

It is a fundamental principle of value in real estate that location is key. **Location, location, location** is a favourite expression of realtors because the location of a property has a significant effect on its capital and rental value. The better the location, the higher the value. Likewise, all other things being equal, one would clearly expect that a neighbour with a larger house or more ancillaries or more amenities would have a higher ARV than yours, irrespective of how many bedrooms or bathrooms he has. Equity would dictate this, and it is a statutory requirement that ARVs are **fair one with another**.

The methodology used by the Department quantifies the major attributes of a property that affect its rental value. As such, properties across the Island are assessed on the **same basis** and their ARVs can be compared allowing for the differences in their value attributes. Like a giant jigsaw puzzle, the residential assessments across the Island relate to each other and in this way the **fairness and equity** in the ARVs are maintained.

www.landvaluation.bm

Please visit the Department's website for additional information on Annual Rental Values.

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Hours of Operation

8.30 a.m. – 5:00 p.m.

Monday – Friday (Except Public Holidays)

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Flyer # 1

Residential Property



How is my Residential ARV Calculated?



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GOVERNMENT OF BERMUDA

Residential property valuation methodology

Bermudian homes are mainly built to the taste and financial budget of each owner. As such, there is very little physical uniformity in Bermuda's residential development. Roads and roads of identical homes that only differ principally in their decoration are common in other countries, but not in Bermuda.

Over the years, as Bermudians have become more affluent and tastes have changed, there has been a shift to building larger homes with more amenities.

Forty years ago a large home comprised three bedrooms, one bathroom, living room, kitchen and dining room all in less than 185 m² (2,000 ft²). Today, it is four bedrooms with ensuite bathrooms, living room, dining room, office, theatre, large kitchen for entertaining, play room, additional bathrooms, air conditioning, outdoor living areas etc. with 465 m² (5,000 ft²) not uncommon. While tastes and sizes have changed, the same valuation methodology is still applicable for establishing ARVs in Bermuda for land taxation purposes. It has been used by the Department for almost 50 years and has

been accepted by the Land Valuation Appeal Tribunal and stood the test of time.

Section 4 of the Land Valuation and Tax Act 1967 requires **fairness** of Annual Rental Values (ARVs) between valuation units, **one with another**. There must therefore be some measure or yardstick to compare properties to ensure fairness and equity between valuation units and their ARVs.

Using bedrooms and bathrooms as the yardstick is far too simplistic and unfair as it ignores other features of a property that affects its rental value. There are a number of factors that are the principal determinants of rental value of a residential property.

The Department uses the following factors to analyse rents, carry out revaluations and ensure fairness and equity between assessments:

- 1. Location:** the geographical location also reflects views and typical lot size for the neighbourhood;
- 2. Property type:** house, apartment, condominium, townhouse etc.;
- 3. Size of living accommodation:** which is measured by using the Gross External Area (GEA) of the property. This is one of the main attributes behind a property and its associated ARV;
- 4. Size of any ancillary accommodation:** this includes things such as porches, covered verandahs, garages etc. which will also be measured on a Gross External Basis;

5. Amenities: swimming pool, docks, tennis courts etc;

6. Characteristics: any characteristics specific to the individual unit which affect its rental value (e.g. adjacent to a sewage treatment plant).

NB: All measurements undertaken by the Land Valuation Department are stated in metric.

These **six primary factors** used by the Department provide a yardstick that enables an equitable assessment and comparison to be made between valuation units. These have been accepted not just by the Tribunal, but taxpayers as well. **Every** property in Bermuda has been surveyed by the department for land taxation purposes at some point, with its value specific data collected on site and maintained in the Department's database.

