

## INDUSTRY INSIGHTS

# The Profitability of Holiday Lets

*While news of a vaccine has brought some much needed optimism to the world, the future is still far from clear. Global lockdowns, quarantines and travel restrictions are still in full force meaning international travel, as we knew it, remains an uncertainty for the foreseeable future. As such, the UK's holiday lets market continues to attract strong interest from investors. Hotels, Airbnbs and camping sites across the country are experiencing a surge in demand for summer 2021 as travellers prepare for yet another year of staycations.*

## HOLIDAY LETS VS BTL

Even before the pandemic (if anyone can remember such a time), Harpenden had observed the shift in investor interest from traditional BTLs to holiday lets. The tax situation is arguably more favourable for the latter. For example, if a holiday let is classified as 'furnished', investors can deduct the cost of their mortgage from their rental profits before paying income tax. Comparatively, when buy-to-let investors declare their rental income for tax purposes, they can no longer omit the interest from their mortgages.

There is also compelling evidence for holiday lets when considering the rental values themselves. The website HolidayLettings reveals that a three bedroom cottage in Scarborough can make up to £1,432 a week as a holiday rental compared to only £650 per month as a listing on Rightmove. This shows the potential for high yields when investing in desirable areas.

## HOLIDAY LET CONSIDERATIONS

It is important for buyers to consider the rental possibilities of the property throughout the year when assessing its profitability. Weather is a key factor. For example, areas that have micro-climates or above average hours of sunshine per day such as Cornwall or the Isle of Wight may experience more year-round interest than areas with high rainfall where visitors are limited to the summer months.

Holiday lets also require more upkeep, maintenance and day-to-day running costs than their BTL counterparts. It is vital that appliances are in good working order and that the property is aesthetic and presentable. Deep cleaning will also need to take place between each visit, particularly during the current pandemic. All such costs will add up and need to be taken into consideration when assessing the potential rental value.



# HARPENDEN'S APPROACH

Although we use rental income when considering applications, we also take a holistic view of a client's financial circumstances to ensure they have surplus income and funds available to afford the mortgage and running costs for up to 3 months.

Specialist lenders will vary in their income requirements. At Harpenden, a minimum income of £30k is required alongside the additional financial requirements mentioned above. All of our mortgages are manually underwritten allowing us to fully understand and analyse complex financial situations and work out a solution for clients and brokers alike.

If you think your client has a strong application for a holiday let property, a specialist lender like ourselves will be delighted to discuss the options further.



*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.