

## INDUSTRY INSIGHTS

# The potential of Annexes as Holiday Lets

2020 has brought a summer like no other. With some holidays postponed, quarantines introduced and removed with no warning and decreased or non-existent protection from travel insurance, many have eschewed a trip abroad in favour of holidaying in the UK.

This trend has not gone unnoticed by the property industry. While the world is still focused on the global pandemic, there is reluctance to entertain the idea of

overseas travel both now and continuing into 2021. This has dramatically driven demand for UK holiday accommodation and Harpenden Building Society have noticed a steep increase into enquiries for holiday lets. While independent properties are still very popular, there has also been renewed interest in primary residences that feature outbuildings or annexes that can be used as holiday lets on the main owner's property.

## INCREASED DEMAND FOR UK HOLIDAY ACCOMMODATION

Earlier this year, we wrote about the sharp increase in inquiries for UK holiday accommodation. After months of lockdown, the prospect of a summer escape from the same four walls was at the forefront of most people's minds. While many were still reticent about booking travel abroad, bookings for UK holidays soared as the hospitality industry was given the green light back in June. Popular holiday website, Cottages.com reported a record one-day sales with bookings coming through at one every 11 seconds.

Furthermore, the BBC reported the likelihood that supply could not catch up with demand. Many self-catering properties opted to leave gaps between guest bookings to enable them to deep clean the accommodation, leading to reduced availability. This, alongside an overall increase in domestic travellers looking for longer term self-catering options, meant demand for the UK holiday-let market dramatically increased.

There is also strong evidence to suggest this trend will remain into 2021 and beyond. Research by The Guardian shows that holiday cottages and camping pitches are already getting booked up for 2021 with holidaymakers inspired to book ahead to avoid missing out.



# USING ANNEXES AND OUTBUILDINGS AS HOLIDAY LETS

Although some potential investors may be deterred by managing a second or multiple properties, at Harpenden we've noticed an increase in inquiries for primary residences with annexes that will be let out as holiday lets.

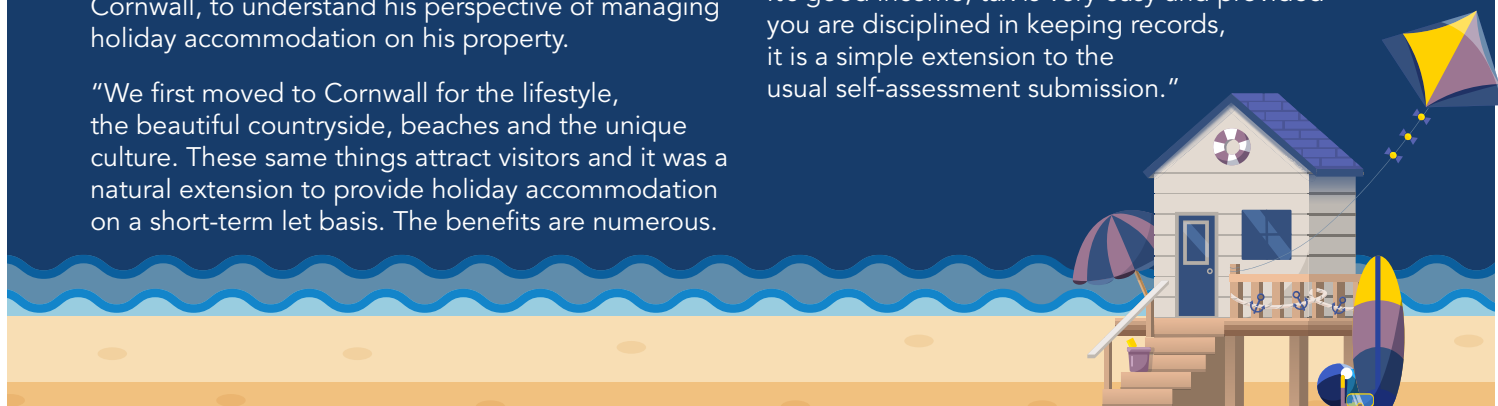
We spoke to Charles Pears, from Withiel, North Cornwall, to understand his perspective of managing holiday accommodation on his property.

"We first moved to Cornwall for the lifestyle, the beautiful countryside, beaches and the unique culture. These same things attract visitors and it was a natural extension to provide holiday accommodation on a short-term let basis. The benefits are numerous.

Economically, we secure an income from accommodation that would otherwise be unoccupied while covering the costs of keeping these to a really high standard. Socially, we get to meet some really interesting people.

COVID-19 has transformed the profile of our guests. Previously the majority were from Europe, but this year the surge in staycations means it's been almost exclusively British. A complete lockdown at the start of the year has given way to a surplus of bookings and if anything we are applying the brakes by requiring gaps to enable a deeper clean.

It's good income, tax is very easy and provided you are disciplined in keeping records, it is a simple extension to the usual self-assessment submission."



## OUR EXPERIENCE WITH HOLIDAY LETS

We recently acted as lenders to a couple who purchased an 18th century late Georgian manor house sitting in 30 acres of farmland, orchards and woodland. The estate benefited from a three bedroom coach house equipped with a games room, office and courtyard which the couple were intending to rent out at £20,000 per annum.

As the majority of this property was to be used as the owner's primary residence, this qualified as a residential mortgage. In our experience applications like this come to us as many lenders would rule out a residential property that will partially be used as a holiday let. At Harpenden, all of our applications are manually underwritten and we aim to operate flexibly and collaboratively with brokers to find solutions to complex applications.

Of course not all properties are lucky enough to offer such large or exclusive holiday cottages on site. Here at Harpenden Building Society we see properties that have converted cellars, barns or what was previously a granny flat into beautiful imaginative short term lets.

The additional unit can be attached to the house or detached and situated within the grounds of the property. Don't forget that the main house must be at least 50% of the overall footprint.

As the staycation trend looks set to continue into 2021, there are prime opportunities in the holiday lets market. Annexes attached to primary residences can provide a great source of additional income without the need to manage an entirely separate property. Specialist lenders can carefully review an application's unique circumstances and determine a solution for everyone involved.

*Jean Errington*

Jean Errington, Business Development Manager,  
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.

Source:

<https://www.bbc.co.uk/news/business-53147752>

<https://www.theguardian.com/travel/2020/jun/24/uk-holiday-bookings-surge-in-wake-of-boris-johnsons-green-light>

<https://www.theguardian.com/travel/2020/aug/11/campsites-and-holiday-cottage-bookings-for-summer-2021-soar>

 [www.harpendenbs.co.uk](http://www.harpendenbs.co.uk)