



A Review of Empty and Second Homes in Scotland

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Note

The data for this publication has been adapted from the 'Estimates of Households and Dwellings in Scotland' produced by the National Records of Scotland. Available from: <http://bit.do/HouseholdEstimatesNRS>.

Policies and strategies from the local authorities were accessed via Freedom of Information requests placed in Spring 2018.

The terms 'empty homes', 'vacant dwellings' and 'vacant properties' as well as 'second homes' and 'second properties' are respectively used interchangeably in this paper.

Thanks to Dan Cookson for providing the tools for data analysis and producing the maps in this paper. You can access the data and explore the empty and second homes interactive online map via these links: <http://bit.do/EmptySecondHomesData> and <http://bit.do/EmptySecondHomesMaps>.

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Introduction

Scotland has an ongoing housing crisis with over 162,000 applicants on housing waiting lists¹, a growing affordability gap for young people, rising pressure on existing stock from short-term lets and a lack of appropriate housing for older people and for those with disabilities.

Part of the solution to this crisis is to ensure that the existing stock of housing is being used efficiently. This review explores an area of housing policy that is often overlooked, namely empty homes and second homes in Scotland.

It analyses the extent and location of empty and second homes across Scotland using data collected from local authorities and households and dwellings estimates from the National Records of Scotland.

With growing demand for housing from a rising number of households, questions have to be asked about whether there should be more effective regulation of empty and second homes.

This paper sets out to analyse the current status of empty and second homes across Scotland and makes recommendations on what action can be taken to ensure that existing properties are utilised to their full potential.

Empty Homes

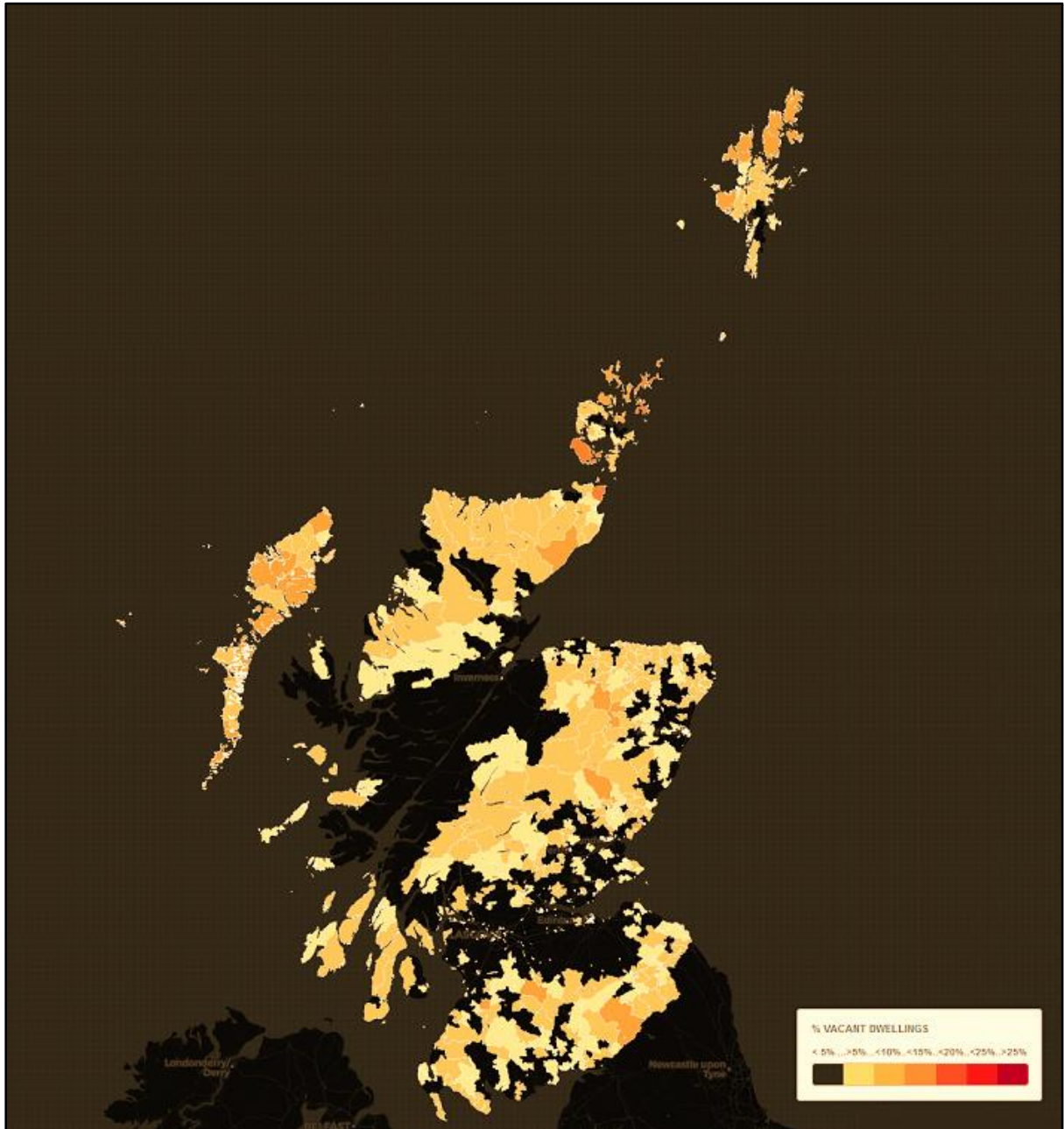


Figure 1: The distribution of empty homes across Scotland in 2017 where more than 5% of data zones have vacant properties.

Explore this in greater detail using the interactive online map: <http://bit.do/EmptySecondHomesMaps>.

According to Scottish Government statistics published in March 2018, there are over 37,000 empty properties in Scotland. These comprise homes which have been defined as 'empty' for a period of more than six months².

According to official data released by the National Records of Scotland in May 2018, however, there are over 79,000 empty homes in Scotland representing over 3% of all domestic dwellings in the country³.

A property can be empty for a number of reasons, such as;

- A period of change between occupants.
- An occupant could be on extended stay in a hospital for medical or respite care or could be in prison.
- The property could be undergoing renovation works or awaiting demolition.
- The property may be newly built and awaiting occupation.

There are a range of other factors which explain why a property is vacant. For example, a building may be bought by an investor with no intention to rent it out to tenants – either because it is a speculative purchase or there are prohibitive costs to updating the property in relation to the rental income that could be generated.

Where are there empty homes in Scotland?

Data published by the National Records of Scotland suggests that while the number of homes in Scotland has risen, so too has the number of empty properties. The proportion of total homes lying empty has increased from 2.67% in 2007 to 3.05% in 2017 (Table 1, below).

Year	Total Number of Properties	Total Number of Empty Properties	Percentage of Empty Homes as a Proportion of the Total Number of Properties
2007	2,442,284	65,198	2.67%
2008	2,460,973	68,829	2.80%
2009	2,476,157	70,480	2.85%
2010	2,488,496	69,972	2.81%
2011	2,500,849	71,130	2.84%
2012	2,515,042	72,853	2.90%
2013	2,526,870	71,946	2.85%
2014	2,540,561	75,692	2.98%
2015	2,557,582	78,475	3.07%
2016	2,575,667	79,052	3.07%
2017	2,595,031	79,246	3.05%

Table 1: The number and percentage of empty properties in relation to the total number of properties in Scotland, 2007 – 2017.

The percentage of empty homes varies across the country. Table 2 illustrates that out of the top ten local authorities with the greatest percentage proportion of empty homes to total dwellings, nine are located in rural and island local authorities.

Ranking	Local Authority	Percentage of Empty Homes
1	Na h-Eileanan Siar	8.3%
2	Orkney Islands	6.7%
3	Shetland Islands	6.4%
4	Scottish Borders	4.6%
5	Argyll & Bute	4.4%
6	Angus	4.3%
7	Inverclyde	4.3%
8	Dundee City	4.2%
9	Aberdeenshire	4.1%
10	Dumfries & Galloway	4.0%

Table 2: Local authority areas with the greatest percentage of empty homes, 2017

Table 3 shows which local authorities have the greatest number of vacant dwellings.

Ranking	Local Authority	Number of Empty Homes
1	City of Edinburgh	7,827
2	Glasgow City	7,537
3	Fife	5,758
4	Aberdeenshire	4,796
5	Aberdeen City	4,538
6	Highland	3,443
7	South Lanarkshire	3,223
8	Dundee City	3,123
9	Dumfries & Galloway	3,013
10	Perth & Kinross	2,684

Table 3: Local authority areas with the largest number of empty homes, 2017

Scotland's four largest cities are among the authorities with the largest number of empty properties. While the percentage of empty homes in relation to total properties is highest in rural communities, the greatest concentration of vacant properties are found in urban areas.

At a more local level, Table 4 shows which data zones have the most vacant properties in Scotland. Data zones are small level areas of statistical geography nestled within Scotland's local authority boundaries. It is estimated that for each data zone there are between 500 and 1,000 household residents.

Data Zone	Local Authority	Number of Empty Homes
Toryglen and Oatlands (S01010021)	Glasgow City	401
Clydebank East (S01013122)	West Dunbartonshire	280
Carnwadric West (S01009939)	Glasgow City	276
Kildrum (S01011751)	North Lanarkshire	172
Port Glasgow Mid, East and Central (S01010916)	Inverclyde	171
Port Glasgow Mid, East and Central (S01010917)	Inverclyde	155
Drumry East (S01010499)	Glasgow City	139
Heathryfold and Middlefield (S01006726)	Aberdeen City	134
Altonhill South, Longpark and Hillhead (S01008011)	East Ayrshire	131
Johnstone South East (S01012054)	Renfrewshire	129

Table 4: Data Zones with the largest number of empty homes, 2017

Analysing data zones, it is apparent that the greatest number of empty homes can be found in areas of high multiple social and economic deprivation, mostly across west and central Scotland. In such areas neighbourhoods are likely to be awaiting or going through a process of regeneration. This means that there may be a concentration of vacant properties being either upgraded or demolished or there may be new homes that have recently been built but are awaiting occupancy.

For example, in Toryglen and Oatlands (S01010021) (the data zone with the largest number of empty homes), there are 401 vacant properties out of 521 total dwellings (see Figure 2, below).

The data illustrates an inconsistency in determining the number of empty homes in Scotland between the Scottish Government's official figure of over 37,000 empty properties in Scotland and the larger figure of over 79,000 properties that has been calculated from the data collected by the National Records of Scotland.

Such discrepancies in determining the actual number of empty homes in the country could be avoided if there was an agreed method of denoting a vacant dwelling. Regardless of the true existing figure, there are a remarkably high number of domestic properties that are not being used to their full potential in Scotland.

It is thus useful to consider what exactly is being done by way of policy interventions to begin to rectify this situation.



Figure 2: Toryglen and Oatlands (S01010021) in Glasgow has the highest concentration of vacant homes of all data zones in Scotland.

Explore this in greater detail using the interactive online map: <http://bit.do/EmptySecondHomesMaps>.

Policies and Strategies for Empty Homes

In a review of the private rented sector nearly a decade ago, the Scottish Government identified that local authorities should be supported to bring empty homes back into use and in 2010, the Scottish Empty Homes Partnership was founded⁴. Operated by Shelter Scotland and funded by the Scottish Government to work with councils and partner agencies, it provides support to help turn empty properties into occupied homes⁵.

In Spring 2018, all of Scotland's 32 local authorities responded to our Freedom of Information (Fol) request asking what plans each council had to deal with empty properties. The responses paint a mixed picture of service provision across the country.

Empty homes officers

Around two-thirds of the local authorities (20) employ an empty homes officer. Some councils, such as Renfrewshire and West Dunbartonshire, share the resources of one empty homes officer who splits their time between the two authorities. Others, such as Clackmannanshire and Shetland do not employ a dedicated empty homes member of staff despite facing the challenges of empty homes in their areas.

Although not all councils have the capacity or resources to employ a member of staff to focus solely on empty homes, it is clear that this approach developed through the Scottish Empty Homes Partnership works. However, there are also local policies and approaches in place within local authority housing departments to address the problem.

Empty homes strategies

Some local authorities have developed strategies for dealing with empty homes which have been incorporated into their local housing plans. Argyll & Bute, Fife, Inverclyde, Midlothian, North Lanarkshire, Renfrewshire and West Dunbartonshire all reported having published localised plans to bringing back empty homes back into use. These plans reflect the needs and demands of housing markets within local communities.

Moray and South Ayrshire councils have also produced empty homes strategies. The key aims of these plans are to utilise empty homes to increase the local affordable housing supply and to improve the condition of existing properties before their condition deteriorates further.

Some councils, such as Aberdeenshire, Fife and Perth & Kinross have created an innovative property 'matchmaking' scheme to link up owners who want to sell with people who want to buy an empty property. These services operate for free and are a useful means of ensuring that there is a co-ordinated approach to facilitate the transaction of empty dwellings to people who wish to bring them back into use as homes.

Council tax

All councils reported that they have changed or are planning to utilise powers to increase council tax on empty properties through The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 (S.S.I. 2013/45)⁶. For example, Comhairle nan

Eilean Siar and the City of Edinburgh Council, in 2013 and 2014 respectively, introduced a 100% council tax surcharge on homes that have been empty for more than 12 months. More recently, other authorities, such as Glasgow and West Lothian have dropped a 10% council tax discount as of April 2018 and replaced it with a 100% levy on empty property.

Whether or not a supplementary council tax charge actually makes any difference to the number of empty homes in Scotland remains to be seen. Despite these local taxation interventions, the number of empty homes which could be inhabited by individuals and families remains high.

Second Homes

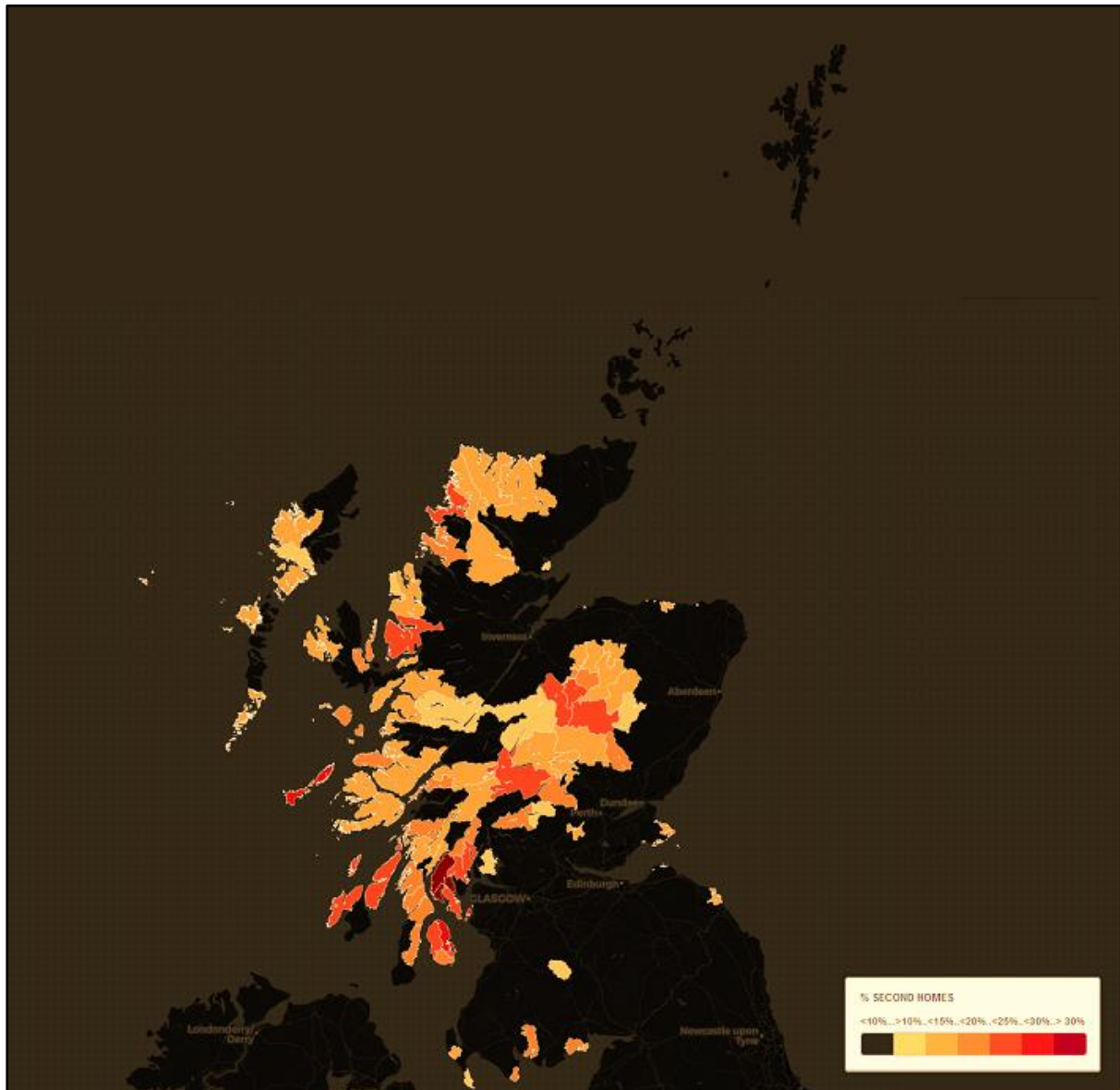


Figure 3: The distribution of second homes across Scotland in 2017 where more than 5% of data zones have second properties. Note there is a significant concentration in the central Highlands and the East Neuk of Fife. Explore this in greater detail using the interactive online map: <http://bit.do/EmptySecondHomesMaps>.

Second homes (also commonly known as holiday homes) are properties which are not the main residence of owners but are used as a secondary residence often for holiday purposes. The Scottish Government defines them as homes occupied for at least 25 days per year and not being the main residence of the owner⁷. The impact of second homes on the local housing market has been a long-standing issue in rural Scotland and remains a serious problem in areas such as Applecross, Arran and the East Neuk of Fife.

The growth in short-term letting is also having an impact with the availability of online platforms such as AirBnB allowing owners of second homes to generate significant financial returns. This new type of domestic property is becoming more prevalent as a means by which to offset the costs of a second home and, in many cases, to generate a profit from short-term letting.

Where are there second homes in Scotland?

According to the National Records of Scotland, the number of second homes in Scotland is falling, as Figure 4 shows.

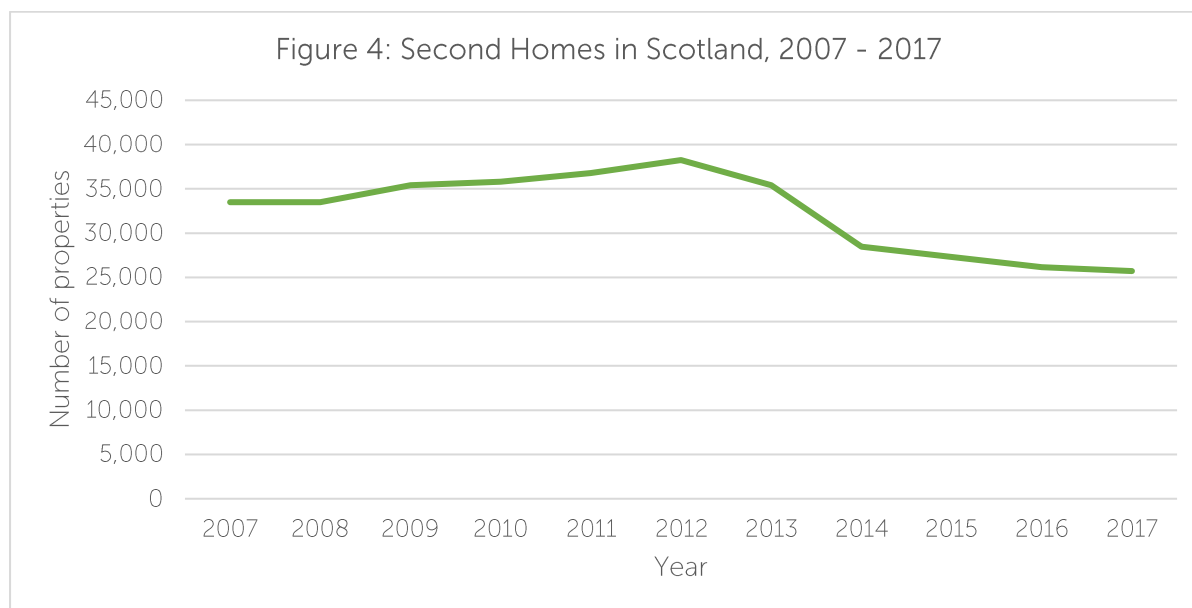


Figure 4: A chart representing the number of second homes in Scotland, 2007 - 2017

From data published by the National Records of Scotland, Figure 4 demonstrates, that, with a peak of 38,249 second homes in 2012, the number of second homes across the country has decreased from 33,502 to 25,713 in the last decade.

So why is there an abrupt drop in the figures?

The drop in numbers of second homes may be in part due to council tax changes that were introduced in 2013 covering empty and second homes. Owners of second properties could benefit from a council tax discount but this no longer applies. But alongside these changes, owners have found other ways of avoiding tax liabilities.

As we reported in a briefing paper on short-term lets in August 2017, many owners of second properties are now re-classifying their properties as commercial short-term letting. This means that they are billed for non-domestic rates (NDR) rather than council tax⁸. In addition, due to the Scottish Government's Small Business Bonus Scheme, the valuation of such properties frequently falls below the threshold for 100% relief and thus the owners pay no local tax at all despite relying on local services as much or more intensively as before. In Edinburgh alone, this loophole in the local taxation system means £10.6 million in lost public revenue every year.

As reported by the National Records of Scotland and as revealed by our Freedom of Information requests, it is difficult to determine the actual numbers of second homes in Scotland because of this re-categorisation within local taxation⁹.

Some councils, such as the City of Edinburgh and West Dunbartonshire no longer record how many second homes there are in their localities because of this complication.

The majority of second homes are in areas which are popular tourism destinations. Figure 3 and Tables 5 and 6 reveal council areas such as Highland and Argyll & Bute as areas with high proportion of second homes.

Ranking	Local Authority	Percentage of Second Homes
1	Argyll & Bute	6.8%
2	Na h-Eileanan Siar	5.37%
3	Orkney Islands	3.66%
4	Highland	3.4%
5	North Ayrshire	2.37%
6	Dumfries & Galloway	1.99%
7	Moray	1.75%
8	Perth & Kinross	1.74%
9	Scottish Borders	1.65%
10	Shetland Islands	1.5%

Table 5: Local authority areas with the greatest percentage of second homes, 2017

Ranking	Local Authority	Number of Second Homes
1	Highland	3,989
2	Argyll & Bute	3,252
3	City of Edinburgh	3,215
4	Fife	2,291
5	North Ayrshire	1,610
6	Dumfries & Galloway	1,487
7	Aberdeenshire	1,268
8	Perth & Kinross	1,247
9	Aberdeen City	1,174
10	Scottish Borders	960

Table 6: Local authority areas with the largest number of second homes, 2017

With the exception of Argyll & Bute, the percentages of second homes in most council areas is much lower than the percentage of empty homes. This is partly explained by the poorer quality of data collected by local authorities for this type of property.

The second homes market has knock-on effects for local housing markets where local people may be excluded from buying or renting properties due to inflated housing costs. This is of major concern across many parts of rural Scotland where there is a chronic shortage of affordable housing.

Table 7, below, provides an analysis of the 'top ten' data zones and reveals a familiar pattern of second homes dominating in popular tourist areas such as the Inner Hebrides and Badenoch.

Data Zone	Local Authority	Number of Second Homes
Largs Central and Cumbrae (S01011327)	North Ayrshire	341
Earlsferry (S01009701)	Fife	300
Cowal South (S01007351)	Argyll & Bute	200
Mull, Iona, Coll and Tiree (S01007284)	Argyll & Bute	189
Cowal North (S01007355)	Argyll & Bute	170
Arran (S01011171)	North Ayrshire	154
Largs Central and Cumbrae (S01011328)	North Ayrshire	151
Dalbeattie Rural (S01007544)	Dumfries & Galloway	136
Whisky Isles (S01007325)	Argyll & Bute	131
Badenoch and Strathspey Central (S01010539)	Highland	128

Table 7: Data zones with the largest number of second homes, 2017

Figures 5 and 6 illustrate the density of second homes across the central Highlands and the East Neuk of Fife. Remarkably, in the East Neuk of Fife (Figure 6) within the neighbouring data zones of Elie and Earlsferry, out of a total of 937 dwellings, 422 or 45% of these properties are second homes.

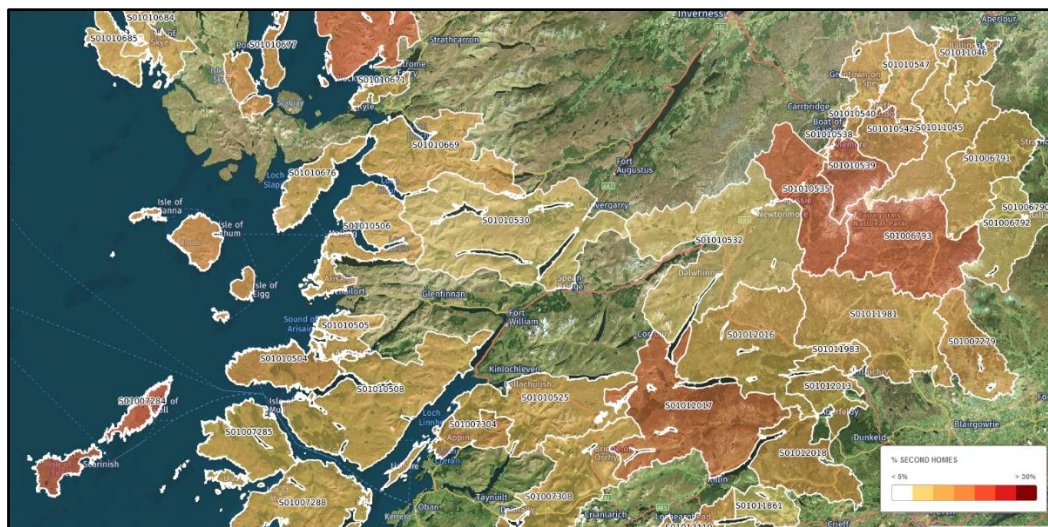


Figure 5: Map showing the distribution of second homes with a particular concentration in areas in parts of Argyll & Bute and the Cairngorms National Park. Explore this in greater detail using the interactive online map: <http://bit.do/EmptySecondHomesMaps>.

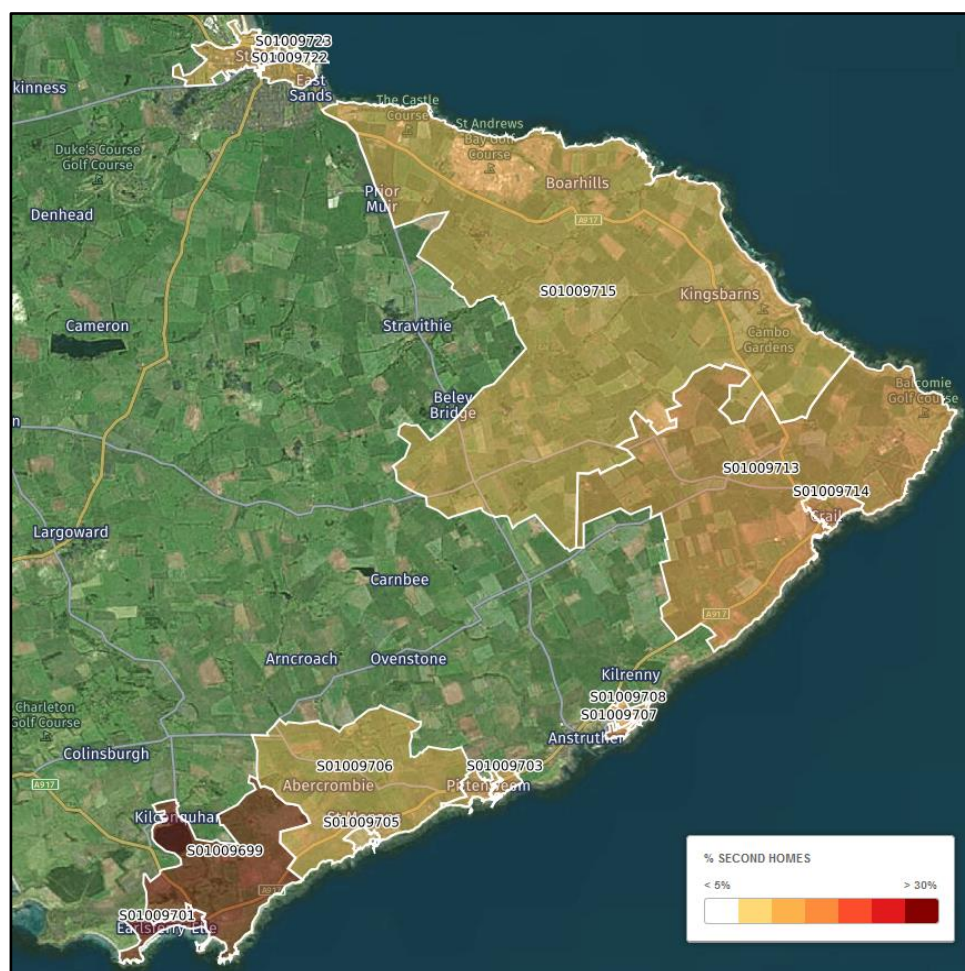


Figure 6: Map showing the distribution of second homes in the East Neuk of Fife. Explore this in greater detail using the interactive online map: <http://bit.do/EmptySecondHomesMaps>.

Policies and Strategies for Second Homes

From our survey of second homes, we found that councils are doing very little to manage the situation beyond applying the council tax flexibility that was introduced by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2016 (S.S.I. 2016/369)¹⁰. Unlike empty homes, current housing legislation does not support any action to address the issue of second homes where they are found to be in a good, safe condition. Therefore, there is very little that local authorities can do beyond monitoring how many second homes there are in specific areas. As already discussed, even that is becoming unreliable with the re-classifications that have taken place in recent years.

With the blurring of the distinction between second homes and short-term lets, there is a need for more robust data and policies to address the impacts of both. Councils are struggling to manage this sector in contrast to the successes that have been evident with empty homes through the Scottish Empty Homes Partnership.

Conclusions

The challenge of securing affordable homes for all is compromised by having over 100,000 residential properties either lying empty or used for secondary holiday or commercial letting. In any housing policy, there needs to be a recognition that the under-utilisation and over consumption of housing is part of the housing crisis. In particular, in localities such as Applecross, Arran and the East Neuk of Fife, the crisis is of long-standing and demands a stronger policy response.

The recommendations set out below would, if implemented, go some way to ensuring the more efficient and equitable allocation of housing.

Recommendations

1. The Scottish Government should standardise the terminology associated with empty and second homes so that there is consistency with the data collected and recorded by local authorities. This standardisation should accommodate the more flexible ways in which the second homes and short-term letting markets operate.
2. The current tax loophole whereby owners of second homes can avoid paying local taxes by moving it from the council tax roll to the non-domestic rates roll and benefitting from statutory 100% relief through the Small Business Bonus Scheme should be closed. This forms recommendation 22 of the Barclay Review of non-domestic rates which has been accepted by the Scottish Government. But the response should go further by categorising all second homes as non-residential and liable for non-domestic rates.
3. All second homes (domestic properties that are not anyone's main residence) should be subject to planning consent through a change of use. The impact of a holiday home in a fragile rural economy is profoundly different from that same property used as a home for a resident family.
4. Councils should be encouraged to use compulsory purchase powers to acquire domestic property that has lain empty for more than two years and where powers are currently insufficient, the Scottish Government should strengthen them to facilitate this.

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