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## **Property Purchase in Bermuda**

### **Finding the Property**

Bermuda real estate agents network and share listings readily therefore if you find an agent you are happy with they will search on your behalf through properties available island-wide that fit your criteria.

### **Bermudian or Non Bermudian?**

See the guidelines and explanations on the page [property purchase rules and regulations](#)

### **Funding the Purchase**

Financing can be finalised once an offer is made, however it will help to have built a relationship with a loan officer and have a clear understanding of the financial ceilings that you may have to consider. This is often referred to as pre-approval and may be granted for a specific period say 3 months. This will allow you to act swiftly once you find the property to purchase.

A variety of institutions in Bermuda provide funds and these include:

- Bank of Bermuda
- Bank of N.T. Butterfield
- Capital G
- Bermuda Savings & Loan
- Bermuda Housing Corporation (qualified Bermudians only)
- occasionally by other financial institutions, such as insurance companies, law firms' trust departments

It may also be advisable to consider the lawyer you will elect to use for conveyance purposes.

### **Making your Offer**

Your agent will usually conduct negotiations on your behalf and it may be helpful to specify your wishes in writing to ease communications.

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### **Building Inspection v Appraisal**

You will probably have to have the property valued by an independent professional appraiser who will provide a qualified written opinion of market value for loan purposes. The fee for such a service is in the region of \$500.00.

Bermuda sales contracts contain a clause stating *the purchaser is presumed to have satisfied himself as to the condition of the building(s) on the property*. The Appraisal does not constitute a building inspection and should you wish to assess the structure and condition of the building prior to entering into a contract, you should specify this in your offer. Such an inspection and report by a Building Surveyor or such like may be in the region of \$1000.00.

### **Offer Agreement**

As soon as an agreement of price and essential terms is reached it is recommended that it is documented in the form of a signed Offer Agreement 'subject to contract' by your agent on a standard form or by a simple exchange of faxes.

The Vendor will draft a sales agreement, which will take no more than a few days. The Vendor will agree that the contract reflects the terms and then you will receive a copy. It is advisable to have your lawyer review it before you sign. This agreement summarises instructions for handling the actual conveyance.

### **Plans for Developing the Property**

If you have development plans drawings can be produced and submitted to the Department of Planning prior to the closing date and included as a condition to the contract .

Bermuda's Department of Planning ultimately determines what can and cannot be done by way of development, however their guidelines are set out in written form. The Bermuda Plan 1992 - Planning Statement contains the details of allowable site coverage, set backs, etc. The potential for subdivision will be governed by the zoning of the area. Residential properties are typically zoned either Residential 1 or Residential 2. Residential 1 is higher density than Residential 2.

The process from submission to approval takes around 4 months. An architect will provide a comprehensive professional service from design consultation to drawings and construction at approximately 10% of the building cost. For example for a two bedroom/two bathroom home with a studio apartment comprising 2000 square feet:

2000 square feet @ say \$250.00 per square foot = \$500,000

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Architect Fees etc @ say 10% =\$50,000.00.

### **Closing the Sale**

Sales contracts usually specify that the closing take place within a set time and a sale can close as fast as 28 days. If a License to Acquire Property is required it will typically take about 3 months to process. Other clauses inserted in the contract may also affect the date of closing.

### **Closing Costs**

In Bermuda the price quoted is normally 'gross' price and implies that the vendor and purchaser will split half of the stamp duty and half of the conveyance cost. (Add 2.5% to “guestimate” costs.) There are occasionally variations such as variations 'net' price whereby the purchaser assumes a higher percentage or proportion of costs (add 10% to “guestimate” costs.) These will be clarified by the agent prior to the Offer Agreement and included in the documented terms.

A couple of examples are attached to illustrate how these costs add up and what may be included.

- ❑ Commission

The standard sales commission in Bermuda as established by the Real Estate Division of the Bermuda Chamber of Commerce is 5% and usually paid by the Vendor.

- ❑ Stamp Duty

Stamp Duties are charged on a sliding scale and divided between Vendor and Purchaser, but the split may be negotiated. [See our table of examples](#)

- ❑ Conveyance and other misc. legal fees

[See our table of examples](#)

Conveyance costs are on a decreasing sliding-scale and any extra legal fees incurred by either party for any reason, will be paid directly.

### **Taxes On Property**

Land Tax is currently the only property tax in Bermuda. It is relatively low by world standards and based on the ARV (government-assessed 'Annual Rental Value'), not the 'value' of the property. Land tax is paid biannually and calculated annually on a sliding scale.