



Industry insights

UK Holiday Lets – still a shrewd investment

With the holiday season in full swing, it's a timely reminder for mortgage intermediaries to consider the opportunities created through UK holiday let financing. The demand for mortgages in this specialist area is as strong as ever.

Despite being able to travel more widely than at any time since the pandemic first struck, the travel industry is reeling from the effects of Covid-19. Overseas travel is difficult. As a result, a boom in holidaying at home and the ongoing demand for good quality staycation accommodation remains. In the coming months, we expect a steady stream of holiday let mortgage applications. It remains a popular option with investors wanting to make the most of the situation.

THE BACKGROUND

When Covid finally became more manageable the general consensus was that we would be able to travel easily again, whenever we wanted to and how we had done prior to the pandemic. Although this has been the case to some extent, overseas travel has been far from easy in 2022, a situation that looks set to remain for some time. Whether it's flight cancellations or delays in getting passports renewed, it's a hassle, putting many people off. The obvious solution has been to holiday closer to home and this is what's been happening during this peak holiday season.

STAYCATION POPULARITY

According to PwC research, 37% of UK residents plan to travel locally in 2022 creating significant demand for holiday lets allowing investors to maximise rental income as demand outstrips supply in British holiday hotspots.

2022 research from Park Leisure also found that over two thirds interviewed (70%) agreed they would rather take smaller regular trips in the UK than one big holiday, again pushing up demand for domestic holidays. When asked their reasons for preferring UK breaks to overseas travel, less travel time to the

destination, followed by reconnecting with nature and the great outdoors were cited as most appealing. The increasing number of people buying pets during lockdown has also influenced current holidaying trends. The ability to bring pets along on holiday was a huge pull towards staycations with almost a quarter of Brits (24%) saying bringing along their four legged family members as reason to consider taking more regular UK holidays.



HARPENDEN'S APPROACH

Harpenden's specialist holiday let product range is not only price competitive but also has some interesting features. Additionally, there are no restrictions on location for the property purchase giving wider buying options within England and Wales, whether it be in a coastal, rural or city centre location. We also recognise that investing in a holiday let is not just about the money. As such we have included an additional feature which allows the owner to enjoy their holiday let property themselves for up to 90 days per year. Loans of up to £2m are available; Airbnb rentals are accepted; personal income can be used if required to support the loan (top slicing); up to 3 properties on one title will be considered; as are properties above commercial premises; with 75% LTV available on IO and 80% available on repayment.

In our experience, holiday let purchases are often made by customers with multiple forms of income from a range of financial sources. Mortgage applications assessed by a mainstream retail lender can't always accommodate customers with a complex income. Applications assessed on mass by an algorithm, a popular assessment tool used in isolation by many larger lenders, can be rejected at the first step for those customers with a non-standard financial profile. At Harpenden we, and some other specialist lenders, manually underwrite every mortgage application helping us to take a considered view; to assess the risk in more detail and to look at the wider picture. We want to say 'yes' – with the benefit of manual underwriting, a complex holiday let mortgage application can often proceed.

The holiday let market remains strong with the opportunity to secure favourable rental yields. For those of you with a customer looking to invest in a holiday let property, a specialist lender like ourselves will be delighted to discuss the options with you.

SURGE IN DEMAND FOR UK HOLIDAY LET MORTGAGES

With such demand for what we now term 'staycation breaks', investors are seizing the opportunity to acquire holiday let property to rent out providing a stream of financing opportunities for both lenders and brokers. We have many years of experience to compare and contrast in this specialist area of lending and this is a bumper year for holiday let mortgage applications!



Emily Smith

Emily Smith, Head of Intermediary Sales & Distribution, Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process.



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.