



Industry insights

Foreign travel chaos set to boost UK holiday let demand

Delays and wider travel issues expected during October half term getaway



If you thought overseas travel turmoil was a thing of the past, think again. October half term is set to feel the effects of continuing travel related issues. As a result, the popularity of holidaying in the UK remains strong - boosting the demand for quality short-term rental accommodation and in turn, giving mortgage brokers an opportunity to make the most of a buoyant holiday let market.

OVERSEAS TRAVEL RESTRICTIONS

Having experienced significant travel delays, strikes and covid restrictions during peak travel times during 2022, the future remains uncertain. Understandably, Brits wanting a more trouble-free option, continue to holiday on home soil. Overseas travel remains unreliable creating demand for UK holiday let options.

ONGOING ISSUES BOOSTING UK HOLIDAY LET INTEREST

Heathrow, the UK's busiest airport, announced it will extend its cap on passenger numbers, with no more than 100,000 daily travellers being able to depart until October 29. This is no doubt restricting availability and pushing up the price of airfares. The Daily Mail has reported that up to one million seats could be axed from airline schedules.

In a survey of 4,963 households covering the period of 31 August to 11 September, the Office for National Statistics found that over a quarter of international travellers in the previous 12 weeks experienced some form of disruption. When will the disruption end? The answer is, no one really knows.

In addition, a historically weak British Pound versus the US Dollar and to a lesser degree the Euro, means that Sterling just isn't going as far anymore when heading overseas. This will inevitably lead to more expensive foreign holidays and the value of spending money sharply decreasing – yet another indicator that the UK will be the place to holiday in - during what continue to be challenging times.

As holiday makers look to avoid these issues and choose to spend leisure time in the UK, we continue to receive strong interest from brokers and their investor customers wanting to finance UK holiday let property.

A SPECIALIST LENDERS' APPROACH

We recommend that any 'would be' holiday let owners consider a specialist lender to finance their purchase, a lender with expertise in and best suited to dealing with the unique aspects of buying a holiday let.

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 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 in-depth scrutiny from manual underwriting a complex holiday let mortgage application can often proceed.

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. 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.

Our experience in this sector and the refined criteria, developed as a result, provides additional safeguards benefitting all those involved in the purchasing process – lender, broker and customer. We use rental income projections when considering applications, as well as taking a holistic view of a client's financial circumstances.

NEW OPPORTUNITIES

The future of UK holiday lets looks strong for a variety of reasons. When it comes to holiday let financing, the current market provides considerable opportunities for both brokers and their investor customers. A specialist lender is uniquely placed to assist and make that opportunity become a reality.

ONGOING DEMAND FOR UK HOLIDAY LET MORTGAGES

As a longstanding provider of holiday let mortgages we see new trends in holiday let mortgage applications. With the market booming in recent years in traditional holiday areas such as Cornwall and Devon, quality holiday let stock has become harder to find - pushing up prices. The average house price in Cornwall rose by 15.3% in the year to March, according to figures from the Office for National Statistics.

We of course provide mortgage financing options in this region but our willingness to lend against holiday let options in less traditional locations is an area we anticipate seeing growth. Cities renowned for history, culture and sport such as Liverpool or Manchester, amongst many others, provide 'alternative' UK based city-break destinations. According to onthemarket.com the average price paid for properties in Liverpool was £196,000 in September 2022, providing an affordable holiday let option. We are pleased to consider holiday let applications relating to a wide range of English and Welsh locations, currently up to a mortgage value of £1M.



Jean Errington

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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.