



Industry insights

Summer 2021 – what are your holiday plans?

UK Holiday Lets remain popular providing opportunities for mortgage brokers.

So have you booked your summer holiday yet? With a sense of relief, UK holiday restrictions are beginning to lift (from April 12) and that much needed break looks increasingly likely for many, boosting the domestic holiday let market.

Overseas holidays in contrast still remain uncertain. With dates still to be confirmed for unrestricted foreign travel and access to some destinations likely to remain heavily controlled amidst a 3rd wave of Covid infections, the UK remains a popular holiday destination for Brits booking for summer 2021 and beyond.

WHAT WILL THE OPTIONS BE?

As widely reported in the media, a new 'traffic light system' is set to be introduced by government indicating which foreign destinations we'll be able to access and what restrictions will apply. Testing; the potential to have to quarantine; and the need for additional planning will all come at a cost for travellers, from both a time and monetary perspective.

Holidays are meant to be a time of rest and relaxation – will we really want to jump through these additional hoops? Some will of course book up as soon as the green light is given for an overseas holiday, but for many, a UK holiday break will seem even more appealing as the uncertainty of foreign travel continues.

If booking levels for UK holidays are anything to go by, thousands of us are thinking the same. Earlier this month the Guardian reported that holiday home firm Cottages.com, said two-thirds of its properties in coastal locations or with hot tubs had been booked during the first week when restrictions were eased – quite a feat during a period which is traditionally not a peak time. With demand like this, holiday makers looking for availability during high season will no doubt find it challenging. The same reporting indicated that booking through the firm's wider website for rentals during the summer was already busy, with Cornwall more than 80% sold and Devon nearly 70% sold.*



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. This demand continues to provide a stream of financing opportunities for both lenders and brokers. We have many years of experience to compare and contrast and this is a bumper year for holiday let mortgage applications!



HARPENDEN'S APPROACH

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

As well as using rental income projections 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, for instance, the mortgage and running costs for up to 3 months – safeguarding the ability to repay the loan if the property is unexpectedly without visitors for short periods.

Specialist lenders will vary in their income requirements. At Harpenden, a minimum income of £30k is required alongside the additional financial requirements mentioned above.

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 options 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.

Source:

*<https://www.theguardian.com/business/2021/apr/03/english-holiday-rentals-report-huge-demand-for-bookings-from-12-april>



www.harpendenbs.co.uk