

## INDUSTRY INSIGHTS

# Are Holiday Lets the new Buy-To-Let?

Over the past few months we have noticed increased interest from investors looking to holiday lets to provide a source of additional income. Holiday lets have always been a niche area of the mortgage market but one that we believe will grow significantly. We have been an active lender in this space for many years and always see activity increase after the summer holiday season. Whether people have been overseas or somewhere in the UK, there's more interest when they return fresh from their travels. This year we are expecting to see more activity as the shape of the holiday and buy-to-let markets change. We believe there are a number of factors driving this change.

## BREXIT CONFUSION

Each year, ABTA, the travel trade association for tour operators and travel agents, assesses the sentiment of UK holiday makers. Their 2018 report shows that people are still taking holidays overseas. However, there was a 7% increase in the amount of people who are now confused about the effect that Brexit will have on their holidays (43% v 36% in the previous year). More are concerned about the cost of their holidays (54% v 51%) and worrying that it will be harder to travel (48% v 43%).

This analysis was conducted before Boris Johnson became Prime Minister, when the threat of 'no-deal' increased and the value of Sterling fell. One can only assume that the confusion is set to increase and could encourage more people to remain onshore for their holidays.

**2018 - A 7%  
INCREASE IN  
PEOPLE CONFUSED  
ABOUT THE EFFECT  
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HOLIDAYS**

### Source:

Brexit Confusion: <https://www.abta.com/sites/default/files/2018-10/Holiday%20Habits%20Report%202018%20011018.pdf>

Domestic Tourism: <https://www.propertyinvestortoday.co.uk/breaking-news/2019/6/second-homeowners-take-advantage-of-predicted-growth-in-staycations>

A Growing Segment: <https://www.propertyreporter.co.uk/landlords/uk-holiday-let-market-set-to-boom-in-2019.html>



## DOMESTIC TOURISM

In June of this year, Property Investor Today reported that the holiday lettings business 'cottages.com' has seen a 23% growth in portfolio recruitment in the first six months of the year compared to the same period in 2018. They attribute this to landlords taking advantage of the predicted UK growth in 'staycations'.

In addition, there is a belief that the rise is being driven by owners moving from buy-to-let to holiday lets as a result of the regulation and taxation changes in the private rental sector. As has been well documented over the last few months, profits in buy-to-let properties are under pressure. Clearly, if the demand for domestic tourism continues to grow, enquiries about holiday let properties will increase.



## A GROWING SEGMENT

In the Property Reporter's article 'UK holiday let market set to boom in 2019' it was reported that one of the country's leading lettings agencies had seen a 25% growth in bookings year-on-year.

We know from experience that holiday let mortgages can be complicated and this is one reason why many lenders shy away from them. This is a niche area and suitability cannot be assessed through computer modelling alone. Given this special nature, our underwriters are all available to talk with customers and brokers to get a thorough understanding of their circumstances. Mortgages for holiday lets are available for purchase, remortgage or release of equity to include short terms holiday letting via Airbnb. Our collaborative approach has enabled us to produce good results for everyone involved.

The opportunity for brokers, and those looking for extra income from second homes, is growing and many indicators are pointing to this being a continuing source of new business.



*Ken*

by Ken Hale, Head of Lending,  
Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.

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