

Senedd Local Government and Housing Committee inquiry into second homes

The Bevan Foundation is Wales' most influential think-tank. We aim to end poverty and inequality by working with people to find effective solutions and by inspiring governments, organisations and communities to take action. We are grateful for the opportunity to submit written evidence to the Local Government and Housing Committee as part of its inquiry into second homes in Wales. Our submission draws on our extensive work on housing, poverty and inequality.

Our submission is divided into four sections to reflect our key arguments:

- There is a need to look beyond home ownership when discussing housing affordability and second homes.
- Short-term holiday lettings and second homes both have a negative effect on housing affordability.
- There is a need to increase the supply of affordable housing, not just restricting the number of second homes.
- It is important to view issues relating to second homes through a national as well as a regional lens.

Beyond home ownership

One of the key features of the debate on second homes in Wales is the focus on "house prices". This is something that is explored in Dr Simon Brooks' report which concludes that *"It is probably fair to assert that second homes raise house prices in general, and do so in communities where average wages are often quite low."*¹

When discussing "house prices" in the context of second homes the debate almost exclusively focuses on the cost of home ownership with little regard given to the rental sector. This is true of Dr Brooks' own report where discussions relating to rent are limited to around half a page of an 85 page report.² The almost exclusive focus on home ownership within the current policy debate risks providing a partial picture of the true impact of second homes on Welsh communities and may undermine any attempt to improve access to housing and protect the Welsh language.

A sizeable proportion of people in Wales rent. Across Wales, three in ten dwellings are rented.³ The proportion of dwellings that are rented in the local authority areas identified by Dr Brooks as having greater challenges with second homes is lower than the Welsh average,⁴ but even in these areas more than a quarter of dwellings are rented.

Table 1 – Dwelling stock estimates by local authority and tenure (%)

Area	Owner occupied	Social rent	Private rent
Wales	70	16	14
Anglesey	74	14	12
Ceredigion	74	9	17
Gwynedd	71	14	15
Pembrokeshire	74	13	13

Stats Wales, *Dwelling stock estimates by local authority and tenure*

Whilst it is true that in some communities the proportion renting their homes is likely to be significantly smaller than average,⁵ the current focus of the debate on owner occupation risks overlooking the experiences of a substantial share of the population. This issue becomes even more important given that renters tend to be in a weaker economic position than owner occupiers and their housing position is far more exposed to changing market dynamics.

Renters are more likely to live in poverty than owner occupiers.⁶ Nearly half of social renters live in poverty (48 per cent) with more than four in ten private renters also living in poverty (41 per cent).⁷ By contrast the same is only true for 13 per cent of owner occupiers.⁸ There are numerous factors that explain why the position of home owners and renters is so different, but evidence demonstrates that high rents are a significant cause of poverty.⁹

The housing position of private renters is also far more precarious than that of owner-occupiers and social renters. Despite the Welsh Government taking legislative action to strengthen the position of private renters, landlords are only required to provide a tenant with a six-month notice before ending the tenancy through a “no fault eviction”.¹⁰ This means that private tenants are far more exposed to the changing market conditions with landlords able to evict tenants to sell their property or let their properties as holiday lets.

Taking action that stabilises or reduces house prices may assist some renters by allowing some to get their foot on the property ladder, but for many on the lowest incomes this is an unlikely prospect. A long-term solution to boosting affordability in rural areas must therefore consider the position of renters otherwise efforts to protect the language and communities will be undermined.

We are pleased to see that the Welsh Government have emphasised their commitment to finding “rental solutions” to the second homes issue in their communication to date.¹¹ It is our view that such rental solutions should focus on the increasing the provision of social housing and we await with interest to see further details of the Welsh Government’s proposals.

Short-term holiday letting and second homes both have an impact

Current policy attempts to ease the impact of second homes in rural and coastal communities face the challenge of distinguishing between second homes and short-term holiday lettings. As outlined in Dr Brooks’ report, there are concerns that some second home owners have sought to reclassify their properties as self-catering accommodation to avoid facing Council Tax premiums.¹² This would mean that second home owners would only have to pay non-domestic rates and enable them to claim small business rate relief.¹³

The Welsh Government recently consulted on changing the classification of self-catering accommodation to close this loophole.¹⁴ We believe that there is room to go further and to consider how the distinction made between short-term holiday lettings and second homes can be removed in its entirety.

From a housing affordability and availability perspective, there is little difference between second homes and short-term holiday lettings. Both remove accommodation from the local residential market and put pressure on house prices and rent. Both limit the number of homes available within communities, forcing people to move.

Over the summer of 2021 the Bevan Foundation interviewed a number of local authority officers within housing and homelessness teams across Wales as part of our ongoing project looking at the relationship between the Local Housing Allowance and homelessness.¹⁵ Officers across Wales said that they were aware of landlords who were either selling their properties to take advantage of rising house prices or who were letting their properties on sites such as Airbnb as short term holiday lets.¹⁶

The impact of this was twofold. First officers reported an increase in the number of people who were at risk of homelessness as a result of being evicted by landlords seeking to take advantage of increase prices/ holiday let opportunities.¹⁷ Second, officers found that there were fewer rental properties on the market, meaning that there was a very limited choice for households that were evicted.¹⁸

Rather than concentrating efforts of seeking to find a definitional difference between short-term holiday lets and second homes, we believe the focus should be on seeking to remove the distinction as far as possible.

Boosting supply and restricting second homes

When exploring solutions to the second homes crisis the current debate largely focuses on how action can be taken to restrict the number of second homes within communities. This discussion is important, and failure to take action to restrict the number of second homes could see the position deteriorate further.

As Dr Brooks argues, even if second homes were no longer permitted in Welsh communities, housing affordability would still be likely to be a major challenge within rural communities.¹⁹ The very factors that have made many rural and coastal communities attractive to second homeowners mean that they are also popular with people wishing to relocate from urban areas. Given that many people living in rural communities are on very low incomes, many would find it challenging to compete financially with people wishing to move into the area meaning that housing would continue to be unaffordable for local people.

If restricting the number of second homes is unlikely to fully address the lack of affordable housing within rural communities then there is a clear need to take action to boost available stock. As cited by Dr Brooks there is a body of work that highlights concerns that constructing large number of homes in Welsh speaking communities can have a detrimental effect on the language.²⁰ However, if homes continue to become more unaffordable for people to rent or buy in their communities, then this will also be to the detriment of the language as people are forced to move further afield, harming the Welsh language. Building more affordable housing must therefore play a role in providing a solution to the second home crisis.

To ensure that local communities fully benefit from the construction of new affordable housing it is vital that the construction of new homes is not just limited to the owner occupied sector but also includes a substantial number of social homes. To provide further protection to local communities the Welsh Government should explore how restrictions could be place on any new homes built for the owner occupied sector in second home hotspots so that only people with a connection to the local community can purchase the property both at the point of purchase and over subsequent years. Taking such measures would ensure that it is the local community that benefits from the

construction of new housing and would offer protection against some of the concerns cited by Dr Brooks regarding the position of the Welsh language.

Looking at the national picture

There are particular pressures regarding housing affordability facing second home hotspots. It is not only in these communities that housing affordability is a problem.

Issues relating to second homes are not just limited to hotspot areas. There are more second homes in Cardiff and Swansea than there are in Ceredigion and Anglesey.²¹ Whilst these may account for a lower proportion of the total housing stock, they still have an impact on housing availability. For example, the number of second homes in Cardiff is higher than the number of households that were assessed as homeless in 2020/21.²²

It is not just second homes that has an impact on housing costs and availability. The Joseph Rowntree Foundation's *Poverty in Wales 2020* report found, for example, that rents in the private sector were most expensive in Cardiff, with the rent on a two-bedroom property in the bottom quarter of market rents costing around 35 per cent of earnings, for those in the bottom quarter of earnings.²³ The Bevan Foundation's recent research on the Local Housing Allowance (LHA) found that there were no shared accommodation nor one bedroom properties advertised with rents at or below the LHA rate.²⁴

Many of the factors that drive housing unaffordability in Wales' second home hotspots are the same factors that drive unaffordability in Wales' urban areas. It is therefore crucial that the discussion on second homes does not take place in a silo from broader discussions on housing affordability. There is a risk that if this is the case, that the solutions that are developed don't effectively resolve the challenge.

References

¹ Dr Simon Brooks, *Second homes: Developing new policies in Wales* (Welsh Government, 2021) available at - <https://gov.wales/sites/default/files/publications/2021-03/second-homes-developing-new-policies-in-wales.pdf>

² *ibid*

³ Stats Wales, *Dwelling stock estimates by local authority and tenure*, available at - <https://statswales.gov.wales/Catalogue/Housing/Dwelling-Stock-Estimates/dwellingstockestimates-by-localauthority-tenure>

⁴ *ibid*

⁵ Brooks n(1)

⁶ Stat Wales, *People in relative income poverty by tenure type*, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/peopleinrelativeincomepoverty-by-tenuretype>

⁷ *ibid*

⁸ *ibid*

⁹ Joseph Rowntree Foundation, *Renters on low incomes face a policy black hole: homes for social rent are the answer* (October 2021) available at <https://www.jrf.org.uk/report/renters-low-incomes-face-policy-black-hole-homes-social-rent-are-answer>; and Joseph Rowntree Foundation, *Poverty in Wales 2020*, (November 2020) available at - <https://www.jrf.org.uk/report/poverty-wales-2020>

¹⁰ This is currently a temporary protection under Covid 19 regulations but will become permanent when the Renting Homes (Wales) Act 2021 is enforced.

¹¹ Welsh Government, *Next steps confirmed to tackle impact of second home ownership on Wales' communities*, (November 2021) available at - <https://gov.wales/next-steps-confirmed-tackle-impact-second-home-ownership-wales-communities>

¹² Brooks n(1)

¹³ ibid

¹⁴ Welsh Government, *Consultation on local taxes for second homes and self-catering accommodation* (August 2021) available at - <https://gov.wales/consultation-local-taxes-second-homes-and-self-catering-accommodation-html#section-78214>

¹⁵ More information about the project can be found at – Bevan Foundation, *Preventing homelessness through improving Local Housing Allowance* available at - <https://www.bevanfoundation.org/current-projects/preventing-homelessness-through-improving-the-local-housing-allowance/>

¹⁶ More information will be available in subsequent publications; Hugh Kocan, *How might the surge in 'staycations' be affecting renters in Wales?* (Bevan Foundation, 9 August 2021) available at - <https://www.bevanfoundation.org/views/staycation-housing-wales/>

¹⁷ ibid

¹⁸ ibid

¹⁹ Brooks n(1)

²⁰ ibid

²¹ ibid

²² Dr Brooks' report estimate that there are 3,188 second homes in Cardiff. In 2020/21 2,232 households were identified as homeless and owed a duty to have a home secured by the local authority; ibid and Stats Wales, *Relief of Homelessness by Area and Measure (Section 73)* available at - <https://statswales.gov.wales/Catalogue/Housing/Homelessness/reliefofhomelessness-by-area-measure-section73>

²³ JRF n(9)

²⁴ Bevan Foundation, *"Wales' housing crisis: the role of LHA"* (September 2021) available at - <https://www.bevanfoundation.org/wp-content/uploads/2021/09/Wales-housing-crisis-Bevan-Foundation-Report.pdf>