

Rapid Evidence
Assessment of the
Research Literature
on the Purchase
and Use of Second
Homes

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Acronyms

AONB	Area of Outstanding Natural Beauty
CCHR	Centre for Comparative Housing Research
CLG	Communities and Local Government
CRC	Commission for Rural Communities
DCLG	Department for Communities and Local Government
DETR	Department of the Environment Transport and the Regions
DMU	De Montfort University
ICT	Information and Communications Technology
NHPAU	National Housing and Planning Advice Unit
ODPM	Office of the Deputy Prime Minister
ONS	Office for National Statistics
SEH	Survey of English Housing

Foreword

by Professor Glen Bramley



The topic of second homes is an area of considerable debate and controversy. And as Professor Michael Oxley has set out in his comprehensive review of the literature, while this is an area that generates a great deal of heat, robust evidence about the social, economic and environmental consequences of second homes is actually limited.

To generalise, those who support, or at least are not opposed to people owning second homes, would argue that in a market economy people should be able to spend their income however they like. Further, they might argue that this sector not only provides for those seeking a 'bolt-hole' for leisure and holidays, but also in an urban setting they are an increasingly important part of helping some workers achieve a better work-life balance. Others suggest that there are economic benefits for rural and local communities associated with a healthy second homes market. There appears to be a general consensus that at a national and regional level the effect of second homes on prices and affordability is small. My own research on the relationship between house prices and second homes at a national level is that for every 1 per cent of the housing stock in second home-ownership, prices are 1.4 per cent higher. Relative to other local factors on house prices, this is a very small effect.

There is an alternative view. There is concern about the impact of second homes – where these make up a significant element of the local housing stock – on local first-time buyers. My own analysis of local housing markets suggests that in areas where there is a high proportion of second homes the effect on prices can be significant. For example, based on data from 2005, out of about 380 local authorities in England in 11 prices had been raised by more than 10 per cent, and in 28 by more than 5 per cent. There is a worry that some communities are being 'hollowed-out' by absentee owners. As recently as July, in his review of the rural economy and sustainable housing, Matthew Taylor recommended that 'Government should examine options for trialling planning rules limiting change of use of full time homes to [second homes or holiday lets]'. Some are opposed to second homes altogether while there are people living in overcrowded conditions, or on the grounds of environmental sustainability.

In this context it is easy to understand why Regional Planning Authorities tend to avoid addressing this matter. For example they rarely include an allowance to cover the demand for second homes in their housing plans.

Of course, in reality a lack of planning for second homes does not deter people purchasing. There is no law or policy that discourages second home ownership, and nor do they appear likely. A failure to plan for second homes actually ends up biting on first-time buyers and those at the margins of home ownership due to a further undersupply in the market.

As the existing population gets richer and working patterns change there is a demand for more housing. Consequently we have seen an increase in the number of second homes in recent years. According to the Survey of English Housing there are about 241,000 second homes in England, a rise of about 20 per cent over the past decade. Looking ahead, independent forecasts suggest that the number of second homes is likely to grow, with some analysts predicting an increase of more than 70,000 by 2015.

In the absence of policy action to constrain demand, for the sake of local communities and future generations, this is an issue that Regional Planning Authorities need to grip by ensuring that their housing supply plans take second homes into account.

A handwritten signature in black ink, appearing to read 'G. Bramley', with a horizontal line underneath the name.

Professor Glen Bramley

Executive Summary

There is much discussion and argument about second homes that is not underpinned by a firm evidence base.

A variety of definitions of second homes are in use. It is important when considering research, discussion or claims about second homes to be certain of the definition that has been applied. Some definitions are so wide that they encompass all properties other than the principal residence of a household. This means that privately rented dwellings, including buy-to-let properties owned by a member of a household, can be included. The three key 'official' sources of data, namely the Census, Survey of English Housing and Council Tax records have different definitions of second homes.

According to the Census: *Second residences* are dwellings in permanent buildings which were known to be residences of people who had a more permanent address elsewhere and which were unoccupied on Census night. According to the Survey of English Housing: *Second homes* are properties, owned or rented by a household member, which are not the household's main residence. However, properties which are the main residence of someone else, or which the owner intends to sell because they have moved are not counted as second homes. According to Council Tax records: *Second homes* are furnished dwellings which are not the sole or main residence of an individual.

Although earlier surveys often depended on local case studies and detailed fieldwork, there are now three accessible 'official' sources of data on second homes. Given that (a) the Census is likely to underestimate the number of second homes and it provides data only once every ten years and (b) the Survey of English Housing is based on a sample of only 20,000 households and does not permit geographical breakdowns below regional level, the most comprehensive source of data is Council Tax records. This data does potentially embrace all residential property and can be analysed at local, regional and national levels. It is, furthermore, based on a fairly straightforward definition of second homes.

A possible weakness of Council Tax data is that households have the option of deciding which of two residences is their second home. It is possible that households might choose which property to declare as their second home on the basis of minimising their aggregate Council Tax bill rather than the actual usage of the two dwellings. There are also suggestions that there are circumstances in which it is advantageous to register second homes as small businesses and pay business rates instead of Council Tax. All of these factors might mean that Council Tax records can underestimate the number of second homes. Whilst there are claims, there is no substantial empirical evidence that has been identified, to suggest that such activity is prevalent.

Indeed, Council Tax data suggests that there were about 240,000 second homes in England in 2006. This is comparable to the Survey of English Housing estimate of 241,000 second homes in England in 2006/7, representing a rise of about 20 per cent over the past decade.

International evidence shows that the concept of second homes varies from country to country, but despite problems of comparability, it is clear that second home ownership is much higher in some European countries than it is in England.

More than forty per cent of all second homes in England are in the South West and London and there are significant concentrations in Cumbria, Northumberland, North Yorkshire, coastal East Anglia and parts of the south coast. As well as concentrations of second homes in attractive rural areas there are large numbers of second homes in urban areas, especially parts of London. In ten local authorities more than seven per cent of the housing stock consisted of second homes in 2006. There is limited and patchy research evidence on the concentration of second homes at sub-local authority level.

There is a lack of detailed systematic nationwide research on the socio-economic characteristics, and the housing markets, of locations with large proportions of second homes.

There is evidence from the annual Survey of English Housing that the two major drivers for second home ownership are a holiday/weekend/retirement home and as an investment. A further significant factor is 'working away from home'.

Although, there is little current quantitative evidence on the types of property purchased, there is a consensus from qualitative studies that there has been a growing degree of diversity in the type of second homes. In rural areas, picturesque cottages, and abandoned/low demand stock in deep rural areas, remain popular but other types are sought after including bungalows, flats and ex-council houses.

In urban areas, there is a focus on newly-built flats in a central location. This is contributing to a situation where it can be difficult to distinguish between the main and the second home. Households may purchase a large detached rural property that eventually becomes the main home with a city flat as a second home.

There is relatively little up-to-date information and analysis of the socio-demographic characteristics of those buying second homes in England. There is some limited information on the socio-demographic characteristics of second home owners (rather than those buying second homes). This limited evidence indicates that second home owners are high income earners with heads of household between 45 and 64 years of age. The most common household type is a couple with no dependent children. Nearly 70 per cent of heads of households are in full time work.

A small number of studies have attempted to classify and categorise second home owners but there have been no robust recent studies that have considered the characteristics of second home owners compared to local residents.

There is some limited evidence that more households will have an opportunity to purchase a second home over the next decade because of demographic factors and rising incomes. One study suggested that the total number of second homes in the UK could increase by 24 per cent by 2015. This has important implications for the development of an appropriate policy response. For instance, Regional Planning Authorities currently do not consider second homes in their housing plans.

Some households may well own more than one second home but the number is not known. There has been no attempt to investigate the number of households that do own more than one second home.

The impact of second homes on house prices and affordability is assumed but not proven. In particular, there is a lack of robust evidence to support the contention that second homes increase house prices. There is a need for detailed analysis of the impact of second homes in relation to the many other factors that influence local housing markets.

There is a lack of good quality evidence on the impact of second homes on local housing markets and local communities. There is a case for examining the positive as well as the negative impacts of second homes on local economies, housing markets and communities.

Socio-economic impacts are highly localised and there is a consensus that regional and sub-regional impact studies are of relatively little use. Social impacts are hotly debated and discussed with a 'taken-for-granted' assumption that second homes growth can negatively affect the socio-cultural character of traditional communities. More robust studies over the last three decades have highlighted the research challenge of unpacking second homes from other factors such as commuting and holiday homes. The literature indicates that environmental impacts are also a major policy concern, especially at the local level.

There is a lack of robust contemporary evidence in relation to the direct and indirect effects of second home purchase on improvements in housing supply, in particular the extent to which second homes stimulate market activity, and the direct and indirect effects of second home purchase on improvements in housing quality.

Much of the data, analysis and discussion of second homes focuses on the impact of second home ownership in rural areas. There is a lack of analyses of second homes in urban areas. There is a need for research that views second homes as an urban as well as a rural phenomenon.

Evidence on the impact of second homes in other countries suggests a variety of effects depending on local circumstances and there are studies that claim positive effects on local economies.

The evidence base on some issues, such as the impacts on house prices and affordability, could be improved by research that applied appropriate modelling techniques to existing data but for many of the issues additional survey work is needed.

Improvements to the data collected through the Survey of English Housing and the Census could improve the information base in the long run.

1. Introduction

1. This report sets out the results of a rapid evidence assessment of the research literature on the purchase and use of second homes by a team from the Centre for Comparative Housing Research (CCHR) at De Montfort University (DMU), Leicester. The project team was led by Professor Michael Oxley and also included Dr Tim Brown, Ros Lishman and Dr Richard Turkington who is an Honorary Research Associate of CCHR and Director of the 'Housing Vision' Consultancy.

2. The brief for this work identified ten research questions:

1. How have 'second homes' been defined in the literature and what data sources have been used?
2. To what extent (if any) have second homes increased house prices; and have they crowded out prospective first-time buyers?
3. What specific factors attract people to buy second homes and what types of property do they buy, and where?
4. What is the geographical distribution of second homes across England, and what are the characteristics of places with a high concentration of second homes?
5. What are the social and demographic characteristics of those buying second homes?
6. Do households own more than one second home, and what is the distribution?
7. Has there been any improvement in the supply and quality of the housing stock as a result of second home purchases?
8. What are the social and economic impacts of households owning second homes?
9. Are there any gaps in the evidence base in relation to the above questions, and how could these be addressed?
10. Is there any international evidence that can be drawn upon?

3. Interim draft reports were produced in relation to research questions one to nine. This final report summarises the evidence in relation to all of the research questions, including the international dimension. The next eight chapters are devoted to research questions one to eight. The emphasis is on recent evidence from England but, where it is useful, additional material from work that has provided international information is included. The final chapter summarises the gaps in evidence and suggests how these gaps might be addressed by additional research.

4. The methodology adopted is that for 'rapid evidence assessments' as set out in 'The Magenta Book: Guidance Notes for Policy Evaluation and Analysis' (Cabinet Office, 2003). The research team has undertaken a series of key word searches of electronic databases and websites. This has included searches of national and local government literature, research organisations such as Joseph Rowntree Foundation, Economic and Social Research Council and other relevant bodies such as the Commission for Rural Communities. Electronic databases such as Google (including Google Scholar) and renewal.net have also been used and appropriate social science, housing and planning journals have been accessed, usually electronically.

5. The evaluation has focussed on those sources that provide evidence for the research questions, thus sticking firmly to the requirements of a rapid evidence assessment as set out in the Magenta Book. In the selection and analysis of evidence we have, furthermore, followed the approach to evidenced-based policy making set out in the Cabinet Office publication by Bullock, Mountford and Stanley (2001).

6. We have also applied the principles in Nutley, Walter and Davies (2007). This means that the nature of the evidence and its veracity has been evaluated and the explicit evidence for the research questions has been extracted.

7. The limits of the search and the use of the identified source materials have been decided strictly by the relevance to the research questions. The team has determined which studies provide evidence that informs each of the research objectives and for each usable study there has been an evaluation of the research and the conclusions in relation to the key research questions. To supplement the sources that are available electronically, a small number of books that address key issues on second homes have been used.

8. As well as the searches indicated above, the following work has been consulted: 'The Impact of Empty, Second and Holiday Homes on the Sustainability of Rural Communities: A Systematic Literature Review' undertaken in 2005 by the Centre for Housing Policy at the University of York (Wallace *et al*, 2005).

9. This literature review has used English language sources from 1998 onwards as required by the brief. Where pre-1998 sources are cited these have not been accessed directly but have been quoted in post-1998 literature.

10. This evaluation has shown that while there is a substantial volume of material available on second homes, there is a lack of material which provides a clear empirical backing to inform several of the objectives and related research questions. These include, for example, the effect of second homes on house prices, and first-time buyers and the social and demographic characteristics of those buying second homes. On other research questions, such as the geographical distribution of second homes, there is a good deal of relevant material. For several of the research questions there is a lot of literature that makes assertions without firm empirical evidence. This evaluation attempts to distinguish between assertion and evidence.

11. It must be stressed that where this assessment shows that there is lack of evidence in relation to a research question, this does not imply any conclusion in relation to the substantive issue. For example, a conclusion that there is a lack of robust evidence about the effect of second homes on house prices and affordability for first-time buyers does not mean that second homes do not have effects on prices and affordability, any more than it means that they do have such effects. It simply means that the evidence is inadequate. This suggests that further work is necessary to provide evidence to address the question.

2. How have second homes been defined in the literature and what data sources have been used?

Introduction

12. This chapter sets out the variety of definitions of second homes that are in use, details the sources of data on the number of second homes in England, comments on this data and provides some summary information on what the data shows.

13. Six categories of definition can be identified:

1. Definitions used by researchers;
2. Definitions used in the UK Census;
3. The definition used by the Survey of English Housing (SEH);
4. The Office of the Deputy Prime Minister (ODPM)/Communities and Local Government (CLG) definition that is applied for the purposes of Council Tax;
5. Definitions used in Office for National Statistics (ONS) Omnibus surveys; and
6. Definitions used in overseas literature.

14. Category 1 includes 'idealised' definitions that are not necessarily linked to data sources. It does also, inevitably, overlap with definitions in the other categories. Categories 2, 3 and 4 relate to three key sources of 'official' data and the connections between the definition and the data will be discussed below. Category 5 includes various definitions that have been used for the purposes of occasional surveys conducted by ONS for several different purposes. Category 6 definitions show that the concept of a second home varies considerably between countries.

15. Following a discussion of definitions, several sources of data on second homes will be identified and summary data for England will be presented.

Definitions used by researchers

16. Wallace *et al* (2005, pp26-27) point out that, "The definition of what constitutes second homes or holiday homes has been a perennial problem. This is an issue in all aspects of the research as it impeded comparison between studies and has the potential to cause confusion." They also suggest that in the literature they reviewed some definitions excluded dwellings that might be expected to be 'temporary' and others included chalets, log cabins and static caravans. Furthermore, whilst several studies drew a distinction in principle between second and holiday homes, there was a difficulty of making this distinction in practice. The issue of distinguishing between second homes and holiday homes was acknowledged in many studies. An additional problem was that where households owned two properties it was not always clear which was the second home because the way the properties were used and the length of occupancy in the different residencies were unclear. Whilst some definitions emphasised the use made of the dwelling for leisure or recreation, it is pointed out that with changing patterns of employment, home working and dual uses of properties this distinction has become less clear. It is suggested that the changing patterns of housing consumption have yet to be explored in research on second or holiday homes.

17. The most thorough discussion of definition and data issues is in Gallent *et al* (2005 especially pages 6 to 13). It is suggested that in the UK the debate about the definition of second homes was at its most intense in the 1970s and they discuss a number of definitions from this decade. In particular, Gallent *et al* quote the three-tier definition for vacation accommodation suggested by Pyne (1973). This vacation accommodation might or might not be used as a second home:

1. *Second home*: a dwelling used by its owner and possibly other visitors for leisure purposes and which is not the usual permanent place of residence for the owner;
2. *Holiday investment property*: a dwelling owned either locally or outside the county and not permanently occupied but let to holiday makers solely on a commercial basis; and
3. *Club/institute/company holiday property*: similar to above but used only by club members or company employees and clients (Pyne, 1973, p3).

18. Pardoe (also quoted by Gallent *et al*, 2005; p7) suggested a narrower definition of a second home:

“ [...] a static property which is the alternative residence of a household, the principal domicile of which is situated elsewhere and which is used primarily by members of that household for their recreation and leisure (Pardoe, 1974).”

Pardoe's definition allowed the inclusion of static caravans but excluded touring caravans.

19. Bielckus *et al* (1972, p9) suggest that a second homes is:

“ [...] a property which is the occasional residence of a household that usually lives elsewhere and which is primarily used for recreation purposes.”

20. Downing and Dyer (1973, p1) followed the same definition but excluded touring caravans, boats, properties on short tenancies and properties in major cities and industrial towns.

21. Shucksmith (1983, p174) used the same definition but excluded static caravans.

22. Gallent *et al* (2005) note that the distinction between built second homes and static caravans is now clearly defined in much of the literature and in the Survey of English Housing (see below).

23. A report for The Countryside Agency (2002a, pp14-15) suggest that second homes are:

“Privately owned dwellings mainly used for vacations: they are furnished homes that are no-one's main residence.” They make a distinction between:

1. *Second home*: a dwelling used by its owner and possibly other visitors for leisure or holiday purposes and which is not the usual or permanent place of residence for the owner; and
2. *Holiday investment property (Holiday Home)*; a dwelling owned either locally or outside the area and not permanently occupied but let to holiday makers solely on a commercial basis.

24. It is suggested that these two categories of property raise different issues and may introduce different impacts. “We might suggest that private and business owners will purchase different types of property (affecting the housing market in different ways) or use accommodation in different ways (affecting the particular mix of social or economic impacts). It follows then that future assessments of the number of second homes (at any level) should take into account the varying mix of these second home types” (*ibid*, p15).

25. However, neither of these two categories of property include urban second homes that may be used primarily as a place from which the journey to work occurs, with the 'main' residence elsewhere, for example in a more rural location.

26. Some reports on second homes adopt a very wide definition that combines second homes with categories of dwellings that are, in other surveys, treated as separate groups. For example, a Direct Line report: 'Second Homes in the UK' (Direct Line, 2005, p3), based on work by the Centre for Future Studies, stated that second homes are:

"Properties in the UK owned or rented out by a household member that are not the main residence of that household."

27. This definition does, for example, include buy-to-let properties. In fact, it includes privately rented housing generally that is rented by individual households.

28. A significant and thorough local analysis of second homes adopted the Countryside Agency (2002a) definition (Suffolk County Council, 2004). It stated that:

"For the purposes of this project, 'second homes' are defined as 'privately owned properties mainly used for vacations that are not the sole or main residence of an individual'"
(*ibid*, p7).

29. The report pointed out that "It is important to note that such holiday homes can take the form of chalets, which are more akin to a beach hut than a place of potential residence, and may have restricted occupancy conditions" (*ibid*, p7).

30. On a more general level it also noted that:

"It is clear that there is little consistency or clarity around the definition of a second home and associated data collection," (*ibid*, p11) and

"Current data collection methods appear to use different classifications of second homes. The census definition of 'secondary residences' excludes empty dwellings not known to be second homes, posing the risk of many second homes going unrecorded --- On the other hand, the definition used by the Office for National Statistics puts together 'company flats', 'holiday houses' and 'weekend cottages' which are all very different and distinct types of dwellings (p11)."

31. The report argues that:

"Even within the definition used for this project – there are differential markets. According to estate Agents FPD Savills, there are two distinct second home markets. 'The first is the market for holiday or weekend homes, typically in close proximity to the coast (which makes up the majority of those in Suffolk). The second is the market in London where commuters, and those trading out of London in recent years, have acquired flats for weekday use.

Whilst it is clear that there has been an increase in the number of second homes in Suffolk over the past few years, until there are consistent definitions for data collection, it will remain problematic to draw together accurate assessments of market growth. For example, in the past some second homeowners may have classed their 'rural' property as their main residence and their (more expensive in Council Tax terms) urban property as their 'second home' so as to incur less Council Tax" (*ibid*, p11).

Definitions used in the UK Census

32. As Wallace *et al* (2005, p28) point out, the Census has provided data on second and holiday homes every ten years since 1981. However, whilst the 1981 and 1991 Censuses differentiated between second and holiday homes, the 2001 Census information included only an aggregate figure for second and holiday homes.

33. In the 1991 Census:

“*Second residences* were defined as company flats, holiday houses, weekend cottages, and so on, in permanent buildings which were known to be residences of people who had a more permanent address elsewhere and which were unoccupied on Census night. This classification was applied even if the premises were occasionally let to others” (Office of Population, Censuses and Surveys, 1992, p25).

34. As Gallent *et al* (2005, p9) point out this definition excluded empty dwellings not *known* to be second residences and potential second homes enumerated as *occupied accommodation* on Census night.

35. This definition was used again in the 2001 Census. However, the distinction between second residence/holiday accommodation and vacant accommodation for unoccupied household spaces is based on information provided by the enumerator. The enumerator was not asked to differentiate between second homes and holiday homes so they cannot be distinguished in Census outputs. Households that returned a form but which prove to be all visitor households are classified as second/holiday homes in outputs. An unoccupied dwelling is classified as second/holiday home if at least one of the household spaces within it (or the single household space if the dwelling is unshared) is a second/holiday home.

36. In a consultation document for the 2011 Census (ONS, 2005a) it is suggested that:

“It is important to understand the issues surrounding multiple residences so that the planning of services for areas with large fluctuations in populations, such as commuter areas and holiday destinations, can be carried out effectively. With an increasing number of people being associated with more than one address there is an emerging requirement to include additional questions about residence patterns on the 2011 Census questionnaire. Such questions would not only enable us to find out about the incidence and location of second homes across the UK, but would also support the enumeration of people with complex living arrangements.

“Additional residency questions on the Census questionnaire would provide valuable information to service providers about areas which have fluctuating populations due to large numbers of second homes. Therefore, information on additional addresses of respondents is being considered for collection by the 2011 Census. Suggested additional questions are whether a person lives at another address for part of the year, and if so, what this address is, what the address is used for, and the amount of time spent at this address. Information gathered from additional residency questions would not only give a better understanding of the complex living arrangements in the UK for service providers, but would also provide a better understanding of the coverage of the 2011 Census. This applies to both under-coverage and over-coverage. People with second homes can be hard to count because if they spend long periods of time at their second home, this reduces the probability that contact will be made with them at their main residence. However, it is also possible that people with second homes may be counted at both of their addresses, resulting in an overcount” (ONS, 2005a)

37. If these suggestions were followed the Census would in future provide a more informed picture of second home ownership.

The definition used by the Survey of English Housing

38. The Survey of English Housing (SEH) collects data for second homes based on the following definition:

“Second homes are properties, owned or rented by a household member, which are not the household’s main residence. However, properties which are the main residence of someone else, or which the owner intends to sell because they have moved are not counted as second homes” (SEH, 2007, p13).

Table 1 below illustrates the application of this definition.

Households that say they have a second home	Location of second home ¹			England 1999/2000
	England	Other Great Britain	Outside Great Britain	Total
				thousands
All households who say they have a second home	735	76	194	1,005
Less second home is main residence of someone else	459	30	58	546
Less ‘Intending to sell’ only reason given for second home	47	1	5	53
Total ‘SEH’ second homes¹	228	45	130	404

¹ Note that it is generally only logical to quote the figure for second homes in England, as only households with their main residence in England are covered by the survey.

Source: CLG (various dates) Survey of English Housing (S353 The SEH definition of a second home)

The ODPM/CLG definition that is applied for the purposes of Council Tax

39. The government has set out a definition of second homes for Council Tax purposes (ODPM, 2003a). The definition sought to clarify the meaning of second homes for the purpose of the regulations that came in on 18 December 2003 which govern the powers of local authorities to change the Council Tax discounts on second homes.

40. The regulations set out two classes of second homes:

Class A: Dwellings which are not the sole or main residence of an individual, which is furnished and the occupation of which is restricted by a planning condition preventing occupancy for a continuous period of at least 28 days.

Class B: Dwellings which are not the sole or main residence of an individual, which is furnished and the occupation of which is not restricted by a planning condition preventing occupancy for a continuous period of at least 28 days.

41. The regulations provide that a billing authority may determine to reduce the Council Tax discount from the nationally set 50 per cent to a minimum 10 per cent in some or all of its area except where the liable person is required to live in employment-related accommodation as part of their job.

42. The regulations also provide for one class of dwelling which is long term empty:

Class C: Dwellings which are unoccupied and substantially unfurnished.

43. Classes A and B define those dwellings for which billing authorities may reduce the Council Tax discount from between 50 per cent and 10 per cent (second homes), and Class C those dwellings where they may reduce the discount from between 50 per cent to 0 per cent (long term empty homes).

44. Councils compile information on these categories of dwellings and this information is collated by the Office of the Deputy Prime Minister's (OPDM) successor department, Communities and Local Government (CLG). In essence the Council Tax definition amounts to defining second homes as "furnished homes that are no-one's main residence" (Gallent et al, 2005, p6).

Definitions used in ONS Omnibus surveys

45. The *ONS Omnibus Survey*, also known as Omnibus, is a regular, multi-purpose survey which started operating commercially in 1990. It was set up originally to meet the needs of government departments for a survey that used short and simple sets of questions, had greater statistical reliability than private sector omnibus surveys and a properly designed random sample.

46. Omnibus surveys have, from time to time, been used to investigate second home ownership. The definitions used have however varied and the interpretation of the definition depends on both the questioner and the respondent. For example, in 1998 the Omnibus survey instructed interviewers as follows:

"Please make sure that you do not include a caravan etc. or anything that is not a permanent structure as a second home. Most people with second homes are probably quite clear about which is their main home and which their second home (and, in general, we would expect the main home to be the one in which they are interviewed). If respondents are in no doubt, let them decide which is the second home. Some people may not feel sure (e.g. someone who spends 5 days a week in one place because of work and the weekend in the family home). Where respondents are in any doubt please ask them to treat as the main home the one which the household as a whole makes most use of and the other as the second home" (Omnibus, 1998; p6).

47. In the July 2005 survey a test question for the 2011 Census was included. It asked:

"Does anyone in your household own a second home?" Interviewers were instructed as follows: "A second home refers to any home the household rents or owns in addition to the home in which they spend the most time in or live with their immediate family" (ONS, 2005b, p99).

48. This definition might be seen to include, unlike some other definitions, residences that are someone else's main home. Thus buy-to-let properties owned by a member of the household would be included.

49. This confusion might not be as great if a clearer distinction was made in general parlance between 'home' and 'house' or 'dwelling'. If a home is defined as something that cannot be built or bought or sold but is only created by the experience of living, then households can own a second (or more) house or dwelling without owning a second home. In fact it is according to this approach impossible to own another household's 'home'; it is only possible to own the house or dwelling in which another household lives. Second homes then become genuinely only places where a household creates a home in addition to their main home; but they are also places that someone else has not made their home. There is, in short, an important distinction to be made between a house and a home.

Definitions used in overseas literature

50. Gallent *et al* (2005, pp5-6) show that whilst some definitions used in Britain suggest that the owners of second homes live at some distance from their second homes, “Elsewhere in Europe, there is no necessary presumption that owners are *distant* outsiders” and that there is a “division between mainland Europe second homes (close to first homes and used regularly) and British second homes (further from first homes and used less regularly.”

51. More generally, there is no agreement worldwide, on what constitutes second homes. One international study uses ‘second homes’ as an ‘umbrella’ for ‘recreational homes, vacation homes, summer homes, cottages and weekend homes’ (Hall & Muller, 2004, p4).

Sources of data on second homes

52. For second homes in England there are broadly five sources of data. These sources use a variety of definitions of second homes, as set out above. The sources are:

1. Surveys undertaken by researchers;
2. Census data;
3. Survey of English Housing data;
4. Council Tax data as collated by ODPM/CLG; and
5. Occasional ONS Omnibus surveys.

Each of these is discussed below.

Surveys undertaken by researchers

53. Gallent *et al* (2005, p12) state that in the 1970s there were many local studies of second homes. These were usually sponsored by local planning departments. Whilst there have been many more recent estimates, by a variety of researchers, of the number of second homes these are usually based on official sources such as the Census, the Survey of English Housing or Council Tax data.

54. Wallace *et al* (2005) point out that the majority of studies undertaken in the 1970s used rating registers although they did not identify second home owners directly and simply noted which owners had an address outside of the county. It was suggested that rating registers underestimated second homes by about ten per cent (De Vane, 1975; Pyne, 1973; Tuck, 1973). Several studies used other sources to complement the rating register. Research by Coleman (1982), Bennett (1979), Bollom (1978), De Vane (1975), the South West Economic Planning Council (1975) and Tuck (1973) used additional knowledge from local residents to supplement rating register information. As Wallace *et al* (2005; p29) state “Bollom (1978) and the South West Economic Planning Council (1975) also used the electoral register as a method of identifying possible second homes. Other studies used field surveys such as Davies and O’Farrell (1981) – an approach which may offer the potential for additional accuracy, but which would be a costly method to reproduce in future research.” Several of these studies were in Wales rather than England but the points about data and methodology apply equally in both countries.

55. The Centre for Future Studies was commissioned by Direct Line Home Insurance to investigate the growing second homes market in Britain and identify future trends and developments (Direct Line, 2005). This report provided a long list of sources that are combined to provide data on second homes. These are listed in Appendix A. There was no primary survey work undertaken and figures were estimated only for the UK, not for England.

56. It was suggested that in 2003/4 328,000 households in the UK owned a second home and that second homes represented approximately two per cent of the stock in the UK. However, it is important to note the very wide definition of second homes that was adopted.

Census data

57. The last two Censuses provide the following data:

1991 125,587 second residences plus holiday accommodation in England

2001 135,202 second residences plus holiday accommodation in England

58. These figures from the Census suggest significantly fewer second homes in England than do the Survey of English Housing and Council Tax records as the data in Tables 2 and 3 shows. The Countryside Agency (2002a) argues that the discrepancy is a matter of definition: "The Census definition of 'secondary residences' clearly excluded dwellings not *known* to be second residences and potential second homes enumerated as *occupied accommodation* on Census night. These problems introduce an enormous risk of under enumeration" (*ibid*, p14).

Survey of English Housing data

59. Figures from the Survey of English Housing have been available since 1993. The data, as reported in Gallent *et al* (2005, p11), is:

1993 230,000 second homes in England

1995/6 185,000 second homes in England

1999/2000 229,000 second homes in England

60. The Survey of English Housing is based on a sample of only 20,000 households and does not permit geographical breakdowns below regional level. The following table is taken from Survey of English Housing data.

Table 2: SEH Second Homes Totals

Year	Total SEH second homes in England, thousands*
1999/2000	234
2000/2001	241
2001/2002	226
2002/2003	235
2003/2004	253
2004/2005	255
2005/2006	242
2006/2007	241

* The source states that these are three year moving averages because the underlying annual figures are too volatile

Source: Table 3.2 Housing in England 2005/06 A Report Principally from the 2005/06 Survey of English Housing, London, Communities and Local Government

The latest figures are remarkably close to those calculated from Council Tax returns (see Table 3).

Table 3: Second Homes Data Supplied in a Parliamentary Answer

Period	Cornwall		South West		England	
	Number	Percentage of all homes	Number	Percentage of all homes	Number	Percentage of all homes
1997-98 ⁽¹⁾	n/a	n/a	n/a	n/a	203,000	1.0
1998-99 ⁽¹⁾	n/a	n/a	n/a	n/a	224,000	1.1
1999-2000 ⁽¹⁾	n/a	n/a	41,000	1.9	234,000	1.1
2000-01 ⁽¹⁾	n/a	n/a	41,000	2.0	241,000	1.2
2001-02 ⁽¹⁾	n/a	n/a	39,000	1.9	226,000	1.1
2002-03 ⁽¹⁾	n/a	n/a	49,000	2.3	235,000	1.1
2003-04 ⁽¹⁾	n/a	n/a	60,000	2.8	253,000	1.2
2004 ⁽²⁾	13,509	5.7	50,397	2.2	228,896	1.0
2005 ⁽²⁾	13,221	5.6	50,250	2.2	236,331	1.1
2006 ⁽²⁾	13,040	5.4	51,459	2.2	240,047	1.1

Sources:
⁽¹⁾ Survey of English Housing (three-year moving averages).
⁽²⁾ Council Tax Base returns
Note:
n/a = not available.

Source: Hansard Publications and Records (2007) 23 July 2007 [WWW] Available from <http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070723/text/70723w0025.htm> [Accessed 23/08/07].

Council Tax data as collated by ODPM/CLG

61. The table above is taken from Hansard. It is an answer to a Parliamentary question on 23 July 2007 by Matthew Taylor MP who asked the Secretary of State for Communities and Local Government how many second homes there were in (a) Cornwall, (b) the South West and (c) England in each year since 1997; and what percentage of all homes this represented.

62. For 1997/8 to 2003/4, the data shown are estimates from the Survey of English Housing. Estimates for Cornwall are not available because it is only a sample survey and reliable estimates can only be derived down to regional level.

63. For 2004 to 2006, the data are based on Council Tax Base returns that are completed by local authorities. These figures are only available from 2004 onwards.

64. Council Tax data is clearly the most comprehensive source of data on second homes post-2004. It is also a source from which detailed local data on second homes can be obtained.

65. Council Tax data was the source of the data used in recent examinations of second homes by the Commission for Rural Communities (see CRC, 2006).

66. Council Tax data from CLG was also the source of the data in a commercial report that suggested that second homes were 1.1 per cent of the housing stock in England in 2006 (Savills, 2007).

67. Whilst Council Tax data is the most comprehensive source of data on second homes there are doubts that have been voiced by politicians about the extent to which this data gives an accurate picture of the number of second homes. The claim that Council Tax data under represent the number of second homes was made at length by Mathew Taylor MP in a Parliamentary debate in February 2006 (Hansard, 2006). He suggested,

“Local communities reporting to district and county housing officers and statisticians say that that the number of second homes in their villages and towns is greater than official figures suggest. That has been confirmed to me by district council housing officers” (Hansard, 2006, 28 February, Column 69WH).

68. It was claimed that the Council Tax figures were inaccurate because of tax minimisation behaviour by households. The essential propositions are that a dwelling may not be listed as a second home for Council Tax purposes because it is advantageous to pay business rates on the property or claim that it is a principal residence with a single person occupant thereby qualifying for a 25 per cent rather than a ten per cent Council Tax discount. Taylor offered only indirect evidence:

“The senior research officer at the county council told me:

“With Council Tax my understanding is that it is financially more advantageous for some owners of what really are second homes to pay business rates. Also I don’t think this is quantifiable unless research has been done which I don’t know about, but it is said that some couples with two properties register one of them in each of the two properties and each pays Council Tax with a single person discount . . .” Those are just two reasons why the figures may be dodgy (Hansard, 2006, 28 February, Column 69WH).

“The loss of the second homes Council Tax incentive means that there is a potential financial advantage for couples or family members to register as single occupants of properties. They then qualify for a 25 per cent discount, and often look forward to inheritance tax advantages in the future. Young adults living with their parents might be registered as living at second homes in order to minimise Council Tax payments there and future tax liabilities. Alternatively, it may be financially advantageous to register a second home as a small business and apply for small business rate relief. The anecdotal evidence confirms that.

“A member of the treasury team at Kerrier District Council reported an increase in the number of domestic property addresses submitted on the last batch of forms for small business rate relief. He noted a drop in the number of second homes registered compared with the previous year. People are swapping across. Restormel and Carrick both confirmed that and I was provided with a specific example in Kerrier, which gives a measure of the financial advantage of doing that. A property in Kerrier District Council that is currently in Council Tax band B – a small property with a Council Tax that is not particularly high – would, with the 10 per cent second home discount, be subject to £836.46 in Council Tax. However, if it were registered as part of a small business, it would be subject to £809.25, which would be the full business rate, but if an application were made for the 50 per cent small business discount, the bill would be reduced to £404.63. That is a clear incentive to make the change, *let alone* issues such as capital gains tax avoidance and inheritance tax further down the line” (Hansard, 2006, 28 February, Column 69WH).

More research is clearly necessary to verify or refute these claims.

Occasional ONS Omnibus surveys

69. Whilst this has been identified as a source of data for second homes (see for example ONS, 2005a) and the use of the July 2005 survey to test a possible question for the 2011 Census has been noted, it has not been possible to identify research that has made use of Omnibus data on second homes or given information on the results of the surveys.

The volume of second homes in an international context

70. It has been claimed that “Lack of effective statistics is a worldwide issue for second homes research” (Hall & Müller, 2000; p26). However, despite problems of definitions and data it has been suggested that “The United Kingdom has one of the lowest levels of second home ownership in Europe” (Gallant *et al*, 2005; p92) and that more than 20 per cent of households have second homes in Sweden and Finland and more than 10 per cent in Denmark, France, Greece, Italy, Luxembourg and Spain (*ibid*, p93).

71. Several studies refer to second homes being a growing international phenomenon (Gallant *et al*, 2003a; Gallant, *et al* 2005; and Hall & Müller, 2004). For example, estimates suggest that large numbers of Germans own second homes in Spain, France, Italy and Portugal as well as smaller numbers in Sweden and Denmark, and that “Second homes have come to symbolise a more international Europe” (Gallant *et al*, 2003, p49). Paris (2006, p18) claims that “There is a rapidly growing transnational dimension to second home ownership.” The Survey of English Housing (2003/4) shows that of the 506,000 households in England with a second home, 178,000 were owned outside Britain.

3. To what extent (if any) have second homes increased house prices; and have they crowded out prospective first-time buyers?

Introduction: the evidence requirements

72. This chapter considers the research evidence for the claims that second homes have increased house prices and crowded out prospective first-time buyers. It examines evidence from published national and local studies.

73. The impact of second home purchase on property prices, affordability and access is widely assumed, for example:

“Second homes and holiday homes contribute to rural social exclusion as local residents are increasingly priced out of the limited housing resource” (Direct Line, 2005, p11).

and

“Put simply, in an exclusively ‘local market’ first-time buyers have only to contend with competition from other locals. But in an open ‘second home’ market the number of competitors is inflated, heightening demand pressure, pushing up prices, and reducing both affordability and access for those with least income” (Suffolk County Council, 2004, p30).

74. However, the evidence to support such assertions is wholly inadequate. There are two main requirements in attempting to determine the market impact of second homes; firstly, to identify where they fit into the market; and secondly, to isolate their impact on property prices and housing access. In relation to the first requirement, the more second homes are drawn from housing stock at the ‘access’ end of the market, the greater their direct impact on both first-time buyers and lower income households seeking to move on in the market. The second requirement is the need to isolate the impact of second home purchase in relation to other relevant factors in the supply and demand equation, including demographic and economic change; income levels, the growth of home ownership; the impact of Right to Buy sales; interest rate levels; property price inflation; the workings of the planning system and the limited availability of social housing.

75. Unfortunately, robust analysis of the profile of second homes and of their separate impact on property prices and housing access is extremely limited, and the resultant dilemma is appropriately captured in the 2004 study undertaken by Suffolk County Council:

“As there is no house price data at a lower (parish) level it cannot be said, with any authority, whether second homes have a direct influence on rising prices or not. It is a national trend that is dependent on a range of factors” (Suffolk County Council, 2004, p30).

76. The studies available fall into two categories; national but more generalised; and local but highly specific; and the two can offer contradictory findings.

Property profile, price increase and affordability: evidence from national studies

77. Gilbert (2001) claimed that: compared with the 1980s more recent purchases of second homes involved “properties that rival or even surpass that of the main residence” and “Many property hotspots are where potential second home buyers compete head on with local buyers often as cash purchasers and bid the price of local property up. Many of these hotspots are desirable locations with second home-owners now significant minorities” (p18).

78. The 2005 Direct Line study, using FPD Savills data, identified average prices for second homes and confirmed their changing profile:

“The average price paid for a second home in 2004 was £415,000 – this was more than the £380,000 average spent on the [sic] main residence. The average price paid for a second home in 2000 was £327,000” (Direct Line, 2005, p4).

79. This analysis implied that second homes are increasingly located at the higher value end of the market, although the question of the extent to which the purchase of higher value homes has a ‘cascade’ effect on the price of lower value homes is not pursued.

Property profile, price increase and affordability: evidence from local studies

80. The evidence available from local studies has tended to focus on the extent to which external demand, derived from retirement and commuting patterns, and including second home purchase, has pushed property prices beyond the reach of local residents, for example, Gallent *et al* (2002) in relation to the Lake District and Tewdwr-Jones *et al* (2002) in relation to Wales.

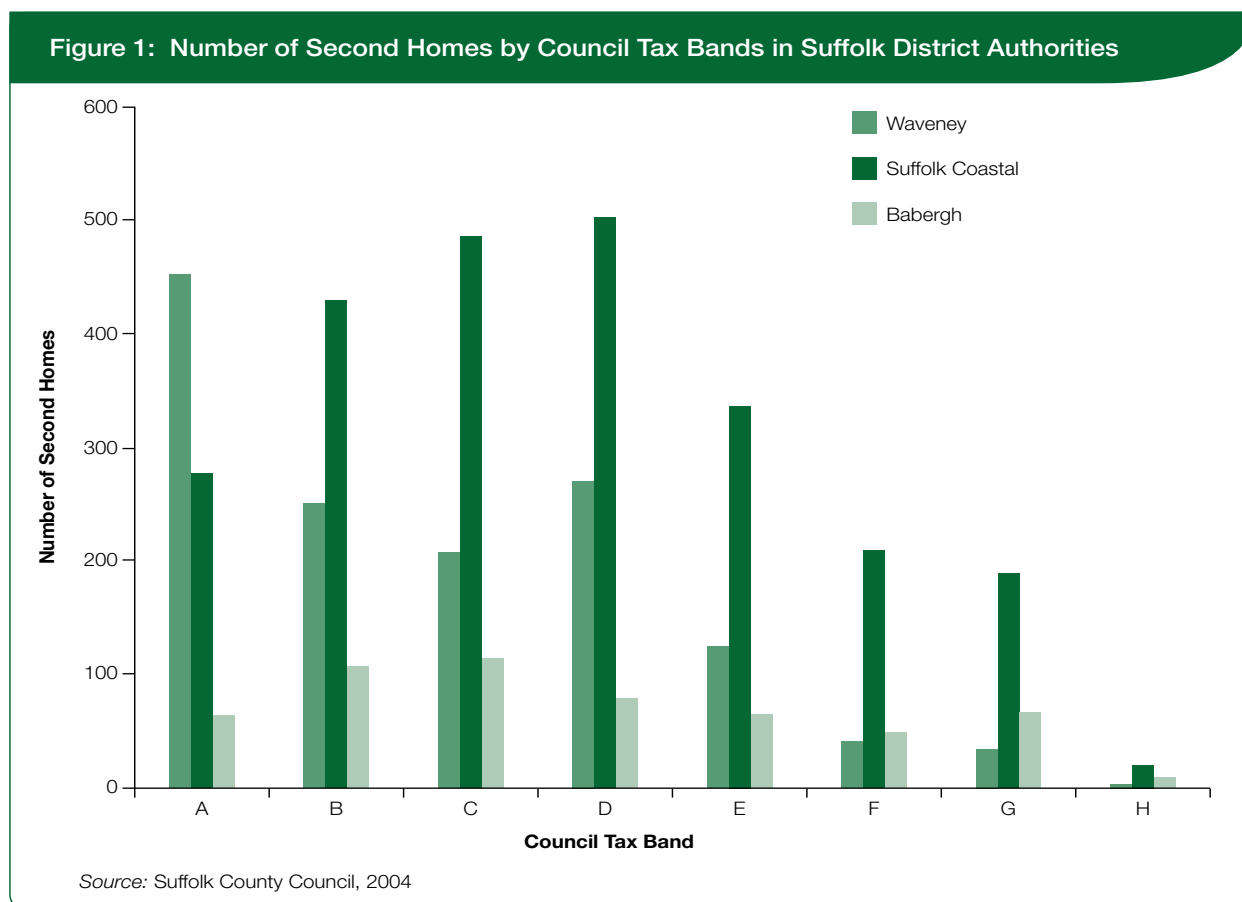
81. There is an almost total lack of robust evidence to support the contention that second homes increase property prices. Fitz Gerald *et al* (2003) estimated for Ireland that second or vacant dwellings added between 15 and 20 per cent to property prices during 2000 to 2003, with price increases much higher in the Border, Midlands and Western Region due to the concentration of the growth in such dwellings there.

82. However, an attempt by the Council of Mortgage Lenders to use Land Registry data to identify price changes in Welsh local authority areas with concentrations of second homes (Tewdwr-Jones, 2002) produced the surprising finding that “*house price rises are slower today in those areas that have experienced second home growth over the past 10 years*” (Gallent *et al*, 2005, p46). As Gallent *et al* point out, the correlation established was very weak but even if valid, it might simply indicate that property prices remain lower than average in rural areas.

83. Attempts to isolate the separate, and especially the local impact of second homes within the overall dynamic of ‘external demand’ have proved elusive, and only a few studies have profiled second homes in detail and then assessed their potential impact on prices, affordability and access. The report undertaken by Suffolk County Council in 2004 identified, from a study of the Council Tax bands, that,

“second homes tend to be in the lower bands, and thus the same types of properties as those sought by first-time buyers, or those seeking affordable housing” (Suffolk County Council, 2004, p13).

84. However, the supporting evidence provided a more complex and highly localised picture with second homes in Waveney concentrated in the lower Council Tax bands but a wider distribution in both Suffolk Coastal and Babergh.



85. The implication was that whilst,

“the majority of second homes used to be small, low-maintenance and low-tax band properties, purchasers are now competing for a full range of property types” (Suffolk County Council, 2004, p13).

86. A housing market and affordability study for the North Norfolk Area of Outstanding Natural Beauty (AONB) (Three Dragons *et al*, 2005), identified that smaller ‘cottage-style’ properties were so popular with second home buyers that the rate of price increase had been greater than for four-bed or larger houses. However, the impact of second homes was not uniform with distinct ‘hotspots’ emerging. For example, 2001 Census and Council Tax data were used to show that approximately one-third of properties were second homes in Brancaster, Brancaster Staithe, Cley next the Sea, Blakeney and Happisburgh. The study concluded that:

“there are significant affordability problems in the Norfolk Coast AONB, with high house prices fuelled by second homes coupled with relatively modest local incomes” (Three Dragons *et al*, 2005, p55).

87. But the dynamics of the market in relation to second home purchase are not explained.

88. Finally, detailed analysis of sales and purchasers on the Island of Arran, which has a long tradition of second home ownership, enabled the researchers to identify that:

- between 20 and 25 per cent of all properties were second homes;
- between 2003 and mid 2006, 26 per cent of purchases were second or holiday homes;

- 40 per cent of second home sales were in the lower Council Tax bands A to C, and the most popular price range was £100,000 to £200,000 which directly competes with local residents, and as a result,
- second/holiday homes were “likely to be having a significant impact on restricting access for local households to the relatively more affordable end of the housing market” (Craigforth Consultancy and Research, 2007, p71).

89. However, once again, the dynamics of this equation were not analysed in detail.

90. Previous research has suggested a link between local house price inflation and growth in the number of second homes. For example studies in the 1970s and 1980s suggested that competition for houses can be exacerbated by second home ownership, leading to a bidding up of prices, and that there was a statistical association between second homes and house prices (Jacobs, 1972; Clark, 1982). However, these early studies did not take into account the full complexity of local housing markets, and the wide range of possible influences.

91. An unpublished study by Prof. Glen Bramley and colleagues made an attempt to model price impacts at a local authority level. The econometric model was based on changes in housing market conditions at neighbourhood scale across England in the period 1988-2005¹. The range of variables represented in the modelling included:

- economic and labour market factors at the regional level
- supply and housing tenure factors at both regional and ward levels
- housing type composition at ward level
- urban form variables relating to density, green space, gardens, etc.
- neighbourhood socio-demographics including poverty measures
- location and access measures
- housing vacancies
- ward and regional level new supply measures

92. In terms of its coverage of the whole of England at ward level and the range of variables included, this exercise is probably the most comprehensive modelling carried out on neighbourhood housing markets.

93. The model estimated that for a 1 percentage point higher incidence of second homes house prices would be 1.4 per cent higher, all other things being equal. For example, there were 234,000 second homes in England in 2005, representing 1 per cent of the total housing stock. The model would estimate that this would have been sufficient to raise all house prices by 1.4 per cent (or £5,400 on average at 2005 prices) over and above what they would otherwise have been. In local authorities that had a higher proportion of second homes than the national average, the impact on prices would be greater. In 2005 a total of 28 of Local Authorities had house prices raised by more than 5 per cent as a result of a high incidence of second homes.

94. The most straightforward explanation for this impact is that second homes represent an additional demand for housing and that, given constrained supply, this feeds into higher prices. However, there are other possible interpretations. In particular, second homes may be a proxy for some unmeasured quality of localities (e.g. picture postcard scenery, etc.). This quality may make the location attractive to both second home buyers and also to general homebuyers, who have some locational choice and will pay more to live in an area that is especially attractive. The model does try to control for area characteristics to some extent but the latter is still a possible explanation. It should also be noted that the house price data relates to 2005 price levels and therefore reflects market conditions at that time.

Future trends

95. An important question is the likely trajectory of the second homes market and, whilst it is not possible to predict price trends, Gilbert (2001) identified a number of demographic trends of significance to the potential growth of the second homes market:

- the largest growth in the population to 2021 will be among 50 to 64 year olds, predominantly baby boomers born in the 1950s and 1960s who will be approaching retirement and who may be attracted to owning a second home; and
- those aged 65 and over, are projected to increase by 32 per cent between 1996 and 2021, who may be attracted to owning a second retirement home.

96. As Gilbert states:

“Much will depend on whether more households choose and/or are able to release equity from their main residence and house prices continue to appreciate steadily in the coming years. Interest rates need also to remain stable and relatively low. For the baby boomers contemplating retirement, property will in many cases be bound up with a choice of lifestyle. A second home will be part of that lifestyle be it close to a golf course/yachting marina, in a smart city centre or even as an alternative to investment in equities” (Gilbert, 2001, p38).

97. The 2005 Direct Line Study estimated that the number of UK second homes was to rise by 24 per cent by 2015, increasing from 328,000 to 405,000 by 2015. This increase of 77,000 second homes means an average annual growth of 3.2 per cent. This would suggest that second homes in England could increase by an average 7,700 per year (from a base of 241,000). This though would depend on economic circumstances.

¹ The model used was developed as part of an earlier study published by the JRF study in May 2007, entitled Transforming Places: housing investment and neighbourhood market change.

4. What specific factors attract people to buy second homes and what types of property do they buy and where?

Introduction

98. The aim of this chapter is to analyse the quality and quantity of published research on factors that attract people to buy second homes; the types of properties that are bought; and the location of properties.

Factors attracting people to buy second homes

99. There are a number of studies that have attempted to classify the factors that attract people to buy second homes. But this form of research has limitations. For example, some studies try to identify a single key factor (for example, Direct Line, 2005), while others focus on a limited number of reasons (for example, Gilbert, 2001 and the CLG Survey of English Housing). A more promising approach is to focus on the underlying motivational factors that influence consumer behaviour (for example, Gallent, 2007). But there are as yet relatively few studies of this type. It should also be noted that implicit in much of the research and data on this topic is an emphasis on second homes in rural areas.

100. A significant weakness is the major research methodology gap between the urban literature on household mobility in the owner-occupied sector and second home purchase. In relation to the former, there has been considerable debate and the development of a range of types of approaches varying from neo-classical economic models through to behavioural studies. Useful summaries can be found in O'Sullivan and Gibb (2003). These approaches have not been adopted in the study of second homes in England or more generally for rural housing markets.

101. The 'single key factor approach' is illustrated in the Direct Line (2005, p5) report. It indicates that the main reasons for purchase are:

- Retreat for holiday, recreation and leisure: 51%
- Base for work or commuting to work: 19%
- Investment: 14%
- Home for family members studying away from the family home: 5%
- Inheritance property: 5%
- Properties purchased due to marital breakdown: 4%

102. It is important to recognise that the Direct Line definition of second homes is extremely broad (see Chapter Two). Hence, categories such as 'home for family members studying away from the family home' are problematic if a narrower definition is adopted.

103. Similar findings are reported by Gilbert (2001, p11) drawing on the DETR Survey of English Housing (SEH) 1996/9 with nearly 40 per cent of households highlighting a holiday/retirement/weekend home as a major reason for purchase. Interestingly, 26 per cent of households highlighted that investment was a significant reason for buying a second home.

104. The SEH 'Live Tables' (Communities and Local Government, various dates) provide both the most up-to-date information as well as enabling a longer term perspective to be adopted. This data source also has the advantage that it enables respondents to cite more than one reason. The key findings from Table 4 are that the main drivers for second homes (among existing owners) are holiday/weekend/retirement home and as an investment, with the latter becoming more prominent in the early part of this decade. 'Working away from home' also continues to be a significant reason for a second home. These trends appear to be well-established and subject to relatively little change. The one potential significant weakness is that the SEH centres on existing rather than potential or current prospective second home owners. This is important as research on owner-occupation has indicated that there is a considerable degree of post-move rationalisation of the motives for purchase. This means that people give different reasons for their decisions after the event than the reasons that actually applied at the time of their decision.

105. An alternative focus on the factors influencing second home ownership is illustrated by Gallent (2007). He argues that there is considerable scope in researching self-identity and orientation through the purchase and use of private property including second homes. He indicates that this is a fruitful area for further study in better understanding the deep-seated motivation for second home ownership. Although this type of research is rare in rural studies, there is a wealth of literature in the housing field including King (2004) and Miller (2001). It, nevertheless, helps to make the connection with debates in rural geography and sociology on the 'rural idyll', which is regarded as an important factor in influencing in-migration, including second home ownership. It is also worth noting that Wallace *et al* (2005, pp44-46) highlight that there was a significant scale of research on detailed factors affecting patterns of second home ownership, for example, scenery quality, distance to urban conurbations, family connections and availability of outdoor activities. Unfortunately this type of research has not been undertaken during the last ten years.

106. From an urban perspective, Gilbert (2001, p17) has argued that quality of life and lifestyle trends are fundamental in understanding the processes involved in second home ownership. He suggests that an increasing number of households are buying their main family property outside London and have a flat/'pied-à-terre' in London. This is in part fuelled by changes in employment and the use of information communications technology (ICT) that enables people to work from home for part of the week.

Table 4: Reasons for Having a Second Home

Reasons for Having a Second Home	Percentages							
	1996/9 (from Gilbert, 2001)	1999/2000	2000/1	2001/2	2002/3	2003/4	2004/5	2005/6
Holiday Home/ Retirement Home/ Weekend Home	39	36	33	45	35	38	55	55
Working Away from Home	20	20	21	13	13	10	22	20
Living Away from Home	Not recorded	5	1	2	3	4	6	3
Marital Breakdown	5	3	2	1	2	3	1	3
Intending to Sell/Waiting to Move etc	Not recorded	5	3	4	1	1		
Investment	26	29	33	40	41	40	22	29
Other	22	16	20	15	18	19		

Source: Communities and Local Government (various dates: Survey of English Housing: London, CLG, Live Tables (S355) [WWW] Available from <http://www.communities.gov.uk/housing/housingresearch/housingresearch/housingsurveys/surveyenglish/livetables/owneroccupiersincluding/> [Accessed 30/08/07].

Please note:

Definitions and survey approach changed in 2004/5 – for example, only owner occupiers were counted.

More than one reason could be given for second home ownership.

Types of property purchased

107. There is a general consensus that in rural areas there has been a shift from the purchase of small, low maintenance property in a local vernacular design tradition (Countryside Agency, 2002a; Gallent, 2007; and Wallace *et al*, 2005). Moreover, the locational pattern has changed over the last few decades from deep/remote rural to a broader cross section of areas including accessible rural locations (Wallace *et al*, 2005, p42). Similarly, the perception that second home purchasers buy older abandoned/low demand properties is not supported by any recent studies. Although 'picturesque cottages' remain popular, second home purchasers are considering new build properties, bungalows and former council houses. However, there is relatively little quantitative information available at the national level to support these views that are often the outcome of interviews with local real estate professionals.

108. From urban and rural perspectives, Gilbert (2001, pp17-18) surveyed a number of estate agents in different parts of England and concluded that there were a number of emerging trends, including:

- Continued market for country and seaside cottages;
- Increased demand for flats, especially with a marina/water/sea outlook; and
- Growing interest in larger detached properties in the country (which may become the 'main home' with a flat in an urban centre eventually becoming the second home).

109. Overall, he concluded that the traditional view of second homes involving a purchase of a desirable rural cottage is no longer an adequate representation as a more mixed and varied pattern of purchases is evident.

110. This is backed up by other more recent market surveys by Savills (2007) and Halifax (2007). Both highlight the wide variety of property types purchased by second home owners including ex-council houses as well as 'picturesque cottages'. The literature review by Wallace *et al* (2005, p42) reaches similar conclusions, but usefully adds that there are significant local differences depending on patterns of demand and supply. The Savills survey also emphasises that a significant proportion of newly built flats in London and other large cities are 'secondary residences'.

Location of second homes

111. Most studies of second homes focus on the issue of location and geographical distribution. A number of data sources are used, but the most common are the CLG database and the Census (see Commission for Rural Communities, 2006; and Oxley & Brown, 2006; p17).

112. Analysis is available at regional and local authority levels. The latter often involves identifying current hot spots and this is illustrated in the market reports by Direct Line (2005), Halifax (2007) and Savills (2007). It is important to appreciate that the Countryside Agency (2002b) and Wallace *et al* (2005) both emphasise the micro-scale i.e. specific towns and villages with a particular focus on what is referred to as 'micro-crises' caused by the large number of second homes.

113. It is also important to appreciate that there is a significant number of second homes outside the UK owned by British residents. Direct Line (2005, p7) indicates that over 175,00 residents owned properties abroad in 2003/4 with Spain followed by France, Portugal and Italy as the most popular countries.

114. More detail on the location of second homes is provided in the next chapter.

5. What is the geographical distribution of second homes across England, and what are the characteristics of places with a high concentration of second homes?

Introduction

115. This chapter sets out the published evidence on the distribution of second homes England. It will concentrate on recent evidence of the prevalence of second homes by regions and by local authority area. The sources quoted rely on evidence from Council Tax records. This is the most comprehensive source available. There are however claims (see Chapter Two) that this data under-estimates the number of second homes.

116. There will also be a summation of the published evidence on the characteristics of places with large proportions of second homes.

Regional distribution of second homes

Table 5: Percentage Share of Total Second Homes by English Region

	2005	2006
South West	21.3%	21.3%
London	21.1%	20.7%
South East	17.6%	17.3%
East	11.9%	11.8%
North West	7.7%	8.0%
Yorks & Humber	6.9%	6.9%
West Midlands	6.3%	6.6%
East Midlands	4.1%	4.1%
North East	3.1%	3.2%
All Regions	100	100

Source: Savills (2007) quoting CLG, Savills Research

117. A report by Savills (2007) summarised the regional distribution of second homes in 2005 and 2006 using CLG data based on Council Tax records. The results are shown in Table 5. This shows that 42 per cent of second homes are in the South West and London and that together with the South East these regions account for nearly half of all the second homes in England. The North East and the East Midlands have the smallest shares of second homes.

118. The concentration of second homes in the South West has been the subject of much comment, investigation and political discussion (for example, National Housing Federation South West, 2007; Hansard 2006). However, the large proportions of second homes in London and South East England have not been subject to the same level of interest. This is largely in-line with second homes being investigated largely as a rural phenomenon (CRC, 2006; Countryside Agency, 2002a; and Wallace *et al* 2005).

Local authority distribution of second homes

Table 6: English authorities with the highest proportions of second homes 2004/5

Authority	Second homes as a proportion % of total housing stock	Number of second homes
City of London	27.03	1,487
Isles of Scilly	22	242
South Hams	11.04	4,403
Westminster	10.13	11,124
North Cornwall	10.09	4,403
Penwith	9.45	2,928
Berwick	9.43	1,275
Kensington & Chelsea	9.24	7,489
North Norfolk	9.15	4,439
South Lakeland	7.62	3,767
Purbeck	7.27	1,462
Great Yarmouth	6.87	2,970
Scarborough	6.80	3,539
West Somerset	6.28	1,042
Eden	6	1,414
West Dorset	5.23	2,356
Caradon	5.17	1,906

Source: CRC (2006) Evaluation of the use of reduced Council Tax discount from second homes by rural authorities (using ODPM council tax data).

Table 7: Districts with the Highest Proportion of Second Homes in 2006

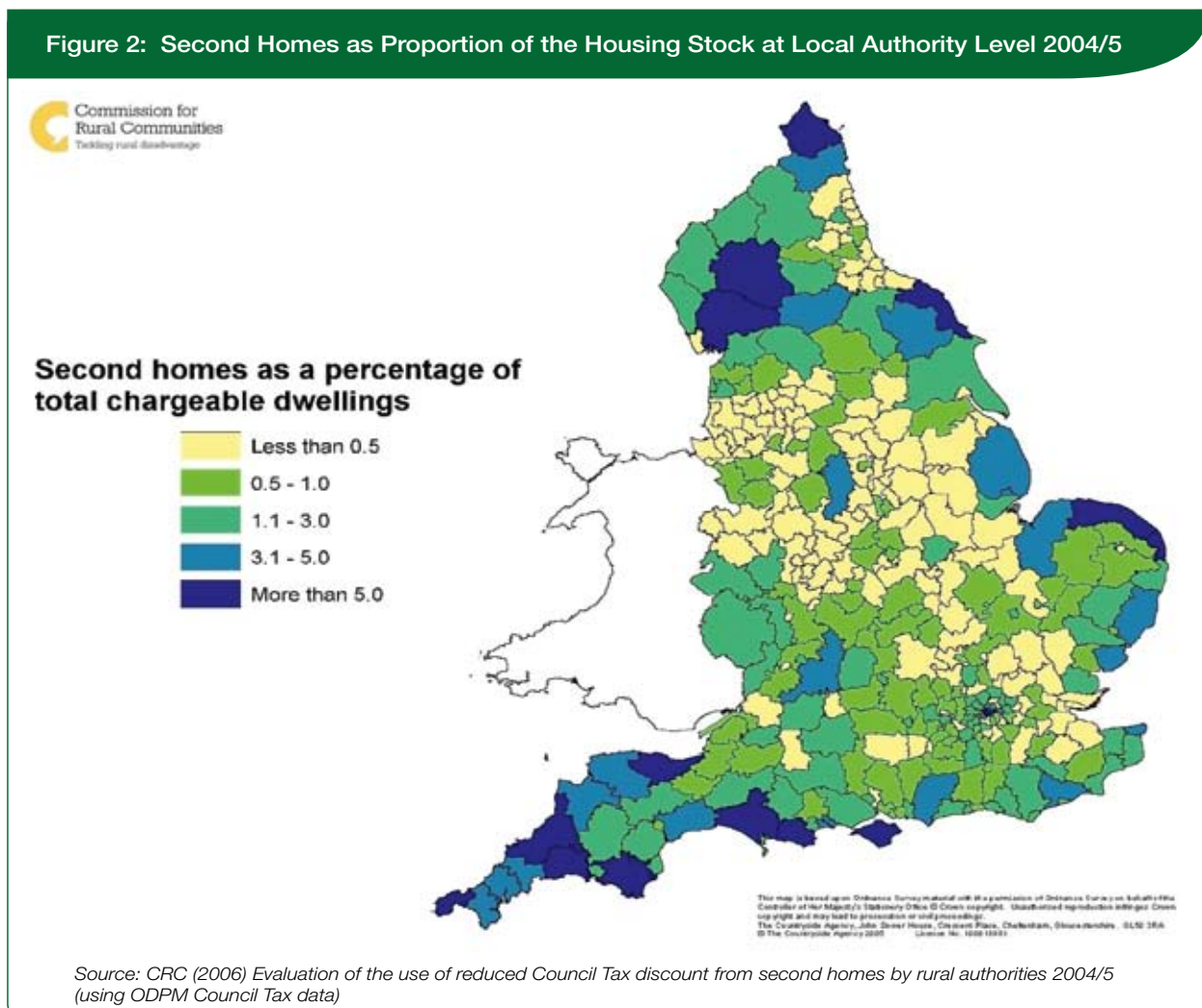
Rank Order	Local Authority	County/Region	Proportion of Second Homes
1	City of London	London	26.1%
2	Isles of Scilly	Cornwall and the Isles of Scilly	19.5%
3	South Hams	Devon	10.1%
4	North Cornwall	Cornwall and the Isles of Scilly	9.7%
5	North Norfolk	Norfolk	9.5%
6	Berwick-upon-Tweed	Northumberland	9.2%
7	Penwith	Cornwall and the Isles of Scilly	8.0%
8	Kensington & Chelsea	London	7.8%
9	Westminster	London	7.8%
10	South Lakeland	Cumbria	7.4%
11	Scarborough	North Yorkshire	6.9%
12	Purbeck	Dorset	6.9%
13	Great Yarmouth	Norfolk	6.2%
14	West Somerset	Somerset	5.7%
15	Eden	Cumbria	5.4%
16	Chichester	West Sussex	5.3%
17	West Dorset	Dorset	5.3%
18	Isle of Wight UA	Isle of Wight UA	5.1%
19	Caradon	Cornwall and the Isles of Scilly	4.8%
20	Alnwick	Northumberland	4.6%
354	All England		1.1%

Source: Savills (2007)

119. Tables 6 and 7 show that at a local authority level the locations with the highest proportions of second homes have remained fairly consistent in recent years. The 'Top Three' are the City of London, Isles of Scilly and South Hams in Devon each with more than ten per cent of the housing stock as second homes. Of the top twenty locations (Table 7), four are in Cornwall and three in London. Over a quarter of the housing stock in the City of London was classified as second homes in 2006, as was nearly eight per cent in Kensington and Chelsea and Westminster.

120. Figure 2 shows the high proportion of second homes in the South West, several coastal locations and London. As the CRC report (2006, p11) from which the map is taken suggested, "High proportions of the housing stock are second homes in much of South West England and Cumbria, with significant concentrations also in Northumberland, North Yorkshire, coastal East Anglia and parts of the south coast." The report also noted the high levels of second homes in the City of London and several London boroughs.

Figure 2: Second Homes as Proportion of the Housing Stock at Local Authority Level 2004/5



121. Halifax (2007), in its annual survey of rural housing, focuses on 132 rural local authorities in Britain. It usefully compares the proportions of second homes and social housing. South Hams has more second homes than social housing. Five other local authorities have at least half the number of second homes compared to social housing – Eden, North Cornwall, North Norfolk, Penwith and South Lakeland.

Sub-local authority distribution of second homes

122. There is limited and patchy evidence at sub-local authority level on the prevalence of second homes. Direct Line (2005, p6) identifies Salcombe in South Devon and Windermere in the Lake District, with 75 per cent and 16 per cent respectively of properties as second homes as rural second homes ‘hotspots’. Mathew Taylor MP (Hansard, 2006) has suggested that second home ownership in some Cornish parishes is as high as 80 per cent. A study in Suffolk (Suffolk County Council, 2004) shows that whilst about two per cent of the total housing stock in the county was second homes, according to 2004 Council Tax data, ownership is concentrated in particular villages, with the housing stock in certain parishes consisting of 25 per cent or more second homes.

Characteristics of places with large concentrations of second homes

123. The Commission for Rural Communities (2006, p11) shows that of the 113 (out of 354) local authorities in England with over one per cent of the housing stock identified as second homes in 2004/5, 58 were rural. This suggests that over half of authorities with more than one per cent second homes were urban authorities. The large proportions of second homes in some London Boroughs have already been indicated above. Using survey evidence from estate agents (Gilbert, 2001; p17) suggested that “One trend is for an increasing number of people to buy their main family property further out of London, and have a flat/pied-à-terre in London, which they may use three to four days a week. Part of the reason for this is that property prices within daily commuting distance have been steadily increasing.”

124. For those working in London but having a second home away from the capital Gilbert (2001, p18) suggests that “Being within a two-hour commute to London is still a defining radius for many London second homebuyers, particularly where there is easy access to a good road/motorway or rail link. This is particularly true for people with weekend cottages.” Wallace *et al* (2005, pp44-46) suggest that while studies from the 1970s stressed the importance of isolated rural locations for second homes, the importance of accessibility to a main home in an urban location has become more important.

125. Gallent *et al* (2005, pp21-23) point out that in rural areas economic decline has been one of the underlying causes of second homes growth and that ‘surplus’ rural dwellings were an initial source of supply for second homes. As this surplus has diminished second homes purchasers have generated concerns about their competition in the housing market with local residents. Gallent *et al* (2005, p26) quote earlier work (Coppock, 1977) that suggest that the spatial distribution of second homes is “Controlled by a number of factors including the distance from major centres of population, the quality and character of the landscape in importing regions, and the presence of specific features such as the sea, rivers, lakes and mountains.” Gallent *et al* (2005, p28) also note the role of motorways in making attractive rural areas more accessible for second home owners and, more broadly, they argue that second homes locations cannot be viewed in isolation from the areas from which they import demand: “Second home regions are not geographically isolated and the expansion of second home ownership is dependent on the importing region’s social, economic and physical relationship with neighbouring ‘feed’ or exporting regions.” It is argued that “The central issue with English second homes is not their overall number – proportion or relative to the national housing stock – but their tendency to concentrate in the most attractive areas and to combine with retirement purchasing to create a range of highly localised difficulties” (Gallent *et al*, 2005; p30).

6. What are the social and demographic characteristics of those buying second homes?

Introduction

126. This chapter considers the socio-demographic characteristics of those buying second homes. More specifically, the focus is on the following aspects:

- Income, age, household structure and employment status of purchasers of second homes;
- Classifying and characterising second home owners; and
- Potential future changes in the socio-demographic profile of second home owners.

127. There is a paucity of data, information and analysis on this issue compared to other second homes topics. Much of the policy orientated literature has not considered this topic in any depth – see, for instance, Countryside Agency (2002a) and Commission for Rural Communities (2006). The literature review by Wallace *et al* (2005) includes less than a single page of material in a study of nearly 150 pages. The authors comment on page 47,

“Little is known therefore about the characteristics and patterns of home ownership in the contemporary second home markets and whether indeed more people have been drawn into the market with housing equity or lifestyle aspirations.”

128. Only five research reports and articles are cited; three from the 1970s and one from the current decade (though this focuses on Scotland). Similarly the work by Gallent *et al* (2005) and by Gallent and Tewdwr-Jones (2000) include only a limited amount of information with the former including recent case studies in Scotland and Wales. There is, however, more research on this topic in Western Europe – see, for instance, Bieger *et al* (2007) and Dijst *et al* (2005). Overall, there is a lack of published information and research on the socio-demographic characteristics of second home owners in England over the last decade.

129. The lack of information is compounded by changes in the collection of data by the Government. In the 1990s, the Survey of English Housing collected data on a wide range of second home owner characteristics including annual income of heads of households and partners with a second home, household type and age of head of household. This data has been used and analysed in a number of studies on second homes published during this decade (for example, Direct Line, 2005, and Gilbert, 2001). It is, however, in some cases, extremely out-of-date. Currently, the Survey of English Housing and the associated ‘live tables’ provide a less comprehensive set of information on second homes – see ODPM (2005), CLG (various dates) and CLG (2007). From a socio-demographic perspective, data and analysis is now confined to the ‘age distribution of heads of households with second homes’.

130. Nevertheless, there are a number of reports that shed some light on the current and likely future socio-demographic characteristics of second home owners. These do not focus on current purchasers and instead primarily consider the profile of second home owners. Of particular interest and relevance from a policy perspective is the focus on future trends, discussed later on in this chapter.

131. Finally, it should be noted that the analysis and discussion centres on second home owners in rural areas.

Socio-Demographic Characteristics

132. The evidence for the Survey of English Housing over the last 15 years provides a useful source:

- Age of Head of Household: There is a longitudinal set of data running from 1994/5 to 2005/6. This indicates that 60 per cent of second home owners have a head of household aged between 45 and 64. This figure has not significantly altered since the mid 1990s. It compares to a figure of less than 40 per cent of all owner-occupied households with a head of household in this age group. It is interesting to note that there has been no significant change over the same time period in the proportion of second home owners with a head of household in the 65 to 74 year category, even though there has been an increase in owner-occupier head of household in this age group.
- Income: There is no recent information from the SEH on incomes but data from 1996/9 (utilised by, for example, Gilbert, 2001) indicates that the gross mean annual income was £45,000 with well-over two-fifths of households having an income of over £36,400. Overall average household income during the same period was just under £25,000.
- Household type: Between 1994/5 and 1996/9, the percentage of married and cohabitating households with second homes increased from just under 75 per cent to over 80 per cent. From the SEH evidence in the 1990s, there was a discernible shift with couples with no dependent children increasing by nine percentage points. Reviewing this evidence, Gilbert (2001, p13) argues that this may probably reflect the trend to cohabitation where both partners previously had owner-occupied properties.
- Employment status: The SEH information from the 1990s indicates that nearly 70 per cent of second home household owners were in full-time work. A further 20 per cent were retired.

133. These figures are quite widely cited in research and literature reviews (for example, Wallace *et al*, 2005). They have also formed the basis for the discussion on socio-demographic trends in Direct Line (2005) and Gilbert (2001). This led the former to comment that the typical second home owner in 2005 is likely to be “over 45 years of age, have an income of at least £75,000 and have a main home worth at least £400,000 – £500,000” (Direct Line, 2005; p4).

134. More local studies in England have paid relatively little attention to the socio-demographic characteristics of second home owners. Wallace *et al* (2005) note that evidence from a small number of studies in the 1970s overwhelmingly showed that second home owners were drawn from older and wealthier households compared to the local population. An exception to this was a study on second homes in Scotland that indicated a somewhat more diverse picture with evidence that manual and non-manual workers on moderate incomes were purchasing cheap accommodation relatively close to urban conurbations.

135. Recent local studies in Scotland and Wales provide an interesting and more diverse picture (Gallent *et al*, 2005). Key findings include:

- Importance of distinguishing between holiday and second homes. In the Strathspey area of the Cairngorms, holiday homes have been purchased by young people or families with children, while second homes have been bought by older and high earner households.
- Significance of new transport infrastructure in influencing behaviour of potential second home owners. The opening of the Skye Bridge contributed to the growth of a wider range of second home owners on the Isle of Skye as well as retirement migrants. Similarly, conclusions are drawn in North Wales from the extension and improvement to the A55.
- Considerable local variations in the socio-demographic profile of second home owners. In Wales, a contrast is drawn between appealing and traditional second home destinations such as the Lley Peninsula (which attracts wealthy and older in-migrants), and former mining and industrial areas such as Blaenau Ffestiniog where there is the opportunity to purchase much cheaper second homes.

136. Gallent *et al* (2005) also claim that an additional characteristic of second home buyers is that their permanent home is some distance away but with reasonable access. This is in addition to the higher incomes and the different household and socio-economic structure to local communities.

137. There is, however, a lack of published detailed local case studies of second home purchasers in England over the last decade.

Classifying Second Home Owners

138. There have been a few limited attempts to classify second home owners into specific and different categories, especially in studies in other Western European countries. This approach has the advantage of highlighting the diversity of second home owners, which is evident from local case studies (see Gallent *et al*, 2005).

139. Gilbert (2001) draws on the data from the SEH for 1994/5 and 1996/9. He briefly refers to geo-demographic profiling and utilises the ACORN categories². He indicates that nearly 40 per cent of second home owners were found in the 'thriving' group (now categorised as 'wealthy achievers') that comprises affluent suburban and rural areas. A further 40 per cent of second home owners were found in roughly equal proportions in affluent urban areas (now termed 'urban prosperity') and settled/maturing home ownership areas (now termed 'comfortably off'). Although, Gilbert has used the broad ACORN major categories, there may be merit in extending this type of analysis to the more detailed groups and types. Alternatively, analysis could be undertaken using one of the other geo-demographic classification systems such as MOSAIC³.

140. This type of approach and analysis appears to be more commonly used in Western Europe – see, for instance, Bieger *et al* (2007) for Switzerland and Dijst *et al* (2005) for Germany and The Netherlands. In both cases, there are attempts to develop typologies of second home owners. This helps to clarify the diversity of this group using socio-demographic characteristics. Dijst *et al* (2005) make use of a previously developed model comprising three types of households – 'holidayers', 'escapers' and 'enjoyers'. The authors argue that this not only helps policy makers to better understand and forecast behaviour of second home buyers but it also clarifies demand factors.

141. There is a strong case for exploring a classification/typology method to better understand the socio-demographic characteristics of second homes in England.

Future Patterns

142. A further area of research and discussion is on the changing socio-demographic profile of second home owners. A number of studies have highlighted this issue, for example, Direct Line (2005) and Gilbert (2001). In addition, Gallent *et al* (2005) and Gallent & Tewdwr-Jones (2000) have speculated on such changes from both a comparative perspective and an historical viewpoint.

143. It is argued by, for instance, Gallent *et al* (2005) that during the twentieth century (especially from the late 1950s), second home ownership spread more widely across society i.e. broadening the socio-demographic profile. Various factors contributed to this situation, including improved transport infrastructure (see above), shared equity in the housing market, and regional differentiation in economic performance.

² ACORN is a classification system devised by CACI Ltd, which categorises areas according to various characteristics, usually based on Census variables. There are 5 ACORN major categories, 17 groups and 56 types. More details can be found at <http://www.caci.co.uk/acorn/whatis.asp> and <http://www.caci.co.uk/acorn/acornmap.asp>.

³ MOSAIC is a customer classification system developed by Experian – more detail can be found at <http://www.experian.co.uk/business/products/data/113.html>.

144. It was, however, a series of other considerations that were the main drivers, including the image of the rural idyll and the investment potential (see Chapter Four). A key issue is whether these broad trends will continue into the second decade of the twenty-first century i.e. a continuing expansion of second home ownership and a broadening and growing diversity of the socio-demographic profile of purchasers?

145. Gilbert (2001, chapter 5) comments that there are a range of factors that might continue these trends such as changing lifestyles, employment options and population/household change. More specifically, they include:

- The growth of dual location households where the distinction between second homes and long distance commuting becomes more blurred (see also Green *et al*, 1999).
- Rural home working options (made possible through information communications technology) combined with a flat in an urban area.
- Population and household projections suggesting a significant growth of over 45 per cent in the period to 2021 of the population in the age group 50-64 years old, as well as two person older married and cohabitating couples that are asset rich.
- A buoyant economy and a housing market with significantly higher property price rises in London and the South East, which will enable more households to consider second home ownership.

146. Direct Line (2005) develop this perspective and argue in Part Two of their study that the gradual rise in second home ownership will continue over the next decade. They comment, however, that the “typical profile of an affluent 45-64 year old second home owner” (ibid, p8) will not significantly change. This is because of a number of factors, including:

- Age structure of the population i.e. a growth in the 45 to 64 year old age group;
- Increasing affluence;
- Changing lifestyles such as flexible employment and working arrangements; and
- Changing family structures with a growth of cohabitating and unmarried couples owning more than one property.

147. There is, thus, an agreement on the continued growth of second home ownership. But there is less certainty and consensus on the degree to which second home ownership will have a broader socio-demographic base.

Information on second home purchases from an international perspective

148. A study that reviews evidence worldwide suggests that “Recent developments in Europe, Australasia and North America indicate that second home ownership can usefully be approached from a life-cycle perspective, particularly in the context of retirement second home ownership” and this can be “a precursor to permanent national or international migration” (Hall & Müller, 2004, p11).

149. With changing economic and demographic trends, especially older more affluent populations, some studies predict that second home ownership will be a growing phenomenon worldwide (for example, Hall & Müller, 2004). It has been suggested that in the UK “Second homes may become endemic, a part of everyday life and embedded in British culture” (Gallent *et al*, 2005, p225).

7. Do households own more than one second home, and what is the distribution?

Introduction

150. This short chapter considers whether households in England own more than one second home. Having established that there is no significant evidence on this issue it reflects on how evidence on this topic might be assembled and the value of such evidence.

The evidence

151. All the sources of evidence examined in the previous chapters were re-examined to see whether they have addressed the question 'Do households in England own more than one second home?' In particular, sources reporting on results from the Survey of English Housing (SEH) and Council Tax data on second homes have been evaluated to see what evidence they offer on this issue. The latest data on second homes from the SEH (CLG, 2006a) has been investigated. The latest examination of Council Tax data by Savills (2007) has also been reappraised.

152. Housing in England 2004/5 (CLG, 2006a, p85) argues that SEH estimates of second homes and numbers based on Council Tax information are not strictly comparable for several reasons including: "The 255 thousand households that, according to SEH, have at least one second home may, in fact, have more than one second home." However, this is no more than simply reasonable speculation. No evidence is offered in support of the proposition.

153. In Chapter Four, the reasons for second homes ownership were examined and evidence from the SEH was presented that showed whilst "holiday home/retirement home/weekend home" and "working away from home" were significant reasons for having a second homes, investment motives were also important. Whilst it is unlikely, but not impossible, that households will want more than one second home for the first two sets of reasons, it is quite feasible that households might want more than one second home for investment purposes. However, we don't know if this is the case and there is no evidence that households have more than one second home for investment purposes.

154. None of the sources examined provided any evidence to demonstrate whether or not households own more than one second home. It is quite possible that some households do own more than one second home but we don't know how many households are in this position.

155. There is some limited evidence of multiple ownership of second homes from research in Northern Ireland (Paris, 2007). In this work, a survey of 100 second home owners in four case study settlements showed that 16 per cent owned more than one second home and 33 per cent were considering buying an additional second home or homes.

8. Has there been any improvement in the supply and quality of the housing stock as a result of second home purchases?

Introduction

156. This chapter reviews evidence on both the direct and indirect effects of second home purchase on improvements in housing supply then on improvements in housing quality.

The direct effects of second home purchase on improving housing supply

157. It might be anticipated that second home purchase in particular locations would stimulate the supply of housing, but virtually all discussion concerning the direct relationship between second homes and supply assumes that they reduce availability, typified by this comment from the 2004 Suffolk County Council study of 'Possible Impacts' that:

“Increasing numbers of second homes contribute to a decreasing supply of available housing” (p9).

158. However, the evidence for this trend is very limited, and the general problem in the locations affected, for example, in high demand locations in Devon, Cornwall, Norfolk and Suffolk, in national parks and AONBs, appears to be that there is an overall lack of housing supply as tight controls on new residential development result in high land and property values.

159. One potential effect of the demand for second homes in rural areas might be that some 'problematic vacants' (Fielder & Smith, 1996) which are:

“unoccupied for substantial periods of time and are often in poor condition” (Wallace *et al*, 2005, p2).

are brought back into use. The consultation paper on empty homes issued by the ODPM (2003b) identified that investment properties and those held by two co-habiting owners might be viewed as second homes, and other relevant properties might include vacant properties formerly housing agricultural workers. However, no evidence of this trend is available.

The indirect effects of second home purchase on improving housing supply

160. The main evidence that second home purchase has had an indirect effect on improving housing supply has been provided by research examining the impact of local authorities having the discretion to reduce the discount on Council Tax for owners of second homes; a policy change introduced in April 2004. Research undertaken by De Montfort University (Oxley & Brown, 2006) on behalf of the Commission for Rural Communities sought to evaluate the early impacts of this policy, mainly in relation to the financial year 2004/5. In particular, it considered the extent to which the new power was used by local authorities to provide new resources to increase the supply of affordable housing and related services.

161. Structured telephone interviews were undertaken with a sample of rural authorities in England, with a bias in favour of those with a large proportion of second homes. The local authorities contacted comprised of 18 counties, 42 districts and 4 unitary authorities, and a response rate of 93 per cent was achieved.

162. The research established that almost all rural local authorities with significant numbers of second homes had exercised their discretion to apply a reduced Council Tax discount for the owners of second homes. Of those authorities with more than 0.5 per cent of their stock classified as second homes, only 10 out of 104 did not apply the discount in 2004/5. The application of the reduced discount raised an additional £87.5m, of which over £46m was raised by rural authorities.

163. Of the £15 million raised in the ten rural authorities who raised the most additional revenue, £7m has been used for affordable housing development or related purposes, and the additional resources have, in some locations, helped to ameliorate the negative aspects of large proportions of second homes. However, the additional funds generated varied widely depending on the volume of second homes in the locality. For example, in South Hams, Devon (11 per cent second homes) the amount raised was £2.25m, whereas in Test Valley, Hampshire (0.6 per cent second homes), only £160,000 was raised. In 11 per cent of rural districts applying the reduced discount over £1m was raised, but in 55 per cent of districts less than £250,000 was raised.

164. A Devon case study identified how, in a mainly rural county with large numbers of second homes, county council support for affordable housing has had an important impact on housing provision. In South Hams, for example, the affordable housing development programme for 2004/5 was increased from 70 to 130 new dwellings. Other housing-related projects included temporary accommodation for former offenders, supported housing for young people and adaptations for disabled people.

165. However, in two-tier authorities where the additional revenue is distributed on the basis of agreements between county and district authorities, such arrangements are vulnerable to changes in priorities at the county level, with the agreement to return revenue for affordable housing having ended in Devon and currently under threat in Cornwall (CRC, 2007).

166. Should the value of homes be re-assessed for Council Tax, there is the potential that improved second homes will attract higher charges and provide additional resources to fund affordable housing and other related activities.

The direct effects of second home purchase on improving housing quality

167. This question might be expressed as 'Do second home purchasers invest in their homes?' As is characteristic of much of the debate about the impact of second homes, there is much assumption but little evidence. For example, the Council of Mortgage Lenders study (Gilbert, 2001) asserts, in reviewing the relationship between 'Second Homes and Local Communities' that:

"Second home-owners are among the most frequent users of local builders, electricians and craftsmen thereby increasing the demand for skilled local trades people" (p36).

168. It is generally assumed that spending on improving second homes has upgraded the housing stock and brought new income into local economies, but most of the evidence dates back to the 1970s when renovation grants were available to deal with the extensive levels of disrepair in urban and rural areas. There is little recent evidence, although Welsh planners identified that second homes tended to be those which were less attractive to local people, due to location or condition (Tewdwr-Jones *et al*, 2002), and there is some support for this from the study of the Isle of Arran (Craigforth Consultancy and Research, 2007), that in 2006 there was:

"considerable interest among older people in older larger properties often needing investment to down scale" (p31).

169. Surprisingly, local studies make only minor reference to the relationship between second homes and housing quality, for example,

“Extensive conversion work ensures the preservation of architectural heritage and helps create and maintain local jobs” (Suffolk County Council, 2004, p18).

170. But the extent and impact of investment activity is unknown, and is in need of further investigation.

The indirect effects of second home purchase on improving housing quality

171. There is no evidence that second home purchase has had an indirect effect on improving housing quality, for example, by raising housing standards in an area.

9. What are the social and economic impacts of households owning second homes?

Introduction

172. This chapter reviews the literature on the impact of households owning second homes. More specifically, the objectives are to:

- Highlight research on the social and economic impacts of second homes in England since 1997;
- Briefly consider other potential impacts, for example, environmental sustainability; and
- Identify gaps in research on the impact of second homes.

173. The remainder of this section provides an overview of the current state of play on research on this topic. This is followed by three sections that summarise the social, economic and environmental impacts.

174. The framework for analysis that is now widely accepted in the second homes impact literature is derived from Gallent *et al* (2005) and Gallent and Tewdwr-Jones (2000). The authors distinguish between social, economic and environmental considerations. But they note that there is overlap and interplay between them. They usefully sub-divide these categories as follows:

- Social impacts
 - Community
 - Culture
 - Confidence
- Economic impacts
 - Housing
 - ◆ Competition
 - ◆ House price inflation
 - ◆ Initial purchase
 - ◆ Property speculation
 - ◆ Housing stock improvements
 - General economic considerations
 - ◆ General expenditure
 - ◆ Council tax contribution
 - ◆ Economic impact
- Environmental impacts
 - Resource implications, for example, travel and environmental pressures
 - Pressure for new building
 - ◆ Direct
 - ◆ Indirect

175. The principles of this type of framework have been widely used to classify potential negative and positive impacts, for example, Countryside Agency (2002a), Tewdwr-Jones *et al* (2002) and Wallace *et al* (2005). However, each of these reviews notes that there is a paucity of good quality research on these categories and sub-categories in England post-1997.

176. Researchers have frequently and consistently underlined the difficulty of quantifying the impact of second homes with social benefits and costs being particularly difficult to assess. Gallent *et al* (2005, p35) comment,

“The reality is that it is certainly impossible to accurately ‘model’ the positive and negative impacts of second homes on any ‘balance sheet’ or for any of the three legs of sustainability [social, economic and environmental aspects].”

177. Furthermore, there has been little or no robust published research on the impact of second homes in England since 1997, which was the overall parameter set for the literature review. There have been a number of reviews of research projects on the impact of second homes (for example, Countryside Agency, 2002a; Gallent *et al*, 2005; and Wallace *et al*, 2005). These have centred on studies in England pre-1997, and Scotland and Wales pre- and post-1997. The more recent studies in Scotland and Wales include Damer (2000) and Gallent *et al* (2003a).

178. An added complexity is the ‘politicisation’ of the second homes debate with the often ‘taken for granted assumption’ that second home growth is regarded as negative. For example, a frequently cited commentator is Monbiot (1999 and 2006). In 1999, he stated,

“There is no greater inequality in this country than that some people should have two homes while others have none” (as quoted in Gallent *et al*, 2005, p1).

179. In 2006, he reiterated this point of view,

“...the vampire trade in second homes keeps growing – by 3% a year – uninhibited by government or the conscience of the buyers. Every purchase of a second home deprives someone else of a first one.”

180. Similar sentiments have been expressed by Hetherington (2006) in his review of the Commission for Rural Communities (2006) report on reduced Council Tax discounts on second homes in which he focuses on ‘ghost towns’!

181. An emerging theme of research in, for instance, Wales is that second homes have both negative and positive impacts and that the balance depends on local circumstances (see Gallent *et al*, 2003a). The Western European consensus and experience is also that second homes can make positive social, economic and environmental contributions (see Gallent *et al*, 2003b).

182. Finally, from a policy perspective in England, the focus has been on strategies and initiatives to alleviate the impact of second homes on local housing markets. This has included an evaluation of good practice on the use of the reduced Council Tax discount on second homes (Commission for Rural Communities, 2006). As Oxley and Brown (2006) have pointed out in their brief review of the development of this policy, there has been an acceptance by policy makers that second homes have a negative impact. But there has been little recent research in England to confirm or reject earlier findings.

Social impacts

183. Gallent *et al* (2005, p36) note,

“..the most controversial issue surrounding the expansion in second home ownership in recent years has been the social effect....”

184. The authors highlight that this is frequently expressed as opposition to second homes for a variety of interlinked reasons including:

- Conflict between existing and new residents;
- ‘Destruction’ of rural communities;
- Negative impact on local vulnerable households; and
- Socio-cultural consequences on the way of life – and, in Wales, the impact on language.

185. Much of the policy-orientated debate in the period from the 1970s to the 1990s centred on these potential negative impacts. But a number of studies, highlighted in the recent literature reviews, noted that a fundamental assumption underpinning much of the debate is that of a homogenous existing rural community. In other words, second home owners ‘destroy’ traditional rural communities and create tension between newcomers and existing residents.

186. Research studies pre-1997 reached no consensus. There was, however, a number of key interrelated points arising from this work including:

- Social impacts are highly localised with detailed and more robust studies centred on specific villages and settlements rather than local authority areas;
- Different patterns of social impacts are evident even within the same area because of the varied socio-demographic profiles of settlements;
- Importance of investigating the social benefits such as increased confidence in local communities because of new social and economic investment;
- The ‘social capital’ argument is particularly interesting given the emphasis and importance attached to the work of Putnam (2000) in social science. But there have so far been relatively few attempts to apply the concepts of bridging and bonding social capital in rural studies; and
- Importance of understanding the changing socio-demographic and economic profile of a settlement and area.

187. This latter point is particularly significant. A number of researchers pre-1997 commented that it was a gross over-simplification to focus on newcomers versus traditional long established residents (for example, Cloke and Thrift, 1987). More recent studies on the social composition of rural communities have highlighted their diversity and the tensions between different interest groups (for example, Neal & Agyeman, 2006; and Woods, 2005). This resulted in some studies making use of the urban sociological concepts of ‘housing classes’ to better understand and explain conflict in rural areas (see, for instance, Dunn *et al*, 1981).

188. These broader studies on rural society and change have significant ramifications for research on the social impact of second home owners. It implies that this is one of many groups competing for a scarce resource – housing. Others may include, depending on local circumstances, commuters, holiday home owners, and well-off traditional local residents. It is, therefore, extremely challenging to unpack the social impacts of one group from another.

Economic impacts

189. The literature reviews on the economic impact of second home ownership have primarily focussed on the housing market. Particular attention during the 1970s to 1990s was given to housing competition (see above), house price inflation, initial acquisition, property speculation and general stock improvements. Broader impacts on the rural economy have been relatively poorly explored over the last thirty years.

190. The issue of housing competition was summarised by Shucksmith (1981). He argued that the essence of the problem was that in rural areas, local people in work were on relatively low incomes compared to affluent outsiders able and willing to purchase properties. Furthermore, there was a low level of new housebuilding (especially affordable housing) because, partly, of the rigid application of planning policies to protect and conserve the environment. This perspective has been emphasised in many studies over the last few decades culminating in the report of the Affordable Rural Housing Commission (2006). More sophisticated and detailed analysis and discussion (for example, Cloke & Thrift, 1987) emphasised the complexity of the 'competition'. There is, thus, a need to move away from gross oversimplifications that focus on existing residents versus newcomers. Instead, there is a requirement to better understand local housing markets and housing classes. For example, local owner-occupiers with an equity base may disadvantage low income existing households as much as in-migrants. Furthermore, from a second homes perspective, it is difficult to disentangle its effect on competition from that by holiday home owners and commuters. There is also often an assertion that second home owners compete for the same types of property as low income households that have aspirations to purchase. Studies in the 1970s to 1990s indicated that this was not universally the case.

191. A linked issue is whether and the extent to which the growth of second home ownership leads to house price inflation. During debates in the 1970s, there were a number of schools of thought based on different research methods:

- Local case study approach: At a local settlement level, competition for houses can be exacerbated by second home ownership leading to a bidding up of prices (for example, Jacobs, 1972).
- Statistical analysis of house price increases and numbers of second homes: A number of studies using pre and post-1974 local government boundaries attempted to show a correlation between these two variables. These often led to conclusions that there was an association between rising house prices and the growth of second homes (for example, Clark, 1982).
- Local housing market studies: These focussed on issues such as housing competition between classes (see above), the nature of the rural economy, wage levels and socio-demographic changes. Conclusions tended to highlight that house price inflation was the outcome of the interplay between many factors and that it could be misleading to over-emphasise the impact of the growth of second home ownership (for example, Downing & Dower, 1973).

192. The most recent definitive study that attempted to bring together these types of approaches was work undertaken for the Welsh Assembly Government in the early part of this decade reported in Tewdwr Jones *et al* (2002) and a national survey published by the Countryside Agency (2002a). Both reports concluded that it was difficult to substantiate the effect of second homes on house prices without taking account of local economies and housing markets. They both, however, noted that external pressures (including demand for second homes) had a significant impact on specific localities.

193. During the 1970s, there were a number of studies that investigated whether second home growth increased investment in the local housing market through, for example, increased work for real estate professionals, re-investment by vendors in the local area and the growth of house improvement work. Gallent *et al* (2005, pp51-52) in their review of this aspect of the impact of second home ownership concluded that it was 'difficult to judge and quantify the effects'. Again, the authors emphasised that it often depended on local circumstances such as the type of property purchased and the socio-demographic characteristics of sellers. Nevertheless, this is a potentially interesting aspect as it suggests a positive economic impact of second homes.

194. In the 1970s as Gallent *et al* (2005) note, there was some interest in the impact of property speculation in the second home market. It was frequently commented in the media that derelict/unimproved properties were purchased in rural areas and that they were modernised using house improvement grants. The property would then be sold on with a substantial profit. This practice was ended through the Housing Act, 1974. However, anti-second home commentators such as Monbiot (2006) and Hetherington (2006) continue to assert the significance of property speculation. Indeed, surveys of the reasons why households purchase second homes support this view. The Government's Survey of English Housing has consistently shown that 25 to 40 per cent of owners regard a second home as an investment.

195. Gallent *et al* (2005) comment that many studies suggest that a positive benefit of second home ownership is that it leads to an overall improvement of the quality of the housing stock.

196. Finally, there is the impact of second homes on the broader rural economy. Again, while there is considerable discussion on this topic, there is relatively little if any recent research in England. Reviews of earlier studies by, for example, Gallent *et al* (2005) and Wallace *et al* (2005) suggest the following interrelated points:

- Second homes as part of the wider tourist economy that benefits rural areas. Indeed some commentators have hinted that second homes may be a softer and more appropriate form of tourism because of potentially greater spending in the local economy (than, say, day visitors).
- Debate and discussion on whether second home owners increase expenditure on local goods and services. There are different schools of thought on this from studies in the 1970s. Some researchers (for example, Downing & Dower, 1973) suggested that there is 'an annual permanence to the inflows of expenditure'. But Jacobs (1972) concluded that many second home owners were self sufficient and contributed very little to the village economy.
- Balancing second home expenditure. Shucksmith (1981) noted that in reaching a robust conclusion on this issue required that the increased expenditure by second home owners needed to be compared with the loss of expenditure from local residents that were unable to afford to live in villages. However, no recent study in England has adopted this type of approach.

197. Gallent *et al* (2005) also note that an economic assessment should take account of the Council Tax contribution. This has been the subject of considerable media attention over the last few years (see Hetherington, 2006) as well as studies by the Commission for Rural Communities (2006) and Oxley and Brown (2006). The reduction of Council Tax discount and the use of these resources to provide or facilitate affordable housing are covered in these studies. Commentators have, however, noted that this policy initiative does not address the underlying issue of whether second home ownership should be curtailed in some areas because of their social and economic impact.

Environmental impacts

198. Although the brief for this paper did not explicitly extend to environmental impact, most frameworks for investigating second homes stress the significance of this issue. Furthermore, there is considerable overlap between environmental and socio-economic impacts. Nevertheless most reviews of second home research note that there has been little robust research in recent years on this aspect, especially in England.

199. The key considerations are:

- Resource usage: Downing and Dower (1973) pointed out that second home households increase resource consumption and have negative impacts on the environment. This is clearly now a topic that is worth further investigation.

- Building conservation: This is linked to the type of properties that second home owners purchase. It is argued that the purchase and improvement of derelict or poorly maintained property may enhance the environment and enhance local character (Downing & Dower, 1973). Nevertheless, counter-arguments include that planning policies in rural areas are usually opposed to the re-use of isolated properties in the countryside.
- New development: Although there is little evidence that second home owners have traditionally sought to purchase new property, there has been concerns expressed as to whether increased pressure for second homes would lead to inappropriate developments in relation to local building and landscape character.
- Indirect impacts: A linked line of analysis is that the purchase of existing property by second home owners results in the need for more new developments to meet local requirements that may be difficult to design to respect local character.

Impact evidence from international literature

200. Some studies that review international information note that the balance between the positive and negative economic and social effects of second homes is a function of local circumstances (for example, Gallent & Tewdwr-Jones, 2000; p150). Some evidence from other countries notes the “Positive economic impact of second homes” but claims that the effects depend on whether or not second homes displace permanent homes and if they do the “economic effect is likely to be negative” (Hall & Müller, 2004, p26).

201. The displacement effect of second homes may well be less in countries where there is significant building that is especially for second homes and there is effectively a market in second homes that is separate from the main market. In this respect contrasts with, for example, Sweden and Denmark have been noted (Gallent *et al*, 2003b, pp18, 19 & 46).

202. Reviewing international evidence, Paris (2006, p18) concludes “There are causal relationships between second home ownership and local issues of concern, but such relationships vary enormously between places and over time and their actual impact in particular places should be seen as an empirical question rather than assumed to result from a standard cause-effect relationship.”

203. Another study, examining evidence from Australia and reporting specifically on a study in Tasmania, concludes “The question of whether second homes, in the abstract, are good or bad in their local social and economic impacts is more complex than it first appears. More important is the question of the extent to which second homes tend to dominate local housing markets” (Atkinson *et al*, 2007, p25)

10. Evidence Gaps and Further Research

Introduction

204. This chapter considers the gaps in the evidence base for each of the eight questions related to second homes that have been reviewed in Chapters Two to Nine. It also sets out some ideas on the methods and the information that might be used to improve the evidence base.

205. Each of the eight questions will be considered in turn and the research that is needed to fill the evidence gaps will be identified for each question. A concluding section will consider overlaps in the possible research topics and summarise what are believed to be the most significant issues on which further research is needed and the methods that might be used to examine these issues.

206. The eight questions that have been considered are:

1. How have 'second homes' been defined in the literature and what data sources have been used?
2. To what extent (if any) have second homes increased house prices; and have they crowded out prospective first-time buyers?
3. What specific factors attract people to buy second homes and what types of property do they buy, and where?
4. What is the geographical distribution of second homes across England, and what are the characteristics of places with a high concentration of second homes?
5. What are the social and demographic characteristics of those buying second homes?
6. Do households own more than one second home, and what is the distribution?
7. Has there been any improvement in the supply and quality of the housing stock as a result of second home purchases?
8. What are the social and economic impacts of owning second homes?

How have 'second homes' been defined in the literature and what data sources have been used?

207. There are several definitions of second homes and several associated sets of data. These were set out in Chapter Two. The most quoted definitions and data are those from: (1) The Survey of English Housing; and (2) Council Tax records as collated by Communities and Local Government. The Survey of English Housing definition states that second homes are properties, owned or rented by a household member, which are not the household's main residence and the Council Tax definition is that second homes are furnished dwellings which are not the sole or main residence of an individual.

208. The Survey of English Housing's latest estimate of second homes in England in 2005/6 is 242,000 (CLG, 2007, Table 3.20). This is remarkably close to the estimate of 240,000 from Council Tax returns (Hansard, 2007). An earlier Survey of English Housing estimate for 2005/06, based on provisional results, put the figure at 260,000 (CLG, 2006b, Table 21). In Chapter Two it was noted that there are strong beliefs in political circles, as reflected in a parliamentary debate on second homes (Hansard, 2006) that Council Tax data significantly underestimate the number of second homes because of tax minimising strategies by households. The suggestion is that some households may choose not to declare a second property as a second home for Council Tax purposes because their bill is less if it is recorded as a principal home with single person occupancy or the property is registered for business rates rather than residential Council Tax.

209. There are two closely related questions for which the evidence base could usefully be improved. These are: (1) What are the reasons for differences in national estimates of second homes based on Survey of English Housing and Council Tax sources? (2) How adequate is Council Tax data as an indicator of the number of second homes nationally, regionally and locally?

210. Matters of definition and data collection, as well as household tax-minimisation behaviour, may play parts in answering these questions but the evidence is inadequate. If the effects of second homes on local housing markets, and particularly on house prices at a local level, are to be better understood, it is important that the number of second homes at a local level is known with a high degree of accuracy. It is clear that Council Tax records provide the best available estimates at a local authority level but the extent to which second homes are unrecorded in Council Tax returns is not known and whether some dwellings are claimed to be second homes, when in fact they are not, is also unknown.

211. It is likely that detailed local survey work would be needed to address this issue. This might mean questioning samples of households who do and do not claim Council Tax discounts. This would need to be carried out in a sample of localities with varying rates of second home ownership according to Council Tax records. Such work might be piloted in locations where it is suspected on the basis on anecdotal evidence that there are significant miss-recording in Council Tax returns. Pilots in this case would have two purposes: (1) refining the survey methodology; and (2) providing an initial test of whether the miss-recording phenomenon was sufficiently significant to warrant further investigation.

212. Survey work of this sort would be difficult. It would need to be clear that it was not designed to expose illegal behaviour. The emphasis would need to be on verification and refutation of existing records with the purpose of improving the accuracy of the records.

To what extent (if any) have second homes increased house prices; and have they crowded out prospective first-time buyers?

213. In Chapter Three it was shown that it is widely assumed that second homes have significant consequences for property prices, affordability and access, but that the evidence to support such assertions is wholly inadequate. The literature examined shows that neither national nor local studies offer conclusive evidence on whether or not second homes have increased house prices and crowded out first-time buyers.

214. The lack of evidence does not, of course, mean that second homes do not have important effects on house prices and access to the housing market by potential first-time buyers. It does mean that the evidence base on this issue needs to be improved substantially. This is a topic on which thorough research is needed at local and national levels.

215. It is important that such research isolates the impact on property prices, affordability and access from all other factors influencing the supply, demand and prices of properties in national and local housing markets. It is also important that, at the local housing market level, an analysis of the impact of second homes considers the structure of local demand and supply and this differentiates by house types and price bands. The geographical scales at which local housing markets are defined for the purpose of such research require careful consideration. The results may well be very different depending on the geographical scale at which the investigation is focussed.

216. There are at least three methods that might be used to improve the evidence base on this topic: (1) detailed econometric analysis of house price and affordability determination; (2) an appraisal of a series of statistical relationships in local housing markets; and (3) a behavioural analysis of the actions of local and 'external' purchasers in local housing markets.

217. An econometric study would be the most sophisticated method of investigation. The determinants of national and local housing demand and supply could be modelled with variables representing the impact of second homes incorporated in equations that also took account of other influences on demand and supply. It might be possible to adapt existing models and to run these at varying geographical scales. The data requirement for such analysis would not be unduly daunting especially if, despite the shortcomings acknowledged above, Council Tax data was accepted as the prime second homes indicator at a local level. Ideally, some verification of the data would be carried out before this econometric work commenced. However, it is not simply the contribution of second homes to the stock that needs to be investigated. It is rather their contribution to demand and supply. This means that data on the volumes of sales that are second homes is needed. This is a much more challenging requirement.

218. As a precursor, or possibly a less rigorous but fast and enlightening alternative, to a detailed econometric analysis, some basic statistical relationships between affordability and second homes could be established. It would be possible to assemble data sets that showed relationships at varying geographical levels, but possibly most straightforwardly at local authority level, between changes in the volume of second homes, house prices and local income levels. This might suggest some *a priori* relationships between changes in property prices and affordability and changes in the volume of second homes. It would, at a minimum, be useful in assisting in specifying some clear hypotheses about the role of second homes in local housing markets.

219. Behavioural analyses involving an examination of buyers, sellers and estate agents would be useful to show the role and scale of second homes and sales activity in ways that available data does not reveal. By asking samples of players in local housing markets about the reasons for property purchase and sales, the place of second homes in competing with local purchasers could be examined with some rigour. Such studies might concentrate on certain types of property with an emphasis at the lower end of the market where there is potentially competition with first-time buyers. A sample of localities with varying proportions of second homes in the stock and the inclusion of urban as well as rural locations would make such a study particularly useful in uncovering motivations, as well as the impacts, of second homes purchasers.

What specific factors attract people to buy second homes and what types of property do they buy, and where?

220. In Chapter Four it was shown that there is evidence that the two major drivers for second home ownership are a holiday/weekend/retirement home and as an investment. A further significant factor is 'working away from home'. The relative importance of these factors in decisions to purchase second homes is, however, not known.

221. It has also been argued that there is an adequate quality of information on geographical patterns of second home ownership as well as on the types of property purchased but there is a lack of robust research on the factors influencing the behaviour of second home owners. There is some information on the key factor(s) that influenced existing second home owners, but there is little research on potential second home owners. Also there have been no recent detailed studies on the significance of underpinning contextual factors, such as the rural idyll and the importance of privacy and the home.

222. Research on decision-making by actual and potential second home owners could usefully investigate the ways that different factors combine to influence the types and locations of second home purchases. Such research could consider the search behaviour of second home purchasers and examine the varying importance of investment, 'place to relax' and 'place to travel to work from' motives in rural and urban locations.

What is the geographical distribution of second homes across England, and what are the characteristics of places with a high concentration of second homes?

223. In Chapter Five it was shown that there is limited and patchy research evidence on the concentration of second homes at sub-local authority level and there is a lack of detailed systematic nationwide research on the socio-economic characteristics, and housing markets, of locations with large proportions of second homes.

224. It was also shown that the location of second homes suggests two separate phenomena: urban second homes (especially in London) and rural second homes (especially in South West England and attractive rural locations). Research that contrasted the nature and functions of these two categories would be valuable. This work might compare second homes used for the journey to work with second homes used as places for leisure.

225. There is clear evidence based on Council Tax records of the regional and local authority distribution of second homes. This has been used in systematic research studies. This same evidence base could be used to provide a more complete picture, than currently exists, of more localised (sub-local authority) concentrations of second homes.

226. There is a lack of detailed systematic nationwide research on the socio-economic characteristics of locations with large proportions of second homes. Such research might usefully examine both rural and urban second homes. It could, furthermore, examine the relationships between the degree of second home ownership and a series of local housing market and socio-economic indicators. This could include the relationships of second home ownership to house prices, housing availability in the private and social sectors, housing production, incomes and employment.

227. This indicates the need for two types of research: (1) behavioural research; and (2) desk-top data-based research on the relationships between second homes and the socio-economic features of their localities. This should be carried out for a variety of locations and geographical levels, including sub-local authority level.

What are the social and demographic characteristics of those buying second homes?

228. Chapter Six highlighted the lack of up-to-date information on the socio-demographic profile of second home owners in England and the absence of published detailed local case studies on the characteristics of second home owners.

229. It was suggested that the data and information gaps could be addressed by: (1) encouraging Communities and Local Government to review the Survey of English Housing so that it includes, once again, a wider range of questions on the socio-demographic profile of second home owners; and (2) investigating the potential of linking Survey of English Housing data with commercial geo-demographic classification systems such as ACORN and MOSAIC.

230. It was also argued that that local research on second home ownership should generate information on the characteristics of second home owners. One possible approach would be to investigate whether sub-regional housing market assessments and housing needs analysis could provide such information.

Do households own more than one second home, and what is the distribution?

231. It was shown in Chapter Seven that some households may well own more than one second home but the number is not known and there has been no attempt to investigate the number of households that do own more than one second home.

232. The lack of evidence on this question could, in principle, be addressed by either additional analysis of existing data or more survey work. Council Tax data might provide some answers, but only through analysis that cross-checked records nationwide, to see if households were claiming a Council Tax discount on more than one dwelling. Such analysis might well be impossible given the nature of the existing data. Tying dwellings to individual households on a national basis would present considerable challenges and require that all local data sets were effectively combined. Even if this was feasible, data protection issues might arise. These feasibility and confidentiality issues would require considerably more investigation before this route could be rejected or recommended.

233. If additional survey work were undertaken this might be through one or more of four types of action. First, when claiming a Council Tax discount, second home owners could be asked to declare any other discounts they are claiming elsewhere and provide details. Secondly, there could be additional questioning on this point in the Survey of English Housing. Thirdly, the next Census could also ask whether households had more than one second home. Fourthly, some sort of sample and/or local study or studies could be set up to question households on this issue.

234. Additional survey work on this issue could usefully be combined with investigations that addressed other research gaps that have been identified on the characteristics and behaviour of second home purchasers.

Has there been any improvement in the supply and quality of the housing stock as a result of second home purchases?

235. In Chapter Eight it was shown that there is a lack of robust contemporary evidence in relation to the direct and indirect effects of second home purchase on improvements in housing supply. In particular, little is known about the extent to which second homes purchases stimulate market activity to return empty homes to use or to build new homes.

236. It was also shown that there is a similar lack of evidence on the direct and indirect effects of second home purchase on improvements in housing quality. In particular, there is very little information on the extent to which the purchasers of second homes invest in improvements, which in turn lead to an overall upgrading of the quality of the stock in an area.

237. The evidence from Commission for Rural Community Research (CRC, 2006) on the use of enhanced Council Tax receipts from second homes to promote the supply of affordable housing in rural areas was noted. However, there have been some changes in practice by local authorities since this evaluation was undertaken and an updated set of information is desirable.

238. Three sets of research are needed: one that examines the impact of second homes on the volume of private sector housing on the market; another that examines the impact of second homes on the quality of the existing stock; and a third that re-examines the impact of Council Tax revenues from second homes on the supply of affordable housing.

239. The first two projects would require detailed survey work in selected locations where there are large volumes of second homes and the third would require a repetition of the combined secondary and primary research methods that were used in the study that examined impacts in 2004/5 (CRC, 2006).

What are the social and economic impacts of owning second homes?

240. Chapter Nine showed that there is a lack of robust recent evidenced-based research on the economic and social impacts of second homes. There are many claims that are not informed by solid evidence.

241. Social impacts are hotly debated and discussed with a 'taken-for-granted' assumption that second homes growth can negatively affect the socio-cultural character of traditional communities. More robust studies over the last three decades have highlighted the research challenge of unpacking second home ownership from other factors such as commuting and holiday homes.

242. In relation to the economic impact, there is a consensus that external pressures have negative impacts on local rural housing markets. It is, however, not possible to reach conclusions about the relative significance of second homes against other factors such as commuting.

243. There are also concerns, expressed in the literature, about the environmental aspects of second homes but, again, the evidence base is poor.

244. Robust research is required on the social, economic and environmental impact of second homes. This would need to be geographically specific and focus on sub-local authority areas. It would also need to differentiate between the impact of second homes and other factors on the well-being of local communities.

245. There is a case for such a study covering urban as well as rural areas and for the social benefits as well as the costs of second homes to be evaluated.

246. Further research on the impact of second homes may be assisted by a consideration of the survey methods, including interviews, with a range of stakeholders, used in research sponsored by the Northern Ireland Housing Executive: 'Second homes in Northern Ireland – growth, impact & policy implications'. This research, conducted by Professor Chris Paris from the School of the Built Environment at the University of Ulster, aims to estimate the size of the second homes market in Northern Ireland and examine the motivations of owners and residents in the second homes housing market (University of Ulster, 2006).

247. The first report from this work (Paris, 2007) demonstrates the benefits of a variety of linked methods, including analysis of existing data, surveys of second home owners and semi-structured interviews with local stakeholders in a case study area. Full information on the questionnaire and the interview schedule is provided in appendices to that report.

Evidence gaps and further research: A Summary

248. For many of the research questions addressed it has been shown that there is a lack of a firm evidence base. There is much conjecture about the impact of second homes based on assumption and innuendo without good quality evidence. This does not mean that claims about the nature and impact of second homes (which are often negative and most often about rural areas) are wrong. It simply means that there is a lack of empirical verification.

249. Some verification of the quantity of second homes and the adequacy of official data as an indication of the number of second homes at local, regional and national levels is needed.

250. Some very significant evidence gaps on the impact of second homes have been identified. This means empirical support for claims about the impacts on house prices, affordability, housing supply and the social and economic well-being of local communities is lacking.

251. There is a need for more information on the motivations of different types of second home purchasers in both urban and rural locations. If the impact of second homes is to be understood more fully there is a very strong case for examining them as an urban as well as a rural phenomenon.

252. There is also a clear case for examining the positive as well as the negative impacts of second homes on local economies, housing markets and communities.

253. A variety of methodologies could be used to fill the gaps. It would be possible to formulate projects that used similar methods to improve the evidence base on several issues.

254. Desk-based analyses using existing data could improve understanding of the housing market impacts of second homes and the relationship between the number of second homes and the socio-economic characteristics of locations with large numbers of second homes.

255. Additional survey work is needed to address several of the deficiencies that have been identified. This includes the motivations of second homes buyers, their characteristics, the type of property they purchase and the social and economic consequences for local communities.

256. To deepen knowledge of the impact of second homes, studies that examine the motivation and behaviour of second homes purchasers, as well as other local housing market participants, is needed. This will help to improve understanding of the functions of second homes and changes in the opportunities and choices at a local level as a result of the demand for second homes.

257. In the longer run the information base could be improved by increasing the information on second homes that is collected through the Survey of English Housing and the Census.

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Helpful overview of issues in rural geography that places affordable housing crisis within the broader dynamics of social and economic change in the countryside.

Appendix A

Direct Line Sources

Data on second homes in the Direct Line (2005) report was drawn from the following sources:

- 2001 Census
- Assetz plc
- Barker Review of Housing Supply, 2003
- BBC Online
- CEBR Housing Report Forecast, July 2004
- Council of Mortgage Lenders Housing Report, 2004
- Countryside Agency Rural Futures Report, 2003
- Environment Agency
- FPD Savills
- Institute of Actuaries UK Assets Report, 2004
- Joseph Rowntree Foundation
- Met Office trend data 1971-2000.
- Mintel
- Office for National Statistics (ONS) Reports:
 - ONS StarUK tourism resource.
 - Population Trends 1999 + 2000
 - Social Trends 2003
- Office of the Deputy Prime Minister (ODPM) Survey of English Housing (SEH), 2002/3, 2003/4, 2004/5
- ODPM Thames Gateway Housing Review 2005

In addition, data was gathered and analysed from an omnibus survey conducted among second homeowners by YouGov on behalf of Direct Line Home Insurance between 26 and 27 July 2005.

NHPAU Board Members Profiles



Stephen Nickell (Chair)

Currently Warden of Nuffield College, Oxford, and a Board Member of the UK Statistics Authority. Previously he has held Economics Professorships at both LSE (London School of Economics) and Oxford and was President of the Royal Economic Society from 2000 to 2003. He was a member of the Bank of England Monetary Policy Committee from 2000 to 2006, and during this time he made a number of speeches on the housing market. He is a fellow of both the Econometric Society and the British Academy as well as being a foreign honorary member of the American Economic Association and the American Academy of Arts and Sciences.



Prof Glen Bramley

Professor of Housing and Planning/ Urban Studies at Heriot – Watt University in Edinburgh since 1994 leading research on planning, housing and urban policy. Prior to this he lectured in Urban Studies at the University of Bristol specialising in local government finance, housing and economic aspects of public policy. He has published papers and extensive research analysing the economics around housing affordability and its relationship with planning and house building.

Glen is the linked Board member for the South West and North East regions.



Prof Paul Cheshire

Has been Professor of Economic Geography at the London School of Economics and Political Science since 1995. Prior to this he was Professor of Urban and Regional Economics at the University of Reading and has spent time at Washington University in the USA. He has written extensively and conducted research on applied urban and regional economics, particularly the economics of housing, land markets and land use regulation.

Paul is the linked Board member for London and the East Midlands region.



Max Steinberg

Has been Chief Executive of Elevate East Lancashire, a housing market renewal pathfinder since 2003, following 25 years at the Housing Corporation where his roles included, Director of Investment & Regeneration for the North and Regional Director of the North West and Merseyside. He is a leading UK practitioner in Urban Regeneration and Housing. Max is Chair of the Board of Liverpool John Moores University European Institute for Urban Affairs and the Chair of Governors at King David High School in Liverpool.

Max is the linked Board member for the Yorkshire and Humber region.



Bob Lane

Is involved in a range of consultancy and non-executive roles in housing, economic development and regeneration. Until April 2008 he was Chief Executive for North Northants Development Company responsible for housing growth and regeneration in the area. His previous roles include Chief Executive of Speke Garston Development Company, Liverpool, Assistant Chief Executive of the Merseyside Development Corporation and roles at Oldham and Lambeth Councils managing urban programmes. He is a specialist in the delivery of complex urban regeneration projects, with more than 25 years experience as a regeneration practitioner/manager.

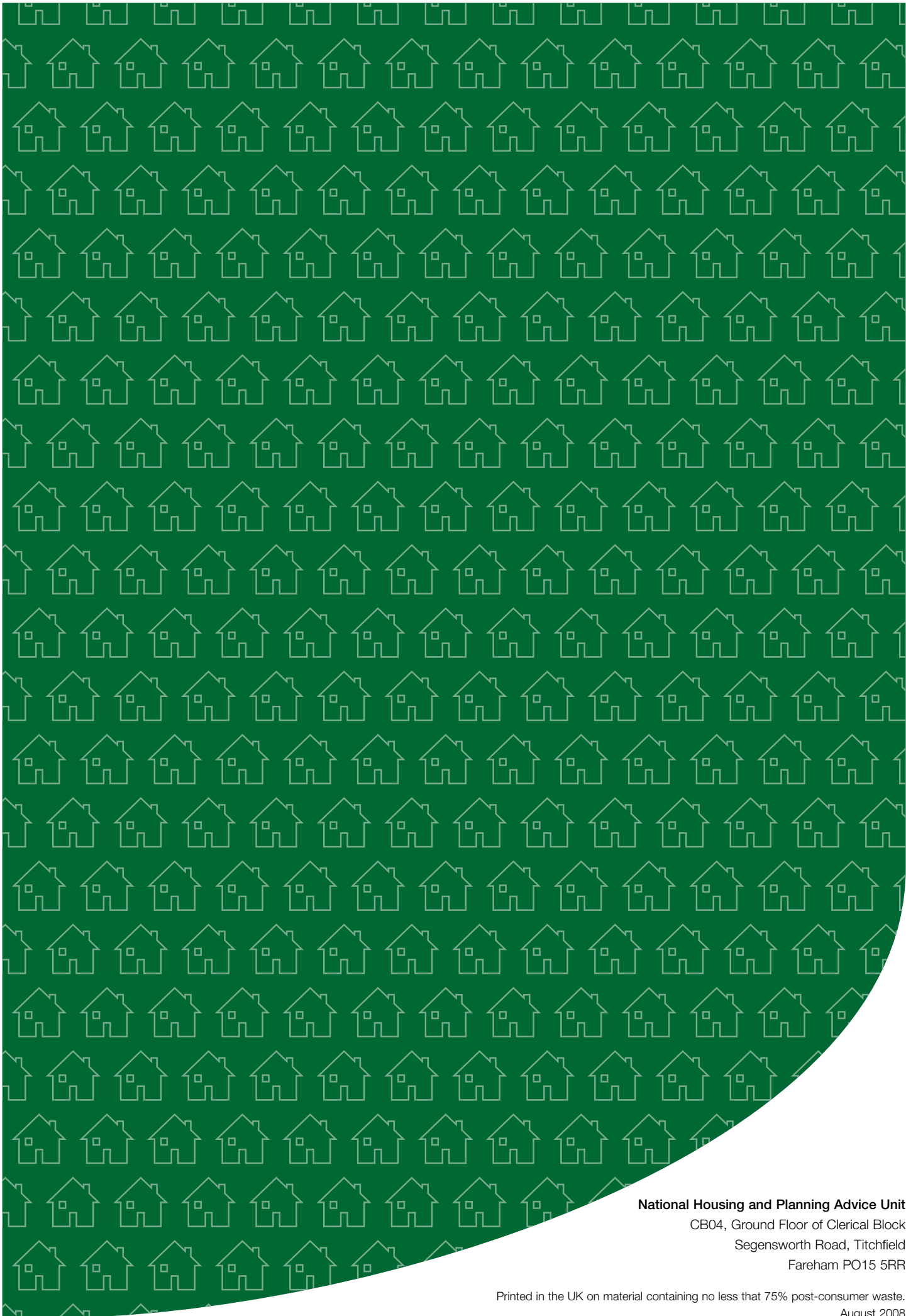
Bob is the linked Board member for the East of England and the North West regions.



Dr Peter Williams

Is now an independent consultant on housing and mortgage markets. His clients include the Intermediary Mortgage Lenders Association and Acadametrics. He was previously Deputy Director General of the Council of Mortgage Lenders. Prior to that, he was Professor of Housing Management at Cardiff University, Deputy Director at the Chartered Institute of Housing and as an academic at the Australian National University and the University of Birmingham. He previously served on the Board of the Housing Corporation (1995 - 2002) and Housing for Wales (1989 to 1993). He is a Visiting Professor at the Centre for Housing Policy at the University of York.

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