Holiday Let Mortgages in 2025: What Brokers Need to Know

The holiday let market has faced various challenges in recent years, whether that has been through increased competition, economic changes or the impact from the Covid pandemic, creating uncertainties around rental income.

A market continuing to thrive

Despite these setbacks, Holiday Lets are continuing to thrive today, becoming a popular source of income while benefiting from potential property appreciation.

According to Sykes Cottages' 2024 Holiday Let Report, the average turnover for 2023 was £24,500, showcasing an increase from £24,000 in 2022. This steady growth highlights that the market has remained strong despite recent challenges.

This comes as no surprise. Holiday lets can be a good investment, while also providing a comfort blanket of having a property available to use when not on the holiday let market. And not to forget, a potential future retirement home.

Some areas like the Lake District or Cotswolds are popular for investors, as they continue to attract high numbers of tourists and are perfect for a staycation or to spend your retirement when off the holiday let market.

Adapting to recent tax changes

In 2024, the government announced plans to end the Furnished Holiday Lettings (FHL) tax in April 2025, which is now in place. This was implemented to try and address perceived tax revenues or inequalities in the tax system within the holiday let market, where those who have an FHL were benefiting from reduced tax rates on certain income and capital allowance.

This raised concerns for Holiday Let investors. However, there is little to interpret from this as of right now, with many investors continuing to move forward despite these setbacks.

Staycation demand

Staycations have remained consistently popular over the last few years. Even during the pandemic, when many holiday lets faced closure, demand for the staycation market surged.

Statista revealed that during the Covid-19 pandemic in 2020, the term "staycation" saw a year-over-year growth of over 500%.

In 2025, this surge has not died down. Research by Away Resorts revealed that more Brits plan to take a staycation in the UK (52%) than travel abroad (46%), showing that demand is still strong for holiday let investors.

Moving forward in 2025 and beyond

As we move through 2025, the holiday let market may receive an additional boost if mortgage rates decline further.

The Bank of England has already made a first base rate cut in February, with further cuts expected later in the year. The impact of this could be huge, as this could lead to lower borrowing costs, sparking a larger interest in both holidays let and buy-to-lets investments.

And how is this fairing for the rental market also? Well stats are already showing optimism. Savills has projected a 4% rental growth in 2025.

Since there are more people looking for rentals than there are homes available, the high demand could greatly benefit landlords and may lead to higher rents in response to the situation. In turn, this could drive a surge in investors to capitalise on opportunities in the holiday let or buy to let market.

Conclusion

Holiday let mortgages are continuing to be a popular investment as we move through 2025. Despite tax changes from the government, the sector continues to thrive. With steady rental income and property appreciation, they offer lifestyle and financial benefits, making them an enticing proposition for UK-based investors.

All in all, the demand for holiday lets is likely to make 2025 a huge year for both borrowers and brokers.

If you are a broker with a client looking for a holiday let mortgage, get in touch with a BDM to discuss a case, or contact our friendly intermediary today on 01384 489195.