

## INDUSTRY INSIGHTS

# The long-term implications of Holiday Lets

*Between local lockdowns, ongoing overseas travel restrictions and the fact that Covid-cases are on the rise once more, the outlook for a holiday abroad seems even further out of reach. The summer of 2020 saw many residents cancel their plans for exotic destinations while instead rediscovering the many beaches, forests and cultural attractions that the UK has to offer.*

*With hotels booked up or operating at limited capacity, demand for self-catering accommodation soared and with it piqued investor interest in holiday let properties. This trend was very noticeable to us at Harpenden Building Society where we have seen a steep increase in applications and inquiries for holiday let mortgages over the last 6 months.*

## LOOKING TO THE FUTURE

This trend is understandable as investors seek to make the most out of a booming UK staycation market. However, it is important to remember that such purchases should be viewed as long term investments. No-one can predict the path that the pandemic will take and hence there are a number of considerations before making a purchase based on current trends. For example, when international travel begins to ramp up and a demand for UK holiday accommodation potentially dips, are your clients able to manage a temporary loss in income? Has your client undertaken research to fully understand the peak rental periods at their chosen property (for example beach vs town) throughout the year?

## ADVICE FOR CLIENTS CONSIDERING A HOLIDAY-LET PURCHASE

At Harpenden, we've experienced a wealth of inquiries from mortgage intermediaries looking to assist their clients with holiday let applications. While this is understandable given recent trends, we've compiled a few guidelines that can help brokers and their clients understand the long term implications of such a purchase:

- Clients need to have a clear idea of the costs involved in running another property. Even if the property is not occupied throughout the year, it will still require constant maintenance and upkeep on both a practical and aesthetic level.
- A separate savings account is advisable with monies to cover the mortgage for at least three months in the event that the property is unoccupied or inhabitable for a period of time. Landlords should not be solely dependent on rental income.
- Clients should consider having the property professionally managed at the busiest times of the year. At peak times, the change-over period between guests may be a short window where bedding needs to be changed and the property thoroughly cleaned. This is particularly important during the pandemic where properties will require a deep clean.



# HARPENDEN'S EXPERIENCE

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. Sometimes, during our underwriting process, we uncover that the full costs of running a property have not been properly considered in this way and hence the application is unable to progress. It is important for clients to understand how important it is to keep up the maintenance of their property. A holiday let takes a lot of wear and tear and must be looking its best at all times in an age where people are constantly taking and posting photos to Instagram. Additionally, social media allows anyone to be a critic and criticise they shall! Expectations are high and the most successful holiday let owners fully understand and anticipate their guests' needs and requirements.

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, please do get in touch and we'd be delighted to discuss it 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.