



# Industry insights

Sunny outlook for holiday let investors.

*The summer of 2021 is proving to be a buoyant time for the UK holiday industry. Chances are you will have enjoyed a 'staycation' holiday yourself this year due to Covid-19 travel restrictions. Holidaying closer to home may not have been your first choice but it is something many of us have enjoyed. This situation has positively impacted many UK businesses serving the domestic tourism industry, but what opportunity has this created for mortgage brokers?*

## WILL THE POPULARITY OF HOLIDAY LETS CONTINUE?

To reference The Clash's hit song 'Should I Stay or should I Go', commentators are predicting that the UK staycation will retain its popularity and that those Brits wanting a break will, in part, continue to 'stay' here rather than 'go' abroad indicating holiday let investment could remain a strong option.

In reference to the Sykes Holiday Cottages staycation study, CEO Graham Donoghue said: "As people eagerly await an escape from lockdown, opting for staycations is not only the safest option, but our research shows that the Great British staycation is fast becoming the holiday of choice regardless of restrictions."

He added: "Our research also reveals a significant uplift in interest from second homeowners looking to list their properties and make the most of the rise in bookings this summer, with holiday letting proving to be an increasingly attractive investment opportunity by the day."

As well as the obvious benefits of being able to avoid the disruption of constantly changing travel restrictions, a UK holiday can be seen as a more hassle free option in other ways too. Examples include: avoiding passport controls at the airport; mobile roaming charges and fluctuating exchange rates. Further positives of holidaying here include the ease of taking pets away (a consideration for the many who have bought a dog during lockdown); the opportunity to take your car without giving it a second thought; and of course we shouldn't forget the UK's award winning countryside, coastlines and historic locations which many of us have overlooked in preference for overseas options in recent years.

## DEMAND FOR HOLIDAY LETS

According to the Sykes Holiday Cottages 2021 Staycation Index, almost four in five of us planned a holiday on home soil this year – with most Brits choosing the UK for their main summer break. This has created unprecedented demand for holiday accommodation creating opportunities for savvy investors looking to optimise this situation. Purchasing a holiday let in a prime holiday location, continues to be a strong option for maximising returns and is creating increased demand for specialist holiday let mortgages.

## FINANCING A HOLIDAY LET

With the popularity of the staycation and the subsequent demand for holiday let mortgages there has been an understandable upturn in products being offered in this space. The number of mortgage options is up by around 45 per cent in recent months, twice the number in August 2020\*.

Sean Horton, co-owner of Drake Mortgages, a firm offering a wide range of financial services products and with a particular specialism in the holiday let mortgage sector, takes up the story: "Both lenders and brokers have understandably jumped at the business opportunity created by the increased popularity of holiday lets. With more products on the market it's never been more important for customers to be able to assess in detail what's on offer. Having been involved in this niche for many years I always prefer to work with lenders who have a track record in this specialist area so customers can be expertly guided through the intricacies of this product type. It makes a positive outcome so much easier to reach."

Sean adds: "Holiday let mortgages are more difficult to arrange than normal mortgages and are also very different from standard buy to let products so strong guidance is key. The devil is in the detail, particularly when it comes to financing. Being able to reach a product expert and underwriter at the end of the phone for instance is a huge bonus and can significantly help brokers and their customers get the application across the line."

# SOURCING THE RIGHT HOLIDAY LET MORTGAGE

With Harpenden's new, improved holiday let products, in regard to pricing and criteria (2 Year Discount Repayment 2.99% / 3.49%; 2 Year Discount Interest-Only 2.99% / 3.49%; Repayment 75% Max LTV; Interest only/Part & Part; 70% Max LTV), we're already seeing increased interest from brokers and their customers wanting to buy holiday let properties in the UK.

As well as better rates, Harpenden's specialist product range includes the ability to purchase a property that would have previously been labelled a Consumer Buy to Let, as a Holiday Let, qualifying for the more attractive criteria that comes with this lending category.

Additionally, there are no restrictions on location for the property purchase giving wider buying options within England and Wales. Harpenden's mortgages for holiday lets are available for purchase, re-mortgage or release of equity to include short term holiday letting. A minimum income of £30k is required.

Manual underwriting provides a more in-depth review of the customer's financial position and a greater opportunity for complex applications to be accepted (many high street lenders solely rely on the use of algorithms). Ideally the let property will be self-funding from the rental income, however in some cases we can also look into an applicant's income in more detail so there is greater opportunity to say 'yes!' The customer's earned income is considered from a range of sources in addition to salary, including their savings, investments and pension income when a lending decision is made.

The Society also takes a holistic view of the applicant's financial circumstances to ensure they have surplus income and funds available to afford the mortgage and the Holiday Let running costs for up to 3 months – safeguarding the customers' ability to repay the loan if the property is unexpectedly without visitors for short periods, protecting everyone involved.

## NEW OPPORTUNITIES

When it comes to holiday let financing, the current market provides considerable opportunities for both brokers and their investor customers. Sourcing a holiday let mortgage through a specialist lender will assist you as you make that opportunity become a reality.



*Jacqui Turner*

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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.