

# CANADIAN UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Effective April 1, 2014

Appraisal Institute of Canada  
403 ~ 200 Catherine Street  
Ottawa, Ontario K2P 2K9

## TABLE OF CONTENTS

1	INTRODUCTION .....	1
2.	DEFINITIONS .....	2
3.	FOREWORD .....	9
4.	ETHICS STANDARD - RULES.....	12
5.	ETHICS STANDARD – COMMENTS .....	13
6.	APPRAISAL STANDARD RULES .....	22
7.	APPRAISAL STANDARD – COMMENTS .....	24
8.	REVIEW STANDARD RULES.....	34
9.	REVIEW STANDARD – COMMENTS .....	36
10.	CONSULTING STANDARD RULES.....	40
11.	CONSULTING STANDARD – COMMENTS.....	41
12.	RESERVE FUND PLANNING - RULES .....	45
13.	RESERVE FUND PLANNING - COMMENTS .....	47
14.	PRACTICE NOTES .....	53
	APPENDIX A - INDEX .....	89
	APPENDIX B - CHANGES TO CUSPAP FROM 2012 EDITION .....	91



# 1 INTRODUCTION

This 2014 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (“The Standards,” or CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada (“AIC” or “the Institute”). The Standards endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation.

With the advent of International Financial Reporting Standards (IFRS) and the transition within Canada to International Accounting Standards (IAS) in 2011, the Board of Directors of the AIC has recognized the need for valuation standards that address emerging valuation requirements for International Financial Reporting Standards (IFRS) and diversification of the scope of work available to AIC Appraisers

The standards contained in this edition are compliant with the 2013 edition of International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC).

Members of the Appraisal Institute of Canada accepting assignments with respect to Valuation for Financial Reporting (VFR) and IFRS must, in addition to CUSPAP, (with a specific reference to section 7.28) obtain and be familiar with the current edition of the IVS.

Five Standards have been developed; each containing the Rules and respective Comments:

- Ethics Standard
- Appraisal Standard
- Review Standard
- Consulting Standard
- Reserve Fund Planning Standard

Rules provide minimum performance Standards for ethics [\[see section 4\]](#), appraisal [\[see section 6\]](#), review [\[see section 8\]](#), consulting [\[see section 10\]](#) and reserve fund planning [\[see section 12\]](#) assignments; for the purpose of these Standards, their application is compulsory.

Comments clarify, interpret, explain and elaborate on the Rules, and form an integral part of the Standards; ethics [\[see section 5\]](#), appraisal [\[see section 7\]](#), review [\[see section 9\]](#), consulting [\[see section 11\]](#) and reserve fund planning [\[see section 13\]](#); for the purpose of these Standards, their application is compulsory.

Practice Notes [\[see section 14\]](#) offer advice, examples and resolution; their application is not compulsory.

Definitions [\[see section 2\]](#) form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

The member is required to comply with the applicable legislative and or licensing requirements for all types of professional services assignments. In some jurisdictions, legislation may limit the qualifications of the practitioner and the legislation supersedes CUSPAP.



## 2 DEFINITIONS

Definitions form an integral part of The Standards and for the purpose of these Standards, their application is compulsory:

- 2.1 AACI:** Accredited Appraiser Canadian Institute designation. [see 2.23.1.i, 5.1.2, 5.1.3, 5.5.7, 14.1.1.i]
- 2.2 AIC:** Appraisal Institute of Canada
- 2.3 ACCRUED DEPRECIATION:** The difference between an improvement's cost new and its value as of any given date. [see 7.17.3.iii]
- 2.4 AD VALOREM FEE:** A fee levied in proportion to the value of the property being appraised.
- 2.5 APPRAISAL:** A formal opinion of value: prepared as a result of a retainer; intended for reliance by identified parties, and for which the appraiser assumes responsibility. [see 6.2.25]  
**Note:** A formal opinion of value is not an appraisal if it is not the result of a retainer, if it is not intended to be relied upon, and if it is one for which the appraiser would not be expected to accept responsibility.
- 2.6 APPRAISAL PRACTICE:** The work or services performed by appraisers, defined by four activities in these standards: appraisal, review, consulting and reserve fund studies.  
**Note:** These four activities are intentionally generic, and not mutually exclusive. For example, an estimate of value may be required as part of a review or consulting service. The use of other nomenclature by an appraiser (e.g. analysis, counselling, evaluation, study, submission, valuation) does not exempt an appraiser from adherence to these standards.
- 2.7 ASSOCIATE MEMBER:** Shall be a person enrolled on the register of the Institute as an Associate, and who is not eligible for any other Membership category in the Institute. [see 14.1.4]
- 2.8 ASSEMBLAGE:** The merging of adjacent properties into one common ownership or use. [see 6.2.19, 7.20]
- 2.9 ASSIGNMENT:** A professional service provided as a result of a retainer or agreement between an appraiser and client. [see 7.2.2]
- 2.10 ASSUMPTION:** That which is taken to be true. [see 6.2.10, 8.2.7, 10.2.8, 12.2.10, 14.29]
- 2.11 BIAS:** A preference or inclination used in the development or communication of an appraisal, review, consulting or reserve fund planning assignment that precludes an appraiser's impartiality.
- 2.12 CANDIDATE MEMBER:** An AIC fee or non-fee Candidate Member shall be a person admitted to the Institute and is properly registered in the Candidate Co-signing Registry, who is of legal age and has not completed the requirements for any designation.



- 2.13 CHATTEL:** Tangible and movable item that is not a fixture, may be personal property, that may be included with the realty.
- 2.14 CLIENT:** The party or parties who engage an appraiser in a specific assignment. [see 6.2.1, 8.2.1, 10.2.1, 12.2.1, 14.13]
- 2.15 COMPETENCE:** Having the required or adequate knowledge and experience to perform the specific assignment. [see 4.2.7, 14.8]
- 2.16 CONFIDENTIAL INFORMATION:** Information, not otherwise publicly available, provided in the trust that the recipient will not disclose it to another. [see 5.10.4, 14.7.11]
- 2.17 CONSULTING:** The act or process of analysis of real estate data, and recommendations or conclusions on diversified problems in real estate, other than an appraisal or review assignment. [see 10, 11, 12, 13]
- 2.18 CONTINGENT FEE:** Compensation that is dependent on the result. [see 5.13, 11.1, 14.9]
- 2.19 CO-SIGNATURE:** Personalized evidence indicating authentication of the work performed by the Members as joint authors, where each is responsible for content, analyses, and the conclusions in the report; a Member cannot cosign a report with a student or non-Member. [see, 7.27.4, 9.9.4, 11.11.3, 12.2.20, 0, 14.39]
- Note:** A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the Member has sole personalized control of affixing the signature.
- 2.20 COUNCIL:** The Board of Directors of the Appraisal Institute of Canada.
- 2.21 CRA: Canadian Residential Appraiser designation.** [see 2.23, 5.1.3, 5.5.5, 5.5.6, 5.5.7, 14.1.1, 14.34]
- 2.22 DEPRECIATION:** A loss in property value from any cause.
- 2.23 DESIGNATED MEMBER:** Shall be a person admitted to the Institute and enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has complied with the requirements for their use:
- 2.23.1.i. Accredited Appraiser Canadian Institute (AACI) [see 2.1]
  - 2.23.1.ii. Professional Appraiser (P. App) [see 2.46]
  - 2.23.1.iii. Canadian Residential Appraiser (CRA) [see 2.21]
  - 2.23.1.iv. Professional Valuator (P. Val.) [see 14.1.1.iii]
- 2.24 EFFECTIVE DATE:** The date at which the analyses, opinions and advice in an assignment apply. [see 6.2.7, 7.8, 8.2.4, 10.2.5, 12.2.6]
- 2.25 EXTERNAL VALUER:** Is an Appraiser who together with any associates has no material link



with the client, an agent acting on behalf of the client, or the subject of the assignment. [\[see Internal Valuer 2.39\]](#)

**Note:** A term referred to in IVS and used in valuation for financial reporting. This is an IVS term with no relation to AIC fee and non-fee appraisal categories, or reference to appraisal of any purpose other than financial reporting.

**2.26 EXTRAORDINARY ASSUMPTION:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. [\[see 7.11.2, 7.11.3, 7.12.2, 9.5.2, 13.9, 13.10, 14.29\]](#)

**2.27 EXTRAORDINARY LIMITING CONDITION:** A necessary modification or exclusion of a Standard Rule. May diminish the reliability of the report. [\[see 7.11.3, 13.9.3, 14.20.2, 14.28.5, 14.31\]](#)

**2.28 FEASIBILITY ANALYSIS:** A study to assess whether a project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives. [\[see 11.9, 14.46\]](#)

**2.29 FEE APPRAISER:** A fee appraiser is a Member who provides any professional appraisal, review, consulting or reserve fund planning services in Canada on a fee-for-service basis (whether the fee is paid to the Member or to the Member's employer), and/or where the product of the service may be provided to any party other than the Member's employer, firm, partnership or corporation. [\[see 2.5, 2.17, 2.49, 2.55, 2.57, 5.8\]](#)

**Note:** The AIC Professional Liability Insurance policy specifically defines the term as: a Member who renders Professional Services on a fee-for-services basis in Canada; or; is an employee who provides Professional Services on behalf of his/her employer or contracting partnership or corporation or sole proprietorship for which a fee is paid to the employer or contracting partnership or corporation and/or employee.

**2.30 FIXTURE:** An improvement or personal property that is attached to the land or building in a permanent manner and is essential to the real estate and is an integral part of the building. A practitioner must also have the competence to ascertain whether the fixture is an improvement or personal property or a trade fixture and the contributory value of the fixture, if any.

**2.31 FORCED SALE VALUE:** Term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value. [\[see 14.15\]](#)

**2.32 HAZARDOUS SUBSTANCE:** Any material within, around or near the property in question that has sufficient form or quantity and exhibits any hazardous characteristics as defined by, or identified on, a list of hazardous substances issued by or pursuant to the Canadian Environmental Protection Act, 1999, c. 33, the United States of America Environmental Protection Agency or any federal, provincial, territorial, state, county, municipal or local counterpart thereof, that can create a negative impact on value. Such substances shall include, but are not limited to, solids, liquids, gaseous or thermal irritants, contaminants or



smoke, vapour, soot, fumes, acids, alkalis, chemicals or waste materials.

- 2.33 HIGHEST AND BEST USE:** The reasonably probable use of a property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value. [see 6.2.14, 14.28.1 14.32, 14.33]
- 2.34 HYPOTHETICAL CONDITION:** That which is contrary to what exists, but is supposed for the purpose of analysis. [see 6.2.11, 10.2.9, 12.2.10, 14.30, 14.31, 14.59]
- 2.35 INSTITUTE:** The Appraisal Institute of Canada and its authorized Committees.
- 2.36 INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** Non-physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.
- 2.37 INTENDED USE:** The use or uses of an appraiser's reported appraisal, review, consulting or reserve fund planning assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. [see 6.2.2, 8.2.2, 10.2.2, 12.2.2, 14.14]
- 2.38 INTENDED USER:** The client and any other party as identified, by name or type, as users of the appraisal, consulting, review report or reserve fund study, by the appraiser based on communication with the client at the time of the assignment. [see 6.2.1, 8.2.1, 10.2.1, 12.2.1, 14.13]
- 2.39 INTERNAL VALUER:** Is an appraiser who is in the employ of either the entity that owns the assets or the accounting firm responsible for the preparing the entity's financial records and/or reports (Appraisers in this category should refer to IVS for further clarification). [see External Valuer 2.25]  
**Note:** A term referred to in IVS, used in valuation for financial reporting, with no relation to AIC fee and non-fee appraisal categories, or reference to appraisal of any purpose other than financial reporting.
- 2.40 INVESTMENT ANALYSIS:** A study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment. [see 11.8, 14.45]
- 2.41 JURISDICTIONAL EXCEPTION:** Permits the appraiser to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part shall be void and of no force or effect in that jurisdiction. [see 3.6, 7.12.4, 12.2.9, 14.39.8, 14.55]
- 2.42 LEASE:** A legal agreement which grants right to use, occupy, or control all or part of a property, to another party, for a stated period of time at a stated rental. [see 6.2.18, 14.30.2.ii 14.31.5, 14.31.6]
- 2.43 LIMITING CONDITION:** A statement in the appraisal identifying conditions that impact the value conclusion. [see 6.2.10, 7.11, 8.2.7, 10.2.8, 12.2.9, 14.29, 14.31.2]



**2.44 MARKET ANALYSIS:** A study of real estate market conditions for a specific type of property. [\[see 11.7, 11.9, 14.44, 14.46\]](#)

**2.45 NON-FEE APPRAISER:** A non-fee appraiser is a Member who provides any professional services exclusively for the internal use of his/her employer and whose appraisal reports are kept in-house and are not provided to an outside party, although a fee may be paid by that outside party to cover the cost of the preparation of the report. Notwithstanding the above, government and crown corporation employees may register as non-fee appraisers, (including those who are employed by one government department but provide appraisal services to other governments, government departments or government-owned corporations), whether or not a fee is paid for the services provided. [\[see 2.5, 2.17, 2.49, 2.55, 2.57, 5.8\]](#)

**Note 1:** Notwithstanding that the AIC Professional Liability Insurance Policy specifically defines non-fee appraiser as noted above, a Member who is temporarily unemployed or holding employment that does not relate to professional services may register as a non-fee appraiser for the period during which he/she is not providing any professional services.

**Note 2:** The AIC Professional Liability Insurance Policy specifically defines Non-Fee Appraiser as a Member who renders Professional Services exclusively for the internal use of his or her Employer.

**2.46 P. App:** Professional Appraiser Designation. [\[see 2.23\]](#) This designation can only be used by AACI designated members.

**2.47 PERSONAL PROPERTY:** identifiable portable, tangible or intangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property, tangible and intangible, that are not classified as real property. [\[see 6.2.21\]](#)

**2.48 PROFESSIONAL ASSISTANCE:** Professional assistance involves support to the Member that has a direct and significant bearing on the outcome of his or her assignment. A Member may rely on significant professional, appraisal, review, consulting or reserve fund planning assistance of an employee. Such assistance would generally be provided by insured Members of the Institute or other professionals. Inspection of a property is professional assistance as it forms part of the analysis leading to an opinion. [\[see 14.16\]](#)

**2.49 PROFESSIONAL SERVICES:** means real property appraisal, review, consulting and reserve fund planning services which were rendered, or which should have been rendered, by a Member, and for which such Member was, at the time of providing said services, qualified, competent and authorized under the Rules, By-laws, Regulations and the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) of the Sponsoring Entity to undertake.

**2.50 REAL ESTATE:** Land, buildings, and other affixed improvements, as a tangible entity. [\[see 10.2.4\]](#)

**2.51 REAL PROPERTY:** The interests, benefits, and rights inherent in the ownership of real estate. [\[see 7.10, 10.1, 10.2.4\]](#)

**Note:** In some jurisdictions, the terms real estate and real property have the same legal





meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

**2.52 REASONABLE APPRAISER:** Means an appraiser that provides appraisal, review, consulting and reserve fund planning services within an acceptable standard of skill and expertise, and based on rational assumptions. [see 7.1.2, 7.16.2, 7.17, 9.1.2, 11.2.2, 13.1.2, 14.16, 14.39.1]

**2.53 RECERTIFICATION OF VALUE:** An inspection performed to confirm whether or not the hypothetical conditions in the appraisal have been met. [see 7.12.1.iv, 14.11]

**2.54 REPORT:** any communication, written or oral, of an appraisal, review, consulting or reserve fund planning service that is transmitted to the client as a result of an assignment. [see 7.1, 9.1, 11.2, 13.1, 14.10, 14.13]

**Note 1:** Most reports are written and most clients mandate written reports. Oral report requirements are included to cover court testimony and other oral communications of an appraisal, review, consulting or reserve fund planning service.

**Note 2:** These Standards do not dictate the format or style of reports. The substantive content of a report determines its compliance with CUSPAP.

**Note 3:** Report types may include form reports, concise short narrative reports or, comprehensive and detailed reports.

**2.55 RESERVE FUND STUDY:** A periodic study to determine whether the amount of money in the reserve fund and the amount of contributions collected are adequate to provide for the projected costs of major repair and replacement of the common elements and assets. Reserve Fund Study, Depreciation Study, Depreciation Reports, Contingency Reserves (“Reserve Fund Study”) are synonyms for the purpose of this standard. [see 12, 13]. The output of a reserve fund study is not a “value” as defined in Definition 2.63 (Value).

**2.56 RETAINER:** Engagement by a client of an appraiser to produce a formal report for an intended use.

**2.57 REVIEW:** the act or process of developing and communicating an opinion about all or part of an appraisal. [see 9.1.5, 9.3.1, 9.5, 14.43.1.ii, 14.48]

**Note:** The subject of an appraisal review assignment may be all or part of an appraisal report, the work-file, or a combination of these.

**2.58 SCOPE OF WORK:** The type and extent of research and analysis in an assignment. [see 6.2.4, 8.1.1, 8.2.5, 8.2.8, 10.2.7, 12.2.8, 14.16, 14.56, 14.57.4]

**2.59 SIGNATURE:** Personalized evidence indicating authentication of the work performed by the Member, where the Member is responsible for content, analyses, and the conclusions in the report. [see 2.19, 7.27, 9.9, 11.11, 0]

**Note:** A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the Member has sole personalized control of affixing the signature.



- 2.60 STUDENT MEMBER:** A Student Member shall be a person admitted to the Institute and enrolled on the register of the Institute as a Student who, at the time of their application, is of legal age, is enrolled as a full or part-time student in a recognized course of study, and who is not eligible for any other Membership category in the Institute. [\[see 14.1.3\]](#)
- 2.61 TECHNICAL ASSISTANCE:** Technical assistance involves support to the Member in the preparation of a report, such as collecting property data and other factual information, but does not in itself include interpretation or analysis. A Member may rely on technical assistance from Student Members of the Institute or others, keeping in mind that the responsibility for the finished product rests with the Member signing the report. [\[see 7.27.1, 7.27.2, 9.9.1, 11.11.1, 13.19.1\]](#)
- 2.62 UNIT OF MEASUREMENT:** A unit of measurement is defined as a feature of a property that can be measured, for purposes of comparison, with the same common element or component of another property. For example, a selling price per “unit” could express a figure on a per square foot basis, per acre basis, per suite basis, or per room basis.
- 2.63 VALUE:** The monetary relationship between properties and those who buy, sell, or use those properties. [\[see 5.13.1.iii, 6.1.1, 6.2.3, 6.2.6, 6.2.15, 6.2.17, 6.2.18, 6.2.20, 6.2.21, 6.2.23, 6.2.24, 6.2.25, 7.4.2, 7.6, 7.7, 7.16 7.17.6.iii, 7.19, 7.20.1, 7.21.2, 7.24, 14.15\]](#). The practitioner must provide the basis for the value, that being a statement of the fundamental measurement assumptions of a valuation<sup>1</sup> as well as the timeframe of the value opinion [\[see 7.6\]](#).
- Note:** Value expresses an economic concept. As such, it is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified, e.g., market value [\[see 14.15\]](#), liquidation value, investment value, rental value, or other.
- 2.64 WORK-FILE:** Documentation necessary to support an appraiser’s analyses, opinions and conclusions. [\[see 4.2.9, 5.9.1, 5.9.2, 5.9.3, 5.9.4, 5.9.7, 7.1.3, 9.1.4, 11.2.5, 13.1.5, 14.12\]](#)

---

<sup>1</sup> IVS Framework: Basis of Value, International Valuation Standards, 1 July 2013.



## 3 FOREWORD

### 3.1 General Information

- 3.1.1 The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice by establishing requirements for appraisal, review, consulting and reserve fund planning assignments. These Standards begin with the Ethics Standard which sets out the requirements for integrity, impartiality, objectivity, independent judgment and ethical conduct. The Standards apply to all activities of any Member involving an analysis, opinion or conclusion relating to the nature, quality, utility or value of a specified interest in – or aspects of – identified real estate.
- 3.1.2 A Member of the Appraisal Institute of Canada must develop and communicate his/her analysis, opinions and advice in a manner that will be meaningful to the client, that will not be misleading in the marketplace, and that will be in compliance with these Standards.
- 3.1.3 A Member must not render appraisal, review, consulting or reserve fund planning services in a careless or negligent manner. This requires a Member to use due diligence and due care. The fact that the carelessness or negligence of a Member has not caused an error that significantly affects his or her opinions or conclusions and thereby does not seriously harms an intended user does not excuse such carelessness or negligence.
- 3.1.4 Authority for interpretation and application of these Standards is found in the terms of reference of appropriate Committees and Sub-Committees of the Institute. (herein after referred to “Committees”)

### 3.2 Rules

- 3.2.1 The Rules are based upon accepted appraisal principles that incorporates the minimum compulsory content of principles for appraising, reviewing, consulting or reserve fund planning assignments necessary to provide a credible result. It is not anticipated that the fundamental concepts incorporated in these rules will change significantly over time; nonetheless, they will be amended by the Standards Sub-Committee as required.

### 3.3 Comments

- 3.3.1 Comments are provided to expand upon the interpretation and application of Rules. They are an integral part of these Standards and must be viewed as extensions of the Rules having the same force and effect. It may be anticipated that comments will be added or changed more frequently than Rules to respond to those industry issues that develop over time. Amendments to Comments will be made only if critical to the implementation of the Rules.

### 3.4 Practice Notes

- 3.4.1 Practice notes supplement the general discipline of applying Standards, which an appraiser learns through a combination of education and experience. Although practice notes are not binding, they do provide guidance in meeting the reasonable



appraiser test. They are intended to provide a convenient resource for everyday application, giving examples for application of Rules for appraisal, review, consulting and reserve fund planning assignments. As new issues emerge that require practical examples for implementation, Practice Notes will be developed and expanded to promote discussion and provide leadership to Members in understanding how to comply with Standards.

### 3.5 How To Use This Document

- 3.5.1 These Standards are set up in three tiers or levels.
- 3.5.2 The three tiers: **Rules**, **Comments** and **Practice Notes**, apply to four Standards for the common appraisal activities: **Appraisals**, **Review**, **Consulting** and **Reserve Fund Planning**.
- 3.5.3 Tier one for each Standard is an expression of the Rules for that Standard. In the majority of assignments, reference need only be made to the Rules, which are written to be as concise as possible.
- 3.5.4 Note that each section and subsection of the Standards is numbered. References to other sections of the document are noted in blue, in the format [###.i](#). Simply click the numbered reference in the electronic version of the Standards to jump to that reference.
- 3.5.5 If further explanation of a Rule is required, links are provided to the Comments or second tier. The numbers in brackets at the end of a section refer to the line number at the beginning of the appropriate Comment.
- 3.5.6 The third tier of reference is the Practice Notes. When there is a Practice Note linked to a Rule, the line number reference will also be shown in the right column. Note that a link is referenced not only at the Rule level but also at the Comments level, when applicable. This minimizes the need to navigate back and forth through the pages of the document in order to retrieve the full text of Comments and Practice Notes that are linked to a particular Rule. While Comments follow immediately after the Rules for each Standard, Practice Notes form a single section. A Practice Note may be linked to Rules under more than one Standard.
- 3.5.7 A comprehensive Index provides back-up features for quick access to linked Rules, Comments and Practice Notes.

### 3.6 Jurisdictional Exception [\[see 2.41, 7.12.4, 12.2.9\]](#)

- 3.6.1 An assignment condition that voids the force of a part or parts of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP), when compliance would be contrary to law or public policy applicable to the assignment. [\[see 4.2.5; 14.39.6\]](#)
- 3.6.2 Jurisdiction relates to the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government. It is misleading not to identify the part or parts of CUSPAP disregarded and the legal authority justifying this action.



- 3.6.3 In every case, it is ultimately the responsibility of the appraiser, not the client or other intended users, to determine whether the use of Jurisdictional Exception is appropriate. It is unethical for a Member to complete an assignment that a Reasonable Appraiser could not support.



## 4 ETHICS STANDARD - RULES

### 4.1 Preamble

Members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or the real property appraisal profession. Members' relationships with other Members and the Institute shall portray courtesy and good faith and show respect for the Institute and its procedures. [\[see 4.2.2, 5.2\]](#)

### 4.2 Rules

It is unethical for a Member: [\[see 2.52, 5.1\]](#)

- 4.2.1 to knowingly fail to comply with Bylaws, Regulations and Standards, and the Professional Liability Insurance Program, of the Institute; [\[see 5.8, 14.4\]](#)
- 4.2.2 to knowingly engage in conduct that would prejudice his/her professional status, the reputation of the Institute, the appraisal profession, or any other Member; [\[see 5.2, 14.2.1\]](#)
- 4.2.3 to knowingly act in a manner that is misleading; [\[see 5.3, 14.2.2\]](#)
- 4.2.4 to act in a manner that is fraudulent; [\[see 5.2.4, 14.2.2\]](#)
- 4.2.5 to knowingly complete an assignment a reasonable appraiser could not support; [\[see 2.52\]](#)
- 4.2.6 to claim qualifications, including Continuing Professional Development credits, improperly; [\[see 5.5, 5.7, 14.3\]](#)
- 4.2.7 to undertake an assignment lacking the necessary competence; [\[see 5.12, 14.8\]](#)
- 4.2.8 to refuse to co-operate with the Institute; [\[see 5.6, 14.2.2\]](#)
- 4.2.9 to fail to create a work-file for each assignment; [\[see 5.6, 5.9, 14.5, 14.12\]](#)
- 4.2.10 to disclose results of an assignment to anyone but the client, except with the client's permission; [\[see 5.10, 14.6\]](#)
- 4.2.11 to fail to reveal any conflict of interest; [\[see 5.11, 14.7\]](#)
- 4.2.12 to accept an appraisal assignment that is contingent on the result. [\[see 5.13, 11.1, 14.9\]](#)



## 5 ETHICS STANDARD – COMMENTS

### 5.1 Member [see 14.1]

- 5.1.1 Member as used herein is defined in the Institute's Bylaws, Article 1.1(f) Institute as used herein refers to the Appraisal Institute of Canada and to any authorized National, Provincial or Chapter committee.
- 5.1.2 Only Members holding the AACI designation are entitled to use of the term "accredited appraiser."
- 5.1.3 Only Members holding AACI or CRA designations or P. App or P. Val. are entitled to use the term "Designated Member."
- 5.1.4 A Candidate Member may identify themselves as an AIC Candidate Member or any other reasonable title, as set out by an employer or by legislation. They may not hold themselves out as an "accredited appraiser" or a "Designated appraiser".  
[see 2.23]

### 5.2 Conduct [see 4.2.2, 14.2.1]

- 5.2.1 Members must perform assignments ethically, objectively and competently in a meaningful manner in accordance with these Standards.
- 5.2.2 Members must not engage in activities within a group or organization that these Standards would preclude them from doing as an individual.
- 5.2.3 Members cannot avoid their ethical responsibilities and obligations by doing indirectly what they cannot do directly.
- 5.2.4 Conduct by a Member that results in criminal charges may be subject to sanctions in accordance with AIC Consolidated Regulations.

### 5.3 Misleading report [see 4.2.3, 4.2.4, 14.2.2]

- 5.3.1 It is unethical for a Member to develop, use or permit others to use, for any purpose any report which the Member knows, or ought to know, is defective and/or misleading.
- 5.3.2 A Member must not submit false or misleading information to an authorized committee of the Institute.
- 5.3.3 **NOTE:** A misleading report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a report that is deemed to be misleading.

### 5.4 Misleading advertising [see 4.2.3]

- 5.4.1 Members pledge to avoid advertising or solicitation which is false, misleading, exaggerated or otherwise contrary to the public interest.



- 5.4.2 To serve the public effectively, Members must properly and accurately inform the public as to the functions of the profession and the qualifications and credentials of its Members. This will enable the public requiring such professional services to select a Member of the profession upon the basis of an individual's reputation for professional competence or the confidence that the public has come to place in a professional designation. The public interest is not served by the distribution or use of misleading or deceptive advertising material, or by practices which impair the confidence of the public in the profession. Members of the Institute may use advertising media not only to inform prospective clients and the public that their professional services are available, but also to advise such parties as to the range, nature and cost of such professional services.
- 5.4.3 Members must ensure however, that such advertising is not misleading or calculated to create unrealistic expectations. In promoting an appraisal practice, Members are required to take particular care that they observe only the highest standards of objectivity and impartiality. The Institute recognizes the right of its Members to engage in the personal solicitation of clients and business in any manner that does not offend the legitimate interests of the public and the profession. Hence, these Standards prohibit personal solicitation only when it violates the standards set for advertising in general, or when such solicitation implies that the impartiality and objectivity of the Member in performing appraisal services will be compromised by the Member to accommodate the desires of the client.
- 5.4.4 Any matter related to misleading advertising that is brought to the attention of the Counsellor, Professional Practice will be reviewed for compliance with the Standards, without need for registration of a formal complaint to the AIC. The lack of formal complaint by Members of the public or by other AIC Members, as well as the use of a corporation, partnership or other business entity (or multiple entities) will not shield a Member from the ethical requirements of the Institute. Even if the name of the Member is not mentioned directly, it is unethical for a Member to knowingly permit a business entity that is wholly or partially owned or controlled by such Member to solicit appraisal business in a manner that is misleading or otherwise contrary to the public interest and/or the Standards.
- 5.4.5 No one may refer to or make use of the name of the Appraisal Institute of Canada or its professional designations and trademarks in a misleading or deceptive manner. For example, the name of the Institute or its designations may be used to refer factually and accurately to an individual appraiser's Membership, but such usage must never suggest that a business organization is a Member. These designations and their trademarks are awarded only to an individual Member and must never be used to give the impression that a business organization holds any designation. Further, any advertisement, leaflet, pamphlet, brochure, electronic media, or other material used for promotional or solicitation purposes which refers to the Institute or to the Institute's professional designations or trademarks must be dignified, conservative and in keeping with the highest professional standards. The use of the Institute logos will be determined by the Board of Directors.





- 5.4.6 AIC Candidate Members must not use other initials or abbreviations that might be interpreted as an appraisal designation. [see 5.1.4] Promoting the Candidate Membership category in such a way that it might be perceived as a designation is misleading. University degree or other professional designations are acceptable.
- 5.4.6.i. AIC Candidates must identify themselves as a Candidate Member of the Appraisal Institute of Canada. [see 2.49, 4.2.6, 4.2.7]. In any report or other promotional material (excluding signature blocks and business cards), an AIC Candidate Member must identify that they are working under the supervision of a Designated Member of the AIC and must identify the supervisor and their designation. [see 2.12, 2.23, 2.29, 2.45]
- 5.4.6.ii. A CRA Member must indicate in any advertising or promotional materials those professional services and those property types for which they are competent and qualified by the AIC to undertake. A CRA Designated Member must not, directly or indirectly, use advertising terminology that is misleading.
- 5.4.6.iii. A CRA Member, while permitted to do work outside the Scope of Practice of a CRA subject to proper review and co-signature, must not directly or indirectly claim qualifications or competencies outside their Scope of Practice. CRA or AIC Candidate Members who have completed assignments requiring AACI review and co-signature shall not claim nor advertise competency or qualification for these types or assignments; any such actions by CRA Members or AIC Candidate Members that suggest claims of competence or qualification are misleading.
- 5.4.6.iv. AIC Members can advertise jointly. For example, CRA Members and/or AIC Candidate Members can advertise qualifications with an AACI Member. Also, an AIC Candidate Member can advertise qualifications along with a CRA Member.
- 5.4.6.v. A Member must not indicate, either directly or indirectly, in any report, advertising or promotional materials those professional services that they are not deemed qualified and/or competent to undertake by the AIC (as per 5.5.2 and 5.5.3). CRA Members who do not advertise jointly with an AACI Member must include, in the advertisement, the firm's name and address, their personal name, designation, and property types. Permitted examples: residential appraisals and residential vacant lots. CRA Members may only indicate the services offered in accordance with 5.5.2 in the "Find a Real Value Expert" section on the AIC website [[www.aicanada.ca](http://www.aicanada.ca)].
- 5.4.6.vi. Any AIC Member who advertises professional services must identify their designation or Membership status (AACI, CRA or AIC Candidate Member).
- 5.4.6.vii. It is unethical for an AIC Member to advertise using laudatory statements or superlatives to describe their services. Claims of superiority in respect to services rendered are not acceptable.



## 5.5 Qualifications [see 4.2.6, 5.4.6.i, 7.26, 11.10, 14.34]

- 5.5.1 Members must identify their status with the Institute in a report. An associate, retired, honorary AACI<sup>2</sup> or student Member shall not hold themselves out in any way as a practicing Member of the Institute.
- 5.5.2 Any AIC Member who signs any report and all related correspondence must identify their designation or Membership status (AACI, CRA or AIC Candidate Member). [see 2.12, 2.23, 7.27, 8.2.13, 9.9, 10.2.14, 11.11, 12.2.20, 0, 14.34]
- 5.5.3 For those reports that are co-signed, all Members who co-sign must follow the mandatory AIC co-signing policy and guidelines published on the AIC website. [http://www.aicanada.ca/policy/] [see 2.19]
- 5.5.4 Where an AIC Candidate Member signs a report, it must be co-signed by an appropriately Designated Member of the AIC. [see 2.19, 7.27.3, 9.9.3, 11.11.3]
- 5.5.5 CRA Members must use that designation in connection with the appraisal, review or consulting on individual undeveloped residential dwelling sites and of dwellings containing not more than four (4) self-contained family housing units. For clarity, CRA Members must include their designation wherever signatures appear in any appraisal, consulting or review report and related correspondence.
- 5.5.5.i. Exception is for reserve fund planning assignments whereby competent CRA Members can use the CRA designation to undertake reserve fund planning assignments on any building size. [see 12.2.6, 14.20.3]
- 5.5.6 Where a CRA Member signs a report beyond the scope set out in 5.5.5, it must be co-signed by an AACI Member of the AIC. In determining the scope of practice for a CRA Member in undertaking an assignment, the test lies in the highest and best use - actual or assumed - of the property being appraised. [see 2.19, 7.12, 7.27.3, 9.9.3, 11.11.3, 14.33]
- 5.5.7 An AACI or CRA cannot co-sign a report with a:
- 5.5.7.i. Student Member;
- 5.5.7.ii. Associate Member;
- 5.5.7.iii. Retired Member (retired status)

---

<sup>2</sup>This designation is bestowed to identify individuals the Board deems are ethically above reproach, and publicly recognized as leaders in business, law, academia, and other professions, and who contribute to the Institute's advancement of the profile, respect, body of knowledge, and advocacy of the valuation profession. This honorary designation is with distinction. It comes with the expectation that these honoured and prominent individuals will play an important advisory role within the Institute and its committees, providing leadership and visibility that will assist in advancing our profession, AIC Consolidated Regulations.



5.5.7.iv. Honorary AACI;

5.5.7.v. AIC Candidate Member with whom the Designated Member is not properly registered in the Candidate Registry;

5.5.8 A Designated Member registered in the non-fee category cannot co-sign with a Member in the fee category. However, a Designated Member registered in the fee category may co-sign for non-fee (institutional) appraisal, consulting, review, or reserve fund planning services.

## **5.6 Co-operate [see 4.2.8, 14.2.2]**

5.6.1 A Member must not fail or refuse to provide, or unreasonably delay the submission of, a written report, work-file or other material that is or that should be in the possession or control of such Member upon the request of the Institute.

5.6.2 A Member having custody of a work-file must allow authorized committees of the Institute with obligations related to the assignment appropriate access and retrieval. [see 5.10.2.ii 5.10.2.iii]

## **5.7 Continuing Professional Development [see 14.3]**

5.7.1 Members must comply with the Continuing Professional Development (CPD) Policy and Guideline and not claim CPD credit improperly. Doing so may result in sanctions and fines in accordance with AIC Consolidated Regulations.

## **5.8 Liability insurance [see 14.4]**

5.8.1 Members must be properly registered in the Professional Liability Insurance Program of the Institute.

5.8.2 It is unethical for a Member to claim or suggest there is insurance coverage when there is not.

5.8.3 If the conditions surrounding an assignment result in it not being covered by the insurance program, the Member must make it clear to the client prior to accepting the assignment that no recourse to the program exists for that assignment.

5.8.4 If the assignment is such that insurance coverage does not exist, the Certification and Letter of Transmittal (if applicable) must contain an Extraordinary Limiting Condition to that effect.

## **5.9 Records [see 5.6, 14.5, 14.12]**

5.9.1 A Member must prepare a work-file for each assignment. The work-file must include the name of the client and the identity, by name or type, of any other intended users; true copies of any written reports, documented on any type of media; summaries of any oral reports or testimony, or a transcript of testimony; the appraiser's signed and dated certification; all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other



documentation.

- 5.9.2 A Member must (subject to [5.9.4](#)) retain the work-file for a period of at least seven (7) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given or any professional liability insurance proceeding, whichever period expires last and have custody of the work-file, or make appropriate work-file retention, access, and retrieval arrangements with the party having custody of the work-file.
- 5.9.3 If a Member is unable to retain a copy of each appraisal, review or consulting report or reserve fund study and or work-file, whether by reason of an employer's internal rules or by change of employer, all reasonable steps must be taken by the Member to ensure the availability of such reports and work-files when requested.
- 5.9.4 **Note:** Members should obtain written commitment from employers that reports and work-files will be made available when required.
- 5.9.5 A photocopy or an electronic copy of the entire actual written appraisal, review or consulting report or reserve fund study sent or delivered to a client satisfies the requirement of a true copy.
- 5.9.6 Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period.
- 5.9.7 A work-file must be in existence prior to and contemporaneous with the issuance of a written or oral report. If a workfile cannot be provided prior to providing an oral report, a written summary of the oral report must be added to the work-file within a reasonable time after the issuance of the oral report.

## 5.10 Disclosure [\[see 4.2.10, 14.6\]](#)

- 5.10.1 Members pledge to uphold the confidential nature of the appraiser/client relationship.
- 5.10.2 A Member must not disclose the analyses, opinions, or conclusions in an assignment to anyone other than:
  - 5.10.2.i. the client and those persons specifically authorized by the client to receive such information;
  - 5.10.2.ii. third parties, when the Member is legally required to do so by due process of law; or
  - 5.10.2.iii. an authorized Committee of the Institute.
- 5.10.3 A Member must not disclose information provided by a client on a confidential basis to anyone other than:
  - 5.10.3.i. those persons specifically authorized by the client to receive such data;



- 5.10.3.ii. third parties, when required to do so by due process of law; or
  - 5.10.3.iii. an authorized Committee of the Institute.
  - 5.10.4 When serving the Institute in any capacity, a Member must not disclose or use confidential information obtained in connection with such service.
  - 5.10.5 If the performance of a prior appraisal is to be kept confidential, a Member must decline a new assignment on the same property, where a condition requires disclosure of any prior appraisal.
  - 5.10.6 The Member must obtain the occupant's (e.g. tenants, property owners, clients, occupant of office space, reception staff, etc.) permission to photograph their personal space and information and notify them that photographs may be included in the report. The Member should have limiting conditions to the effect that s/he is not responsible for the misuse of the photographs by others.
- 5.11 Conflict [see 4.2.11, 14.7]**
- 5.11.1 Members pledge to develop, support and communicate each analysis, opinion and conclusion without regard to any personal interest.
  - 5.11.2 It is unethical for a Member to accept an assignment if the Member has any direct or indirect, current or contemplated, personal interest in the subject matter or the outcome of the assignment unless such personal interest:
    - 5.11.2.i. is revealed to the client in writing and acknowledged by the client in writing prior to acceptance of the assignment, or as soon as the conflict is revealed or perceived [see 14.7.13]; and
    - 5.11.2.ii. is fully and accurately revealed in each report. [see 14.7.13]
  - 5.11.3 The payment of concealed fees, commission or things of value in connection with the procurement of appraisal, review, consulting or reserve fund planning assignments is unethical. [see 14.7.14]
- 5.12 Competence [see 4.2.7, 14.8]**
- 5.12.1 Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser, consultant or reserve fund planner must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:
    - 5.12.1.i. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
    - 5.12.1.ii. take all steps necessary or appropriate to complete the assignment competently; and
    - 5.12.1.iii. if the appraiser lacks experience and/or knowledge to undertake an



assignment, the appraiser must describe steps taken to complete the assignment competently, in the report.

**5.13 Contingent [see 4.2.12, 11.1, 14.9]**

- 5.13.1 It is unethical for a Member to accept an appraisal or review assignment if compensation for the assignment is contingent upon:
- 5.13.1.i. reporting a predetermined value;
  - 5.13.1.ii. a direction in value that favours the client as a result of improper influence;
  - 5.13.1.iii. the amount of the value opinion (i.e. ad valorem);
  - 5.13.1.iv. the attainment of a stipulated result; or
  - 5.13.1.v. the occurrence of a subsequent event directly related to the value opinion.
- 5.13.2 When both an appraisal and a consulting assignment are performed by an appraiser, compensation for the consultation may be on a contingent fee basis. The appraiser must:
- 5.13.2.i. make arrangements with the client such that the consulting appraiser's compensation for developing the real property appraisal is on a basis that complies with this Ethics Rule; or
  - 5.13.2.ii. retain (or suggest that the client retain) another appraiser to perform the real property appraisal under compensation arrangements that do not violate this Ethics Rule; and
  - 5.13.2.iii. properly certify the real property consulting report, including therein a clear disclosure of the separate compensation arrangements for the appraisal portion and the real property consulting portion of the assignment.
- 5.13.3 The purpose of this rule is to ensure that appraisers properly understand how they may comply with this Ethics Standard when performing a real property consulting assignment in which a real property appraisal is necessary and compensation for performing the assignment is contingent on the attainment of a stipulated result or the occurrence of a subsequent event (such as in connection with real property assessment appeal).
- 5.13.4 If no report (as defined) is prepared, a Member acting as a broker, sales agent or listing agent, in determining a listing price for a client, is not deemed to be providing a formal appraisal of market value. This must be made clear to the client.
- 5.13.5 A Member acting as a broker or sales/listing agent may not be covered by the professional liability insurance program of the Institute for claims arising from expressions of value prepared for listing purposes.



5.13.6 In summary:

- appraisal must not be on a contingent fee basis;
- expert testimony based on his/her appraisal report must not be on a contingent fee basis;
- consulting may be on a contingent fee basis;
- a Member may be an appraiser and consultant on the same assignment.



## 6 APPRAISAL STANDARD RULES

### 6.1 Preamble

6.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value, and incorporates the minimum content necessary to produce a credible report that will not be misleading.

### 6.2 Rules

In the report [\[see 2.54, 7.1, 14.10\]](#) the appraiser must:

- 6.2.1 identify the client by name and intended users; [\[see 7.2, 14.13\]](#)
- 6.2.2 identify the intended use of the appraiser's opinions and conclusions; [\[see 7.3, 14.14\]](#)
- 6.2.3 identify the purpose of the assignment, including a relevant definition of value; [\[see 7.4, 14.42\]](#)
- 6.2.4 identify the scope of work necessary to complete the assignment; [\[see 7.5, 7.11.3, 7.28, 14.16\]](#)
- 6.2.5 identify whether the appraisal is current, retrospective, prospective, or an update; [\[see 7.6, 14.17, 14.18\]](#)
- 6.2.6 provide an analysis of reasonable exposure time linked to a market value opinion; [\[see 7.7, 14.19\]](#)
- 6.2.7 identify the effective date of the appraiser's opinions and conclusions; [\[see 7.8\]](#)
- 6.2.8 identify the date of the report; [\[see 7.9\]](#)
- 6.2.9 identify the location and characteristics of the property and the interest appraised; [\[see 7.10, 14.20, 14.26, 14.28\]](#)
- 6.2.10 identify all assumptions and limiting conditions; [\[see 7.11, 14.29, 14.30, 14.31\]](#)
- 6.2.11 identify any hypothetical conditions (including proposed improvements); [\[see 7.12\]](#)
- 6.2.12 identify land use controls; [\[see 7.13\]](#)
- 6.2.13 state the existing use and the use reflected in the appraisal; [\[see 7.14\]](#)
- 6.2.14 define and resolve the highest and best use; [\[see 2.33, 7.15, 14.28.1, 14.33\]](#)
- 6.2.15 describe and analyze all data relevant to the assignment; [\[see 7.16, 14.28\]](#)
- 6.2.16 describe and apply the appraisal procedures relevant to the assignment and support the reason for the exclusion of any of the usual valuation procedures; [\[see 7.17\]](#)





- 6.2.17 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [\[see 7.18\]](#)
- 6.2.18 analyze the effect on value, if any, of the terms and conditions of the lease(s) when developing an opinion of the value of a leased fee or a leasehold estate; [\[see 7.19\]](#)
- 6.2.19 analyze the effect on value of an assemblage; [\[see 2.8, 7.20\]](#)
- 6.2.20 analyze the effect on value of anticipated public or private improvements; [\[see 7.21\]](#)
- 6.2.21 analyze the effect on value of any personal property; [\[see 2.47, 2.63, 7.10.1.iv, 7.22\]](#)
- 6.2.22 analyze any Agreement for Sale, Option, or Listing of the property and analyze any prior sales of the property; [\[see 7.23, 14.38\]](#)
- 6.2.23 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [\[see 7.24\]](#)
- 6.2.24 report the final value estimate; [\[see 7.25\]](#)
- 6.2.25 include a signed certification of value; [\[see 4.2, 7.26\]](#) **Note:** An appraiser who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [\[see 7.1, 7.27\]](#)



## 7 APPRAISAL STANDARD – COMMENTS

### 7.1 Report [\[see 2.54, 14.10\]](#)

- 7.1.1 A report transmitted through any medium must comply with this Standard.
- 7.1.2 Appraisers must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically. [\[see 5\]](#)
- 7.1.3 A work-file must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [\[see 14.12\]](#)
- 7.1.4 To the extent that it is both possible and appropriate, each oral real property appraisal report, including expert testimony that addresses value, must comply with the Appraisal Standard Rules. [\[see 14.12.2\]](#)

### 7.2 Client And Intended Users [\[see 6.2.1, 14.13\]](#)

- 7.2.1 The client is generally the party or parties ordering the appraisal report. It does not matter who pays for the work. [\[see 2.14\]](#)
- 7.2.2 The client/appraiser relationship lasts at least until the completion of the intended use of the original appraisal or release from client. A party receiving a report copy from the client does not, as a consequence, become a party to the client relationship.
  - 7.2.2.i. A party receiving a copy of an appraisal report does not become an intended user unless authorized by the appraiser and clearly identified as the intended user.
- 7.2.3 Intended user must be identified by name. Intended users must be identified by the appraiser on the basis of communication with the client. However, if identification by name is not appropriate or practical the appraiser may identify an intended user by type. [\[see 14.13\]](#)

### 7.3 Intended Use [\[see 6.2.2, 14.14\]](#)

- 7.3.1 An appraiser must identify and consider the client's intended use of the appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The client's intended use of the opinions and conclusions must be stated in an appraisal report. The intended use of an appraiser's reported conclusions and opinions is established by the client. An appraiser identifies the client's intended use by communicating with the client before accepting the assignment.

### 7.4 Purpose [\[see 6.2.3, 14.42\]](#)

- 7.4.1 Liability to the client may depend on the appraiser's understanding of the client's objective (intended use) in ordering the appraisal. The purpose of the appraisal states what value is being estimated, in response to the client's intended use or



objective.

- 7.4.2 Value definition(s) must be included in the report together with the source of the definition. [\[see 2.63, 14.15\]](#)

## 7.5 Scope of Work [\[see 2.58, 6.2.4, 14.16, 7.28\]](#)

- 7.5.1 The amount and type of information researched and analysis applied. Scope includes, but is not limited to, the extent of:
- 7.5.1.i. Inspection (inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition) [\[see 14.28, 14.29.2, 14.31\]](#)
  - 7.5.1.ii. research into physical and economic factors that could affect the property [\[see 7.16\]](#)
  - 7.5.1.iii. data research, verification, and inspection of comparables
  - 7.5.1.iv. analysis applied
- 7.5.2 The scope of work applied must be sufficient to result in opinions/conclusions that are credible in the context of the intended use of the appraisal. The appraiser has the burden of proof to support the scope of work decision and the level of information included in a report.

## 7.6 Timeframe of Value Opinion [\[see 6.2.5, 7.8\]](#)

- 7.6.1 Current Value Opinion refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed.
- 7.6.2 Retrospective Value Opinion [\[see 14.17, 14.28.2\]](#) refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (i.e. past tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the retrospective effective date. Data subsequent to the effective date may be considered as confirmation of trends evident at that date. It is up to the appraiser to determine an appropriate cut-off date. In the absence of such data, the effective date is the cut-off date.
- 7.6.3 Prospective Value Opinion [\[see 14.30\]](#) refers to an effective date following the date of the report; it is a forecast. The use of clear language and consistent terminology in a prospective report (i.e. future tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the prospective effective date. Prospective value opinions are intended to reflect the current perceptions of market participants as to the future. These opinions should be judged on the market support for the forecasts when made, not whether in hindsight they in fact occurred. An Extraordinary Assumption must be clearly stated in the report citing the market conditions from which the prospective value opinion was developed, and absolving the appraiser from responsibility for unforeseeable events that alter market



conditions prior to the effective date.

- 7.6.4 **Updated Value Opinion** [see 14.18] refers to an extension of an original appraisal, changing the effective date. In the update, any changes in the status of the subject, in market conditions or in any respect affecting value since the prior appraisal must be reported, with analyses of these changes in developing an updated opinion. The updated report must clearly show that it can only be relied upon by a reader familiar with the original.

**7.7 Exposure Time** [see 6.2.6, 14.19]

- 7.7.1 Is referred to in most market value definitions. In an appraisal, the term means the estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. It is always presumed to have preceded the effective date of the appraisal. It may be expressed as a range, and should appear in that section of the report that presents the discussion and analysis of market conditions, and with the final value conclusion. Exposure time is different for various types of real estate and under various market conditions. Rather than appear as an isolated estimate of time, it must refer to the property appraised, at the value estimated. The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort. The distinction between exposure time (i.e., past) and marketing time (i.e., future) must be made clear if both are referred to in the report.

**7.8 Effective Date** [see 6.2.7, 7.6]

- 7.8.1 Establishes the context for the value opinion; the date of value.

**7.9 Date of Report** [see 6.2.8]

- 7.9.1 The date of the report refers to the date of completion of the report. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates. Compliance is required with the Standards in effect as at the date of the report.

**7.10 Characteristics of the Property** [see 6.2.9, 14.20, 14.28]

- 7.10.1 Relevant to the purpose and intended use of the report, characteristics of the property must be analyzed and included in the report:

7.10.1.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property with certainty;

7.10.1.ii. the real property interest to be valued;

7.10.1.iii. physical, legal and economic attributes;



- 7.10.1.iv. any personal property, chattel, trade fixtures or intangible items that are not real property but are included in the appraisal;
- 7.10.1.v. any known or apparent title restrictions, easements, encumbrances, leases, reservations, covenants, contracts, judgments, special assessments, liens, or other items of a similar nature; [\[see 14.20.2\]](#)
- 7.10.1.vi. consideration of known detrimental conditions; [\[see 2.32, 14.21, 14.22\]](#).
- 7.10.1.vii. whether the subject property is a fractional interest, physical segment, or partial holding; [\[see 14.26\]](#)
- 7.10.1.viii. the extent of inspection of the subject property; [\[see 14.28\]](#)
- 7.10.1.ix. **Note:** inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition) [\[see 2.27, 14.31\]](#)

## **7.11 Assumptions and Limiting Conditions [\[see 6.2.10, 14.29\]](#)**

- 7.11.1 Ordinary Assumptions and Limiting Conditions should be grouped together and disclosed in an identified section of the report.
- 7.11.2 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could alter the appraiser's opinions and conclusions. Full disclosure of any Extraordinary Assumption must accompany statements of each opinion/conclusion so affected (see also Hypothetical Conditions) [\[see 2.6, 2.34, 14.30\]](#)
- 7.11.3 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule. The burden is on the appraiser to explain and justify such necessity in the report, and to conclude before accepting an assignment and invoking an Extraordinary Limiting Condition that the scope of work applied will result in opinions/conclusions that are credible. [\[see 2.27, 14.31\]](#)

## **7.12 Hypothetical Conditions [\[see 2.34, 6.2.11, 14.30.2.ii\]](#)**

- 7.12.1 May be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include proposed improvements and prospective appraisals. When appraising proposed improvements, examine and have available for future examination:
  - 7.12.1.i. plans, specifications, or other documents sufficient to identify the scope and character of the proposed improvements;
  - 7.12.1.ii. evidence indicating the probable time of completion of the proposed improvements; and
  - 7.12.1.iii. reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.



- 7.12.1.iv. a recertification of value does not change the effective date of the appraisal. [\[see 2.53, 14.11\]](#)
- 7.12.2 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [\[see 7.11.2\]](#)
- 7.12.3 Hypothetical conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. It must be clear to the reader that:
- 7.12.3.i. the property condition does not in fact exist as at the date of appraisal;
- 7.12.3.ii. the analysis performed to develop the opinion of value is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;
- 7.12.3.iii. certain events need to occur, as disclosed in the report, before the property condition will, in fact, exist;
- 7.12.3.iv. the appraisal does not consider unforeseeable events that could alter the value conclusion;
- 7.12.3.v. a different value conclusion would likely result but for the hypothesis.
- 7.12.4 Appraisals for expropriation can incur hypothetical conditions, and may require the appraiser to invoke the Jurisdictional Exception protocol. [\[see 2.41, 3.6\]](#)
- 7.12.5 The hypothetical condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.
- 7.12.6 An analysis based on a hypothetical condition must not result in an appraisal report that is misleading. [\[see 6.2.12, 14.32\]](#)
- 7.13 Land Use Controls** [\[see 6.2.12, 14.32\]](#)
- 7.13.1 Must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of such regulations in light of economic demand, the physical adaptability of the real estate, and market area trends.
- 7.14 Use** [\[see 6.2.13\]](#)
- 7.14.1 The use of the real estate existing as of the effective date of the appraisal must be included to distinguish the use from the highest and best use.
- 7.15 Highest And Best Use** [\[see 2.33, 6.2.14, 14.28.1, 14.33\]](#)
- 7.15.1 The report must contain the appraiser's opinion as to the highest and best use of the real estate; unless an opinion as to highest and best use is irrelevant. If the purpose of the assignment is market value, the appraiser's support and rationale for the opinion of highest and best use is required. The appraiser's reasoning in support of



the opinion must be provided in the depth and detail required by its significance to the appraisal, based on the relevant legal, physical and economic factors. As land is usually appraised as though vacant and available for development to its highest and best use, opinions are required both as to:

7.15.1.i. the land, as if vacant, and;

7.15.1.ii. the property, if improved.

## **7.16 Describe and Analyze [see 6.2.14, 14.28]**

7.16.1 The appraiser must take reasonable steps to ensure that the information and analyses provided are sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

7.16.2 In the process of collecting and verifying relevant information the appraiser must perform this function in a manner consistent with “Reasonable Appraiser” standards. All three approaches require the collection of comparable data. The decision to inspect comparables and the extent of verification of data will be determined by the scope of the assignment, but in all cases the appraiser must conform to “Reasonable Appraiser” standards. [see 7.5]

## **7.17 Appraisal Procedures [see 6.2.16]**

7.17.1 Excluding any of the three traditional approaches to value that would be considered pertinent under the “Reasonable Appraiser” standard, constitutes an Extraordinary Limiting Condition [see 2.27] that requires disclosure with reasoning. The exclusion of a relevant approach must not result in a report that is misleading [see 4.2.3].

7.17.2 When a direct comparison approach is applicable, an appraiser must analyze such comparable data as are available to indicate a reasonable value conclusion. [see 14.34]

7.17.3 When a cost approach is applicable, an appraiser must:

7.17.3.i. develop an opinion of site value by an appropriate appraisal method or technique;

7.17.3.ii. analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and

7.17.3.iii. analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation).

7.17.4 When an income approach is applicable, an appraiser must:

7.17.4.i. analyze trends, forecasts and such comparable rental data as are available to estimate the market rental of the property;



- 7.17.4.ii. analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
  - 7.17.4.iii. analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
  - 7.17.4.iv. base projections of future rent and expenses on reasonably clear and appropriate evidence.
- 7.17.5 When a discounted cash flow analysis is applicable, an appraiser must: [\[see 14.36\]](#)
- 7.17.5.i. analyze such data as are available from the real estate and capital markets and from surveys of investor opinions;
  - 7.17.5.ii. ensure that input data is specific to the type of property being appraised;
  - 7.17.5.iii. clearly display all relevant data, cash flow projections and assumptions on which the analyses are based; and
  - 7.17.5.iv. identify and describe any computer software used in the analyses.
- 7.17.6 When an automated valuation model is applicable, an appraiser must: [\[see 14.37\]](#)
- 7.17.6.i. have a basic understanding of how the AVM operates;
  - 7.17.6.ii. determine if use of the AVM is appropriate for the assignment;
  - 7.17.6.iii. ensure that the AVM does not exclude relevant data necessary for a credible result and disclose or invoke relevant assumptions and limiting conditions [\[see 6.2.10, 7.11, 14.29\]](#).
- 7.18 Reasoning [\[see 2.52, 6.2.17\]](#)**
- 7.18.1 Reasoning requires the logical review, analyses and interpretation of the data in a manner that would support the conclusion, not mislead the reader and be to a level consistent with the “Reasonable Appraiser” standard.
- 7.19 Leased Fee/Leasehold Estate [\[see 6.2.18\]](#)**
- 7.19.1 May be less than, equal to or greater than the value of all interests in the property.
- 7.20 Assemblage [\[see 2.8, 6.2.19\]](#)**
- 7.20.1 The value of the whole may be less than, equal to or more than the sum of the components of the various estates or parcels. Assemblage establishes the effect on value, if any, of the “larger parcel”.
- 7.20.2 May be omitted when not relevant to the assignment.
- 7.21 Anticipated Improvements [\[see 6.2.20\]](#)**
- 7.21.1 Whether located on or off the site must be considered and analyzed as to their effect





on value, if any.

7.21.2 May be omitted when not relevant to the assignment.

**7.22 Personal Property [see 6.2.21]**

7.22.1 Must be disclosed in the report but may be omitted when not relevant to the assignment.

7.22.2 Competency in personal property appraisal is required when it is necessary to allocate the overall value. [see 2.47, 2.63]

**7.23 Agreement for Sale/Option/Listing [see 6.2.22, 14.38]**

7.23.1 Must be analyzed and reported if any agreement for sale, option, lease, if applicable, or listing of the subject property occurred within one year prior to the effective date, including any pending/current Contract of Purchase and Sale or lease if such information is available to the appraiser in the normal course of business.

7.23.2 Prior sales must be analyzed and reported if any sale of the subject property occurred within three years prior to the effective date of the appraisal, if such information is available as at the date of valuation to the appraiser in the normal course of business.

7.23.3 Any impact on the price paid under known undue stimulus must be reported.

**7.24 Review and Reconcile [see 6.2.23]**

7.24.1 The quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the assignment.

**7.25 Final Value [see 6.2.24]**

7.25.1 May be a single point value, a range of values or an indication of value, for example, “not less than” or “not greater than” a specified amount.



## 7.26 Certification [see 6.2.25, 14.7]

7.26.1 Each written real property appraisal report must contain a signed certification that is similar in content to that contained in Box 7.26.1.

### Box 7.26.1 ~ Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions;
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently;
- No one provided significant professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing significant professional assistance and the extent of that assistance must be stated.);
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members;
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- I did not (did) personally inspect the subject property of the report;
- Based upon the data, analyses and conclusions contained herein, the market value of the interest in the property described, as at (insert date), is estimated at (insert value);

Signature and date of certification. [see 5.5]

(if more than one person signs, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.) [see 5.5]

## 7.27 Responsibility [see 3.6, 6.2.25, 14.39]

7.27.1 A Member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

7.27.2 Members must disclose in the certification, and accept responsibility for, any technical and professional assistance in the preparation of a report.

7.27.3 If the certification of value bears the signature of one or more Members as joint authors, then all signatories are responsible for the entire report. A Member cannot cosign a report with a student or non-Member;

7.27.4 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction. [see 3.6, 14.29.2.ii]

## 7.28 Scope of Work for Valuation for Financial Reporting [see 7.5]

7.28.1 Members must understand the applicable standard and ensure their work is in



compliance.

7.28.2 In order not to mislead an intended user of an external appraisal for financial reporting, all four items listed below must be conducted independently by an external valuer. If all four items are not carried out, the resultant opinions cannot be regarded as an external appraisal.

7.28.2.i. In addition to an inspection of the subject property sufficient enough to estimate its highest and best use, adequately describe the real estate and make meaningful comparisons.

7.28.2.ii. The external valuer must test a reasonable sample of major tenant lease documents to ensure rental terms match the landlord's rent roll and to check for renewal options, termination options, etc. [\[see 14.41.1\]](#)

7.28.2.iii. The external valuer must utilize independent market-based assumptions in the development of cash flow, not simply accept the management cash flow and the implicit assumptions therein. [\[see 7.17.5, 14.36.2\]](#)

7.28.2.iv. The external valuer must rely on market data/yields that have been independently developed in a manner that is consistent with the development of the subject property cash flow. Meaningful comparisons are critical for consistency, accuracy and transparency. [\[see 7.17.4\]](#)



## 8 REVIEW STANDARD RULES [see 2.57]

### 8.1 Preamble

- 8.1.1 In performing a review assignment, a Member must develop and report a credible opinion as to the quality of the work of another appraiser, consultant or reserve fund planner and must clearly disclose the scope of work performed in the review assignment.
- 8.1.2 This Standard deals with the methodology for developing and communicating a review of a professional service done by a third party, who may or may not be an AIC member. This Standard outlines the minimum content necessary to produce a credible review report that is not misleading. The Review may be done to determine compliance with the applicable Standard, that being the Standard under which the author of the reviewed report was required to comply with (i.e. USPAP, Red Book, les Normes, etc.). This Standard does not dictate the form, format or style of review reports which are functions of the needs of users and appraisers. The substantive content of the review report determines its compliance.
- 8.1.3 There is a distinction between the terms “technical review” and “administrative review”.
- 8.1.4 A technical review is work performed by an independent third party appraiser in accordance with this Review Standard, of a report prepared by another appraiser for the purpose of forming an opinion as to whether the analysis, opinions and conclusions in the report under review are appropriate and reasonable. The review appraiser does not sign/co-sign the appraisal report that is under review. Members determine if an assignment entails a technical review at the time of accepting an assignment through communication with the client. [see 14.40]
- 8.1.5 An administrative review is work performed by clients and users of appraisal services as a due diligence function in the context of making a business decision. An administrative review is generally completed for internal purposes, although an external appraiser might undertake it. Administrative reviews are generally undertaken to ensure appraisal, review, consulting or reserve fund planning services comply with client or user requirements. The scope is typically less than a technical review, and may entail requirements that are not standards-related, such as the age of comparables, the length of time between the comparable sale date or the appraisal effective date. An administrative review might be of clerical nature and not require appraisal training.
- 8.1.6 This Standard is not applicable to:
- 8.1.6.i. Administrative Review;
  - 8.1.6.ii. Supervisory co-signing;
  - 8.1.6.iii. Professional Practice Peer Review



## 8.2 Rules

In the report [\[see 2.54, 9.1\]](#), the review appraiser must:

- 8.2.1 identify the client and other intended users, by name; [\[see 9.2, 14.13\]](#)
- 8.2.2 identify the intended use of the review appraiser's opinions and conclusions; [\[see 9.3, 14.14\]](#)
- 8.2.3 identify the purpose of the appraisal review assignment; [\[see 9.4, 14.42\]](#)
- 8.2.4 identify the report under review, the appraiser(s) that completed the report under review, the real estate and real property interest involved, and the effective date of the opinion in the report under review;
- 8.2.5 identify the date of the review;
- 8.2.6 identify the scope of work of the review process that was undertaken; [\[see 9.5, 14.16\]](#)
- 8.2.7 identify all assumptions and limiting conditions for the review that was undertaken; [\[see 2.10, 2.43, 14.29\]](#)
- 8.2.8 provide an opinion as to the completeness of the report under review within the scope of work applicable in the review assignment; [\[see 9.5.5, 14.16\]](#)
- 8.2.9 provide an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data; [\[see 8.2.8, 9.5, 9.7, 14.16\]](#)
- 8.2.10 provide an opinion as to the appropriateness and proper application of the methods and techniques used; [\[see 9.5, 9.7\]](#)
- 8.2.11 provide an opinion as to whether the analyses, opinions and conclusions in the report under review are appropriate, reasonable and suitable for reliance by the intended user for the intended use;
- 8.2.12 provide the reasons developed for any disagreement or agreement with the report being reviewed; [\[see 14.43\]](#)
- 8.2.13 include all known pertinent information; and,
- 8.2.14 include a signed certification; [\[see 4.2.11, 9.9\]](#)

**Note:** A review appraiser who signs or co-signs a certification accepts responsibility for the review and the contents of the review report.



## 9 REVIEW STANDARD – COMMENTS

### 9.1 Report [see 8.2, 14.10]

- 9.1.1 A review report transmitted through any medium must comply with this Standard.
- 9.1.2 The function of reviewing an appraisal requires the preparation of a separate review report by an appraiser performing the review, setting forth the results of the review process. Appraisers must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.
- 9.1.3 The review report is a critique intended for use in conjunction with the report under review.
- 9.1.4 A work-file must be prepared for each assignment and include a true copy of any written report, documented on any type of media. [see 14.12]
- 9.1.5 To the extent that it is both possible and appropriate, each oral appraisal review report, including expert testimony that addresses the appraisal review, must comply with the Review Standard Rule.
- 9.1.6 A work-file must be in existence prior to and contemporaneous with the issuance of a written or oral review report. A written summary of such oral report must be added to the work-file within a reasonable time after the issuance of the oral report.

### 9.2 Client and Intended Users [see 8.2.1, 14.13]

- 9.2.1 A review appraiser must identify the client and, to the extent practical, other intended users as part of the process of identifying the client’s intended use of the review.

### 9.3 Intended Use [see 8.2.2, 14.14]

- 9.3.1 A review appraiser must identify and consider the client’s intended use of the review appraiser’s reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities in a review assignment. The client’s intended use of the opinions and conclusions must be stated in an appraisal review report.
- 9.3.2 The intended use of a review appraiser’s reported conclusions and opinions is established by the client. A review appraiser identifies the client’s intended use by communicating with the client before accepting the assignment.

### 9.4 Purpose [see 8.2.3, 14.42]

- 9.4.1 A review appraiser must ascertain whether the purpose of the assignment includes the development of an opinion of value of the subject property of the appraisal under review.
- 9.4.2 If the client's objective in the assignment includes the review appraiser developing an opinion of value of the subject property in the appraisal under review, that opinion



is an appraisal and must comply with the Appraisal Standard whether: [\[see 14.48\]](#)

9.4.2.i. it concurs with the opinion of value in the appraisal under review;

- at the same date of the value in that appraisal; or
- as of a different date; or

9.4.2.ii. it differs from the opinion of value in the appraisal under review:

- at the same date of the value in that appraisal or;
- as of a different date.

9.4.3 Pursuant to either 9.4.2.i or 9.4.2.ii above, the review appraiser must identify and state any new information relied upon, the reasoning and basis for the opinion of value and all assumptions and limiting conditions (if different from or in addition to those in the appraisal report under review) connected with the opinion of value.

9.4.4 Those items in the report under review that the review appraiser concludes are in compliance with the Appraisal Standard can be used in the review appraiser's development process. Those items not deemed to be in compliance must be replaced with information or analysis developed in accordance with the Appraisal Standard in order to produce a credible value opinion.

## 9.5 Scope of Work [\[see 8.2.6, 14.16\]](#)

9.5.1 A review appraiser must indicate the extent of the review process.

9.5.2 A review appraiser must identify any Extraordinary Assumptions necessary in the review assignment. An Extraordinary Assumption may be used in an appraisal review assignment only if it is required to properly develop credible opinions and conclusions; the review appraiser has a reasonable basis for the Extraordinary Assumption; and, use of the Extraordinary Assumption results in a credible analysis. [\[see 14.30\]](#)

9.5.3 A review appraiser must ascertain whether the scope of the assignment includes the development of an opinion of value on the subject property. The review appraiser is not required to replicate the steps completed by the original appraiser. Those items in the appraisal under review that the review appraiser concludes are credible and in compliance with the Appraisal Standard can be extended to the review appraiser's value opinion development process on the basis of an extraordinary assumption by the review appraiser. Those items not deemed to be in compliance must be replaced with information or analysis by the review appraiser, developed in conformance with the Appraisal Standard to produce a credible value opinion. When the purpose of an appraisal review includes the review appraiser developing an opinion of value, in addition to developing an opinion as to the quality of the appraisal under review, the review appraiser's scope of work must be in compliance with the requirements of this standard in developing the opinion as to the quality of the appraisal under review and, the Appraisal Standard involved in the appraisal



under review.

9.5.4 When the purpose of an appraisal review includes the review appraiser developing an opinion of value, the review appraiser may use additional information, either locally, regionally or nationally, that was not available to the original appraiser in the development of the value opinion in the report under review. It is not necessary that the review appraiser's value opinion be set forth in a separate appraisal report. The reviewer's opinion of value can be set forth within the appraisal review report; however, that value opinion must be prepared and reported in accordance with the Appraisal Standard.

9.5.5 For the purposes of financial reporting, an "internal" appraisal may be supported by an "external review", which under the Review Standard is a Technical Review. The function of an "external review" is not to appraise the subject property but to examine the contents of the Management (internal) valuation and form opinions as to its adequacy and appropriateness, and that it is suitable for its intended use and user. An "external review" judges the reasoning and logic of the original valuation but the reviewer does not substitute his or her own judgment. An "external review" does not lead to an alternate value conclusion. Given the function of an "external review" an "internal" valuation supported by an "external review" must still be considered an internal appraisal.

## 9.6 **Completeness** [\[see 8.2.8\]](#)

9.6.1 The review appraiser must form an opinion as to the completeness of the appraisal under review. This requires review of the appraisal to determine whether or not it met the requirements set by its stated purpose and scope of work.

## 9.7 **Data** [\[see 8.2.9\]](#)

9.7.1 The review must be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

9.7.2 Data that could not have been available to the appraiser on the date of the report being reviewed must not be used by a review appraiser in the development of a review, but can be used when the purpose of the review includes the requirement to develop an opinion of value [\[9.5.4\]](#).





## 9.8 Certification [\[see 8.2.14, 14.7\]](#)

9.8.1 Each written real property appraisal review report must contain a signed certification that is similar in content to that in Box 9.8.1

### Box 9.8.1 ~ Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The facts and data reported in the review process are true and correct;
- The analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have no (or the specified) present or prospective interest in the property that is the subject of this review report, and I have no (or the specified) personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this review report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation is not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this review report;
- My analyses, opinions and conclusions were developed and this review report was prepared in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently,
- I did not (did) personally inspect the subject property of the report under review; (if review appraiser did personally inspect the property, state the date of inspection)
- No one provided significant professional assistance to the person signing this review report; (if there are exceptions, the name of each individual providing significant professional assistance must be stated)
- As at the date of this review the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.

Signature and date of certification [\[see 5.5\]](#)

## 9.9 Responsibility [\[see 14.39\]](#)

9.9.1 A Member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

9.9.2 Members must disclose in the certification, and accept responsibility for, any significant technical or professional assistance in the preparation of the report;

9.9.3 If the certification bears the signature of one or more Members as joint authors, then all signatories are responsible for the entire report. A Member cannot cosign a report with a student or non-Member; [\[see 2.19, 2.59\]](#)

9.9.4 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction. [\[see 3.6\]](#)



## 10 CONSULTING STANDARD RULES

### 10.1 Preamble

10.1.1 This Standard deals with the procedures for the development and communication of a real property consulting service and incorporates the minimum content necessary to produce a credible result that is not misleading. [\[see 11.1\]](#)

### 10.2 Rules

In the report [\[see 11.2\]](#) the consultant must:

- 10.2.1 identify the client and other intended users, by name; [\[see 11.3, 14.13\]](#)
- 10.2.2 identify the intended use of the opinions and conclusions; [\[see 11.3, 14.14\]](#)
- 10.2.3 identify the purpose of the consultation; [\[see 11.4, 14.42\]](#)
- 10.2.4 identify the real estate/property under consideration, if any; [\[see 11.6\]](#)
- 10.2.5 identify the effective date of the consulting service; [\[see 2.24\]](#)
- 10.2.6 identify the date of the report;
- 10.2.7 identify the scope of work and the extent of the data collection process; [\[see 14.16\]](#)
- 10.2.8 identify all assumptions and limiting conditions; [\[see 11.5, 14.29\]](#)
- 10.2.9 identify any hypothetical conditions (including proposed improvements); [\[see 14.30.2.ii\]](#)
- 10.2.10 collect, verify, reconcile and report all pertinent data as may be required to complete the consulting service; [\[see 14.28\]](#)
- 10.2.11 describe and apply the consulting procedures relevant to the assignment; [\[see 11.6\]](#)
- 10.2.12 detail the reasoning that supports the analyses, opinions and conclusions;
- 10.2.13 report the consultant's final conclusions/recommendations (if any);
- 10.2.14 include a signed certification [\[see 4.2.11, 11.10\]](#)

**Note:** A consultant who signs a certification accepts responsibility for the consultation and the contents of the consultation report.



## 11 CONSULTING STANDARD – COMMENTS

### 11.1 Consulting [\[see 10.1.1\]](#)

- 11.1.1 Is a broad term that is applied to studies of real estate other than estimating value (not necessarily market value). Land utilization studies, highest and best use analysis, marketability, feasibility, investment studies, assessment appeals, expropriation, awarding compensation or other research-related assignments are examples of real property consulting. The consultant must have the ability to understand and correctly implement correctly those recognized methods in an objective and unbiased manner.
- 11.1.2 If a formal opinion of value on an identifiable property is required within the consulting assignment, that portion of the consulting report must be developed under the Appraisal Standard. The report must disclose that this component is completed within the Appraisal Standard. Appraisers must explain logically and convincingly the reasoning that leads to their conclusions. Those topics most critical to the consulting conclusion should receive the most detailed emphasis. [\[see 10.2.10\]](#)

### 11.2 Report [\[see 2.54, 14.10\]](#)

- 11.2.1 A report transmitted through any medium must comply with this Standard.
- 11.2.2 Appraisers must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.
- 11.2.3 Any software program used to transfer a report electronically must provide, at a minimum, a digital signature security feature for all appraisers signing a report.
- 11.2.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report. [\[see 14.12\]](#)
- 11.2.5 A work-file must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [\[see 14.12\]](#)
- 11.2.6 To the extent that it is both possible and appropriate, each oral real property consulting report, including expert testimony that addresses value, must comply with the Consulting Standard Rules.

### 11.3 Client and Intended Users [\[see 10.2.1, 14.13, 14.14\]](#)

- 11.3.1 An appraiser must identify and consider the client's intended use of the appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The client's intended use of the opinions and conclusions must be stated in a consulting report. The intended use of an appraiser's reported conclusions and opinions is established by the client. An appraiser identifies the client's intended use by communicating with the client before accepting the



assignment.

**11.4 Purpose [see 10.2.3, 14.42]**

11.4.1 The consulting service should clearly identify the client's objective and define the problem to be considered.

**11.5 Assumptions and Limiting Conditions [see 10.2.8, 14.29]**

11.5.1 A consulting report must be sufficiently comprehensive so that the client can visualize the problem and follow the reasoning through each step of the analytical process. It is essential that throughout the report the data, analysis, assumptions and conclusions are logical and adequately supported. Basic analytical and statistical principles, logical reasoning and sound professional judgment are essential ingredients of the report.

**11.6 Real Property Consulting [see 2.50, 2.51, 10.1.1]**

11.6.1 In performing a consulting assignment involving real estate or real property services, a consultant must:

11.6.1.i. identify alternative courses of action to achieve the client's objective, and analyze their implications;

11.6.1.ii. identify both known and anticipated constraints to each alternative and consider their probable impact;

11.6.1.iii. identify the resources actually or expected to be available to each alternative and consider their probable impact;

11.6.1.iv. identify the optimum course of action to achieve the client's objective.

**11.7 Market Analysis [see 14.44]**

11.7.1 In performing a market analysis, a consultant must:

11.7.1.i. define and delineate the market area;

11.7.1.ii. identify and analyze the current supply and demand conditions that make up the specific real estate market;

11.7.1.iii. identify, measure, and forecast the effect of anticipated development or other changes and future supply;

11.7.1.iv. identify, measure, and forecast the effect of anticipated economic or other changes and future demand.

**11.8 Cash Flow/Investment Analysis [see 14.45]**

11.8.1 In developing a cash flow and/or investment analysis, a consultant must:

11.8.1.i. analyze the quantity and quality of the income stream;



- 11.8.1.ii. analyze the history of expenses and reserves;
- 11.8.1.iii. analyze financing availability and terms;
- 11.8.1.iv. select and support the appropriate method of processing the income stream;
- 11.8.1.v. analyze the cash flow return(s) and reversion(s) to the specified investment position over a projected time period(s).

**11.9 Feasibility Analysis [see 14.46]**

11.9.1 In developing a feasibility analysis, a consultant must:

- 11.9.1.i. prepare a complete market analysis;
- 11.9.1.ii. apply the results of the market analysis to alternative courses of action to achieve the client's objective;
- 11.9.1.iii. consider and analyze the probable costs of each alternative;
- 11.9.1.iv. consider and analyze the probability of altering any constraints to each alternative;
- 11.9.1.v. consider and analyse the probable outcome of each alternative.



## 11.10 Certification [see 10.2.14, 14.7]

11.10.1 Each written consulting report must contain a signed certification that is similar in content to the form outlined in Box 11.10.1.

### Box 11.10.1 ~ Certification

Re: (Subject Matter Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the issue that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the issue that is the subject matter of this report or to the parties involved with this assignment.
- My engagement in and compensation for this assignment is not (or is) contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analyses, opinions and conclusions were developed and this report has been prepared, in conformity with the Consulting Standard (and Appraisal Standard if appropriate) of the Canadian Uniform Standards of Professional Appraisal Practice
- I have the knowledge and experience to complete the assignment competently.
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.

Signature and date of certification [see 5.5]

## 11.11 Responsibility [see 14.39]

11.11.1 A Member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

11.11.2 Members must disclose in the certification any significant professional assistance in the preparation of the report;

11.11.3 If the certification bears the signature of one or more Members as joint authors, then all signatories are responsible for the entire report. A Member cannot cosign a report with a student or non-Member;

11.11.4 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction.



## 12 Reserve Fund Planning - Rules

### 12.1 Preamble

12.1.1 This Standard deals with the procedures for the development and communication of a Reserve Fund Study and incorporates the minimum content necessary to produce a credible result. [\[See 2.54\]](#)

### 12.2 Rules

In the report, [\[see 2.54, 13.1\]](#) the member must:

12.2.1 identify the client and other intended users, by name; [\[see 13.2, 14.13, 14.14\]](#)

12.2.2 identify the intended use of the opinions and conclusions; [\[see 13.3, 14.53\]](#)

12.2.3 identify the purpose of the study; [\[see 13.4, 14.50\]](#)

12.2.4 identify the characteristics of the property; [\[see 14.20.3\]](#)

12.2.5 identify the effective date of the study; [\[see 2.24, 13.5, 14.54\]](#)

12.2.6 identify the date of completion of the study;

12.2.7 identify the legislation that applies to the assignment; [\[see 13.6, 14.55\]](#)

12.2.8 identify the scope of work and the extent of the data collection process; [\[see 13.7, 13.8, 14.56, 14.57.4, 14.63\]](#)

12.2.9 identify all assumptions and limiting conditions; [\[see 13.9\]](#)

12.2.10 identify any hypothetical conditions; [\[see 13.10, 14.30.2.ii, 14.59\]](#)

12.2.11 describe and analyze all relevant data to complete the reserve fund study; [\[see 13.11\]](#)

12.2.12 define and delineate the pertinent components the reserve fund study is to cover; [\[see 13.12\]](#)

12.2.13 provide a benchmark analysis; [\[see 13.13, 14.60\]](#)

12.2.14 provide a cash flow projection; [\[see 13.14, 14.61\]](#)

12.2.15 provide an opinion on the adequacy of reserve fund contributions; [\[see 13.15, 14.62\]](#)

12.2.16 provide a reserve fund model; [\[see 13.16\]](#)

12.2.17 detail the reasoning that supports the analyses, opinions, and conclusions; [\[see 13.16, 14.51\]](#)



12.2.18 report the final conclusions/recommendations; [\[see 13.17\]](#)

12.2.19 identify whether the report is an update; [\[see. 13.8, 14.57\]](#) and

12.2.20 include a signed certification; [\[see 2.19, 2.59, 4.2, 13.18, 14.39, 0\]](#)





## 13 Reserve Fund Standard - Comments

### 13.1 Report [\[see 2.54, 12.2.2\]](#)

- 13.1.1 A report transmitted through any medium must comply with this Standard.
- 13.1.2 Reserve fund planners must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature electronically.
- 13.1.3 Any software program used to transfer a report electronically must provide, at a minimum, a digital signature security feature for all reserve fund planners signing a report.
- 13.1.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report. [\[See 14.10\]](#)
- 13.1.5 A work file must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [\[See 14.10\]](#)
- 13.1.6 To the extent that it is both possible and appropriate, each oral report of a real property reserve fund study, including expert testimony, must comply with the Reserve Fund Planning Rules.
- 13.1.7 Legislated requirements governing the preparation of Reserve Fund Studies/Depreciation Reports must be observed, along with these Standards if they require a higher level of performance.

### 13.2 Client and Intended Users [\[see 12.2.2, 14.13, 14.14\]](#)

- 13.2.1 The client is generally the party or parties ordering the reserve fund study and is identified with the reserve fund planner prior to accepting the assignment. It does not matter who pays for the work. [\[see 2.14\]](#)
- 13.2.2 The client/reserve fund planner relationship lasts at least until the completion of the intended use of the original report or release from client. A party receiving a copy of the report from the client does not, as a consequence, become a party to the client relationship.
  - 13.2.2.i. A party receiving a copy of a report does not become an intended user unless authorized by the reserve fund planner and clearly identified as an intended user.
- 13.2.3 An intended user must be identified by name, as directed by the client. Intended users must be identified by the reserve fund planner on the basis of communication with the client. However, if identification by name is not appropriate or practical, the reserve fund planners may identify an intended user by type. [\[see 14.14.3\]](#)

### 13.3 Intended Use [\[see 12.2.2, 14.53\]](#)

- 13.3.1 The client establishes the intended use of a reserve fund planner’s reported conclusions and recommendations. A reserve fund planner identifies the client’s intended use by



communicating with the client before accepting the assignment. The report must state the client's intended use of the opinions and conclusions. A reserve fund planner must identify and consider the client's intended use of the reserve fund planner's reported opinions and conclusions in order to define the problem under study properly and to understand the development and reporting responsibilities of the assignment.

**13.4 Purpose [see 12.2.3, 14.50]**

13.4.1 The purpose of the Study is to provide information to assist the intended user in prudent management of the reserve fund, in compliance with the client's intended use or objective, and/or legislated requirements.

**13.5 Effective date of the study [see 2.24, 12.2.5, 14.54]**

13.5.1 Establishes the context for the conclusions/recommendations.

**13.6 Legislation [see 12.2.9, 14.55]**

13.6.1 Legislation that applies to reserve fund studies exist in a number of provinces. The member is required to be familiar with and comply with the requirements of applicable legislation for such studies [see 14.48], including the qualification criteria set out in such legislation.

**13.7 Scope of Work and Extent of Data Collection Process [see 12.2.8, 14.56, 14.57]**

13.7.1 Refers to the amount and type of information researched and analysis applied. Scope includes, but is not limited to, the extent of:

13.7.1.i. Inspection (inspection of the subject property is mandatory, subject to legislation and any Extraordinary Limiting Condition) [see 14.31, 14.55]

13.7.1.ii. data research, verification, and analysis applied

13.7.2 The scope of work applied must be sufficient to result in opinions/conclusions that are credible in the context of the intended use of the study. The reserve fund planner has the burden of proof to support the scope of work decision and the level of information included in a report.

**13.8 Update [see 12.2.19, 14.56, 14.57]**

13.8.1 Update refers to an extension of an original study, changing the effective date. In the update, any changes in the status of the subject, construction cost, expected inflation rates, available investment rates or in any respect affecting conclusions/recommendations since the prior study, must be reported with analyses of these changes in developing an update. The updated report must clearly show that it can only be relied upon by a reader familiar with the original.



### **13.9 Assumptions and Limiting Conditions [see 14.48]**

- 13.9.1 Ordinary Assumptions and Limiting Conditions should be grouped together and disclosed in an identified section of the report.
- 13.9.2 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could alter the reserve fund planner's opinions and conclusions. Full disclosure of any Extraordinary Assumption must accompany statements of opinion/conclusion so affected (see also Hypothetical Conditions) [see 14.30, 14.58]
- 13.9.3 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule. The burden is on the reserve fund planner to explain and justify such necessity in the report, and to conclude before accepting an assignment and invoking an Extraordinary Limiting Condition that the scope of work applied will result in opinions/conclusions that are credible. [see 14.31]

### **13.10 Hypothetical Conditions [see 12.2.10, 14.59]**

- 13.10.1 May be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include proposed improvements and prospective recommendations and conclusions. When analyzing proposed improvements, examine and have available for future examination:
  - 13.10.1.i. plans, specifications, or other documents sufficient to identify the scope and character of the proposed improvements;
  - 13.10.1.ii. evidence indicating the probable time of completion of the proposed improvements; and
  - 13.10.1.iii. reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.
- 13.10.2 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [see 14.30]
- 13.10.3 Hypothetical conditions can apply when preparing a reserve fund study and it must be clear to the reader that:
  - 13.10.3.i. the property condition does not in fact exist as at the effective date;
  - 13.10.3.ii. the analysis performed to develop the conclusions/recommendations is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;
  - 13.10.3.iii. certain events need to occur, as disclosed in the report, before the property condition will, in fact, exist;



13.10.3.iv. the recommendations or conclusions do not consider unforeseeable events that could alter the value conclusion;

13.10.3.v. a different conclusion/recommendation would likely result but for the hypothesis.

13.10.4 The hypothetical condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.

13.10.5 An analysis based on a hypothetical condition must not result in a report that is misleading.

### **13.11 Describe and Analyze all Relevant Data [v. 14.48]**

13.11.1 The reserve fund planner must take reasonable steps to ensure that the information and analyses provided are sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

13.11.2 In the process of collecting and verifying relevant information, the reserve fund planner must perform this function in a manner consistent with “Reasonable Appraiser” standards.

### **13.12 Components the Reserve Fund Study [see 12.2.12, 13.13, 13.14, 13.15, 13.16]**

13.12.1 Benchmark analysis, cash flow projections, an analysis of the adequacy of the reserve fund contributions and preparing a reserve fund model are compulsory requirements of a reserve fund planning assignment.

### **13.13 Benchmark Analysis [see 12.2.13, 14.60]**

13.13.1 A benchmark analysis usually contains summary information about the age and expected life of a component, and an estimate of the amount that should be set aside periodically in order to accumulate the appropriate amount at the time the replacement will be required.

### **13.14 Cash Flow Projection [see 12.2.14, 14.61]**

13.14.1 The period of time for cash flow projections must be a minimum 25 years, unless legislated otherwise, in order for a majority of the reserve components to be scheduled for at least one repair or replacement event.

### **13.15 Adequacy Analysis of the Reserve Fund Contributions [see 12.2.15, 14.62]**

13.15.1 The contingency reserve and the recommended annual contributions are inter-related and must be discussed in terms of their adequacy, as well as the recommended actions required to ensure prudent management of the fund.

### **13.16 Preparing a Reserve Fund Model [see 12.2.16, 14.63]**

13.16.1 The reserve fund model must clearly state the objectives under which it is prepared. Options include fully funded models, special levies or other options to make up shortfalls between the existing fund balance and what is considered to be prudent.



### **13.17 Review, Reconciliation and Final Conclusions/Recommendations [see 12.2.18]**

13.17.1 The quality and quantity of data available and analyzed within the approaches used and the applicability and reliability of those approaches in the context of the scope of the assignment.

### **13.18 Certification [see 12.2.20, 14.39, 0]**

13.18.1 Each written report must contain a signed certification that is similar in content to the form outlined in Box 13.18.1.

#### **Box 13.18.1 Certification**

##### **Re: (Property Identification)**

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the issue that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property or issue that is the subject matter of this report or to the parties involved with this assignment.
- My compensation is not (or is) contingent on an action or event resulting from the analyses, opinion, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge and experience to complete the assignment competently.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members.
- The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.

Signature and date of certification [see 5.5]

### **13.19 Responsibility [see 14.39]**

13.19.1 A Member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

13.19.2 Members must disclose in the certification any significant professional assistance in the preparation of the report;

13.19.3 If the certification bears the signature of one or more Members as joint authors, then all signatories are responsible for the entire report. A Member cannot cosign a report with a student or non-Member;



13.19.4 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction.



## 14 PRACTICE NOTES

### 14.1 Member Categories (in accordance with AIC Bylaws and Consolidated Regulations)

14.1.1 Designated Member: Shall be a person admitted to the Institute and enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has complied with the requirements for their use:

14.1.1.i. Accredited Appraiser Canadian Institute (AACI)

14.1.1.ii. Canadian Residential Appraiser (CRA)

14.1.1.iii. AIC Candidate Member

14.1.1.iv. Student Member

14.1.1.v. Honorary AACI

14.1.1.vi. Retirement Member

14.1.2 AIC Candidate Member: An AIC fee or non-fee Candidate Member shall be a person admitted to the Institute and is properly registered in the Candidate Co-signing Registry, who is of legal age and has not completed the requirements for any designation.

14.1.3 Student Member: Shall be a person admitted to the Institute and enrolled on the register of the Institute as a Student who, at the time of their application, is of legal age, is enrolled as a full or part-time student in a recognized course of study, and who is not eligible for any other Membership category in the Institute.

14.1.4 Associate Member: Shall be a person enrolled on the register of the Institute as an Associate, and who is not eligible for any other Membership category in the Institute.

### 14.2 Conduct [\[see 4.2.2\]](#)

14.2.1 Users of valuation, review, consulting and reserve fund planning services rely on the experience, knowledge and integrity of the Members. Without these cornerstones, the credibility of the profession will suffer.

14.2.2 Members pledge to assist the Institute in carrying out its responsibilities to the public and to users of its services.

### 14.3 Continuing Professional Development [\[see 4.2.6\]](#)

14.3.1 Complete details of AIC Continuing Professional Development Guidelines can be found on the AIC website at [www.AICanada.ca](http://www.AICanada.ca).

### 14.4 Liability Insurance [\[see 4.2.1\]](#)

14.4.1 The Institute insures competent Members for professional services as defined under CUSPAP. [\[see 2.49\]](#).

14.4.2 A Member is not insured for assignments completed during periods of Membership



suspension, retirement or when not registered/licensed in a jurisdiction where licensing is required

- 14.4.3 Associates [\[see 2.7, 2.60, 14.1.3, 14.1.4\]](#), students and non-Members are ineligible for coverage; significant professional assistance in an assignment by an associate, student or non-Member may void the Member's insurance coverage through the Liability Insurance Program of the Institute. Student Members may provide technical assistance in an assignment as defined in section [2.61](#).
- 14.4.4 Office staff may assist in functions such as typing, title searches and general data collection without affecting the insurance coverage of the appraiser. However, these support services may not extend to such items as contributing to the writing of the report, interpreting sales or reconciliation of data or conclusions. [\[see 2.61\]](#)
- 14.4.5 The foregoing is a summary of conditions that is neither definitive nor exhaustive; refer to the Institute for full details.

#### **14.5 Records [\[see 4.2.9\]](#)**

- 14.5.1 The period for which a Member must retain or have access to records may exceed seven years due to:
- 14.5.2 Legislation, which may vary across Canada for differing types of assignments;
- 14.5.3 The commencement date for retention, which can run from the time the Member discovers (or could by the exercise of reasonable care have discovered) a possible cause of action (e.g. under the "Limitations Act").
- 14.5.4 Documentation for a mass appraisal for ad valorem taxation may be in the form of 1) property records, 2) sales ratio and other statistical studies, 3) appraisal manuals and documentation, 4) market studies, 5) model building documentation, 6) regulations, 7) statutes, and 8) other acceptable forms.

#### **14.6 Disclosure [\[see 4.2.10\]](#)**

- 14.6.1 In the normal course of business within an office, files may be open for review by other appraisers and by support staff. The burden is on the appraiser responsible for the assignment to ensure that no confidences are breached.
- 14.6.2 In particularly sensitive assignments, a client may require a confidentiality agreement, in which case all files may have to remain sealed. [\[see 5.10\]](#)
- 14.6.3 A duty of confidentiality can arise even when no retainer exists.

#### **14.7 Conflict [\[see 4.2.11\]](#)**

- 14.7.1 A conflict of interest arises when the perception or potential for the ability of the appraiser to exercise the required professional judgment is undermined.
- 14.7.2 Recognizing a conflict does not eliminate it.





- 14.7.3 Declaration to the client may not resolve the conflict; circumstances may require withdrawal from the assignment.
- 14.7.4 Conflicts of interest fall into two categories: a “conflict of obligation”, where the appraiser cannot satisfy one obligation without sacrificing another; and a “conflicting interest”, where the self-interest of the appraiser, or some other person to whom the appraiser is obligated, cannot be satisfied without failing to satisfy the client’s interest.
- 14.7.5 In dealing with a “conflict of obligation”, the most obvious problem is when an appraiser has two or more clients whose interests at first glance appear to be in harmony, but upon subsequent events or a closer analysis prove to be in conflict. This has been termed “simultaneous representation”.
- 14.7.6 Such events may include joint instructions from parties involved in a matrimonial dispute that commences in a civilized manner, but subsequently escalates. In this instance, appraisers can find themselves not only attracting criticism from both partners, but find themselves the centre of attention as a dispute over the matrimonial assets assumes an ever-increasing profile. The end result is at least one of the parties has a very poor opinion of the appraiser and the profession in general.
- 14.7.7 In such instances, the only defence is a preventive one, with the appraiser advising the parties to get separate appraisals and, failing this, the appraiser should consider declining the instructions.
- 14.7.8 This is one of the least complicated of “conflicts of obligation”; others can be far more complicated.
- 14.7.9 A continual problem for appraisers is a second appraisal instruction on the same property, but from a different client. A circumstance may arise when an appraiser, who had previously completed an appraisal for an owner contemplating a sale, is requested to appraise the property for the purchaser or the purchaser’s financial institution. This instance can be termed “successive representation” but can also be termed a “no-win” situation for the appraiser.
- 14.7.10 It is obvious that, under such circumstances, the appraiser is under great pressure to at least re-affirm the original value. To do otherwise would be to cast doubt on the original appraisal, which would hardly enhance the appraiser’s standing in the eyes of the owner; but to ignore the actual sale value could do a disservice to the new client.
- 14.7.11 Even if this situation is not a problem, the owner may have previously provided confidential information that the owner may not want divulged to the new owner. Failure to include that information in the second report, if material, would lead to a breach of the Standards, whereas including the information would betray the confidentiality promised to the original client, again a breach of the Standards. This situation is best resolved by declining the second set of instructions if you are privy to confidential information. In any event, the consent of the first client should be obtained before proceeding with the second appraisal.
- 14.7.12 A conflicting interest can arise, for example, if the Member proceeds, during the period that



commences at the time the Member is contacted concerning an assignment and expires a reasonable length of time after the completion of such assignment, to deliberately acquire property or assume a position that could possibly affect the Member's professional judgment or violate the fiduciary duty to the client unless, prior to such acquisition or change of position:

14.7.12.i. the Member carefully considers the facts and reasonably concludes that the proposed acquisition or change of position will not affect professional judgment or violate any fiduciary duty to the client; and

14.7.12.ii. the Member makes full disclosure to the client and obtains from the client a written statement consenting to or approving such acquisition or change of position; and

14.7.12.iii. at the time of such disclosure, the Member gives the client the right to terminate the appraisal assignment without payment of any fee or other charge; and

14.7.12.iv. the facts concerning such acquisition or change of position are completely and accurately described in each written and oral appraisal report resulting from the appraisal assignment.

14.7.13 As a general rule, in all circumstances where an appraiser proceeds subsequent to a declaration of conflict, such a conflict must be first confirmed in writing as well as referred to in any reports.

14.7.14 In order to avoid the perception of bias or conflict of interest it is recommended that a Member disclose to the client any professional services relative to the subject property within the past thirty days and up to three years if appropriate.

14.7.15 Disclosure of fees, commissions or things of value connected to the procurement of an assignment must appear in the certification of the written report and in any transmittal letter in which conclusions are stated.

## **14.8 Competence [see 2.15, 4.2.7]**

14.8.1 The steps necessary and appropriate to complete an assignment competently include personal study by the appraiser, consultant or reserve fund planner, association with an appraiser, consultant or reserve fund planner reasonably believed to have the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.

14.8.2 The concept of competency also extends to appraisers required to travel to geographic areas where they lack the required knowledge and experience. An understanding of local market conditions goes beyond hard data such as demographics, costs, sales and rentals. If an appraiser cannot spend the time necessary in a market area to gain this understanding, affiliation with a local qualified appraiser could ensure competence. Geographical competency applies equally to co-signing and mentoring. [see 2.19]



## 14.9 Contingent [see 4.2.12]

- 14.9.1 Objectivity is of fundamental importance in appraisal, review, consulting and reserve fund planning assignments. Competency, rather than financial incentives, should be the primary basis for awarding and accepting an assignment. [see 4.2.7]
- 14.9.2 An appraiser may be consulted by a client to attempt to negotiate a lower assessment for taxation purposes, or higher compensation for a taking by an expropriation authority, for example. [see 11.1.1]
- 14.9.3 The first issue is how the appraiser can address value in a consulting assignment without being required to meet the Appraisal Standard.
- 14.9.4 An answer lies in the definition of an appraisal.
- 14.9.5 If the appraiser has not been retained specifically to produce a formal appraisal, if the opinions expressed are not intended to be relied upon, and if the appraiser would not be expected to assume responsibility for the opinions expressed, then no appraisal has been undertaken and the Appraisal Standard does not have to be met.
- 14.9.6 The second issue goes to the question of contingent fees. If no formal appraisal has been undertaken, then a contingency fee arrangement may be proper, subject to disclosure in any written report. If a formal opinion of value has been undertaken that generates a subsequent opportunity for a contingency fee arrangement (such as in consulting for brokerage or settlement negotiations) disclosure is required in any written report. (see illustration in Box 14.9.6)

### Box 14.9.6 ~ Contingent Fees

#### Illustration

**Q.1:** Is an appraiser obligated to disclose contingent fee arrangements when discussing, negotiating, addressing or promoting an expression of value in a consulting assignment?

**Response:** Ethics Standard requires disclosure of contingent compensation only in written reports.

- 14.9.7 Appraiser/Broker Disclosures must be handled appropriately so that intended users are not confused about the role the Member is taking when acting in a real estate or mortgage broker capacity, as opposed to providing a value opinion or recommendations in the case of a consulting service. An agency relationship implies that the individual will maximize the position of their client. Appraisal, review and consulting services and reserve fund studies are provided on an objective, unbiased and impartial basis, when the individual is acting as an appraiser, consultant or reserve fund planner. Care must be taken to ensure the client understands this difference, in order to properly understand the opinion or advice offered. When appropriate, such disclosures shall be made in writing, and Members shall observe their obligation to ensure the client is aware that insurance coverage under the AIC program is not applicable to their activities as a broker.

## 14.10 Report [see 2.54, 6.2, 8.2, 10.2, 12.2]

- 14.10.1 These Standards do not dictate the form, format or style of reporting. These are functions of the needs of users and members. The substantive content of a report determines its compliance.



14.10.2 Members should be protective of their digital signature, in whatever format it is, including PDF, jpeg or securitized digital signature. The signature should be password protected and should never be shared, regardless of the urgency. The Institute is aware that some members may have been asked to provide their digital signature and password to clients, management companies or employers, but it does not endorse this practice. If the Member is obligated to give third parties access their signature, they should have a written agreement which outlines the situations where their signature may be used and those situations where the original work product may be changed.

14.10.3 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report.

14.10.4 Reports may be in either imperial or metric measurements (or both), whichever is commonly in use in the subject market.

14.10.5 A Letter of Engagement, as a contract between a member and client, could contain:

- Name of client;
- Property Identification;
- Purpose of report;
- Intended use;
- Interests considered;
- Date of Valuation;
- Appraisal, Review, Consulting or Reserve Fund Planning procedures;
- Type of Report;
- Extraordinary Assumptions and Limiting Conditions;
- Client supplied data;
- Access to Property;
- Fee/Retainer
- Number of copies of report;
- Time for acceptance;
- Time for data provision;
- Time for delivery of report;
- Provisions for contract amendments;
- Acceptance of contract;
- Additional Terms of Reference
- Written or oral consent from the occupant(s) of the space under review for the taking interior photographs and personal information



See Box 14.10.5 for an example of report outline for a narrative report.

**Box 14.10.5 ~ Narrative Report Outline - An example of an outline for a narrative report**

**Title Page**

**Part One - Introduction**

- Letter of Transmittal
- Table of Contents
- Executive Summary

**Note:** The Executive Summary should contain the salient facts and important conclusions together with a concise narrative description of the assignment and its results.

**Part Two - Basis of the Appraisal**

- Identification of Client and Intended User(s)
- Intended Use of the Report
- Purpose of the Assignment
- Property Rights Appraised
- Definition of Value, including whether current, retrospective, prospective or an update
- Effective Date of Value
- Scope of Work
- Assumptions and Limiting Conditions, including Hypothetical Conditions, Extraordinary Assumptions, Extraordinary Limiting Conditions and Jurisdictional Exceptions, if applicable

**Part Three - Factual Information**

- Identification of the Property, including title information
- Area, City and Neighbourhood Data
- Characteristics of the Site
- Characteristics of the Building and Other Improvements
- Existing Use of the Property
- Assessments and Taxes
- Sales and Listing History of the Subject Property
- Land Use Controls

**Part Four - Analyses and Conclusions**

- Characteristics of the market
- Highest and Best Use of the Land as if Vacant
- Highest and Best Use of the Property as Improved
- Valuation Methodologies and any exclusions
- Land Value Analysis
- Cost Approach and Analysis
- Income Approach and Analysis
- Direct Comparison Approach and Analysis
- Reconciliation
- Final Value Estimate and Exposure Time Analysis
- Certification with and/or without Value depending on assignment

**Addenda**

- Appropriate Plans and Maps
- Relevant Documents including Letter of Engagement
- Title Search
- Photographs

14.10.6 Use of the AIC forms is encouraged as they represent an industry accepted norm, with the minimum data necessary to permit a client to make a decision. This remains an appraiser's preference. It remains a professional obligation to ensure that whatever form or report format members use that the reports are fully compliant with CUSPAP.

## 14.11 Progress Reports [\[see 7.12.1.iv\]](#)

14.11.1 A progress report, prepared to determine percentage complete without reference to value, as part of an original appraisal report, is considered to be an extension of the original report. [\[see 14.11.3\]](#)



14.11.2 A standalone progress report, prepared to determine percentage complete without reference to value, and without an original appraisal report, is considered to be a consulting assignment. [\[see 14.11.3\]](#)

14.11.3 It is misleading to state a value for a partially completed improvement by simply deducting the cost to complete (or percentage) from the value as though complete. [\[see 2.63\]](#)

14.11.4 A progress report is subject to specific assumptions and conditions [\[see 14.29, 14.30, 14.31\]](#)

#### **14.12 Work-file [\[see 4.2.9, 7.1.3, 9.1.4, 11.2.5, 13.15\]](#)**

14.12.1 Preserves evidence of the appraiser's consideration of all applicable data as may be required to support the findings and conclusions of the appraiser. Care should be exercised in the selection of the form, style and type of medium for written records, which may be hand-written and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period as set by the Appraisal Institute of Canada and/or pertinent legislation.

14.12.2 A work-file should be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the work-file within a reasonable time after the issuance of the oral report.

#### **14.13 Client and Intended User [\[see 6.2.1, 8.2.1, 10.2.1, 12.2.1\]](#)**

14.13.1 A statement similar to the following may be appropriate:

14.13.2 "This report is intended for use only by (identify the client) and (identify any other intended users by name and type). Examples of acceptable intended user names: "Lender ABC", "Mortgage Broker Company Name". Use of this report by others is not intended by the appraiser, and any liability in this respect is strictly denied".

14.13.2.i. Where the assignment is ordered by an Appraisal Management Company, the client shall be identified as (Lending Institution Name) c/o (Appraisal Management Company Name) and the Intended User shall be identified as (Lending Institution Name).

14.13.2.ii. Types of intended users such as "To be determined", "To be confirmed", "John Doe and his lenders" or other similar references are not acceptable types of intended users. The Member is cautioned against vague or undefined intended user names or types. The vaguer the reference the greater the liability since the Member does not know who has relied on the report and how many copies of the report are in circulation.



**Box 14.13 – Reliance Letter**

[Name of new intended user]

Attention: [Name]

**RE: Appraisal Report [Project #][FILE#] ]**  
**Property identification: [ADDRESS] (the “Property”)**  
**Effective date of the appraisal report:**

We, the undersigned, understand that [NEW INTENDED USER NAME] proposes to provide financing to [BORROWER] (the “Borrower”).

[APPRAISER] prepared an appraisal of the above-referenced property as at [DATE], for [state the purpose] for [original client name] which estimated the market value of the Property to be \$[VALUE]. We have been requested by [CLIENT AND/OR ORIGINAL INTENDED USER] to provide a reliance letter, authorizing [NEW INTENDED USER NAME] to rely on the appraisal report, for [1<sup>ST</sup> OR 2<sup>ND</sup> MORTGAGE OR SPECIFY PURPOSES]. We have received consent from [ORIGINAL CLIENT NAME], the borrower, to provide a reliance letter for the stated use.

The contents of this report are confidential and will not be disclosed by the author to any party except as provided for by the provisions of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The appraiser acknowledges that the information collected herein is personal and confidential and shall not use or disclose the contents of this report except as provided for in the provisions of the Canadian Uniform Standards of Professional Appraisal Practice and in accordance with the appraiser's privacy policy. [NEW INTENDED USER NAME] agree that in accepting this report they shall maintain the confidentiality and privacy of any personal information contained herein and shall comply in all material respects with the contents of the appraiser's privacy policy and in accordance with the *Personal Information Protection and Electronic Documents Act* (PIPEDA).

The appraiser has agreed to enter into the assignment as requested by the client named in the report for the use specified by the client and intended user(s) stated in the report. The client has agreed that the performance of this appraisal and the report format are appropriate for the intended use.

Written consent from the author and supervisory appraiser, if applicable, must be obtained before any part of the appraisal report can be used for any purpose by anyone except the client and other intended users identified in the report, and [NEW INTENDED USER NAME].

Where the client is the mortgagee and the loan is insured, liability is extended to the mortgage insurer. Liability to any other party or for any other use is expressly denied regardless of who pays the appraisal fee.

Written consent and approval must also be obtained before the appraisal (or any part of it) can be altered or conveyed to other parties, including mortgagees (other than the client) and the public through prospectus, offering memoranda, advertising, public relations, news, sales or other media.

This appraisal report, its content and all attachments/addendums and their content are the property of the author who has signed this report. The client and [NEW INTENDED USER NAME] and any appraisal facilitator are strictly forbidden, and no permission is expressly or implicitly granted or deemed to be granted, to modify, alter, merge, publish (in whole or in part) screen scrape, database scrape, exploit, reproduce, decompile, reassemble or participate in any other activity intended to separate, collect, store, reorganize, scan, copy, manipulate electronically, digitally, manually or by any other means whatsoever this appraisal report, addendum, all attachments and the data contained within for any commercial, or other, use.

Yours sincerely,

Cc: [ORIGINAL CLIENT]

## 14.14 Intended Use [\[see 6.2.2, 8.2.2, 10.2.2, 12.2.2\]](#)

14.14.1 A statement similar to the following may be appropriate: “This report is intended only for use in (describe the use, e.g. first mortgage financing, second mortgage financing, division of matrimonial asset), and for no other use”. The more specific the intended use the lesser the risk of a report being relied upon for an unintended use by a third party.



14.14.2 An appraiser must identify the client and to the extent possible other intended users by communication with the client prior to accepting the assignment, using care not to violate confidentiality requirements. Identification of the intended use of the report is one of the essential steps in defining the consultation problem to ensure the use of the report is not misleading.

14.14.3 For reserve fund studies, reports are typically prepared for a condominium corporation or strata, for example, not individual owners. Therefore, reserve fund studies may be commissioned by other groups involved in joint ownership situations (e.g. unit owners, potential purchasers). In some provinces, strata are required to make the study available to others that are not owners, nor the client (e.g., potential purchasers, realtors). Legislative requirements prevail over anything in these Standards.

#### 14.15 Value [see 2.63, 6.2.3]

14.15.1 Members performing appraisal services that may be subject to litigation are cautioned to seek the exact legal definition of value in the jurisdiction in which the services are being performed.

14.15.1.i. Market value may be different from investment value, going concern value and value in use.

14.15.2 An appraisal assignment for an estimate of value other than market value could be misleading if prepared in isolation without reference to market value.

14.15.3 Acceptable definitions of "Market Value":

14.15.3.i. The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.<sup>3</sup>

14.15.3.ii. "The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

The definition may be expanded by adding:

14.15.3.iii. Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;

---

<sup>3</sup>The Appraisal of Real Estate, Third Canadian Edition", Canadian Property Valuation. Winnipeg: 2010. Vol. 54, Issue 4; p. 2.2





- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

14.15.3.iv. “Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”<sup>4</sup>

## 14.16 Scope of Work [see 6.2.4, 8.2.6, 10.2.7, 12.2.8]

14.16.1 Refers to the due diligence undertaken by the appraiser including the terms of reference from the client (see Box 14.16.1).

**NOTE:** The Scope Section of the report should reflect the circumstances of each particular assignment. An appraiser, consultant or reserve fund planner must have sound reasons to support the scope of work decisions, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user or the “reasonable appraiser”. [see 2.52]

### Box 14.16.1 ~ Scope of Work Example

**Inspection:** We inspected the interior and exterior of the property on (date), accompanied by (Name). Our identification of the property also involved a review of mapping prepared by the local municipality, and our earlier files on the property. The photographs appended were taken (date).

**Type of Analysis** (The following example relates to an update assignment): The approaches as applied to our previous report of (insert date) were investigated as to their relevance to this assignment, including a review of market data necessary to properly apply these approaches. In this regard the (Direct Comparison, Income and/or Cost Approaches - as appropriate) have been applied and later reconciled to a final estimate of value.

**Data Research:** We received our instructions from (name), who provided information on the property and on changes to it since our (date) appraisal. Publications produced by the (local authority) provided information on applicable land use controls. Sources of market evidence included, as appropriate, the local real estate board, Land Title Office transactions – including those reported by Data Systems and local assessors, and real estate agents, vendors and purchasers active in the market. The (name) service provided information on the state of title.

**Audits and Technical Investigations:** We did not complete technical investigations such as:

- Detailed inspections or engineering review of the structure, roof or mechanical systems;
- An environmental review of the property;
- A site or building survey;
- Investigations into the bearing qualities of the soils; or
- Audits of financial and legal arrangements reported by (name) concerning the leases.

**Verification of Third Party Information:** The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client-supplied information, which we believed to be correct. The mandate for the appraisal did not require a report prepared to the standard appropriate for court purposes or for arbitration, so we did not fully document or confirm by reference to primary sources all information herein.



#### **14.17 Retrospective Value Opinion [see 6.2.5]**

14.17.1 A retrospective appraisal is complicated by the fact that the appraiser already knows what occurred in the market after the effective date. Use of direct excerpts from reports prepared at the retrospective effective date can help the appraiser and the reader better understand market conditions as of the retrospective effective date. Competence is required as at the date of the report, but not necessarily at the retrospective effective date.

#### **14.18 Update [see 6.2.5]**

14.18.1 A recommended practice is to bind the original appraisal with the update for the client.

14.18.2 Three conditions should be met before an update assignment is accepted:

14.18.2.i. The original appraiser or firm and client are involved;

14.18.2.ii. The real estate has undergone no significant change since the original appraisal; and

14.18.2.iii. The time between the effective date of the original appraisal and the update is not unreasonably long for the type of real estate involved. All approaches to value developed in the original appraisal should be updated with new data.

14.18.3 An appraiser should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment. [see 7.11.2]

14.18.4 The scope of an assignment will determine the extent of an inspection (and required limiting conditions) or whether a new inspection is required.

#### **14.19 Exposure Time [see 6.2.6]**

14.19.1 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

14.19.1.i. statistical information about days on market;

14.19.1.ii. information gathered through sales verification;

14.19.1.iii. interviews of market participants.

14.19.2 Related information gathered through this process may include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms.

14.19.3 The reasonable exposure period is a function of price, time and use, not an isolated opinion of time alone. As an example, an office building could have been on the market for two years at a price of \$2,000,000, which informed market participants considered unreasonable. Then, the owner lowers the price to \$1,600,000 and starts to receive offers, culminating in a transaction at \$1,400,000 six months later. Although the actual exposure



time was 2.5 years, the exposure time at a value range of \$1,400,000 to \$1,600,000 would be six months. The answer to the question “what is reasonable exposure time?” should always incorporate the answers to the question “for what kind of real estate at what value range?” rather than appear as a statement of an isolated time period.

- 14.19.4 Problems can arise when clients attempt to make business decisions or account for assets without understanding the difference between exposure time and marketing time.
- 14.19.5 Marketing time is an opinion of the amount of time it might take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of an appraisal.
- 14.19.6 Related information includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms. Marketing time is a function of price, time, use and anticipated market conditions such as changes in the cost and availability of funds not an isolated opinion of time alone. Marketing decisions rest with the client.

#### **14.20 Characteristics of the Property [See 5.5.5.i, 6.2.9, 12.2.4]**

- 14.20.1 The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs or the like. The information can include a property sketch and photographs in addition to written comments about the legal, physical and economic attributes of the real estate, including assessment and property tax data relevant to the purpose and intended use of the appraisal. Any unusual aspect and contrasts between the subject property and adjoining uses should be highlighted. Any assumptions as to ownership should be specified.
- 14.20.2 A title search will normally be required to reveal the legal attributes and restrictions that may affect property value (see Extraordinary Limiting Conditions). For litigation support purposes, title searches should also be conducted on properties used as comparables. A search is not intended to result in an expression of opinion as to the state of title itself. [see 7.10, 14.31]
- 14.20.3 The reserve fund study must specify the type of property under review (e.g., condominium townhouse, condominium apartment, dockominium, float home, parking stall, vacant land condominium, common element condominium recreation condominium). If the reserve fund study is for something other than a condominium or strata, the report should describe the real estate accordingly (e.g., co-operative, office structure, institutional facility, municipal infrastructure and improvements, not-for-profit, etc.).

#### **14.21 Detrimental Conditions [see 7.10.1.vi]**

- 14.21.1 When qualified specialists have documented the existence of detrimental conditions and estimated the costs of remediation or compliance, an appraiser may be in a position to develop an opinion of “as is” value and should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible



appraisal. The value of an interest in impacted (e.g., contaminated) real estate may not be measurable simply by deducting the remediation or compliance cost estimate from the opinion of value as if unaffected. Other factors may influence value, including any positive or negative impact on marketability (stigma) and the possibility of change in highest and best use.

14.21.2 Stand-alone environmental consulting services are not defined as Professional services in CUSPAP and under the AIC's Professional Liability Insurance Program. [see 2.49, 5.8, 14.4.1]

#### **14.22 Recognition of Detrimental Conditions [see 7.10.1.vi]**

14.22.1 A member is a trained and experienced observer of real estate; however, recognizing, detecting or measuring detrimental conditions is often beyond the scope of the member's expertise. If the member becomes aware of detrimental conditions through disclosure by the client and/or known facts prior to the acceptance of an assignment, this should be recorded as an observation in the report. In completing a checklist as part of the process, the member should respond only to those questions that can be answered competently by the member within the limits of his or her particular expertise in this area. Failure to address known detrimental conditions in a report could result in a misleading report.

#### **14.23 Remediation and Compliance Cost Estimation [see 7.10.1.vi]**

14.23.1 Remediation and compliance cost estimation involves knowledge and experience beyond that of most members. These estimates are typically provided by consulting specialists who are properly versed in federal and local requirements and are qualified to assess and measure the materials and/or methods appropriate for remediation or compliance. Other professionals who deal with legal liabilities and business operations may also be involved in the cost estimate process. A member may reasonably rely on the findings and opinions of qualified specialists in remediation and compliance cost estimation.

#### **14.24 Value Opinions of Interests in Impacted Real Estate [see 7.10.1.vi]**

14.24.1 Many clients employ experts in various disciplines separately and simultaneously, and make business decisions based on comparing the results of findings from the various experts. These clients may request an appraiser to appraise real estate that is, or is believed to be, influenced by detrimental conditions under a hypothetical condition that it is not impacted. An appraiser may invoke this extraordinary assumption when (1) the resulting appraisal is not misleading, (2) the client has been advised of the assumption, and (3) the hypothetical condition has been disclosed in compliance with these Standards. [see 6.2.11]

#### **14.25 Mould [see 7.10.1.vi]**

14.25.1 Mould is a growth of microscopic organisms caused by dampness. Within structures, it is the result of building system or component failure. Causes can include: roof, window or cladding leakage (seals, frames, caulking); air leakage (design, construction, ducting issues); plumbing leakage (building services, individual units); poor ventilation, vapour diffusion, HVAC condensate (collection/drainage systems); and/or thermal bridges (discontinuous insulation); etc.



**14.26 Fractional Interest [see 6.2.9]**

14.26.1 An appraiser does not generally have to value the whole of a property (or the larger parcel) when the subject of an appraisal is a small component. The burden of proof is on the appraiser to determine if the assignment would tend to mislead or confuse without a valuation of the whole.

14.26.2 Appraisal of a partial taking through expropriation may require consideration of the “larger parcel” and injurious affection (loss in value to the remainder). [see 7.12.4]

**14.27 Legal Attributes [see 7.10.1.iii]**

14.27.1 Members must be aware of the duty to investigate the legal attributes of certain property types. Condominium values, for example, can be affected by specific condominium bylaws that apply in some projects. The status of the reserve fund, special assessments for units in the complex and restrictions on common property can also influence values. While selecting sales from within the same complex can mitigate some of these concerns, particular care should be taken when it becomes necessary to rely on sales from outside of the complex.

**14.28 Inspection of Subject Property [see 6.2.9, 7.10, 7.11.2]**

14.28.1 An appraiser’s inspection should, at the minimum, be thorough enough to (a) adequately describe the real estate in the appraisal report, (b) develop an opinion of highest and best use, when such an opinion is necessary and appropriate, and (c) make meaningful comparisons in the valuation of the property.

14.28.2 There are situations where interior and/or exterior inspections are not possible as of the effective date of the appraisal. For example, inspections are not physically possible where improvements have been destroyed, removed, or not yet built, or if performing a retrospective or prospective appraisal. Inspections are not legally or contractually possible if the appraiser is denied access by the property owner. [see 6.2.11, 14.31.1]

14.28.3 An appraiser, consultant or reserve fund planner cannot rationally develop an appraisal, review or consulting report or reserve fund study, respectively, if adequate information on the subject real estate is not available. Consequently, where physical characteristics information is not available through an opportunity for an inspection (e.g., snow conditions, scope of work, client instructions) or from reliable third-party sources, an appraiser has the duty to obtain the necessary information to develop the appraisal, review, consulting assignment or reserve fund study before continuing or to withdraw from the assignment.

14.28.4 The same sources that are used to research and verify comparable data can be used to obtain information about the subject property. An appraisal developed without the benefit of an interior and complete exterior inspection by the appraiser is subject to the same standards that would apply if the appraiser had made a complete personal inspection.

14.28.5 The examples cited in 14.31 are illustrations of the wording of an Extraordinary Limiting Condition in an appraisal report for a client that requested a drive-by inspection or where an inspection is not possible.



## **14.29 Assumptions and Limiting Conditions [see 6.2.10, 8.2.7, 10.2.8, 12.2.9]**

14.29.1 Ordinary Assumptions and Limiting Conditions are typically grouped together in a specific section of the report. While they may apply to most assignments, the practitioner is cautioned against the practice of copying and pasting and using boilerplate statements without any customization to the assignment at hand. Examples of ordinary assumptions and limiting conditions:

### 14.29.2.i. Ordinary Assumptions

- reliability of data sources;
- compliance with government regulations;
- normal financing;
- marketable title;
- no defects in the improvements;
- bearing capacity of soil;
- no encroachments
- diligence by intended user

### 14.29.2.ii. Limiting Conditions:

- denial of liability to non-intended users and for any non-intended use;
- conclusions may be valid only at the date of valuation;
- responsibility denied for legal factors;
- fees for attendance at legal proceedings to be agreed;
- report must not be used partially;
- possession of report does not permit publication;
- disclosure for peer review may be required;
- cost estimates are not valid for insurance purposes;
- value conclusion is in Canadian dollars;
- denial of responsibility for any unauthorized alteration to a report;
- validity requires original signature.
- (See Handbook of Disclosure Guidelines, AIC 1996 for a full inventory of clauses)

## **14.30 Extraordinary Assumptions [see 6.2.10]**

14.30.1 Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. When invoking hypothetical conditions, it must be clear to the reader that the property condition does not in fact exist



as at the date of appraisal, and the analysis performed to develop the opinion of value is based on a hypothesis (e.g., the 5 acre question whereby the property is assumed to be a dwelling on 5 acres when in fact, it is not). For every Hypothetical Condition, an Extraordinary Assumption is required in the report.

#### 14.30.2 Examples of extraordinary assumptions and hypothetical conditions:

##### 14.30.2.i. Extraordinary Assumptions:

- an absence of contamination where such contamination is probable;
- the presence of municipal sanitary sewer where unknown or uncertain;
- assumed zoning where the zoning is unknown or uncertain;
- assumed condition where an interior and/or exterior inspection is not possible. [\[see 14.28\]](#)

##### 14.30.2.ii. Extraordinary Assumptions (Hypothetical Conditions):

- repairs or improvements have been completed;
- execution of pending lease;
- rezoning has been achieved;
- an expropriation scheme is disregarded;
- a prospective appraisal; [\[see 6.2.5\]](#)
- municipal sanitary sewer when none is available;
- aggregate (retail) or bulk (wholesale) marketing of units.

14.30.3 Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property, or about conditions external to the subject property such as market conditions or trends, or the integrity of data used in an analysis. Extraordinary Assumptions (Hypothetical Conditions) presume as fact simulated but untrue information about physical, legal or economic characteristics of the subject property or external conditions.

#### **Box 14.30 ~ Example of Wording of an Extraordinary Limiting Condition**

The appraiser has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building. The physical characteristics used to develop this appraisal are based on an inspection that the appraiser made three years ago when the property was appraised for estate purposes. For the purpose of this appraisal it is assumed that the interior condition of the subject property has not materially changed during the past three years. The subject property was observed from the public street as of the effective date of the appraisal. This exterior inspection revealed that the outside of the building has been repainted and the roof has been replaced. The physical characteristics used to develop this appraisal are also based on the assessment records of (cite jurisdiction) and on the multiple listing service information of (cite source). On the basis of the observed conditions, the assessment records and multiple listing service information appears to be accurate. For the purposes of this appraisal it is also assumed that the interior condition of the subject property is consistent with the exterior conditions as observed and that the information concerning the interior condition as provided by the assessor's records and the multiple listing service is accurate.

### **14.31 Extraordinary Limiting Conditions [\[see 6.2.10\]](#)**



#### 14.31.1 Examples of extraordinary limiting conditions:

##### 14.31.1.i. Extraordinary Limiting Conditions:

- exclusion of a relevant valuation approach; [see 6.2.16]
- no interior inspection of the subject improvements; [see 14.28.2]
- no title search; [see 7.10.1.v, 14.31.3]
- no liability insurance coverage. [see 4.2.1, 5.8]

##### 14.31.1.ii. Certain conditions are unacceptable in any assignment where they:

- compromise an appraiser's impartiality, objectivity or independence;
- limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the intended use of the results;
- limit the contents of a report that results in the report being misleading.

14.31.2 Assignment limitations affect the level of risk accepted by each party to an assignment. In some assignments, it might be reasonable to apply an extraordinary limiting condition to recognize assignment restrictions, whereas in other assignments, the use of the same limiting condition may not be acceptable.

14.31.3 [see 7.10.1.v] The practice of appraisal requires a rudimentary ability to interpret legal documents (e.g. title) pertinent to real property. The appraiser is most likely not legally qualified, and should therefore withhold comment on legal matters beyond those typically required in the appraisal process.

14.31.4 It should be clear in the report that the appraiser is not providing a report on title but only describing the interest appraised.

14.31.5 Nonetheless, legal aspects such as the effect of existing leases can directly impact Property value and need to be considered.

14.31.6 (In this respect, if a lease is to be disregarded and the assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption [Hypothetical Condition] is required.) If a lease is to be considered, the tenant is described as holding a leasehold interest whereas the landlord has a leased fee interest. Appraisals that take existing leases into account should, for clarity, identify their conclusions as representing the value of the leased fee, not simply the market value of the property.

### 14.32 Land Use Controls [see 6.2.12]

14.32.1 Should be considered under all levels, such as Provincial Regulations, official community plans, zoning, subdivision control, by-laws, parking, environmental, flood plain and water course set-backs.

14.32.2 An illegal use should be valued in accordance with the definition of Highest and Best Use employed in the report, which typically refers to (or assumes) a legally permissible use. The only basis for valuation under the existing illegal use would be where a variance to the by-law could reasonably be expected, thereby resulting in either a conforming or legal non-conforming use. Any Extraordinary Assumptions in this regard should be clearly stated in





the report, in any location referring to a final value estimate, as well as in the Land Use discussion and Highest and Best Use analysis.

### 14.33 Highest and Best Use [\[see 6.2.14\]](#)

14.33.1 The highest and best use of a property is an economic concept that measures the interaction of four criteria: legal permissibility, physical possibility, financial feasibility, and maximum profitability.

14.33.2 Estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and appraisers select comparable market information.

14.33.3 An appraiser considers highest and best use of the property as if vacant separately from the highest and best use of the property as improved. This is because the highest and best use of the site as if vacant and available for development determines the value of the land, even if the property's existing improvement does not represent the highest and best use of the site.

14.33.4 Highest and Best use of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.

14.33.5 If for valid reason, as explained in the report (e.g., rent review, value in use, insurance coverage,) a highest and best use is irrelevant; no Extraordinary Limiting Condition is required.

14.33.6 One of the most common issues brought before an Adjudicating Hearing Panel are complaints against CRA Members who completed appraisal, review or consulting assignments on assignments beyond the scope of their CRA designation. In determining the scope of practice for a CRA Member undertaking an assignment, the test lies in the highest and best use (HBU) - *actual or assumed* - of the property being appraised. [\[see 5.5\]](#)

In the context of a professional practice complaint, ethical violations are subject to investigation and sanctions under the AIC disciplinary process and in accordance with AIC Consolidated Regulations.

Holding a designation from another professional organization **DOES NOT** allow AIC Members to complete assignments that are not permitted under CUSPAP, nor does it allow Members to drop their AIC designation to complete such assignments. [\[see 5.5.3\]](#)

14.33.7 What follows are key questions for the practitioner to reflect on as part of assessing the HBU – *actual or assumed* – of the property being appraised.



Working Your Way Through CUSPAP	In Layman's Terms
What is the purpose of the appraisal?	Defining the value. What value is being estimated?
What are the terms of reference and the required scope of work?	What is your client asking you to do?
What is the site's zoning? What are the permitted uses and land use controls?	Analyzing the immediate and surrounding areas. <ul style="list-style-type: none"> <li>▪ What is happening in the area? What are the trends?</li> <li>▪ What are the surrounding land uses? Are they similar to the subject <i>actual or assumed</i> HBU?</li> <li>▪ Who are the buyers?</li> <li>▪ What are the supply and the demand for properties with similar <i>actual or assumed</i> HBUs?</li> </ul>
Based on the above, what is the <i>actual or assumed</i> HBU?	<ul style="list-style-type: none"> <li>▪ Is the <i>actual or assumed</i> HBU legally permissible, financially possible? Will it generate the highest net return?</li> <li>▪ Is it reasonable to <i>assume</i> the HBU based on the market conditions, zoning and permitted uses?</li> <li>▪ Is it possible for the HBU to be something other than the <i>actual or assumed</i> HBU?</li> <li>▪ Is it possible that what your client is asking you to provide may not be a permissible or possible <i>assumed</i> HBU?</li> </ul>
Does the appraiser have the qualifications to complete the assignment?	Does the report have to be co-signed by a competent AACI?
What ordinary assumptions, limiting conditions, hypothetical conditions, extraordinary assumptions and/or extraordinary limiting conditions need to be invoked?	In the report, the appraiser must identify the value being provided, whether current, retrospective, prospective, or an update. <a href="#">[Appraisal Standard Rule 6.2.5]</a> Depending on the value, the appraiser may need to make certain assumptions.
What are the data and appraisal procedures relevant to the assignment?	The data used in the analysis must be comparable to the property being appraised. <ul style="list-style-type: none"> <li>▪ Actual HBU ("as is" value) will require sales with similar improvements, zoning and permitted uses, etc. (e.g. property as a whole with 50 acres, income-producing farm, dwelling, garage and outbuildings).</li> <li>▪ Assumed HBU ("as if" value) will require data with comparable acreage, improvements, assumed zoning and permitted uses, etc. (e.g., 5 acres, dwelling and garage).</li> </ul>

### 14.34 Use of Designation or Identification of Member Status [\[see 5.5\]](#)

14.34.1 Wherever the Member's name appears, their AIC designation or their status as an AIC Candidate Member shall be included. This is intended to include letters of transmittal (see box 14.34.1), report, certification, reliance letters, and any correspondence (soft or hard



copy) pertaining to the Member's scope of professional appraisal, review and consulting services.

**Box 14.34.1 – Number of signature limited on system-generated letters of transmittal**

Where the letter of transmittal generated by the form only provides one signature, the following wording is suggested:

*“Due to system limitations by the client’s form or by the software provider, the candidate and co-signor’s signatures do not appear in the transmittal letter. Since only one signature appears in the letter of transmittal, the reader is referred to the Certification page of this report for the validation of the signatories of this report”.*

14.34.2 For those Members with multiple appraisal-related designations, the intent of 5.5 is that the Member must use their AIC designation pertaining to the Member's scope of professional services.

**14.35 Direct Comparison Approach [see 6.2.16, 6.2.17]**

14.35.1 A contract sale price of the subject property can be a good indicator of its market value, and it may be logical and reasonable for the appraiser to conclude that they are the same. However, this is not always the case. In some situations, the subject contract price may exceed or be less than what is typical in a market. A contract sale price, while a significant piece of market data, must not become a target in an appraisal assignment.

14.35.2 Care should be exercised in analysing sales of new properties to ensure both consistency and disclosure regarding the impact, if any, of transaction taxes (e.g., GST/HST) on prices paid. (GST/HST may already be included in the model of basic cost multipliers provided by valuation costing services.)

14.35.3 Fixing the date of sale of a comparable is necessary to establish relevance and accuracy, and to determine the precise period for which a time adjustment is to be made. This adjustment period begins on the date of sale and ends on the effective date of the appraisal.

14.35.4 The date of sale could be taken as the acceptance of an offer to purchase if there is a meeting of the minds.

14.35.5 Practical considerations may determine which date is to be used. Dates of record reflecting completed transactions provide certainty and in most jurisdictions are readily available. Weeks or months could have elapsed since the initial agreement as to price and confirming the date of this initial agreement requires that the parties be available and willing to divulge details.

14.35.6 In a period where the market is rising or falling at a substantial percentage each month, it may be necessary to reflect whether the sale occurred near the beginning, in the middle, or at the end of the month.

14.35.7 In selecting the date of sale, consistency is the preferred approach. Rather than attempting to speculate as to the length of the interval between agreement and closure, less weight can be given to those sales dates that are inconsistent with the model



selected.

14.35.8 In summary, while it may be argued that no sale has occurred until the transfer is registered; there may be a long delay in registration. The basic answer to the question - "what is the date of sale" - is the date the price was finally agreed upon. Researching that date for all of the comparables may be impractical. Where consistency is not possible, any variation should be explained.

14.35.9 Sales occurring after the effective date of valuation may be useful in the analysis but are subject to appropriate weight.

#### **14.36 Discounted Cash Flow Analysis [see 11.8]**

14.36.1 Discounted Cash Flow (DCF) methodology is based on the principle of anticipation (i.e., value is created by the anticipation of future benefits). DCF analysis reflects investment value and market value appraisals, as well as for other purposes such as sensitivity tests.

14.36.2 DCF analysis is an additional tool available to the appraiser and is best applied when developing value opinions in the context of one or more other approaches.

14.36.3 To avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an opinion of market value, it is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes. Market value DCF analyses should be supported by market-derived data and the assumptions should be both market and property specific. Market value DCF analyses are intended to reflect the expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. An appraisal report that includes the results of DCF analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data used in the analysis.

14.36.4 DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract and market rents, specific escalations, operating expenses, pass-through provisions, market-derived or specific concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth rate or decline rate assumptions are premised upon analysis or supply/demand factors and other economic conditions and trends within the market area of the subject. Operating expense change rates should reflect both overall expense trends and the specific trend of significant expense items.

14.36.5 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate selection process, but only when the type of and market for the real estate being appraised is consistent with the type of and market



for the real estate typically acquired by the investors interviewed in the survey. Considerations used in the selection of rates are risk, inflation, and real rates of return.

14.36.6 When reversion capitalization rates are used, they should reflect investor expectations considering the real estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable and should be set out on the basis of the facts and circumstances of each analysis.

14.36.7 The results of DCF analyses should be tested and checked for errors and reasonableness. Because of the compounding effects in the projection of income and expenses, even slight input errors can be magnified and can produce unreasonable results. For example, it is good practice to test whether cash flows are changing at reasonable rates, and to compare the reversion capitalization rate with the implied entrance capitalization rate to see if the relationship between these rates is reasonable and explainable.

#### 14.37 Automated Valuation Model [\[see 6.2.16\]](#)

14.37.1 An Automated Valuation Model (AVM) is a computer program that analyses data using an automated process. For example, AVMs may use regression, adaptive estimation, neural network, expert reasoning and artificial intelligence programs.

14.37.2 Note that an AVM's output is not, by itself, an appraisal, and communication of an AVM's output is not, in itself, an appraisal report.

#### 14.38 Agreement for Sale/Option/Listing/Prior Sales [\[see 6.2.22\]](#)

14.38.1 The 3 year sales history is a mandatory requirement under CUSPAP and other internationally recognized standards of practice, and the scope of work of an assignment cannot be limited due to accessibility to data.

Appraisal Standards Comments [7.23 Agreement for Sale/Option/Listing](#) and [7.23.2 Prior Sales](#), which are compulsory, are clear in that the information must be analyzed and reported if it is available to the appraiser in the normal course of business. It is important to note that what defines the “normal course of business” is not for individual interpretation. CUSPAP, other standards of practice and Canadian and international case law recognize and define the spirit and intent of “normal (or ordinary) course of business”. The basic premise of “normal course of business” aligns with the concepts of appraiser due diligence and the “reasonable appraiser”.

To summarize *Advisory Opinion 24, Normal Course of Business (Appraisal Institute, USPAP 2014-15)*: “The “normal course of business” is controlled to a large degree by the scope of work in a specific assignment. The “normal course of business” is determined by the actions of an appraiser’s peers and by the expectations of parties who are regularly intended users for similar assignments; **it is not any one appraiser’s practices or any one appraisal firm’s policies**. In developing a[n]...appraisal, an appraiser must not commit a substantial error of omission or commission that significantly affects an appraisal... Diligence is required to identify and analyze the



factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.”

If the data or information is unobtainable (i.e. for confidentiality or privacy reasons), the report must include a commentary on the efforts taken by the appraiser to obtain the information (appraiser due diligence). However, where information is available to and accessible by the appraiser as part of the normal course of business, to make a business decision not to purchase or access the data would not fall under the “normal course of business”.

In the event of a claim or a complaint, the appraiser’s due diligence in obtaining the information to meet the CUSPAP requirements would be subject to investigation and the reasonable appraiser test. Furthermore, AIC’s professional liability insurance program offers coverage for all professional services completed in accordance with CUSPAP. Where a member willfully disregards CUSPAP, under the insurance policy, coverage would likely be denied.

Box 14.38 speaks to the extent of a title search. Appraiser due diligence in the research and analysis of the sales and listing history of the subject property is an important part of the appraisal process and can go a long way in fraud detection and prevention. Although access to data is becoming more and more decentralized and can be costly, members must be mindful of their obligations arising out of the “normal course of business”.

**Box 14.38 ~ Sample Entries**

In the analysis of the sales history of the subject property, a Member must exercise due diligence, but this need not necessarily include a search of the public record. The necessity for a search of the public record will depend on the nature and scope of the assignment, according to the reasonable appraiser standard. For example, for residential form appraisals for mortgage purposes it may not be necessary to search public records where the sales history for the subject is available elsewhere. For the purpose of this Practice Note, Public Record means Land Title Office/Register of Deeds.

The owner reports that the subject property was not under a current agreement or option and was not offered for sale on the open market at the effective date. According to public records, the subject property had not changed hands during the three years prior to the effective date.

The property being appraised is known to be the subject of a pending purchase and sale agreement, but the appraiser was unable to obtain the terms of the agreement. The current owner confirmed that the property is under agreement, but declined to disclose the terms of the agreement or to discuss the nature of the agreement.

The subject property is currently offered for sale at a listing price of \$XXX,XXX. A copy of the listing agreement with March Smith, real estate broker, is included in the addendum to this report.

The appraiser should consider the relevance of sales which occurred subsequent to the effective date in a retrospective appraisal.

The subject property was sold by John Jones to the current owner on June 1, 20xx, for a reported price of \$XXX,XXX. The parties to the transaction have affirmed that the seller received all cash and that the reported price was unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This sale is analyzed in the Direct Comparison Approach section of the appraisal report.

According to the public records, there have been no other transfers of the subject property within the past three years.

The subject property was sold by John Jones to the current owner on June 1, 20xx, for an unknown price. The appraiser attempted to obtain the purchase price and other terms of the transaction without success. The parties to the transaction declined to discuss the terms or conditions of the sale.

**14.39 Responsibility [see 2.48, 2.61, 6.2.25, 8.2.14, 10.2.14, 12.2.20]**

14.39.1 Significant participation and significant professional assistance are terms that are best delineated through the “reasonable appraiser” test.



14.39.2 A Member may rely on significant professional assistance of an employee, co-worker, independent contractor or assistant if:

14.39.2.i. the Member reasonably believes the individual is competent; and

14.39.2.ii. the individual's work is credible; and

14.39.2.iii. the individual and the significant professional assistance is identified in the certification.

14.39.3 As proficiency is demonstrated by an assistant, it is appropriate for the principal appraiser to place greater reliance on the work of that assistant. In the context of a real property appraisal assignment, an assistant who has meaningful appraisal education and extensive work experience may well be competent to inspect the real estate and prepare the appraisal report alone, subject to an appropriate final reconciliation by the principal appraiser who will be signing or co-signing the report. In this situation, the assistant's contribution is both significant and professional. Members are cautioned that the use of an assistant who is not properly registered in the Appraisal Institute of Canada Professional Liability Insurance Program may be placing their insurance coverage at risk.

14.39.4 If a Member signs the certification alone, the contribution of any significant professional assistance must be acknowledged, and the specific tasks performed by the assistant should be clearly stated.

14.39.5 Joint preparation of a report required in litigation can provide opposing counsel with opportunities to test whether the evidence is credible, probative and even admissible. For example, did both appraisers conclude exactly the same final value independently, or did one prevail over the other?

14.39.6 Members in the employ of a public institution are required to comply with the Rules in preparing "in-house" appraisal, review or consulting reports or reserve fund studies if these reports are subject to public review. [\[see 2.45, 2.49, 3.6.1, 6.2.1\]](#)

14.39.7 Where these reports are provided "in-house" and not subject to public review, it is generally accepted that such reports can be prepared according to the procedural and policy requirements of that particular institution. However, if these conclusions are to or may be presented in a public forum such as before Boards of Assessment Appeal or Courts, then the appraisal, review, consulting or reserve fund planning standards will apply.

14.39.8 When these reports are not prepared for or presented in a public forum but may be required by due process of law (such as a Freedom of Information request) to be released to the public then the provisions of a Jurisdictional Exception may apply. [\[see 2.41\]](#)

14.39.9 If relying on significant professional assistance, it is recommended that liability be limited by identifying in the certification whose information was relied upon, and stating what



verification, if any, of that information was undertaken. Under this circumstance, a Member should consider whether an Extraordinary Assumption is required. [see 7.26, 7.27, 14.30]

14.39.10 Where you are provided with a copy of an expert report, it is reasonable to rely on that report but the appraiser should not accept any responsibility by including a Limiting Condition.[see 14.29.2.ii] If a copy of an expert report is included as an Addendum, it should be with the consent of the author of the expert report.

#### **14.40 Technical Review [see 8.1.4]**

14.40.1 In a technical review, the review appraiser goes beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report. The review appraiser may or may not have first-hand knowledge of the subject property or of data in the report.

#### **14.41 International Financial Reporting Standards (IFRS) Scope of Work**

14.41.1 The external valuer [see 2.25] should determine among other things if the major tenants fully utilize their leased premises and whether there is any new competitive construction underway or proposed nearby.

14.41.2 The external valuer [see 2.25] should complete such other investigations as might be reasonably required to satisfy the scope of the appraisal and to reasonably address the requirements of the intended use.

#### **14.42 Purpose [see 6.2.3, 8.2.3, 10.2.3]**

14.42.1 The Member's objective (e.g., market value, compliance, feasibility) and it is important to understand that it differs from intended use, which is the client's objective.

#### **14.43 Disagreement/Agreement [see 8.2.12]**

14.43.1 When a review appraiser develops an opinion of value, the review appraiser may:

14.43.1.i. use additional information that was not available to the original appraiser in the development of the appraisal under review;

14.43.1.ii. include the appraisal component in the appraisal review report;

14.43.1.iii. adopt those items in the appraisal under review with which the review appraiser concurs without repeating them in the review report.

14.43.2 It is only with respect to those items where the review appraiser's opinion differs from those in the appraisal under review where there must be replacement information or analysis development in accordance with the Appraisal Standard.

#### **14.44 Market Analysis [see 11.7, 10.2.11]**

14.44.1 The consultant should carefully define and delineate the pertinent market area for the analysis. Supportive reasoning for the selection of the boundaries must be stated. The consultant should identify the specific class(es) of the real estate under consideration





and analyze the forces that are likely to affect supply/demand relationships.

- 14.44.2 The consultant is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from inventory) may affect the subject property.
- 14.44.3 The consultant is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market. The capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.
- 14.44.4 An assignment from a lender requesting comparables to support a pre-determined loan amount is considered to be research within a consulting service, provided that no appraisal, as defined, is completed.

#### **14.45 Cash Flow/Investment Analysis [see 10.2.11, 11.8]**

- 14.45.1 Since real estate investment decisions are predicated on financial implications, the consulting service should define the client's investment criteria, consider major variables in the real estate and financial markets, and forecast the anticipated results. Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included.

#### **14.46 Feasibility Analysis [see 11.9]**

- 14.46.1 The consultant should compare the following criteria from the client's project to the results of the market analysis: the project budget (all construction costs, fees, carrying costs, and ongoing property operating expenses); the time sequence of activities (planning, construction and marketing); the type and cost of financing obtainable; cash flow forecasts over the development and/or holding period; and yield expectations. The consultant should have enough data to estimate whether the project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives.

#### **14.47 Reserve Fund Study [see 2.55, 12]**

- 14.47.1 Since Reserve Fund Studies are completed to provide financial planning advice, the reserve fund planning service should consider the stated policies defining those components to be covered by the study and incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs and future reserve fund accumulations. The Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.

#### **14.48 Value Opinions in Appraisal Review Assignments [see 9.4.2]**

- 14.48.1 The Review Standard provides for a review appraiser to address all or part of the appraisal being reviewed. This includes addressing its completeness, relevance,



appropriateness and reasonableness within the context of the Appraisal Standard under which the appraisal was prepared. An appraisal review assignment may or may not include the development and reporting by the review appraiser of his or her own estimate of value. When a separate estimate of value is to be included, the assignment becomes a two-stage assignment - an appraisal review plus a value estimate by the review appraiser. When completing a review (with an opinion – appraisal review – or a compliance review without an opinion), the appraiser must refer to the CUSPAP version in effect at the time of the original report. For example, if the original report has an effective date of March 5, 2011, the appraiser must conduct their appraisal review using CUSPAP 2010, the version in effect at the time when the original appraiser completed the original assignment. However, in completing their review, the reviewer's report must be written and/or prepared in accordance with the CUSPAP version of the day. If the review is done as at May 4, 2014, the review appraiser's report must be done in compliance with CUSPAP 2014. To summarize, when doing a compliance and/or an appraisal review, the review appraiser may likely be required to use two different versions of CUSPAP: the one in effect as at the effective date of the report under review and the version du jour, as at the effective date of the reviewer's report. Members must also remember that the AIC had annual versions of CUSPAP from 2001 to 2008 and moved to bi-annual editions starting in 2008 (2008, 2010, 2012, 2014, etc.).

14.48.2 It is essential to develop a well-defined scope of work with the client to ensure a clear understanding of what steps are and are not necessary in an assignment. Key elements are the purpose of the assignment and the intended use of the report. [see 8.2.2, 8.2.3, 8.2.6]

14.48.3 When the appraisal review is only for the purpose of determining compliance, the review appraiser should use extreme care to ensure the appraisal review report does not include language that implies the review appraiser developed an opinion of value concerning the subject property of the appraisal under review. When the review appraiser uses language to signify concurrence with the value or a different value opinion, the review appraiser has additional appraisal development and reporting obligations.

14.48.4 The following are examples (without limitation) of intended use and language used in a review where the review appraiser DOES NOT include his or her own estimate of value:

14.48.4.i. the review appraiser may develop and report an opinion as to the quality of the appraisal under review and:

14.48.4.ii. only state the corrective action to be taken by the original appraiser with regard to curing any deficiency, leaving the client to decide whether to interact with the original appraiser to accomplish the correction; or,

14.48.4.iii. act on behalf of the client to interact with the original appraiser to ensure any deficiency is appropriately corrected by that appraiser.

14.48.5 Examples of the language that might be used:



- 14.48.5.i. the value conclusion stated in the appraisal report is (or is not) supported;
- 14.48.5.ii. the value conclusion is (or is not) appropriate and reasonable given the data and analyses presented;
- 14.48.5.iii. the value conclusion stated in the report was (or was not) developed in compliance with applicable standards and requirements;
- 14.48.5.iv. the content, analyses and conclusions stated in the report under review are (or are not) in compliance with applicable standards and requirements;
- 14.48.5.v. I reject the value conclusion as being unreliable due to the errors and/or inconsistencies found;
- 14.48.5.vi. I accept (or approve) the appraisal report for use by the client.

14.48.6 The following are examples (without limitation) of intended use and language used in an appraisal review where the review appraiser DOES include his or her own estimate of value:

- 14.48.6.i. The review appraiser may develop and report an opinion as to the quality of the appraisal under review and:
  - make corrections to cure a deficiency, expressing the result as the appraisal reviewer's own opinion of value, which is to be developed within the same scope of work as was applicable in the appraisal under review; or
  - make corrections to cure a deficiency, expressing the result as the review appraiser's own opinion of value, but develop that opinion using a different scope of work than was applicable in the appraisal under review; or
  - regardless of the appraisal review result, develop his or her own opinion of value, using the same scope of work as was in the appraisal under review; or
  - regardless of the appraisal review result, develop his or her own opinion of value, using a different scope of work than was applicable in the appraisal under review.

14.48.7 Examples of the language that might be used:

- I concur (or do not concur) with the value;
- I agree (or do not) with the value;
- in my opinion, the value is \$X (or the same);
- in my opinion the value is incorrect and should be \$X;
- in my opinion the value is too high (or too low).

14.48.8 Such language, or language with similar meaning to the intended users of the report, represents that the review appraiser has completed the steps required to develop his or her own value opinion. Such language indicates that the review appraiser has either



concurred with the appraiser's value opinion as his or her own, or has developed a different opinion of value. It is important that this language be consistent with the scope of work described in the appraisal review report.

14.48.9 Note that if a review appraiser rejects the value, he or she should use care in how the result is stated. If the language of such rejection is based on errors or inconsistencies in the appraisal under review and does not include any qualifiers that would relate to a direction in value, then it does not imply an appraisal by the review appraiser.

14.48.10 However, if such rejection is stated in relation to a value or value range, such as indicating a direction in value (i.e., more than, less than), or to an established benchmark, then that language indicates the review appraiser has clearly bridged over into the appraisal stage. This is an important distinction which must be kept in mind by the review appraiser when composing any language regarding the original appraiser's opinions or conclusions. In addition, whichever category such language may fall under, it must also be consistent with the purpose, scope and intended use of the appraisal review assignment results.

#### **14.49 Assessment [see 2.41]**

14.49.1 In developing a mass appraisal, a Member must be aware of, understand and correctly apply those recognized methods and techniques necessary to produce and communicate credible results.

14.49.2 The Jurisdictional Exception may apply to sections of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP); an assessment administration is subject to provincial/territorial laws and assessment case law. [see 3.6]

14.49.3 Members working in assessment may claim a Jurisdictional Exception where:

14.49.3.i. legislation overrides the Standards rules or,

14.49.3.ii. where assessment jurisdiction policy or the evidentiary procedures of the assessment appeal process will not allow assessors to provide any or all of the information required by the Standards.

14.49.4 Members working in assessment should be able to explain why a Jurisdictional Exception was claimed.

14.49.5 The assessment appeal process varies in Canada according to local practice, jurisdiction and the governing legislation. Depending on location, the value defended process, or alternatively, a value which is based on appraisal principles for by the assessor may be one that is determined through the mass appraisal individual properties.

14.49.6 At the administrative tribunal or panel level, an oral report may be acceptable.

#### **14.50 Purpose of the Reserve Fund Study [see 12.2.3, 13.14]**



14.50.1 The purpose of reserve fund studies is common to most assignments.

14.50.2 Due to the number of technical issues, the reserve fund planner should consider including a section of defined terms, as they are applied in the study. For example, terms common to Reserve Fund Studies such as Future Reserve Requirement, Future Reserve Fund Accumulation, and Remaining Life are not familiar to many clients who will be relying on the report. The terminology may also vary between provinces or be determined by legislation. The definition of these terms could vary somewhat between one reserve fund planner and another. A definitions section in the report would aid the client and intended user in understanding how the conclusions in the report were reached.

**14.51 Reasoning** [\[see 12.2.17\]](#)

14.51.1 Various models are available for the reserve fund planner to consider, which can affect the basis of calculation in the benchmark analysis as well as the cash flow projections. Reasoning should be included in the report to understand the basis of calculations and how they relate to the recommendations.



## 14.52 Certification [see 12.2.20, 13.8, 14.39]

14.52.1 Each written report must contain a signed certification that is similar in content to the form outlined in Box 14.52.1.

### Box 14.52.1 Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the issue that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property or issue that is the subject matter of this report or to the parties involved with this assignment.
- My compensation is not (or is) contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge and experience to complete the assignment competently.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members.
- The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.

Signature and date of certification [see 5.5]

## 14.53 Intended Use [see 12.2.2, 13.3]

14.53.1 Some provinces require condominium boards to make the Reserve Fund Study available to potential purchasers of units in the property. The member should consider and make appropriate comments regarding such additional intended users, so that any limitations place on reliance of the findings of the assignment are properly understood by the reader of the report.

## 14.54 Effective Date [see 12.2.5, 13.5]

14.54.1 The reserve fund planner must be aware of circumstances where the effective date of the report and the date upon which the recommended actions can be implemented can differ. In some jurisdictions, condominium owners vote on a budget that includes a contribution to the reserve fund, usually at an Annual General Meeting. In others, the implementation of the Plan can be done by the Board of Directors without unit owner approval.



14.54.2 For example, a condominium development usually operates on an annual budget, with fees set at the beginning of the year, supported by a resolution at an Annual General Meeting.

14.54.3 Unless a Special General Meeting is held, the first opportunity for a condominium board to implement the recommendations of the study is the start of the next fiscal year. In such cases, the reserve fund planner should discuss this type of timing difference in the recommendations section of the report.

#### **14.55 Legislation [see 12.2.9, 13.6]**

14.55.1 Since members complete Reserve Fund Studies to provide financial planning advice, the study should consider applicable legislation and policies defining those components the study is to cover, and incorporate a comprehensive benchmark analysis including, as a minimum, life cycle analysis, current and future replacement costs, the current reserve balance, and estimated future reserve fund accumulations. The Study should comment on any apparent deficiency in the reserve fund account or in estimated future reserve fund accumulation, along with a cash flow model covering an appropriate period.

14.55.2 Members need to be familiar with the legislation governing reserve fund studies in the jurisdiction within which they work, along with any consequential regulations and policies.

#### **14.56 Scope [see 12.2.8, 13.7]**

14.56.1 Subject always to the Reasonable Appraiser test, the scope of work underlying a reserve fund study must be sufficient to understand the nature of construction, the effective age, and remaining economic life of each component class, to undertake the analysis and to describe the improvements adequately.

#### **14.57 Update [see 12.2.19, 13.8]**

14.57.1 A recommended practice is to bind the original report with the update for the client.

14.57.2 Three conditions should be met before an update assignment is accepted:

14.57.2.i. The original reserve fund planner or firm and client are involved;

14.57.2.ii. The component has undergone no significant change since the original report;

14.57.2.iii. The time between the effective date of the original report and the update is not unreasonably long for the type of real estate involved. All approaches developed in the original report should be updated with new data.

14.57.3 A reserve fund planner should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment. [see 14.58]



14.57.4 The scope of work involved in an update study might be different from that for an original study. It is the responsibility of the reserve fund planner to ensure the scope of work is sufficient to provide meaningful and valid results. In the absence of written consent from the client and an extraordinary limiting condition, re-inspection is mandatory.

14.57.5 An update that is not self-contained can comply with these standards if it makes clear that it is an update of the specified original report, details changes to the property and analysis since the original report, and makes it clear that a proper understanding of the update requires reading of the original report, a copy of which is either attached to the update or available to the intended user on request.

14.57.6 A reserve fund planner may update an earlier reserve fund study if the original file, analyses, and report are available to the reserve fund planner provided the data is adequate to complete a report that is not misleading.

#### **14.58 Assumptions and Limiting Conditions [see 12.2.9, 13.9]**

14.58.1 Extraordinary Assumptions may be required for work in progress or planned near the effective date. Any assumptions adopted regarding such work should be discussed in the report, such as the date of completion and quality of the work to be completed.

#### **14.59 Hypothetical Conditions [see 12.2.10, 13.10]**

14.59.1 Hypothetical Conditions may include completion of planned improvements between the date of the study and the implementation date of the recommendations. For example, if a roof replacement is planned after the effective date but before the start of the next fiscal year (i.e., when the recommendations will be implemented), the report must make it clear that this hypothetical condition was incorporated in the analysis.

#### **14.60 Benchmark Analysis [see 12.2.13, 13.13]**

14.60.1 Provision should be made for inflation or deflation in costs between the date of the reserve fund study and the time at which repairs and replacements are expected.

14.60.2 A benchmark analysis entails estimating expected life and remaining life; for various components as well as:

- total cost of replacement or repair
- current replacement cost estimates
- reserve fund requirements
- future replacement cost estimates
- reserve fund accumulations
- reserve fund requirements
- annual reserve fund contributions

#### **14.61 Cash Flow Projection [see 12.2.14, 13.14]**

14.61.1 The reserve fund planner should also consider the state of the fund relative to repair and





replacements that will happen in the period immediately following the term chosen for the cash flow projection. For example, a study could prescribe cash flows which will result in a balance near zero at the end of the projection period. This is not prudent if a large expense is expected within a few years of the end of the cash flow projection, as the fund will not be adequate to deal with such an expense.

14.61.2 A cash flow projection and reserve fund model are intertwined. The reserve fund planner specifies the funding model(s) that forms the basis for the cash flow projection.

#### **14.62 Adequacy Analysis of the Reserve Fund Contributions** [\[see 12.2.15, 13.15\]](#)

14.62.1 The cash flow projection should identify whether the existing fund balance and recommended funding level are sufficient to meet most of the repair and replacement obligations. If deficiencies are evident, they should be identified and incorporated in the recommendations.

#### **14.63 Preparing a Reserve Fund Model** [\[see 12.2.16, 13.16\]](#)

14.63.1 The reserve fund model should make one or more recommendations to ensure a prudent level of funding is provided in the contingency reserve. Past practice may provide some guidance on whether owners in the project prefer lower annual contributions with the knowledge that periodic special levies might be required in years when larger capital projects are expected. Options should be discussed with the condominium board or the property manager. Multiple models may be appropriate so that a client and or intended user can consider which options are the best fit. However, the reserve fund planner should ensure that options provided are prudent, and incorporate the minimum requirements in this Standard.

#### **14.64 Exclusions**

14.64.1 A client might request that the study exclude certain short-lived items. The report needs to identify exclusions clearly. While such exclusions are permitted, the reserve fund planner must ensure that the resulting report is not capable of misleading the reader. It is the reserve fund planner's responsibility to ensure that the assignment meets the Reasonable Appraiser Test, if exclusions are made. [\[see 2.52\]](#)

#### **14.65 Liability insurance** [\[see 2.15, 4.2.7, 5.8, 14.4\]](#)

14.65.1 Courses of study have been developed and are widely regarded as options for members to gain the knowledge and experience to complete reserve fund planning assignments competently.

#### **14.66 Reserve Fund Study** [\[see 2.54, 12.1\]](#)

14.66.1 Since Reserve Fund Studies are completed to provide financial planning advice, the consulting service should consider the stated policies defining those components to be



covered by the study.

14.66.2 The Study should incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs, and future reserve fund accumulations.

14.66.3 The Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.



## APPENDIX A - INDEX

Each entry in the index includes a reference code. The codes refer to the corresponding sections of the Standards. Each item in the index references the section(s) where they appear.

- 
- Introduction [section 1]  
 Definitions [section 2]  
 Foreword [section 3]  
 Practice Notes [section 14]  
 Appraisal Standard – Comments [section 7]  
 Appraisal Standard – Rules [section 6]  
 Consulting Standard – Comments [section 11]  
 Consulting Standard – Rules [section 10]  
 Ethics Standard – Comments [section 5]  
 Ethics Standard – Rules [section 4]  
 Review Standard – Comments [section 9]  
 Review Standard – Rules [section 8]  
 Reserve Fund Planning– Rules [section 12]  
 Reserve Fund Planning – Comments [section 13]
- 
- A**.....  
 Accredited Appraiser Canadian Institute (AACI) 2.1  
 Adjustments 8.2.9  
 Advertising 5.4.2, 5.4.3  
 Ad Valorem 2.4, 5.13.1.iii, 14.5.3  
 Agreement 8.2.12  
 Agreement for Sale (current) 6.2.22, 7.23, 14.38  
 Analyze 6.2.15, 6.2.18, 6.2.19, 6.2.20, 6.2.21, 6.2.22, 12.2.11  
 Appraisal 2.5  
 Appraisal Methods and Techniques 8.2.10  
 Appraisal Institute of Canada 2.2  
 Appraisal Practice 2.6  
 Appraisal Procedures 6.2.16, 7.17  
 Appraiser, Reasonable (see Reasonable Appraiser) 2.52  
 Appropriate 8.2.10, 8.2.11  
 Assemblage 2.8, 6.2.19, 7.20  
 Assessment 14.49  
 Assignment 2.9  
 Assumptions and Limiting Conditions 2.10, 6.2.10, 7.11, 8.2.7, 9.4.3, 10.2.8, 14.29  
 Automated Valuation Model 7.17.6, 14.37
- B**.....  
 Bias 2.11  
 Broker 5.13.4, 5.13.5
- C**.....  
 Canadian Residential Appraiser (CRA) 2.21  
 Cash Flow 7.17.5, 11.8, 14.36, 14.45  
 Certification 5.8.4, 5.9.1, 6.2.25, 7.27, 8.2.14, 9.8, 10.2.14, 11.10, 11.11, 12.2.20, 13.18, , 14.39.2.iii, 14.39.4, 14.39.9, 14.52  
 Characteristics of Property 6.2.9, 7.10, 14.20, 14.30.3  
 Client 2.14, 6.2.1, 7.2, 8.2.1, 9.2, 10.2.1, 11.3, 14.13  
 Commission 5.11.3, 14.7.15  
 Competence 2.15, 4.2.7, 5.4.2, 5.12, 14.8  
 Completeness 8.2.8, 9.6, 14.40.1, 14.48.1
- Comply 4.2.1, 5.13.3, 7.1.1, 7.1.4, 9.1.1, 9.1.5, 11.2.1, 11.2.6, 14.39.6  
 Conduct 4.2.2, 5.2, 14.2  
 Confidential 2.16, 5.10.1, 5.10.4, 14.7.11  
 Conflict 4.2.11, 5.11, 14.7  
 Consulting 2.17,  
 Contingent 2.18, 4.2.12, 5.13, 14.9  
 Continuing Professional Development 4.2.6, 5.7, 14.3  
 Co-operate 4.2.8, 5.6  
 Cosignature 2.19  
 Co-signing 7.26, 9.8, 11.10, 13.18  
 Council 2.20  
 Current 6.2.5, 7.6
- D**.....  
 Data 5.9.1, 6.2.15, 6.2.23, 8.2.9, 9.7, 10.2.7, 10.2.10  
 Date of Report 6.2.8, 7.9, 10.2.6  
 Date of Review 8.2.5  
 Date of Sale 14.35.3, 14.35.4, 14.35.7, 14.35.8  
 Depreciation, Accrued 2.22, 7.17.3.iii  
 Designation 2.23, 14.34  
 Describe 6.2.15, 7.16  
 Detrimental Conditions 7.10.1.vi, 14.21, 14.29  
 Disagreement 8.2.12, 14.43  
 Disclosure 4.2.10, 5.10, 7.11.2, 14.9.6  
 Discounted Cash Flow 7.17.5, 14.36
- E**.....  
 Effective Date 2.24, 6.2.7, 8.2.4, 10.2.5  
 Exclusion 6.2.16, 7.18  
 Expropriation 7.12.4  
 Exposure Time 6.2.6, 7.7, 14.19  
 Extraordinary Assumptions 2.26, 9.5.2, 14.30, 14.31.1, 14.32.2  
 Extraordinary Limiting Conditions 2.27, 14.31



- F**.....  
 Fee Appraiser 2.29  
 Feasibility Analysis 2.28, 11.9, 14.46  
 Final Value 6.2.24, 6.2.25, 7.25  
 Fractional Interest 7.10.1.vii  
 Fraudulent 4.2.4, 14.2
- G**.....  
 GST 14.35.2
- H**.....  
 Hazardous Substances 2.32, 7.10.1.vi, 14.21, 14.29  
 Highest and Best Use 2.33, 6.2.14, 7.15, 14.33  
 Hypothetical Conditions 2.34, 6.2.11, 7.12, 14.30
- I**.....  
 Inspection of Comparables 7.16.2  
 Inspection of Subject Property 14.28, 7.5.1.i  
 Institute 2.35  
 Insurance, Professional Liability 4.2.1, 5.8, 5.13.5, 14.4, 14.39.3  
 Intangible Property (Asset) 2.36  
 Intended Use 2.37, 6.2.2, 7.3, 7.5.2, 7.10.1, 8.2.2, 9.3, 10.2.2, 12.2.2, 13.3, 14.14, 14.20.1, 14.48.2  
 Intended User 2.38, 6.2.1, 7.2, 8.2.1, 9.2, 10.2.1, 11.3, 12.2.1, 13.2, 14.13  
 Interest Appraised 6.2.9, 8.2.4, 14.31.4  
 Investment Analysis 2.40, 11.8, 14.45
- J**.....  
 Jurisdictional Exception 2.41, 3.6
- L**.....  
 Land Use Controls 6.2.12, 7.13, 14.32  
 Larger Parcel 2.8, 7.20,  
 Lease 2.42  
 Leased Fee 7.19, 14.31.6  
 Leasehold Estate 7.19  
 Limiting Condition 2.43, 6.2.10, 7.11, 8.2.7, 10.2.8, 12.2.9, 14.29  
 Listing of Property 6.2.22, 14.38  
 Location 6.2.9, 7.10.1.i
- M**.....  
 Market Analysis 2.44, 11.7, 11.9.1.i, 14.44  
 Market Value 5.13.4, 6.2.6, 7.7.1, 7.15.1, 14.15, 14.35.1, 14.36,  
 Member 5.1  
 Misleading 4.2.3, 5.3
- N**  
 Non-Fee Appraiser 2.45
- O**.....  
 Option 6.2.22, 7.23, 14.38
- Oral Report 5.9.1, 5.9.7, 9.1.6, 14.49.6
- P**.....  
 P.App 2.46  
 Personal Property 2.47, 6.2.21, 7.10.1.iv, 7.22  
 Pertinent Information 8.2.13  
 Prior Sale 6.2.22, 7.23.2, 14.38  
 Private Improvements (anticipated) 6.2.20  
 Procedures 6.1.1, 6.2.16, 7.17, 8.1.2, 10.1.1, 10.2.11  
 Professional Assistance 2.48  
 Professional Practice Peer Group  
 Proposed Improvements 6.2.11, 7.12.1, 10.2.9  
 Prospective 6.2.5, 7.6.3, 7.9.1, 7.12.3  
 Public Improvements (anticipated) 6.2.20  
 Purpose 5.3.1, 6.2.3, 7.10.1, 7.15.1, 9.4, 9.5.3, 9.5.4, 10.2.3, 11.4, 12.2.3, 13.4, 14.42
- Q**.....  
 Qualifications 4.2.6, 5.4.2, 5.5
- R**.....  
 Real Estate/Real Property 2.50, 2.51, 8.2.4, 10.2.4, 11.6.1  
 Reasonable Appraiser 2.52, 3.6.2, 4.2.5, 7.1.2, 7.16.2, 7.18, 9.1.2, 11.2.2, 14.16, 14.39.1  
 Reasoning 6.2.17, 7.15.1, 7.18, 9.4.3, 10.2.12, 11.1.1, 11.5.1  
 Recertification of Value 2.53, 7.12.1.iv  
 Recommendations 10.2.13  
 Reconcile 6.2.23, 7.24, 10.2.10  
 Records 4.2.9, 5.9, 14.5  
 Reports 2.54, 7.1, 9.1, 11.2, 14.10  
 Reserve Fund Planning 2.55, 12, 13  
 Responsibility 7.27, 9.9, 11.11, 0, 14.39  
 Retrospective 6.2.5, 7.6.2, 7.7.1, 7.9.1, 14.17  
 Review 2.57, 6.2.23, 7.24  
 Risk 14.31.2, 14.36.5
- S**.....  
 Scope of Work 2.58, 6.2.4, 7.5, 7.11.3, 8.1.1, 8.2.6, 8.2.8, 9.5, 9.6.1, 10.2.7, 12.2.8, 13.7 14.16  
 Signature 2.59
- T**.....  
 Technical Assistance 2.61  
 Technical Review 8.1.3, 8.1.4, 14.40  
 Title 7.10.1.v, 14.15.1, 14.20.2, 14.31.3, 14.31.4, 14.35.4
- U**.....  
 Update 6.2.5, 7.6.4, 7.12.3, 14.18  
 Unit of Measurement 2.62  
 Use 6.2.13, 7.14
- V**.....  
 Value 2.63, 5.13.1.iii, 6.1.1, 6.2.3, 6.2.23, 6.2.24, 7.4.2, 7.6, 7.8.1, 7.25, 14.15
- W**.....  
 Work-file 2.64, 5.9.1, 5.9.2, 5.9.7, 7.1.3, 9.1.4, 9.1.6, 11.2.5, 13.1.5 14.12



## 15 APPENDIX B - Changes to CUSPAP from 2012 Edition

The following table highlights the changes implemented by the Appraisal Institute of Canada for the 2014 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP). The references in the following table are to the section numbers of the 2012 edition. The table also identifies text that has been deleted.

### Definitions

- The section has been reorganized to ensure a proper alphabetical listing and that key definitions currently embedded in the document are brought to the Definition session, where possible.
- Some definitions have been enhanced to provide greater clarity.
- A new definition for Reserve Fund Planning has been introduced to align with the Reserve Fund Planning Standard.

### Ethics Standard

- Ethics Standard Rule 5.1.4: CUSPAP 2012 allows for one of three options for AIC Candidate Members to represent themselves: AIC Candidate Member, Candidate, Appraiser. CUSPAP 2014 eliminates “Candidate” and “Appraiser” on the basis that the proposed member status – AIC Candidate Member - makes a clearer link to AIC and that “Appraiser” assumes that the candidate is a qualified appraiser which has been deemed to be misleading to the public. This effectively aligns with having one recognized designation for CRA members, one recognized designation for AACI members and one recognized member status for candidates.
- Ethics Standard Comments 5.10.5 and 5.10.6 were previously Practice Notes and have been moved as Comments since they are compulsory.
- Ethics Standard Comment 5.11.2.i (Conflict), addition of the following wording “or as soon as the conflict is revealed or perceived”.
- General edits to provide clarity. Some content was moved from other sections of the document to better align with the respective sections.

### Appraisal Standard

- Appraisal Standard Rules 6.2.16 and 6.2.17 were consolidated since they are interrelated. As a result, appropriate changes to their respective Appraisal Standard Comments and Practice Notes have been made.
- Appraisal Standard Rules 6.2.23 and 6.2.24 were consolidated since they are interrelated. As a result, appropriate changes to their respective Appraisal Standard Comments and Practice Notes have been made.
- Appraisal Standard Comment 7.28.4 in CUSPAP 2012 has been deleted since it implies co-signing with non-members.
- Other changes are editorial in nature.

### Review Standard

- Review Standard Rule 8.1.2 has been expanded to provide clarification on the review process and guidance on which version(s) of CUSPAP to use when complete review assignments.
- Review Standard Comment 9.9.4 in CUSPAP 2012 has been deleted since it implies co-signing with non-members.
- Other changes are editorial in nature.

### Consulting Standard



- Consulting Standard Comment 11.11.3 in CUSPAP 2012 has been deleted since it implies co-signing with non-members.
- Other changes are editorial in nature.

#### Reserve Fund Planning Standard [Section 12]

- Since the nomenclature of the other standards refers to an activity (i.e. appraisal, review, consulting), the new standard is called “Reserve Fund Planning” to reflect an activity.
- The person completing the assignment is referred to a “Reserve Fund Planner”, and not a consultant or other terminology used in the other standards. It is critical to make this distinction so as to not mislead a user of the expectations and required competence for a CRA. Calling the practitioner a Reserve Fund Planner clearly aligns with the Reserve Fund Planning activity and clearly speaks to the Reserve Fund Planning Standard – thus disassociating the CRA scope from non-reserve fund planning assignments.
- “Reserve Fund Study” is the outcome of the assignment. CUSPAP 2014 acknowledges the different nomenclature for this type of assignment and concludes with “Reserve Fund Study” as the generic term to be used for the Standard.
- The Standard has been developed in consultation with 6 AIC subject matter experts in British Columbia, Alberta and Ontario and was discussed with a 7<sup>th</sup> expert in New Brunswick, namely as it relates to the New Brunswick legislation.
- The Standard aligns with the others with mandatory Rules and Comments, and their respective Practice Notes, where appropriate.

#### Practice Notes

- Formerly under section 12, they are now numbered under section 14. As a result, all previous references to Practice Notes have been renumbered to section 14. Practice Notes have been expanded with examples to provide additional guidance to members. They include:
  - Progress Reports (14.11) to clarify that both a progress report with an original appraisal report and a standalone progress report are recognized reports and are covered under the AIC’s professional liability insurance program as professional services.
  - Client and Intended User (14.13), include examples of acceptable and unacceptable intended user types and a sample reliance letter.
  - Intended Use (14.14)
  - Highest and Best Use (14.33) and CRA scope
  - Sales and Listing History of the Subject Property (14.38)
  - Review assignments (14.48) and which version(s) of CUSPAP to use

