



Industry insights

Staycations here to stay.

Holiday let mortgages boom as overseas travel restrictions remain.

Life may be returning to some level of normality in the UK but with high levels of Covid infection still seen around the world, holiday options overseas remain limited. Such restrictions have boosted the popularity of the 'staycation' break, fuelling the holiday let market and the opportunity this creates for mortgage brokers.

The new Traffic Light system: with its red, amber and green listed countries – determines where it's possible to holiday abroad from 17 May. At the outset this may seem like a positive new development following months of severe travel restrictions, but what does it mean for summer 2021?

The current Traffic Light system only lists a handful of permitted, overseas holiday destinations. As a result, most of us will have to modify our desired travel plans. Would Gibraltar have been a first choice holiday option pre-covid? This often overlooked destination is one of just a small number of holiday options currently appearing on the 'green' list. The reality is, leisure travel from the UK remains limited and could be for some time!

TRAFFIC LIGHT SYSTEM PROVIDES GREENLIGHT FOR MORE UK HOLIDAY LETS

As a result of ongoing travel restrictions, bookings for staycations in popular UK destinations such as Cornwall, have gone through the roof for bank holidays, school holidays, and the summer in general according to Cornwalllive. Interviewees quoted on the site describe that their holiday parks will be 'completely rammed' with considerable interest being shown for 2022.

With such popularity those thinking of acquiring a holiday let have a great opportunity to ride the 'staycation' wave here in Britain. We're certainly seeing an unprecedented level of holiday let mortgage enquiries!





AREAS TO CONSIDER

Some lenders have restrictions on the location, which can include certain counties or regions. Specific geographic locations such as city centres may also be on the exclusion list. Future sale potential is an area which is often explored. If so, that can be a factor in the lending decision as the future market is smaller.

Income yields on a holiday let are often higher than a standard tenancy agreement, yet many lenders base their calculations on the tenancy agreement. It makes sense to check how they arrive at their figures. In addition, only some lenders look at the applicant's total income rather than basing the calculation on the income of the property. This is how we assess holiday let property lending, using the client's earned income along with their savings and investments and a portion of the expected rental income.

Finally, think about the type of property and construction methods as these can also be a crucial part of the application process.

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 option further.

DEMYSTIFYING HOLIDAY LETS

The popularity in holiday let purchases is not just down to the pandemic. As the buy-to-let market becomes more regulated, investors are looking for alternative sources of income. Holiday lets can be a sensible investment, with potentially higher yields than traditional buy-to-lets, and they still come with a taxable allowance. In addition, the owner can utilise any properties they may have in desirable locations.

At Harpenden Building Society, we have been providing a product and assisting clients in this segment of the market for many years. We have learned that applications can be complicated and without the right support brokers can find the process very time consuming. When trying to find a lending solution for a client, there are a number of features and characteristics you should be aware of. The big ones are the location of the property, and affordability.

Jean Errington

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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.