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Holiday let mortgages to be restricted in tourist hotspots

Aspiring homeowners who struggle to buy a property in two popular tourist destinations have been boosted by Leeds Building Society which will restrict mortgage lending on holiday lets in those areas.

The society has worked with North Norfolk District Council and North Yorkshire Council to set up a 12-month trial during which it will stop new loans for holiday let homes.

Each authority has identified where housing pressures are most serious and holiday let lending will be restricted in those areas from the end of March.

The Society has liaised with the councils over the holiday lets restrictions, as it has sought to balance local housing needs with the economic benefits tourism can provide.

It follows a similar decision by the Society in 2022 when it became the first national mortgage provider to pull out of funding purchases of second residential homes, allowing it to instead increase lending to people getting on the property ladder.

Research commissioned by Leeds Building Society last year made the steep challenges facing first-time buyers clear: house price to earnings ratio has doubled over the past 40 years to almost five times' earnings, and it would take them an average of 12 years to save for a deposit¹.

The Society wants more emphasis placed on increasing the supply of homes, and in some areas the impact of holiday lets can be acute.

According to Generation Rent, there are more than 73,000 holiday homes in Great Britain, with latest figures showing an annual increase of 7,000; North Yorkshire was one of seven areas where the growth in holiday homes effectively cut new supply of homes by half².

The chosen postcode locations will be added to the building society's systems to prevent any holiday let mortgage applications received in those areas from being approved.

Existing holiday let borrowers are unaffected.

Leeds Building Society Chief Executive, Richard Fearon, said: "This is another example of how we're putting homeownership within reach of more people generation after generation. In some areas, holiday lets have grown to have a significant stranglehold on the

¹ Source: https://www.leedsbuildingsociety.co.uk/_resources/pdfs/knowledge-base-pdfs/a-place-to-call-home.pdf

² Source: <https://www.generationrent.org/2022/12/06/29-homes-lost-per-day-to-the-holiday-homes-sector/>

pipeline of homes available for local people to live in and we want to play our part in removing it.

“There have been a range of measures introduced by Government over recent years to give local areas additional powers to restrict holiday lets. This adds to their arsenal of options and does so in a way which leaves power in the hands of local communities.

“We will learn through the trial how effective this measure can be in increasing supply of residential homes and gain greater insight on steps that can make a positive difference.”

Cllr. Wendy Fredericks, Portfolio Holder for Housing and People Services at North Norfolk District Council, said: “In North Norfolk we have a really severe shortage of homes that people on local wages can afford. Increasing numbers of holiday lets reduce the number of rental homes available for year-round use by local people. So I welcome the move by Leeds Building Society to stop new lending on holiday lets in key areas.”

Cllr. Simon Myers, Executive Member for Culture, Arts and Housing, at North Yorkshire Council, said: “We are pleased to support this initiative by Leeds Building Society. We welcome the fact that it is being specifically targeted at those locations where there are high concentrations of holiday lets. At the same time we feel it strikes a fair balance between the housing needs of local people and the importance of the wider tourism economy of North Yorkshire.”

Ben Twomey, Chief Executive of Generation Rent, said: “The massive increase in short-term holiday lets has seen renters turfed out of our homes and priced out of our communities. Generation Rent is pleased that Leeds Building Society is acting on this issue and prioritising the necessity of homes over the luxury of holidays.

“This trial to restrict mortgage lending on holiday lets is a forward-thinking step that will hopefully help to improve the situation for renters in North Norfolk and North Yorkshire. While the government must do more to stop the haemorrhaging of homes into the holiday let sector, Generation Rent are encouraged that lenders have identified the problem too. The more that can be done to stop rents rising and help tenants to stay in our communities, the better chance we will have to be in position to buy our own homes one day too.”

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