

Generation Rent – Written evidence (STL0001)

Introduction

Generation Rent is grateful for the opportunity to submit evidence to this inquiry.

We represent private renters in the UK and are concerned about the impact that the growth in holiday lets and other holiday homes have on affordability for private renters in tourism hotspots, such as Cornwall and west Wales.

We have examined different sources of public data around holiday homes and rental listings and prices to understand the impact of the former on the latter, particularly during 2020 and 2021.¹

We estimate that there are nearly 300,000 holiday homes in Great Britain, with just 40 councils containing half of the country's second homes.

We observed a substantial increase in second homes and commercial holiday lets in South West England and Wales between the start of the pandemic and summer 2021, equivalent to a quarter of vacancies in the private rented sector in those regions. Rental listings in these regions shrank much faster than in the rest of England and rents rose faster.

UK government policy has encouraged landlords to switch to holiday lets and more people to buy homes as holiday homes, depriving residents of places to live.

We recommend that the government removes mortgage interest relief from holiday let operators in order to remove the incentive for landlords to switch from tenants to tourists. The government should also give councils the powers to impose council tax premiums on second homes and commercial holiday lets, and to license holiday lets.

Evidence for number of holiday homes

There is no definitive number of holiday homes or properties used as holiday lets. CPRE found that in September 2019 there were 181,000 entire properties listed on Airbnb and other platforms in England, a figure that fell to 142,000 in September 2020. This figure will not capture all holiday lets as many are let through traditional channels.

Tax records can help us understand how many homes are used as second homes (which pay council tax) or as commercial holiday lets (which are eligible for business rates but may not pay anything as a result of small business rate relief).

The Valuation Office Agency records the number of commercial holiday lets but does not publish these routinely. In 2021 there were just 67,600 in England and

¹ The full report is available here:
https://www.generationrent.org/holiday_homes_report_2022

95,000 in Great Britain, indicating that most holiday lets are treated as second homes by the tax system.

There were 301,000 homes in Great Britain registered as second homes for council tax purposes in 2021, though not all these are holiday homes – used instead when working away from home and other purposes. Using English Housing Survey data we estimate that 66% of second homes are primarily holiday homes, or 199,000 in total. Combined with the number of commercial holiday lets, we estimate there to be 294,000 holiday homes in Great Britain and 235,000 in England.

At a regional level we can compare non-primary residences (second homes and commercial holiday lets) and observe a change in their number between 2020 and 2021. As a proportion of housing stock non-primary residences are most significant in South West England and Wales, where they account for 2.8% and 2.3% respectively. Scotland lies in third place on 1.6% - though we do not have enough data to compare its holiday home sector over time.

These three regions also have the highest proportion of landlords declaring income from furnished holiday lets (8.1% in Scotland, 7.6% in Wales and 7.2% in South West England). Across Great Britain the figure is 4.3%.

Between 2020 and 2021, England saw a 1% increase in the number of non-primary residences in total – with a rise in commercial holiday lets and a fall in second homes.

In Wales the overall increase was 5%, or 1,695 properties, with a slight fall in registered second homes counteracted by an increase in commercial holiday lets. In South West England, the sector grew by 4%: 2,987 properties.

Impact on efforts to meet housing demand

Generation Rent has been recording rental listings and average weekly prices published on Zoopla since February 2020.

Rental listings are down in every region of Great Britain compared with the eve of the pandemic, while average rents as measured by Zoopla have risen almost everywhere, after having fallen almost everywhere in 2020. There are two clear regional trends that complicate this national story: in London and in the three regions most affected by holiday homes.

London saw listings on Zoopla almost double by August 2020, sending rents down by more than 25% - a slump that lasted just over a year, as listings remained 50% higher until summer 2021. Since August listings have plummeted to levels 30% lower than pre-pandemic levels and rents have surged, almost back to levels we saw in February 2020. As of February 2022, it appeared that listings had bottomed out and the increase had slowed to a peak 1.4% lower than the pre-pandemic high.

In Wales, Scotland and South West England, listings fell in the first year of the pandemic and rents did not fall by as much as other regions. In fact, in Wales rents have not fallen below the pre-pandemic level at all, while the South West

was seeing increases by October 2020. By June 2021, listings in Wales and the South West were at half the level they were in February 2020 – having fallen by 3,560 and 5,801 respectively – and along with Scotland, were seeing rents 16-17% higher.

In English regions outside London and the South West, private rental listings fell by 26% between February 2020 and June 2021. If we had seen a similar fall in the South West, listings would have been at 9,299, about 2,522 higher than the figure we saw. If Wales had seen a similar fall to most of England, its listings would have been at 5,355 by June 2021 – 1,678 higher than the actual figure.

Both these figures are uncannily similar to the increases in the number of holiday homes in each region: 2,987 in South West England and 1,695 in Wales. Although these properties represent a small fraction of the total housing stock in these regions, removing them from the residential market appears to have made a substantial difference to the number of vacant homes available to rent, which pushed up rent levels in the short term.

Although the opposite effect appears to have taken place in London, it is difficult to make a direct comparison because of the separate effect of the “race for space” which led to a slump in demand for London rentals.

Recommendations

The UK government has acted to raise the threshold at which holiday let operators in England can qualify for business rates and reduce their tax bill by benefiting from small business rate relief. This may make holiday home ownership less economically viable at the margins but will primarily raise local tax revenue. It will not help people who are struggling to find a home they can afford.

Generation Rent recommends that governments in Westminster, Holyrood and Cardiff take the following steps to bring more homes into the residential market:

- Withdraw mortgage interest relief from furnished holiday lets. This would bring the sector into line with the residential sector, and remove an incentive for landlords to switch to holiday lets. This policy is set at the UK level.
- Require all holiday lets to be registered for council tax and create powers for councils to levy council tax premiums on second homes and commercial holiday lets. The Welsh government has already done this for second homes.
- Require registration of all second homes and commercial holiday lets and create the power for councils to issue limited numbers of licences for holiday lets. The Scottish government has already taken steps to do this for holiday lets.
- Expand funding of permanently affordable homes to rent and buy in areas with high numbers of holiday homes. This power lies with governments and local authorities.

We are less persuaded by proposals to impose planning restrictions on second homes and holiday lets. These would inherently create scarcity and may be

permanent so risk artificially inflating the value of properties with this planning permission. Licensing holiday lets instead would be time-limited.

Further research needed

Greater understanding is needed of the holiday homes sector in the UK. We have identified the following gaps in the data available, much of which is held by the UK government and local authorities.

1. The exact number of holiday lets advertised in the country as a whole and how this compares with the figures we have for people declaring holiday let income and holiday homes.
2. Local breakdowns of the number of properties registered as holiday lets for business rates over time. This would help us observe the change in their numbers and how they respond to policy changes and conditions such as those the UK tourist market experienced in 2021.
3. HM Revenue & Customs data for the number of landlords declaring holiday let income stretching back to 2014. This would allow us to better understand long term trends and how both the advent of AirBnB and the withdrawal of mortgage interest relief on residential buy-to-let policy has affected the sector.
4. In London, there are requirements to seek planning permission for homes which are let out for more than 90 days in the year, but we do not have data indicating how many properties this applies to. We should also consider whether councils need powers to force holiday let operators to abide by certain tax regimes.
5. We need better understanding of the relationship between long term empty homes and second homes, how councils in tourist hotspots and elsewhere treat them in terms of council tax, and the flows between different sectors, including the private rented sector. While individual councils will hold tax treatment data, analysis of flows may only be possible on a granular level that could only be achieved with an integrated register of private rented properties and holiday homes.

Appendix:

Half of Great Britain's dwellings registered as second homes for council tax purposes are located in just 40 local authorities. English and Welsh data are from 2021 and Scottish data from 2020.

Local authority	Total second homes	Total dwellings	Second homes as % of total dwellings
Cornwall	13,260	277,512	4.8%
Kensington and Chelsea	8,035	89,542	9.0%
Camden	7,648	111,968	6.8%
Tower Hamlets	6,530	142,728	4.6%
Manchester	5,894	241,190	2.4%
Dorset	5,726	181,702	3.2%

North Norfolk	5,397	55,754	9.7%
Bournemouth, Christchurch and Poole	5,147	187,858	2.7%
Gwynedd	5,098	62,581	8.1%
East Suffolk	4,113	119,727	3.4%
Pembrokeshire	4,068	63,034	6.5%
Scarborough	4,028	58,008	6.9%
Highland	3,736	119,918	3.1%
South Lakeland	3,703	53,808	6.9%
Northumberland	3,538	157,461	2.2%
Cardiff	3,477	153,365	2.3%
South Hams	3,455	45,606	7.6%
King's Lynn and West Norfolk	3,228	74,550	4.3%
Chichester	3,187	59,111	5.4%
Southwark	3,168	144,584	2.2%
Westminster	2,971	129,380	2.3%
Argyll & Bute	2,952	48,199	6.1%
Isle of Wight	2,946	71,825	4.1%
Barnet	2,775	155,910	1.8%
Coventry	2,670	148,218	1.8%
Newcastle upon Tyne	2,650	136,635	1.9%
Bristol	2,627	206,073	1.3%
Bradford	2,530	220,088	1.1%
East Devon	2,348	72,115	3.3%
Great Yarmouth	2,325	48,760	4.8%
Fife	2,306	179,232	1.3%
Leeds	2,164	364,076	0.6%
Isle of Anglesey	2,139	35,036	6.1%
Hammersmith and Fulham	2,112	92,148	2.3%
Swansea	2,104	112,072	1.9%
Leicester	2,064	142,003	1.5%
Brighton and Hove	2,034	131,581	1.5%
Reading	2,023	74,523	2.7%
Cambridge	2,001	58,993	3.4%
Salford	1,938	125,204	1.5%

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