

Scotland's Rural College

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# Housing in Scotland's Rural and Island Communities: A Persistent Challenge

**Policy Spotlight**

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**July 2023**

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**Scottish Government Strategic Research Programme 2022-2027**

**SRUC-E2-2:** Reimagined Policy Futures: Shaping sustainable, inclusive and just rural and island communities in Scotland (ReRIC)

**Deliverable 2.2:** Literature review on Housing in Scotland's Rural and Island Communities



## Context

*The Scottish Government funds a programme of strategic scientific research through the Rural and Environment Science and Analytical Services (RESAS) division to advance the evidence base in the development of rural affairs, food and environment policies. This research forms part of the 2022-27 Strategic Research Programme in Project SRUC-E2-2 'Reimagined Policy Futures: Shaping sustainable, inclusive and just rural and island communities in Scotland, ReRIC'. It aims to generate new understandings of persistent and emerging challenges and opportunities in Scotland's rural and island communities. The project combines innovative, large-scale citizen science (through a new [Rural Exchange](#) web portal) to gather information, ideas and commentary from rural and island residents and communities, quantitative analysis of secondary data, in-depth qualitative work with stakeholders, comprehensive policy reviews, international evidence gathering and horizon-scanning activities. This policy spotlight is the second in a series of five that address the key persistent challenges of rural housing, depopulation, and exclusion and marginalisation. It focuses on the challenges of housing supply and affordability in rural and island Scotland. The other spotlights in this series are: Rural and Island Policy in Scotland, Contextualising the Rural, Scotland's Rural Landscape, Implications and Emerging Opportunities, Population and Migration in Rural Scotland, and Social Exclusion and Marginalised Voices in Scotland's Rural and Island Communities.*

## Highlights

- Access to housing that is affordable, safe, warm, in good condition, and of the right size and type, is critical to maintaining Scotland's rural and island communities.
- Without access to appropriate housing, it is not possible for individuals and families to stay in or move to these communities; this includes couples with children, single individuals keen to take on a rural job or set up a new business, or people reaching later life who may require additional support.
- Existing academic and other evidence suggests that access to housing is one of the most significant and persistent challenges facing Scotland's rural and island communities. Indeed, this is a challenge in many rural communities across the UK.
- Some key themes in the existing academic evidence include: the significance of the high number of second and holiday homes pushing up house prices and constraining supply in many areas; 'hidden homelessness' in rural and island communities where people are living long-term in sub-standard accommodation; and the implications of the high cost of renting/purchasing a house for household incomes (which are often low and unpredictable), pushing families and individuals into poverty.
- This Policy Spotlight 'sets the scene' for in-depth statistical and qualitative data gathering and analysis work on the issue of housing that will take place in the '[ReRIC](#)' project over the next three to four years.
- The aim of the work is to collate and re-analyse existing data on rural and island housing and gather new evidence from people living in rural and island communities through the [Rural Exchange](#) website, and from outside Scotland. On the basis of this evidence and taking account of current and emerging socio-economic trends and policy priorities (including meeting net zero targets, emphasising a community wealth building approach and achieving a just transition to a wellbeing-focused economy), the project will generate recommendations for new approaches to tackling rural and island housing challenges in future.

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***This introductory Policy Spotlight briefly introduces these issues, highlighting some of the current policy initiatives that exist to tackle these challenges.***

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## **1 Introduction- Scotland's Rural Areas and Islands**

There is incredible diversity in the economic, social, demographic, and environmental characteristics and conditions across Scotland's rural and island communities. This diversity influences the extent and nature of the rural housing challenge and is also shaped by it. As the evidence base has improved about Scotland's rural communities, a more nuanced understanding has developed of the diversity, complexity, and dynamism of these communities as people and businesses move in and out to varying degrees and with varying impacts on local culture, family structures, economic development, social cohesion, poverty and exclusion. In contrast, the evidence base about Scotland's islands is less well developed but is improving, including through the biennial National Islands Plan Survey for example. However, in contrast to Scotland's islands which now have dedicated legislation, Scotland lacks a clear vision and policy for its rural communities.

### **1.1 What do we already know about the housing challenge in Scotland's Rural and Island Communities?**

There is a considerable body of academic evidence on the issue of housing – and particularly the unaffordability of housing – in rural and island communities across Scotland, and indeed the wider UK. Work by [Prof. Paul Milbourne](#), for example, has focused on the problem of hidden homelessness in rural areas, where people are living in sub-standard accommodation (such as caravans) for long periods of time, living with parents for longer than they planned, or sofa surfing with friends as they are unable to find a suitable property locally to buy or rent (either privately or through a social housing provider). These individuals are not always picked up in formal surveys of local housing need which therefore tend to underestimate the extent of the challenge. [Prof. Mark Shucksmith's](#) work has focused on ideas of spatial justice, spatial apartheid, and the exclusive countryside, whereby the unaffordability of housing for local people, who are often reliant on lower paid and less secure or seasonal local jobs, means that only wealthy households can afford to live there. They then tend to oppose further housing development which further perpetuates the problem.

[SRUC's Rural Scotland in Focus 2012](#) report highlighted the housing supply and related affordability challenge in some communities where second and holiday homes made up over 30% (in some cases considerably more) of the housing stock. More recently, a [presentation at the Cross Party Group in the Scottish Parliament on Rural Policy](#) focusing on the housing issue on the Isle of Tiree noted that only 54% of the island's housing stock is owned by local

residents, so: “46% of the lights are off on Tiree in the winter”. Many of these non-locally owned properties are only visited by their owners once or twice a year for short periods of time. The impacts of these housing shortages on local families have been highlighted in a recent piece of work undertaken by Lochbroom and Ullapool Community Trust and the Communities Housing Trust based on evidence gathering with local people. Securing affordable housing for workers is also a critical issue, with one company from the seafood sector recently citing the explosive growth of holiday accommodation on the Isle of Mull as a key reason for closing the business (combined with the Covid-19 pandemic, the impacts of Brexit, increased regulations and climate change affecting fish stocks), as they could not find appropriate housing for employees.

More broadly, according to [Highlands & Islands Enterprise \(HIE\) report from 2022](#), two out of every three rural and island businesses discussed the struggle to find accommodation for their employees. A presentation at the recent Rural Housing Conference 2023 reported that approximately 3,000 job positions in the Highlands and Islands are in precarious positions as employers cannot provide or find housing for potential employees. Evidence suggests that this is also having negative knock-on impacts on businesses’ investment decisions.

## **1.2 What does the data tell us about the current housing situation in rural and island Scotland?**

In 2019, in rural areas (both remote and accessible) over 90% of properties were houses or bungalows (in comparison to 60% in the rest of Scotland). Rural Scotland also has a higher proportion of households that are owner occupied (70% in remote rural and 71% in accessible rural areas), compared with the rest of rural Scotland (60%).

In contrast to this, 16% of rural households rent from the local authorities or housing associations in remote rural and 15% in accessible rural areas, with higher proportions of households (25%) renting from a housing association or local authority in the rest of Scotland. The same pattern can be observed when discussing private rentals, with the highest percentage of households in this category in the rest of the Scotland (14%), followed by 12% in remote rural and 11% in accessible rural areas. Also based on data from [2019](#), over half of the properties in rural Scotland were detached houses. The highest proportion of detached houses could be found in remote rural areas (57%), followed by accessible rural areas (50%), compared to 18% in the rest of Scotland.

Generally, housing in rural Scotland is less energy efficient than in the rest of Scotland. Data from 2019 showed that remote rural areas had low efficiency in comparison to accessible rural and urban areas. In terms of the Energy Performance Certificate (EPC), a higher proportion of houses in remote rural areas are classified as band E (the lowest in terms of energy efficiency on the EPC scale), while the highest proportions in accessible rural areas and the rest of Scotland fall into (more efficient) band D.

This combination of lower energy efficiency and on average larger (and older) houses contributes to the challenge of fuel poverty in rural locations, and especially in remote rural locations where one third of households were in extreme fuel poverty in 2019. The implications of the rising cost of energy since 2019 are particularly severe for remote rural households. For example, [data for England from 2022](#) found that rural households had a higher fuel poverty rate (15.9%) and a larger fuel poverty gap (£956) than households in towns and cities. The fuel poverty rate was even higher (20.1%) for rural households off main gas, who must rely on expensive electricity or oil tanks instead.

Recent local authority level analysis of the change in house prices over the last 20 years published on the [Rural Exchange](#) demonstrates that there was a 30.1% increase in the average house price from 2020 to 2022 (from £143,813 to £205,737) in the Orkney Islands. This was the largest percentage increase of any of Scotland's local authorities and seems to have been particularly driven by the prices of detached and new build houses, although sales fell from 2021 to 2022, likely as a result of the Covid-19 pandemic.

Increases in average house prices (and falling total house sales) from 2020 to 2022 were also observed in the other three [‘islands and remote rural’ local authorities](#), with a 23.1% increase in Argyll and Bute, 21.5% in Eilean Siar and 19.1% in the Shetland Islands (an average increase of 23.5% was observed across the four areas).

There was considerable variation in the percentage increase in house prices across the 11 RESAS classified ‘mainly rural’ local authorities during the same time period. Aberdeenshire saw the lowest percentage increase of the 11 authorities from 2020 to 2022 (11.7%), while East Lothian saw the highest percentage increase of 20.9%. East Ayrshire, Clackmannanshire and the Scottish Borders all saw increases of approximately 19%. Table 2 shows the change in house prices during the Covid-19 pandemic years from 2020-2022.

The research team will be doing further [work](#) over the next two years, in collaboration with international colleagues, to understand Covid-19 related migration from urban centres to rural and island locations.

Turning now specifically to Scotland's islands and housing issues, the [first National Islands Plan \(NIP\)](#) includes as one of its 13 Strategic Objectives the need to improve housing on the islands, and in particular increasing the supply of affordable housing. This was one of the most important issues raised during the public consultation which informed the writing of the NIP, which recognised the interconnectedness of different issues, including housing, demographic change, transport, health, economic development and community viability. The issue of access to land for housing is a key challenge on some islands, as is the cost of building housing on an island which may be considerably higher, and the building project itself more complex, than in mainland locations.

The [first NIP Survey](#), undertaken in 2021, found that overall, respondents indicated low rates of satisfaction with housing availability and affordability on many islands. Almost three

quarters (71%) of respondents agreed that there was a high proportion of holiday lets and second homes on the islands, while only 43% agreed that there was a variety of housing to meet local needs.

The implications of this shortage of affordable and appropriate housing are serious for the future demographic, economic, social and environmental sustainability of Scotland's rural and island communities. As mentioned, if people cannot move to rural and island locations to take up or create employment and set up new businesses, this will have negative economic impacts. There are negative demographic and social impacts too, as a lack of new in-migrants will reduce demand for services (including schools, shops, etc.) leading to service decline which in turn is likely to discourage people from moving there and the vicious circle continues. If those already working locally, who are likely to be dependent on low wages and perhaps insecure and/or seasonal employment, cannot afford to rent/purchase a house locally due to high levels of second/holiday homes or an influx of wealthy (pre)retirees, they will either be forced to leave (again with negative economic consequences and the creation of a more exclusive countryside) or to live in inappropriate and unsuitable housing.

This demonstrates the complexity of the housing issue, and the strong inter-linkages between all issues in rural and island places. Indeed, in 2012 Hall and Skerratt discussed the pervasiveness of rural infrastructure and services that can lead to 'zones of depletion' and 'zones of accumulation', calling for more nuanced approaches to this topic. They argued the extent to which infrastructure and service provision underpin economic activity and social and environmental wellbeing in rural and island communities.

[Rural Housing Scotland's February 2023 Conference](#) provided a forum for in-depth discussion about the rural and island housing issue. Issues discussed included the structural barriers that prevent economic development in rural areas and the importance of housing as one of these barriers. A [Highlands & Islands Enterprise \(HIE\) report from 2022](#) was cited which indicated that a lack of housing is the most important barrier for rural in-migration. More information about housing concerns as expressed by respondents to HIE's 2022 survey on life in the Highlands and Islands region are visualised in Figure 1. Further issues discussed included:

- a call for more administrative flexibility when potential in-migrants and residents apply for housing loans to take account of the more challenging economic situation in most rural and island communities (including the dominance of self-employment and contract/seasonal working);
- the positive and negative impacts of tourism on rural and island housing;
- and how a just transition can be promoted, supported and incorporated into rural housing (e.g. why certain proposed solutions may or may not be feasible with specific types of housing).

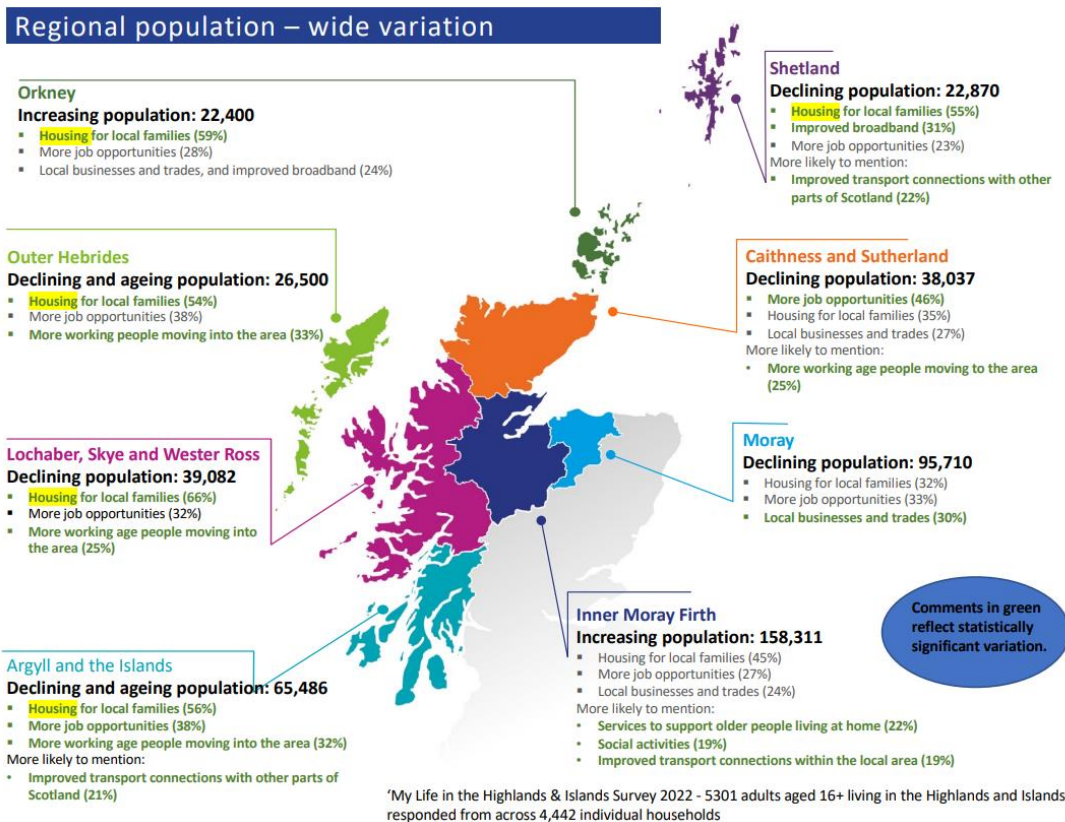


Figure 1 shows the importance of housing concerns as expressed by respondents to HIE’s 2022 survey on life in the Highlands and Islands region.

## 2 Conclusions and looking to the future

This sets the scene for forthcoming in-depth work in the ReRIC project on these persistent challenges and how they inter-relate with other challenges and opportunities.

While the housing challenge has persisted in many rural and island communities for decades, the context for tackling it has changed and will continue to change in future. The UK has now left the EU, we have lived through a Covid-19 pandemic, and we are currently experiencing a cost-of-living crisis, all of which are bringing multi-layered and complex impacts for rural and island communities.

On top of these challenges, the Scottish Government has set out ambitious net zero targets to meet its climate change obligations. The latter will bring new opportunities for rural areas in terms of employment in growing and evolving sectors such as peatland restoration, tree planting, nature-based activities, renewable energy, and tourism.

Housing will be required for people seeking to move into rural areas to take advantage of these new opportunities, bringing more demand to a situation in which supply (of housing to both rent and buy) is already too low and/or too expensive in many areas to match housing need. We also do not yet know the longer-term impacts of the Covid-19 pandemic in terms of urban to rural/island migration and settlement trends. There is a need to understand with more



nuance the positive and negative impacts of in-migration in terms of economic development and demographic change, culture and sense of identity and environmental considerations.

More specifically, a more in-depth understanding of the size of the private and social rented sector is required in rural areas, as is a more differentiated understanding of the impacts, both positive and negative, of different kinds of tourism accommodation, and further exploration of how innovative approaches to architecture and design may help rural housing projects make a significant contribution to meeting net zero targets (e.g. [Tornagrain](#)). The inter-relationships between housing availability and migration decisions, and housing and wider socio-economic and service provision trends, is a further issue worthy of additional exploration.

This project will explore these issues in more detail over the coming years. The research team will gather a range of evidence and information, including from rural and island individuals and communities through our [Rural Exchange](#) website, interviews with relevant stakeholder organisations across Scotland, talking with researchers, policy-makers and practitioners working on these issues internationally, analysis of secondary statistical data, and ongoing academic literature review work.

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