

## INDUSTRY INSIGHTS

# The Changing Prospects for Holiday Lets

*The lockdown is affecting all areas of every business, especially the travel and tourism sectors. The Coronavirus outbreak is causing a widespread reconsideration of holiday choices, with many signs that more and more people are looking at domestic, UK destinations rather than the overseas adventures that have become so central to our way of life.*

*Accommodation site Host Unusual says it has seen a shift towards domestic locations since the outbreak, with a 20% increase in traffic to its website since last March. Campsites.co.uk is also attracting more interest than usual, with traffic up 18% in February and nearly 30% in March compared to last year.*

*Now more than ever those looking for a holiday are looking towards our own green and pleasant lands. The variety on offer is truly amazing, from back to nature camping with the family, to a luxury no expenses spared castle, with your own butler. The choice is theirs to take.*

## A CHANGING MARKET

As awareness grows over the need to reduce carbon emissions, along with the reduction in the number of airlines operating after the Covid-19 crisis, holiday patterns are changing.

According to VisitBritain, domestic breaks already account for almost 80% of tourism in the UK, with about £72bn spent annually by 'staycationers' in England alone. 35 million overnight holidays were taken between July 2018 and July 2019, up 2% on the previous twelve months. Coronavirus is likely to mean that many more people will take their holidays in Britain this year, and in the years to come.

## LOOKING AHEAD

If travelling abroad becomes expensive and painfully slow due to extra checks, might we decide on longer, less frequent holidays, closer to home? Are the European weekend city breaks a thing of the past? Will more Europeans decide to visit the UK if the exchange rate remains favourable?

We obviously don't know for sure and, while the world is unlikely to be turned on its head, this unprecedented crisis will have some impact. The "new normal" will not be like the "old normal".



# DEMYSTIFYING HOLIDAY LETS

Holiday Lets are becoming an increasingly attractive investment proposition, and it's 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 it can become 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.

## 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 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.

## SUPPORT FOR BROKERS

We will be able to help you explore these possibilities with your clients. We know from experience that holiday let mortgages can be complicated and this is one reason why many lenders shy away from them. This is a niche area and suitability cannot be assessed through computer modelling alone. Flexibility and the capacity to create bespoke solutions is important for Holiday Lets.

Given this special nature, our underwriters are all available to talk with customers and brokers to gain a thorough understanding of their circumstances. Mortgages for holiday lets are available for purchase, re-mortgage or release of equity to include short term holiday letting. We are available to support your clients and discuss options, and help you find a way forward.



*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: [www.bbc.co.uk/news/uk-england-cornwall-52139011](http://www.bbc.co.uk/news/uk-england-cornwall-52139011)  
[www.walesonline.co.uk/news/wales-news/coronavirus-covid-property-future-transport-17958395](http://www.walesonline.co.uk/news/wales-news/coronavirus-covid-property-future-transport-17958395)  
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