

## Second and Holiday Homes

### Housing Evidence Base Briefing Note 11:

#### National Policy

The National Planning Policy Framework (NPPF)<sup>i</sup> does not make any allowance in its assessment of objectively assessed need<sup>BN1</sup> relating to the impact that second or holiday homes may have on an authority's housing target.

#### National Context

A high proportion of an authority's housing stock being used as second homes is not an issue everywhere as these types of properties tend to be located in the more rural and coastal areas. As a result it is therefore not considered of national significance.

There are almost 3.1 million owned or rented second properties across England according to the English Housing Survey<sup>ii</sup> and of these:

- 72% are the main residence of another person or household;
- 5% are intended to be sold or moved into shortly; and
- 23% are second homes – about 711,000 properties in total.

There are many reasons why someone would have a second home and the English Housing Survey provides some information on these reasons (respondents could give more than one reason) in its latest 2010-11 survey:

- Long term investment (43%);
- Holiday home (48.4%);
- Retirement home (15.1%);
- Away from home (4.5%)
- Previously main home (9.8%); and
- Other (9.2%)

Glen Bramley's research<sup>iii</sup> on the relationship between house prices and second homes at a national level shows that for every 1 per cent of the housing stock in second home-ownership, prices are 1.4 per cent higher per house.

High levels of second home ownership will have social consequences. If there are large proportions of second homes within an area there could be negative effects on village services such as the function of a school. It is argued<sup>iv</sup> that large numbers of second homes may render services less viable. If second homes and holiday lets are only used seasonally businesses, like Post Offices, shops, pubs, bus services and restaurants may be less viable year round, if at all. In this situation homes that stand empty much of the year can undermine the sustainability of the community. Studies<sup>v</sup> have suggested that one of the more positive impacts of second and holiday homes in rural areas is their contribution to the conservation of the rural housing stock, bringing empty and redundant properties back into use, and enhancing the visual quality of rural areas.

#### Local Context

Second homes generally have an impact on house prices<sup>BN14</sup> as shown when levels of second home ownership rise so too do average house prices<sup>vi</sup>. This is logical as second home owners are not likely to be attracted to low value housing markets and in higher value areas prices are pushed up by the budgets of affluent second home owners. For example, in five parishes of Cornwall where second homes account for more than 35% of all housing the average house price is 87% above the Cornwall average. This premium falls to 46% where second home ownership is between 20% and 30% and

falls further to 23% where second home ownership is between 10% and 20%. Local buyers, on local incomes and earnings<sup>BN17</sup>, will therefore be priced out of some but certainly not all housing markets.

The level of second home ownership in Cornwall is such an issue that Cornwall Council has voted to press for a change in the planning regulations which would mean that homeowners who want to use their property as a second home or as a holiday let would require planning permission.

## Definitions

A household space is the accommodation used or available for use by an individual household. Household spaces are identified separately in census results as those with at least one usual resident, and those that do not have any usual residents. A household space with no usual residents may still be used by short-term residents, visitors who were present on census night or a combination of short-term residents and visitors. Vacant household spaces and household spaces that are used as second addresses are classified in Census results as household spaces with no usual residents.

A household space with no usual residents is not the same as a vacant household space because it may be a second home or holiday accommodation, or may otherwise have had visitors present on census night.

A second address is an address at which a person stays for more than 30 days per year that is not a person's place of usual residence. This includes addresses that are in the UK and those outside of the UK. Typical second addresses include armed forces bases, addresses used by people working away from home, a student's home address, the address of another parent or guardian, or a holiday home. If a person with a second address was staying at that address on census night, they were classed as a visitor to that address, but counted as a usual resident at their home address.

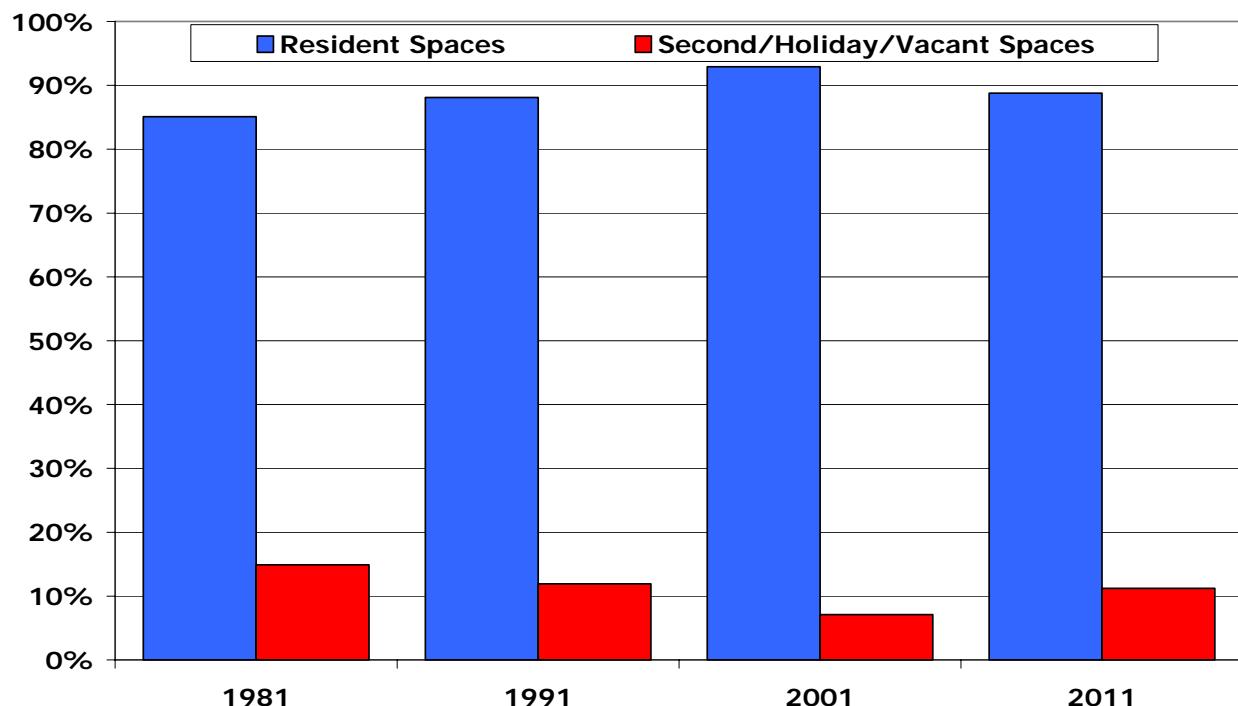
Council Tax - most dwellings have a liability to pay Council Tax and a bill is issued for each dwelling whether it is a house, bungalow, flat, maisonette, studio, mobile home, caravan or houseboat, irrelevant of ownership or rental of the property.

Business Rates is the commonly used term for non-domestic rates and are charged on most non-domestic premises, including most commercial properties such as shops, self catering units, offices, pubs, warehouses and factories.

## Past Trends in Second & Holiday Homes

The following graph indicates the proportion of occupied and unoccupied household spaces for Cornwall between 1981 and 2011<sup>vii</sup>. The majority of the unoccupied spaces will be second and holiday homes rather than empty properties<sup>BN7</sup>.

## Resident & Unoccupied Spaces in Cornwall 1981-2011



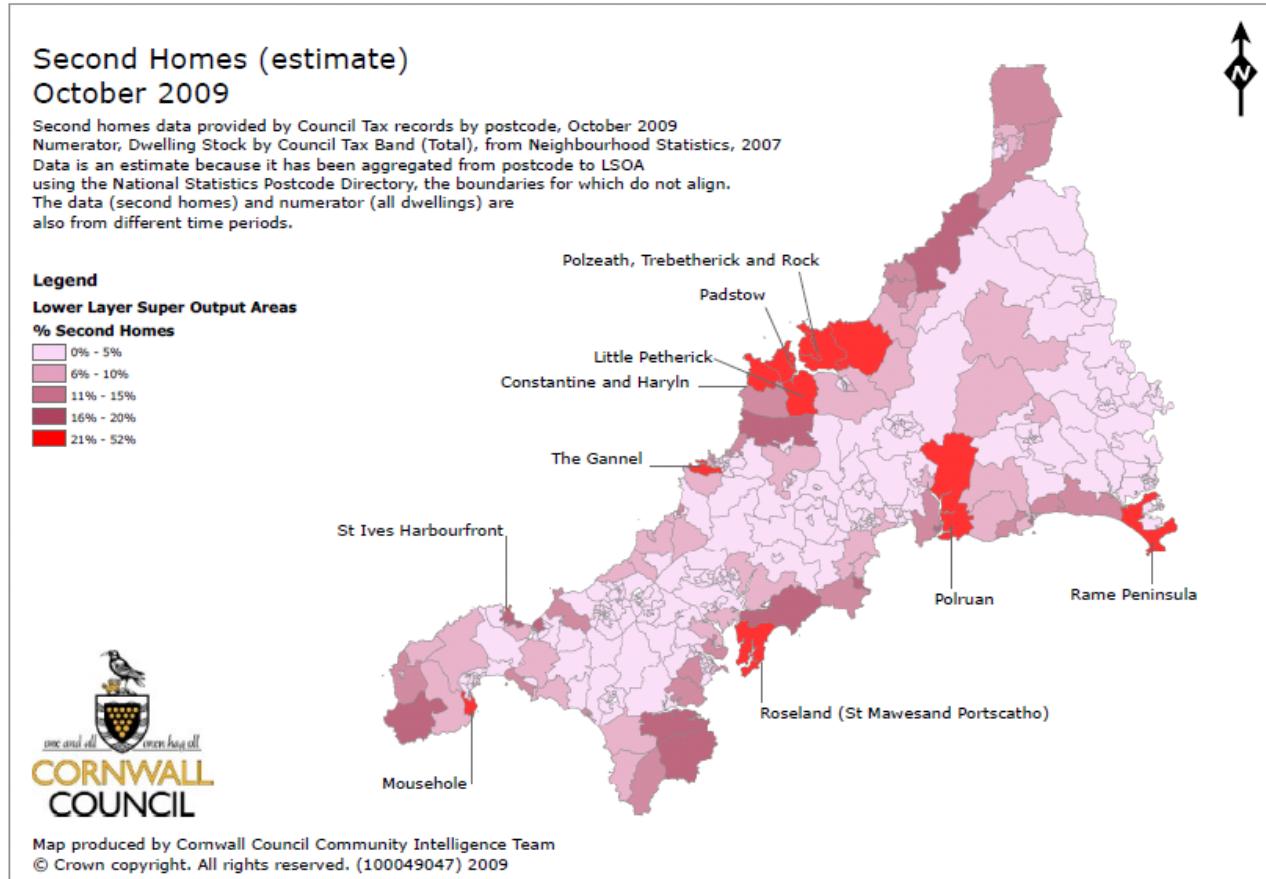
**Note of Caution1:** It is considered locally that the 'dip' in unoccupied spaces in 2001 is more likely the consequence of the Census being undertaken during the Easter holidays and these spaces appearing 'occupied', than as a result of a drop in the proportion of these types of spaces.

## Current Trends in Second & Holiday Homes

Council Tax<sup>viii</sup> records until fairly recently could provide information on dwellings that were categorised as second homes because they received a small discount on their bill. The latest information (May 2012) suggested that there were almost 14,000 dwellings in Cornwall paying Council tax that were categorised as second homes. Holiday homes fall under 'business rates' and will not be included under Council Tax so the following analysis will not give a complete picture of second and holiday homes - but is indicative of the ten parishes in Cornwall that have the highest and lowest proportions.

Highest Proportion of Second Homes		Lowest Proportion of Second Homes	
Parish	Proportion	Parish	Proportion
St Minver Lowlands	42.2%	St Michael's Mount	0%
St John	39.9%	Redruth	0.5%
St Merryn	37.7%	Camborne	0.5%
St Minver Highlands	37.6%	Roche	0.6%
Maker with Rame	33.3%	Callington	0.6%
St Endellion	33.2%	Lanner	0.7%
St Just in Roseland	32%	Liskeard	0.7%
Lanteglos	29.1%	Carn Brea	0.7%
Padstow	28%	Kenwyn	0.7%
Gerrans	27.2%	Saltash	0.7%

The following map indicates how the proportion of second homes is distributed by postcode<sup>ix</sup> across Cornwall, and the higher proportions around the coast:



Census 2011 will provide more information on second and holiday homes in the near future. In the interim they do provide some data<sup>x</sup> on some 22,997 people (not households) with a second address in Cornwall who are usually resident elsewhere in England and Wales as indicated below:

<b>People with a second address in Cornwall who are usually resident elsewhere in England and Wales</b>		<b>Second Address type</b>		
		<b>Working</b>	<b>Holiday</b>	<b>Other<sup>xi</sup></b>
<b>Male</b>	<b>0-15</b>	0	619	369
	<b>16-64</b>	1,488	2,525	4,721
	<b>65+</b>	55	1,777	519
<b>Female</b>	<b>0-15</b>	0	535	316
	<b>16-64</b>	440	3,157	4,379
	<b>65+</b>	24	1,556	517

**Note of Caution 2:** this table identifies the number of people who have a second address in Cornwall and not households so this cannot be used as a count of second homes.

## Future Changes in the Level of Second & Holiday Homes

Council Tax records were a really useful source of data on second homes that could be used to regularly monitor local changes. With effect from 1 April 2013, the Government has amended regulations to allow billing authorities, like Cornwall Council, to reduce the level of discount awarded for empty properties which are furnished - these are often referred to as second homes. Cornwall Council has decided to reduce the current 10% discount awarded to these properties to 0%. Therefore, from the 1<sup>st</sup> April 2013, Council Tax in Cornwall will not give a discount to second homes which means they will be indistinguishable from fully occupied dwellings.

The English Housing Survey does provide some information on changes to second home statistics but much of this is at a national and regional level. In terms of robust local data we may have to wait until Census data is released which is every ten years unless specific local surveys are undertaken.

## **Should we make an Adjustment to Housing Targets to Acknowledge the Impact Second Homes may have on Housing Requirements in Cornwall?**

The NPPF is clear that demographic and economic requirements form the basis of objectively assessing the need for housing in an area and this does not make any adjustment for competition for housing from second home owners.

No assessment has been made of the impact of second and holiday homes in the future in terms of dwelling requirements. Whilst every effort is being made to reduce the number of empty properties there are in a community and bring them back into use, no such devise is available for second homes. Cornwall Council is pressing for a change in the law but this has not been determined as yet.

There are those<sup>xii</sup> that would add an element to housing targets to account for the proportion of second homes there have historically been in housing stock. Second homes account for a significant proportion of dwellings in Cornwall and it could be argued that we would need to plan for a number of new dwellings to meet this 'need' in addition to that planned to meet future household growth needs.

Cornwall is an area in which potential second home owners compete with other home buyers to purchase available housing. Potential second home owners are generally more successful as they can afford the high prices expected by sellers and generally have more disposable income than local residents<sup>BN17</sup>.

The Christchurch & East Dorset<sup>xiii</sup> area are exploring this option, and although the proportion of homes that are unoccupied only accounts for some 2.6% of their stock compared to Cornwall's 11.2%, they have ensured that their housing target does take account of this element as well as that needed to meet demographic needs.

## **Risk Assessment**

Council tax changes will mean we can no longer count dwellings paying Council Tax as second homes – and it will be more difficult to monitor the situation as the only robust data will be every ten years from Census. Although there are those that wonder if a change in the discount may deter some people from having a second home a 10% increase in Council Tax is unlikely to affect that many people.

If no account is taken of the additional pressure that potential second home owners bring to Cornwall's housing market could it be said that we will not be planning to deliver all 'need' in Cornwall?

## **Examination Findings**

It is unlikely that this element will feature in Examinations as the NPPF does not specify that they should be.

## Use in Cornwall Local Plan

Second and holiday homes are part of the context for housing and as such are included in general housing papers including:

- Housing Topic Paper (February 2011) accompanied the Core Strategy Options Report - <http://www.cornwall.gov.uk/Default.aspx?page=32790>
- Housing Topic Paper (January 2012) accompanied 'Our Preferred Approach for a Core Strategy' - <http://www.cornwall.gov.uk/Default.aspx?page=32791>

## Accompanying Briefing Notes

BN1 – Objectively Assessed Need

BN7 – Empty Properties

BN14 – House Prices & Affordability

BN17 – Incomes & Earnings

## Further Information:

1. The English housing survey covers all housing tenures and provides valuable information and evidence to inform the development and monitoring of DCLG's housing policies. <https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/english-housing-survey#statistical-data-sets>
2. Census 2011 provides some information on people with second addresses and will release additional information on second and holiday homes as part of its release programme. <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-279998> and <http://www.ons.gov.uk/guide-method/census/2011/census-data/2011-census-prospectus/release-plans-for-2011-census-statistics/index.html>

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<sup>i</sup> DCLG (2012) National Planning Policy Framework - <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

<sup>ii</sup> DCLG (2011) English Housing Survey: reasons for having a second home - <https://www.gov.uk/government/statistical-data-sets/owner-occupiers-recent-first-time-buyers-and-second-homes>

<sup>iii</sup> National Housing and Planning Advice Unit (October 2008) Rapid Evidence Assessment of the Research Literature on the Purchase and Use of Second Homes - [http://www.lakedistrict.gov.uk/\\_data/assets/word\\_doc/0020/170372/literature\\_review\\_on\\_second\\_homes.doc](http://www.lakedistrict.gov.uk/_data/assets/word_doc/0020/170372/literature_review_on_second_homes.doc)

<sup>iv</sup> DCLG (July 2008) Living Working Countryside: The Taylor Review of Rural Economy and Affordable Housing - <http://archive.defra.gov.uk/rural/living/housing/taylor.htm>

<sup>v</sup> Beilckus, C. Rogers, A. and Wibberley, G. (1972) Second Homes in England and Wales - [http://www.lakedistrict.gov.uk/\\_data/assets/word\\_doc/0020/170372/literature\\_review\\_on\\_second\\_homes.doc](http://www.lakedistrict.gov.uk/_data/assets/word_doc/0020/170372/literature_review_on_second_homes.doc)

<sup>vi</sup> Savills (2013) Seconds out on Second Homes - <http://pdf.euro.savills.co.uk/residential---other/rpf-q213.pdf>

<sup>vii</sup> ONS (2013) Census 2011 - <http://www.ons.gov.uk/ons/guide-method/census/2011/index.html>

<sup>viii</sup> Cornwall Council Community Intelligence (May 2012) Council Tax Records

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<sup>ix</sup> Cornwall Council Community Intelligence (2009) Second Homes (estimate) October 2009 - <http://www.cornwall.gov.uk/default.aspx?page=25707>

<sup>x</sup> ONS (2012) Second Address estimates for Local Authorities in England & Wales - <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-279998>

<sup>xi</sup> Typical second addresses include armed forces bases, addresses used by people working away from home, a student's home address, the address of another parent or guardian, or a holiday home. Other will include armed forces bases, a student's home address, the address of another parent or guardian, etc.

<sup>xii</sup> Alan Holmans/Town & Country Planning Association (2013) New Estimates of Housing demand and need in England 2011 to 2031 - <http://www.tcpa.org.uk/pages/new-estimates-of-housing-demand-and-need-in-england-2011-to-2031.html>

<sup>xiii</sup> Christchurch & East Dorset (2012) Matter 1 - <http://www.dorsetforyou.com/media.jsp?mediaid=187941&filetype=pdf>