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Evaluation of the Second Homes and Affordability Pilot: Phase 2 2024-2025

Executive summary

1. Introduction

Housing affordability continues to be a critical issue in Wales. Recent figures suggest a modest improvement in certain metrics, though challenges remain. According to the latest UK House Price Index, the average property price in Wales was £209,000 in July 2025, up from £205,000 in July 2024. Looking back, house prices increased sharply between July 2020 and July 2022, with annual growth of 10% and 15%, followed by stability in July 2022 and July 2023, and more moderate growth of 1% in 2024 and 2% in 2025. Housing supply remains constrained, with 3,800 new dwellings completed in 2024/25 compared with annual completions of 4,300-5,200 units between 2020/21 and 2023/24. Full-time employees in Wales required 5.9 times their annual income to buy a home in 2024, slightly lower than 6.1 in 2023 but still above the ONS affordability threshold of 5.0 [Footnote1].

Footnote

[1] According to Office for National Statistics, 2025. Housing affordability in England and Wales: 2024, the Office for National Statistics use a threshold of five years of income as a broad indicator of affordability. Further definitions and sources can be found in Office for National Statistics, 2025. Housing affordability in England and Wales Quality and Methodology Information (QMI) report.

In the private rental sector, average rents reached £811 per month in August 2025, reflecting sustained affordability pressures.

The presence of second homes, empty properties, and self-catering holiday units continues to influence housing affordability. In 2025/26, Wales recorded 24,000 chargeable second homes and 22,560 empty properties. Second homes are concentrated in western and coastal areas, with Gwynedd recording the highest total (4,600), followed by Pembrokeshire (3,900), Cardiff (3,400), and the Isle of Anglesey (2,000). Within Gwynedd, community-level patterns remain uneven, with high concentrations in Llanengan and Beddgelert (49% and 34% of dwellings, respectively) and low prevalence in Bangor (1.94%) and Caernarfon (1.72%) [Footnote 2].

In Gwynedd, chargeable second home numbers have fluctuated over recent years, peaking at 5,100 in 2021/22, declining steadily until 2024/25, and then rising slightly again to above 4,400 in 2025/26. The number of self-catering units liable for non-domestic rates also fell, from 2,800 in early 2024 to around 2,000 in 2025 [Footnote 3]. In terms of chargeable empty properties, Gwynedd was estimated to have 1,510 in 2025/26, up from 1,460 in 2024/25, placing it among the top five local authorities in Wales.

The average house price in Gwynedd was £198,000 in July 2025, up 3.3% from July 2024, compared with a 2% increase across Wales. Annual growth has fluctuated, with sharp increases in July 2021 and July 2022, declines in July 2023 and July 2024, and the 3.3% rise in the most recent year. In the private rental market, average rent was £677 in the year to August 2025, broadly unchanged from £678 in August 2024. In Dwyfor, median house prices were 7.80 times median workplace earnings in 2023 [Footnote 4], falling to 7.24 in 2024, but remaining above the ONS threshold of 5.

Footnotes

[2] Based on July 2025 data on second homes and self-catering holiday units liable for non-domestic rates from partner delivery sources (not publicly accessible).

[3] Based on July 2025 data on second homes and self-catering holiday units liable for non-domestic rates from partner delivery sources (not publicly accessible).

[4] Based on Annual Survey of Hours and Earnings – Workplace Analysis. The Annual Survey of Hours and Earnings – Workplace Earnings data provides information on the earnings of employees in all industries and occupations. It does not provide information on self-employed individuals. The Annual Survey of Hours and Earnings – Workplace Earnings data was available at the Westminster Parliamentary Constituency level (Dwyfor Meirionnydd), which may differ from the Dwyfor definition used to calculate the median price paid from HM Land Registry Price Paid Data, where the borders of Dwyfor were defined based on Output Areas.

Rent-to-income ratios decreased slightly from 25.4% in 2023 to 24.8% in 2024 [Footnote 5]. While rents remain below the Welsh Government's 30% threshold for rental affordability (Welsh Government, 2011), housing costs continue to pose challenges when considered alongside broader cost-of-living pressures. These figures reflect the area as a whole, but substantial local variation within Dwyfor exists and will be examined in more detail in next year's evaluation.

The Second Homes and Affordability Pilot, launched in Dwyfor in June 2022, tests strategies to manage second homes, empty properties, and short-term lets while improving housing affordability and supporting local communities and the Welsh language (Welsh Government, 2022). The evaluation, commissioned to Alma Economics, is structured in three phases: Phase 1 (Aug 2023-Oct 2024) focused on scoping and exploratory research (Alma Economics, 2025); Phase 2 (Oct 2024-Sept 2025) is the process evaluation, reported here; and Phase 3 (Oct 2025-Oct 2026) will assess impact and economic outcomes.

2. Methodology

The objective of Phase 2 was to carry out a process evaluation to assess the processes behind the Pilot interventions to understand how and why they generate intended and unintended outcomes. This included an assessment of what has worked well, what has not worked so well, and why this is the case.

Phase 2 began with a desk-based review of updates in Pilot monitoring data and other statistics, as well as developing a strategy for engaging key stakeholders. To gather qualitative insights, we interviewed Pilot partners at Cyngor Gwynedd, Tai Teg, Adra, Parc Eryri, Cwmpas, and the Welsh Government between April and July 2025. We also interviewed 32 stakeholders within the Dwyfor local community between June and August 2025. This included 13 second-home or short-term let owners, three business or social enterprise owners, three people involved in community-led housing, and the remaining 13 were local residents and members of community groups. We experienced recruitment challenges and did not interview any applicants from Homebuy – Wales, but we aim to interview applicants within the next phase. Based on the engagement carried out, we produced three case studies to allow for an in-depth investigation into the Pilot's influence.

Footnote

[5] Based on 2023 and 2024 figures on rents from Rightmove, as well as 2023 and 2024 income data from CACI.

3. Findings from interviews with Pilot partners

Pilot partners discussed the strengths of setting up the Pilot, which included having the opportunity to make a difference in the Dwyfor area, increased resources and capacity for tackling housing issues, building relationships between the Welsh Government and Pilot partners, and refining ways of working collaboratively. Challenges of the set-up phase included a lack of experimentation at the beginning, frustration at levels of bureaucracy, difficulties communicating the purpose of the Pilot, and managing different stakeholders' expectations.

There was overall agreement among Pilot partners that interventions are reaching their intended beneficiaries, but that this is easier to measure for some interventions than others. Article 4 and council tax premiums were said to have the greatest reach, while community-led housing initiatives were said to be popular locally, but small in scale. Pilot partners also said there were generally good relationships and strong collaboration between stakeholders. Challenges relating to working with different stakeholders included some misalignments of responsibilities and decisions having knock-on effects on each other's interventions. Pilot partners felt that it was important to have Pilot officers on the ground in the local area to understand contextual factors.

Pilot partners felt that the Pilot is achieving its aims of improving fairness and providing equal opportunity for local people, informing national policy, and fostering strong relationships between Pilot partners and the Welsh Government. Pilot partners suggested that to improve the Pilot for the future, there should be more clearly defined roles and responsibilities of partners, including clearer lines of communication, allowing for more experimentation with interventions, and clearer guidelines around what sorts of proposals can and cannot be accepted.

4. Findings from interviews with stakeholders in the community

Stakeholders within the Dwyfor community reported high numbers of second homes and short-term lets in the area. Second-home and short-term let owners felt that these properties play an important role in creating jobs and contributing to the economy. Interviewees felt that another key issue of affordability within Dwyfor is low wages, and there were concerns about young people leaving the area. Second-home and short-term let owners felt that there should be a greater distinction between the property types. Some interviewees also mentioned that the second homes coming onto the market are often unsuitable for local families to live in.

Awareness of the Pilot interventions was mixed, depending on the Pilot intervention or the type of stakeholder. Interviewees were typically most aware of Article 4, council tax premiums, and Homebuy – Wales. For those with awareness, common information sources included local press, social media, and word-of-mouth. There were mixed levels of agreement with the overall Pilot aims, and some agreed with the Pilot aims but did not agree with the way the Pilot had been implemented.

Community stakeholders felt communication could be improved through in-person sessions, such as monthly meetings in community venues or a roadshow around different communities in Dwyfor. Interviewees generally wanted more joined-up thinking between decision-makers and community stakeholders. Other suggestions included communicating through newsletters and leaflets, noticeboards in community venues, and Facebook groups.

While we did not interview any Homebuy – Wales applicants for this report, a few interviewees commented on the scheme, and one interviewee had a family member who had applied. They said that Homebuy is a positive intervention in the community and that more local people should take advantage of it. Suggestions to improve the Homebuy scheme included promoting it further through drop-in sessions and providing applicants with clearer timelines.

Emerging impacts of the Pilot interventions included interviewees reporting more second homes going up for sale in Dwyfor. Some said these properties are struggling to sell and are being devalued because of Article 4. Reportedly, some second-home owners are renting out their properties to cover council tax premium costs. Business owners who rely on trade from second homes said that the premiums are negatively affecting their business. Increasing council revenues through the premiums was said to lead to positive impacts in the community.

Community stakeholders suggested that to improve the Pilot for the future, there should be greater transparency around how council tax premium revenues are spent. There were also calls to target Welsh language sustainability more, improve communications around the Pilot, and engage local people more when making decisions. Interviewees also wanted more houses to be built following meaningful consultation with communities about their housing needs.

5. Case studies

Three case studies were developed to highlight different learnings from the set-up and implementation of the Pilot using information gathered from interviews with Pilot beneficiaries, Pilot partners, and the Welsh Government.

One case study highlighted three community-led housing initiatives across Dwyfor. Key lessons learnt from these projects included the Pilot having been vital in facilitating discussion among communities about how they can increase their affordable housing stock. The success of initiatives was largely down to the Pilot team being local people with local knowledge and connections. It was also especially useful to connect different communities together to share resources and best practice.

Another case study focused on ways of working between Pilot partners to deliver Article 4. Key takeaways included having one authority paving the way for setting up an intervention, then allowing others to learn from the obstacles they face. Close collaboration and effective communication are also key, for example, having regular and informal meetings as well as fostering a shared sense of ownership over an intervention.

The third case study covered ways of working between Pilot partners and the Welsh Government to implement the Pilot overall. Key lessons learnt included providing partners with the opportunity to feed into interventions early on. Facilitating regular and ideally face-to-face meetings was said to build and maintain strong working relationships. It is important to identify early on where interventions are interlinked and how partners' decisions can have knock-on effects. Ways of working also need to be able to adapt to partners' and interventions' changing needs.

6. Next steps

Between October 2025 and December 2026, Phase 3 will involve an impact and economic evaluation. As part of this phase, the research team will explore the overall impact of the pilot and understand how its activities can be scaled up across local areas in Wales in the future. The priority will be to continue building the evidence base through the collection and integration of both quantitative and qualitative data, with a focus on ensuring that findings are robust, comparable, and relevant to the policy context.

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

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