HOUSING POLICY IN BERMUDA

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P.B. Adwick

for

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EXECUTIVE SUMMARY

1. Introduction

E.1 This study is a high level review of housing policy in Bermuda with a view to developing a longer term housing strategy for the island. It has been commissioned by the Sustainable Development Unit and the costs associated with its preparation have been borne by the Association of Bermuda International Companies.

2. Housing Stock

E.2 Housing stock has increased steadily since the early 1990's after surging during the 1980's. Comparison between the 2004 valuation list and 2000 Census returns appears to indicate that housing supply exceeds the number of households.

E.3 The persistently high vacancy rate suggests many units, probably studio apartments, do not reach the housing market.

E.4 Construction rates have significantly exceeded projected housing needs.

E.5 The rate of condominium construction has increased in recent years in response to market demand for lower priced housing products. There have also been a considerable number of condominiums constructed on tourism sites but these are not included in housing completion statistics.

E.6 The majority of houses constructed over the last 25 years have been either 1 or 2 bedroom.

3. Housing Demand

E.7 The rate of household formation is rising much faster than population increase, particularly amongst the Bermudian population.

E.8 The Bermudian population is aging and the average age of non-Bermudian household heads is also increasing.

E.9 There has been a substantial increase in 1-person and adult couple households, particularly amongst the Bermudian population.

E.10 More Bermudian households are now headed by a female and there has been a significant increase in home ownership amongst these households.

E.11 Black Bermudian females are more likely to head a low income household and require rented accommodation.

E.12 The growth in work permits indicates that immigration is increasing but data is lacking on household formation.

E.13 All these socio-economic changes are tending to increase competition for housing resources.

4. Housing Market

E.14 Home-ownership is increasing in Bermuda and many Bermudians are purchasing property for investment purposes.

E.15 House prices have increased significantly in recent years as a result of demand fuelled by low interest rates and growing affluence. Although there is some evidence that property prices are stabilizing as interest rates increase the high prices are likely to make it more difficult for young Bermudians to access the market.

E.16 The majority of renters, whether they are Bermudian or non-Bermudian, prefer one or two-bedroom accommodation. Preferences are shifting, though, with Bermudians preferring smaller accommodation and non-Bermudians seeking larger units.

E.17 Average rent levels have increased by 40% since 2000. The average rent paid by non-Bermudian renters is significantly higher than that paid by Bermudian renters.

E.18 Rising rents are consuming a higher proportion of incomes and this disproportionately affects Bermudians on lower incomes.

E.19 A relatively small proportion of households receive housing subsidies about half of which are paid by Government. Of those provided by private companies 42% are paid by international business. Housing allowances can have a distorting effect on the market.

5. Current Government Policy

E.20 A variety of Government departments are involved in delivering housing policies and programmes.

E.21 The main vehicle for providing housing is the Bermuda Housing Corporation. The focus of the organization has changed since its establishment from encouraging home ownership to providing affordable rental accommodation for those most in need.

E.22 The Bermuda Housing Corporation and the West End Development Corporation are the main suppliers of public housing in Bermuda.

E.23 Government regulates rent increases and provides tenant protection against unjustified eviction through the office of the Rent Commissioner. The ARV limit was recently increased so that about 55% of dwellings are now subject to rent control.

E.24 The purchase of residential property by non-Bermudians is controlled by Government and further restrictions on the ability of non-Bermudians to buy property were imposed earlier this year.

E.25 The Department of Financial Assistance has administered a system of housing allowances to needy Bermudian families. This system is being phased out in the general financial assistance programme established under the Financial Assistance Act 2001.

E.26 The Department of Planning regulates the use and development of land for housing.

6. Issues and Options

E.27 Institutional arrangements for delivering housing policies are inadequate. The Ministry of Works, Engineering and Housing is most directly involved at present but responsibilities for housing have shifted between Ministries.

E.28 Housing related policies and programmes have been introduced in response to specific issues and have lacked a comprehensive overview. The involvement of different departments/Ministries complicates policy coordination.

E.29 A coordinated and comprehensive approach to housing policy requires new administrative arrangements. These should allow for a more broad-based, integrated approach to managing Bermuda's housing stock.

E.30 These arrangements will provide the necessary platform for the preparation and implementation of a housing strategy for Bermuda.

E.31 Effective strategic planning will require the establishment of a housing monitoring unit. Three important areas for gathering information are the housing market, immigration and socio-economic change in Bermuda.

E.32 More work needs to be done on assessing housing needs. This should include not just the social renting sector but also intermediate housing requirements and other special needs such as key worker housing and guest workers.

E.33 Public/private partnerships could provide a productive way of increasing housing supply.

E.34 Assisted purchase/shared equity schemes could provide a means of improving accessibility to the housing market.

E.35 Ways of making better use of the existing housing stock need to be investigated. These could include researching ways to reduce the vacancy rate and evaluating the desirability of introducing housing control measures similar to those used in the Channel Islands.

E.36 The development plan review should ensure sufficient land is available to meet housing needs and consider the potential for and implications of non-traditional housing. Planning and housing policies should be coordinated in order to meet wider sustainable community objectives.

7. Conclusion

E.37 There should be a thorough review of existing institutional arrangements with a view to establishing an administrative structure with powers and resources adequate to respond to the scope of the housing challenges facing Bermuda.

1. INTRODUCTION

1.1 This report has been commissioned by the Sustainable Development Unit in the Cabinet Office in conjunction with work being undertaken in connection with the Sustainable Development Strategy and Action Plan. The costs associated with the preparation of this report have been borne by the Association of Bermuda International Companies.

1.2 Concern about housing in Bermuda is not new. Recent heightened awareness of housing issues is a periodic manifestation this time prompted by real concern about affordability in the face of rising housing costs. As in the past this in turn leads to urgent action to address the perceived problem. There is a danger that tackling deep-seated problems in such an ad hoc manner will result in short term fixes that consume a disproportionate amount of resources and may conflict with other longer term Government objectives.

1.3 This study is a high level review of housing policy in Bermuda with a view to developing a longer term housing strategy for the island. Such a strategy would avoid the potential pitfalls of quick-fix solutions and provide consistency over time in dealing with housing issues.

1.4 The study seeks to identify the main housing issues in Bermuda and set them in a wider policy context. It provides an overview of housing stock in Bermuda and the changing socio-economic demands that exert pressure on the housing market. The consequences for the housing market are also considered. The study then reviews the policy responses of Government. Finally the report considers the principal issues that arise from the analysis and highlights some of the options for dealing effectively with these matters.

2. HOUSING STOCK

2.1 The housing stock in Bermuda represents the total supply of housing that exists to provide shelter for the inhabitants of the island. The majority of the housing stock is a legacy from past periods of construction and much has undergone adaptation to the needs of the day. The traditional perception of housing is that it should consist of a detached cottage on its own lot. This frequently has an apartment attached to it. More recently, condominium developments have provided a different style of house that can be more land-efficient.

Total dwelling stock

2.2 Table 1 below contains data extracted from previous census counts and shows the general growth in the dwelling stock since 1980. The decade to 1991 saw a dramatic increase in the number of dwellings resulting from a surge in building during the 1980's. Construction rates since that time have been somewhat lower so that a more modest increase was recorded for the decade to 2000.

Table 1

	1980	1991	2000
Households in private dwellings	18,245	22,061	24,763
Group households	204	369	385
Total occupied households	18,449	22,430	25,148
Resident abroad	492	256	284
Army personnel		491	
Vacant	1409	2650	2217
Total dwelling stock	20,350	25,827	27,649
% increase on previous census		27	7
Vacancy rate (%)	7	10	8

Source: Statistics

Vacancy rates

2.3 Vacant dwellings are those dwellings that were found to be habitable but unoccupied on census day. They do not include derelict buildings. Given the strength of demand for housing in Bermuda the housing vacancy rates exposed in each census are surprisingly high. By comparison, the housing vacancy rate found in the 2000 Census for England and Wales was 3.2%. A high vacancy rate would normally have a lowering effect on rents and prices but this is clearly not happening.

Comparison with Valuation List

2.4 According to the 2004 valuation list compiled by the Land Valuation Department there were 28833 habitable residential units in Bermuda (see table 2). It is important to note that these are valuation units and are not necessarily occupied dwellings or available for occupation as some property owners do not wish to have tenants while some assessment numbers are created for the sole purpose of licensing a vehicle. This may, in part, account for the high vacancy rate. The database, though, provides a picture of the total dwelling stock that, in theory, is available.

Table 2

	Detached Dwelling	Condo.	Apartment	Total
City of Hamilton	86	78	367	531
Corporation of St. George's	197	141	417	755
Sandys	1132	137	1850	3119
Southampton	949	207	1688	2844
Warwick	1153	298	2561	4012
Paget	1263	233	1046	2542
Pembroke	1519	216	3249	4984
Devonshire	1108	163	1909	3180
Smith's	1152	128	1365	2645
Hamilton Parish	816	277	1359	2452
St. George's	706	53	1010	1769
Total	10081	1931	16821	28833

Source: Land Valuation Department

2.5 It is interesting to compare this data to the 2000 Census returns. The number of occupied dwelling units found in the 2000 Census (24,763) is considerably lower than the total number of units on the valuation list. There is no doubt that the number of occupied dwelling units will have increased since the census (approximately 1100 new dwelling units were constructed between census day and the end of 2004). Nevertheless, on the face of it the data appears to indicate that there is an adequate supply of housing in Bermuda. This, however, is belied by the fact that house prices and rents continue to spiral upward.

Construction rate

2.6 The 1990's saw dramatic reduction in the rate of house building as compared with the 1980's when on average about 500 units were constructed on an annual basis. A recession in the early 1990's lead to a fall in construction

rates to less than half that of the previous decade. Since 2000 the rate has begun to increase.

2.7 In 1990 the Department of Planning estimated that 1600 new dwelling units would be required to meet the community's housing needs over the ten years to 2000. In fact, 2269 units were completed during the period despite the island's population in the 2000 Census being below the population projection that provided the basis for the housing estimate. A further 1014 dwellings were constructed between 2001 and the end of 2004 (Table 3).

Table 3

	Detached Dwelling	Condo.	Apartment	Total
1991-2000	725	191	1353	2269
2001-2004	348	125	541	1014
Total	1073	316	1894	3283

Source: Department of Planning

2.8 Comparison between the 2004 Valuation List also indicates that recently there has been an increase in the rate of construction of condominiums in preference to other types of dwellings (Table 4). This is likely to be a market response to the increasing price of detached houses. It is important to note that the data provided by the Department of Planning only relate to developments on residential land and do not include condominium developments that have taken place on, for instance, tourism sites. These latter types of schemes have proliferated in recent years and although all would not reach the local residential market some would be available to local purchasers and would inflate the construction numbers for condominiums.

Table 4

	Detached Dwelling (%)	Condo. (%)	Apartment (%)	Total
2004 Val. List	35	7	58	100
2001-2004	34	12	54	100

Source: Land Valuation & Planning

House Size

2.9 Table 5 below compares the returns from the 2000 Census to the completions data for dwelling units constructed during the 25 years to 2004. The Census provides a picture of all the occupied housing stock and includes all units whatever their age. Comparison with the completions data shows that there has been a preference for smaller units. Of the more recently constructed units shown in the completions data almost two-thirds of housing units built have

been either 1 or 2 bedroom units, with 1 bedroom units being particularly favoured.

2.10 The Census data also indicates a much lower proportion of studio apartments than would be expected from the completion rate. This suggests many of these do not reach the housing market.

Table 5

No. of bedrooms	2000 Census	%	Completions 1980-2004	%
Studio	1188	5	1500	15
1 bedroom	6385	26	3407	35
2	8964	36	2704	28
3	6866	28	1926	20
4+	1319	5	200	2
Total	24722	100	1140	100

Source: Statistics & Planning

2.11 Assuming the total stock of dwelling units indicated in the 2004 Valuation List follows the same pattern in terms of dwelling size as determined by the 2000 Census the number of units within each size category is as follows:

Table 6

No. of bedrooms	No. of Dwelling Units
Studio	1384
1 bedroom	7439
2	10466
3	8016
4+	1528
Total	28833

Source: Land Valuation

3. HOUSING DEMAND

3.1 The important driver for the demand for housing is the underlying composition of the population and the number and type of households that need housing. The changing dynamics of Bermudian society and the manpower requirements of a strong economy combine to influence the demand for housing on the island.

Demographic Change

3.2 Over the past two decades Bermuda has undergone socio-economic change that has had a major effect on housing demand. First and foremost is the rate of household formation on the island. Table 7 below compares the Census returns from 1980. This shows that the rate of household formation has far outstripped the underlying rate of population growth.

Table 7

Year	Population	% Increase on Previous Yr	Households	% Increase on Previous Yr
1980	54050	3	18449	18
1991	58460	8	22430	22
2000	62059	6	25148	12

Source: Statistics

3.3 In association with this, the average household size has continued to decline (see table 8 below). In fact, the 2004 Household Expenditure Survey (HES) reported a further decline in average household size to 2.32 persons per household. This decline in household size appears to be mainly attributable to

Table 8

No. of Persons in Household	% Distribution				
	1960	1970	1980	1991	2000
1	10	19	25	26	29
2	22	25	27	28	30
3	19	18	18	19	18
4	18	15	16	17	15
5+	31	23	14	10	8
	100	100	100	100	100
Average	3.95	3.36	2.93	2.61	2.47

Source: Statistics

the change in Bermudian households. While the size of non-Bermudian households has decreased slightly from 2.38 1991 to 2.32 in 2000 the average size of Bermudian households has fallen from 2.68 to 2.51 over the same period.

3.4 The age distribution of household heads in Bermuda is also changing. Table 9 compares the age distribution of the Bermudian and non-Bermudian populations found in consecutive censuses. The discernible trend in the Bermudian population is one of aging to the effect that almost 50% of Bermudian household heads were 50 years of age or older in 2000. The age profile of the non-Bermudian population has also changed. In 1980 over 60% of non-Bermudian household heads were under 40 years of age. By 2000, however, nearly two-thirds were between the ages of 30 and 50. This change probably reflects the changing professional backgrounds of the non-Bermudian workforce (see table 14 below). These changing age profiles will place different demands on the housing market.

Table 9

Age	Bermudian (%)			Non-Bermudian (%)		
	1980	1991	2000	1980	1991	2000
Under 30	15	12	8	25	21	15
30 - 39	22	23	20	36	38	38
40 - 49	20	21	23	15	22	26
50 – 64	25	25	27	12	12	17
65+	18	19	22	12	7	4

Source: Statistics

3.5 The demographic shift is further illustrated in the relative change in household types over the census period. Table 10 compares Bermudian and

Table 10

	1991				2000			
	Bermudian		Non-Bermudian		Bermudian		Non-Bermudian	
	No.	%	No.	%	No.	%	No.	%
1 parent	2416	95	140	5	2529	94	156	6
2 parents	4879	77	1470	23	4809	75	1582	25
Adult couple	2878	69	1284	31	3487	70	1468	30
Ext. family	2209	96	103	4	2478	95	118	5
1 person	4284	76	1329	24	5364	77	1642	23
other	747	70	319	30	743	66	375	34
Total	17413	79	4645	21	19410	78	5341	22

Source: Statistics (*excludes not stated and group dwellings)

non-Bermudian households by household type. Overall, the proportion of non-Bermudian households showed a modest increase over the decade from 21% to 22% although the results of the 2004 HES indicate that this has increased again to 24%. Within the household type categories the vast majority of one-parent households are Bermudian as are extended family households. Non-Bermudian households, on the other hand, form an increasing proportion of 2-parent households.

3.6 Table 11 below shows the change in the number of households within each type for Bermudian and non-Bermudian households. This shows a relatively greater increase in the number of non-Bermudian households. The most noticeable change, however, has been the significant increase in one-person households. These represent 52% of the increase in all household types. The increase in one-person Bermudian households is particularly significant as these comfortably exceeded the total increase in all non-Bermudian households. The increase in adult couple households was also larger than average. Again this was particularly noticeable for Bermudian households. The consequence of these changes is that there is increased competition for similar-sized housing units.

Table 11

	Bermudian		Non-Bermudian	
	No.	% increase	No.	% increase
1 parent	113	5	16	11
2 parents	-70	-1	112	8
Adult couple	609	21	184	14
Ext. family	269	12	15	14
1 person	1080	25	313	24
other	-4	0	56	18
Total	1997	11	696	15

Source: Statistics

3.7 One of the most significant social transformations that have been noticeable in Bermuda is the increase in the number of Bermudian households headed by females. Table 12 shows the change that has occurred between the 1991 and

Table 12

	Total		Black		White		Other	
	1991	2000	1991	2000	1991	2000	1991	2000
Male	62	49	59	46	69	56	64	49
Female	38	51	41	54	31	44	36	51

Source: Statistics

2000 Census's. In 1991 almost two-thirds of Bermudian households were headed by a male yet by 2000 over half of household heads were female. These changes were noticeable amongst all racial groups although white household heads were still mostly male in 2000.

3.8 The effects of these changes can also be seen in housing tenure data. Table 13 compares rates of housing tenure for Bermudian household heads for the 1991 and the 2000 Censuses. The trend to home ownership has been particularly strong amongst households headed by females. On the other hand, black Bermudian females are also much more likely to be the head of a single parent household or a single person household and on a low income.

Table 13

	Total			Black			White			Other		
1991	All	M	F	All	M	F	All	M	F	All	M	F
Own	51	56	43	47	52	39	61	65	54	46	48	42
Rent	49	44	57	53	48	61	39	35	46	54	52	58
2000												
Own	53	56	50	49	52	47	62	64	60	49	54	45
Rent	47	44	50	51	48	53	38	36	40	51	46	55

Source: Statistics

Immigration

3.9 Immigration is one of the more volatile elements of population data. In Bermuda, which attracts many workers from overseas, this element has traditionally been relatively large. The fact that the majority of the foreign-born population are in Bermuda as "guest workers" means that this component is likely to fluctuate according to the health of the economy.

Table 14

Census Year	No. of Foreign workers	% of Total Workforce	Main industrial sectors
1980	6186	20	Hotels, etc. Education etc. Public Administration
1991	7732	23	Hotels, etc. Education etc. Wholesale/Retail
2000	8670	24	International Business Business Services Education etc.

Source: Statistics

3.10 The changing nature of Bermuda's economy and employment needs is shown in table 14 above which, using information from the last 3 Census's, depicts the size of the non-Bermudian workforce and the 3 main industrial sectors in which they were employed in order of importance.

3.11 By 2003 the number of workers categorized in the Employment Survey as non-Bermudian was 10340 (27% of workforce). Spouses of Bermudians comprised 18% of this total was so that the number of non-Bermudian employees with no family ties stood at 8480 (23% of workforce). This number had risen from 7921 in 2001 (Employment Survey).

3.12 An economic recession in the early 1990's resulted in a reduction in the number of work permits. Since then, however, there has been a steady growth in the number of work permit holders. This is shown in the table below which gives the total number of work permit holders at year end for the 10 year period to 2004.

Table 15

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
6340	7127	7507	7947	8151	8081	8359	8370	8362	9467

Source: Immigration

3.13 This, though, is only an estimate of the number of non-Bermudian workers on the island as records are not kept of how many arrive or leave. Also it does not give an indication of how many family members reside with the permit holder and data is not kept on the number and size of households. The lack of accurate data makes it difficult to forecast housing needs for this section of the population and the consequent effects on the availability of housing for Bermudian households.

4. HOUSING MARKET IN BERMUDA

4.1 Along with other western economies Bermuda has experienced a hot real estate market in recent years. Fuelled by historically low mortgage rates and increasing affluence of many Bermudians the purchase price of houses has surged. This has been supported by the continuing buoyancy of the rental market so that property is seen as an attractive investment. For those that can afford it the purchase of property in Bermuda has produced good returns on investment. For those on lower incomes access to the home purchase market and the rental market are becoming increasingly difficult.

House purchase

4.2 There has been a continued rise in the rate of home ownership in Bermuda. The 2000 census found that 44% of households were owner-occupied, up from 43% in 1991. The sample survey undertaken for the 2004 HES indicated that this overall level had increased to 51%.

4.4 For Bermudian households the 2000 Census ownership rate is 52% (51% in 1991) and Bermudians own 94% of all owner-occupied dwellings. The rate of ownership is even higher if those Bermudian property-owners who choose to rent are included. Taking these into account the total Bermudian ownership rate was 57% in the 2000 Census. There is evidence that this rate is continuing to climb as 66% of the sample of Bermudians in the 2005 Housing Study were home-owners.

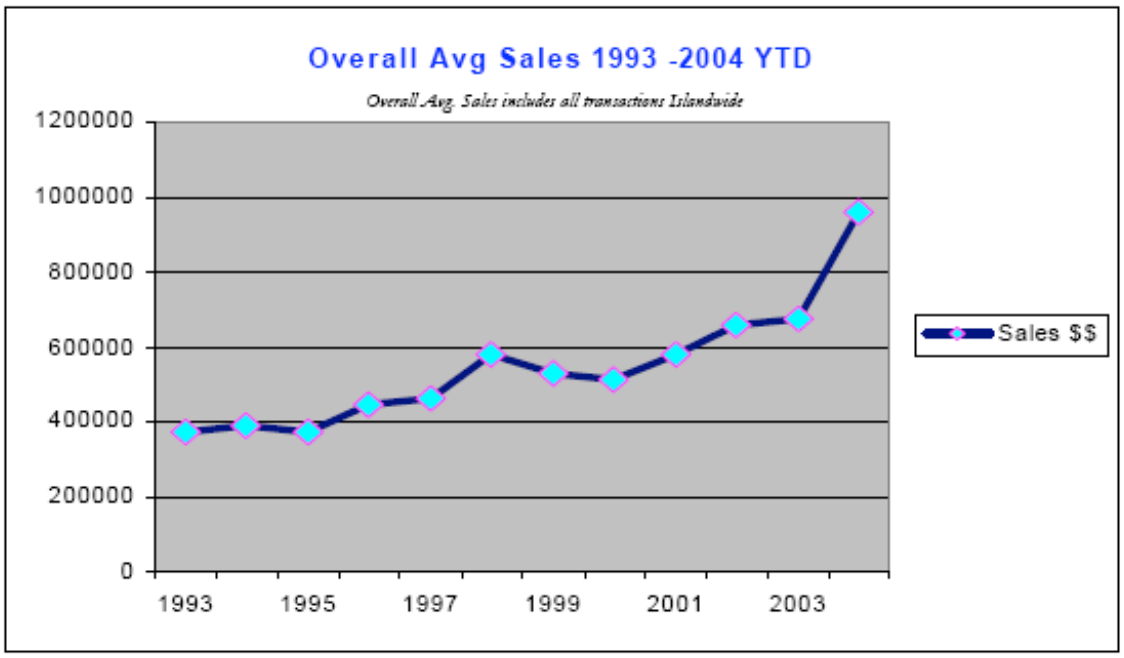
4.5 The investment attraction of the property market can be seen in the fact that a significant proportion of Bermudian home-owners (23%) own other residential property elsewhere in Bermuda. This finding was also supported by the 2005 Housing Study in which 25% of Bermudians were found to have property that they rent to others. Having an additional apartment has been a traditional way of meeting mortgage costs but survey results indicate that many Bermudians own more than one property.

4.6 In addition, the strong demand for rental properties has encouraged a further 10% of Bermudian households to rent the accommodation they live in while renting to others the housing which they own elsewhere in Bermuda. Anecdotal evidence from realtors suggests that there is no shortage of young, affluent Bermudian couples who are keen to invest in real estate with a view to renting.

4.7 The strength of demand for house purchase has resulted in significant increases in prices in recent years. The graph below shows the growth of

average house prices since 1993. By 2005 the average house price had reached $1,175,000. With an average household income of $106,233 (2004 HES) this produces a price to income ratio of 11:1. (By comparison, the ratio for UK is about 7:1 and for Guernsey in the Channel Islands is 9.2:1). The high price to income ratio is obviously a cause of some concern and is unlikely to be sustainable in the longer term. The average price, however, does mask variations with the average price for a condominium being significantly lower at $790,000. With the lowest priced condominium during this time going for $325,000 it is easy to see why these are seen as a more affordable alternative to the traditional cottage on its own lot.

Graph 1



Source; Coldwell Banker

4.8 Two of the principal determinants of house prices are short term interest rates and household income. With interest rates at historic lows and incomes increasing it is not surprising then that house prices have been increasing. It should be borne in mind, though, that housing markets tend to be cyclical in nature. Many researchers are suggesting that the recent dramatic rise in prices in western economies is evidence of a bubble-effect. In this scenario house price rises tend to build up their own momentum until eventually they become too high for the prevailing economic conditions and then they fall dramatically. Such falls can have impoverishing effects particularly on those individuals/families that have borrowed heavily to finance house purchase. The problem of "negative equity" (where the value of the loan exceeds the value of the property as a consequence of a fall in prices) is one which took many people years to recover from when house prices fell in the late 1980's in UK.

4.9 It will clearly be desirable to avoid such calamitous effects. A gradual increase in interest rates will probably have a beneficial effect of suppressing demand and reducing prices. There is anecdotal evidence from realtors that the housing market is starting to cool in Bermuda as interest rates begin to increase. A recent study by the Bank of International Settlement suggests that a 1% rise in real interest rates would result in a 2.6% fall in house prices in UK over a 5 year period.

Rental Market

4.10 According to the 2000 Census 13,860 households rented housing accommodation, an 11% increase over 1991. Two-thirds of these households were Bermudian which was slightly less than 1991.

4.11 One or two-bedroom accommodation is the preferred sizes for renters whether or not they are Bermudian or non-Bermudian. This results in competition for similar sized properties between these groups. This can lead to social tensions as is suggested in the 2005 Housing Study in which a significant proportion of Bermudians laid the blame for the housing problem on the growth of international business and the number of expatriate workers.

4.12 Comparisons between the 1991 and 2000 Census show there has been a shift in preferences. Over this period Bermudians seemed to show a preference for smaller accommodation, particularly studio apartments. This may be a reflection of the increase in one-person Bermudian households. By contrast Non-Bermudian renters were generally looking for larger accommodation. Although studio apartments were also more in demand the biggest increase was in rental properties with 3 or more bedrooms. This is likely to be a result of the growth of the executive rental market but also of the increasing incidence of house-sharing by young professionals.

Table 16

No. of Bedrooms	1991		2000	
	Bermudian	Non-Bermudian	Bermudian	Non-Bermudian
Studio	6	7	8	8
1	42	41	42	37
2	37	34	36	33
3+	15	18	14	22
	100	100	100	100

Source: Statistics

4.13 The cost of rental accommodation has increased along with house prices. Eye-catching rentals of $25,000 per month heighten concern about the impact of

rising rents even though the properties commanding these rents form only a small proportion of total stock. Nevertheless, it is true that higher rents are becoming an increasing burden especially on lower-income groups.

4.14 The average rent in the 2000 Census was found to be $1,021, an increase of 28% over the 1991 level. By 2004 the average rent had risen to $1,432 (2004 HES) a further increase of 40% since 2000. This average level conceals differences between different sectors of the population. For instance, in the 2000 Census the average rent for Bermudians was $928 whereas for Non-Bermudians the average was $1,404. This is not surprising as Bermudian renters are likely to be those who cannot afford to buy property whereas Non-Bermudian renters will generally have higher incomes but do not have access to the house purchase market. The consequences of this are illustrated, too, in the results of the ABIC survey in 2004 in which 73% of Bermudian renters paid less than $2000 per month in rent whereas 40% of non-Bermudian renters paid in excess of $4000 per month.

4.15 As rents continue to rise housing costs consume a larger portion of available income. In 1991 54% of Bermudian households spent less than 25% of household income on rent. However, the 2005 Housing Study found that on average Bermudian households that rent accommodation are spending 44% of income on housing. This disproportionately affects certain sections of society. The 2005 study found that 22% of Bermudian households on lower incomes spend 60% or more on housing.

Market Distortions

4.16 The cost of housing has been a long-standing issue to the extent that over a period of many years mechanisms have been employed to reduce the burden of housing costs. These usually take the form of housing subsidies and mortgage allowances.

4.17 The 2000 Census collected data on the prevalence of rental subsidies and found that about 10% of renting households received a subsidy and these were equally likely to be paid by Government or a private company. In the former case 92% were paid to Bermudians households and are likely to be financial assistance to families having difficulty meeting housing costs. 94% of subsidies paid by private companies, on the other hand, are received by non-Bermudian households. Companies from a wide variety of industrial sectors provide these subsidies although 42% are provided by international companies. The justification for these allowances is that they are required to attract and retain the skilled professionals needed by businesses on the island.

4.18 The 2004 ABIC survey found that 16% of employees were in receipt of a housing rental allowance while 7% of employees received a mortgage subsidy. In the latter case all the recipients were Bermudian. Rent allowances, though, are mostly received by non-Bermudians although a small number were paid to Bermudians.

4.19 These allowances have the effect of distorting the market as the recipient of the allowance is not bearing the full cost of the housing service that is being purchased. This makes it easier to bid up the price.

5. CURRENT GOVERNMENT POLICY

5.1 Having explored the general background to housing provision in Bermuda it is worth reviewing how Bermuda Government has responded to housing issues in the policies it operates. These can be categorized as housing provision, market regulation, financial assistance and land development.

Housing Provision

5.2 Government's focus as a housing provider is on social need housing. The primary vehicle for the provision of this type of housing is the Bermuda Housing Corporation (BHC).

5.3 Established in 1975, the BHC's responsibilities are now enshrined in the Bermuda Housing Act 1980. Its operation is subject to the direction of the Minister responsible for housing, currently the Minister for Works, Engineering and Housing. Under S.9 of the Act the general functions of the Corporation are to:

(a) acquire or build dwellings;

(b) build, develop or manage housing estates or housing schemes;

(c) acquire, build, develop or manage premises other than dwellings which in the opinion of the Corporation will improve any housing estate or housing scheme;

(d) acquire, construct, develop or manage community facilities including recreational areas in conjunction with any housing estate or housing scheme;

(e) develop land and construct or lay out street roads and open spaces in connection with any housing estate or housing scheme;

(f) if requested by the Minister provide and manage dwellings for public servants and Government employees;

(g) repair and improve dwellings; and

(h) demolish buildings.

5.4 In addition, BHC has responsibilities in relation to housing associations e.g. Bermuda Housing Trust. It also has powers to acquire and dispose of land and to borrow money for purposes related to its functions. A substantial amount of land has been vested in the BHC by Government to enable it to fulfill its obligations.

5.5 During its existence the focus of the BHC has changed. In its first year of operation the chairman at the time stated that its responsibility was

> "to ensure that all Bermuda residents are decently housed"

In undertaking this mission the Corporation concentrated its efforts on the provision of new housing for private ownership. This approach to housing was re-iterated in 1984 by the then chairman who stated that the BHC philosophy was:

> "to provide an opportunity for an increasing number of Bermudians to become homeowners."

5.6 Shortly after this, concerns began to emerge with regard to affordability particularly in relation to the problems faced by low income families in the rental market. Consequently by 1994 there had been a perceptible shift in its approach as its mission statement then was:

> "To see that every Bermudian is adequately and affordably housed and to promote home ownership."

5.7 Heightened awareness more recently of the issue of affordability and of those most at risk has focused the work of the Corporation on providing rental accommodation for a target group in most need. The BHC has a waiting list of applicants for rented properties who are housed when space becomes available. Many tenants, though, can become settled over time and it has been noted that this can result in units being occupied by tenants who do not have genuine affordability needs. This can cause difficulties in managing the available stock effectively to meet community needs. Those people on the waiting list in urgent need are found emergency accommodation.

5.8 Other Government organizations are also involved in public housing provision. The two principal suppliers are BHC and the West end Development Corporation (WEDCO). The number and type of unit that each organization has is shown in table 17. In addition, BHC makes use of (but does not own) 39 emergency rooming house units and also operates a private sector rental programme to provide additional units to meet its client's needs.

Table 17

	Studio	1-bed	2-bed	3-bed	4-bed	Total
BHC	9	88	126	125	2	350
WEDCO		3	41	81	6	131
Total	9	91	167	206	8	481

Source: BHC & WEDCO

5.9 The BHC has an active programme of building new units to satisfy demand in its target sector of the market. This includes 22 2-bedroom and 2 3-bedroom units that are currently under construction. More units are planned but none have planning permission at present. Much of the other housing that Government controls or plans to provide is on land vested in either the WEDCO or the Bermuda Land Development Company (BLDC). These organizations, too, have plans to increase supply. The developments that these organizations are proposing are a mix of housing for purchase or rent and tend to be aimed at sectors of the market other than social need housing.

Market Regulation

5.10 Government has key powers for intervening in the market to regulate rents and property sales.

Rent Control

5.11 The office of the Rent Commissioner was established in 1971 and is responsible for the administration of the Rent Increases (Domestic Premises) Act 1978. This Act provides the mechanism for regulating rent increases on residential tenancies and provides protection against unjustified evictions. It only applies to a certain proportion of residential premises and does not apply to commercial or retail premises.

5.12 The office of the Rent Commissioner appears to have lead a peripatetic life having been at various stages within the Health Ministry, the Finance Ministry as well as Government Services. Currently, it is in the Works, Engineering and Housing portfolio.

5.13 The general purpose of the legislation is to provide security of tenure to residential tenants and avoid exploitation by unscrupulous landlords. In order to increase the rent of a property coming within the purview of the Act a landlord must apply to the Commissioner who undertakes an assessment to establish a fair level. Recommendations can be ratified by the Rent Increases Advisory Panel. There is a right of appeal if a party is not satisfied.

5.14 The principal determinant for the inclusion of a residential tenancy in rent control is the ARV limit of the premises in which it is located. This is changed from time to time. From the beginning of 2005 the ARV limit was raised to $24,600 which means that approximately 16,000 properties or about 55% of the dwellings on the 2004 valuation list are subject to rent control.

5.15 The Rent Commissioner has few staff but deals with a considerable number of enquiries. During 2004, in fact, the office received 6,256 enquiries

from the public relating to rent control matters. During that year it also received 886 applications from landlords for rent increases.

Acquisition of Property by Non-Bermudians

5.16 Government also plays a key role in controlling the purchase of residential property by non-Bermudians. The powers exercised by Government in this area are in the Bermuda Immigration and Protection Act 1956. This places a limit on the amount of land that can be held by Non-Bermudians to an aggregate total of 2000 acres for the island as a whole and no more than 400 acres in any parish. In order to acquire property in Bermuda a Non-Bermudian requires a licence issued by the Minister of Labour, Home Affairs and Public Safety. The underlying philosophy of the policy as stated by the Ministry is

> "to preserve the majority of the housing stock and undeveloped residential land for Bermudian ownership."

5.17 Until earlier this year non-Bermudians were permitted to purchase residential property provided the ARV was at least $126,000. This restricted the market to only the highest value properties in Bermuda. However, in February of this year further restrictions were introduced by Government to the effect that in addition to the valuation threshold a non-Bermudian may only obtain a licence to purchase a property that is already owned by another non-Bermudian. The policy is in force for five years.

5.18 The change in policy has arisen as a result of concern that the land ownership limits may be being approached. Of particular concern is the growth in the number of trusts that own property in Bermuda which now number approximately 1600. The suspicion is that a sizable proportion of these are Bermudian trusts "fronting" for the benefit of a non-Bermudian. It is intended to take steps to prevent this happening. In response to the restriction realtors have argued that in 2004 70% of all sales of available properties were to Bermudian buyers and that this has been the trend since the 1990's. They have also noted that the value of Bermudian-owned real estate in this sector of the market has now been significantly depreciated.

Financial Assistance

5.19 A 1988 Task Force on Housing recommended the establishment of a Housing Allowance Programme. This was considered to be the most effective solution to the problem of providing accessibility to affordable housing by Bermudians in the low-income group. As a result the Housing Allowance Act 1988 was enacted. This provided the mechanism for financial support for those Bermudian families most in need in meeting housing rental costs. The Act and

related regulations provide formulae for calculating the allowance and establish ceilings, which have been reviewed from time to time, for the maximum rent payable.

5.20 The programme is administered by the Department of Financial Assistance in the Ministry of Health. The statistics for recent years are shown in the table below:

Table 18

Year	Cost ($)	No. of Recipients
2002	888,339	1922
2003	555,549	1136
2004	451,848	872
2005 (Jan. – Jun.)	106,424	191

Source: Financial Assistance

5.21 Table 18 appears to show a paradox in that in a time of growing concern about the costs of housing fewer people are applying for the allowance. In fact the housing allowance programme as a separate entity is being wound down and financial support in this area will be subsumed within the general financial assistance programme established under the Financial Assistance Act 2001. The Housing Allowance Act 1988 has been repealed.

Land Development

5.22 Another important area of Government policy that impacts on housing is that of land development. In this area government has responsibilities not just for the control over the use and development of land but also has the ability to influence development as it is the major landowner on the island.

5.23 Powers relating to the use and development of land are contained in the Development and Planning Act 1974 and are administered by the Department of Planning. The responsibilities include the preparation of a development plan for the island which establishes the development pattern and density. Housing is the major land use on the island covering about 45% of Bermuda.

5.24 A 1991 study identified 783 acres of vacant land available for housing development within the main development areas (excluding the former military bases). Since then about 318 acres have been used for new residential development. With the return of the land formerly occupied by foreign military forces a considerable amount of additional developable land is available to Bermuda Government to meet development and other community needs. The review of the current development plan for the island is required in include this land.

5.25 Planning regulations prescribe the type of development that may be permitted and the limits within which building can take place. This has traditionally been based on a nostalgic concept of a typical Bermuda cottage and limits development over the majority of the island to no more than two storeys high. This has retained a low-rise feel to the development of the island but has also resulted in extensive development throughout the island. Higher rise developments are permitted in the City of Hamilton and recently higher rise apartment buildings have been constructed in the City.

6. ISSUES AND OPTIONS

The preceding analysis provides an overview of the main trends in housing in Bermuda and the

Institutional Arrangements

6.1 Ensuring the adequate provision for housing among its people is a central function of government institutions the world over. It is surprising, therefore, that Bermuda Government, unlike other Governments, does not have a separate department within its organization with clear roles and responsibilities for housing. It is also surprising that housing as an area of Government policy does not feature at all on the Government website.

6.2 It is true that responsibilities for housing are handled by the Ministry of Works, Engineering and Housing but it was not very long ago when housing matters were the responsibility of the Minister of Health and they have previously been in the Ministry of the Environment with the Department of Planning. The Rent Commissioner has had spells in a number of different Ministries. The current location of the housing portfolio appears to have more to do with estate management rather than the functional and procedural requirements of developing and managing a coherent and comprehensive housing strategy for Bermuda.

6.3 Generally, housing policy in Bermuda appears to have developed in an ad hoc manner and in reaction to the crises of the day. This has resulted in this critical area of Government policy being reliant on loosely connected units with different but overlapping objectives. This disaggregated approach lacks coordination and means that only a partial view of the housing needs of the island is being taken. Furthermore, there has been little review of the effectiveness of existing policies and procedures. For instance, while the operation of the Rent Commissioner may suppress rents it may also act as a disincentive to properly maintain low rent premises. This can lead to neglect and contribute to people living in substandard accommodation.

6.4 Governments all over the world at national, regional and local level have adapted their organizations to ensure that housing is a core feature. The organizational consequences differ as each is a response to local needs. However, an interesting example of a well-defined and successful organizational approach to housing is the Housing and Development Board (HDB) in Singapore. This is a statutory board of the Singapore Government in the Ministry of National Development. The HDB has been so successful that 86% of Singaporeans live in HDB units. These units, which tend to be in high-rise developments, are sold

and 92% of HDB residents own their apartments. Singapore is culturally and physically very different to Bermuda so the policies and programmes that the HDB pursues or its organizational structure are not necessarily applicable to Bermuda. There are lessons to be learnt, though, from the establishment of an organization with clearly defined objectives and adequate resources.

6.5 To deal effectively with the spectrum of housing issues facing Bermuda it is critical that the organizational response is appropriate to the task. There is a need for a coordinated and comprehensive approach to housing policy and this is likely to require the establishment of new administrative arrangements. These arrangements should allow for a more broad-based, integrated approach to managing all Bermuda's housing stock in the interests of all residents of the island.

A Housing Strategy for Bermuda

6.6 These arrangements will also provide the platform for the preparation and implementation of a sound, comprehensive housing strategy that is geared to meeting all Bermuda's housing needs. Such a strategy will be essential given the potential for further growth in the international business sector and the knock-on effects that could ensue for the housing market. An example of such a strategy from a location that is facing many similar housing issues to Bermuda has been produced by the Island of Guernsey. This has particular resonance for the current project as it has strong links to sustainability. Its strategy is based on the following seven objectives:

- To ensure that all persons legally resident in Guernsey have access to housing accommodation to meet their reasonable needs.
- To meet housing needs in a sustainable manner in the long-term interests of the community as a whole, making prudent use of all resources and recognising that investment in housing must be prioritised and compatible with strategic policies and the wider programme of public expenditure approved by the States.
- To ensure that there are measures in place to limit any growth in population through immigration in order to manage housing demand in accordance with the principles of sustainability.
- To provide the community with a range of housing options, acknowledging that while home ownership has historically been the preferred means of meeting housing needs, good quality, fairly priced housing may be provided across the housing market by other means and through a variety or mix of agencies – public, private and voluntary.

- To enable housing to be provided for those financially unable to enter the private housing market, either to purchase or rent, through a range of housing measures attuned to meeting their specific housing needs including social rented housing, partial ownership schemes etc.
- To enable the provision of supported accommodation for persons with special needs including accommodation for older persons, young people, people with a learning disability, persons with a mental illness, ex- offenders etc.
- To maintain and improve the quality of housing in Guernsey across all sectors bearing in mind the impact of housing conditions on the health and well- being of the community.

Information Needs

6.7 Strategic planning and policy development are dependent on the availability of good data. Currently there are significant information gaps that hamper the ability to formulate plans with confidence. In particular these relate to the housing market and immigration. Housing is a dynamic area of policy and it is important to have effective monitoring procedures in place to ensure that policies and programmes are in tune with the housing needs of Bermuda. A housing monitoring unit is required and the following should be a particular focus of this unit:

a) Housing market data – including pricing for house purchase and rent, number of properties available in different sectors of the market, vacancy rates etc.

b) Immigration data – the changing housing needs of work permit holders and the effect that this has on the availability of housing for Bermudians is a significant information gap. Work should seek to establish the number and size of households and their housing requirements that work permit approvals give rise to.

c) Socio- economic change of Bermudian households to assess demand for different types of housing.

Needs Assessment

6.8 Affordability is a key issue and providing adequate housing for those in need and expanding the potential for home ownership amongst the population have been important Government aims in many parts of the world. As the costs of housing have increased so the definition of affordable housing has expanded.

Originally more or less confined to the social rented sector the term is now applied much more broadly. For instance, in the UK Government's DETR Circular 6/98 it is defined as

> "..both low cost market housing, and subsidised housing (irrespective of tenure, ownership or financial arrangements) that will be available to people who cannot afford to occupy houses generally available on the local market."

6.9 This expanded definition recognizes that in high price areas, such as Bermuda, little or none of new market housing being provided caters to these needs and many families are disadvantaged. This will include not just those families on the lowest incomes who are traditionally the target group for housing assistance programmes but will also include what has come to be called "intermediate" housing needs. This group, often composed of younger households, do not qualify for the social rented sector but cannot afford a mortgage to purchase even modest homes. The house price to income ratio for property in Bermuda will increase concern amongst young Bermudians that they will be unable ever to afford to buy a home.

6.10 Assessing the scale of the problem is an important first step in developing programmes that can address the differing needs of various segments of the housing market. While the 2005 Housing Study and efforts by Government have gone some way to identifying the requirements of those most in need, more work needs to be done in the area of assessing housing needs more broadly. A housing needs assessment of this nature would consider not just social renting needs but also the requirement for intermediate housing products, other special needs such as key worker housing and the needs of guest workers.

Housing Supply

Public/Private Partnerships

6.11 Despite troubles in recent years the BHC has had a reasonable success rate since its inception in providing housing at affordable levels of rent and price. However, it does not have the resources or capacity to service a growing sector of the market. Private developers have built housing products at market price and as these prices have increased a widening gap between affordable and market price provision has resulted. This has encouraged other affordable housing entities, such as Habitat for Humanity, to enter the fray. Partnership arrangements with these organizations and with private developers may provide a productive way of increasing supply. Government is the largest landowner on the island and in return for providing land for housing schemes could negotiate the proportion of affordable housing units to be included in a development. In

this way Government could act in a proactive way by catalyzing the development of market housing projects that meet the wider community needs rather than the narrow focus of a certain sector of the market.

Assisted Purchase/Shared Equity

6.12 Variations of these types of schemes have been operating successfully in the US and in the UK. In these schemes, in an effort to reduce the overall cost of purchasing property to an individual purchaser, a proportion of the equity in a house is retained by the government entity sponsoring the scheme and/or the mortgage lender. Often this is about 25% of the total value. Eligibility for participation in such schemes is usually limited to first time buyers, key workers etc. These schemes could provide a way of improving accessibility to the intermediate housing market for those Bermudian families on lower incomes.

Making the Best Use of Housing Stock

Reducing vacancy rates

6.13 The persistently high vacancy rates have often been the target for quick fix approaches to the housing problem. There seems little doubt that the incentive of being able to register a second vehicle is leading some property owners to install another dwelling unit even though they have little interest in renting the unit out. This, though, is not the only reason housing units remain unoccupied. A partial investigation in 1988 into the reasons for vacant homes at that time revealed a variety causes. It also indicated that, in fact, the majority of vacant properties found their way back onto the market eventually. Having said that, this is an area that could merit further research to identify the potential for bringing some of these units into use, particularly as they are likely to be smaller, affordable apartments.

Housing Control

6.14 The Channel Islands in the UK share similar characteristics to Bermuda – they have successful economies based on offshore finance and are attractive places to live. This, like Bermuda, has resulted in an influx of people wishing to live and work on the islands. In order to control the demand for housing and its effects on the local population the islands have introduced a system of housing control.

6.15 In Guernsey, for instance, housing is divided into two sectors, the "local market" and the "open market". All dwellings in the "local market" are controlled and anybody moving to the island for employment reasons requires a licence to occupy a controlled dwelling. Although a rather bureaucratic approach

to housing allocation it does have the benefit of linking employment needs to housing availability.

6.16 In Jersey, all housing is controlled and the consent of the Housing Committee is required to purchase or lease residential property. However, tourist accommodation, registered lodging houses and private lodgings are not controlled and new arrivals and seasonal workers will generally be directed to these facilities rather than be given consent to occupy dwellings.

6.17 Registered lodging houses are mostly administered by the Housing Committee but also include bank staff properties and tourism properties, providing accommodation directly linked to those industries. The accommodation provided in such properties can vary from single and double rooms with cooking facilities where bathroom facilities are shared, to fully self-contained one and two bedroom flats. Occupiers of such accommodation may not enter into any form of lease, do not have any security of tenure and can, therefore, be asked to vacate at any time without notice. The same is true of private lodging houses which can provide paid accommodation for up to five persons. Encouraging the development of facilities such as these in Bermuda and requiring that persons on short term contracts or within specified employment categories can only occupy such accommodation could free up smaller housing units for Bermudians.

6.18 The ability to channel housing demand generated by high value international business towards tourist accommodation, especially where that accommodation is underutilized is clearly one that could have some merit in Bermuda. A number of tourism sites are developing condominiums to complement and expand the range of accommodation on offer. Designating such developments for non-Bermudian residential occupation for those on the island for employment reasons while restricting the ability to occupy other housing could reduce the pressure on prices and rents.

Development Implications

6.19 The need to satisfy current and future housing needs gives rise to supply side issues that will raise question marks about the way development happens in Bermuda. The use and development of land, for instance, is a matter of importance in a country with such limited resources. The development plan for Bermuda allocates land for a variety of uses including housing and these are often competing requirements. The review of the development plan will need to ensure that sufficient land is available to meet forecast housing needs over the next plan period.

6.20 In conjunction with this it is becoming apparent that traditional methods of housing people may no longer be appropriate in the future. The need to make

efficient use of land and reduce costs of building to affordable levels may bring forward building options that do not easily fit the "Bermuda Image" nor, for that matter, people's perceptions of the type of dwelling they expected to live in. The appropriate solutions to these issues will be matters for the development plan review to deal with but it will be crucial that there is full coordination between planning and housing policies if wider sustainable community objectives are to be met.

7. CONCLUSION

7.1 Effectively dealing with housing issues will require a structured approach that is comprehensive in outlook yet targets policy accurately so as to achieve a fair distribution of housing resources for all residents of Bermuda. This report points the way towards some of the shifts in current practice that will be needed if this is to be achieved.

7.2 It is a firm conclusion of this study that an essential first step should be a thorough review of existing institutional arrangements with a view to establishing an administrative structure with powers and resources adequate to respond to the scope of the housing challenges facing Bermuda.