

Local Government and Housing Committee
Senedd Cymru / Welsh Parliament
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Subject: Inquiry into second homes

Thank you for the opportunity to respond to the above inquiry.

About the NRLA

The National Residential Landlords Association (NRLA) represents over 95,000 private sector residential landlords in England and Wales. The NRLA provides support and advice to members and seek to raise standards in the Private Rented Sector through our code of conduct, training, accreditation and the provision of guidance and updates on legislation affecting the sector.

To examine the recommendations made by Dr Simon Brooks in his report, Second homes: developing new policies in Wales, and the Welsh Government's response to those proposals.

Thank you for the opportunity to respond to this inquiry. Central to our response is the importance of a clear definition of what a second home is. Members of the committee should be clear over not only the definition of what a second home is.

We recommend that properties should only be classed as second homes where -

- The property is only occupied by the owner of the property but it is not their main residence; OR
- It is available to let as a holiday let for 210 days each year AND has been let as a holiday let for 105 days each year

This definition would classify empty homes and holiday homes as second homes but not Assured Shorthold Tenancies let on the Private Rented Sector.

We believe this is important, as the PRS provides housing options for many people and if the PRS was caught up in the legislation, then housing options could be reduced for many people. This we believe would be unfortunate, as one of the reasons behind the legislation is to increase housing options which are being restricted by holiday lets.

Recommendation 1 – develop regional and local variation in public policy

The extent to which second homes are an issue, very much depends on the circumstances and characteristics of the community. It is clear, that the proliferation of second homes in some communities in coastal areas in the North and West, is far greater than in other parts of Wales.

Statistics from Gwynedd and Ynys Mon County Borough Council's reveals that in the community council area of Llanengan, which includes communities such as Abersoch, the percentage of second homes to overall housing stock is 39.8% However, looking at these stock ratios for local authority areas, there are three local authority areas – Caerphilly, Blaenau Gwent and Torfaen- where holiday lets only account for 0.02% of housing stock.

Clearly a different policy would be required in the coastal areas in the North and to a slightly lesser extent the West of Wales where there is a greater impact than in the industrial South. However, there would need to be a national policy framework to derive local policy from. Included in this would be a clear definition of what a second home and some perimeters where properties in the Private Rented Sector could be rented as short-term lets for a short period of time without being considered in the legislation.

We think that it is essential to have national definitions to ensure the difference between holiday homes and the traditional buy to let properties within the PRS are not included Accordingly, we are calling for a clear definition of second homes that only includes holiday homes. We are also calling for this definition be made through either legislation or through the planning system as it is with affordable housing. However, for the PRS to have some flexibility, there should remain an opportunity for properties ordinarily in the buy to let sector to switch to holiday lets temporarily if the property is void.

Presumably, the purpose of legislating against second homes and holiday lets is the impact they are having on housing options. It would, therefore, be very concerning if the PRS was included in the legislation and further housing options were reduced.

Recommendation 2 – control of the numbers of second homes

Community Council data reveals there are eight community council areas in Gwynedd and Anglesey where holiday lets make up over 20% of total housing stock. It is very likely that housing options are very limited for people living in these communities.

Not only is there likely to be a shortage of housing options for local people, but it is likely that the few housing options available will be unaffordable. For many people, especially young first-time buyers, the prospect of owning their own home is unlikely and with the demand for social housing is outstripping supply. We believe it would be a good opportunity for local authorities with high proportions of holiday lets to engage with PRS landlords to encourage them to let to people with few alternative housing options.

This support could include local authorities providing bonds or using similar incentives proposed in social leasing schemes including guaranteed rent and grants to make properties open to the rental market. Policy makers should also be mindful why some PRS landlords have left the market in favour of short term lets where there are more financial incentives.

Recommendation 3 – the definition of second homes

We believe it is imperative that a clear definition of a holiday let, or second home is made. However, rather than imposing a mandatory licensing scheme, we believe that the definition should be made through legislation through the planning system. This would enable policy planners to consider the impact second homes have on their individual communities.

Recommendation 4 – responding to Brexit and Covid-19

We agree that Covid-19 and perhaps to a lesser extent Brexit, has made housing options more limited. If the main purpose of legislation of second homes is to increase housing supply, then we recommend that the Welsh Government and local authorities look to developing a more positive attitude towards the PRS. By having a better relationship with PRS landlords, then more housing options will be made available, and it is less likely that PRS landlords will move to the holiday let sector.

We also recognise the impact second homes have on the Welsh language, rural communities and the economy, and are supportive of measures to protect these areas.

Recommendation 5 – the need for policy intervention across a range of policy areas

We are generally supportive of the use of Council Tax premiums, providing the PRS is not included in the legislation. As we stated previously, in the PRS is caught up in the legislation, there is a concern that housing options will be further reduced.

We also recommend a fairer taxation system between those landlords who let their properties as holiday lets and those who let them as buy to let properties. Those who let their properties as holiday lets enjoy a far better taxation system than buy to let landlords including:

- Full Mortgage Interest Relief
- 100% relief on business rates
- Exemption from inheritance tax

Council tax can also be written off as expense under holiday lets, making it difficult to argue that it's a true cost for holiday let landlords. By applying a blunt instrument tax rise on all second homes, this could, perversely, incentivise BTL landlords towards holiday homes as, both tax rises being equal, holiday lets will still be better off in terms of tax structure. Most landlords will not sell their properties

As a result of this, if more landlords move into the holiday let sector then it shrinks the available pool of properties for residents who are unable to afford a deposit or apply for a mortgage. Running counter to the aims of the second homes policy. By providing a more progressive taxation system towards buy to let landlords, less will be likely to change over to the holiday let sector.

Recommendation 6 – Local Council Tax Premium

We agree. Where second homes are a serious problem, then local authorities should have the power to implement 100% council tax premiums. This is providing the PRS is not included in the legislation and that there is a caveat to allow the PRS to act as a short term let for a short period of time to ensure the property does not become void. Policy planners should also be mindful that the need for 100% council tax premiums should only be issued in local authorities where the problem is severe including Gwynedd, Ynys Mon and Pembrokeshire.

We do not feel there is a justification for other local authority areas although there might be justification for high council tax premiums in smaller areas.

Recommendation 7 – Short-term holiday accommodation and business rates

We are not necessarily against providers of self-catering being eligible for SBRR. However, it is evident, that changes in Mortgage Interest Relief and Capital Gains Tax for PRS landlords being set by the UK Government, have impacted many landlords leaving the sector and opening holiday homes to take advantage of the more liberal taxation regime and incentives.

In addition to this, the Welsh Government awarded providers of self-accommodation, grants of up to £10,000 to mitigate against the impact of Covid. As HMRC does not recognise PRS landlords as self-employed, such grants were not accessible for the sector. We therefore call on the Welsh Government to level the playing field in the ability to access financial support between those providing PRS accommodation and holiday homes. This we believe would reduce the incentive of leaving the PRS in favour of short-term holiday lets.

Given the challenges the PRS is currently facing and that many landlords invest in properties that have been empty for a long period of time, we believe that landlords should be incentivised to play a part in solving the problem of shortages in housing too.

This can be done by:

- Introducing interest-free council loans or grants in low-value and hard-to-rent areas.
- Offering a holistic package of Council Tax incentives.
- A recognition of the potential impact of sanction and reward in the system, and the unhelpful nature of arbitrary deadlines for premiums.

Recommendation 8 – Land transaction tax

We are not convinced that there is a justification on varying the higher rates of the land transaction tax in either counties or local government wards in order to reflect local circumstances.

The Welsh Government's recent report from Dr Simon Brooks report from Dr Simon Brooks on Second Homes stated (p.41) increasing LTT "might, however, create one problem which would be difficult to solve. Higher rates of LTT are levied on the purchase of properties to rent as well as second homes. There are communities with a second homes problem (Caernarfon, Bangor,

Llangefni, Holyhead, Milford Haven, Haverfordwest for example) where providing a sufficient supply of rented accommodation is more important than limiting the numbers of second homes.” Dr. Brooks states on p.38 “increasing higher rates of LTT [somewhere without a second homes problem] could impact on the availability of other types of properties, such as accommodation to rent.”

Recommendation 9 – Gwynedd and Anglesey Councils’ ‘Local Market Housing’ Scheme

As we have already said previously in this inquiry response, the main aim of the policy should be to increase housing options for local people.

As the report notes, building large amounts of new and additional housing might solve the problem of housing shortages. However, it would also be unsympathetic to the local countryside and environment which is picturesque in character. Therefore, we would recommend that both local authorities consider engaging with PRS landlords to maximise the housing options from current housing stock.

While it is outside of the NRLA remit, the Welsh Government and indeed specific local authorities may wish to consider how they will promote their local tourism sectors.? The probability is that legislation will have an adverse effect on the sector. This could impact jobs and the local economy.

Recommendation 10 – the creation of a new use class for short-term holiday accommodation

We agree that planning permission be required to convert a dwelling house into a second home in some communities where there is a perceived problem with second homes.

However, there should be a caveat for homes where their primary purpose is to be let on the private rented sector. This would enable PRS landlords to use their property as a short-term let to avoid the property from becoming void. This option should only be open for small periods of time and the primary purpose of the property should be as a private rented property. There is a concern that if PRS properties did not have this option, then PRS landlords could sell up and further reduce housing options for vulnerable people.

Recommendation 12 – establish a Commission to make recommendations regarding the future of the Welsh language as a community language

This proposal is outside of the remit of the NRLA. However, in principle we do see potential merit in the establishment of such a commission.

Kind Regards,

Tim Thomas
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