

## Annex 8 Second homes and sustainability - prime residence and affordability

### Introduction

The influence second homes have on experiences of community is generally considered as negative (A Place in the Country: [The contribution of second homes to north Devon communities](#)).

As a village of some 2000 permanent inhabitants (stable for the past 200 years), Mevagissey is particularly vulnerable to these effects. Responses to the Mevagissey community survey reinforced this view. 74% of respondents wanted to restrict new open market homes for prime occupancy and a further 84% wished to restrict occupancy of affordable homes to local people.

A [report](#) published in 2015 interviewed second home owners in Cornwall who, “could see possible negative impacts if entire communities were 'lost' to second home owners. There was also acknowledgement that second home ownership was at least in part responsible for rising property prices, and that this has resulted in difficulty for local people getting onto the property ladder.”

A significant proportion of second homes can endanger the sustainability of local communities, add to a shortage of available housing (particularly of smaller units on the market) and raise house prices ([Review of second home data](#), Cumbria Rural Housing Trust 2012).

### Future trends

Despite recent increase in Stamp Duty, the desire for second homes will continue.

A report dated June 2014 and entitled, '[Holiday/Second Homes in the Whitby Area](#)' (Yorkshire), states:

“the rate of loss of housing stock to the holiday / second homes market is likely to increase in coming years:

- The pension changes announced in the 2014 budget will intensify the existing pressures on the Northern Area housing market. Rather than purchase an annuity, many will opt to invest their pension pot in an income-producing holiday / second home, in an area they favour for holidays or retirement.
- Homes in the private rental market are being converted to holiday accommodation, which offers private sector landlords more certain returns and higher profit potential than the lower end of the private rental market. This is likely to accelerate with the introduction of Universal Credit and the payment of housing benefit to the individual, rather than to the landlord.”

## **Sustainable communities**

There is no doubt that a high level of second home ownership in rural and harbour communities from Whitby to Mevagissey is detrimental to the economy, social cohesion and endemic culture.

The percentage of second homes should not be more than 20% as this appears to affect the sustainability of any village ([Effective way to sustain rural communities](#), Cumbria Rural Housing Trust 2003). The Cumbria Housing Strategy 2006/2011 goes a step further through its 'Balanced Indicators', suggesting the percentage should not be more than 10 per cent. It is this information that should be used as a guide when examining the effects that second homes are having on communities.

A report from the University of York (2005), 'Second/Holiday homes – economic contribution' expresses concerns about inflated house prices, periods unoccupied creating 'empty communities' with an impact on local schools (inc. closure) and no economic input impacting on businesses.

## **Second homes increase local house prices**

Around 19 per cent of the English population lives in rural areas. House prices are significantly higher than the national average while rural wages are significantly lower. According to Action with Communities in Rural England (ACRE) Rural Evidence Project November 2013, median house prices as a ratio of median incomes in Cornwall is 22.7 compared to 15.7 across England.

According to the Halifax Building Society, rural house prices have risen 35% faster in the countryside than in urban areas over the last decade. The average rural house price is now £30,000 higher than its urban equivalent.

Recent figures confirm continued large price rises in the region which those on average incomes cannot afford.

The Land Registry's trusted Market Trend data for September 2015 calculated the monthly rise to August in the South West at 1.1% and an annual rise of 5.4%, to leave the average home worth £194,088.

## **Being able to afford to stay**

Statistics produced by Eurostat (May 2014) - the EU's equivalent of the office of national statistics - show average wages in the Duchy now stand at £14,300 a year. Cornwall is the UK's poorest region - and is now less wealthy than Poland, Lithuania and Hungary.

The economic impact of second homes exacerbates the situation where local people can no longer afford to live where they were born. Glen Bramley's [research](#) for the National Housing and Planning Advice Unit in 2008 on the relationship between house prices and

second homes at a national level shows that for every 1% of the housing stock in second home-ownership, prices are 1.4% higher per house. It can clearly be seen that when second homes exceed 20% of the housing stock, prices are out of reach for local people.

Indeed, where affordable house prices are set at 80% of market prices, affordable homes are still unaffordable. In the Mevagissey community survey [7], when asked if affordable homes were in fact affordable, there was strong feeling that affordable houses should be sold at lower than 80% of the open market value. Nearly a quarter of those in the age group 16-39 who responded to the residents' survey, stated that a member of their immediate family had moved away from the Parish in the last five years due to difficulties in renting or buying a home.

Those respondents with a mooring in the harbour (almost all harbour moorings are owned by fishermen) were significantly more likely to have had a family member move away for this reason. This places undue stress on those upon whom a sustainable fishing industry in Mevagissey depends.

[Evidence](#) has shown conclusively that when second home ownership exceeds 20% of the housing stock, the sustainability of the community is at risk.

Cornwall has 14% of the nation's second homes, whilst its resident population is less than 1% of that for England (ONS). This means that local people in Cornwall are particularly affected by second home ownership and those in Mevagissey even more so. Out of the 213 Parishes across Cornwall only 29 exceed the proportion of second homes in Mevagissey. With 24.6% of its housing stock categorised in the 2011 census as 'dwellings with no usual residents', Mevagissey is in the top 14 percentile for Cornwall.

Without discouraging further growth in second home ownership in Mevagissey, the sustainability of the community will be damaged.

## Trends in housing development within Mevagissey

More open market housing built in Mevagissey, results in a higher proportion of second homes.

The table below contains census data for the Parish and reinforces the need for policy HO1.

Mevagissey: Key Census data 2001 and 2011.

	2001	2011	change	% change
Population	2221	2117	-104	-4.6%
Housing space	1184	1313	+129	+10.9%
Households with residents	1031	990	-41	-4%
Households with no usual residents	153 <sup>[1]</sup>	323	+170	+111%
Population per household	1.87	1.61		
Household/household space	87%	75.4%		
Source ONS dataset ref	2001	KS02	UV56	UV51
	2011	QS103EW	QS417EW	QS418EW

[1] Calculated using total household spaces – all households with usual residents (1184-1031=153)

In 2001, out of a housing stock of 1184 dwellings, 12.9% had no resident household. By 2011, housing stock had increased to 1313 dwellings but the proportion of houses with no permanent residents increased to 24.6%. Over the same period, the resident population of Mevagissey actually fell by 4.6%; this is despite an increase of 10.9% in the housing stock over the same period. The cause of this fall in population could be attributed to the increase in dwellings with no usual residents which almost doubled over the period.

## The housing market in Mavagissey

We believe there is a direct correlation between increasing demand for second homes and local house price rises.

Mevagissey has experienced a considerable rise in house prices despite the economic recession of recent years.

Data has been collected covering largely the past twelve years, marking the period just before the recession and through the period of UK austerity.

These data illustrate how Mevagissey house prices have significantly risen over this period.

In contrast to the escalation of local house prices, income from local employment has barely risen. Source [Cornwall Council](#).

*Cornwall is by far one of the poorest areas in the UK, in fact it doesn't fare that well compared to most of Europe. On average earnings were 25% below the UK national average in 2002 and the trend seems to indicate this gap is growing. Cornwall Council's figures for actual average wage was £21,993 (2012) compared with £32,659 in the rest of the country.*

Because of the demographics of Mevagissey Parish and local employment prospects (see elsewhere in this NDP), the income of residents is subject to seasonal factors within a low-wage economy.

The ability to find affordable housing has diminished in recent years owing to lack of income growth and the influx of people with higher incomes buying into the market. Even affordable-led developments tie the value of resultant 'affordable' properties to prevailing market prices.

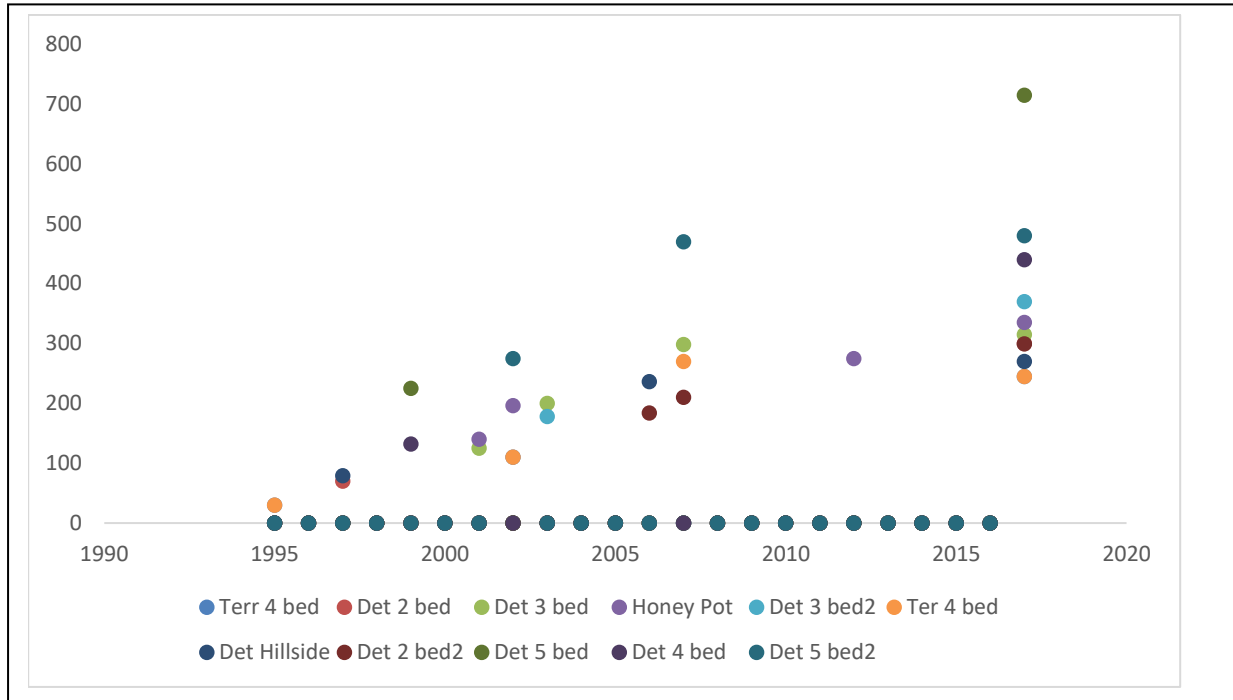
The effect of incomers buying local housing has contributed to a higher rise in house values in Cornish coastal settlements, and particularly Mevagissey, than in either the rest of the UK or indeed the South West of England in general.

What follows illustrates the disproportionate rise in Mevagissey house prices over recent years.

The image below shows how sea views have been exploited by demolition and replacement of 1950s bungalows on Polkirt Hill, Mevagissey.



Figure 1. Random sample of historic house prices in Mevagissey (source [Rightmove 2017](#)). The 'Y' axis is actual purchase prices for houses in thousands of pounds.



### Falling house prices elsewhere

In the ten year period since 2007, the value of most West Country house prices have actually fallen.

The [BBC data team and the Open Data Institute \(ODI\) Leeds](#) analysed more than eight million residential property transactions in England and Wales from the Land Registry database for the period from 2007 to July this year. These exclude mortgaged buy-to-let properties.

The price of an average home in England and Wales has remained flat since 2007, after taking inflation into account.

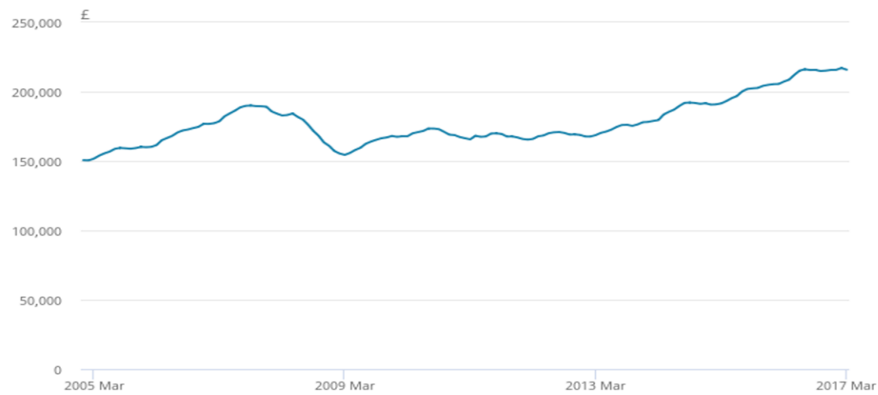
From the above research and allowing for inflation, 68% of properties in the South West have fallen in value.

### But not here!

Despite this period being one of general economic depression, the increase in Mevagissey house price rises over the last twelve years range from 48% to 362% with a median value of 141.3%. Reference Figure 1 above.

This means that local people have been progressively excluded from the house market over a time when their take-home pay has stagnated. We would argue that the main reason for this has been the purchase of homes by relatively wealthy incomers, many of whom have bought houses as second homes.

Figure 2: Average UK house price, January 2005 to March 2017



Source: HM Land Registry, Registers of Scotland, Land and Property Services Northern Ireland and Office for National Statistics

The overall increase in house prices across the UK is shown in Figure 2 and indicates a 45.3% increase over 12 years (ignoring the effects of inflation).

This is much less than the contemporary rise in house prices in Mevagissey.

### **Growth in second home ownership**

Research from the [Resolution Foundation](#) finds that the proportion of adults owning multiple properties has jumped by 30% since 2000.

*There has been a 30 per cent increase between 2000-02 and 2012-14 in the proportion of adults who own multiple properties, rising 1.6 million to 5.2 million people (one in ten adults) in that period.*

*Combined with falling home ownership since the early 2000s, the rise of second home-owning in 21st Century Britain has underpinned the increasing concentration of property wealth within a declining proportion of families. In contrast to the one in ten adults with multiple sources of property wealth, four in ten (40 per cent) adults have no property wealth at all, up from 35 per cent in 2000-02 and the same level as in 1993-95.*

For further information, see Annex 8

In Mevagissey, the number of second homes has risen from [13.3% in 2012](#) to over 24% today. According to [Cornwall Council](#) Housing Growth Targets Feb 2011, “Cornwall experiences additional housing pressures from second home purchasers (see appendix 3)”.