



# HOW TO START A TOURISM RELATED BUSINESS - VACATION RENTALS

A QUICK GUIDE TO STARTING  
A VACATION RENTAL BUSINESS





# QUICK GUIDE TO STARTING A VACATION RENTAL BUSINESS



A vacation rental business is the short-term vacation rental of the property you own or have just purchased to visitors.

Making the decision to set up a vacation rental business is potentially a great opportunity for a small business in Bermuda. The rental of homes, cottages, and apartments to vacationers is a growing industry worldwide and an excellent opportunity here on the island. All businesses are required to be compliant with a range of legislation and non-compliance can result in serious consequences, so business owners need to be well prepared before they start in business.

It is important that you educate yourself about your industry and understand all aspects of ownership and operation before attempting to start a Vacation Rental Business. While there are numerous examples of successful operators in Bermuda, it is work that relies on a quality product that meets with customer expectations.

Take the time to talk to a diverse range of operators that you know are doing well; these businesses can be identified by their word-of-mouth reputation, aesthetic appearance and on-line reviews. Ask yourself, 'if you were on vacation, would I want to stay here and why?' Below are a few simple but powerful questions to determine if the Vacation Rental business is right for you.

**If you're still wondering is this right for you BEDC has a course for you! Think Like an Entrepreneur is an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur. This course runs twice a year once in the spring and winter.**



## 1 Is The Vacation Rental Business Right for You?

### Do you own the property?

- Before investing in any plans to start a vacation rental business, legal evidence of ownership must be established, and an agreement put in place with anyone who may hold rights to the property.
- Seek legal advice.

### How many guests do you intend to cater to?

- Currently there is no legal requirement to register your house or apartment as a hotel if it only provides sleeping accommodations to 5 guests or less.
- Accommodations that cater to six or more guests must register with the Tourism Authority and be subject to the rules and regulations under The Hotel (licensing and Control Act 1969.
- Accommodation categories include, Bed & Breakfast, Inns, Guest House/Cottage, Apartments Small Hotel and Large Hotel with each consisting of classes A, B, C, D, & E.

### Do you enjoy working with people?

- Operating a vacation rental business often requires direct contact with visitors from diverse backgrounds from around the world. Visitors and potential visitors sometimes have many questions which require patient, knowledgeable and courteous personnel to assist with their needs.
- If working directly with clients is not your forte, then consider a management company who will advertise and book your accommodations for you. While this option is especially convenient for on-line bookings, most clients will still require a friendly and reliable point of contact once on- island.

### Do you have good business sense?

Operating a vacation rental business requires a quality product and responsible management.

Do you have the attention to detail, commitment to quality and customer service skills necessary to make your business flourish?

### Are You A Good Financial Manager?

Financial preparation is a vital consideration when planning a vacation rental business. Are you still paying an off a mortgage and looking to offset some of your monthly payments? Perhaps you want to buy or develop a property and require a loan and personal cash investment; no matter how you choose to finance your start-up, you should have your personal finances under control before jumping into the business. Consider the following:

- Start-up capital – Are you ready to take on a bank loan and/or invest your personal funds?
- Your existing debt – Will you have sufficient back-up funds if needed?
- Funds needed to sustain your personal/household expenses – assuming you will be working in the business in some capacity and in consideration of seasonality resulting in an unstable income in the first few years; can you afford to decrease/minimize your salary if needed?

### Can You Balance Business Stress with Your Personal Life?

The demands of owning a business can be intense as owners set out with a true passion for the business or industry. Do you? Also:

- Are you easily discouraged? If so, starting a may not be the right business for you.
- Do you want to purchase or start a business for the right reasons? Be sure you have the business know-how, the passion for the work and the money to make it happen.



### **Do you have the skill set, staff and service providers to maintain the business?**

Maintaining a quality vacation rental requires the support of good staff and services providers. Tasks such as responding to inquiries, housekeeping and landscaping are routine while other services such as plumbing, electrical and carpentry may require an emergency repair. Have you allotted for or have a support system in place to maintain a quality standard.

### **Is seasonality an issue to your personal financial commitments?**

The primary season for most guest properties is from May thru October. While some properties maintain occupancy throughout the year, it is important to understand how your financial commitments will be impacted throughout the slower months.

## **2**

## **Matching Your Desire To The Market Demand**

### **The Right Market Research Is Key to Your Success**

Detailed market research will reassure you that you are doing the right thing and there is a market for your vacation rental business. A successful business has a carefully planned mix of elements that you will need to consider.

**Learn about your market.** Write down the answers to the following questions.

- Who needs/wants the type of accommodations that is being proposed?
- Is the market for my product/service growing and expanding?
- How will I market my property?

- Who are my competitors?
- What is working well in our local environment?
- What guest properties have recently been sold or closed and why?
- Is my location suited as a guest accommodation and why?
- Am I capturing new trends ie. Eco Friendly?
- How many customers will I need per month to make my business work?
- How much are customers/clients willing to pay?
- What level of service will my customers expect?
- How many staff will I need to maintain the property?

**Market Survey:** Once you have established who your target market is, it will be helpful to assess what their needs are. Consider conducting market research relevant to your prospective new business. For instance, if you designed a questionnaire survey you could ask a representative sample of people the following questions.

- Where will my customers/clients come from? ie. (U.S, Canada, England, Europe, other)
- How large much of a demand is there for my services?
- How much would they pay for my accommodations?
- What amenities are most in demand and why?
- Are they happy with the current choices available?

**Focus Group:** Try and survey as many people as possible but don't rely on family and friends as they may tell you what they think you want to hear. It may be possible to meet with a group of potential customers before you open your

business to test their reaction to your proposal. For example, if you are setting up an Airbnb, you could talk to a group of visitors who are likely to use your service. They may suggest ideas that will enhance your business or provide information on the local market.

### **Market Research Outcomes:**

Following your market research you should have:

- A clearly defined your concept.
- Identified who your customers are likely to be.
- Information on your expected customers. (numbers, preferences, lifestyle and spending habits).
- Who your competitors are and what their strong and what their weak points are.

**BEDC Marketing Support:** view our [BEDC website](#) for a listing of quality marketing service providers that can offer assistance with any of the above.



### 3 The Right Location Is Key to Your Success

Write down the answers to the following questions:

- Is your proposed vacation rental in a clean, safe and desirable neighborhood?
- Do the accommodations include some on-site recreational facilities such as swimming pool, dock, gardens, patio, etc.
- What kinds of property amenities can you highlight? (i.e. water views, air conditioning and kitchen.)
- Is your property located near to any beaches or attractions?
- Is the property easily accessible by bus or ferry?
- Are there other guest properties in your area?
- Is there adequate parking nearby?
- Are all essential services available (water, electricity, toilet facilities, waste disposal)?
- Is there a feel-good factor when walking into your guest house/accommodation?

- What amenities will you offer (wifi etc. and does it come with the property) and what amenities are nearby (grocery/convenience stores, beaches, site-seeing, transportation – buses, taxis, ferries, scooters, twizy's etc.) If considering a renovation of existing premises, will you be able to cost effectively adapt the space to suit your needs?
- Are you considering a change of use or setting up in a historical building? If so, view the [Department of Planning's GUIDANCE NOTES](#)
  - If you are considering a change of use (i.e. from your personal residence to a rental accommodation), you may want to engage an architect to support you in working through the appropriate paperwork for actioning all required items in a timely fashion if structural changes will be made.

#### Other Considerations:

Identify the **Strengths, Weaknesses, Opportunities and Threats** of your Business. When thinking of Weaknesses and Threats, be sure to confirm mitigation solutions to offset any negatives as well.





## 4 Buying an Existing Vacation Rental or Using Your Home

If you decide that the vacation rental business is right for you, one of the first decisions you will make is do you convert your home or a portion thereof or purchase a property. Each option has its advantages and disadvantages. It's best to check with a realtor regarding the availability of properties and pricing, as well as (noted above) costs of converting your current property/residence.

If you are converting your home, you will need to consult with the Planning Department to ensure your property meets all regulations (safety of steps, fencing, fire extinguishers and/or smoke detectors, etc.)

If you are considering buying a property, a place to start may be [Property Skipper](#) and/or contact a realtor of your choice.

For some general information See Entrepreneur's feature on [Should You Start a Business from Scratch or Buy an Existing Business](#)

Chron's feature on [Buying an Existing Business Versus Starting a Business](#)

## 5 Vacation Rental Business Risk – What You Need to Know

Operating a Vacation Rental Business involves dealing with all potential hazards, from a wide range of situations. Even small problems can have disastrous financial repercussions. It is important to manage risks by incorporating safety procedures into all operational tasks and processes.

If you choose to work with a web-site to promote your business, make sure that you research the company and have a clear and formal agreement before taking bookings.

While there is no legal requirement to register your house or apartment as a hotel if it only provides sleeping accommodations to 5 guests or less, these properties are not registered with the Bermuda Department of Tourism who do not endorse or promote these properties.

Accommodations that cater to six or more guests must register with the Tourism Authority and be subject to the rules and regulations under The Hotel (licensing and Control Act 1969 and attain to the standards of safety, maintenance and operation.

Ensure your establishment is protected with insurance against injuries, accidents and damages. Also, and perhaps most importantly, ensure you have the proper corporate structure. See BEDC's link below detailing the [primary 3 forms of business ownership](#) in Bermuda.







## 6 Government Approvals

### Department of Planning

- Will you have to modify your proposed space? If so you will need planning approval
- Confirm what type of zoning is in place. Consult an architect if needed
- Ensure that you have a building permit once you get planning approval

### Bermuda Tourism Authority

- Consult with the Tourism Authority to establish which category of Guest Properties best fits your business and to insure compliance under the Hotels (Licensing and Control Act 1969)
- Ensure you are licensed annually and have periodic inspections from Hotel Inspectors to ensure that all licensed properties attain standards of safety, maintenance and operation.

### Bermuda Fire Department

Consult with the Bermuda Fire Department to receive guidance on required fire protection equipment, systems, and safety features required for your business under the Hotel (Licensing & Control) Act, 1969

### Department of Health

- Consult with the Department of Health to receive guidance on restaurants, food storage and preparation, as well as equipment required under the Public Health Act, 1949
- Inspection of Swimming Pools, Spas, Whirlpools, Hot Tubs and similar facilities must be done regularly, and these amenities must be operated and maintained in accordance with manufacturer's specifications, recommendations and standards
- If you are operating a restaurant, a license is required from the Department of Health certifying that you have met the requirements for a restaurant or food service business.

### H.M. Customs

- Various concessions and reduced rates of duty may be available for guest property development. Consult with customs on what opportunities are available.

### Payroll Tax

All businesses are responsible for registering and paying Payroll Tax. Payroll Tax is governed by the [Payroll Tax Act 1995](#). Payroll tax is a tax payable by employers on the total salary, wages and benefits paid out to employees and self-employed persons. You will need to complete a [Registration form](#) to get Payroll Tax ID # and this is what you will use to make your quarterly payments.

If you have any questions about this process you can contact the Tax Commissioners Office and one of their Officers can assist you in completing your form. A business plan, a Government Issued ID, as well as proof of Bermuda residency (e.g. utility bill) are also required to be provided to obtain a Payroll Tax Number.

### Department of Social Insurance

Every employed or self-employed person who works more than four (4) hours a week is required to pay contributions into the Contributory Pension Fund (CPF). In most cases if you have ever been employed you and/or your employees, you (they) will already have a Social Insurance Number. If this is the case, you will have to contact the department of Social Insurance to advise them that you will assume making the payments. Log on to their [website](#) to get the most current Social Insurance Rates.

### Pension

As a Self-employed Person you must apply for registration of a Self-employment Pension Plan in accordance with the Act and the Regulations, if you:

- are Bermudian or the husband or wife of a Bermudian; and
- are between the age of 23 and 65; and
- have pension-able earnings from self-employment exceeding \$20,000, in a calendar year.

For more information on the requirements for establishing a pension visit the [Pension Commission](#) website.



## Employment Act

Will you have employees? If so, then The Employment Act is the minimum standard of regulations governing employment in Bermuda. The Act sets out guidelines and sets out the minimum conditions of employment.

(cooking) and food/snacks if any provided etc.)

- Insurance
- Other (e.g. amenities you leave in the home, replacement of sheets, dishes and utensils etc. as/when need be)

To estimate your breakeven point: If your monthly mortgage payment is less than or equal to 1 peak-week rental fee, and you rent approximately 17 weeks a year, your property should come close to breaking even. Most vacation rental markets average 12 weeks in peak season (where you charge the most for the daily/weekly rental). The, the other costs (e.g., utilities, association dues, etc.) are paid by earnings from approximately 5 weeks of off-peak rentals.

**EXAMPLE:** If you own a condo with a monthly mortgage of \$4,000 and rent your condo for \$4,000 per week during the peak season, you would break even on the mortgage payments with 12 weeks of rental (at that peak season rental price). Therefore, in the weeks where you charge less than peak (like \$3,000 per week) an additional 5 weeks could be estimated to cover your electricity, water, gas, internet, cleaning fees, association dues, etc. But it is important to count ALL your costs to ensure the fees you are charging will cover all the costs, based on the estimated number of weeks you think you will rent your accommodation.

## 7 Knowing The Numbers

What are the costs to establishing your Guest Accommodations business? Consider the following:

- Building/ Renovation
- Equipment/appliances (and repairs)
- Staff (if any you pay to have greet your guests, explain things around the property to the guests; cleaners to clean between rentals and to set up, etc.)
- Personnel expenses (cleaners, etc.)
- Other fixed costs (e.g. mortgage/Rent, internet and any homeowners association dues etc.)
- Maintenance (e.g. cutting grass and painting, etc.)
- Variable costs (those that will vary based on when occupied: e.g. electricity, water, gas

You can use the [BEDC Sources & Uses of Funds Statement](#) to help tally these expenses.

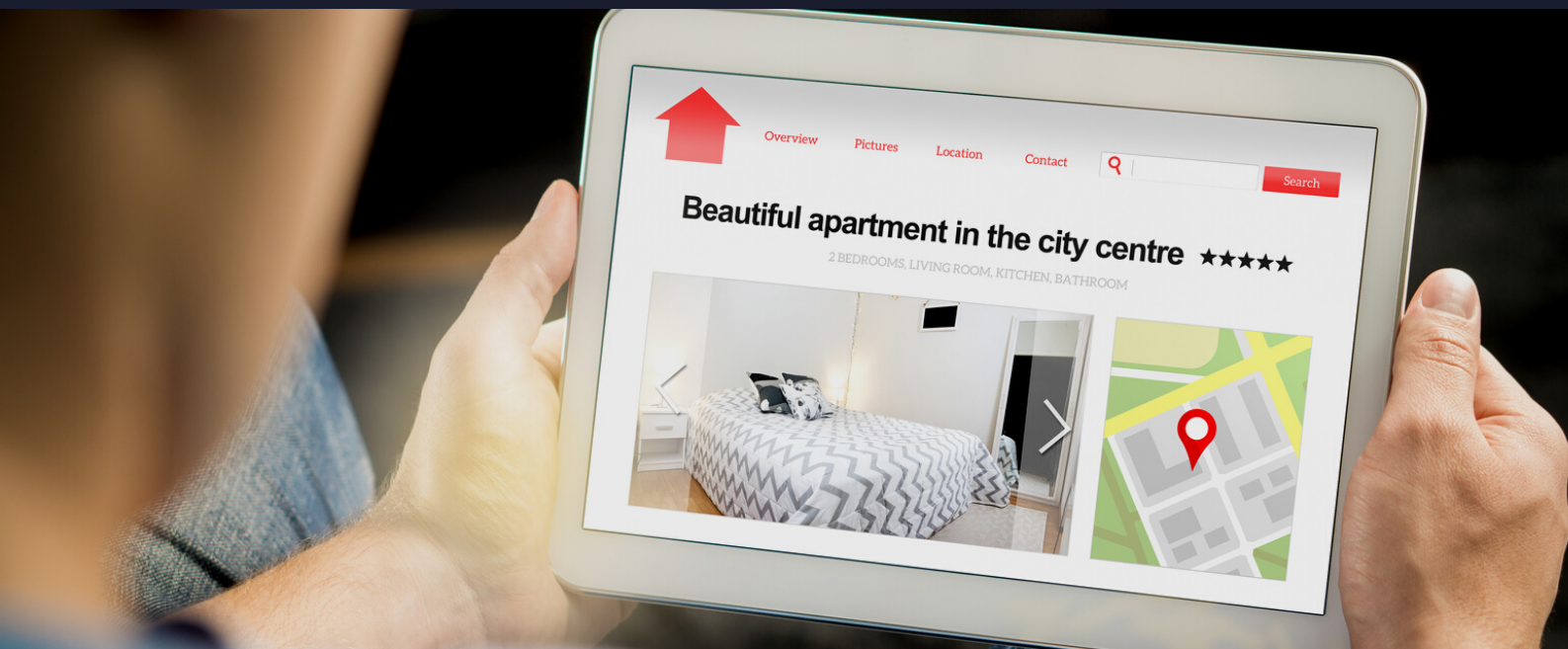
When identifying your expenses, take account of your own personal financial situation. You can use our [Personal Financial Statement](#) to identify what you have available to pay from your current, personal, resources.

- What is your breakeven number of renters for the year?
- Identify your worst-case scenario, so that you can plan for it.
- Prepare a [cash flow projection](#) that includes the assumptions that you make regarding income and your expenses.



If you still need assistance with knowing the numbers BEDC has a course for you! [Financial Statements Planning and Costing using QuickBooks](#) is an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statement and to learn how to use basic QuickBooks functionality. This course runs twice a year once in the spring and once in the winter.





## 8 Legal Issues And Insurance

### Determine the structure of the company

- **Sole Proprietorship** - has only one owner. This is the simplest form of business. You are personally liable for the business' obligations. All debts are your debts. You own all the assets, but at your own risk.
- **Partnership** - involves more than one person or partner and requires a bit more formality. It can be either a general partnership or a limited partnership. In a general partnership, partners manage the business and its obligations together. All general partners work in the business and share in its income and debts. Sample partnership agreement are available at [www.bedc.bm](http://www.bedc.bm). In a limited partnership, general partners operate the business while limited partners are silent investors who retain no control over the way the company is run.
- **Limited Company (LTD)** - A corporation is an independent legal entity that is separate from its owner(s).

There is a clear separation between the owners' wealth and the assets of the business.

- **Limited Liability Company (LLC)** - A Bermuda LLC is a separate legal entity, and its members have limited liability, much like a corporation. In common with a partnership, however, the affairs of a Bermuda LLC are governed by an agreement rather than by statutorily mandated constitutional documents. This affords great flexibility.

**Health** – Health Insurance is a requirement for all businesses. Contact local providers to find out the best rates for your business. The [Health Insurance Regulations Act](#) requires all employed and self-employed persons to have a contract of health insurance either with a private insurer or the Health Insurance Plan (HIP), the minimum requirement, for all employees and their non-employed spouses. The Act makes provision for all matters relating to health insurance in Bermuda.

**Insurance** – In addition to health insurance for you and your employees, you will also need to invest in Liability insurance to protect your customers and yourself. Liability Insurance is important for those who may be held legally liable for the injuries of others, like doctors or care providers, and business owners. You can contact any of the local insurance companies to get quotes on the cost for coverage.

**Workers Compensation** - a form of insurance that reimburses an employer for damages that must be paid to an employee for injury occurring during the course of employment.

- Law requires that an employer (1) provide employees a safe place to work, (2) hire competent fellow employees, (3) provide safe tools, and (4) warn employees of an existing danger.

If an employer fails to provide the above, the employer is liable for damage suits brought by an employee and possible fines or prosecution.

## 9 The Business Plan

Take the information you have gathered and compile it into a written document that you can reference to help guide you. The plan can also be used to help you obtain financing if needed. You can use the [BEDC Business Plan Checklist](#) to help guide you; however, the components of most plans include the following 7 headings:

- **Executive Summary:** Write this last. This is a summary of your plan and quickly lets the reader know, what you need and why you need it.
- **Company Description:** Legal establishment, history and start-up plans, etc.
- **Product/Service:** Describe what you're selling. Focus on customer benefits.
- **Market Analysis:** Know your market, customer needs, where they are and how to reach them.
- **Strategy and Implementation:** Be specific. Include management responsibilities with dates and budget.
- **Management Team:** Include backgrounds of key members of the team, personnel strategy, and details.
- **Financial Plan:** Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions and business ratios, etc.

If you require additional help with formulating a Business plan BEDC has a course for you!

[Entrepreneurship 101](#) is an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success. This course runs twice a year once in the spring and once in the fall.

## 10 Financing The Business

Check out the [BEDC Government Incentive Guide](#) to see what might be available to assist you.

**Loans**– Do you need to get a bank loan? If so be sure you are ready by making sure that you have:

- A detailed Business Plan
- Business Financial Statements
- Personal Financial Statements for the owners and/or guarantor
- Details of the collateral available to support the loan
- Documents that support the amount requested
- Any legal documents related to the business. (i.e. Lease, Incorporation Documents)
- Identification for individuals (proof of Bermudian Status)
- The 5 C's:
  - **Character:** What is your business experience? How have other loans been managed both business and personal? What is the reputation of the business?
  - **Credit capacity:** The bank will assess your ability to repay.
  - **Capital:** What are the assets of the business and the guarantor?
  - **Collateral:** What security can be put forward to support the financing?
  - **Conditions:** The Bank will identify the main risks for the industry and the market it operates in and include financing terms to mitigate these risks.

**BEDC Guarantee** - The BEDC can act as a guarantor for up to 75% of a bank loan for small or medium sized businesses that appear viable and where the credit worthiness of the borrower is sound. As guarantor of last resort, the maximum BEDC guarantee amount is \$200,000.

Any small or medium sized business with no other means of collateral (cash, real estate, equipment, vehicle chattel, inventory, etc.) may contact the BEDC and apply for the BEDC guarantee. Check out the [10 Step Guarantee Process](#) for more details on applying for the BEDC Guarantee.

**BEDC Micro Loan** - BEDC has allocated \$100,000 in funds to be used to facilitate small loans in amounts from \$2,500 up to \$30,000. The BEDC will offer a 100% guarantee on the loans to qualified applicants. Visit [www.bedc.bm](http://www.bedc.bm) for more information on the Micro Loan.

**Bootstrapping** – is defined by Investopedia as “a situation in which an entrepreneur starts a company with little capital. An individual is said to be bootstrapping when he or she attempts to fund and build a company from personal finances or from the operating revenues of the new company.” Can you start your business in phases, using your own personal funds and sweat equity?

**NOTE:** Any financial product that you may apply for, a credit check will be performed, so please ensure you are up to date with payments or payment arrangements for any debt referred to the credit association.



Bermuda Business starts here at BEDC and BEDC is the first stop for local business in Bermuda. For more information and assistance with getting your transportation business started, visit our website at [www.bedc.bm](http://www.bedc.bm), email us at [info@bedc.bm](mailto:info@bedc.bm) or call 292-5570 to schedule an appointment to speak one-on-one with one of our dedicated officers.

## 11 Other Information To Note

**EEZ Zones (St, Georges, North East Hamilton & Somerset)**

### What is an EEZ?

An EEZ is an area of land that the Minister of Finance has designated to benefit from economic empowerment under section 2A of the Act. Economic Empowerment is achieved by allowing duty concessions on certain goods to be used in the development of properties situated within an EEZ.

- **EEZ Payroll Tax Concessions-** Any business located in an EEZ zone can apply for BEDC for a Payroll Tax Relief Letter. The letter will only give the tax concessions (which is the lowest rate) for up to 9 tax periods from the commencement of the business.
- **NEHEEZ businesses-** can receive preferential rates and terms from Butterfield Bank on Small Business, Commercial and Residential Loans.
- **Duty Deferment-** A deferment, or deferral of customs duty means that the payment of duty is made some point in the future and not at the time of importation. This is not an exemption of customs duty; the full duty is still charged and payable against the imported goods; but the full payment is simply delayed.

## Letter of Credit Programme

BEDC has partnered with the HM Customs and allocated \$200,000 in fund annually to be used to facilitate lines of credit in amounts up to a maximum of \$10,000 to assist businesses in importing goods for retail sale in Bermuda.

### Educational Courses

- **Think Like an Entrepreneur-** an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur.
- **Entrepreneurship 101-** an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success.
- **Financial Planning and Costing using QuickBooks-** an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statements and to learn how to use basic QuickBooks functionality.





- **Planning for Profit using Quickbooks** - an 8 week course, participants will learn how to utilise the Quickbooks software to manage inventory, employees and run reports. Participants should have their business already set up in Quickbooks or have taken the Financial Statements, Planning & Costing Using Quickbooks course.
- **Adhoc Training and Seminars-** BEDC offers monthly seminars based on feedback of topics from our users.

**Global Entrepreneurship Week** - GEW is the world's largest celebration of the innovators and job creators who launch start-ups that bring ideas to life, drive economic growth and expand human welfare. One week in November GEW inspires people everywhere through local, national and global activities designed to help them explore their potential as self-starters.

#### **Signature Events of GEW**

- **Rocket Pitch** - An island wide business plan competition for emerging entrepreneurs to submit a plan and present to judges and win cash and prizes to assist with their business start-up.
- **Women's Entrepreneurship Day-** Bermuda celebrates with over 144 nations in observing WED to celebrate the work of women entrepreneurs.
- **BEDC Business Awards** - these awards are a celebration of Small Business owners and local entrepreneurs. There are a range of categories and awards are distributed to the category winners during a night of elegance.

**Enterprise Bermuda-** The [Enterprise Bermuda Incubator](#) programme focuses on walking participants through an in-depth twelve-month development process, which ensures

the entrepreneurs get beyond the idea stage and start to bring their businesses to fruition. the resources and support that is needed through, mentorship, inhouse courses, workshops and seminars, as well as advice and mentorship from professionals in the private sector to help develop the business over a 9-month period.

[Vending License](#) - BEDC offers vending licenses to persons who sell, offer, or expose goods for sale in a public place. A vending license can be issued on an annual basis or a temporary basis up to 3 months.





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