence base.

Direct impact: House prices

4.35 Most commonly, authors have claimed that second homes can contribute to house price inflation (Gallent, 2014; Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2021; Gallent, Mace & Tewdwr-Jones, 2017; Gwynedd Council, 2020; 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; Norris & Winston, 2010). The arguments are broadly similar and suggest that the sale of second homes leads to house price inflation. This evidence will be explored in great detail in the following sections, drawing out issues of causality and data quality.

4.36 These publications coalesce around similar conclusions in relation to the impact of second homes, namely that the sale of second homes, particularly to external buyers, can create competition for and/or a scarcity of housing and consequently raise house prices. This argument can be traced to the earliest academic writing on the issue within the UK and is occasionally linked explicitly with younger people, low wages, and economic underperformance:

> '[…] younger people who wish to purchase properties may be frustrated in their attempts because of the greater purchasing power of potential second homers in the local housing market.' (Bollom, 1978: p.112)

4.37 Emphasis is also frequently placed on the localised nature of the impact, and on the emergence of particular 'hotspots' over time (see Gallent, Mace & Tewdwr-Jones, 2005: p.49). Importantly, this impact is thought to be identifiable only at a local level:

> 'Examples of direct competition between local households and newcomers seeking second homes certainly occur but may only be identifiable by fieldwork in particular locations.' (Gallent, Mace & Tewdwr-Jones, 2005: p.44)

4.38 A range of types of property can become second homes; therefore, direct competition may exist for specific types of property between local residents and external buyers. Many studies explore or discuss instances of external demand pushing house prices beyond the means of local residents. Some studies found retirement and commuting to represent the most significant demand in rural housing markets, but that, alongside these, second homes do exert pressure on local markets.

4.39 A key consideration with regard to the publications relates to the quality of data. This body of literature largely drew on interview data, theoretical discussions, or evidence reviews of broader publications. Most of the existing literature does not provide objective data and evidence regarding the impact on house prices. Nor does the literature offer any quantification of the impact on house prices with objective data in Wales, independently of other factors; in other words, it is not clear as to how much of an impact second homes alone have upon house prices. Nor is it clear as to whether any price rise from second home sales is a more important factor than other factors influencing property values.

4.40 Barrett's (2014) statistical analysis differs from the majority of the literature in that it offers objective data on the link between second homes and house prices within the UK. Barrett concludes that there is a moderate correlation between second homes and median house prices:

> 'Georgeham and Instow have a higher house price-to-salary ratio than Braunton and Fremington and the latter also have significantly lower percentages of second homes […]. The relationship between property sale price in parishes that contained 10 or more sold properties in 2010 and number of second homes in the parish was also examined using Pearson correlation coefficient test. This revealed a significant moderate-strength positive correlation between the

percentage of second homes in a parish and the median house price in that parish (r = 0.531 $p \leq 0.05$).' (Barnett, 2014: p.16)

4.41 However, isolating the impact of second homes specifically, separate from the range of other factors impacting house prices, constituted a key challenge that limited this analysis, a factor acknowledged and stressed by the author herself:

> 'However, the percentage of second homes does not exactly repeat the order of case studies by ratio demonstrating the presence of additional factors impacting house prices such as location, retirement and low supply of new housing.' (Barnett, 2014: pp.16-17)

4.42 Indeed, some authors have even warned of the possibility of conflating the impact of second homes with wider factors that are likely to have (possibly more of) an impact on the value of a property, such as the location, and its attractiveness:

> 'Second homes are very often located in attractive and beautiful communities where house prices are high. As a result there is a perception that the density of second homes in some communities is linked to high house prices.' (Brooks, 2021: p.15)

4.43 A few publications have sought to calculate the impact of STLs — and Airbnb specifically — upon house prices. Barron et al. (2021) suggest that rents are increased by 0.018 per cent and house prices by 0.026 per cent for every one per cent increase in STL listings. Koster et al. (2020), meanwhile, suggest that banning STLs can decrease house prices by around five per cent.

4.44 Drawing on a similar methodology, Garcia-Lopez et al. (2020) conclude that STLs is having an even more substantial impact on both rents and house prices. Moreover, their data suggests that the impact is more significant in more 'touristic' areas:

> 'The results show that Airbnb activity in Barcelona has led to an increase both in rents and housing prices, with larger effects for prices than for rents. Our preferred results indicate that, for a neighbourhood with the average Airbnb activity in the city, rents have increased by 1.9 per cent, while transaction prices have increased by 4.6 per cent and posted prices by 3.7 per cent [...]. In the most touristic parts of the city, the effects of Airbnb are substantial. In neighbourhoods in the top decile of the Airbnb activity distribution, rents are estimated to have increased by as much as 7 per cent, while increases in transaction and posted

prices are as high as 17 per cent and 14 per cent, respectively.' (Garcia-Lopez et al., 2020)

4.45 This impact on house prices is largely seen to be a negative impact leading to local populations being priced out of markets. This is particularly relevant to (often) rural areas of lower wages having to compete with more affluent buyers from wider markets. However, some publications claim that increases in house prices also bring benefits to local home owners who may sell for higher prices (Back & Marjavaara, 2017; Ashby, Birch & Haslett, 1975; Barnett, 2014).

4.46 In summary, isolating and evidencing the link between house prices and second homes is particularly challenging. However, some studies have provided limited objective data for supporting wider claims, based on qualitative and subjective data, that second homes do impact house prices. No studies were found with which to object to or deny that second homes could have an impact on house prices. The uncertainty appears to lie in 'when' and 'to what extent' second homes impact house prices, particularly in comparison to other factors.

Direct impact: Impact on housing stock

4.47 Second home sales may also reduce the stock available for local buyers. This in turn creates a scarcity that is thought to further contribute to house price inflation (Gallent, 2014; Gallent, Mace & Tewdwr-Jones, 2003; Bourne, 2019; Brooks, 2021; Welsh Government, 2021; Gallent, 2007; Gallent, Mace & Tewdwr-Jones, 2017; Gwynedd Council, 2020; Gallent, 1997; Brida, Osti & Santifaller, 2011; Ashby, Birch & Haslett, 1975; Kislali & Köse, 2020).

4.48 There appears to be a degree of consensus in relation to a threshold of second homes sold or owned within a locality; in other words, at some point a critical mass is established which then (significantly) impacts house prices and wider aspects. Some authors' analysis suggests that negative impacts will become more acute or apparent once a certain number of second homes are owned or sold within a locality. 'These negative impacts arise when a certain share of second homes within a town is exceeded' (Brida, Osti and Santifaller, 2011: p.157).

4.49 However, discussions of thresholds lack detail, and few (if any) authors offer a detailed analysis of the threshold itself, and of the number or proportion of homes that must be present for any negative impact to be felt in a significant manner. What is more, the timescale for crossing the threshold is rarely analysed. In other words,

do negative impacts appear when a certain proportion of homes are sold within a period of time, or will they always appear (regardless of the timescale)?

Separate second home market

4.50 A few commentators note that there are instances in which this negative impact on the local housing market can be avoided. Specifically, where second home properties and the demand for them are accommodated by what amounts to effectively a separate market, their sales are unlikely to impact upon the housing stock available to locals.

4.51 This second home market, however, depends on the types of properties that are in demand by (prospective) second home owners and on those that locals seek to purchase. Ideally, these types of properties would be distinct; in other words, second home owners would not seek to compete for the same properties that locals seek to purchase:

> 'Where second home demand is accommodated outside the effective local housing stock, the adverse impact of house price inflation will be largely avoided whilst money spent on general improvement may inject life into the local construction industry (the same may be true of purpose-built second homes) […]. Clearly, the economic impact of second homes needs to be seen in the local context and is heavily dependent on the types of dwellings converted into second home use.' (Gallent, Mace and Tewdwr-Jones, 2005: p.61)

Broader impact

4.52 In terms of the broader and, in particular, the social, community and language impacts of second home ownership, the evidence base is relatively weaker. The wider impacts appear to be a consequence of the economic impact and the distortion of the housing market. However, isolating and attributing these wider impacts solely to second homes is difficult and doing so can obscure the wider factors at play:

> '[…] economic impacts often form the flip-side of social impacts: the two are closely related. This often means that social effects are the symptom of an economic consequence […]. But the cause-effect relationship is not always clear-cut, hence the complexity of the debate surrounding second homes and the suggestion that causes are more complex and greater in number.' (Gallent, Mace and Tewdwr-Jones, 2005: p.41)

Outmigration

4.53 A limited number of studies explore the impact of second homes on outward migration (Gallent, Mace & Tewdwr-Jones, 2017; Adamiak, Pitkänen & Lehtonen, 2017; Back & Marjavaara, 2017; Paris, 2009; Gwynedd Council, 2020). However, 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 leisurely activities than to a lack of housing. Moreover, claims that second homes lead directly to outmigration could be accused of failing to emphasise the agency of out-migrants, as well as the wider literature that frequently identifies a range of factors influencing outmigration (see Social Mobility Commission, 2020):

> '[…] the view that second home purchasing drives up house prices, which in turn leads to out-migration (particularly of the young), and to a reconfiguration of communities, places too much attention on 'push' factors, and too little emphasis on the 'positive' decisions made by young people in the light of external 'pull' factors.' (Gallent, Mace and Tewdwr-Jones, 2005: p.41)

Service decline

4.54 Other publications, nonetheless, claim that second home ownership is the cause of a decline in services within particular localities. Superficially, the arguments suggest that with higher prices and a decline in the available housing stock, permanent or resident populations must look elsewhere for accessible housing. Consequently, public and private services are more challenging to sustain (Paris, 2009):

> 'Taxes and funds for the provision of public services, such as sewerage, infrastructure or social services, are often based on censuses that record people as living in one place only (Paris, 2011). This creates a situation of a potential public planning mismatch, wherein an – in the administrative sense – invisible population of second-home owners demands public services that have been dimensioned in accordance with census records instead of the actual number of people using them.' (Back & Marjavaara, 2017: p.596)

4.55 A few authors have noted the more complex and seasonal patterns of impact that second homes bring, such as potentially increasing the demand for health services when owners are older, whilst decreasing the demand for other kinds of services (Adamiak, Pitkänen & Lehtonen, 2017).

4.56 More generally, the literature reveals the challenges in researching the impact of second homes upon broader community viability. It is difficult to examine the impact of second homes upon public services such as schools, as it requires analyses that isolate the impacts of second homes independently of other trends such as outward migration and other demographic factors.

Cultural clashes

4.57 The literature from within and beyond the UK claims that increases in second home ownership lead to 'cultural clashes' and tensions between local people/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):

> '[…] perhaps the most important social dynamic related to amenity migration in rural areas is the construction and importation of rural ideals by the primarily urban in-migrants […] these ideals of rurality often conflict with understandings of land and community among long-standing rural residents.' (Gosnell & Abrams, 2011: p.309)

Welsh language

4.58 The impact on the sustainability of the Welsh language is a further impact of second homes, albeit much less commonly discussed within the literature. Publications such as Gwynedd Council's report on managing holiday homes (2020) highlight the correlation between where high proportions of second homes and holiday lets are recorded and the decline in the proportion of Welsh speakers within a particular community.

4.59 Some publications discuss the impact alongside more permanent settlement by in-migrants, suggesting that second home ownership serves to weaken rural communities and encourage a takeover of local organisations:

> 'Areas experiencing the highest levels of in-migration have included those counties in which the Welsh language is strongest, and where traditional aspects of Welsh culture are supported most keenly. Second-home ownership and permanent settlement by outsiders have been seen as diluting this Welshness, weakening rural communities, and encouraging a take-over of local organizations and activities.' (Day, Davies and Drakakis-Smith, 2006: p.579)

4.60 However, more recent publications have challenged the notion that this decline can be attributed to second homes. Brooks (2021) suggests, for example, that second homes that are largely empty may be less damaging than, for example, the in-migration of non-Welsh speakers to live within localities.

Local level of analysis

4.61 A further key conclusion from the analysis offered within the literature is the need to assess and evaluate the impact of second homes on a local basis and avoid regional - or national - level generalisations that may obscure nuances and differences in the impact of second homes:

> ‘The identification of those areas at most risk requires careful analysis of local housing markets; without such analysis, it is impossible to draw any objective conclusions concerning the relative economic benefits of second homes.’ (Gallent, Mace and Tewdwr-Jones, 2005: p.61)

4.62 Authors also draw attention to the geography and location of second homes. Their impact may vary and appear to be more or less significant in relation to the communities and localities in which they are prevalent:

> ‘They are also of greater concern where communities are judged to be more sensitive to change (perhaps where seasonal residence will reduce the viability of local services) or where incomers are of a different cultural/linguistic background to the local population.’ (Tewdwr-Jones, Gallent & Mace, 2002: p.7)

Positive impact and contribution

4.63 In weighing the positive and negative impacts of second homes, authors frequently conclude that the detrimental effects outweigh the positive contributions. Gallent’s (2014) evidence review summarises these views concisely:

> ‘Second homes are more frequently viewed as a “curse” than a “blessing” (Coppock 1977) with the disruptions they bring to housing markets (pushing prices beyond the reach of “local” buyers and renters) and hence communities (through displacement) seeming to outweigh the benefits of investment in, and improvement of, the rural housing stock. In very broad terms, the “curse” of second homes is rooted in their distorting effect on house prices (Bollom 1978; Shucksmith 1981), particularly in areas where the economic base (in agriculture

and services) delivers low wages for the permanently resident population.' (Gallent, 2014: p.174)

4.64 Although authors have explored the positive impact, such research is mixed and limited. Whilst a positive impact and contribution are claimed, particularly within rural settings, evidencing this impact has proven to be challenging for authors, with claims surrounding the positive impact of second homes often lacking empirical data. Ultimately, the lack of empirical data limits the extent and degree to which confidence can be placed in the perceived positive impact and contribution of second homes, particularly in relation to their economic contribution, which is the main means by which commentators suggest second homes have a positive impact:

> 'It is extremely difficult to provide an overall statement on the economic impact of rural second homes. The economic contribution of the rural tourist industry generally is difficult to assess given the lack of empirical evidence.' (Gallent, Mace and Tewdwr-Jones, 2005: p.60)

4.65 Older and a few more recent studies suggest that employment opportunities related to renovation and building have been created by second home ownership:

> 'In the short term there are some positive economic impacts of second homes, especially for the local construction industry, craftsmen, real estate agents and economic advisors.' (Brida, Osti & Santifaller, 2011: p.157)

4.66 More recent studies have, nonetheless, found that additional jobs are limited, low-skilled and seasonal (Paris, 2014; Czarnecki, 2014; Gwynedd Council, 2019; Somuncu, Okuyucu & Öncü, 2019). Indeed, Brida, Osti and Santifaller (2011), while drawing on 176 semi-structured interviews, note that the aforementioned short-term impacts are outweighed by the longer-term negative impacts of second home ownership:

> 'Furthermore, the view on the positive or beneficial influence of second home tourism on the creation of new employment in construction and services is also debated. In some situations second home development has led to only a relatively small number of new occupations, their seasonal and part-time character, employment insecurity, as well as low wages in comparison to jobs generated by other industries.' (Czarnecki, 2014: p.155)

4.67 Moreover, the risk of displacement should be a consideration in these instances, and the types of construction - and renovation - related economic opportunities that second home owners create would likely be generated by local residents, possibly more so when considering the increased wear and tear caused by more use of the properties.

4.68 A few authors also note that second home sales of derelict properties or those that have fallen into disrepair often lead to renovation and investment by the owners (Czarnecki, 2014; Brida, Osti & Santifaller, 2011). Indeed, some local authorities have considered second homes to be a means of encouraging investment and the redevelopment of such properties:

> ‘We recommend that local authorities should encourage the development of new build second and holiday homes in less sensitive areas. They might also consider allowing the conversion of derelict homes, unsuited to local needs, for this same purpose.’ (Gwynedd Council, 2019)

4.69 Gallent (1997) acknowledges the potential environmental benefits of renovation and notes that a considerable amount of French rural housing stock was returned to use through renovation during the 1980s and 1990s. However, he also warns of the limits of comparing with international examples, arguing that historical processes have left France with a much larger ‘ineffective’ stock than in Britain, with the extent of this benefit being more limited in the UK context.

4.70 Publications also suggest that second homes attract tourists and increase the profiles of areas as attractive tourist destinations, consequently benefitting local economies (Zoğal, Domènech & Emekli, 2020; Paris, 2009; Ashby, Birch & Haslett, 1975; Barnett, 2014). However, isolating second homes and the extent of the impact in relation to other factors remains challenging. Second homes in Wales are heavily concentrated in areas in which tourism already plays a significant role in the regional economy, often attributed to the draw of the natural and coastal environments.

4.71 Authors note that the tourism revolving around second homes is arguably more sustainable in the longer term than the need to continually attract short-term visitors:

> ‘It is a flow of singular permanence and strength as compared with other forms of tourism: once a second home owner has acquired a second home, he may visit it regularly and year after year, spending his holiday and money within the second

home region, without a single word of encouragement or promotion from any tourist board.' (Brida, Osti & Santifaller, 2011: p.141)

4.72 As with the impact of second homes upon house prices, there is little objective data on the economic impact of second homes or the expenditure of their owners in Wales. Consequently, generalised statements are difficult to offer in relation to the positive impact, further fuelling the need for local-level and case-by-case consideration of the impact of second homes.

4.73 Publications exploring international experiences draw attention to the potential of second homes as a means of reversing or offsetting the decline of rural populations and the income base. It has been hoped that the decline in rural populations and the income base could be offset by migration from cities, especially of retired households seeking to return to their rural roots and of lifestyle migrants (Jauhiainen, 2009):

'[In] Finland, in particular, the extensive urbanisation process is of relatively recent origin, as it started only in the 1960s, and since then it has caused negative impacts on the economic development prospects and living environments of rural areas […]. It has been hoped that the decline in rural population and income base could be offset by migration from cities, especially of retired households looking to return to their rural roots [...].' (Adamiak, Pitkänen & Lehtonen, 2017: p.1036)

4.74 Declining populations are rarely significant concerns within the Welsh context, however, and in-migration, at least within regional local authority areas, is perceived to be significant.

4.75 Importantly, however, Gallent, Mace and Tewdwr-Jones (2005) conclude that any positive benefits should be considered alongside the negative impact of second homes. The most favourable conditions would be where, effectively if not explicitly, separate markets exist for locals and second home buyers. However, identifying these areas is, again, only possible at the local level:

'It is generally recognised that impacts are dependent on the degree of separation between the first- and second-home [property] markets. Where demand is concentrated in the first-home [property] market (i.e. in existing mainstream housing stock), any economic benefit may be negated by adverse social impact. In contrast, where demand is predominantly for surplus rural stock

which had found no other effective use, the benefits of conversion may far outweigh any adverse impacts. In effect, the heaviest social and economic cost will be paid when second-home demand is focused in the market for existing housing and where local housing demand is significant.' (Gallent, 1997: p.403)

Policy interventions

4.76 The literature review found that evaluations of the success or impact of policy interventions in relation to second homes was sparse. As a consequence, this section focuses largely on types of interventions, rather than reflecting on evidence of their effectiveness.

Supply-side interventions

4.77 As noted in the policy section, the Welsh Government have largely focused on supply-side solutions to issues of affordability and, by extension, second homes. This is best represented by the Welsh Government's commitment to building an additional 20,000 affordable homes between 2016 and 2021. Supply-side solutions were only rarely explored in the literature. Where discussed, however, national- or regional-level supply-side responses were thought to prove to be limited in their capacity to respond to and alleviate the negative impact of second homes:

'The crux of the problem in many rural areas is that social housing is often only wanted or accepted where it can be guaranteed that it will only be occupied by people from a particular village: from a community perspective, only the existence of very local need is a justification for building affordable housing but the local authority performs the role of 'strategic housing enabler' and RSLs often see no problem in moving tenants within their managed stock, decanting smaller households into more suitable properties and bringing larger families into villages where units are more appropriate to their particular needs.' (Gallent, Mace & Tewdwr-Jones, 2005: p.84)

Tax interventions

4.78 A range of wider possible policy interventions are discussed within the literature in relation to the different types of second homes. The most common are related to planning restrictions or a range of punitive taxes with which to discourage ownership, most commonly involving the introduction of new tax classifications that enable the targeting of second homes (Adamiak, Pitkänen & Lehtonen, 2017;

Bourne, 2019; Brooks, 2021; Welsh Government, 2021; Gallent, Mace & Tewdwr-Jones, 2017; Gwynedd Council, 2020; Revenue Scotland, 2020; Welsh Government, 2020), as well as limiting the numbers and types of second homes (Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2021; Gallent, 2007; Paris, 2010; Somuncu, Okuyucu & Öncü, 2019; Gallent, 2007; Gwynedd Council, 2019). Closely related to these proposals are suggestions of new tax classifications for holiday homes, again to enable the targeting of second homes or holiday lets (Brooks, 2021; Gwynedd Council, 2020).

4.79 The Welsh Government view taxation, specifically a Council Tax premium on second homes, as a means by which localised challenges can be addressed. However, there is acceptance that the tax is best utilised in conjunction with or to support wider efforts to alleviate housing pressures. Alone, taxation is not commonly seen to be a means of alleviating the impact, but rather only a means of raising revenue that could be invested in wider, impact-alleviating initiatives:

> 'Through taxation and ensuring a fair contribution. We are the only UK administration which has enabled council tax premiums to be levied on second homes. Local authorities in Wales have been able to use these discretionary powers to levy higher rates of council tax on second homes – and long-term empty properties – since 2017. The discretionary nature of the powers reflects the highly localised challenges and I welcome the creative use by some local authorities of these powers to stimulate the better use of the dwelling stock in their areas and utilise the additional funding to underpin housing plans and the development of affordable housing.' (Written Statement: Second Homes in Wales, Welsh Government, 2021)

4.80 Welsh local authorities have ring-fenced the additional tax intake to support efforts to, for instance, build more affordable housing, which is a wider benefit highlighted by wider authors and councils (see Gallent, Mace & Tewdwr Jones, 2017; Mirani & Farahani, 2015; Swansea Council, 2020):

> 'This is not to say that such a tax would be a silver bullet, but it could be a useful policy tool, especially in high-value [Land Use Planning] areas. Also, such a method has the potential to generate a not inconsiderable income for local authorities whilst taxing people who are typically not eligible to vote in local elections.' (Bourne, 2019: p.11)

4.81 A few publications note that people may avoid paying a Council Tax premium on their properties by switching their use to that of a commercial, short-term holiday let. In turn, these properties would be subject to the Non-Domestic Rates (NDR) regime, but would likely be eligible to claim business rate relief of up to 100 per cent. Importantly, this is a potential means by which the impact or benefit of the Council Tax premium is lost (Brooks, 2021; Mace & Tewdwr Jones, 2017; Gwynedd Council, 2020). More broadly, it brings into focus the importance of definitions in relation to tax interventions although the need for further research is important to acknowledge.

Housing market interventions

4.82 A further and relatively substantial body of literature explores direct interventions in the housing market that seek to address and alleviate the perceived impact of second homes and address issues of affordability directly. Most commonly within this subgroup of publications, authors discuss limiting sales in some form to local buyers (Gallent, 2007; Gallent, Mace & Tewdwr-Jones, 2003; 2017; DCLG, 2011; Gallent & Tewdwr-Jones, 2001; Wallace et al., 2005; Tewdwr-Jones, Gallent & Mace, 2002; Gallent, Mace & Tewdwr-Jones, 2003; Brooks, 2021; Fowey Town Council, 2020; Lynton and Lynmouth Town Council, 2013).

4.83 Meanwhile, other publications discuss or propose establishing limits on the ratio between primary and secondary residences. This could be termed the Swiss Model, in reference to the limits or quotas placed by Swiss cantonal authorities upon the number of flats and apartments that can be bought in an area (Wallace et al., 2005).

4.84 In Switzerland, developers and residents are not allowed to create new residences for secondary residence purposes in a municipality in which the 20 per cent proportion has already been reached. This represents a direct effort to rebalance the housing market by excluding second home competition beyond a certain threshold. The precise form of the approach can vary, often depending on the legislative framework that exists to allow such an approach:

> ‘These may include restrictions being placed on the purchase and use of second homes, an emphasis on providing homes for key workers, or policies designed to prioritize the needs of the economically active over the inactive or the retired.’ (Gallent, 2007: p.104)

4.85 Indeed, following similar initiatives in St Ives, Mevagissey, and the Rame Peninsula in Cornwall, Fowey Town Council's developmental plan seeks to restrict open market housing to 'principal residences', referring to those who occupy a property as their main residence:

> 'Due to the impact upon the local housing market of the continued uncontrolled growth of dwellings used for holiday accommodation (as second or holiday homes) new open market housing will only be permitted where there is a condition restricting occupancy as a Principal Residence. Principal residences are defined as those occupied as the residents' sole or main residence, where the resident spends the majority of their time when not working away from home or living abroad.' (Fowey Town Council, 2020)

4.86 The lack of evaluation studies of the effectiveness of such interventions does however need to be noted.

Planning system

4.87 The planning system is frequently identified as a vehicle or means by which interventions and policies can be targeted at second homes and holiday lets. In order to intervene, however, the literature suggests that some key precursory interventions or changes are required. Most important is the need to standardise what is classed as a second home or commercial let (or any further type of home required). Only after recognising, classifying and possibly registering properties would the planning system offer a means by which interventions can be targeted effectively (see Adamiak, Pitkänen & Lehtonen, 2017; Gallent, Mace and Tewdwr-Jones, 2003; Bourne, 2019; Tewdwr-Jones, Gallent & Mace, 2002).

4.88 However, some authors recommend caution when considering the planning system to be a means of isolating and targeting interventions for such a specific and nuanced issue as second homes and their perceived impact. Challenges of enforcement, i.e. ensuring that rules are effectively applied, alongside the wider, unintended impact of interventions through the planning system, limit, in the view of some, the extent to which it presents a vehicle for effective intervention:

> 'Controlling secondary occupancy through planning is equally problematic, as enforcement would be close to impossible. Furthermore, general restrictions to locals-only cause severe distortions in the housing market and in housing construction: by further inflating the value of second hand property and reducing

new builds, they tend to work contrary to local interests.' (Gallent, Mace & Tewdwr-Jones, 2003: p.272)

4.89 A few publications discuss the potential, but largely hypothetical, merits of occupancy clauses and conditions (see Paris, 2009; Wallace et al., 2005). Essentially, such clauses or conditions would require residents to live in a property for a particular period of time or face some form of intervention or punitive tax:

> 'Under certain circumstances – perhaps where the supply of new homes is limited and demand is strong – the use of conditions should be viewed as a norm rather than an extreme measure. However, conditions should continue to focus on local connection and/or employment (i.e. the characteristics of those able to occupy a dwelling) and therefore adopt a positive approach to occupancy.' (Gallent, Mace & Tewdwr-Jones, 2017: p.296)

4.90 Again, this approach requires consideration within the context of how effectively such a policy can be enforced. Furthermore, the same authors highlight the likelihood of challenges to Use Classes. Issues of enforcement could even be compounded in a post-COVID-19 age in which working patterns are even more fluid and more difficult to define:

> 'An alternative but similar measure would include stronger occupancy conditions, perhaps requiring properties in an area to be continuously occupied for at least six months in a year and so preventing them from becoming second homes. But such measures are legally and practically fraught. Changes to the Use Classes Order would require the introduction of a strict legal definition of second and first homes. Such definitions are increasingly difficult to find in a society where work and living patterns are so diffuse.' (Gallent, Mace & Tewdwr-Jones, 2003: p.272)

4.91 A further, albeit smaller, body of literature proposes or discusses limitations on second home numbers (Gallent, Mace & Tewdwr-Jones, 2003; Gallent, 2007; Paris, 2010) or the types of non-residential properties, such as barns in the Yorkshire Dales National Park, that can be converted into second homes (Wallace et al., 2005). The planning system is identified as a vehicle for such interventions, with some authors suggesting that with the introduction of a separate land use class for second homes, planning permission would need to be secured before a property could be used as a second home. As discussed in the next section, however, how such an approach can be effectively enforced is rarely discussed in the literature:

> ‘The most recently suggested interventions include creating a separate land use class for second homes, though this measure has been constantly debated since the 1970s. This would mean that purchasers intending to use properties as second homes would need to apply for planning consent, and this might not be granted where such a use change was contrary to the public – or rather the community – good.’ (Gallent, Mace & Tewdwr-Jones, 2003: p.3)

4.92 The potential for the planning system to control the growth of second homes was most recently considered by Gwynedd Council (2019), which drew on proposed approaches in Scotland and require planning permission before converting a property into a commercial let.

4.93 Section 11B of The Planning (Scotland) Bill allows planning authorities to designate all or part of their area as a short-term let control area and, consequently, require planning permission before dwellings can be converted into short-term holiday lets. However, Gwynedd Council considers the approach to be too problematic due to the perceived challenges surrounding the definition of holiday lets:

> ‘To require planning permission for change of use from a first home to a second home would result in fundamental problems in terms of definition and so of enforcement. For these reasons, we do not consider this to be a practical option.’ (Gwynedd Council, 2019)

Wider considerations

4.94 Some authors emphasise the need to engage with second homes and/or holiday lets alongside a range of other factors that impact housing and affordability on a local level, particularly in rural areas (Gwynedd Council, 2014; Mirani & Farahani, 2015; Tewdwr-Jones, Gallent & Mace, 2002). Some draw attention, for example, to approaches such as those witnessed in North Wiltshire, which involve the management and subletting of private homes by local authorities, and raising local income over the long term. These are identified by some as being more considered approaches to tackling the wider issues facing local residents (see Gallent, Mace & Tewdwr-Jones, 2017).

4.95 Furthermore, authors have emphasised the need for any policy approach to addressing second homes or their financial impact to be linked to a wider approach that also seeks to alleviate any social and language impact (Bourne, 2019; Brookes, 2021; Tewdwr-Jones, Gallent & Mace, 2002).

4.96 Several authors also highlight the need for more data, particularly quantitative and objective data, to inform policy and planning decisions (Bourne, 2019; Wallace et al., 2005; Tewdwr-Jones, Gallent & Mace, 2002).

4.97 Brooks (2021) has most recently, and in relation to the situation in Wales specifically, called for a commission to investigate and develop responses to the issue of second homes.

Right to buy

4.98 A few authors discuss the impact of the right to buy upon housing policy alongside second homes and, most notably, its role in reducing the council housing stock. In all 15 of their case study areas, Gallent, Mace & Tewdwr-Jones found that this depletion of stock was:

> '[…] viewed as problematic, reducing the capacity of local authorities to address housing needs, especially in areas where external demand pressures were significant.' (2005: p.87)

4.99 What is more, authors note further research outlining that although few former council properties were bought as second homes, the purchase and onward sales of properties, alongside limiting the capacity of authorities to address housing needs, also accelerated social change and gentrification (Chaney & Sherwood, 2000).

The STL model

4.100 More recent discussions of policy interventions have tended to focus on the poorly regulated holiday accommodation market or STLs. Several cities across Europe have sought to control, limit or outright ban STLs or similar types of commercial holiday accommodation. Discussions of these efforts have not filtered into academic discussions to a great extent, remaining relatively limited to policy papers (Brooks, 2021; Gwynedd Council, 2019; 2020) or to media and news discussions (Wyn Williams, 2021; Dutchnews.nl, 2020; Bloomberg.com, 2018).

4.101 Very few academic publications have explored the impact of interventions upon STLs. However, Koster et al. (2020) utilise a shift-share analysis of data relating to Airbnb (and only Airbnb, not similar properties), concluding that banning Airbnb can decrease house prices by around five per cent.

4.102 Amsterdam is discussed for its efforts to require owners to hold specific licenses to operate holiday accommodation, including STL type properties, within certain parts of the city (DutchNews.nl, 2020). [13] This approach mirrors Northern Ireland, which regulates short term holiday accommodation providers by requiring certification from Tourism NI in order to be able to operate. Barcelona is also discussed due to the efforts to place limitations on the length of time properties can be available for rent (GOV.UK, 2021).[14] Berlin authorities meanwhile have sought to ban almost all landlords from letting their apartments to short-term visitors, effectively restricting and limiting short-term, STL type rentals. The ban was overturned in 2018, though stricter rules are since in place, limiting rentals to up to 90 days a year. Landlords who leave an apartment untenanted, for three months of without having a permanent tenant registered will require a permit or face a maximum penalty fine of €500,000 (Bloomberg.com, 2018).[15]

4.103 The relevance and comparability of these discussions may be somewhat limited in relation to Wales, however, though may bear some resemblance to Cardiff or Swansea. The discussion and efforts regarding limiting the impact of STL commercial holiday accommodation tend to be focused on cities or even localities within cities, rather than on rural areas.

4.104 Gwynedd Council have, nonetheless, looked to international experiences to inform their own response to the challenges posed by the STL model:

> ‘The regulations introduced in Barcelona are considered the most effective regulations to manage short term holiday lets, and specifically the [Airbnb] business. In order to let a property as a short term holiday let, a tourist licence must be obtained. The licence is required for properties being let as short term holiday lets for tourists for consecutive periods of less than 31 days. There are various requirements to apply for a licence, which include:
>
> i. That the property meets appropriate standards / living conditions and that it is furnished
>
> ii. It may only be used for tourism purposes, and the number of people staying in the property must be noted

[13] Dutch News. 2020. Amsterdam new holiday rental rules begin on July 1
[14] UK GOV. Guidance. Spain: buying the renting property
[15] Bloomberg. 2018. Berlin just cancelled it’s Airbnb Ban

iii. There must be contact numbers for the owner and the local emergency services

iv. An official complaint form must be in place

v. The property must be maintained appropriately

vi. Permission must be granted by the regional government, that determines the application for a licence before the property may be used as a short-term holiday let

Licensing arrangements have been operational in Berlin since 2016 in order to manage the use of [Airbnb] and, more recently, they have prevented any further increase due to the impact of the affordable housing stock in the city. Enforcement powers and substantial fines were introduced as part of the regulations.' (Gwynedd Council, 2019)

4.105 The document 'Short-term Lets Registration White Paper' published by Airbnb in 2021 recognises that the growth of the STL industry has brought with it a number of policy challenges. The paper calls on the Government to bring in a registration system for STLs identifying the need to provide a mechanism for local authorities and other agencies to notify platforms offering services in the UK about issues in their area. Where the registration system provides evidence of impact on housing pressure, the desire for more control over short-term lets is recognised. Further, it is recommended that the Government should issue new planning guidance on distinguishing between commercial STL activity and non-commercial/amateur STL activity, on the basis of proportionality of activity.

4.106 The Scottish Government consulted on a revised Licensing Order and draft Business and Regulatory Impact Assessment from 25 June 2021 to 13 August 2021.[16] There are now plans for the establishment of a STL licensing scheme across Scotland the purpose of which will be to ensure they are safe but also to address issues faced by neighbours; to facilitate licensing authorities in knowing and understanding what is happening in their area; and to assist with handling complaints effectively.[17]

Evaluation of policy

[16] Short-term lets: regulation information - gov.scot (www.gov.scot)
[17] Further information is available here: Short-term lets licensing order update: letter from Cabinet Secretary - gov.scot (www.gov.scot)

4.107 A key weakness within the literature is the lack of evaluation of policy and wider interventions in relation to second homes. Given the difficulties in isolating the impact of second homes, as discussed above, it is likely that isolating the impact of specific policies would be equally challenging. Where evaluative discussion of policy interventions is present, it tends, nonetheless, to be speculative or theoretical in nature. Authors have warned, for example, that banning the sale of second homes could reduce outside investment in communities (Gallent & Tewdwr-Jones, 2001), whilst restricting the sale of second homes could even prove to be detrimental to the Welsh language if those homes are consequently sold to permanent, non-Welsh-speaking residents (Brooks, 2021). However, there is limited evaluative evidence with which to show that these consequences have occurred.

4.108 Indeed, this latter claim places rural Wales in a uniquely difficult position in relation to second homes. If second homes are used frequently, then communities will benefit from more investment through tourism expenditure. The more frequently they are used, particularly by single households (i.e. for personal use and not commercial lets), the more opportunity there is for the occupying households to contribute to the community. Concurrently, however, the more permanent the presence of non-Welsh speakers in these communities, the more challenging it will become to sustain the Welsh language as a thriving, community language.

4.109 The previous sections have noted that authors have consistently argued that impact is best measured and analysed on a local (rather than on a regional or national) level, although this is untested. The policy interventions highlighted in the literature for addressing the impact are also frequently thought to be best developed and employed on a local level in order to respond to varied local contexts. Effective evaluation of interventions is therefore likely to be required at the same local level.

4.110 Moreover, as noted in previous sections, concerns relating to the enforcement of tax and to planning policy interventions should be a further consideration when considering impact and its evaluation (see also Gallent, Mace & Tewdwr-Jones, 2003; Barnett, 2014). An inability to enforce interventions and policy may limit the extent to which these efforts address the impact of second homes.

4.111 Even if local-level interventions are seen to be effective, the challenges of enforcement may become much greater concerns when considering issues of scaling; in other words, it may be possible to enforce a pilot intervention within a

particular locality but much more difficult when seeking to mainstream or apply the same intervention across a much broader area.

5. Findings: Fieldwork

5.1 Alongside the literature review detailed in the previous chapter, a number of semi-structured interviews were conducted with local authority personnel and wider stakeholders whose work related to second homes in some form. These aimed to explore the experiences of stakeholders whose work or activities related to second homes. Fifty-eight interviews were ultimately conducted, 30 of which were with local authority personnel from planning, housing, tax, tourism or regeneration departments. The sample of wider stakeholders (28 interviews) included estate agents, housing associations, campaign groups, community councils, academics, sectoral umbrella bodies, and public or third sector bodies. Some stakeholders represented national and UK-wide bodies, whilst others were based in local businesses or campaign groups.

5.2 The aim was to canvass the range of opinions present amongst local authorities and wider stakeholders. As noted previously, it was not feasible to attempt to achieve a sample which could be described as statistically representative, only to explore the range of views present amongst stakeholders. The results are presented below in relation to the key areas of focus for the research (as set out in Chapter 1).

Background and narrative inquiry

5.3 The participants themselves were knowledgeable regarding the field of housing and second homes, often with planning, legal or policy expertise and many years of experience and reflection with regard to the issue of second homes. The participants were given copies of the questions beforehand and invited to recommend and share wider data or research alongside their interview contributions.

5.4 A key component of the interview was the initial question. This was an open-ended question that invited the interviewees to express their general views on second homes in Wales, as well as anything that they felt to be important to the research. This question deliberately drew on narrative inquiry methodology, seeking to empower the interviewees and avoid ‘contaminating’ the discussion with leading questions or terminology that set any limitations upon the discussion. This approach allows interviewees to frame the discussion before focusing on the detailed questions of relevance to the researcher. Frequently with such questions,

respondents will focus on the key issues that are most pressing in their view in relation to the topic at hand (see Yamasaki, Shark & Harter, 2014).

5.5 This approach offers insight into the tone and nature of responses before beginning the structured component of the interview. It revealed, for example, that local authority personnel were generally reticent to express firm opinions, keen to stress both positives and negatives of second homes, or keen to avoid detailed general discussion of the topic on the grounds that second homes were neither a significant nor a pressing issue in their area. This may have also been a consequence of a lack of clear empirical data on the causality of impacts of second homes.

5.6 The approach also revealed the key themes of the interviews from the outset. Around half of the local authority interviewees were of the view that second homes generally had a negative impact, with increasing house prices, empty homes, a loss of community and a lack of housing availability dominating their reasoning. The interviews also revealed concerns relating to the impact on the Welsh language, the service decline, and the localised nature of the impact.

5.7 Stakeholders from areas that accounted for significant numbers of second homes tended to be more impassioned in their responses than those from areas in which there were not a significant numbers of second homes. This should be expected based on the nature of the sample, deliberately seeking the views of those whose work or activities related to second homes in these areas. In their initial open-ended responses, for example, these stakeholders tended to stress the negative impact of second homes.

5.8 How the interviewees responded and the tools that individuals used to convey their arguments and justify their reasoning were, nonetheless, similar, regardless of the type of interviewee. The language and contributions invariably referred to the threat to or impact on socially, politically or morally ‘good’ concepts such as families, communities and the futures of children. Existential language was also used in relation to the impact of second homes, with some, for example, suggesting that villages were being ‘destroyed’ and were ‘dead in winter’. Meanwhile, other interviewees conveyed particular notions of community and the impact of second homes on young people — often depicted as the key demographic that suffered as a result of second homes.

5.9 Interviewees also frequently drew on personal anecdotes or exceptional examples, often drawn from media coverage. Most notable were references to instances of specific houses being sold for significant sums, or the discussion of particular 'hotspots', particularly Abersoch and the Llŷn Peninsula. It is possible, therefore, that in the absence of clear and objective data with which to detail the impact of second homes and inform debate, discussions are more likely to be populated by personal experiences and anecdotal evidence. Whilst not necessarily incorrect, they are less reliable forms of data and information upon which to develop interventions.

5.10 STL properties were raised by a number of interviewees. 'Airbnb' was the term used almost exclusively, though (strictly speaking) it refers only to one particular company that hosts and manages bookings of rooms or properties. This report uses the term 'STL properties' to stress that there are a number of similar platforms that advertise the availability of short term holiday accommodation.

5.11 Of most relevance to the discussion below is the fact that properties that are let through such platforms differ from traditional holiday lets, most notably in that they are unregulated and unregistered. Data on precise numbers and usage is difficult to source. What is more, there was a widespread belief amongst the interviewees that they were less likely to be registered appropriately for tax. The ease with which individuals could register and let properties through these platforms was also thought to be a relevant factor, as they had become particularly easy and quick ways in which to generate additional revenue from unoccupied properties or rooms.

General remarks

5.12 It should be noted that place names have been redacted from quotes where it was considered that there was a risk to the anonymity of the interviewee. However, locations are named in some instances where they do not risk anonymity. It should also be noted that some locations, most notably Abersoch and/or the Llŷn Peninsular, were frequently used yardsticks or reference points by a range of interviewees, regardless of where they were based.

5.13 Around half of the local authority interviewees sought to stress the balanced nature of their view, seeking to note that there were benefits (as well as negative impacts) of second homes. However, these individuals often failed to detail the positive impacts, or would refer to relatively superficial aspects such as 'creating employment'.

5.14 Personnel from authorities containing significant numbers of second homes were frequently more negative in their views, with one significant exception. Personnel representing one of the city authorities expressed a more positive view of second homes, suggesting that they were a minor but, nonetheless, important component of a wider package that would make the city attractive for tourists and, in particular, an 'event tourism' destination. However, though generally positive in their views, these personnel still differentiated between second homes or commercial lets and STL properties:

> '[We] haven't really recognised it as a huge issue in the city. It hasn't got the controversy of other parts [of] Wales. We're keen to encourage tourism in the city […] so it's not something we want to discourage. There are more Airbnbs, though, and that's a different dynamic. But, overall, they play a beneficial role.' (Local or Planning Authority Interview, 2021)

5.15 Of the personnel and local authorities who expressed particularly negative views, responses tended to stress the impact of the COVID-19 pandemic in accelerating and magnifying the rate of sales and the scale of the issue. This was frequently combined with a frustration regarding the perceived limited policy and intervention tools or options available to local authorities:

> 'There are areas within Wales [in which] they are a real problem. They do deprive local people and they have a tendency to increase prices in certain localities. As a result of the [COVID-19] pandemic, with people keen to leave urban areas, we've seen people buying properties without even viewing them […]. I don't think we have many tools apart from the Council Tax premium. We can't even restrict via planning. We are a market economy at the end of the day. It needs to be targeted. You only know it's a problem once it's become a problem. I used to go to Abersoch when I was younger and people were purchasing properties then. But now there are certain areas where locals are totally excluded. I don't think we have that problem yet in [local authority area], but there are certain areas that are very attractive.' (Local or Planning Authority Interview, 2021)

5.16 Other interviewees from the housing and property or general stakeholder group (i.e. interviewees that were outside of local authorities) were similar in their responses and concerned about the impact of second homes. As with local authority personnel, these interviewees raised the impact on house prices, the availability of

housing, and the impact on the Welsh language, whilst a few also suggested that second homes were driving outmigration from rural areas.

5.17 The terminology used by some interviewees, particularly those living or working within areas with a high concentration of second homes, suggested that the issue was a cause of significant concern for some local authorities:

> ‘It is probably one of [the] hottest topics in Wales at this time and I feel that something needs to be done desperately [...] whether hiking up Council Tax [is what should be done]. I feel this is a crisis for us. I live in [place name] and the problem is not as bad as in places like Abersoch, but it is increasing as a problem in my area and we see on a daily basis houses up for sale, e.g. one I saw today advertised as [a] second home. It’s a huge topic and I feel something desperately needs to be done.’ (Housing and Property Interview, 2021)

5.18 Interviewees also expressed a sense of frustration regarding the lack of action, commonly noting that the issue had been present for decades with little to no governmental action with which to address the negative impact of second homes:

> ‘They are a problem and have been for many years. When [I was] young I lived in [place name] and saw the damage second homes did to that area and the changes because of the number [of] second homes, and it is happening more and more […] last year, 36 per cent of all houses sold on Anglesey were sold as second homes. We also have issues with people retiring from outside the area, which also has [an] impact on the community and linguistic nature. There doesn’t seem to be a lot of political will to do anything. People in authority have only just started to acknowledge that there is a problem. Those of us that live in rural Wales have been aware of this for decades […] they are just putting it on the back burner and telling us it’s a complex issue, when it really isn’t.’ (Stakeholder Interview, 2021)

Definitions of second homes

5.19 Discussion of definitions revealed the extent to which there was confusion and a desire for a more settled and more agreed-upon definition for the types of properties in question. Generally, interviewees would identify a second home as a property that was not a primary residence.

5.20 However, many would also concede that whilst this definition was clear, the term ‘second home’ related to a range of types, and use, of properties. There was a

general consensus across interviewee groups in relation to the definitional issues surrounding second homes, the need to include commercial lets and STL properties, and the impact that broad and unrepresentative definitions have upon efforts to analyse impact and policy options with nuances.

5.21 Most commonly, interviewees would suggest that second homes for personal use were frequently conflated with commercial holiday lets or STL properties. Interviewees generally saw this to be problematic due to the different impact that the two types of properties would have within a community. Further frustration was expressed in relation to holiday lets that were used for personal reasons:

> ‘There’s difficulty in defining the difference between a second home and holiday let. As an example, properties were granted planning permission to be used as holiday lets but with a limitation on the number of stays the owners could stay there. We had to take action, as the owners were retired and taking six-day breaks every six weeks and staying in the property. It’s problematic from a planning point of view. Planning definition is in relation to the activity, but you need multiple categories with different levels of usage.’ (Local or Planning Authority Interview, 2021)

5.22 The varied definitions also impacted interviewees’ capacity to engage with the public and wider stakeholders with regard to the issue within their own work or activities. Some noted that the perceived impact of different types of second homes or commercial lets may also be conflated and misattributed:

> ‘I think there is certainly some confusion and it depends [whom] you talk to. I think it is somewhere which is not your main residence — somewhere you would go for a holiday. [It is] different from the short-term lets which are run on a more commercial basis. But then you have that grey area in between — some are used both commercially and for personal use. It is more about the impact than the definition. When we discuss with some communities, they do refer to short-term holiday lets, second homes, and holiday homes interchangeably, as though [they are] one and the same. Then, when you discuss the impacts, the impact of inmigration is bundled in with that, so there is, I suppose, a bit of an issue in terms of the confusion.’ (Local or Planning Authority Interview, 2021)

5.23 In addition to the overlap between commercial and personal properties, local authority personnel generally suggested that distinctions need to be made in

relation to how, by whom, and for how long a property is used, but that the term ‘second home’ did not capture such nuances.

5.24 The most common area of agreement, however, was that second homes, in the broadest definition, contributed to restricting local populations from accessing housing, through either house price inflation or stock decreases (or a combination of both):

> ‘Fundamentally, there are people in that community who need a home and can’t get it […]. Whether it’s a business, it doesn’t matter — [it is] still removing space/stock out of the community for people to live in, so [the] space is not there to create a home.’ (General Stakeholder Interview, 2021)

5.25 Importantly, and although cognisant of the nuanced differences between different types of second homes, for the remainder of the discussions, interviewees themselves often conflated different types of second homes, commercial holiday lets, and STL properties. It should be borne in mind during the remaining sections of this chapter, therefore, that ‘second homes’ is generally used by interviewees in its widest sense unless otherwise stated, and includes commercial or holiday lets and STL properties.

Situation across Wales

5.26 Interviewees from local authorities were probed in relation to the situation in their area. The interview sample was not designed to be representative; therefore, this report does not seek to map the situation, but rather only gauge and examine the views of interviewees.

5.27 Local authority responses were mixed. Around one third of the interviewees suggested that second homes were not a particularly prominent issue, whilst the remaining responses were split relatively evenly between believing the issue to be somewhat prominent, a growing concern or a significant issue in their authority.

5.28 The areas in which most concern was expressed mirrored areas with a high concentration of second homes. Often this would be in spite of existing interventions, such as the Council Tax premium, designed to address the increase of second homes. Notably, the inability to adequately gauge or measure the extent and number of commercial and holiday lets compounded the concerns of interviewees. Interviewees also suggested that second home owners were converting their properties into holiday lets, escaping the Council Tax premium.

Moreover, several interviewees noted the noticeable and recent increase in STL properties:

> ‘We are seeing a shift from second homes to holiday lets, but we have no way to monitor whether second homes are being used as holiday lets. Second [home] numbers have grown a little, but the numbers align with the growth of general housing numbers. Second home numbers tend to [be] higher in areas that are hotspots for house prices. Holiday lets and Airbnbs are the big growth area.’ (Local or Planning Authority Interview, 2021)

5.29 Moreover, interviewees stressed the localised nature of the issue, which is often confined to particular communities or villages in which the issue is perceived to be particularly acute:

> ‘Twenty-five per cent of [area within the local authority] and about 19 per cent in [area within the local authority] are second homes or holiday lets. If we drilled down, we know certain villages are 90 per cent second homes or holiday lets and those would increase even more if you included caravan homes. [There is] less of an issue in [part of the local authority]. [The COVID-19 pandemic] has accelerated the growth in second homes. My concern is that this is increasingly an issue and needs action to ensure villages are appropriately balanced in the future.’ (Local or Planning Authority Interview, 2021)

5.30 Most of these respondents also believed that the situation was becoming more concerning, with sales of second homes or commercial lets accelerating. Interviewees suggested that while second homes or holiday lets would be confined to coastal areas in the past, they were now, particularly through STL properties and a readiness for tourists to explore alternative properties and locations, spreading inland:

> ‘I was shocked to hear that there are 1,300 Airbnb listings, [constituting] about 5,000 beds for [the local authority].’ (Housing and Property Interview, 2021)

> ‘It does seem to be moving inland from the coastal areas. Anecdotally, I live in […] an inland village, and properties have been selling within 2–3 weeks. I have looked at house prices in four areas [...]. The ONS is an up-to-date source of data but only shows local authority [areas], rather than ward [areas].’ (Housing and Property Interview, 2021)

Direct impact

5.31 The majority of the interviewees felt that the main impact of second homes was an increase in house prices within their locality. This was often linked to a decrease in housing stock that was available or accessible to local residents and populations:

> ‘It does have an impact in terms of removing stock that could be used to house people, rather than having it empty. [It] could [become] classified as a vacant home and could be rented out, so [there is] not [a] complete loss of dwelling. The other impact is on prices and pricing and potentially inflating housing market costs, which could cause issues with locals wanting to afford a home. Even though there may be an affordable housing policy, that is reduced in relation to the housing market, so if that is already inflated, it does have an impact on [the] cost of affordable homes.’ (Local or Planning Authority Interview, 2021)

5.32 The impact on house prices was keenly felt in areas in which second homes are particularly prominent. However, local authority personnel located across Wales voiced the view that second homes, even if not within their own authority, did contribute to house price inflation:

> ‘Generally speaking, across Wales, I do believe second homes impact the housing market greatly in terms of driving up house prices and demand. Having said that, I don’t personally see any evidence of this within [the local authority]. However, given the current situation, with domestic tourism on the rise and an increase in working from home, I could see how all areas in Wales may be impacted more in the near future as holiday trends continue to change.’ (Local or Planning Authority Interview, 2021)

5.33 Interviewees also noted the acute nature of the impact in some areas, suggesting that second homes could be irrelevant in some areas but a significant concern in others, within the same local authority:

> ‘The impact varies across the county, depending on the popularity. Inland there is not so much of an impact, although in [a particular part of the local authority] there is an increasing number of second homes appearing. The main problem is […] along the coastline. A two-bedroom cottage in [coastal village] within walking distance of the beach has just gone on the market for £450,000 and it hasn’t even got a garden […] [according to a] local estate [agent], and anecdotally, at the moment they are getting bids on properties without people even viewing

them, at and above the asking price. It's putting the asking prices up because [in] some cases they are getting [£5,000] or £10,000 above. It is particularly the case in hotspots [...].' (Local or Planning Authority Interview, 2021)

Wider factors and analytical challenges

5.34 Some interviewees however noted that wider socio-economic factors, also present in an area, would be important considerations and would also influence house prices. In-migration was frequently identified in some areas as a factor that had a similar direct impact to that of second homes:

'I don't think it is exclusively due to second homes pushing house prices up. It is a combination of a number of factors and forces. There is also more in-migration. There is a massive rise not primarily because of second homes but because of increased competition for housing. These are small communities where (traditionally) there is not a lot of housing [...] when a house goes on the market it is a rare event. These are communities where very little house building has taken place. This drives up the price.' (Housing and Property Interview, 2021)

'It's only a contributor in rising house prices, along with low interest rates. Incomers and people [will be] looking to move to the area from cities after [the COVID-19 pandemic] and the lockdown. The house prices are higher in places that are attractive to people, and this also attracts second home owners. There are premium properties on the coast that have a high demand from a number of sources, and not just second homes.' (Housing and Property Interview, 2021)

5.35 A few interviewees noted the challenges in isolating the impact of second homes in relation to wider factors:

'There is confusion about the definition and it's impossible to isolate the impact that second homes have on house prices and affordability to the local population. Issues such as in-migration are also a factor. [The local authority] has seen a spike in house prices — significantly higher than in other areas. [It is unclear as to] whether that is the impact of Brexit and [the COVID-19 pandemic] and the desire to [staycation].' (Local or Planning Authority Interview, 2021)

5.36 Many interviewees also noted their frustrations regarding the data available to gauge the impact of second homes and other factors on the local housing market. Most of these interviewees noted that anecdotal data and evidence constituted the only source of evidence available, not least because either quantitative and

objective data on numbers was collected at the local authority level (such as the number of second homes) or data simply was not available (such as the number of Airbnb/STL-type properties).

Consequences of inflated house prices

5.37 The majority of the interviewees made the connection between second homes and increased house prices, and frequently noted that local residents or those looking to buy locally were unable to access housing in some parts. Consequently, these residents were forced to look elsewhere within the authority for more affordable options. Many interviewees drew attention to the lower average incomes, particularly in rural areas, relative to the wider UK. More generally, a clear logic chain was articulated, wherein inflated house prices and decreased stock constituted the immediate, direct impact of second homes, whilst the denial of access to housing was the secondary or indirect implication:

> ‘It is a fact of where they are and how they have grown like mushrooms and deprived locals. I don’t know whether it is because of the actual holiday home or whether locals have been priced out of buying a home in their area. It is a buyer’s market. People from outside the area have more money to put in.’ (Local or Planning Authority Interview, 2021)

> ‘In terms of the geography of the impact, if I wanted to move somewhere and be able to pay a mortgage, I would have to go somewhere like [a deprived area of the authority]. [Therefore], it’s pricing us out — everyone in the same financial situation — into the same geographical pockets. [We are] being pushed out — an element of gentrification.’ (Local or Planning Authority Interview, 2021)

STL properties

5.38 There were suggestions also that the proliferation of STL properties was changing the nature of the impact that (in their broadest definition) second homes were having in areas of Wales. The types of properties bought for STL purposes as well as their location were expanding. Interviewees were seeing smaller properties, and those within locations not traditionally associated with tourism and holiday lets, being bought and let as STL properties:

> ‘Yes, there are hotspots [for second homes] like [place name], but the nature of Airbnbs is different. They’re spread all over the place, in villages where you’d never have seen [holiday/commercial lets] 5–10 years ago […]. By now the

pressure is increasing and the houses being bought are smaller for Airbnbs as well as more expensive ones. The range of properties is vast.' (Local Authority Interview, 2021)

Impact of the COVID-19 pandemic

5.39 Some interviewees also raised concerns that the COVID-19 pandemic, as well as the ease with which the STL model operates and its profitability, was driving a more permanent shift at the expense of private rental stock in some areas. Interviewees raised concerns that STL properties were rarely registered for appropriate taxes. They were perceived to be preferable to (and more profitable than) traditional holiday accommodation such as hotels, due (in some people's view) to owners' tendency not to register, so as to meet industry standards, or (more generally) because of the absence of regulation.

5.40 STL properties were also thought to be affecting rental stock, with interviewees expressing concern that landlords were increasingly turning to the more profitable and easier-to-manage STL model, rather than complying with the legal and statutory requirements of renting:

'[…] we have people in the homeless team, and I understand there are a lot of private landlords converting properties they were letting out into Airbnbs and holiday accommodation. We know lots of private landlords have been impacted during the [COVID-19] pandemic, as they haven't been able to evict people, and I understand there are quite a lot who are owed a lot of money. They are running those properties as a business and because we have staycations at the moment, [we] might have more holiday homes registered. People can make good money buying a property and letting [it] out as a holiday home. People that go on holiday are less likely to wreck the property. Some people who rent properties have quite complex needs. It could be the easier option for some people to convert to Airbnbs or whatever.' (Local or Planning Authority Interview, 2021)

'Airbnb is the modern equivalent of B&B, and a lot of business people use them instead of hotels. It does bring money into [the] local economy. The downside is that it is part of the housing problem now. Landlords who were renting houses out are now converting [them] to Airbnb [properties] and depriving locals of affordable accommodation […]. Airbnb is being used to bypass RentSmart Wales to avoid having to be licensed to rent out to locals. A lot of Airbnb properties are under the

radar. You would need [the] Welsh Government to legislate for a local tax on Airbnb properties.' (Housing and Property Interview, 2021)

Secondary or indirect impact

5.41 Interviewees also discussed a range of indirect or secondary impacts attributed to second homes. These (again) largely echoed the findings of the literature review. However, interviewees did not always distinguish clearly between direct and indirect/secondary impacts of second homes; in other words, they did not always acknowledge that outmigration or the decline of services (secondary/indirect impact) was a consequence of increasing house prices (direct impact).

5.42 Commonly, interviewees suggested that as a result of increased house prices and a reduced housing stock, locals either leave areas in search of more affordable housing or are simply unable to occupy some localities as second homes proliferate.[18] Logically, these secondary impacts follow on from (or are themselves caused by) the increased prices and decreased stock. As a result of a lack of access to housing in some localities, a further impact was felt by and within communities, which could be traced back to second homes.

5.43 The secondary impacts were frequently seen to be interrelated. A decline of services; community deterioration; a decline in the Welsh language; the seasonality of the economy and, consequently, social life; and the outmigration of young people in particular were all seen to be negative consequences of a depleted housing stock and increased house prices:

'It's the transient nature of the community — villages and communities that are dead in winter and have no families with children. This has huge impacts on local schools, and shops and pubs are not sustainable. House prices tend to be a lot higher in places that have second homes, which make them out of reach of local residents. People are being forced to leave their communities to buy property, especially places like [place name] and [place name].' (Local or Planning Authority Interview, 2021)

5.44 A few interviewees discussed a threshold of second home sales, beyond which secondary impacts would begin to be felt. Those from areas in which second homes

[18] 'Locals' was never explicitly defined in this context, but it was understood by the research team to refer to individuals, often young people, who had grown up in the area and were looking to buy a home.

were not particularly prevalent could see that the scale of second home sales would need to pass a threshold in order to begin impacting their communities. The perceived threshold was a reason for some not to be concerned, whilst for others, crossing the threshold could even suggest that the impact on the community was irreversible and that the focus should be on other areas:

> ‘There’s a threshold, isn’t there? It only becomes an issue when you reach a certain threshold. Our housing waiting list isn’t due to second homes — it’s due to poverty.’ (Local or Planning Authority Interview, 2021)

> ‘[In areas in which there are many second homes], well, that ship has sailed. The aim for us as an authority is to try to make sure that local people can continue to access what’s left [in other areas]’ (Local or Planning Authority Interview, 2021)

Service decline

5.45 Most commonly amongst local authority personnel, interviewees suggested that as a result of locals being priced out and unable to access housing and live in some communities, public and private services were becoming less or not viable. Indeed, around two thirds of the interviewees suggested that there was a link between second homes, the ‘emptying’ of villages, and the consequent decline in service viability. Yet, many conceded that evidencing this link is particularly challenging.

5.46 Wider stakeholders and interviewees also recognised the loss of services and attributed it to second homes. As a community council representative suggested:

> ‘In the last 10 years the village has lost its last primary school, [GP] surgery, dentist [surgery], bank, chapel, two garages, and [B&B] and hotels. This means there are fewer [high-quality] jobs in the area, and families have to move away to work.’ (General Stakeholder Interview, 2021)

> ‘There’s stress on communities because of not so many people living in the communities full-time. Communities are unable to host sports teams, [with] local eisteddfodau finished in some areas. Local shops have closed because there are not enough customers in the winter.’ (General Stakeholder Interview, 2021)

Language decline

5.47 The indirect impact on the Welsh language was a significant issue for local authority personnel, albeit the most pressing for wider stakeholders. For most, the impact on the Welsh language was linked to a wider service decline, seasonality, and the

erosion of community. A few interviewees also linked the decline of the Welsh language with the outmigration of young people, brought about by a lack of access to housing. Again, interviewees suggested that a threshold or 'tipping point' existed, beyond which the impact was felt.

Antisocial behaviour and tensions with local residents

5.48 A degree of antisocial behaviour, drunkenness, drug abuse, and unsociable noise was associated with some holiday accommodation, and with STL properties in particular. Interviewees noted that some properties, particularly STL properties, were marketed as 'party pads' or venues for stag and hen parties. If isolated, these properties were thought to rarely cause issues. However, when located within cities or in the centre of rural villages, these were felt to have contributed to considerable tensions and distress amongst local residents. Some interviewees noted that they had become aware of the issues through environmental teams who had been contacted by residents:

> 'With your Airbnbs there are noise issues and issues to do with parking. They're used for hen [parties]. Environmental protection pick that up because we have no control over it in [the interviewee's department]. [There are] stag parties and stuff. [There is] car parking as well. Especially if it's a big party, then it's an issue. Waste and bins and stuff [are] an issue.' (Local or Planning Authority Interview, 2021)

Outmigration

5.49 Although frequently noted as a contributing factor alongside many others, second homes were seen to feed outmigration, particularly of young people. The lack of 'quality jobs', low pay, and the difficulty accessing housing would prove to be important 'push' factors leading young people to leave these localities:

'It is very hard to get data on social impacts, as they are very varied and you have to rely on anecdotal evidence, which isn't always reliable. Second homes do contribute to already pre-existing conditions like seasonal employment, [reductions] in local services, [an] ageing population, etc., but they are also caused by other things such as the lack of [high-quality] jobs, the brain drain ([which] sees young people leave and not return), etc.' (Local or Planning Authority Interview, 2021)

Seasonality

5.50 Seasonality was a further and consistent theme amongst the interviewees, with many noting the seasonal nature of economic and social life as a consequence of a reliance in the area on tourism and on second home owners spending time in some localities and villages. Where second homes were prevalent, localities varied between busy periods in the summer months, servicing and benefitting from tourists and their expenditure to dormant winter months. Furthermore, the tourism experienced was frequently associated with seasonal jobs offering relatively low pay and, as noted, would contribute to pushing young people to leave some localities.

Erosion of community

5.51 Underlying but also connecting many of the comments in relation to the indirect or secondary impact of second homes was a sense of a loss of community. The decline of services and the Welsh language, changing socioeconomic patterns of life, and the outmigration of young people were at times distilled and expressed as a loss of community:

> ‘In positivity terms, if you have visitors coming to [an] area, it will help the tourism sector a bit, because those visitors might want to use local attractions. But [this is] obviously at a cost to local communities by not keeping those communities together. By diminishing the local community because fewer people are part of it, it will have effects. The thing that worries me most is the effect on communities […]. There will be [fewer] reasons and opportunities to have social gatherings (like village fetes) and fewer opportunities to maintain things like [Young Farmers’ Clubs]. It will have an effect on schools nearby.’ (Local or Planning Authority Interview, 2021)

Positive impact

5.52 Whist some interviewees expressed a view that second homes brought both positive and negative impacts to communities and the housing market, only a minority referenced specific positive benefits. These largely related to employment and a wider contribution to the economy, particularly in relation to new-build second homes and the consequent spending of second home owners and holiday makers:

‘Second homes create employment from start to finish, from the architect [and] construction to services put in, paying rates, cleaners, gardeners, electrical checks, etc., so it will create work (although sometimes not the highest-paid work). [The local authority] is full of farmers and they are looking to diversify — we are looking at a lot who are using buildings to support their income.’ (Local or Planning Authority Interview, 2021)

5.53 Even those who stressed the economic contribution of tourists caveated their responses with an awareness of the less desirable consequences of a successful tourist industry, highlighting the seasonal nature of employment and the ‘emptying’ of some villages:

‘They have a mixed impact, as some benefit economically (as second home owners have more disposable income and spend more on their property and spend more locally). However, there are some coastal villages in winter where there is no activity, as there are very few permanent residents. [For] resorts like [location] it is helping to generate tourism income, but (again) the employment is very seasonal.’ (Housing and Property Interview, 2021)

‘If it is diluted, there is not a massive impact. But if it’s concentrated in [a] particular area, the impact is obvious (as [it] will be empty for [much] of the year). Tourism is good business-wise but not very good living-wise. It’s noisy, there’s litter, etc. The positive is that it brings money into an area.’ (Local or Planning Authority Interview, 2021)

5.54 Some interviewees questioned the economic contribution of the tourism industry in rural areas of Wales and, by extension, the contribution of second homes and holiday lets. Tax ‘loopholes’ and the perception that actual spend would largely leave the area through supermarket spend or as revenue for holiday let owners based outside of the locality were common suggestions amongst these responses. A few interviewees also suggested that holiday lets and STL properties may only be displacing hotels and B&Bs that have since closed (as a result of either conversion to or competition from STL properties):

‘Tourism in Aberdyfi has become very extractive, as [the] majority of the holiday lets are not available for most of the summer season. There are fewer hotels and [B&Bs]. Second homes and holiday lets do not have much impact on the local economy. Most of the letting agents are based in England. Second home owners

or holiday let stayers might purchase a small amount locally in [pubs] and restaurants, but most will bring their own food with them. [The] business rates loophole has to be dealt with so that second homes contribute to Council Tax.' (General Stakeholder Interview, 2021)

Wider factors and considerations

5.55 A few interviewees, again, noted the complexity of the issues raised and that whilst second homes were frequently associated with negative impacts, broader factors were also at play. These factors included seasonal employment, a decline in local services, and outmigration. The paucity and reliability of data on the issue however often restricted effective analysis.

5.56 A few interviewees also held the view that second homes (along with other factors) impacted the viability of the language within rural communities. In-migration more generally was frequently seen to be a key factor impacting the language in rural areas:

'The problems we face in trying to maintain Welsh communities are vast and there are all kinds of reasons [for these]. Our communities are suffering and the Welsh language is disappearing. I guess a slow approach is better than nothing and there is that awareness that we are in a crisis and solutions are varied. When people move in to live permanently [in] an area, that could then dilute the language and the Welsh way of life. But at the moment we see intermittent visits by holiday makers who don't see themselves as part of communities. If people move in permanently, they will be more likely to integrate.' (Housing and Property Interview, 2021)

Evidencing and data sources

5.57 Local authority personnel suggested that on a local level, alternative sources of data offered effective proxies and means of analysing the extent and impact of second homes. GP surgeries, school enrolment, and retail performance were common examples:

'Anecdotally, you hear about [the] impact of second homes, but [it is] very difficult to get the data that proves this. For example, [in a coastal town] in winter, most of the houses have no lights on. [GP] surgeries provide interesting information as their usage data that shows a huge difference between summer and winter, but (again) a direct link is hard to make.' (Local or Planning Authority Interview, 2021)

Current policy and interventions to address the impact of second homes in Wales

5.58 Local authority personnel identified three key tools available to address the impact of second homes, namely the Council Tax premium, the supply of affordable housing and, to a lesser extent, the planning system (used to limit the building of new holiday lets and second homes). In discussing these, issues were however raised that hindered their impact as tools. Some drew explicitly on their experiences to inform their views and evaluation of these approaches. Many local authority personnel were not however aware of any specific policies within their council to address second homes in any way.

Council Tax premium

5.59 Several local authorities had placed a premium on Council Tax for second homes; however, the view of the tax impact on second homes was mixed. A few felt that the premium had had a minor impact on the number of second homes being bought and/or registered, whilst others felt that it had had no impact.

5.60 Indeed, some were of the view that the premium's only significant impact was that of encouraging owners to register as holiday lets, consequently avoiding any tax contribution. Evidencing this was particularly difficult, however:

> '[The] council introduced a Council Tax premium on second homes, but it has had little impact on the number of second homes. The only change is that some second homes have changed their status to a business, and state that they rent out the accommodation for a period of the year to avoid paying the Council Tax premium. We have no method of checking if this is true or not.' (Local or Planning Authority Interview, 2021)

5.61 Wider stakeholders were also sceptical of the impact of the Council Tax premium (beyond raising some funds to support grant programmes):

> 'I've not seen any empirical evidence that interventionist policies are having any impact, other than with [Pembrokeshire] Council, [whose] enhanced Council Tax has generated an income which is being used in grants back to those communities. But you're talking relatively small sums of money — [hundreds of thousands], not millions. Is it really benefitting? I don't know […]. When you talk to [second home owners], doubling the Council Tax is neither here nor there. If they can afford a second home, they can spend £4,000 on a tax. I'm not entirely

sure of the aspirations of the doubling of the Council Tax […]. Unless there's a break in the system, people will go on buying.' (General Stakeholder Interview, 2021)

5.62 Estate agents and representative bodies — though only very few were interviewed — were of the view that the Council Tax premium was slowing the demand for second homes. These interviewees also noted, however, that the ability to avoid the tax by registering as a holiday let was a means of avoiding the tax with fewer checks:

'[The] Council Tax premium [and] Stamp Duty need to be enforced and monitored more strictly, especially the ability of second homes to change status to a holiday let with almost no checks. The new Council Tax premium is slowing the demand for second homes.' (Housing and Property Interview, 2021)

Supply of affordable housing

5.63 Many local authority personnel drew attention to their affordable housing targets and commitments. Primarily considered a solution to affordability issues more generally, very few interviewees directly detailed the impact of affordable housing provision in relation to second homes. Those who did so tended to raise concerns relating to where such housing was built or the localised opposition to house building, even within communities in which second homes were prevalent.

5.64 Indeed, a few interviewees noted that the problematic concentrations of second homes within their local authorities tended to be located away from the concentrations of affordable home building; therefore, the affordable housing would be less likely to alleviate the localised impact of second homes upon house prices and the availability of stock.

5.65 Moreover, a few interviewees noted that communities or villages were usually opposed to housing developments, particularly those involving affordable housing. Securing support, even from local residents, for affordable house building in areas with a high concentration of second homes could therefore be challenging. However, there were a few suggestions that the current situation and the perceived crisis were fuelling a shift in opinions:

'In many rural or coastal places in the past we have often seen an antipathy towards affordable housing and, historically, it may have been more difficult for us to build in these areas, but attitudes are starting to change and communities

[are] raising their voice because of the housing market failure. It could be those people with second homes who are against social housing — one of the fears has always been that social housing drives down house prices. There is interesting work being done by Rural Housing Enablers, [who are] engaging with local communities and [having] some interesting conversations. Often [the] people who have opposed local affordable housing developments have children living at home because they can't afford their own homes, and having those conversations creates an awareness of [the] positive impact of affordable housing.' (Housing and Property Interview, 2021)

5.66 The issue was particularly acute within National Park authorities, wherein house building on a significant scale was unlikely or constrained. This, interviewees felt, raised the importance of ensuring that the affordable housing that was available was targeted to address local residents' needs:

'The new houses are quite finite, so we want to make sure that the finite stock goes to people who need it. [An] important difference between us [i.e. between National Park authorities and local authorities] [is that there are] no volume house builders […] there's low growth for local needs because it's a National Park. It's also a matter of the stock being pretty finite anyway.' (Local or Planning Authority Interview, 2021)

Planning system

5.67 Whilst the planning system could be used to restrict the building of new holiday lets or second homes, in the view of interviewees, the absence of power with which to halt changes of use to properties undermined any efforts to halt the proliferation of these properties:

'The council have introduced a Council Tax premium and have a strong emphasis on affordable housing development. With the National Park, we are limiting planning permission for holiday lets and second homes. But once a house has been built, we have no control over how it is used by the owner. The policies we currently have allow us to slow down the growth of second homes and holiday lets, but [we] need the ability to use planning permission to stop [changes] of use from residential after being built to have a significant impact.' (Local or Planning Authority Interview, 2021)

5.68 A few interviewees suggested that there were benefits to placing an occupation condition upon affordable housing, i.e. that the property must be the occupier's sole residence. This ensured that affordable housing at least remained in use by local residents.

5.69 There appeared to be differences between authorities in the understanding and application of planning regulations with which to control second homes. A few interviewees, for example, suggested that the planning system did not offer a means of responding to the impact of second homes. Solutions were thought to be unworkable and the difficulty in differentiating between first and second homes would further obstruct a solution through the planning system:

> 'It is difficult from a planning perspective, as (in terms of legislation) it is difficult to differentiate between normal homes and second homes (all fall under [the] same use class). So when identifying whether planning permission is needed for a holiday home, we have to rely on case law. If we did want to control or have an impact, we would need to do it through planning policy (because we can't do it through legislation).' (Local or Planning Authority Interview, 2021)

Enforcement

5.70 Moreover, planning or legislative solutions were often thought to require effective enforcement. A few local authority personnel doubted the extent to which councils could enforce such responses to second homes with the current resources:

> '[…] we could condition the use of a property, but one of [the] main issues that could present itself would be the policing and monitoring of it, and you have to ask whether it is worth investing the [resources]. It would be quite a burden on our resources and would be reliant on an active community to do the reporting. To actually monitor and enforce, I think, [would] require quite a bit of officer time. [I] don't think there is spare capacity at the moment, as my understanding is that they're already at capacity.' (Local or Planning Authority Interview, 2021)

National Park designation

5.71 Personnel from National Parks noted that — by virtue of being attractive places, with a duty to conserve the environment — they were also likely to attract property investments. The restrictions, both practical and legal, on their capacity to build affordable homes in significant numbers, as a supply-side solution to increasing

house prices, also limited the extent to which they could tackle the negative impact of second homes:

> ‘We’re a National Park, so we are an attractive place to live and a lot of our policy is towards protecting and conserving [the] environment. So that makes it an appealing place to invest in property. So at a high level the policy of having National Parks and designations has an impact on house prices.’ (Local or Planning Authority Interview, 2021)

Potential policy options

5.72 Generally, even amongst local authority personnel who were not working in areas with a high prevalence of second homes, there was a demand for more powers at the local authority level. Furthermore, wider stakeholders noted that local authorities were ill-equipped to address the negative impact of second homes, whilst local authority personnel often expressed frustration regarding the lack of data available to inform decision making, particularly in relation to holiday lets and STL properties. This need for further powers and capacity was occasionally linked to the variation across and within local authorities in relation to the impact of second homes:

> ‘There isn’t one size that fits all. Local authorities need more powers. I would like a requirement that there is some kind of ratio of second homes in particular areas so that if second homes are transferred into businesses, they should have to apply for planning permission.’ (Housing and Property Interview, 2021)

5.73 Interviewees also suggested a range of further specific policies, changes or interventions that merited consideration or adoption as possible solutions. Around one third of local authority personnel suggested that requiring planning permission to change the use of properties would be beneficial and effective. What is more, local authority personnel suggested that restrictions on long-term empty housing and addressing the perceived Council Tax premium ‘loophole’ would also be of benefit. Moreover, interviewees highlighted additional considerations (as detailed below).

5.74 Wider stakeholders tended to focus on the need to further increase (or enforce existing) Council Tax premiums as a means of addressing the impact of second homes. A minority also suggested changes to the planning system, a ‘locals-only’ policy, more investment in supply-side solutions, and a change of function restrictions.

Planning permission to change use and limiting second homes

5.75 Most commonly, amongst local authority personnel, there was a perception that requiring planning permission to change the use of a property, from a primary residence to a second home or holiday accommodation, would act as a means of monitoring and, if required, restricting (by refusing permission) growth in such properties. These views were also shared by some wider stakeholders.

5.76 A few interviewees, particularly estate agents, questioned whether such an approach would be effective in practice, suggesting that owners would simply not declare their change of use. Enforcing such a policy would consequently become a key challenge for authorities:

> 'No, it's not operable and not enforceable by council staff. It would just lead to people not declaring [a] change of use.' (Housing and Property Interview, 2021)

5.77 A few interviewees also voiced concern surrounding the increased workload for planning officers as a result of such an approach:

> '[The local authority] are also looking at making it compulsory to make a planning application before converting a residential dwelling to a holiday home ([i.e. a] change of use to [a] 'second home'). And they are looking at a percentage cap for holiday homes at [the] ward level. Their biggest concern is the amount of work that would mean for planning officers, especially as they were looking at doing it retrospectively.' (Housing and Property Interview, 2021)

Empty home tax

5.78 Second homes reduce the stock of housing available to local people in an area, which is also affected by the number of empty homes in the area. A number of local authority personnel stressed the value of their empty home policy, as well as the opportunities that lie in bringing such properties back into the available stock. Interviews revealed that authorities were already acting within the field and looking at options to bring such properties back into the stock:

> 'We are about to put an empty homes team in place. When we talk about building new homes, politicians always [ask] why [we do not] fill empty houses first, but we only have 1,100 empty houses — similar to other Valleys' authorities. Our issue in [local authority area] is [that] we have big, empty properties in town centres — pubs, chapels, etc., and (a problem since [COVID-19]) big retail

premises in town centres. Our regeneration team are looking at working with the empty homes team to do an enforcement action plan for those properties.' (Local or Planning Authority Interview, 2021)

5.79 Taxation was frequently noted as an effective means by which owners could be encouraged to rent or sell properties, a notion shared by wider stakeholders:

'There needs to be an empty homes tax — there were 26,000 empty homes in Wales in 2008 (according to the Joseph Rowntree report) — with sensible time limit exemptions [for the tax]. At the moment you pay full Council Tax after six months, which is perfectly sensible and gives the landlord an incentive to rent out.' (General Stakeholder Interview, 2021)

Council Tax increases and closing 'loopholes'

5.80 Wider stakeholders generally saw the Council Tax premium and increasing it to be a means of continuing to restrict the growth of and disincentivise second home buying. This contrasted with the perception amongst many local or planning authority interviewees, as noted above, that the tax had not led to a particularly significant restriction of or reduction in second home sales.

5.81 Of concern to some interviewees was the need to enforce such an approach and simultaneously disincentivise owners from changing the use of their property to that of holiday accommodation in order to avoid Council Tax. This, it was clear, was already a consideration amongst some local authorities looking to address second homes and their impact.

Targeting STL properties

5.82 STL properties, particularly within some areas, were thought to merit a particular and different approach. A few interviewees would distinguish between the types of properties that were offered as STL accommodation. Some were deemed to be more problematic than others, most notably properties that could be homes for residents. The latter were thought to merit some degree of intervention and control:

'There are lots of different types of Airbnb [properties], so some [are] not habitable for full-time accommodation. Where it is a house, I feel it is a different use of that house for tourist accommodation and should be designated as a different use. But that puts pressure on [the] planning authority to decide whether it should be an Airbnb [property]. The test should be that there is no housing

need in that locale. But then that is banning a big part of [the] economy.' (Local or Planning Authority Interview, 2021)

5.83 There was a general perception that the market was largely, if not entirely, unregulated. Consequently, particularly as so few properties were registered, it was difficult for local authorities to monitor the numbers, spread and growth of such properties. The desire to be able to track and monitor such properties extended beyond areas with a perceived high concentration to most areas of Wales. Even where an increase in such properties was desired, personnel still wished for a means by which their growth could be monitored:

'In terms of second homes, part of the [COVID-19 pandemic] recovery is to make [place name] an entertainment or a hospitality centre, so we wouldn't want to stop Airbnbs [...]. But it would be good to have planning control over them so [as] to better manage their impact alongside our environmental colleagues, because we've noticed the impact [in the] last few years.' (Local or Planning Authority Interview, 2021)

5.84 In areas in which there had been a perceived increase, quicker during the COVID-19 pandemic, in STL properties, there was a particular demand for a means of licensing, monitoring and controlling such properties:

'[There need to be] restrictions on the use of Airbnb and similar types of accommodation. We need some kind of restriction. The licensing system to operate an Airbnb [property] isn't strong enough. There's quite a bit of intervention and licensing you could do, but we're not sure how many of these places there are out there to control things. On the licensing side of things, the market is completely unregulated and you just can't measure or monitor it.' (Local or Planning Authority Interview, 2021)

5.85 More broadly, amongst estate agents in particular, there was a perception that STL properties were distorting the market and benefitting from the unfair advantage of being able to avoid the regulations and standards required of more traditional forms of holiday accommodation:

'They are completely unregulated and need to be registered and certified to meet standards [that] other tourism businesses have to comply with.' (General Stakeholder Interview, 2021)

Prioritisation of Welsh speakers

5.86 A few interviewees stressed the need to mitigate the impact of second homes upon the Welsh language specifically. More data and research were thought to be required before specific policy proposals could be developed, but several interviewees suggested that the language should be a key consideration. Moreover, a few noted that wider housing and planning guidance had already established this principle, noting Technical Advice Note 20 as an example:

> '[In relation to the] Welsh language, there needs to be an impact study on any new developments. And we need to allow local authorities and housing associations to prioritise Welsh speakers for housing in Welsh-speaking communities. [The] Welsh language should be a legitimate prioritisation element used in the allocation of affordable housing.' (Housing and Property Interview, 2021)

Mixed tenures and types of properties

5.87 A few interviewees suggested that whilst the focus of supply-side solutions was upon affordable housing provision, there was a wider need to consider the types of properties being built. A mix of tenures was felt by some interviewees to be needed in rural areas to address different types of needs. A lack of adequate properties for young people, such as studio flats or smaller properties, was a further housing-related factor that acted as a barrier to young people buying housing in rural areas.

Adopting a holistic approach

5.88 Finally, a few interviewees (again) drew attention to the overlap between second homes and the wider issues of affordability. This, in their view, resulted in a need for wider approaches to tackling housing issues in general, including second homes:

> 'We need to improve income levels and strengthen and diversify economies to ensure young people can compete. The cost of everything has gone up and income levels have stayed the same. There needs to be that comprehensive holistic approach […]. We need a multidimensional approach: promoting [the Welsh] language, [the] economy, the well-being of communities, achieving ownership over the tourism sector, infrastructure planning, health service provision, and increasing the supply of affordable housing.' (Housing and Property Interview, 2021)

Additional remarks

The COVID-19 pandemic

5.89 The COVID-19 pandemic was frequently referenced as a key consideration and a factor that has contributed to an acceleration of the patterns of impact outlined above. The pandemic was thought to have led to an accumulation of wealth amongst some groups in society. Travel restrictions forcing most UK residents to look to staycations (rather than to foreign holidays), possible changes in working practices, and a more general willingness to abandon urban areas are all thought to have contributed to accelerating and intensifying the interest in second/holiday home buying both for personal use and as investments to take advantage of the growing demand for STLs and other forms of holiday rents in the UK. Furthermore, housing and property stakeholders noted that they were very aware of the much-increased traffic on property websites during the pandemic:

> 'The community is cohesive but small. It's been polarised by [COVID-19], as English residents weren't supposed [to] visit due to [COVID-19, though many were seen to be crossing the border]. Local people are becoming more confident about expressing discontent. The community is not happy about the lack of residential rental properties. The community provided amazing support during [COVID-19]. But there is a divide between locals and incomers. Incomers tend to avoid getting involved in community action.' (General Stakeholder Interview, 2021)

5.90 Moreover, whilst the issue of second homes is widely felt to have existed for decades, interviewees in areas with a high prevalence of second homes felt that the current situation, following an intensification of the issue during (or possibly due to) the COVID-19 pandemic, had reached a crisis point. The situation has also intensified feelings and fears, leading to more explicit displays of discontent:

> 'The pressure in the market [amidst] the [COVID-19] pandemic has intensified. Houses have sold quickly and the pressure from the outside [has increased prices]. In terms of the data behind this, well, it takes time to gather the evidence. The danger is that it's too late for someone to do something about it. Members and community councils say [that] this is a crisis now. It is [inevitably] anecdotal. We rely on evidence but that takes time. Members say that this is a crisis now.' (Local or Planning Authority Interview, 2021)

Taking advantage

5.91 As noted, many interviewees sought to stress that there were positive benefits to second homes, most notably in relation to tourist spend and, particularly, the renovation of derelict properties. However, no interviewees discussed additional policies or interventions that could further capitalise on or harness the impact of second homes or their potential. Nor did interviewees consider more structural or longer-term adjustments in order to enable those who own second homes to spend more time and make more of a contribution to communities and local economies.

Ultimate aims of interventions

5.92 A few interviewees referred to thresholds (beyond which second homes have an impact) and a need to avoid a situation in which 'too many' second homes are concentrated within a particular locality. Many planning-related interventions proposed implied that interviewees wanted the tools with which to restrict further growth of second homes. However, it was not clear as to whether interventions proposed should ultimately seek to reduce existing numbers, halt any further sales of, or conversions to, second homes (whereby achieving some form of stability), or affect a different solution or conclusion.

5.93 Indeed, whilst the majority of the interviewees discussed a range of policy options for addressing the impact, very few articulated what these options should ultimately aim to achieve. Perhaps to the detriment of efforts to inform and develop satisfactory policy proposals, therefore, interviewees very rarely articulated a clear 'end point' or ultimate aim. Without an agreed or established aim, evaluating the effectiveness of policy options may prove to be particularly challenging. Clarifying the aims of second home interventions would facilitate more effective evaluation of the impact of policy and intervention.

5.94 This may relate to what some authors have claimed, namely that the very real concerns that are articulated relate to wider socioeconomic, cultural and language changes and hardships that face rural areas. The decline of the Welsh language, the loss of community, and the outmigration of young people were common 'end points' of the chain of negative impacts discussed in interviews. It is possible that second homes present a tangible and immediate focal point for a release of frustration regarding the direction of travel and the inability to halt wider change in rural communities. Some academic authors would go further:

‘[…] for local politicians – in particular – the occurrence of second homes provides an opportunity to present local problems as being externally driven, caused not by the failures in the immediate economy or by misjudged policy interventions, but by the greed and carelessness of outside interests […] second homes are often convenient scapegoats […]. Second homes are an obvious symbol; they are also a useful distraction from the more difficult and complex problems that many rural areas face.’ (Gallent, Mace & Tewdwr-Jones, 2005: p.222)

5.95 This may be a further consideration in relation to policy development. If second homes are convenient scapegoats, as the authors suggest, then addressing the issues and their perceived impact is unlikely to alleviate concerns about the impact that they are perceived to be having.

6. Summary of Responses from Senedd Members

6.1 In addition to the literature review and stakeholder interviews, and in response to requests by Senedd members to contribute to the research, a survey and follow-up interviews were offered to all members. The survey sought to pose the same questions as those presented in the stakeholder interviews. In total, 20 individuals partially completed the survey. However, not all were Senedd members, and only nine submitted responses to one or more questions; in other words, 11 respondents may have read the survey questions but did not submit any responses. Practically, therefore, the response rate was nine. For this reason, and due to the self-selecting nature of the responses, the views discussed below should not be considered representative of all Senedd members.

6.2 Follow-up interviews were offered to all who completed the survey, with six requesting but only two ultimately undertaking an interview. The interviews sought to explore the responses to the survey in more detail.

Prominence of the issues relating to second homes

6.3 All respondents noted that second homes and the issues related to their impact were important or prominent in Wales, though a few drew attention to the need to appreciate local variation within local authorities. Moreover, a few noted that the issues related to second homes tended to be concentrated in certain parts of Wales:

> ‘It tends to be an issue that is concentrated in coastal communities but is also an issue in the National Parks. The impact on communities where the number of second homes is too high is massive. Local young people are forced to move away, as they can no longer afford houses. Social isolation becomes a huge issue in winter months, as most of the properties are empty. Community services like shops, transport, etc. are reduced.’ (Senedd Member Interview, 2021)

6.4 However, some suggested that the issues relating to second homes were spreading to areas that, historically, had not accounted for many such properties:

‘It used to be a problem limited to some holiday destinations in Gwynedd and Pembrokeshire, but it’s now a growing problem in many rural communities throughout North and West Wales, caused by lower house prices in Wales compared to England.’ (Senedd Member Interview, 2021)

Definitions of second homes

6.5 Most of the respondents were clear in differentiating between second homes used for personal holiday reasons and properties that were either let or used for business purposes. For some respondents, it was important that properties used for holiday lets not be conflated with second homes for personal use:

‘A second home is a property that is not a full-time home for the owners, and they use it primarily for their own purposes (although they can also hire it out as holiday accommodation at those times they do not use it). A second home is NOT [original author’s emphasis] a house owned by someone else that is rented out full-time or used as a registered holiday business.’ (Senedd Member Survey Response, 2021)

6.6 Meanwhile, one response drew attention to wider housing stock issues, and how second homes should be understood as only one form of property ownership accounting for the housing stock:

‘It should also be noted that properties which are used or registered as businesses are a significant part of the housing stock in areas where the number of second homes [is] also high.’ (Senedd Member Survey Response, 2021)

6.7 One response also drew attention to STL properties and the difficulties in delineating and defining the types of properties having a negative impact:

‘[…] it’s a very thin line between second homes and some elements of [short-term holiday lets]. The sector there has become more blurred because of unregulated platforms such as Airbnb and Vrbo. So they are not official businesses but often an opportunity to supplement incomes (but which take houses out of the housing stock, [increase] prices, and [increase] rent.’ (Senedd Member Survey Response, 2021)

Impacts attributed to second homes

6.8 The majority of the responses reflected the belief that second homes contributed to increasing house prices and a reduction in the housing available or accessible to local residents. Respondents often linked the increase in house prices or the reduction in available housing to wider impacts, reflecting the causal chain outlined in the conclusions of this report. These additional impacts included a loss of community and the Welsh language:

> ‘They [increase] prices, as on the whole it’s rich people or [those] from more economically prosperous areas who buy them and can therefore offer a higher price for a property. This, in turn, increases the [prices] in the nearby [markets], meaning that an entire community is priced out of the housing market.’ (Senedd Member Survey Response, 2021)

6.9 One response challenged the suggestion that second homes impact negatively on the Welsh language:

> ‘As I have already noted, it is possible that second homes have the opposite effect, as they reduce the extent of non-Welsh-speaking in-migration. Indeed, it is important to note that the Second and Holiday Homes and the Land Use Planning System Research Report concluded that retirement and commuting are “the more significant components of the external housing pressure” in rural communities.’ (Senedd Member Survey Response, 2021)

Policy options and interventions to address the impact

6.10 Most of the responses proposed a range of policy options or interventions, particularly in relation to addressing the perceived negative impacts of second homes. These included: raising Council Tax premiums or Land Transaction Tax; ring-fencing revenue to support access to the housing market; closing NDR ‘loopholes’; limiting the number of properties that individuals can own; a specific use class for second homes for planning purposes; and restrictions on converting properties into second homes.

6.11 A few suggested either that there was insufficient evidence with which to support the notion that a Council Tax premium had an impact or that they believed that it did not disincentivise second home purchases:

> ‘The Council Tax premium [is] not working, as it isn’t enough of a financial deterrent for second homeowners. There are also issues with enforcement, as

many second homeowners are switching to holiday let status to pay lower business rates (as local authorities do not have the resources to monitor it). There needs to be an all-Wales strategy with all local authorities following the same rate.' (Senedd Member Interview, 2021)

6.12 One response was more focused on supply-side interventions such as increased investment in social housing and a cut in Land Transaction Tax to encourage investors into the rental market:

'Meanwhile, I am clear that a cut in Land Transaction Tax would remove the cap on aspiration and encourage new investors into the rental market. Counties with a second home problem, like Gwynedd, require [a] sufficient supply of rented accommodation, especially in communities like Bangor and Caernarfon. The Welsh Government must now outline what incentives they will provide to encourage private landlords to remain in or join the rental sector.' (Senedd Member Survey Response, 2021)

Concluding remarks

6.13 The views and experiences of Senedd members who contributed to the research closely resemble those of the stakeholders and local/planning authority personnel interviewed for the research. This should increase confidence that the views of those interviewed for this research are reflected more broadly. Senedd members recognised that second homes were a prominent issue, particularly in some areas, and that the nature of the issue and impact was changing. Members expressed concern towards the varied definitions and the dangers of conflating different types of second homes, whilst their view of the impact caused by second homes and the potential interventions for addressing these issues reflected the discussion in the report.

7. Conclusions

7.1 This research has sought to develop the evidence base in relation to second homes, their impact, and ways in which such impact can be addressed through policy interventions. It has drawn on a comprehensive, albeit not exhaustive, review of academic and grey literature, and a number of semi-structured interviews with key local authority personnel and wider stakeholders whose work relates to second homes.

7.2 It seeks to address and inform the following research questions:

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

7.3 To conclude the report, this chapter will discuss some key aspects of the findings, before summarising the findings in relation to each question.

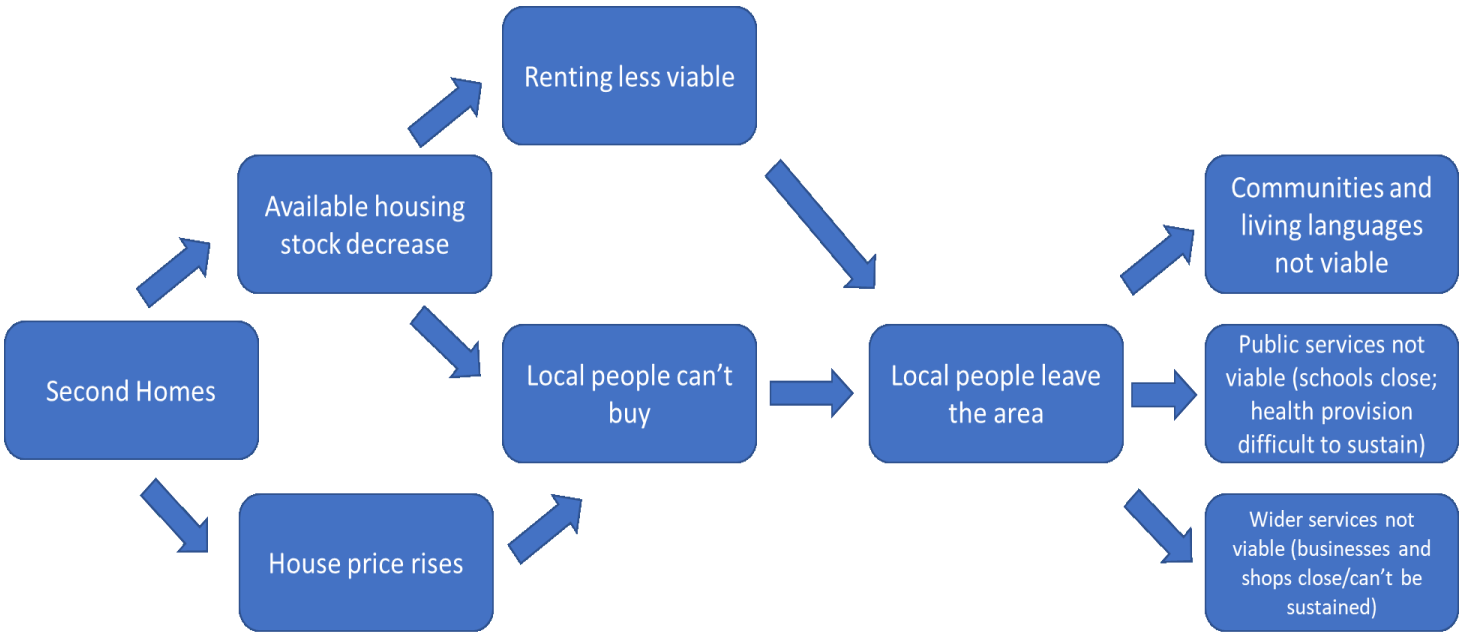
Key aspects of the research

Chain of impact and key assumptions

7.4 Second homes are thought to have direct and indirect/secondary impacts on a range of issues. Mapping this chain of impact, as identified by the evidence collected in this research, reveals that key assumptions are sometimes made[19]. Moreover, the chain reveals the risks of engaging with the issue in isolation of wider factors. Figure 7.1 seeks to illustrate this chain of impact.

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

Figure 7.1: Second Homes Potential Chain of Impact Diagram



7.5 Second homes are generally understood to cause a reduction in the 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 able or unable to afford to buy or rent. Consequently, these individuals are said to leave the area.[20] These are the indirect impacts of second homes. As a result of this, and with the presence of more empty properties and transient populations, communities and their languages and services are more difficult or impossible to sustain. These are the consequences that are frequently, both within the literature and in interviews, traced back to second homes.

7.6 It is possible to identify two key assumptions. Firstly, to be sure of the secondary impacts and wider consequences of second homes, the primary impacts must be explored and evidenced. It must be ascertained that second homes are indeed having a sufficient impact on the available housing stock and prices to stop local residents from buying or renting within a particular locality. The research findings highlighted the significance of thresholds, and a point at which the impact was sufficient to cause this. It is upon this link and the suggestion that second homes cause a significant-enough impact on the housing stock and prices that all

[20] It should be noted that this model represents the generalised 'logic' of interviewees when discussing the impact of second homes. Accordingly, it is not necessarily 'true' – it is their perception of the impact. Data on migration is available at a local authority level but does not explain why people are migrating.

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 on prices and stock.

7.7 The second assumption relates to the risks of isolating the issue and focusing 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. Outmigration and declines in services and the Welsh language are complex issues in themselves, with a range of factors believed to exert an influence — second homes are only one such factor. The ability to purchase housing is likewise influenced by a range of factors, including average wages, the 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 become clear if and when second homes in and of themselves cause a significant impact.

Limitations of the method

7.8 The literature review was limited by the practical implications of the COVID-19 pandemic, as well as time and resources. Ultimately, the review could not be exhaustive and was confined primarily to online sources. It should, nonetheless, be considered a strong indication and summary of the key issues and arguments present within the wider academic and grey literature.

7.9 However, the evidence base within this literature, which would support an in-depth exploration of the impact of second homes upon communities to inform policy and intervention development, is limited. It is strongest in understanding the impact of second homes upon house prices and access to housing. Yet, there is only limited robust or objective evidence that addresses the secondary impact of second homes upon issues such as community sustainability, the Welsh language, and private and public services.

7.10 Furthermore, 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 outside of the UK due to the differences between housing markets, populations, and demographic patterns, the political will to act, language contexts, as well as broader cultural or

societal norms that influence home ownership in other countries in comparison to Wales or the UK.

7.11 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, as is the process of exploring the combination of factors. 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 in order to draw conclusions. This further limits the extent to which the impact of second homes can be comprehensively explained and evidenced so as to inform the development of policies or interventions.

7.12 We are consequently left with an evidence base with a clear general thrust but which lacks detail and objectivity with which to inform responses at the local level, where it is widely believed to be needed. We can only draw on imprecise notions of how and to what extent second homes impact house prices and housing markets. Further research would greatly support policy development in this field and help to contextualise the impact of second homes alongside wider factors.

Recommendation 1: Further research

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 (see 4.98 and Koster et al., 2020) 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 in-migration, National Park designations, coastal and natural beauty, and wider, national-level inflationary factors.

Wider factors

7.13 A key and consistent theme across the literature and interviews was the tendency to view second homes in isolation. Concurrently, and somewhat conversely, studies and interviewees stressed the need to acknowledge the wider factors that also contribute to increasing house prices, diminishing housing stock, and the myriad of indirect impacts that second homes were thought to cause. Addressing second

homes alone is unlikely to solve affordability issues and the challenges of rural areas across Wales.

Recommendation 2: Second homes should not be addressed in isolation

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.

Thresholds and critical mass

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

7.15 Some interviewees suggested that in some areas, as the number of second homes was not close to this threshold, there was little to no impact and, consequently, no need for action. Meanwhile, others suggested that in some areas the threshold had been crossed, leading to an irrevocable impact on the housing market and local communities. Policy and intervention are unlikely to address the latter category unless focused on actively reducing second homes — an approach only suggested by very few authors.

7.16 The focus of effective policy should consequently be upon areas that have not yet crossed, but due to increasing numbers are in danger of crossing, this threshold. Policy and interventions could consequently be focused on avoiding significant and irrevocable impacts.

7.17 However, where this threshold lies remains a subjective judgement, best made at the local level (where there are concentrations of second homes). Any policy or intervention such as limits or ratios will need to draw on an informed notion of where the threshold lies and, consequently, where the limit or ratio should be set. Further research should seek to identify and develop the understanding of such a threshold.

Recommendation 3: Identifying the threshold

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.

Mapping the scale of the issue

7.18 The empirical data available on second homes in Wales offers only a partial picture of the situation. Data on second homes suggests that they are predominantly concentrated around coastal, rural authorities and within Cardiff and Swansea. Community-level data, meanwhile, suggests that even within local authorities, their distribution is more concentrated in some localities than in others.

7.19 Indeed, the distribution of second homes in Wales echoes much of the literature, namely that the local level is the most appropriate in examining their prevalence as well as their impact and likely the means of addressing such impact. Interview comments corroborated this view, with many participants referring to 'hotspots' in which issues were acute and solutions were most needed.

7.20 Drawing on a wider definition of second homes that includes commercial holiday lets and STL properties (see Recommendation 6), local authorities should be encouraged to map the scale and extent of second/holiday homes. This will give a more accurate notion of the scale of the issue and the distribution of such properties. Moreover, if a threshold can be identified, it should support efforts to intervene and mitigate the impact of second homes. Work undertaken by Gwynedd and Anglesey Councils may support or inform these efforts, particularly the mapping on a community ward level.

Recommendation 4: Mapping the issue

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

Defining aims

7.21 A significant hindrance to any efforts to develop policy is the absence of a clear or ultimate aim either in relation to what specific interventions should aim to achieve or in relation to how the issue should be resolved. Some interviewees and discussions of policy interventions referred to limiting further growth of second homes in some areas. Beyond these instances, however, it was not clear as to whether interventions should seek to reduce existing numbers, halt any further sales of or conversions to second homes or affect a different solution or conclusion. Defining or

agreeing a clear aim would greatly support efforts to evaluate the efficacy of policy and specific interventions.

Recommendation 5: Clarity regarding the aims

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

Discussion of key research questions

Definition of second homes

7.22 The definition of 'second homes' is fluid (depending on the context) and varies between sources. A single and widely shared definition would be of significant value to any efforts to understand and develop policy and interventions for addressing the impact of (the different types of) second homes. A single definition, however, risks masking the nuances and differences in the types of properties in question.

7.23 Holiday accommodation and STL properties are perceived to bring tourists and their spending but likely contribute more to the seasonality of socioeconomic life. The frequency with which a personal second home is used, meanwhile, will govern the extent of the contribution to wider community life. Evolving work–life patterns, however, predicted as a result of the COVID-19 pandemic, are likely to muddy these differences.

7.24 On balance, however, the research suggests that the direct impact of all types of second homes is that of decreasing the housing stock and increasing house prices. This largely negative impact, moreover, is perceived to outweigh the positive impact. If mitigating this impact is the aim of Welsh Government policy, then a broader definition of second homes should be adopted, including commercial holiday lets and STL properties. Gwynedd Council's 'holiday home' definition may offer a suitable approach; however, it is also recommended that STL properties also be considered (see Gwynedd Council, 2020: p.3).

Recommendation 6: Adopting a broader definition

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.

What Welsh, UK and international evidence is available on the impacts of different types of second homes?

7.25 Again, limitations in the evidence available need to be taken into account when considering this question. However, in terms of the broad findings of the existing evidence base, there is evidence to suggest that second homes can raise the demand for houses and, subsequently, local house prices. Direct competition between local and external buyers was thought to push prices up and out of reach of local residents. This was largely seen to be a negative impact in relation to local populations that are priced out of markets. As noted, however, delineating this impact and quantifying just how much of an impact second homes have upon house prices in comparison to wider factors is challenging.

7.26 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 homes, beyond which the impact was felt or became particularly acute. However, there was little data with which to inform where or what this threshold was.

7.27 Alongside house price inflation, the most direct impact of second homes was that of reducing 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.

7.28 The impact on house prices and housing stock tends to be the immediate, direct impact of second homes being sold and bought. As a consequence of these, however, a range of broader and secondary impacts are perceived. However, a key assumption is made within this logic chain, namely that second homes do have a significant-enough impact on house prices and housing stock to cause the secondary impact. If the initial direct impact is disproved, i.e. if, in fact, other factors have a much more significant impact on house prices and housing stock than do second homes (as some authors contend), then the secondary impacts should not be strongly attributed to second homes.

7.29 In terms of broader impacts of second home ownership, the evidence base is relatively weaker. A limited number of studies explored, for example, the impact of second homes and outward migration. Furthermore, a few publications documented the cultural clashes that can occur (Stiman, 2020: Gallent, 2007; Paris, 2010), whilst only very few publications detailed the impact on the Welsh language — an issue more prevalent during discussions with interviewees.

7.30 Indeed, interviewees tended to stress various aspects of the erosion of a sense of community. These included a service decline, a loss of the Welsh language, and the seasonality of economic and social life (which is characterised by low-paid tourism employment in season and periods of relative desertion during off-seasons). These, however, were the impacts that were difficult to evidence and link to second homes.

7.31 Some 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 these localities. However, more recent publications challenged the extent of this contribution, whilst it is also possible that such expenditure merely displaces (likely only part of) what first home owners would have spent in these localities.

7.32 A few publications and interviewees did state that the role that second home owners play in renovating derelict properties could be a relatively unique and positive impact. This is thought to bring properties back into the stock (if/when they are later sold) and act as effectively a less environmentally impactful means of supplying more housing. Indeed, encouraging such investment through planning or tax incentives may offer a means by which more derelict or uninhabitable properties can be brought back into the stock. This approach is even more attractive in a context in which shortages of building supplies are felt within the construction industry.

7.33 However, as with the direct impacts, both the literature and the interviews largely fail to isolate the secondary impacts of second homes specifically and independently of the range of other factors that contribute to these secondary issues. Attributing these secondary impacts to second homes alone or even in part entails making some key assumptions (as outlined above).

7.34 A key development was identified within the interviews that was largely missing from publications. The increase of STL properties in both rural areas and some

cities was a cause for concern for a number of local authority personnel and wider stakeholders. The lack of regulation and the poor data available on numbers and distribution lead to an unsatisfactory reliance on anecdotal evidence and personal experiences.

7.35 There were concerns, however, that STL properties were impacting communities. The types of properties bought for STL purposes as well as their location were deemed to be more varied than second homes. Concentrations were thought to have emerged in areas hitherto unrelated to tourist or second home 'hotspots'. Moreover, their appeal as 'party pads' was contributing a further and somewhat more direct impact on communities in the form of antisocial behaviour, drug and alcohol abuse, and significant noise disruptions. City-based interviewees suggested that refuse and parking issues were also associated with STL properties.

What approaches have Welsh local authorities and other bodies explored or implemented in relation to second homes?

7.36 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. However, a range of policy interventions were discussed, some of which were in operation across local authorities in Wales as well as in other parts of the UK and Europe.

7.37 Those in operation in Wales consisted primarily of Council Tax premiums, which were thought by a minority of interviewees to have slowed the demand for second homes, but by the majority to have had little to no impact beyond encouraging a change of use to a business property. The only benefit was linked to the additional sums 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.

7.38 Limited planning interventions were said to have been in operation, involving conditional occupation conditions on affordable housing. More generally, however, there appeared to be some variation in relation to what planning interventions were feasible or workable.

7.39 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 were commonly endeavours at the regional (local authority) level, which is unable to address the acute and localised contexts and issues caused by second homes. Moreover, interviewees considered localised opposition to house building to be a further barrier to developing more affordable housing in localities pressured by second homes, as well as a general absence of volume builders within such rural localities.

7.40 Beyond Wales, there were instances of limits being placed on second homes, or ratios of second homes to first homes. These were thought to work to limit the increase of second homes, though very little evaluative data was available for scrutiny.

7.41 Interestingly, neither the literature nor the interviews discussed covenants as either an actual or potential means by which the impact of second homes could be mitigated. Discussion guides to interviewees prompted consideration of covenants, but no local authority personnel discussed their use or potential.

What does the evidence identified tell us about the possible policy levers or approaches in relation to second homes?

7.42 Broader policy levers or approaches were also discussed in both the literature and the interviews. It was clear from the interviews that there was a demand for more powers at the local authority level to address or at least monitor the numbers and prevalence of second homes in their widest sense. This may be linked to a wider frustration regarding being unable to halt a wider community erosion, a decline in the Welsh language, and the unsustainability of services.

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

7.44 The planning system emerged within both the literature and the interviews as a means by which second home numbers could be monitored and controlled. Specifically, creating a specific use class and/or requiring permission to change the use of a property to that of 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 the denial of permission.

7.45 Closely associated with the change of use was the notion of limits or ratios being placed on second homes. Ratios or limits would complement the notion that there were thresholds that should be avoided.

7.46 International examples illustrated the potential of the approach, though wider consideration should also be given to the possible additional or unintended impact of such an approach. Some areas are widely thought to have crossed any thresholds, possibly requiring alternative approaches. Limits in particular areas could drive prospective second home owners to buy in hitherto unaffected areas. Furthermore, a limit on the number of second homes could 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 commercial holiday lets and whether a limit were desirable on holiday accommodation within areas relatively economically dependent on tourism. Finally, whilst piloting planning approaches may be possible and even effective, concerns surrounding enforcement should be borne in mind in relation to any rollout and scaling of any approaches further into the future.

7.47 Planning-related solutions were only thought 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.

7.48 Wider stakeholders commonly suggested that further tax increases were desirable, seeing the approach as either a deterrent or a means of raising funds with which to support supply-side solutions. These comments contrasted with the perception that the Council Tax premium was not particularly effective. What is more, interviewees desired a means by which second home owners could not ‘avoid’ paying Council Tax premiums by switching to a business property and benefit from rate relief on NDR.

7.49 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 engage with the issue of affordability and the challenges of rural Wales as much as, if not more than, second homes.

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

What impact have or would the policy levers or approaches have in relation to second homes?

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

7.52 It was common, however, for the literature and interviews to note the need for a local approach to not only evaluating the extent and impact of second homes but, by extension, also evaluating interventions that address such impact. In this sense, and in the absence of a satisfactory body of evaluative literature exploring the impact of policy and interventions, a pilot-and-evaluate approach may offer most value to the Welsh Government in their efforts to develop effective policy and interventions with which to counter the negative impact of second homes. Such an approach would also manage and mitigate the risk of unintended consequences.

Recommendation 7: Piloting approaches

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.

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Annexe A: Literature Review Methodology

In order to ensure the identification of relevant literature with which to strengthen the literary base of this research, a rigorous methodological structure has been employed so as to ensure the inclusion of a range of research spanning countries, authors, purposes and disciplines.

Step 1: Formulating Research Questions

In order to direct the literature review, the following questions were established based on the detailed research questions identified within the research specification and following the project's scoping interviews:

- How are second homes defined?
- What is the impact of second homes?
- 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?

These questions not only sought to refine the literature considered for the review but also provided foci for how the literature could be analysed. By establishing these distinct topics that could be extracted from the range of literature available, it ensured that the review was efficient and that the information reviewed was that closest to the purpose of the research.

Step 2: Establishing a Conceptual Framework

In seeking to establish a conceptual framework for the review, it was understood that the relationship between the framework and the literature review was clearly symbiotic. By reviewing more of the literature, the framework became more refined and, in turn, more focused, leading to more specific literature being reviewed.

Step 3: Policy Context

The literature review involved a comprehensive review of both Welsh and UK policy contexts regarding second homes. This involved looking at policies and press releases at the local, regional, Wales-wide and UK-wide levels. This stage was important because it provided a wider context for other research and literature present within these areas. It also allowed for points of comparison to be drawn between policy at these scales and international equivalents to see points of similarity and difference. Moreover, it provided a backbone of the issues surrounding second home policy for the later phases of this research.

Step 4: Setting Inclusion and Exclusion Criteria

The review examined more contemporary papers discussing second homes, mostly from 2010 onwards; however, what became clear was that many of the papers published after 2010 drew heavily from work written prior to this time. Therefore, exceptions were made for key papers that featured heavily in more modern literature, as these needed to be reviewed in order to understand the basis of recent research.

The review also initially tried to focus mostly on papers and reports showing empirical impacts of second homes; however, it became clear that this body of literature remains rather narrow in comparison to the wider scope of literature which focuses more on anecdotal and literary evidence. The literature review sought to be inclusive of opinions from many of the different groups in relation to this issue, including: second home owners, individuals living in areas with large proportions of second homes, policymakers, and academics.

Step 5: Search Strategy

Early on it became apparent that the flexible terminology surrounding second homes would render searching for sources more difficult, with ‘second homes’ regularly being exchanged for terms such as holiday homes, vacation homes, additional properties, and holiday lets. These terms were then combined with other keywords such as impacts, policy, interventions, perceptions and definitions.

The search strategy employed for this review tried to include data from a range of different disciplines (from journalistic pieces to governmental policy and academic literature). In order to do this the aforementioned search terms were entered into electronic databases, academic journal stores, search engines, and governmental websites.

In addition, bibliographies and reference lists of already-used literary sources were utilised to identify key papers and articles to be considered. This process was then repeated until no more relevant articles were mentioned in these lists.

Step 6: Searching

Once databases, search terms, and websites had been identified, searching commenced and all relevant papers were recorded in a database and key-worded to allow them to be revisited early and further analysed where necessary. The searches were conducted via academic journal repositories and Google Scholar.

Step 7: Screening

Once the initial literature had been identified, articles were screened and compared to the inclusion and exclusion criteria determined. Furthermore, they were scrutinised more closely in order to determine how relevant they were to the study and the four key research questions. Those that met these standards were included in the next stage of the review.

Step 8: Quality Assessment

This stage involved further assessment of the sources in relation to the research questions and the quality of the articles. The quality of the articles was determined by considering a variety of characteristics such as the proximity of subject to the purpose of this study, the coherence of the article itself, the existence of any inherent bias, and where possible the extent to which conclusions made in the article were supported by evidence.

At this point, any studies identified as weak or lacking in relevance could be excluded. However, this stage also allowed for less relevant studies sharing common characteristics to be included if a new trend or theme in the literature became apparent that had not been considered previously.

By breaking the literature down into key themes, this aided the structuring of the analysis and the write-up, allowing for the literature to be mapped more extensively and the findings to be synthesised.

Step 9: Full Data Extraction

Once the studies were screened and assessed for relevance and quality, the relevant data was extracted for inclusion in the narrative report. This included the extraction of key quotes, statistics and findings to be included in the report to further highlight the key trends found in the body of literature with respect to the impacts of second homes.

Step 10: Synthesis of Findings

Literature was synthesised by theme and research question. Where possible, quantitative studies were utilised in order to provide evidence for the themes discussed in qualitative studies; however, due to a lack of quantitative evidence available, this was not possible for all themes and research questions.

Purpose

The aim of this literature review was to identify evidence of the impacts of different types of second homes upon social aspects (such as Welsh language and community resilience) as well as economic aspects (such as the supply and affordability of housing).

This review also informed the development of research tools and aided in the identification of key stakeholders for interviews.

Annexe B: Interview Discussion Guides

Local Authority representatives

1. Please introduce yourself and how your work relates to second homes.
2. Generally, what are your views on second homes in Wales? *(Please feel free to express anything you feel that is important for the research to account for)*
    a. Do you have any thoughts on the current legislative/policy framework?
3. How would you define a second home?
    a. Are there problems with this definition?
    b. Are there competing definitions?
4. How prominent are second homes in your area?
    a. How much of your work relates to second homes or the impact that second homes have?
    b. Do you have data that you can share with us to help in our efforts to map their prominence? [this would greatly strengthen our evidence base]
5. What *direct* impact do you think second homes have on the housing market?
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact?
6. In your view, impact (positive or negative) do second homes have on communities?
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact?
7. What other impact – *direct or indirect/secondary* do second homes have? *(Please refer to any supporting evidence if possible)*
    a. Economic?
    b. Tax?
    c. Language?
    d. Community cohesion?

e. Population and demographic?

f. Tourism industry?

g. Sustainability of services?

h. Architectural/built environment?

i. Other?

8. What policy interventions are in place in your authority that impact (directly or indirectly) upon second homes?

    a. What would you say their impact has been?

    b. Could you identify data or evidence that supports these views?

9. What are the other possible policy options and leavers that may respond to, limit or support the impact outlined above?

    a. What is the evidence supporting the impact and efficacy of these policy approaches?

10. What impact, in your view, would the following have upon second homes and your work? *(feel free to address any or all of the following)*

    a. New/additional tax targeted at second homes (such as a council tax premium or additional/new tax)

    b. Empty homes tax

    c. Tourism tax

    d. Limits on second homes (building or converting existing properties) or requiring planning permission to convert a property to a second home

    e. Restricting second homes to derelict homes

    f. A ‘locals first’ policy for buying homes

    g. An ‘economically active only’ policy for buying homes (i.e. houses are reserved or only for sale to people who work in the area)

    h. Principle residence housing restrictions (i.e. a proportion of homes in an area must be principle residence)

    i. Licenses to operate holiday homes

    j. Airbnb restrictions

k. Other *(Please feel free to suggest any further policy options for National or Local Government)*

11. Would you recommend any further data sources or people we could interview, that would inform our research?
12. Is there anything else you would like to add, or is there anything you feel we have missed and should've discussed?

General stakeholders

1. Please introduce yourself and how your work relates to second homes.
2. Generally, what are your views on second homes in Wales? *(Please feel free to express anything you feel that is important for the research to account for)*
    a. Do you have any thoughts on the current legislative/policy framework?
3. How would you define a second home?
    a. Are there problems with this definition?
    b. Are there competing definitions?
    c. How prominent are second homes – is this a 'big issue'?
4. What *direct* impact do second homes have on the housing market?
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact?
5. In your view, what impact (positive or negative) do second homes have on communities?
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact?
6. What other *direct or indirect/secondary* impact do second homes have, as a consequence of the above? *(Please refer to any supporting evidence if possible)*
    a. Economic?
    b. Tax?
    c. Language?

d. Community cohesion?

e. Population and demographic?

f. Tourism industry?

g. Sustainability of services?

h. Architectural/built environment?

i. Other?

7. What are the possible policy options and levers that may respond to, limit or support the impact outlined above?

    a. What is the evidence supporting the impact and efficacy of these policy approaches?

8. What impact, in your view, would the following have upon second homes and your work? *(feel free to address any or all of the following)*

    a. New/additional tax targeted at second homes (such as a council tax premium or additional/new tax)

    b. Empty homes tax

    c. Tourism tax

    d. Limits on second homes (building or converting existing properties) or requiring planning permission to convert a property to a second home

    e. Restricting second homes to derelict homes

    f. A ‘locals first’ policy for buying homes

    g. An ‘economically active only’ policy for buying homes (i.e. houses are reserved or only for sale to people who work in the area)

    h. Principle residence housing restrictions (i.e. a proportion of homes in an area must be principle residence)

    i. Licenses to operate holiday homes

    j. Airbnb restrictions

    k. Other *(Please feel free to suggest any further policy options for National or Local Government)*

9. Would you recommend any further data sources or people we could interview, that would inform our research?
10. Is there anything else you would like to add, or is there anything you feel we have missed and should've discussed?

Housing and property sector representatives

1. Please introduce yourself and how your work relates to second homes.
2. Generally, what are your views on second homes in Wales? *(Please feel free to express anything you feel that is important for the research to account for)*
3. How would you define a second home?
    a. Are there problems with this definition?
    b. Are there competing definitions?
    c. How prominent are second homes – is this a 'big issue'?
4. How much of your work/business relates to second homes?
    a. Do you deal with second homes differently in any way?
    b. How does the current legislative, tax or policy framework impact how you deal with second homes?
5. What *direct* impact do second homes have on the housing market? *(Please consider the following)*
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact (is it even possible to evidence it)?
6. In your view, what impact (positive or negative) do second homes have on communities? *(Please consider the following)*
    a. Nature of the impact
    b. Scale and geography of the impact
    c. What would you point to as evidence of this impact?
7. What other *direct or indirect/secondary* impact do second homes have, as a consequence of the above? *(Please refer to any supporting evidence if possible)*

a. Economic?

b. Tax?

c. Language?

d. Community cohesion?

e. Population and demographic?

f. Tourism industry?

g. Sustainability of services?

h. Architectural/built environment?

i. Other?

8. What are the possible policy options and levers that may respond to, limit or support the impact outlined above?

    a. What is the evidence supporting the impact and efficacy of these policy approaches?

9. What impact, in your view, would the following have upon second homes and your work? *(feel free to address any or all of the following)*

    a. New/additional tax targeted at second homes (such as a council tax premium or additional/new tax)

    b. Empty homes tax

    c. Tourism tax

    d. Limits on second homes (building or converting existing properties) or requiring planning permission to convert a property to a second home

    e. Restricting second homes to derelict homes

    f. A ‘locals first’ policy for buying homes

    g. An ‘economically active only’ policy for buying homes (i.e. houses are reserved or only for sale to people who work in the area)

    h. Principle residence housing restrictions (i.e. a proportion of homes in an area must be principle residence)

    i. Licenses to operate holiday homes

    j. Airbnb restrictions

k. Other *(Please feel free to suggest any further policy options for National or Local Government)*

10. Would you recommend any further data sources or people we could interview, that would inform our research?

11. Is there anything else you would like to add, or is there anything you feel we have missed and should've discussed?