

## **INTERIM REPORT<sup>1</sup>**

### **SECOND HOMES AND HOUSING MARKET CHANGE IN A RURAL AMENITY AREA DURING THE COVID-19 PANDEMIC – THE BRECON BEACONS NATIONAL PARK, WALES**

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*Abstract: The Covid-19 pandemic has been presented as a critical change driver for rural amenity areas, precipitating urban flight and a decentralisation of housing choice and investment. House prices in both near-urban and more distant rural markets saw considerable growth in 2020 and 2021, linked to a mix of second home investment, expanded demand for holiday letting, migration to exploit flexible-working opportunities, and homebuying for early retirement. These demand-side pressures, apparently accentuated by the pandemic, combine with supply-side constraints on development in rural areas (which can accommodate a limited amount of additional housing) to produce significant housing stress. However, processes affecting some areas have arguably been generalised to all areas, and localised processes remain under-investigated. This report explores the experience of the Brecon Beacons National Park in Wales – an amenity area with good connectivity to a number of major urban centres and therefore sources of extra-local housing demand. Focusing on second home buying, as a leading element of extra-local pressure in amenity areas, the report considers the particular circumstances of this area. It shows that a combination of amplified demand-side factors, linked to the pandemic, and heightened supply-side constraints, due to a phosphate crisis affecting the National Park’s major river catchments, requires a programme of actions that extends beyond the housing domain in order to resolve escalating housing market challenges and associated community and economic risks.*

*Second homes; holiday lets; Covid-19; phosphate; rural areas; Wales; change of use; planning control*

#### **Part 1: Introduction – Covid-19 and Rural Amenity Areas**

The global Covid-19 pandemic precipitated urban flight in locations around the world. In 2020, and into 2021, international media were reporting on an exodus from cities. ‘Panic mobility’ (Cohen, 2020) mixed with a significant shift in housing consumption choices to drive a repatterning of demand pressures, measured in rising house prices and rents. In the first year of the pandemic, it looked as if rural amenity areas could be experiencing a watershed moment: a lasting shift in housing choices away from cities. In the UK, market data and reports from local estate agents pointed to surging interest in moving to the country, as working patterns changed and households sought the utility of bigger (and more adaptable) homes in less crowded locations. Small towns, villages and areas of open countryside were suddenly much more attractive to ‘decentralising’ urban households.

A year later, much of the appetite for that decentralisation appeared to have dissipated: either because working from home proved too challenging (as workers were recalled to reopening urban offices) or because the transition to rural living was too difficult for some households (Gallent, 2022). A degree of market ‘normality’ returned: urban house prices

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<sup>1</sup> Reference as: Gallent, N., Stirling, P. and Hamiduddin, I. (2022) Second homes and housing market change in a rural amenity area during the Covid-19 pandemic – the Brecon Beacons National Park, Wales (Interim Report), London: Bartlett School of Planning

resumed their upward march and the rental market in cities, underpinned by employment demand, built momentum again after a year of stagnation.

On the one hand, capital flight from large cities could have been a temporary aberration. Yet, on the other, it appears that the volatility of other asset classes through the pandemic has expanded the geography of that capital flight. Whilst some money is returning to London and other major cities, some appears to be staying put. This is reflected in the loss of rural assured shorthold tenancies (AST) to short term platform-based lettings and therefore a crisis in rural rents in some areas. It is also reflected in surging house prices in some amenity areas, and reduced affordability. Whilst some urban capital has remained in the countryside, the decentralisation observed in 2020 became more of a dispersion in 2021 and into 2022: sustained interest in the rural housing market, with some of that interest tapping into the 'staycation' market and some of it reflecting a genuine shift in private consumption choices, either in the form of household relocation or second home buying.

It was in this context that research was undertaken into market shifts and impacts on a rural amenity area – the Brecon Beacons National Park in Wales - in 2021, focusing on immediate change (mid-pandemic) and longer term 'trajectories' and consequences. Three broad questions guided our research:

- 1. What immediate housing market (and service use) pressures have been brought to the Brecon Beacons because of the Covid-19 pandemic?**
- 2. What might the pandemic mean for future patterns of housing consumption, service use, and housing stress / inequality?**
- 3. What are the key challenges arising for housing and planning policy, linked to Covid-19 and to other identified change drivers?**

Put more simply: **what housing impacts has the pandemic, and other recent change drivers, brought and how might these be managed?** These questions are addressed through our Brecon Beacons case study.

This report is divided into 6 parts. Following on from this brief introduction, Part 2 reviews literature on second homes and rural amenity areas in more 'normal times'. Second homes and holiday lets have become an important marker of socio-economic change in UK rural areas over the last 50 years, and they provide a critical focus for this work. Part 3 then examines the Covid-19 pandemic as a critical change driver, exploring some recent claims as to its impact on housing markets and on rural areas. Part 4 brings the focus to Wales, and introduces key aspects of current housing debate. Part 5 then introduces and details the Brecon Beacons case. This is where the research questions listed above are addressed, primarily through interviews with a selection of key planning and housing professionals working in the National Park. Conclusions on housing and planning policy challenges, the third of our research questions, are reached in Part 6.

## Part 2: Second Homes and Rural Amenity Areas in ‘Normal Times’ – A Review of Key Literature

Two major tasks need to be completed ahead of the presentation of findings from the Brecon Beacons case. First, we need to understand the everyday processes of housing market incursion in rural amenity areas: what does ‘normal’ look like and how is it managed?. This is achieved through a review of extant literature, here in Part 2. Second, we need to consider, at a broader level, why Covid-19 *may* become a change driver in amenity areas, reshaping debates on second homes and local housing markets. This question is addressed in Part 3.

### *Second Homes*

Whilst this review is primarily concerned with ‘second homes’ that are mainly used by owners and their close friends and relatives, the boundary between second homes and ‘holiday lets’ is blurred. Second homes may be occasionally let for profit, but this does not transform the second home into a ‘self-catering holiday let’. There is a clear distinction between second homes on which *domestic council tax* is levied and holiday lets which pay *non-domestic business rates*. The latter may be subject to occupancy restriction. But in this section, our interest is in ‘second homes’ and ‘holiday lets’ (occasional or formal) as a component of *inessential* housing demand in rural areas – inessential in the sense that they are not occupied full-time and are no-one’s permanent residence. Second homes / occasional holiday lets are likely to be owned by non-local households. Geographical separation from first and second home is part of their appeal, as they offer different forms of utility owing to differences in location. Formal holiday lets, paying non-domestic rates, are at least *as likely*, if not *more likely*, to be owned by local households. They are a form of rent capture.

There is a longstanding interest in the processes and impacts of second home ownership in the UK’s rural amenity areas. Like housing in general, second home acquisition is motivated by investment and by utility. Some accounts of second home buying focus on utility benefits: the recreational reasons for buying homes close to rural amenity (comprising open green space, characterful villages, and sometimes the ‘monumental’ countryside, rich in leisure and sporting opportunity). Others see second home buying as further evidence of a wider assetisation of housing that took root in the later decades of the twentieth century, and the desire to capture rent (including in its capitalised form) through property ownership. Housing is an attractive investment outlet, particular during episodes of economic uncertainty (i.e. Brexit, Covid-19, and other national or global disruptions). The flight of mobile capital into housing as a preferred asset class is also driven by historically low interest rates and the shift of bank lending to residential property (Ryan-Collins et al, 2017). Fiscal and financial supports for housing consumption mean that prices have grown steadily (and sometimes dramatically). Buying extra housing is an efficient hedge against inflation effects on incomes and personal savings.

Having the fullest possible understanding of the drivers of exogenous sources of housing demand in rural areas is important if effective policy interventions are to be developed. For

example, if second home buying is inflated (to a level that is harmful to rural communities) by the *financial incentives of ownership*, local planning controls may prove to be an ineffective fix given the overpowering weight of that structural driver.

The housing market supports the outcomes it does, including the distribution of housing resource, because of the way property is taxed and therefore the way consumption is incentivised. But on the other hand, punitive consumption taxes will limit the movement of mobile capital in rural areas, limit the wealth of local homeowners, and potentially suppress local spending and job creation. This explains the preference, nationally and locally, for *localised* land-use planning fixes that do not disrupt wider market processes.

Such structural considerations sit alongside change drivers that are specific to rural areas. These include *key economic shifts underpinning urban-rural wage differentials* and the *perseverance of planning rules that, arguably, prioritise the protection of rural spaces over community development*. Protection has been primary goal of (rural) land-use planning since the Town and Country Planning Act 1947 - and contemporaneous legislation on agriculture in 1948 and National Parks in 1949 - which promoted food security and the interests of farmers, the preservation of open countryside, and the general protection of amenity and traditional rural enterprise. The protectionist ethic of post-war statute has been reinforced by counter-urbanisation and the arrival of new residents, who frequently seek peace and tranquillity from the countryside rather than work opportunities. The net result is popular support for development constraint, especially in villages and the open countryside.

Economic shifts affecting the countryside are rooted in industrialisation and, later on, in the growth of the service economy, both of which concentrated skilled and higher-paid jobs in cities. Rural wages in farming (and in tourism) fell behind. The wage differential translated into lower house prices in rural areas (Coppock, 1977) and into a 'rent gap' (Rogers, 1977; Smith, 1987) that attracted counter-urbanising households in the second half of the twentieth century. Those households (with higher incomes from urban jobs and greater stored wealth in more valuable urban homes) came to occupy an advantaged property class, which readily outcompeted rural households (with lower incomes from rural jobs and less stored wealth in property) as some rural housing markets attracted adventitious purchasers (Shucksmith, 1990)

From the perspective of outcompeted households, a 'market failure' resulted – characterised by strong demand, weak supply, and declining affordability. However, the housing market delivers winners as well as losers: and can be viewed as a success story for those able to exploit the rent gap and grow personal wealth. Amenity areas, with their 'romantic pull' and their offer of the 'rural idyll' were most affected by this failure (Bell, 2006; Champion, 2000; Fielding, 1982; Satsangi et al, 2010; and Woods, 2005).

National parks often fall into this category (Shucksmith, 1981) and endure pronounced housing affordability challenges as political constraint (underpinned by the prioritisation of recreation, nature and landscape) meets actual physical and environmental barriers to the

expansion of housing supply. The result is often a critical mismatch between lowest quartile earnings (derived from jobs in farming or tourism) and lowest quartile house prices (calibrated to external earnings and to the appetite to consume housing for amenity and profit) in national parks, areas of outstanding natural beauty (AONB), or pretty villages by the sea (Gallent, 2019).

The patterning of this problem differs from one area to the next, although some common features are observable.

### *Housing market 'distortion'*

It is frequently claimed that second homes (and other external demand pressures) distort housing markets and generate 'artificial' price pressure. The truth, however, is that few housing markets are closed from non-local demand. It is the combination of needs arising from local workers and demands expressed from other sources that, in concert with supply, determine price. This is the case in cities and in rural areas. But the ability of cities to adjust to such distortions is usually greater – because cities are *locations of planned growth*. There is an argument that villages, on the other hand, should be protected from such growth (to protect their character and amenity, and also to preserve adjoining open land for farming and other essential uses). This means that demand and need focused on villages must therefore be accommodated within the existing stock or through minor and unobtrusive additions. Whilst second home demand is spread across town and country, attention is often drawn to its rural impact (Belsky et al, 2006; Paris, 2009) and to the failure to formulate an effective response (aimed at reducing access inequalities). Wage levels are stubbornly low and difficult to raise (Gallent, 2014) and unobtrusive additions to the housing stock are often high-end, and expensive rather than affordable. In other words, the market for labour and property shapes outcomes, and can result in a social reconfiguration of villages. All markets are *politically constructed* rather than 'natural', calibrated by tax-setting and therefore by utility-cost and investment return. The return to capital (in this case land and housing) is greater than the return from work because of the political choice to focus tax liability on the latter. This choice could be reversed and housing markets therefore *made* to deliver very different welfare outcomes, but this would impede the return to capital and disrupt extant social and economic processes from which many people derive benefit.

### *Reinforcing economic transformation*

The social reconfiguration noted above has knock-on effects beyond the housing market, which accentuate many rural challenges. Service markets in areas of dispersed population can already be thin. The seasonal or sporadic occupancy of second homes (and holiday lets, occasional or formal - see earlier note and later discussion) may act to reduce service levels (causing the closure of small rural schools or a reduction in regular, year-round, bus services), but it may also spur the development of the tourist economy (Gallent et al, 2002; Wallace et al, 2005). Second home owners demand a new set of services, in estate agency (for lettings), home maintenance, gardening and cleaning (Wallace et al, 2005) although the jobs created

are often seasonal, low-skilled and poorly paid (Rye, 2011) with 'seasonal economies', focused around these sorts of jobs and activities, impeding the development of more sustainable development, largely because of the displacement of local labour and local entrepreneurialism.

The bar that second homes place on endogenous development can drive an exodus of younger households, followed by their replacement with older and wealthier seasonal residents. It is often noted, however, that outmigration is not only caused by the unaffordability of housing, but is linked to educational opportunity and career aspiration (Wallace et al, 2005). But if second homes are linked to a suppression of wider economic opportunity and diversity then it is clear that they play more than a 'housing role' in the transformation of rural places.

### *Community cohesion*

The link from housing to local economies continues into the social life of rural communities. It has been claimed that the irregular occupation of homes, and the negative impact on services, can create seasonal 'ghost towns' and villages (Simms et al, 2002; Huijbens, 2012). A combination of economic and social change will drastically alter the pattern of social exchange, substituting closer socio-spatial bonds with 'alien' patterns of middle class sociability (Gallent, 2014). However, second homes only add to a pattern of change that has been ongoing since the 1960s (Newby, 1980), with farming communities displaced by middle-class consumers: occupational identities are substituted by consumption practices, rooted not in what people do for a living but the assets they own, which act as a different kind of place anchor.

The usual claim is that *social cohesion* turns to *social conflict* in places with concentrations of adventitious second home buyers. Other incomers, moving permanently to rural communities, may also find themselves in the firing line, although they seldom provoke the same ire as seasonal residents, whose local contribution and commitment is immediately questioned. A number of sociological studies in the UK have drawn attention to 'local versus non-local' frictions, although the boundaries between these groups have become blurred as the prominence of land-based occupation has declined and middle-class consumption has come to dominate some rural areas. Yesterday's incomers are today's locals, often contesting the next round of proposed development and fighting against newer arrivals. Notwithstanding these complexities, conflicts centred on second homes appear commonplace and are most pronounced where housing is in short supply – including the lowest tier settlements in heavily protected amenity areas. Rye (2011) has described resistance to market intrusion in Norway, which is often well-organised and resourced. But that resistance is not universal: local landowners and other rural elites may welcome all forms of housing development and investment, as drivers of extractable value. Non-propertied interests, on the other hand, may view the same drivers as barriers to achieving their personal welfare goals: renting or buying a home at an affordable price. Whilst Shucksmith (1990) has noted how 'locals' occupy different domestic property classes, with different goals, more

recent authors have commented generally on the heterogeneity of those locals (Hall and Müller, 2004; Gustafson, 2006; McIntyre et al. 2006; Paris 2009), whose divergent interests generate added complexity for policy-makers looking to intervene in the housing market. Those 'in a position to benefit' (Molotch, 1976), i.e. existing land and home owners, welcome the arrival of mobile capital and may see second homes as a vital source of investment in rural areas (which scaffold the value of their own property).

But conflicting attitudes towards second homes is not a given: adventitious demand that translates into an increased volume of development may unite permanent and seasonal residents if that demand is viewed as a threat to rural character and amenity (Gallent et al, 2019). The politics and reactions to second homes differ between locations, making it difficult to formulate policy responses that command broad support.

#### *The social and economic benefits arising from second homes*

It is also the case that second homes are a blessing for some rural communities (Coppock, 1977). They are a channel through which mobile capital flows into towns and village, lifting house prices (again, to the benefit of local owners) and increasing local spending (by second home owners, by local owners who are enriched by rising property equity, and through the general circulation of spending in support of local jobs). These 'regular' impact channels are complemented by 'relational' impacts. The presence of second home owners can strengthen social networks, introducing new energies to communities that may have lost population. New residents, seasonal or permanent, are a source of 'bridging' social capital: they may connect communities to new networks, new skills and new resources (Gallent, 2014). There is an association between counter-urbanisation and rural entrepreneurialism (Hall and Müller, 2004). But such positives are not universal. Impacts will depend on the sorts of homes converted to second home use, on how those homes are used (and for how long each year), and on the relative balance between permanent and seasonal residents: if too much housing is unavailable to local families, in a context of supply constraint, then second homes are more likely to bring socio-economic harm. A tipping point will be reached where there are simply too many second homes, critically undermining local housing affordability and disrupting everyday social and economic processes.

#### *Responding to 'market distortions'*

It has not proven easy to address second home pressures in rural areas. Interest in rural property has not been the only factor shaping housing outcomes for the last half a century. It combines with economic fragilities, reflected in low wages, and planning constraints, limiting the capacity of rural areas to respond to strong demand, to drive up house prices and drive down affordability. And it is also the case that rising house prices (or 'the increasing wealth of rural households') is not an absolute negative: it is viewed by many as a positive outcome of the increased connectivity of rural and urban areas, with housing wealth viewed as important, and housing seen as a key channel for distributing that wealth. The neo-liberal position on all of this is that housing markets should be unfettered by local regulation or by

consumption taxes. Capital should flow freely, with local families benefiting from that flow through home ownership facilitated by new housebuilding. But there is a critical contradiction in this position: supporters of these freedoms may resist new housebuilding where it threatens the scarcity and amenity that supports value, specifically the extractable value from their own property. It is often difficult to untangle development aversity rooted in private interest from reasonable concerns relating to environmental limits.

People want the market freedoms (of consumption – often without paying the full environmental cost of that consumption) that deliver personal benefit, but do not want the market freedoms (of production) that could distribute that benefit more widely.

This means that the vast majority of interventions in rural housing markets are contested and controversial. In relation to second homes, those interventions include a) restricting housing occupancy to full-time residents; b) challenging the freedoms of the market by halting the transfer of first homes to second home use; c) building a lot more non-market housing; and d) rethinking consumption taxes with a view to changing the cost-benefit balance of owning second homes. Past literature has much to say on each of these, but comments here are abridged.

a) Restricting the occupancy of *new homes*

Restrictions on the occupancy of housing to key workers have a long history (Gallent et al, 2022). The decline of tied housing in the UK from the second world war onwards was associated with a rise in council housing provision and special protections for farm workers: ‘agricultural ties’, attached to public and private homes, were strengthened and ensured that farms retained a supply of labour at a cost that would not drive wage inflation. Non-market housing used the same protections, guaranteeing exclusive use for local families (or those with eligible local connections), to ensure that homes remained affordable in perpetuity.

But in recent years, some local communities and councils have sought to broaden the function of occupancy conditions, attaching them to all residential development permissions in order to ‘protect’ homes for local or full-time occupation. St Ives in Cornwall has a full-time occupancy restriction on newly-permissioned homes. Restrictions are currently being developed for the town of Whitby and the city of Brighton.

This practice is not new. In 1977, the Lake District Special Planning Board (LDSPB) introduced the first policy of this kind, designed to ‘[...] restrict completely all new development to that which can be shown to satisfy local need’ (Gallent et al, 2005: 174). Applicants for residential planning consent were asked to sign an agreement (under Section 52 of the Town and Country Planning Act 1971) limiting future occupancy of the housing to those employed, about to be employed, or recently retired from local employment. In 2002, Pembrokeshire enacted restrictions on occupancy (in the 2002 Deposit version of its Joint Unitary Development Plan) after finding that a quarter of new build homes were used as weekend cottages (Pembrokeshire Coast National Park, 2002 referenced in Gallent et al, 2005: 166). The St Ives restriction, noted above, was introduced via its Neighbourhood Development Plan (2015-

2030) and came after 'The 2013-18 Lyn Plan' (Lynton and Lynmouth) and the 2015-2030 Roseland Plan each required that planning permission would only be given for homes to be occupied as 'principal residences'.

Such policies have been controversial. The Secretary of State overturned the Lake District policy in 1981. Pembrokeshire's restriction was lost in later versions of the plan. And the Roseland policy was considered to lack underpinning evidence and therefore downgraded to a statement of intent (Edwards, 2016). The St Ives policy, however, was supported in the High Court, perhaps signalling a changed attitude to such restrictions. In Wales, Anglesey and Gwynedd Councils have jointly introduced a 'Local Market Housing' Policy which requires newbuild homes to be occupied by local residents 'in the first place and in perpetuity' (Gwynedd Council, 2017: 133 quoted in Brooks, 2021). The policy is applied selectively in light of local evidence and targets 'local connection' rather than 'full time occupation' (as has been the case in Cornwall and Devon). This means that occupants need to demonstrate that they have lived in a community for 5 years or have another established connection (ibid.).

The impacts of closing the *new-build* market in this way have been the subject of detailed evaluation. Shucksmith (1981; 1990) examined the impacts of the Section 52 restriction in the Lake District over several years. He found that external interest in buying homes in the restricted area was not diminished. But without the restriction, non-local buyers have the choice of purchasing and occupying new *or* second-hand housing. Occupancy restrictions on new permissions close part of the market to buyers from outside the area. Those who may have purchased new-builds join the queue of buyers for unrestricted second-hand property. Meanwhile, the gross development value of new-build schemes fall along with underlying land values. Some landowners decide not to release land for housing, hoping that the restrictive policy will be lifted in future years. And some developers shift their operations to unrestricted locations. The combination of intensifying demand for second-hand homes and reduced new-build activity further lifts house prices and local rents, benefiting existing homeowners but further disadvantaging households trying to buy for the first time or rent locally.

#### *b) Restricting 'change of use' of second-hand homes*

Two big factors in the above dynamic are, firstly, that housing markets have new-build and second-hand segments and, secondly, that outside buyers display a preference for older property. They are drawn to homes that have that rustic or traditional appeal. Executive style homes or special architectural projects on cliff-tops may target 'mobile capital' but, for the most part, the standard second home seeker is looking for authenticity and identity and not a red-brick box.

The conclusion reached by those who acknowledge this reality is that control should be extended over the *second-hand market*: ways must be found to stop first homes becoming second homes. The argument, heard several times in the UK Parliament over the last forty years (starting with Dafydd Wigley's private member's bill in 1981), is that second homes, and

holiday lets, should be separate residential use classes (see Gallent et al, 2005; Brooks, 2021). This would, in theory, give local authorities the power to stop homes being occupied seasonally. Homeowners or homebuyers would need planning permission if they wished to either change their own pattern of occupancy (probably to less than 270 days per year, or a similar number) or ‘short let’ their home commercially to holiday makers.

Whilst critics see this as an outrageous restriction on the enjoyment of private property, proponents view it as a reasonable response to the housing inequalities faced in some rural areas: ‘first homes, not second homes’. But this level of intervention in the operation of rural housing markets is not without its challenges. Poorly resourced local authorities would need to monitor second home numbers and effects in order to enact the restriction, which would be set locally (i.e. in a particular community judged to be adversely affected by second home concentrations) rather than generally applied (across an authority) (see Welsh Parliament, 2022, and further discussion in Part 5, the Brecon Beacons case). They would have to take enforcement action if contraventions occurred – and this could mean monitoring patterns of occupancy of homes suspected to be seasonally or sporadically occupied. Over-use of the restriction would suppress house prices over the longer term, potentially erecting affordability barriers for some households but shrinking the housing wealth of others, thereby reducing consumer confidence and suppressing local spending. If house price falls hit recent-mortgagees, this could push them into negative equity and prevent them from moving home if they needed to do so.

For these reasons – relating to enforcement and adverse market impacts – many planning officers have expressed a preference for targeting (commercial) self-catering holiday lets with these sorts of controls rather attempting broader application. The commercial letting of homes is ‘materially’ different from private occupation and enjoyment, providing a clearer basis for applying and enforcing planning rules. This debate, however, is deeply ideological, pitting neo-liberal market ‘freedoms’ against calls for stronger planning-based interventions. It is picked up again in the Brecon Beacons case.

#### c) Local and national tax

Curiously, many opponents *and* proponents of intervention agree that land-use planning is not the best means of engineering different housing outcomes. Opponents argue that ‘growing the cake’ and making housing more widely available (by building more homes, although see the earlier caveat regarding growth potential in rural areas) should be the priority of national and local government. Proponents argue that structural interventions rather than local restriction should be the priority: specifically, tax changes are viewed as the primary means of rebalancing the cost-benefits of housing consumption, thereby reducing inessential consumption and advancing affordability goals. Parking, for a moment, the wider economic implications of such changes, debate in this area seeks reform of local and national taxes.

The background argument is that housing is undertaxed relative to other asset classes. Local taxes (i.e. Council Tax) are out-of-date and do not reflect house price uplift over the last 30

years. National taxes (i.e. paid when property is let or sold) are set at rates that are lower than payroll taxes (and do not attract NI) and can be reduced if property is held on an individual's behalf by a limited company. Taxes on work and on property (wealth) are unequally levied, meaning that the un-earned increment from property holding (the return to capital) is greater than wage returns from work. Barker (2014) has drawn attention to this 'anomaly' in the UK whilst Piketty (2014) has presented the same imbalance as the root cause of wealth and income inequality globally.

But two divergent views are rooted in this analysis. The first is that 'second homes' should be specifically targeted as a form of inessential consumption. Local authorities have been able to levy additional Council Tax premiums on these properties. In Wales, the government has announced that 300% premiums will be levied on second homes from April 2023. This has prompted the claim that second home owners in Wales have been unfairly targeted (a fuller discussion of this issue is provided in the Brecon Beacons case). The second view is that a broader rebalancing of tax liability on property and work requires much wider action: that multiple property owners should be taxed, through payroll or inheritance tax liability, on the imputed rent of their holdings and therefore pay significantly higher taxes than non-property-owners. This broader approach would reduce property-based inequality by changing the cost-benefit of owning second, third, fourth etc. homes and causing owners to release additional homes to the market for first homes.

Demand-side interventions of this type can be actioned through payroll taxes (returning to the property-based *Schedule A Income Tax* liability that was scrapped in the UK in 1963), inheritance taxes (with liability paid from an estate on death) or capital gains (with liability paid on sale). Such a national approach would arguably be fairer (because of universal application) than local tax variations on second homes, through Council Tax or transaction tax. Multiple property holding would be targeted and an opportunity would be created to lift the tax burden from work.

However, this would be entirely contrary to the direction of travel over recent centuries. Land was once the primary objective of taxation across Britain: landowners paid tax and workers were in servitude to landowners, but able to supplement livelihoods from sourcing foodstuffs or grazing animals on 'common land'. Eventually, the landed class enclosed Britain's commons and successfully transferred the tax burden from themselves to the newly-landless workers. The inequalities that have emerged since are all rooted in this clever ruse.

#### d) Non-market housing

The protections afforded private landed interests have, in the past, left little room for manoeuvre on the 'demand side'. At the same time, the protection of local character and amenity (enclosed and privatised through land ownership) translates into very low levels of private housing development in lowest-tier rural settlements. Consensus, between those prioritising amenity and the protection of private equity and those wanting to advance greater housing access, tends to centre on enabling non-market housing.

Because rural areas are not locations of planned growth, 'exceptional' land releases for non-market housing is the primary means of developing unallocated sites adjacent to or within villages. 'Rural Exception Sites' (RES) are agreed between land owners, communities, local planners and registered providers. Land that would not otherwise be released for housing, perhaps outside a settlement envelope and currently in agricultural use, is provided for affordable housing in perpetuity at a cost below the 'housing value' (Gallent and Bell, 2000). This mechanism, in place in Wales and England since 1991, can be used to support provision by a registered provider of social housing (i.e. a housing association) or by a community land trust. Site exception schemes *frequently* comprise five or six homes for local families, who are allocated to tenancies based on an assessment of need and local connection. (On occasions, planning exceptions have been granted to allow family members of landowners to build incidental dwellings on land not allocated for housing use. This has happened in Powys, and English examples of the same practice are provided by Gallent et al, 2022)

Small clusters of affordable homes command support from those concerned with the social sustainability of communities (and the *economic* sustainability of key services, although small numbers of homes built on exception sites may not impact greatly on the viability of shops or schools), and also from homeowners (and others) who accept that such developments will not impact significantly on amenity and character. However, affordable housing is sometimes contested if there is a belief that it might be allocated to families from outside the village (i.e. the belief that another community's development is being hosted) or if a high concentration of (seasonally empty) second homes provokes the argument that 'local needs' housing would not be needed if a fairer distribution of housing were achieved. Indeed, affordable housing may be seen as a unnecessary price of having too many second homes.

### **Part 3: Covid-19 as a Change Driver**

The pressures brought by second homes to rural areas have not been uniform over time. There have been a number of critical periods and turning points, with the demand for second homes – motivated by the investment and amenity drivers discussed above – paralleling broader housing market cycles and responding to technological change. The 1960s saw the first significant surge in demand. This was a result of rising disposable incomes in a country finally able to emerge from the economic malaise of the post-war period. At the same time, more distant rural locations were being opened up to development through major infrastructure investments. Owning housing had also become a more tax efficient proposition following the scrapping of Schedule A Income Tax in 1963. Therefore, by the 1970s, there was renewed research interest in the impacts this form of adventitious consumption was having in rural locations (e.g. Coppock, 1977; Shucksmith, 1981). That interest dissipated in the 1980s and 1990s because of a shift in the balance between cost and wages and a real reduction in second home buying, at least in the UK (Halfacree, 2012). The turn of the century, however, saw another uptick in second home demand. New technologies, specifically the internet, were supporting changed patterns of work, leisure and mobility. Second homes acquired broader functionality in the 'era of mobilities' (Urry, 2000), with a great many people – i.e. middle class people with middle class jobs – finding that they could work as easily from a rural home as an urban office. This new reality found expression in extended spatial mobility (Paris, 2009) and the associated rise in 'hetero-local' identities

(Halfacree, 2012). It also prompted a new wave of second home research (e.g. Gallent and Tewdwr-Jones, 2000; Hall and Müller, 2004).

### *The pandemic as another 'turning point'*

The Covid-19 pandemic may prove to be another turning point, or critical change driver, in the second home narrative, amplifying some of the reasons why seasonal residents and retiring households seek homes in the countryside. Two factors appear to be driving a decentralisation of housing choices across the UK, and elsewhere, at the present time.

The first is the mainstreaming of 'working from home'. During the 2020 and 2021 lockdowns, government issued the instruction for households able to do so to work from home, greatly magnifying a trend previously identified (see Rubin et al, 2020; Rodriguez, 2020; de Vos, 2020; Reuschke and Felstead 2020). The second is the rediscovery of outside green spaces (Cheshire and Hilber, 2021; Pickford, 2021) and the utility of larger, adaptable homes. Whilst homeworking and utility factors have clearly been important in changing consumption patterns, mid-pandemic, other factors have also played a part in market change. The closure of schools for prolonged periods enabled parents to take their children away for weeks or months. The relative lack of space in some urban homes was a push factor for some households, although the most disadvantaged families are perhaps unlikely to have had the salaried jobs or incomes needed to relocate. And the market volatility generated by the pandemic, reflected in falling share values, caused a flight to the safest asset classes: housing and gold. Demand for homes spread out from suburban locations into the countryside beyond (Gallent and Madeddu, 2021), bringing notable shifts in local market dynamics, mobility patterns and locational preferences, all of which could have lasting consequences for rural areas.

Prior to the pandemic, the proliferation of second homes in many rural areas – alongside broader counter-urbanization patterns – was viewed as symptomatic of widening mobilities, bringing 'entirely new patterns of rural residence' to many industrialised nations (Gallent, 2014). That proliferation was attributed to global and political processes, particularly the neo-liberal assetisation of housing and consequent repatterning of consumption and use (Williams and Hall, 2000). Given the global nature of the pandemic (the latest of a series of disruptions since 2000), it is perhaps of little surprise that it has impacted so forcefully on patterns of mobility and housing consumption. It has also blurred the distinction between first and second home, changing functional relationships. There has been a longstanding assumption that a critical utility of first homes is proximity to employment (and other amenities), but that assumption is challenged by the pandemic. Work and home life has become merged for many people, presenting them with different lifestyle possibilities. Has relocation during Covid-19 been to a second home or a second first home? For households without school-age children, that distinction can be difficult to make. Second home buying merges into a broader stream of counter-urbanization: they are no longer a discrete or stable housing 'category' (Zoğal et al, 2020) and therefore present new challenges to policy makers. New patterns of consumption are accompanied by new patterns of housing occupancy. In short, our traditional understanding of second homes has been disrupted, with lines blurred between seasonal and full-time residents, weekenders, retirees, commuters, and labour and

entrepreneurial migrants. When housing is occupied by ‘economic nomads’, many traditional distinctions are lost.

More prosaically, the pandemic has impacted on the sorts of homes people have been buying. ‘Multi-generational use’, for work by adults and study by children, has increased the demand for housing space (Cheshire and Hilber, 2021). Homes with gardens, garages, spare rooms and the potential for conversion or extension have become far more popular. And because these attributes are less common in inner-urban areas, there was some evidence of urban flight during the pandemic. House prices and rents fell in central locations, but rose for suburban homes with private space and for homes outside of cities. The price of flats in central London (Transport for London, TFL, Travel Zone 1) fell 14% in the year to March 2021 (HM Registry via Rightmove). Mobile flat-owners (those with the requisite middle class jobs) moved to larger homes in suburban or rural locations, renting out their retained flats. This caused a mid-pandemic supply glut and fall in rents (Brennan, 2021).

The search for housing that offers more space and greater adaptability triggered a decentralization of demand (Cheshire and Hilber, 2020). The longevity of this decentralization will largely depend on the continuation of flexible working (Walker et al, 2020; CIPD, 2020), which reduces the need to live close to a workplace. Because housing supply traditionally locates as near as possible to jobs (to ‘economic activity’), flexible working can displace housing demand away from key sources of supply and towards areas not previously earmarked for planned growth: hence the price impact noted above and the stress placed on some rural areas, with housing markets unable to absorb new demand pressures (Nanda et al, 2020). But given extant patterns of available supply, and the continuation of the usual ‘trade off’ between space and location in the housing market, the bulk of demand shifted to larger houses in commuter areas close to cities (Cheshire et al, 2021). Whilst flats lost 14% of their value in the year to March 2021, family homes in TFL Zone 3 gained 10% during the same period.

#### *Changing patterns of utility demand*

Whilst suburbia has absorbed most ‘utility demand’ for larger family homes during the pandemic, the lesser flow to rural locations has been arguably more significant *given the significant supply constraints* in these areas.

That significance may have been heightened by the ‘reshoring’ of rural / second home demand caused by Brexit (and restrictions on stays of more than 90 days in EU member states) and by the travel bans during the pandemic. Knight Frank (2021) reported an 11% jump in sales in rural areas in 2020 compared with 2019, noting that much of the demand for rural property originates in London.

Second home demand is only part of the wider appetite for rural living. Peachey (2020) notes an increase in permanent relocation, some of which may involve existing second homes becoming first homes, which has recently been happening at pace in Turkey (Zoğal et al, 2020).

The inability of many rural markets to absorb these changes is likely to increase inequalities between social groups and 'housing classes'. Price levels were already exclusionary, especially in the most attractive amenity areas including national parks. In rural and urban areas, rates of owner-occupation fell markedly in the decade to 2017 (see Gallent, 2019; Ronald and Dewilde, 2017) whilst the proportion of UK households owning multiple homes rose (Bangham, 2019; Kadi et al, 2020). Early analysis of the pandemic's housing impacts rejected the idea that prices would fall (owing to the capital flight to housing as a safe haven at times of economic turbulence), but saw a potential for increased multiple home ownership at the expense of already excluded groups. The pandemic was expected to accentuate existing inequalities and further advantage households in salaried professional occupations (Adams-Prassl, et al, 2020; Dingel and Neiman, 2020) which are able to take advantage of relocation opportunities and are at less risk of pandemic-related redundancy. Pandemic effects were unevenly felt across the workforce, with lower-income groups far less likely to be able to work from home and far more likely to lose their jobs (de Vos, 2020).

It is notable at this stage that workers in Wales are least likely, of all UK workers, to be in occupations where flexible home-based working is likely to be possible (Rodriguez, 2020). Rural workforces in traditional occupations, including farming and tourism services, are also more likely to be tied to a fixed workplace. The dynamic for rural communities therefore begins with a choice imbalance, pitting local families with specific locational needs against relatively footloose households. This imbalance affects not only the housing market but generates broader community impacts.

#### *Wider community impacts*

The wider community impacts from market intrusion and second home buying can be linked to patterns of occupancy, essentially the displacement of year-round residents by seasonal ones (see Miller, 1997 or Müller, 2007). But because the pandemic appears to be associated with a mix of occupancy patterns, the link from market change to community impacts is less clear cut.

Second homes tend to reduce service use, particularly affecting local schools, which are themselves a significant source of social bridging and community cohesion. They affect local economies by locking workers out of the housing market, thereby impacting on earnings and spending (but replacing everyday spending with a seasonal tourism spike). But new factors driving second home demand are likely to mean that an already heterogeneous group of market entrants (see Mitchell, 2004; and see also Pahl, 1975) is likely to become even more mixed. Whilst a great many second home owners are middle aged or retired (Wallace et al, 2005), successive lockdowns will have been a trigger for younger households (cooped up in flats with children) to have sought rural homes (see Harry, 2021; Hill, 2021; McKeener, 2021; Urban Jungle, 2021), potentially altering the range of service and community impacts.

Indeed, second home buyers are usually attracted to the same destinations as full-time movers (Hall and Williams, 2002; Williams and Hall 2002, McIntyre et al. 2006, Müller and Marjavaara 2012, Marjavaara and Lundholm 2016), meaning that it can be difficult to untangle second home impacts from broader market changes rooted in the popularity of a

destination. In the next part of this report, our focus shifts to Wales and then onwards, in Part 5, to the Brecon Beacons National Park.

#### **Part 4: Second Homes in Wales**

Second homes, and holiday lets, have been a perennial cause of concern in Wales for several decades. Welsh politicians, before and after devolution, have made numerous proposals for addressing the significant concentration of these properties in key locations, especially in the country's most important rural and coastal amenity areas – including its National Parks. They are assumed to be critical disruptors of housing assignment through the market, stopping 'local families' from accessing the homes they need and therefore generating a range of social and economic impacts. Second homes are blamed for a broad loss of community, for erecting labour market barriers, and for threatening the viability of the Welsh language in some areas. During the 1970s, they provided a flash-point for nationalist outrage: a number were burnt to the ground in an arson campaign. During the same period, they became a focus for language campaigners, who have invested considerable effort in devising policies for controlling second home numbers and promoting local housing needs above investment demand.

There is a very clear spatial patterning of second home demand, which spikes in some coastal communities (especially on the Llyn peninsula) and in Wales's National Parks. In a recent contribution to the debate in Wales, and to policy thinking, Brooks (2021) reports a correlation between natural beauty (i.e. significant natural assets, including pretty coastlines and rugged mountain landscapes) and the density of second home ownership. This correlation (along with critical development constraint in the National Parks and along heritage coasts) drives house prices and excludes young and lower-income people from housing markets (Goss, 2019).

The concentrated nature of second home demand in a relatively small number of Wales's most picturesque villages means that this 'problem' sometimes exists in local authorities that do not always view it as a *general* priority. Brooks (2021) views second homes as a 'local problem' (i.e. it is only in selected places where it drives housing inequality) that points to a need for 'local variation' in policy design. The same observation was made by Gallent and Tewdwr-Jones (2000) who suggested that rural second homes have a concentrated 'epidemic' quality in many parts of the UK, including Wales, in contrast to the 'endemic' nature of second home demand in some Mediterranean and Scandinavian countries. However, there is some disagreement as to whether 'local problems' require policy variance as opposed to a structural response (see earlier discussion) as second home demand is only one aspect of investment buying and the assetisation of housing, which arguably needs a structural corrective.

Debates centred on second homes in Wales have struggled with the distinction between second homes and holiday lets. Since the first surges of second home buying in the 1960s and 1970s, pressure on local housing stocks has been presented as being *exogenous*, driven by market intrusion. Nationalistic speeches (see Llywelyn, 1986) have referred to the purchase of homes by 'foreigners' and language campaigns have led with calls to limit such

purchases: '*nid yw Cymru ar werth*' ('Wales is not for sale')<sup>2</sup>. It is recognised, however, that there is significant difference between homes used *mainly* by an owner and his or her family (*second homes* – see earlier note) as a seasonal or weekend base, and homes that are *exclusively* offered to short-term commercial letting for profit (*holiday lets*). The distinction between the two hinges on the purpose of ownership: for *access to amenity* or *rent capture*.

It was noted above that a great many holiday lets are likely to be *owned by local residents*. Some will be owned by farmers and offer a means of diversifying farm income. But it is also the case that non-farming families will embrace the economic logic of profit-taking from short lets in areas with developed or developing tourism sectors. Second homes that are occasionally let are more likely to have non-local owners. Holiday lets, on which non-domestic business rates are levied, are more likely to have local owners (although data on owner-origin are, to the best of our knowledge, unavailable). Some will be part of a 'holiday cottages' enterprise whilst others may be one-off lets - a means by which a local propertied housing class participates in one of the most lucrative parts of the *rentier economy* (that is, holiday lets for higher income earners rather than assured short-hold for local workers).

Second homes and holiday lets will impact on local markets, and on the distribution of housing resource, in different ways. Second homes are more likely to have been 'extracted' from the mainstream stock (a home that could have been occupied by a full-time resident becomes occupied by a seasonal one). Holiday lets that have been converted from farm buildings may be subject to a residency restriction as the local planning authority may have considered a relatively isolated location as unsuited to full-time occupancy. But there is anecdotal evidence that the sort of property that may previously have been transferred to second home use is now being converted to short-term letting. Ordinary homes are being put to this use and, sometimes, local landlords are deciding to end assured shorthold tenancies (to local tenants) and offer homes on short-let platforms including AirBnB. Such practices may contribute to the growth of tourist income ('staycationers' will suddenly be presented with a wider choice of rental opportunities) – valued at £126 million per annum in the Brecon Beacons (Welsh Government, no date) – but can have a detrimental impact on local families who struggle to secure affordable private tenancies.

For tax purposes, second homes in Wales are defined as 'dwellings occupied periodically' and have been charged a Council Tax premium, of up to 100% of the assessed charge, since the Housing (Wales) Act 2014 (National Assembly for Wales, 2014). It was noted above that this is now due to rise to up to 300% from April 2023. Self-catering holiday lets, on the other hand, are not liable for Council Tax if they are registered for non-domestic business rates and are available for letting and actually let for minimum periods (see Brecon Beacon case for full discussion). Council Tax supplements appear to have encouraged some second home owners to re-register their homes as commercial self-catering accommodation (Welsh Local Government Association, 2020; Gwynedd Council, 2020). These shifts will alter the impacts

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<sup>2</sup> Banners carrying these slogans have recently appeared in a number of tourism / second home hotspots: see <https://nation.cymru/news/wales-is-not-for-sale-campaigners-fly-banners-opposing-second-homes-in-holiday-hotspots/>. Participant B01 also referred to seeing more 'Cofiwch Dryweryn' (Remember Tryweryn) murals appearing in rural areas, referencing the flooding of a Welsh village in the 1960s, in order to form reservoir to service increased water demand from Liverpool. His point was that nationalist sentiment and antipathy towards second homes remain closely aligned.

second and holiday homes have on rural communities, potentially supporting tourist spending. But where there are few opportunities to increase housing supply, extractions from the mainstream stock, whether for second home or holiday let use, are likely to reduce the housing choices of full-time residents. Conversion to holiday letting may have the bigger impact as property owners in rural Wales seek to cash in on shifting vacation habits, mid and post pandemic.

An added dimension of the second home debate in Wales relates to the Welsh language. It was noted above that nationalist groups, or those leaning towards independence for Wales, have focused on the second home question, often viewing it as an intrusion that disrupts settled communities. But anything that deprives communities of access to essential infrastructure, breaks social networks, and impacts on opportunities for everyday social interaction, is likely to be judged damaging. Hence, there has been a broader focus on housing and on retirement to Wales as well as second homes and holiday lets. Although nationalists have sometimes pushed for restrictive approaches, including a 'property act' that would impede the buying and selling of Welsh homes, government has sought a more positive approach. Planning is called upon to promote and facilitate the Welsh language (Welsh Government, 2017a), giving consideration to language concerns when permissioning, and setting conditions on, development. Language objectives should not be used to *block* development but rather to *direct and phase* development in support of schools and community vitality. Ensuring a supply of affordable homes is often key to supporting the community processes of which the language is a part.

Blocks on development are often not helpful given the diversity of pressures communities face, not only from second homes, but also retirees and commuting households. Policymakers concerned with the wellbeing of communities therefore face challenges that transcend the market for second homes, and the housing domain more generally. Rather than focussing only on housing market dynamics, policymakers must consider local economic development as a significant factor affecting de-population of Welsh speakers and the social cohesion of local communities. As Brooks (2021) observes, '[...] if there were fewer second homes, this would not change the fact that local buyers would have to compete with buyers from outside the area [and] due to low wages locally [...] it cannot be assumed that second homes which might be sold on the open market [...] would be bought by local people'.

In short, second homes – alongside other forms of adventitious buying in rural areas - are just part of the dynamic that elevates house prices and drives social exclusion. Planning constraint and low rural wages are also important, and the most effective policy responses are those that take an integrative view of these challenges.

## Part 5: The Brecon Beacons National Park

### a. Case Study Background

The research reported here focused on the Brecon Beacons National Park in south Wales, henceforth ‘the Brecon Beacons’<sup>3</sup>. The Brecon Beacons are immediately accessible from several English border towns and the city of Bristol to the east and from the South Wales conurbation (comprising Cardiff, Newport and Swansea) to the south. The Brecon Beacons are ideally located for commuting, home-working and for households seeking the utility of a weekend or seasonal home. It has the outward appearance of an area potentially susceptible to pandemic-induced housing stress.

An estimated 33,800 people live in the Brecon Beacons (Welsh Government, 2021) in roughly 15,000 households (2018), which is projected to rise to almost 16,000 by 2028 (ibid.). Households without children are expected to increase in number, as the number with children decline. Demographic evidence points to an aging population with a changing need profile. Some of that change will be driven by housing market processes and by an exchange of younger for older residents.

The National Park straddles a number of local authority areas. A large part of it is in Powys (72% by population) and Monmouthshire (22%), but it also intersects with Carmarthenshire, Neath Port Talbot, Rhondda Cynon Taf, Merthyr Tydfil, Caerphilly, Blaenau Gwent, and Torfaen.

The Brecon Beacons is heterogenous in terms of its topography, its local economies, its communities and its housing market dynamics. It contains a complex set of economic, social and political geographies that display a *broad east-west split*. The eastern side of the National Park has long been attractive to retirees, second home buyers, commuters, and visitors drawn by its easy transport connections to Cardiff, Bristol and beyond, as well as the mountain landscapes of the Brecon Beacons and Black Mountains. It was suggested in preliminary conversations with National Park Officers that communities on this side of the park are rich in ‘social capital’ and regularly engage in community initiatives and activism of various sorts - some were mentioned, including the ‘Crickhowell Forum’. The western side of the park retains a much greater community focus on farming and other forms of local production in smaller settlements, with traditionally lower levels of inward property investment and second home ownership. To the south, the National Park straddles the South Wales Valleys. Landscape amenity dips, in part due to a degree of post-industrial scarring, and there is little in the way of extra-local housing pressure, and very few second homes. However, communities living across the National Park face a number of pressures and emerging vulnerabilities from a range of sources.

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<sup>3</sup> It was originally proposed that the Brecon Beacons National Park should extend into Herefordshire, but this was thought to be too great an administrative headache in 1957. Hence the Wales-England border provided the eastern boundary of the National Park.

These were said to include continuing *uncertainties over farming income* (and the future subsidy regime) after Brexit, *environmental capacity limits on new development* including housebuilding (linked to farming practices and development, negatively influencing water quality by increasing the concentration of phosphates), very *high levels of population churn* forecast in the years to 2035, low levels of public transport provision, and long-term challenges around *housing affordability* due to adventitious home-purchasing.

External demands on the housing stock, juxtaposed with environmental constraints on new development, are the major concerns of this research.

Limited development capacity, and therefore few alternative housing options for households working in the National Park, is a concern shared across Wales and across rural amenity areas in many other parts of the UK. The premise of the research is that familiar rural amenity area challenges have been enlarged by the pandemic and also by Brexit. The UK's departure from the EU has made it more difficult for UK nationals to spend prolonged periods in European countries, causing a potential shift in retirement plans and possibly resulting in a 'reshoring' of second home demand.

If the pandemic accentuates second home demand, brings more home-workers to rural areas, or provides another reason for retiring households to bring forward their plans, then it will add to the existing cocktail of challenges and vulnerabilities noted above.

In the eastern side of the Brecon Beacons, the housing market (in places such as Hay-on-Wye) has evolved to absorb additional demand. But the smaller, occupation-based communities to the west could be particularly sensitive to changes in farm incomes, because of Brexit, and to new pressures on local housing markets, because of the pandemic. National Park Officers are acutely aware of the risks to social cohesion and have been closely following, and often contributing to, policy developments being discussed by the Welsh Parliament in Cardiff. These relate to the local tax treatment of second homes; mandatory licensing for holiday lets; restrictions on non-principal residence - affecting new-build; and possible bars on the use of primary dwellings as second homes and holiday lets (see Welsh Parliament, 2022). Pandemic-induced demand could unsettle community balance in the west whilst worsening housing affordability in the east. There is a need to understand the issues at stake and, where necessary, evolve policies to effectively manage change in ways that work for communities and for local economies. National Park Officers played an active part in this research.

Pandemic-induced mobility has undoubtedly triggered a higher level of concern for housing market change in rural amenity areas. Political tension has been rising in the UK's National Parks (Minting, 2021), many of which have been inundated with mid- and post-lockdown visitors, some on short stays, but others looking to purchase local property. Politicians in Wales have been particularly vocal, especially those representing communities where the proportion of second homes is approaching 50% of the available housing stock (The Economist, 2021). While a recovery in housing sales was perhaps inevitable following the dip caused by the first lockdown in 2020, few expected sales in rural Wales to rise 75% above

their 2019 level (Savills, 2020). There is a *sense* amongst civil society organisations and local politicians that the pandemic has worsened housing pressures, particularly in areas such as the Brecon Beacons (Brecon and Radnor Reporter, 2020).

Councillors with constituencies in the National Park were keen to demonstrate the importance assigned to the issue ahead of local elections planned in May 2020. In Powys, the County Council voted to raise the Council Tax premium on second homes from 50% to 75% (ibid.). Campaigners – ranging from local residents to national pressure groups – insisted, however, that additional action was needed, beyond an increase in Council Tax (The Economist, 2021). Welsh Labour proposed that local councils should be given the power to vary Land Transaction Tax (LTT) on the purchase of second homes, allowing them to levy more than the current 4% surcharge on second homes if they wished (ibid.).

Authorities also looked at different options, including the possibility of restricting the conversion of homes to holiday lets in light of pandemic-induced pressures (Brooks, 2021). In October 2020, Gwynedd Council adopted a resolution requiring planning permission for such conversions (Gwynedd Council, 2020). Snowdonia National Park Authority (SNPA) followed suit shortly afterward – and the chair of its Planning Committee called on the Welsh Parliament to provide authorities with additional tools with which to deal with second home pressures (SNPA, 2020; BBC, 2020). Brooks (2021) notes that communities and their elected representatives regularly push for additional powers, including controls over change of use, whilst analysts and academics warn of the unintended consequences of using local planning controls to address market challenges that have a systemic origin (see earlier discussion of these exact issues above).

This dynamic – between local sentiment and academic analysis – is longstanding and has certainly been apparent in 2021 and 2022. New political cooperation between Welsh Labour and Plaid Cymru, formalised in 2021, has resulted in a renewed focus on second homes, with a commitment to ‘[...] take immediate and radical action to address the proliferation of second homes and unaffordable housing, using the planning, property and taxation systems’ (Welsh Government, 2021b: 3). But at the same time, academics providing evidence to a November 2021 inquiry into these issues were keen to emphasise that second homes are part of a wider flow of mobile capital into rural areas, supporting local economies and spending. Their impacts are mixed, consumption outcomes are rooted in the way fiscal policy is variably applied to different asset classes, and land use controls interact with consumption in a variety of complex ways. This is the message that we have conveyed thusfar in this report. Academic views again lean towards caution whilst the political position is more about pragmatism and electoral calculation.

The pandemic has certainly brought second and holiday home issues to the forefront of political debate in Wales. The housing vacancy rate in the Brecon Beacons stood at 8.7% in 2020, a figure that includes homes that are empty because of renovation, awaiting sale / relet, and second home use (Lee et al, 2020: 24). Demands on the National Park’s housing stock are mixed: there is strong ‘non-local’ demand, not only for second homes, but from retirees

and relocating households. The most recent Housing Land Availability Study for the Brecon Beacons suggests that securing enough land to meet development needs over the next 5 years will be challenging (BBNPA, 2019). Residual requirement (total requirement less completions to date), converted to an annual need (of 325 additional dwellings) suggests that the National Park only has enough developable land for 2.1 years. The shortage of land has been significantly worsened by failing water quality in the Rivers Usk and Wye: high phosphate levels have resulted in a significant tightening of the evidential requirements of planning permissions – to demonstrate ‘nutrient neutrality’ - resulting in fewer approvals. In short, effects of the pandemic on housing demand have been felt at a time of land shortage and planning constraint. It is in this context that we now return to the research questions set out at the beginning of this report.

*b. Research Approach*

Short term and longer term impacts have been explored through a mix of stakeholder interviews, analysis of local datasets, and site visits with planning officers. Interviews conducted are listed in Table 1.

Interview Code	Participant	Date
B01	National Park Planner	24/06/21
B02	Housing Consultant	02/07/21
B03	Local Councillor	05/07/21
B04	Welsh Government Officer	08/07/21
B05	Powys County Council Officer	20/07/21
B06	National Park Planner	20/07/21
B07	Brecon Estate Agent	30/11/21
B08	Glyn Tawe Farmer	10/05/22
B09	Trecastle Local Builder	10/05/22
B10	Llandovery Estate Agent	10/05/22
B11	National Park Planner and Farmer	11/05/22

Table 1: Schedule of Interviews in Brecon Beacon National Park

The interviews listed in Table 1 were all conducted face to face within the National Park and structured to cover the research questions presented at the beginning of this report. With the permission of participants, interviews were recorded and supplementary notes taken during the interviews. A further interview was undertaken with B01 on the 29/11/21. The purpose of that interview was to reflect on emergent findings and update on the progress of this work. That interview is not reported here, but informed the choice of selected participants during a further phase of interviewing in May 2022. Recordings were transcribed and sections coded according to the main questions. The purpose of the next section is to detail answers to the project’s guiding questions.

## **1. What immediate housing market (and service use) pressures have been brought to the Brecon Beacons because of the Covid 19 pandemic?**

### *a. The general shape of market change during the pandemic (March 2020, though 2021)*

Interviewees invariably saw the Covid-19 pandemic as a source of additional pressure on housing resources within the National Park. The housing market was described as ‘very, very hot’ (B01) and ‘just plain silly’ (B05). A Brecon-based estate agent noted a doubling of sales dealt with by his office, to 200 transactions, in the period March to October 2021, compared to the same period in the previous year (B07). This had been the busiest time that the agent could remember since he started working in Brecon in 1986. Several interviewees recounted the housing market experiences of friends and relatives:

[...] my son, who farms on the farm here [...] struggled to find a house in Abergavenny. I think they were gazumped three times in the last six months, so luckily, they have now purchased a property, but over the asking price, so certainly, in the last six months,[the housing market has] gone through the roof (B03)

Market pressure was manifest in both the sale and rental sectors. Agents suggested that this pressure had multiple sources: general demand for rented housing from young people, incomers renting before buying (to check out the area), and tenants whose contracts were not renewed, because their landlords sought to capitalise on rising demand, looking for new homes. Landlords were able to capitalise in a variety of ways, by capturing a higher rent by letting to new tenants, by selling their houses to relocating incomers, or by shifting from assured to short-term holiday letting – targeting returns from the burgeoning staycation market:

[...] there’s so many people out there looking for rental accommodation, they just can't find any rental accommodation now around, because either their landlords have moved them out or are looking [to sell] because the property prices are so high to sell. I don’t know what the reason is, but there’s so many people looking for private rental accommodation in Brecon at the moment (B01)

The Brecon estate agent, B07, confirmed that some longer lettings had been transferred to short-term holiday lets, although it was not clear how common this practice had been. The increased volume of sales demand had been the main factor driving up price, although the split between local and non-local buyers had, he suggested, remained the same as 2020. The ‘rule of thumb’ in and around Brecon is that two-thirds of purchasers are from within an hour of the town and the remaining third from further afield, typically London or Bristol. Non-local demand was said to be concentrated in the more accessible eastern segment of the National Park: from Brecon, through Crickhowell and Abergavenny, and towards Hay-on-Wye.

The doubling of demand noted above has been accompanied by a shift in the demand profile. Before the pandemic, the non-local third comprised mainly retiring households. During the pandemic, they were joined by ‘more families moving to the area’ (B01). The local planner’s

'sense' of change was repeated in Crickhowell (an established retirement town), where a local councillor, B03, made the following comment:

[...] the majority of [buyers] probably are retiring to the area, although I have spoken recently to quite a number of young families; [...] parents can work from home, for instance, and they are looking to develop in the area or develop their business in the area rather and are looking for housing or have got housing (B03)

On the far western side of the National Park, a Llandovery-based agent also reported a surge in younger families looking for homes. But whilst these tended to be 'newcomers' towards the border, in the west they tended to comprise people who had grown up in the area and who were now seizing the opportunity, presented by changed working patterns, to relocate (often from urban South Wales) closer to family and old social networks. Better paid professional jobs in Cardiff gave them greater leverage in the housing market and their return was viewed as being 'good for communities as it brings a younger demographic with children to support local schools' (B10). An important marker of this change was the speed at which high-end properties (in the '£700k to £1m' price bracket) were now selling. These usually sat on the market for prolonged periods, but were now being snapped up by returning professionals. But given that this is a niche market, and the number of transactions within this price bracket is small, it was not thought to have any greater effect on the wider market.

Work from home opportunities were also important in Brecon, with people said to be reviewing their lives, their lifestyles and their future plans.

[...] Covid has made people look differently at their lives. There's a group out there who really enjoyed having three months off [during lockdown], probably older people coming to the end of their working lives, who've said 'I'm not going back to work again' and have decided to move. You then also have people who are still working, who are now working from home and not going into the office. They can sell a home somewhere else, buy a bigger property in Brecon and convert one or two rooms to offices (B07)

This personal re-evaluation had also resulted in some second homes being transferred to first home use by their owners, although this was often because retirement plans had been brought forward (B07). These second home owners had always intended to retire to the area at some point: the move to living in Brecon full time was a plan alteration rather than a hastily arranged response to shifting living and working patterns. House prices across Powys rose by 13.4% in the year to July 2021, and by 8.6% in Monmouthshire during the same period. The National Park Authority was faced with a surge of planning applications to redevelop homes and outbuildings, which was attributed to relocation pressure and associated work-from-home needs:

[...] The countryside [...] is a real pressure point. It's those detached houses with a field, [...] I think those are the pressure points and I've seen that in planning applications, the amount of pre-application enquires we've got for people who are in the process of purchasing a house or just purchased a house and want to know, 'look, it was a farm, it's got all of these outbuildings. I want to convert this,

so this is my home/office, this is my gym, this is this,' so suddenly, you're going from what would have been a three bed farmhouse, with a couple of outbuildings for animals, to a mansion (B06).

The extent to which homes are being extended was discussed with a local builder based in Trecastle (B09). Whilst projects are happening, there are far more conversions of buildings to holiday accommodation, including in the hitherto less touristic western segment of the National Park. The Local Planner, B06, suggested that ignorance of local restrictions and a presumption that material changes will be 'permitted development' (PD) has resulted in a surge of enquiries about new holiday lets (to capture the AirBnB market) and 'glamping' sites. Divergence between development control practices in England and Wales, with the Welsh approach being less permissive towards residential conversions since devolution, may account for some of the surprise when applications are turned down (B01). Indeed, there is often anger and disappointment when building conversions do not fall under PD (as they often do in England, under Class Q regulations since 2015 (HM Government, 2015)) or planning applications to convert from traditional campsites to glamping are refused. The pandemic has increased the number of people 'trying to supplement their incomes in a different way and cash in on the tourism side' (B06). The Local Planner who also farms (B11) pointed to an increase in the installation of 'camping pods', with many landowners flouting planning restrictions in order to capitalise on the surge in tourist demand. The combination of application enquiries and potential enforcement issues has driven a spike in planning workload for the National Park Authority, at a time when resources have been scaled back (B06).

*b. The second home component of market change*

Second homes, used mainly or exclusively by the owner and / or family and friends, were mentioned in broader discussions of market change. The Brecon Beacons has fewer second homes than other parts of Wales and is not generally considered a hot-spot for this form of investment. However, the research focused on this type of investment buying and its potential community impacts. The Brecon-based agent, B07, said that he was aware of far more holiday lets in the National Park than second homes, and these were usually owned by local residents. This was confirmed by the housing consultant, B02, who suggested that the owners of 'holiday investment properties' across Wales 'tend to be local people who re-mortgage their homes in order to raise the capital [needed] to buy a house for AirBnB.' It was confirmed that the distinction between second homes and holiday lets is not always clear, as some owners of second homes may at times rent these properties out commercially. However, because of the management requirements of short-letting (making sure a house is clean and ready for new guests), there is a tendency for the owners of holiday lets to live nearby (rather than trusting them entirely to a hosting service). This means that the owners of second homes are generally 'non local' while the owners of holiday lets tend to be 'local'.

There are, however, difficulties in mapping the distributions of second homes and holiday lets. As well as the blurring of types, and the opportunity to register holiday lets for either council tax or business rates (depending on the extent of letting), council tax records are not always disaggregated at sufficiently small scale. For a National Park, responsibility for Council Tax rests not with the National Park Authority but with its local authorities. Two thirds of the Brecon Beacons National Park is in Powys. But this is a very large authority that extends

northwards away from the National Park. Headline figures are available, on chargeable dwellings classed as second homes, and estimates are made at super output area level. But these figures do not capture the geography of second home ownership. There appears to be an even spread of relatively low-level second home ownership in Powys: between 0 and 5% of chargeable dwellings in all areas. In order to map the distribution, it is necessary to triangulate sources, mainly the clues given by council tax records with local knowledge (B02):

[...] there are stark differences between particular local authorities or *within* local authorities themselves. There [are] 1,300 second homes in Powys and I've not seen that mapped yet, within Powys, as to where exactly they are all located because Powys is a huge county. But I would suspect [that] a good portion of those would be in and around the Brecon Beacons (B02).

Official data, from council tax, put the Powys figure at 1345 second homes. The Monmouthshire figure is low, at 219. The Valleys authorities all have similarly small figures, but the suggestion is that a great many of these second homes locate in the National Park. Anecdotally, second homes and holiday lets are thought to be concentrated in the eastern segment of the Park (where the proportion is likely to be nearer 5% for second homes), which is more accessible via key road connections and by rail. The western side has similarly dramatic mountain scenery, but is less accessible than the east and its economy has traditionally been dominated by farming rather than tourism (B01). The Welsh language also has a stronger foothold in this area, being less affected perhaps by housing market dynamics, and less attractive, for reasons of amenity and investment return, to second home buyers (B09).

The National Park has not been the primary destination for second home investors during the pandemic, with Brecon and its environs mainly affected by full-time migration. Respondents reflected on the combined impacts of Covid-19 (driving demand for rural homes) and Brexit (tying seasonal residents to the UK because of freedom of movement restrictions), but concluded that the emerging picture was difficult to interpret:

[...] we've always had a second home issue, particularly in the honeypot areas of the National Park [...] I have no evidence that it's increased, but it was high anyway. My gut feeling is that [with] second homes, people will still want to move to this area for a second home and, of course, the other thing is, we don't know yet, but with Brexit, where people would perhaps buy on the continent, they may reconsider that, but I have no evidence for that (B03).

This respondent, a local councillor, preferred not to jump to conclusions. Surging house prices in rural amenity areas are frequently attributed to seasonal demand, but there is a need to carefully unpack the different components of demand, alongside other factors affecting price. This same point was made by the housing consultant:

[...] there's a perception that houses are being put on sale and they're being sold for extraordinary amounts of money very quickly, and they're all second homes and holiday lets [but] in the absence of objective data, there is a bit of an assumption being made there. I think, also, during the pandemic, people have

been locked indoors and people have been following the media coverage [which] paints a very particular picture and tends to be quite catastrophic in its depiction, I think (B02).

The housing narrative, accompanying the pandemic, has been one of decentralising seasonal demand. The point being made above is that the challenges faced by *some* areas is being *generalised* to all areas. The extent to which second homes and holiday letting drive the housing market in the Brecon Beacons is not at all clear, which leads to a questioning of the efficacy of some policy measures (are they adequately designed for local circumstances?). For example, B03 suggested that relatively small numbers of second homes were being targeted with a higher rate of council tax, triggering a re-registration of those properties as holiday lets liable for business rates, which was then not being paid because of low rateable value and eligibility for relief. The insinuation, as we read it, was this: it may have been better to have levied basic rate council tax from those properties. Participant B02 made roughly the same point: the roll-out of higher council tax rates on second home has coincided with pandemic-induced demand for staycations, with some perverse outcomes:

[...] Second homes are actually flipping and calling themselves commercial lets, so that they can register for business rates instead of council tax and of course, then they get 100 per cent business rate relief if they don't make enough money. A lot of people are [...] generally seeing 'an Airbnb', or something like that, as a revenue stream (B02).

The degree to which avoidance of higher council tax *or* surging demand for holiday accommodation during the pandemic has driven the flipping of second homes to holiday lets (liable for non-domestic rates) is not clear. The local councillor, B03, suggested a third reason for transferring from council tax to non-domestic rates for self-catering holiday lets: 'they're small houses and don't pay business rates on them [because of SBRR]. There's a lot of businesses in Wales that are very small, of which I have one, and we don't pay business rates for the building we're in'. The suggestion here is that small businesses (small holiday lets or premises) avoid non-domestic rating. In reality, there is a 100% small business rates relief (SBRR) where the rateable value is below £6,000<sup>4</sup>. Rateable values are calculated by the Valuations Office Agency (VOA), normally using a rentals-based approach<sup>5</sup>. SBRR tapers down, to 100% liability and 0% SBRR, at a rateable value of £12,000. Properties with low 'square metre' bedspace will have a low valuation and many will secure 100% relief. These properties, paying no business rates, would have been liable for a council tax surcharge were they listed as 'domestic' second homes. In April 2022, the Welsh Government tightened the definition of holiday lets by stipulating that they must be *available for letting* for 252 days in any 12 month period (up from 140) and let for a minimum of 182 days (up from 70). The aim is to narrow the definition of self-catering holiday lets, to ensure that they are genuinely commercial lets, and prevent the flipping of second homes into holiday lets and therefore curtail the loss of council tax revenue.<sup>6</sup>

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<sup>4</sup> [Business Rates in Wales | Business Wales \(gov.wales\)](#)

<sup>5</sup> [How non-domestic \(business\) properties are valued - GOV.UK \(www.gov.uk\)](#)

<sup>6</sup> Figures on the number of self-catering lets registered for non-domestic rates and the number of lets attracting SBRR are yet to be analysed. These will provide estimates of revenue gains and losses from rule changes.

The broad narrative, across Wales, is that second homes and holiday lets are a threat to rural communities, especially when they are concentrated and result from transfers away from permanent residential use and long letting. But another part of the story is the opportunity that the surge in domestic tourism demand presents to the farming sector and particularly to marginal farm businesses that are looking to stabilise and diversify their incomes. The conversion of farm buildings to holiday letting may act as a counter-balance to the uncertainties of post-Brexit trade and subsidy arrangements:

[...] I think in Powys, in [the] Brecon Beacons in particular, farmers are facing [an] existential threat at the moment, particularly for the sheep farmer. Exports have plummeted and Brexit looks to be a pretty catastrophic impact on the industry, so those farmers probably have properties, probably have land and it makes perfect sense to diversify and to look at holiday lets as a way of diversifying their income stream[s] (B02).

The implication here is that an increase in holiday lets is not a bad thing if it grows from the farming sector and the re-use of otherwise redundant buildings. This is very different to the 'extraction' of homes from the permanent dwelling stock: the loss of a full-time home to short-term holiday letting, with broader service and community impacts.

*c. Service impacts linked to second homes and holiday letting*

Interviews revealed little evidence of increased service pressure linked to second homes and holiday letting during the pandemic. Some rural amenity areas reported being overwhelmed by out-of-season visitors (Gallent, 2020), who suddenly descended upon quiet villages and placed significant pressure on local retail ('clearing shelves', *ibid.*). Despite the National Park's good links to Cardiff, Bristol and London, no such pressures were reported. The local councillor, B03, noted a high level of service demand during the pandemic, but this came from the normally-resident population, whose usual consumption patterns adjusted to the stay at home instruction issued by the Welsh Government. There was greater pressure on village shops as people were prevented from driving to more distant outlets. Residents also needed to consume more at home as many were no longer at work during the daytime. However, the mix of higher demand and Covid-19 business support measures were not enough to reverse the flagging fortunes of some towns in the western side of the Park. Trecastle lost one of its two remaining pubs at the start of the pandemic, leaving the village and surrounding area with no essential retail outlets or public transport, and with just one pub that was said to open only 'when it feels like it' (B08).

In normal times, second homes exert seasonal pressure on a range of services but can leave a demand void during the winter months. The off-season arrival of some tourists in 2020 and 2021 had limited impact on local economies as many businesses, including pubs and cafes, were forced to close because of Covid-19 restrictions. The surge in demand, where it happened, could not save these businesses.

## **2. What might the pandemic mean for future patterns of housing consumption, service use, and housing stress / inequality?**

### *a. What 'future trajectory' insights can be gained from the Brecon Beacons?*

The pandemic was associated with an increase in sale transactions (a doubling) and rising rents. These shifts are evidenced by reported business load for local agents, house price data, and noted challenges in the private rented sector. Participants drew attention to an east-west divide in the National Park: the more vibrant market in the National Park's eastern communities, underpinned by tourism, and a slower market in the west where farming is the mainstay of the economy. Agents speculated on future east-to-west overspill, with some local residents forced to seek affordable sale and rented housing away from the core of the National Park, and also some movement in that direction by adventitious buyers looking for more affordable retirement or amenity opportunities. Covid-19 contributed to increased market activity by bringing forward retirement plans and stimulating in-migration amongst households able to 'work from home'. The private rental market was affected by the demand for more space, but evidence of landlords seeking to replace assured shorthold tenants with holiday-letting was thin on the ground.

Housing market activity increased in 2021. This was thought to have two drivers: first, the release of pent-up market demand following the interruptions of 2020 caused by lockdowns (and the sudden search for additional space and adaptable homes amongst the local population that followed, in 2021); and second, new demand sources including from retiring and relocating households able to work from home. Space and amenity-related relocations, triggered by Covid-19, have probably peaked (those motivated to move have now done so). But shifts in working patterns (and employees' expectations of being able to work from home) may be more durable and affect the level of market activity going forward (B10). The same 'what now?' question presents itself in relation to staycations. Will the surge in visitors, and hence holiday lets, during 2021 be sustained into the future? There is a fear that visitor numbers will recede once tourists get back into the habit of flying abroad (B08), but there are also signs that this 'return to normality' could be delayed by global events. The cost of living crisis is likely to place continuing strain on family budgets, which means that staycations could retain their popularity if they are affordable. Supply chain challenges (caused by the sudden reopening of economies and the surge in consumer demand for goods, as well as the War in Ukraine, affecting fuel and other commodities) post-date the pandemic. During the pandemic, tourist spending was diverted to domestic vacations rather than being suppressed by inflation and other factors. After the pandemic, a raft of new factors emerged. Inflation increases costs for tourism businesses, but it also squeezes disposable incomes. Therefore we may be entering a period of lower tourism spending, rather than the diversion of that spending seen during 2020 and 2021.

More generally, the constant pressures faced by rural amenity areas cause both a concentration of demand (in honeypots) and a gradual dispersion to new areas with a bigger 'rent gap' to be exploited (when external buyers start to feel that they are not getting enough for their money in the established destinations). In urban areas, 'pioneer' gentrifiers open up new frontiers. In rural areas, they begin to gain footholds further away from areas that have become overheated. As noted above, there was a feeling amongst several participants that

the western part of the National Park is likely to see incremental housing pressures in the future, compounding the current challenges of in situ ageing and a loss of younger people owing to existing economic fragilities and a lack of opportunity. B04, the local planner, offered this reflection:

[...] If I grew up in Libanus, which is a really, really small 10-house village outside Brecon, and I'd gone to university, I might think very differently about whether I actually wanted to stay in that area for the rest of my days (B04).

The housing consultant, B02, linked out-migration of the young with the in-migration of older households. But this does not appear to be the main change driver in the west of the National Park. Brexit has reduced confidence in the farming sector (exacerbating existing farm 'succession' challenges and contributing to the ageing of farmers noted above) and is arguably a more significant change driver than the pandemic. Farm incomes are also being affected by well-intended investments in farmland for carbon offsetting. Commercial investment in this sector drives up the value of farms and farmland, making it difficult for new farmers to enter the sector or existing farms to expand (and create new jobs). Once acquired by a commercial venture for marketable offsetting (selling carbon sequestration opportunities to companies tasked to reduce emissions), farms are often broken-up, the farmhouse and ancillary buildings 'filleted' and sold-off from the land holding as a private residence, with the land parcels cleared of livestock and planted for forestry (B10). The process leads to both the permanent breakup of a farm and the conversion of grazing land which can have negative repercussions for the farming economy and for the Welsh-speaking communities dependent upon it.

The Llandovery estate agent (B10) attributed a sharp rise in agricultural land values - from £4,000 per acre a decade ago to £10,000 per acre today – to increased demand from forestry groups. Local farmers are unable to compete in this market. Farms seldom came onto the market a few years ago, but sales are now much more commonplace because of a combination of succession difficulties (sons and daughters not wanting to takeover family farms) and the attraction of rising land values. Four farms were being offered for sale by the agent at the time of interview – which was said to be an unprecedented number during his 40-year career. He anticipated that all four would be sold to commercial buyers for the purpose of offsetting, a trend that was described by the planner-farmer as 'frightening' (B11). This type of outside investment represents a loss to the community's 'wealth building infrastructure' (comprising local businesses), with money siphoned off by investors and no longer circulating in the local economy – as offsetting activities need fewer workers.

There is a risk that the west of the national park will experience a hollowing out of its communities. Although second homes and holiday lets, extracted for this purpose from the mainstream housing stock, has been less prevalent in the west, the increased use of on-line platforms for short lets (e.g. AirBnB) has a tendency to deconcentrate holiday letting. Those searching for cottages to let are usually unfamiliar with local geographies and ready to rent further away from traditional hotspots if they can get a good deal. For some holiday makers, avoiding price spikes (or areas where lets quickly disappear) makes sense. The housing consultant, B02, argued that the technology itself, its ease of use and its price mapping, may drive a westward dispersion of holiday lettings. By way of illustration, they cited the

experience of a recent visit to Trawsfynydd – a village within, but excluded from, the Snowdonia National Park owing to its proximity to a redundant nuclear power station:

[...] I would suspect [that] about 98 per cent of the people [in the village] were born and raised within five miles of Trawsfynydd. But if you go down Trawsfynydd main street now, about four or five properties, over the last year, have become AirBnB's, so the type of properties and where there are as well [are] away from the traditional hotspots of second homes [...] and they're located in pretty obscure villages that you'd never expect to have any kind of connection really with the tourist industry, because people are less fussy about the location when it comes to an AirBnB, whether it's a pad to get drunk in or just a base from which they could go out and drive out (B02).

How on-line selection of holiday lets affects locational choice, and whether it might result in a dispersion of lettings, has not been a major focus of this work. But this is an interesting proposition. Choices are being made online, at a click of a button. A few centimetres on a smart phone may be 10 miles on the ground, and where there are savings to be made, letting a cottage in a slightly unusual or less convenient location can make sense. These sorts of pressures – replacing farm incomes with holiday letting – will have a magnified impact if environmental constraints affect the development of new housing for general market and local need. Tighter rules on development in the catchments of the Usk and Wye<sup>7</sup>, imposed in 2021, was seen by many participants as a key driver of housing stress on the supply side – when combined with the various demand pressures noted so far.

*b. Implications of anticipated trajectories on the National Park's economy and communities*

This combination, of accentuated housing demand pressures and development constraint triggered by the 'phosphate crisis', is already impacting on the National Park's economy and communities. A restriction on new development and renovations - including building conversions and extensions that will add to sewage discharge – will be in place at least until 2024:

[...] The level of phosphates is exceeding *critical limits*: not just safe targets but critical limits, meaning [that rivers] can't support designated wildlife. It's like an ecological crisis, an emergency, and [...] the next report on water quality won't come out until 2024 at the earliest because it takes three years of data to be able to get the level of certainty that's needed for [confident] reporting. If the water quality is fixed in three years [time], there may be some scope for development after 2024 (B01).

Housing development is presented, in some quarters, as a key driver of the phosphate crisis, but this view has been challenged. Monbiot (2022) draws attention to the intensive farming practices, including 'industrial chicken factories', which produce manure that is then 'spread

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<sup>7</sup> Subsequent clarification from B01: development cannot progress where there is a 'failure of applications to demonstrate either no adverse effect on integrity of riverine SAC [Special Areas of Conservation], or having considered alternatives, [or having given] imperative reasons of over-riding public interest for development'.

by farmers on their fields', with surplus nutrients ending up in the Wye. Monbiot observes that:

[...] The chair of Hereford's nutrient management board says that four chickens produce as much phosphate as one person. If so, the new 90,000-bird factories that Powys county council approved in March will ensure that homes for 20,000 people, in a region desperately short of housing, cannot be built (Monbiot, 2022)<sup>8</sup>.

The upshot is that farm practices continue, but residential development is halted or curbed. Modifications to homes that do not require an additional toilet are not affected by the restriction, so outbuildings, for example, can still be converted to office use for those wishing to relocate to the National Park and work from home (B07). However, the phosphate crisis and ensuing restriction on development has brought some re-evaluation of how best to use the National Park's housing resources and the right balance between local and tourist interests:

[...] the national park, as a designation, attracts loads and loads of visitors, rightfully, because in the national interest, people need space to come and breathe and where better? But then local communities are thinking, 'well, all those visitors can come [and make use of resources] but we can't have a new house. How is that fair?' or 'we can't have affordable homes' or 'we can't have a new business' [but homes can be used by tourists] (B01).

On the face of it, these are reasonable questions. But they are also questions that avoid the fundamental issue of why local rivers, and water quality, are adversely affected by phosphates. There is little in the way of conflict, locally, between the development and the farming sectors – although this issue does occasionally surface. It is recognised, amongst development professionals, that farming is a major source of phosphates (B01). The example was cited of a developer purchasing farmland and leaving it fallow to offset the phosphate impact of his development. The implication is that residential development can proceed if less land is farmed, which seems to be an overt challenge to the farming sector. One might argue that farming 'makes' the landscape and binds communities together through common land-based occupation. But the shift to intensive and away from regenerative farming practices has become a major environmental threat, which is downplayed by a government that is complicit in what Monbiot, (2022b) calls an 'agricultural hegemony'. There is a need for a technical fix capable of stripping more phosphates from domestic and commercial wastewater and sewage, but farming practices will also need to very radically change.

Perhaps too much emphasis is placed on the technical fixes and not enough on farming practice. In relation to the phosphate crisis, much vitriol is reserved for the local authorities, who are accused of being slow to deliver fixes (e.g. improved sewage treatment) rather than blamed for permissioning factory farming. And there is some concern for the added pressure that tourism brings. Monbiot (2022) argues that it is tourism, often focused on the Wye, that brings spending and jobs and drives the local economy, rather than new farming activities.

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<sup>8</sup> The board referred to by Monbiot is actually the River Wye Nutrient Management Board. Participant B01 took issue with Monbiot's (2022) analysis, suggesting that it offers an incomplete, politicized, view of causal processes.

This line of argument suggests that a focus on tourist pressure as a phosphate driver is misplaced, with restrictions on visitors likely to be counterproductive. The local councillor, B03, reflected on the impact of the foot-and-mouth outbreaks twenty years ago on the local economy: visitors had been barred from entering the Park, businesses struggled, and it took years to recover from the impact. *However*, in relation to phosphate, there is a very significant mismatch between local infrastructure capacity and visitor numbers, with the latter totalling more than 5 million visitor days each year (B01). This is where the comparison with foot-and-mouth fails. Twenty years ago, visitors were barred, for a relatively short period, in order to curb the spread of infection; but today, having a huge number of humans in a few honey-pot towns located within a riverine SAC facing an acute phosphate crisis presents a patently different challenge – one of infrastructure and environmental capacity, which is common to many National Parks.

Returning to Monbiot for the last time, he notes that tourism now plays a bigger role in supporting rural businesses and livelihoods than agriculture, and 97% of the rural population is not engaged in farming (Monbiot, 2022b).

In response to housing pressure and development constraint (not only due to the phosphate crisis, but also a broader shortage of developable land), local partners have turned to ‘creative problem-solving’, recycling land for permissible residential use. The example was given, by the Welsh Government Officer, B04, of a decision to merge three schools (two in Brecon and one in the nearby village of Cradoc) onto a single site in Brecon. This freed up land in Cradoc and Brecon (Mount Street) for new housing development, but at a cost to local communities. The local planner, B01, noted that school rationalisation will save £30,000 a year, but the bigger financial win comes from gaining a vacant site for residential use on Mount Street, the ‘best postcode in Brecon’. However

[...] I don’t get the Cradoc closure at all. It’s a successful school, serving a wide area, and okay, you’d get a bit of money from the site there, but I just don’t get it (B01).

Pupils who would have otherwise gone to school in Cradoc now need to travel into Brecon, and a community has lost one of its key assets to the challenge of finding sites for new housing. The housing consultant, B02, talked more generally about the importance of schools, which entice people to ‘move to and raise families’ in different communities. This means that those communities have a ‘full age range’ and are less susceptible to ageing challenges: ‘community cohesion’ is affected by schools closing down, as ‘nothing brings communities together more than schools’.

Local planners understand this dynamic and faced a critical dilemma in relation to the Mount Street and Cradoc sites. On the one hand, there is increased pressure to accommodate new homes in the National Park, made worse by tighter rules on new planning permissions. But on the other, schools are a very critical community service and asset. The choice between delivering affordable homes and preserving community schools is a difficult one, which is rooted in a combination of standard amenity-area housing stresses (accentuated by the pandemic) and the particular phosphate challenge that Brecon and surrounding communities are having to confront.

Away from the more pressured east, the phosphate issue is currently more likely to impact on farm diversification plans than residential development. Some farms are looking to diversify and intensify activity in response to Brexit uncertainties. Others wish to capture some of the spending arising from a fanning out of tourism demand. That would mean converting buildings to holiday use, but this is difficult to achieve given extant planning rules and the poor quality of water in the Wye and Usk catchments. The consequences of this may be felt in the immediate viability of farms, whose future earnings are uncertain. This is currently exacerbating the ‘succession challenge’ previously noted, with older hill farmers now ‘looking at their life’s work [and] thinking: ‘I’ve got no-one to pass it onto’ (B01). Transitioning to regenerative practices will cost money and may further erode earnings, reducing investments in infrastructure and further threatening future viability. Farm businesses have been an important part of the wealth-building infrastructure of the National Park, delivering jobs, incomes and spending. They have been important for the landscape, shaping it for generations. A just transition to regenerative practice, and greater diversification, will be one where some of the costs are shared, via the post-Brexit subsidy regime, and where investment in the sector creates sustainable opportunity and makes farming an attractive career opportunity for younger people.

But the wider trajectories – the decentralisation of housing choices, growth in the tourist economy, and greater attention to environmental capital – means that farming’s role in local economies and communities is likely to change, with policy and planning (hopefully) viewing farming as a key component of rural places, rather than a dominant or single driver.

## **Part 6: Conclusions – Challenges for Housing and Planning Policy**

The Brecon Beacons National Park is facing two significant housing challenges: an accentuation of ‘normal’ amenity area demand pressures caused by the pandemic (including pressures linked to changing work patterns), and the constraint on new residential development caused by phosphate levels in its major river catchments. Brexit fallout in the National Park mainly relates to the uncertainties around future farm incomes. There is little evidence that the housing market has been affected by freedom of movement restrictions and a reshoring of investment demand.

The phosphate issue – and subsequent ‘nutrient neutrality’ requirement - has taken national policy makers, across the UK, by surprise. Although the environmental challenges around intensive farming were broadly understood, the huge impact of declining water quality on residential development has hit the housing sector in a way that few would have predicted. Interviews conducted for this project suggested that the phosphate crisis is overshadowing pandemic-induced housing demand pressures.

However, it is more difficult to formulate a workable response to the supply-side tensions brought by the ecological phosphate crisis, and the National Park’s ability to issue new planning permissions which do not hinder the pace of recovering water quality, than to take action on demand-side pressures. In the long term, the phosphate crisis requires a different regulatory approach to farming, and also a partnership with the sector that will drive a transition to regenerative practices. Better ways to treat commercial and domestic wastewater – and deal with the pressures of tourist numbers - will also need to be brought

on line, requiring significant investment in new infrastructure. Relative to the scale of this challenge, it can appear easier to act on the demand side.

There is currently a significant focus in Wales on the impact of second home and holiday lets on local housing markets, and on rural communities. From 2022, the actual and available let periods for self-catering holiday accommodation is being increased, reducing the likelihood that second homes can be redesignated holiday lets and therefore avoid domestic Council Tax. From 2023, local authorities will have the power to charge a 300% Council Tax supplement on second homes. The Welsh Parliament has also been exploring changes to planning rules that could give authorities the power to refuse applications to use homes currently in full-time occupation as either second homes or holiday lets. These now look likely to be introduced in the autumn of 2022 (Welsh Government, 2022b) and will require an alteration of the Use Classes Order, creating new second home (C5) and holiday let (C6) use classes. Local authorities will need to provide evidence of adverse impacts arising from seasonal use of hitherto permanent residences in order to be able to suspend permitted development (PD) rights and refuse use change applications. There are challenges around this approach that received some attention in this research: do authorities have sufficient capacity to build the evidence bases needed to support PD suspension, given the complexity of housing market dynamics? And do they have the capacity to monitor patterns of occupancy and take appropriate enforcement action where contraventions of rules are suspected? Also, how will 'displacement effects' be managed, if one area receives special protection and demand for second homes and holiday letting is deflected to a nearby or more distant community? These are questions that officers are currently asking (B01), in the context of the evolving policy debate.

Under current rules, Powys County Council – host to two-thirds of the National Park – voted in 2021 to increase the supplementary CT levy on 'periodically occupied properties' (not registered for non-domestic business rates) from 50% to 75%. Whilst this relatively marginal increase is considered a useful source of additional revenue, none of those interviewed believed that it would impact on the demand for second homes in the Park: the County Council officer, B05, dismissed the increase as irrelevant to the decision to buy a second home; the housing consultant, B02, argued that second home owners weigh tax considerations against the utility of having a second home (and avoiding hotel costs when on holiday) and investment returns (the long term appreciation in value); and the Welsh Government office, B04, presented the 'moral fig leaf' argument – payment of a CT supplement allows second home owners to occupy the moral high ground, with some consequently arguing that they are bigger contributors to local services than full-time residents.

All 'investment housing' across the UK attracts a 'transaction tax' surcharge. The current surcharge in England is set at 3% and applies to the total purchase price of a property: so an additional £15,000 of Stamp Duty Land Tax (SDLT) on a house bought for £500,000. The surcharge applies to any property that will not be the buyer's primary residence, therefore including buy-to-lets (AST and short-term) as well as second homes. SDLT became Land Transaction Tax (LTT) in Wales from 1 April 2018 (Welsh Government, 2022) and the surcharge on additional home purchases has been set at 4% (so an extra £20,000 on a house bought for £500,000 that will not be the buyer's primary residence). The surcharge is payable

where a buyer owns another home, valued at more than £40,000, anywhere in the world. Perspectives on the LTT surcharge were broadly the same as those on the CT supplement: it is weighed against utility and investment considerations; and it absolves buyers of any wider impact responsibility. Moreover:

[...] I think it's fairly blunt, as a weapon, because 1) it's a one-off payment and 2) if I quote a councillor from Gwynedd, 'if you can afford a Rolls Royce, you can afford to fill it up,' [...] there's a question about whether, if you can afford to pay £650,000 for a former council house, having not even seen it [during the pandemic], whether that's a significant deterrent (B04).

The 'one off payment' argument presents LTT as a market entry fee (for investors) who set that fee against longer term financial rewards. They can also claw back the fee, many times over, through the periodic and casual letting of their second home (without transforming it into a holiday let). The same is true in relation to CT supplements. The 'bluntness' of the approach sees second homes treated the same as rental investments. The narrative in Wales, and many other parts of the UK, is that second homes bring externalities that are not associated with buy-to-let properties, which can be a source of good quality, flexible housing in rural areas that is suited to young people (B02). The clear inference is that investment purchases that are not destined to be occupied by a tenant on an assured shorthold contract should attract a higher LTT surcharge, thereby making LTT more targeted and less 'blunt'.

But such an approach raises another, potentially more fundamental, question: what is the 'end game' of targeting second homes in this way? The implication of a national tax-based approach is that this form of consumption needs to be halted or at least radically curtailed, that second homes do no good in rural economies: their externalities are costed and any benefits discarded. There is a general view that 'inessential' housing consumption prevents disadvantaged housing classes from satisfying their own needs through the market: they are regularly outcompeted by adventitious buyers who derive wealth and income from elsewhere. This is often presented as a universal condition. But there may be instances where the bottom has fallen out of local economies and where lower-income homeowners would welcome the market support provided by second home investment, and where the wider economic effects of second homes, through the spending channel, would be positive. Therefore, the efficacy of national approaches to what is a geographically-specific issue can be questioned. The housing consultant, B02, approached the question directly: 'Do you ban holiday homes and lose all that economic contribution, [ignoring] the fact that a good bit of the population work in the tourism industry'.

Given the complexities of local situations, including across the Brecon Beacons National Park, there is considerable merit in a local, place-based and evidence-based approach. But even if locally-applied, tax surcharges and supplements may have limited effect on investor behaviour when weighed against rental yield and capital appreciation – unless set at punitively high rates. Planning restrictions could be more effective, but would need to be grounded in clear evidence that a point had been reached, a tipping point, where the benefits from second homes were being outweighed by market 'disruptions' and social consequences. Effort would need to be expended on building that evidence, placing additional strain in local government and National Park Authority resources.

Again, the appetite for demand-side intervention is being increased, at the present time, by supply-side constraints. With fewer constraints, the way to 'lower house prices in Powys is to build more homes' (B02). But the protections afforded rural land, and the desire to preserve the character of villages and towns, means that a step-change in the volume of speculative development is seldom an option in rural locations. Also, the prevalence of low wages, derived from jobs in farming and tourism, reduces the investment appeal and the viability of such development. Housebuilders will only build at scale if the local market is strong, or if non-local buyers can be targeted. Therefore, this form of development will not resolve the National Park's urgent need for affordable homes for local need, especially for single people – both young and elderly – and childless couples. Brecon has a sizeable pool of council housing, built from 1919 onwards, but this comprises larger single-family homes for larger households (B01). Smaller affordable homes are needed, which would allow the decanting of elderly people from family-sized units (B05) and provide for the needs of young singles and couples, who have become over-reliant on expensive private rented housing, which can be a precarious tenure where there is pressure to transfer to holiday letting.

Regulating the occupancy of market housing and deterring seasonal use are not the only means of widening housing access. Non-market Council housing met the needs of rural communities, and of workers exiting the farming sector (and tied housing), for much of the twentieth century. New non-market housing projects will have a significant role to play in stabilising communities across the National Park, thereby supporting the farming and tourism economies. Participants drew attention to a number of recent successes, including 24 affordable homes delivered on a rural exception site (RES) by Melin Housing Association near Crickhowell. The local councillor, B03, had worked with a community land trust (CLT) on a scheme in the village of Llanbedr. The trust comprised a mix of local people and retirees, who were relative new arrivals to the village. Eight homes were eventually delivered, six affordable and two for market sale, by Wales and West Housing Association rather than the CLT, 'because of all the hassle' (B03). It is not unusual for CLTs to initiate projects that are brought to completion by a housing association. Trusts are well-placed to galvanise community support behind projects, sometimes acquiring land from local partners (that is then leased to a housing association). But it is associations that possess the requisite development experience and skills – and who are able to leverage the borrowing and access the grants needed for project delivery. Similarly, whilst CLTs rarely wish to take on the management of rented housing, housing associations are experts in this area. It is this development and management 'hassle' that the CLT sought to avoid in Llanbedr.

A perennial issue in rural Wales is the difficulty encountered by farmers seeking to build homes for family members on their land, ostensibly to support succession by keeping sons and daughters close by. The Welsh Government's TAN6 maintains the practice of restricting building in the open countryside to that which is deemed 'essential' to the operation of a farm business. Two factors work against permissioning this form of housing: first, lack of clarity around the link between the need to live 'on-farm' and business viability; and second, the suspicion that houses built will be sold on, or rented out to someone not engaged in agriculture. The local councillor explained the difficulties encountered in trying to 'make the case' for on-farm housing:

[...] you have to hire various consultants [to evidence the business case] which costs quite a lot of money: you're talking tens of thousands of pounds in order to [take] your application forward and prove [your case] to the planning officer, who has no idea (B03).

But the councillor then hinted at another rationale for on-farm building that does not directly relate to the viability of a farm business:

[...] what you've got is a case where a farmer wants to retire, the farmer's son or daughter are willing to take it over, [but] the farmer can't afford to buy a house outside the area [and could decant to the new-build]. (B03).

The local councillor added that where development is refused, the son or daughter may have to live away from the farm, or live with the farmer. The implication is that development is not about the essential need of the business, but rather about meeting the life-cycle related housing needs of those working in, or retiring from, farming. The National Park Authority requires applications to achieve 'essential need' benchmarks in order to fulfil environmental and landscape duties. If it were to give those developments the benefit of the doubt, and green light them, it would be faced with a bigger enforcement task – ensuring that agricultural conditions were being met – further down the road (B01).

But the wider issue, of course, is the balance sought between environmental and community objectives. More permissive planning regimes tend to green-light residential development – bungalows in Ireland, for example - in support of the right of rural populations to live on the land and maintain close associations with family. There are safeguards to prevent the selling on of such housing to non-local buyers and seasonal residents, including occupancy conditions, but reasonable development is not blocked by a general presumption against building in the open countryside. Scotland has a similarly permissive approach, with local authorities taking the view that a limited amount of well-designed housing for local need is not out-of-place in a *working countryside*.

In relation to the housing policy and planning challenges reviewed in this section, we can see a case for:

- Devoting energies to resolving the phosphate crisis, which will require close partnership with the farming sector and greater control over – or more likely a cessation and reversal of – intensive farming methods that are proven to undermine water quality and prevent necessary development across the wider economy, including residential development. A just transition is needed to regenerative practices, where costs are broadly shared (so that transition becomes a goal of the future farm subsidy regime). At the same time, the capacity of existing infrastructure within the National Park to deal with higher visitor numbers will also need to be examined. New investment, in the technical fixes noted above, will be needed in the years ahead;
- A place-based and evidence-based approach to regulating the transfer of permanent residences to second home use and holiday letting, through locally evidenced and applied planning rules (assuming that the Welsh Government will now extend such powers to

local government). The end game of regulation must be clearly specified: to realise the positive benefits of housing investment, in support of tourist spending, whilst ensuring that that investment does not disrupt housing market processes to the extent that families are prevented from accessing the homes they need and local services, including schools, are threatened. Local authorities will need to carefully consider how new interventions will affect local housing market dynamics, including the displacement effects which will arise from local planning restrictions;

- A prioritisation of CLT and housing association led developments that will provide non-market housing for local need. There are already national agencies and charities supporting the establishment of land trusts, which nevertheless struggle to access land for development where competition for developable land is intense, and land prices therefore inflated. Land reforms similar to those enacted in Scotland have recently been proposed in Wales (IWA, 2022). These would allow CLTs to access monies from a 'land fund' in support of community acquisitions of farmland, with development then progressed using the exceptions mechanism;
- A streamlined permissioning approach to one-off homes in the open countryside that meets local need, i.e. needs expressed by full-time residents, current and prospective, and supports key economic activities. The objective here should be to support the 'working countryside' and therefore strike a different balance between landscape protection, and the protection of local economies and communities. These goals are not incompatible where development is well-designed.

The 2020/21 Covid-19 pandemic provided the starting point for this research. Our hypothesis was that 'normal' amenity-area demand pressures were likely to have been magnified by a search for space triggered by the UK's national lockdowns. The Brecon Beacons National Park's accessibility to major population centres, in South Wales and across southern England, made it susceptible to the impacts of housing market decentralisation. The research has uncovered some evidence of a strengthening marking during the pandemic, which appeared rooted in the acceleration of retirement plans and in new working patterns. These demand-side pressures have interacted with critical supply-side constraints. Such constraints are also 'normal' in amenity areas, as planning rules seek to protect that amenity for future generations and manage the place-based assets, i.e. the landscape, that underpin the tourist economy.

It is the combination of heightened demand pressures (triggered by the pandemic) and heightened constraint (triggered by the phosphate crisis) that has created a perfect storm for the Brecon Beacons National Park. A path through that storm requires not only a planning response (supporting new supply and regulating demand pressures), but a broader partnership with key players in the rural economy, to ensure that demand is managed and tourist spending not lost, and to ensure also that farming transitions to a more sustainable footing.

## **ACKNOWLEDGEMENTS**

We are grateful for the support of officers at Brecon Beacons National Park Authority and also the support for this project provided by UCL Grand Challenges.

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