

Impact of Second Homes and Short Term Lets

Introduction

Councils have been identifying that local housing markets are being affected by a sudden increase in demand for properties and as a consequence, an increase in house prices.

There are a number of causes of this and a number of consequences that are currently being felt.

Causes

Property prices in Devon have increased by 9.13% over the past 12 months (Zoopla) with some areas experiencing increases of almost double that.

That increase seems to have been largely fuelled by an increase in the number of people from outside of the area wishing to purchase properties in certain parts of Devon. On top of that, people are purchasing properties to use as second homes or to rent out on the holiday market.

At the same time, the number of properties that are available for rent has decreased, caused by landlords wishing to sell to take advantage of the high prices, or wishing to use properties for short term lets (holidays).

The table below shows the approximate number of properties being advertised for short term rents on Air BnB, just one "supplier", compared to the number of properties currently available for long term rent in the corresponding area

Town/Area	Air BnB	Residential letting
Barnstaple	116	4
Westward Ho!	156	2
Exmouth	253	4
South Molton	65	0
Woolacombe	241	0
Salcombe	300	0
Croyde	222	0
Holsworthy	24	0
Ilfracombe	326	4
Tiverton	28	14
Tavistock	127	3

The above figures from Air BnB could include rooms in houses, hotel/BnB rooms and static caravans and the corresponding areas should be seen as approximate.

Figures showing the numbers of properties that are registered as holiday hereditaments and those that are registered as furnished and unoccupied have also been obtained from each District Council. It is important to understand that holiday hereditaments can include more than one property

and that furnished and unoccupied properties may not just be second homes but can include properties empty as a result of bereavement etc.

Council	Holiday	Furnished but empty
North Devon	1646	1790
Torridge	1188	627
Mid Devon	281	210
South Hams	1756	3403
West Devon	270	497
East Devon	808	2298
Teignbridge	527	1226
Exeter	73	517
	6549	10,568

It is also important to realise that many other properties could be being used as short term lets without registering for business rates and so wouldn't be included within the above figures. By way of demonstration, Exeter has over 300 listings on Air BnB, albeit not all will be residential dwellings.

Local letting agents are reporting that properties are being taken out of the permanent rental market as landlords look to leave the rental market, sell or take advantage of the "staycation" summer and offer the properties for holiday use.

Local agents are also reporting very high numbers of properties being sold to people from outside of the area to be used as second homes or short term rentals. One local agent reported that out of 70 properties on their books for sale, 50 were under offer with 30 being sold to people from outside the area. Of those, around 20 were being purchased as second homes or short term rentals.

There are also indications that a number of the properties are being purchased for use as short term lets by "commercial" operators; individuals who operate a number of similar properties in the area or outside.

Local agents are also reporting that the cessation of the stamp duty holiday is not likely to have any impact on demand or prices, although nationally a dip in prices is being reported.

Impacts

The impacts currently being felt are varied

Affordability

Depending on which figures are used, the average price of properties sold in Devon now stands at £309,000 - £336,000. The level of average earnings in Devon means that properties are now becoming increasingly unaffordable for many.

Rental market

The permanent rental market has virtually disappeared in certain parts of Devon. Families and individuals in rented accommodation in certain areas who find their tenancies coming to an end have very little chance of securing alternative rental accommodation in the same area or even in the same District. In the whole of North Devon, there were recently only 14 properties advertised for rental on Rightmove.

Local agents are also reporting that rents are also increasing with some landlords asking tenants to pay more rent or face losing the property.

The impact on the rental market is being felt by housing authorities as it is now becoming extremely difficult to find property to use as temporary accommodation or to move people to. This is at a time when the number of people presenting as homeless has increased substantially. This results in risks for those authorities as housing may be used that is not ideal for the applicant either because of location or size etc. It also puts at risk the government's own homelessness prevention strategies such as "Everyone In".

Employment Market

The lack of rental accommodation is cited by some businesses as one reason for the difficulty in attracting staff to certain roles. Many businesses, especially in the hospitality sector in coastal areas, are being affected by a lack of staff with businesses being forced to adopt reduced opening hours etc.

Health and Safety

The short term letting market is largely unregulated. There is no system of licensing or inspection to ensure that properties are safe for use which differs from other accommodation areas such as hotels etc.

Community Cohesion

The number of complaints about noise and anti-social behaviour from short term let properties appears to be increasing. Whilst companies such as Air BnB do try to step in to resolve issues, there are some particular horror stories around properties being used for parties etc.

Large numbers of short term let properties in an area can change the nature of that area.

The increase in second homes and short term rental properties is also having an impact on the views of affected communities whenever residential development schemes come forward. The most common complaint from the public at present seems to be that new properties will just be used as second homes. A check on recent new developments does indeed show that a small proportion of new build properties are finding their way on to the short term letting market.

This issue is hardening objections to schemes and making it very difficult to deliver housing. Whilst the presence of affordable housing in a scheme can

help ameliorate some concerns, ALL new housing is intended to satisfy the need for more residential accommodation. If it is just feeding a second homes or short term letting market, it will not achieve the objective and will just result in more houses being built.

Possible Action

1. It is imperative that the current business rate criteria allowing a property to be valued for business rates based on the number of days that it is available for rent should change, as recommended by the HMT Tax Policies and Consultations Spring 2021 report,
2. Consideration should be given to allowing councils to set higher rates of council tax on second homes,
3. Powers should be given to council to enable them to take action where use as a short term let causes issues, including making changes to the Town and Country Planning Act to make clear that a change from permanent residential use to short term let is a material change of use.
4. A system for licensing and regulating short term lets should be introduced.
5. Whilst new housing is needed, there needs to be recognition that this cannot be the only answer. At some stage, the flow of homes into the second home and short term letting market needs to be constrained.
6. In order to increase the supply of properties suitable for use by housing authorities, consideration should be given to inducing landlords to make their properties available such as grants etc, or regulating the market so that landlords are required to make their properties available to local people prior to being used as short term lets, and
7. Remove any barriers to local planning authorities that wish to introduce policies requiring all new builds to be main residences etc.