Work Product Review Report on:

Common Issues in Form Reporting

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# Introduction

The following are Common Problems related to *Canadian Uniform Standards of Professional Appraisal Practice* identified by Peer Reviewers during the Work Product Review program (WPR). The items are listed in order corresponding to the 24 Real Property Appraisal Standard Rules. While most comments relate to residential form appraisals, similar issues may exist in other Standards or report types.

See the A-Z Resource Library, Professional Excellence Bulletins, Peer Review Summaries, Communiques, CPV magazine and the Lum Library found on the AIC website:

<https://www.aicanada.ca/members-home/professional-practice-resources/>

<https://www.aicanada.ca/members-home/professional-practice-resources/professional-excellence-bulletins/>

<https://www.aicanada.ca/peer-review-summaries/>

<https://www.aicanada.ca/members-home/professional-practice-resources/communique-library/>

<https://www.aicanada.ca/about-aic/canadian-property-valuation-magazine/>

<http://appraisal.softlinkliberty.net/liberty/libraryHome.do>

# 6.2.1. Client and Intended User

**6.2.1: In a report, a Member must identify the client by name and intended user by name;**

A Client/Intended User should not be identified as the Lender ABC and AMC in a financing form report. The identification of an AMC as a client and/or intended user can give them authority to rely on your report and as a result, extending liability to an agent.

In order to protect the use of the report and limit liability, we recommend that the participants in the assignment be identified as follows:

Client = ABC Lender

Intended User = ABC Lender

Requested by = ABC Lender/AMC

We recommend including: “*Lender ABC only. All Other Users and or Parties Are Denied”.* Including the word “only” helps prevent a report from being reassigned and extending your liability. Some agents, brokers and clients have provided reports to other parties without the author’s knowledge.

See Practice Note 18.6.1.

See also:

<https://www.aicanada.ca/wp-content/uploads/who_is_my_clientv49bk1p36.pdf>

<https://www.aicanada.ca/article/stay-out-of-trouble-part-ii/>

See the following court cases involving appraisers:

<https://www.canlii.org/en/ab/abqb/doc/2016/2016abqb545/2016abqb545.html>

(Assigning the appraisal to new mortgagees)

<https://www.canlii.org/en/bc/bcsc/doc/2017/2017bcsc768/2017bcsc768.html>

(First or second mortgage and leaving the Intended User blank)

https://www.canlii.org/en/bc/bcca/doc/2018/2018bcca151/2018bcca151.html

<https://www.canlii.org/en/bc/bcsc/doc/2016/2016bcsc1582/2016bcsc1582.html>

(Letter of Transmittal)

# 6.2.2. Intended Use

**6.2.2: In a report, a Member must identify the client by name and intended user by name;**

Peer Reviewers have noticed that some reports state "Mortgage Financing Only". This is a very broad description of use and without qualification it could be used for multiple uses such as a first, second, third and even fourth mortgage - which do exist. Members are advised to determine the type of mortgage and identifying it in a report. Claims are typically filed on second to fourth mortgages without Members realizing this was the intended use. We recommend restricting the use of a report to a specific type of mortgage and reducing your liability by including limitations like:

“For Conventional Primary Financing Only. All other uses are denied.”

“For Secondary Financing Only Not to Exceed 85% Loan to Value ratio. All other uses are denied.”

If you intend to complete appraisals on high-risk assignments including those for second, third and fourth mortgage financing, you should adjust your business practice accordingly.

# 6.2.3. Purpose

**6.2.3: In a report, a Member must identify the purpose of the assignment, including a relevant definition of value;**

Some reports are not for market value or a variation of market value. We recommend clarification when unusual, legislated definitions are used or when a reader may have a different expectation of market value. See Practice Note 18.8.

# 6.2.4. Scope

**6.2.4: In a report, a Member must define the scope of work necessary to complete the assignment;**

Remember that Scope is the backbone of every appraisal. It is designed to let the reader (usually the client and the intended user) know exactly what was or was not done in order to complete this assignment. A common complaint in liability claims is that lawyers may know what the appraiser did, but it is unclear what the appraiser did NOT do.

We recommend appraisers include a narrative addendum to explain Scope and other work in the assignment. A sample scope is found in UBC textbooks and here: <https://www.aicanada.ca/forms-templates/>

Remember that the pre-printed Scope on AIC forms are only a basic guide and that you should always provide additional information in a narrative addendum.

See the Scope and Limiting Condition Professional Excellence Bulletin:

<https://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

# 6.2.5. Exposure Time

**6.2.5: In a report, a Member must provide an analysis of reasonable exposure time linked to a market value opinion;**

Peer Reviewers have noted that in some reports, the comparables used in the Direct Comparable Approach show a Days On Market ranging from 10 to 30 days, but the report states the Exposure Time for the subject is 30-90 days. A report should explain how the Exposure Time for the subject was derived or why the subject has a different Exposure Time frame from the comparables’ days on market timeframe.

It is recommended to support the subject property’s Exposure Time with MLS or other online data and explain how the subject property’s Exposure Time is related to the comparables’ Days on Market.

See statistical information published about market conditions and days on market:

<http://creastats.crea.ca/treb/mls04_market.html>

<https://www.crea.ca/housing-market-stats/mls-home-price-index/hpi-tool/>

See UBC CPD 117: Exposure and Marketing Time: Valuation Impacts:

<http://www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Professional_Development_Courses>

Occasionally both Exposure and Marketing Time are referred to within the report, so the distinction between the two should be made clear. See CUSPAP 2.17, 2.40 and 7.6.5., and Practice Note 18.13.

Sample exposure time:

“The subject property exposure time is estimated from 60 to 90 days provided that mortgage interest rates, employment, no changes to government policies that may affect lending procedures and or investment and demand remain as they were as of the effective date of this appraisal. An interview with market participants further supports the exposure time expressed herein.”

“Most of the comparable sales Days on Market range from 9 to 99 days and the local online real estate data supports that for January 2018 that the average single family dwelling sold after listing for on average of 75 days”

# 6.2.6. Effective Date

**6.2.6: In a report, a Member must identify the effective date of the Member’s analyses, opinions and conclusions, and identify whether the opinion is current, retrospective, prospective, or an update;**

The A – Z Resource Library on the AIC website provides the CUSPAP references to the term “retrospective” in the following link:

[https://www.aicanada.ca/members-home/professional-practice-resources/professional-practice-resource-library/#](https://www.aicanada.ca/members-home/professional-practice-resources/professional-practice-resource-library/)

# 6.2.7. Report Date

**6.2.7: In a report, a Member must identify the date of the report;**

The date of the report should be identified in the report and is typically linked to the Letter of Transmittal and the date of signing. Peer Reviewers have noted that some reports are missing a letter of transmittal (different than a reliance letter).

If you make revisions to your report submitted to WPR or any report, typically the report is re-signed and re-dated and efforts should be made to ensure earlier versions are not used.

# 6.2.8. Property Interest and Characteristics

**6.2.8: In a report, a Member must identify the interest appraised and the location, and describe the characteristics of the property;**

Peer Reviewers have noted that some reports do not adequately describe the characteristics of the property (see CUSPAP Comment 7.9)

A report should include a civic address, however it is acceptable to redact the address for WPR reasons. since the appraiser is already researching a legal description, a PIN number or alternate roll number can serve as a further identifier.

If a report states that “the appraiser has not inspected this property” (see 7.5.1. and 18.23), the report should clearly identify the sources from which the property characteristics have been obtained.

Some reports indicate measurements were taken from MLS/MPAC/BC Assessment. We recommend that the appraiser perform a physical measurement of buildings unless the other sources are reliable.

See: <https://www.aicanada.ca/professional-practice/measurement-practices/>

See “Measurement Practices” Professional Excellence Bulletin:

<https://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

We recommend checking room count and confirming with local real estate practices whether room count includes bedrooms, living/dining/kitchen/family rooms. Some room counts and living areas can be defined differently across different regions of Canada.

If a report includes a list of tenants’ names, we recommend redacting names for confidentiality and PIPEDA reasons.

If a report includes photos of individuals, we recommend using photos without people in them or redacting photos for PIPEDA reasons if consent has not been obtained.

If your report includes MLS listing info, we recommend reviewing your agreement with the real estate board to ensure you have permission to reuse this information or that there is no breach of PIPEDA or other privacy legislation.

See “PIPEDA” Professional Excellence Bulletin:

<https://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

In some reports it is unclear which interest is being appraised. We recommend providing an explanation of fee simple, leased fee or leasehold in the report particularly when it is common for those interests to be tied to a certain property type (such as commercial, big box).

See UBC BUSI 330: Foundations of Real Estate Appraisal: Lesson 6

See UBC CPD 109: Lease Analysis

<http://www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Professional_Development_Courses>

<https://professional.sauder.ubc.ca/re_creditprogram/course_resources/courses/content/352/331_chapter06.pdf>

# 6.2.9. Assumptions and Limiting Conditions

**6.2.9: In a report, a Member must identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions);**

Liability is limited when a report includes the mandatory assumptions and limiting conditions found on AIC templates:

<https://www.aicanada.ca/forms-templates/>

When using AMC forms or other forms, ensure they are approved AIC forms and amend to conform to CUSPAP.

Some reports include extraordinary items but it is unclear whether these items are in fact “extraordinary” as they appear to be ordinary for the assignment.

When using assumptions, limiting conditions, extraordinary assumptions, or extraordinary limiting conditions, it is beneficial to explain what each term used means in plain language in the report so that the client, reader or decision-maker can understand.

See: CUSPAP 2018 Practice Note 18.24-25 (differences between assumptions and conditions and between ordinary and extraordinary)

# 6.2.10. Hypothetical Conditions

**6.2.10: In a report, a Member must identify any hypothetical conditions;**

A report that includes a Hypothetical Condition also requires an Extraordinary Assumption under 7.11.4.

See “As If Complete Appraisals” Professional Excellence Bulletin:

<https://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

It is not recommended to use a hypothetical, assumption or limiting condition for a mathematical “as is” value as it is not an accepted valuation method.

A common error: The Hypothetical Condition section is filled out in a report, however it is unclear what hypothetical condition actually exists for the property (i.e.: the property is not contaminated, construction is complete?)

For appraisals that are completed prior to construction, such as from blueprints or appraising a home under construction, you must ensure this is clear and you want to protect yourself with appropriate assumptions and limiting conditions.

Remember that every hypothetical requires an extraordinary assumption. See CUSPAP 7.11.4

See: Practice Note Box 18.25.3.

# 6.2.11. Land Use

**6.2.11: In a report, a Member must identify and analyze land use controls;**

Peer Reviewers have noted that some reports state only R-1 or Residential. It recommend to include the full designation and some uses permitted under the zoning, especially the subject use, and include a Zoning Map which is typically available online from the municipality.

Remember, if the report simply states “residential”, a reader will not understand the complete picture how you determined the conformity of existing use and HBU without reading your workfile.

The AIC forms have a field for appraisers to include Other Land Use Controls, not just Zoning. These could include other government controls such as: official community plans, environmental overlays, flood protection, parking, road access restrictions, regional or provincial regulations and potential changes.

See the “Zoning” Professional Excellence Bulletin:

<https://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

See recent court case:

<https://www.canlii.org/en/bc/bcsc/doc/2016/2016bcsc1582/2016bcsc1582.html>

(Floodplain not reported)

# 6.2.12. Existing Use

**6.2.12: In a report, a Member must state the existing use and the use reflected in the appraisal;**

The report must clearly state the existing use of the subject property. If the property has a non-conforming use or if there are different uses, it must be discussed and the implications must be analyzed in the report.

Remember to ensure you are clear and consistent with the existing use on page 1 and 3 of the residential form and if it differs from the appraised use. When you are at the property, note the use and compare this to the use when you research the zoning, permitted uses and contact the local zoning / building /municipal office as to its legal permitted use. If the existing use on page 1 and 3 are not the same, this must be discuss. For example: If the property is being used as an illegal/non-comforting triplex, this should be stated. The scope, zoning, H&BU or addenda should clearly explain how this was confirmed and how it will be treated in the appraisal.

# 6.2.13. Highest and Best Use

**6.2.13: In a report, a Member must define, analyze and resolve the highest and best use;**

Peer Reviewers have noted that some reports provide a Definition of Highest and Best Use (HBU), but do not resolve the highest and best use of the subject property.

Some reports do not analyze the HBU for the subject property both As Improved and As if Vacant. H&BU is a fundamental principle that must be considered or, if not considered, an assumption/limiting condition should be invoked.

Some reports include statements like "Highest and Best Use for the subject conforms to its existing use as a single family dwelling". It would appear that this statement may confuse Zoning with permitted uses.

One question to ask when preparing a report is: “If the land were vacant, would the existing use be the highest and best use or would an alternative use be more probable? “ This requires a larger explanation than a one line statement.

In this section, land value is sometimes referenced and statements similar to this are made: “*Based on MLS data and land titles*.” We recommend using this section of the report to include a short discussion on exactly what was reviewed as comparables. For example, it could be noted that vacant land sales that were reviewed are located in the same and highly similar neighbourhoods and that these sales have similar lot frontage, area, zoning and topography. The higher the proportion of land value in the final estimate of value, the more important the land analysis becomes.

See the following for more background on HBU:

<https://www.aicanada.ca/article/shades-of-gray-highest-and-best-use/>

<https://www.aicanada.ca/article/highest-and-best-use-analysis/>

See UBC CPD 105: Highest and Best Use Analysis:

<http://www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Professional_Development_Courses>

# 6.2.14. Data

**6.2.14: In a report, a Member must describe and analyze all data relevant to the assignment;**

We recommend ensuring an adequate list and discussion of the sales that the appraiser reviewed and considered for the Direct Comparison Approach. Some reports include only 3 sales when many other good comparables could be included to support the valuation. The choice of sales is a common complaint, so it may be better to include the list rather than have to defend your choices additional sales are brought to your attention.

Including a longer list provides reassurance to clients and readers of the report that an appraiser was fully aware of other sales and the appraiser intentionally excluded sales from the Direct Comparison Approach grid as a result of his/her expertise in the selection of the most suitable comparable sales.

If sales are excluded, this should be noted in the workfile as it is difficult to recall years later why other sales were not considered.

See: <https://aicexchange.ca/blog/due-diligence-when-is-it-due/>

# 6.2.15. Appraisal Procedures

**6.2.15: In a report, a Member must describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures;**

Each approach to value used in a report should include a brief explanation on how it works and why it is appropriate for use in the report. Typically this is included in the Scope or Narrative sections.

For newer properties, the Cost Approach to Value should typically be completed as it is a recognized method of appraising newly-built properties. The exclusion of this approach must be identified and explained under Extraordinary Limiting Condition. The same applies to other approaches to valuation – if the Income Approach is not completed for an Income Producing property, the report should an Extraordinary Limiting Condition and an explanation.

When determining an “As Is” value, a “mathematical as is" calculation is **not** a recognized valuation method. Multiplying the estimated total construction costs of a property under construction by the percentage complete estimate in a progress inspection assignment is not acceptable. It does not provide an accurate "as is" market value should the property be placed on the market in its current incomplete state. Appraisers can provide "as is" valuations although this may require a more in-depth property condition analysis, an estimate for the cost to cure, or a separate set of similarly unfinished comparables. Remember that you may have to look to non-MLS sources in “as is” valuations.

See: Practice Note 18.15.7

# 6.2.16. Detail Your Reasoning

**6.2.16: In a report, a Member must detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach**;

Peer Reviewers have found that Candidates often have the most difficulty complying with this rule. A lack of detailed reasoning for adjustments, or mistakes, within the Direct Comparison Approach can result in a poor, unreliable or potentially unethical report. Any reasoning in a report should include sufficient details, logic review, and interpretation of data to support the value conclusion.

**TIME ADJUSTMENT**

When the Effective Date is months from the comparable sale dates, you should provide an adjustment for market conditions/time OR provide an explanation for why no time adjustment is required. If there are major events or milestones that occurred between the effective date and comparable sale dates, a commentary should be provided. For example, if a major disaster, public or private improvement, or macro or microeconomic event has occurred that may affect the value of the subject property, this should be discussed in the report.

See: <https://aicexchange.ca/time-adjustments-why-the-average-mls-selling-price-should-not-be-taken-at-face-value/>

See Comparable Selection in a Declining Market

<https://www.appraisalinstitute.org/assets/1/7/guide-note-11.pdf>

**LOCATION, LOCATION, LOCATION**

If there is no location adjustment, an explanation should be provided in the report. An appraiser may discover nearer, but dated comparable sales within the neighborhood. An appraiser should use discretion and provide an explanation when choosing comparables that are even 1km or 10min from the subject when a time adjusted comparable may be more appropriate. Is it reasonable to use a comparable sale that is 1km, 10km or 30minutes from the subject? An appraiser must be careful not to fall into a trap of choosing between the location of comparables versus dated comparable sales when both are possible. Remember, there is no requirement to use only 3 sales, often 6 sales are better. We recommend including and adjusting for additional sales for location and saledate.

**LARGE ADJUSTMENTS**

Significant adjustments of over $25,000 in the Direct Comparison Approach can be challenged by the client, intended user, a third party, or in a claim. Adjustments over $50,000 are commonly challenged in litigation. A buyer may be willing to pay $100,000 for a specific feature such as a driveway or other site improvements, but an adjustment should reflect the typical buyers and sellers in the market and should be easily understood and explainable.

Appraisers should ensure they have adequate support in the report and in their workfile. Support can be from paired sales, statistical analysis, or other techniques. Consider using qualitative adjustments or providing clear rationale to support the adjustments as well as ensuring large adjustments are consistent across other files.

**MISSING ADJUSTMENTS**

Few adjustments in the Direct Comparison Approach can also be challenged by the client, intended user, a third party, or in a claim. If no adjustment for different elements (i.e.: Time/Location/Site Size/LFA/Fireplace/Air) are made in a report, an explanation should be provided, especially when it is not obvious to a reader that adjustment is not required.

It is not recommended to use standard descriptions such as “full/finished basement” or “full/part finished basement” as it is best to describe in detail such as “3 finished rooms / 3pc bathroom”. The comparables should be described in the same way and adjusted as needed. This way the report is clear on what was considered and what was adjusted.

**MINOR ADJUSTMENTS**

Minor adjustments as low as $100 or as high as $1000 can be questioned and may not be reflective of normal behaviour of market participants. For example, a $500 adjustment for a ½ bath in a multi-million dollar home may be redundant. It will depend on the assignment and the marketplace, but appraisers should be careful not to make routine minor adjustments when not warranted. Minor adjustments may lead the reader to believe that the report is an estimate of value that is precise and accurate to the nearest $100.

**INCONSISTENT SIZE ADJUSTMENTS**

When using a Livable Floor Area adjustment to adjust for differences in size, ensure that you are using an appropriate adjustment across all comparables. If comparable #1 has a Livable Floor Area adjustment of $100psf and comparable #2 has an adjustment of $150psf, an explanation should be provided in the report.

When using size adjustments, remember to consider whether the rate used can be derived from a residual analysis (subtracting the estimated land value and the depreciated value of other improvements). It is recommended to support or provide an explanation when rates do not align between the Direct Comparison Approach and Cost Approach.

The same advice applies to lot size. If the land value in the Cost Approach exceeds $100psf but adjustments in the Direct Comparison Approach are significantly less, this should be explained in the report. It is not common for economic principles such as the Law of Diminishing Returns or Contributory Value to explain these types of differences.

Example comment: “A 5,000 square foot lot has a similar utility as a 6,000 square foot lot, therefore the contributory value of the extra 1,000 square foot is significantly less than the unit rate market value as derived from sales data.”

**EXTRAS**

Remember to include a discussion of all site improvements such as air conditioning, driveway, security system, covered porch, wood deck, hot tubs, fencing, or other landscaping…..and that these items also apply in the Cost Approach.

**RECONCILING SALES IN DIRECT COMPARISON APPROACH**

It is not recommended to choose the average or midpoint of the comparable sales unless you have determined that all comparable sales receive equal weight.

The sale with the least gross adjustments will typically be the most comparable and should receive the most weight unless you have noted there is some unreliability with conditions of the sale or reliability of the adjustments. When selecting a final value or a value range that does not align most closely with the comparable sale with the least gross/absolute adjustment, an explanation should be provided in the report.

Peer Reviewers have noted that some form reports have reconciliation in the wrong place. Some Candidates include a “reconciliation” directly below the Direct Comparison Approach grid, but this area is designed for commenting on each comparable sale and discussing how sale are similar or dissimilar to the subject and provide an opinion for Direct Comparison Approach. The same applies to the Cost Approach, the comment space should discuss costs per unit, landscaping, driveway, depreciation, land rates, but it is not a reconciliation.

The final Reconciliation (see 6.2.2.22) is for all approaches used within the report and is designed to reconcile all three approaches into a final value.

See UBC BUSI 330 Foundations of Real Estate Appraisal: Lesson 5

See UBC CPD 123 Adjustment Support in the Direct Comparison Approach:

<http://www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Professional_Development_Courses>

See also:

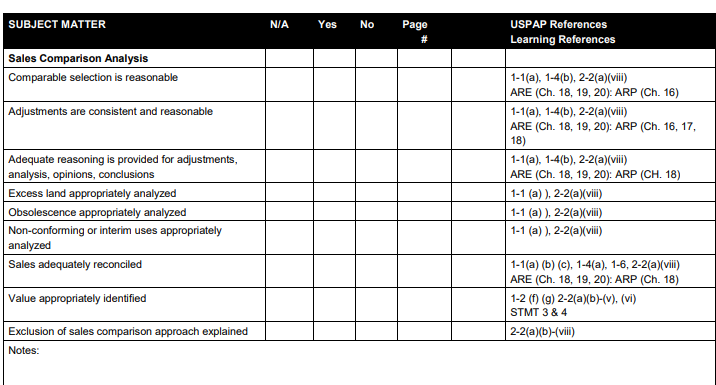
<https://aicexchange.ca/blog/standardizing-the-direct-comparison-approach-part-1/>

<https://aicexchange.ca/blog/part-ii-what-you-should-know-about-the-direct-comparison-approach-and-were-afraid-to-ask/>

<https://www.appraisalfoundation.org/imis/docs/Valuation_Advisory_4_Identifying_Comparable_Properties_Upated_Final_09262013.pdf>

Use a checklist to ensure your reports meet CUSPAP:

<https://www.aicanada.ca/wp-content/uploads/CUSPAP-2018-Compliance-Checklist.pdf>

<https://www.appraisalinstitute.org/assets/1/7/self-audit_9_8_2017.pdf>

**COST APPROACH**

Remember that the Cost Approach is a separate stand-alone approach and should be completed in full. Ensure that information about the property, such as age-life depreciation, aligns with the rest of the report. It is helpful to provide additional information about the sources of costs, what depreciation was included, and how it was determined. A typical practice is to include this information in narrative addenda.

Remember to consider the basement description in the Cost Approach and ensure these details align with DCA.

Remember to include the depreciated or contributory value of site improvements such as air conditioning, driveway, security system, covered porch, wood deck, hot tubs, fence or other landscaping.

A common mistake can occur in separating some of the improvements into the depreciated amounts. For example, the main dwelling is costed out in detail, but a garage is placed into the depreciated category. If the improvements were constructed at the same time and have a similar age-life, the overall depreciation may be able cover both.

# 6.2.17. Leases

**6.2.17: In a report, a Member must 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, leasehold estate;**

See UBC CPD 109: Lease Analysis:

<http://www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Professional_Development_Courses>

# 6.2.18. Assemblage

**6.2.18: In a report, a Member must analyze the effect on value of an assemblage;**

While assemblage is not as common for stable neighborhoods or for many residential assignments, it must be considered when relevant. A brief discussion or statement whether assemblage was considered in the report can be provided in the addendum. Many appraisers include a standard comment in a narrative or addendum similar to:

“Unless otherwise noted, assemblage is not applicable to this assignment. Assemblage is the merging of adjacent properties into one common ownership or use. Assemblage can result in a value of the whole property that may be less than, equal to, or more than the sum of the components of the various estates or parcels.”

It is important to provide some commentary particularly when there are multiple lots, deconstruction for larger construction, rezoning trends, common ownership of adjacent parcels, or other market factors where the individual lot value may differ compared to combined lands.

A plot map in the report can provide the reader with a visual whether assemblage may exist.

See UBC BUSI 452: Case Studies in Appraisal II: page 10.11 for Assemblage, Plottage and Plattage

<https://professional.sauder.ubc.ca/re_creditprogram/course_resources/courses/content/452/452_R1ARE10_chap10.pdf>

See UBC BUSI 330: Foundations of Real Estate Appraisal: page 3.17

<https://professional.sauder.ubc.ca/re_creditprogram/course_resources/courses/content/330/materials/R2B33013/R2B33013_lesson03.pdf>

See UBC BUSI 330: Foundations of Real Estate Appraisal: page 7.5

<https://professional.sauder.ubc.ca/re_creditprogram/course_resources/courses/content/330/materials/R2B33013/R2B33013_lesson07.pdf>

# 6.2.19. Public/Private Improvements

**6.2.19: In a report, a Member must analyze the effect on value of anticipated public or private improvements;**

When a property is located in a new subdivision/new area or in a neighborhood where the larger landscape is still changing, include and review location/aerial maps and future/draft plans to ensure there are no improvements that may be about to occur in the near future.

Municipal governments and other levels of government typically provide information to the public about future potential changes/improvements such road expansions, new infrastructure, airport changes, towers, or pipelines. It is important that the appraiser use local knowledge and competency to discover anticipated improvements/changes in an area – which may increase or decrease value.

If the area is not changing and there are no anticipated improvements, this can be stated in a brief comment.

# 6.2.20. Personal Property

**6.2.20: In a report, a Member must analyze the effect on value of any personal property;**

A report should disclose whether there is Personal Property on or in the subject property that will have an effect on the value of a property. It should be made clear in the report what Personal Property (chattels/furniture/appliances/machinery and equipment, etc.) is included in the value of the subject property.

An appraiser must have competence in the valuation of Personal Property in order to allocate its value.

# 6.2.21. Listing and Sale History

**6.2.21: In a report, a Member must analyze and comment on all Agreement for Sale, Option, or Listing of the property, subject to 7.22, and all prior sales of the property,**

A title transfer history search is often confused with an MLS search. Typically, a title transfer history is obtained by searching the "land titles office", or "registry office' depending on the way a province registers transactions. Not every sale is completed using the MLS system. A registry search will show a title transaction that might not be a MLS sale. An example of a land registry transaction that would not be considered a “sales transaction”: a transaction of ZERO DOLLARS or TWO DOLLARS when one party is removed or added to title.

A report should not simply report a listing or sale price – it should be analysed in detail and an explanation provided why a listing or sale price differs significantly from the final value. If the listing or sale price is not a relevant indicator of value, this should also be discussed in the report.

Inclusion of a sales transactions history increases transparency and reduces the potential for fraud. The report cannot simply indicate that the property was listed or sold and not include an explanation for why a listing or price differs from the value or why a sale price is not considered to be relevant. If an aspect of the sales history raises a red flag, it must be explained and addressed in the report. If the sales history indicates that the property sold months earlier at a price that was 20% less than the current value but a 10% time adjustment was used for the comparable sales that occurred months earlier, the discrepancy must be explained in the report.

See CUSPAP 18.31.3 and Communiques on Fraud:

<https://www.aicanada.ca/members-home/professional-practice-resources/professional-practice-resource-library/#F>

# 6.2.22. Reconciliation

**6.2.22: In a report, a Member must review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate;**

Peer Reviewers have noted that some form reports have a reconciliation in the wrong place.

The first reconciliation is typically found directly below the Direct Comparison Approach grid to reconcile each comparable sale and explain how it is similar or dissimilar to the subject property and arrive at a final value for the Direct Comparison Approach.

The final reconciliation is for all approaches used in the report and is designed to reconcile all three approaches into a final value.

# 6.2.23. Final Value

**6.2.23: In a report, a Member must report the final value estimate;**

# 6.2.24. Certification

**6.2.24: In a report, a Member must include a signed certification of value;**

Under the Ethics Standard, Candidates can 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 “appraiser”, “accredited appraiser”, a “Designated appraiser”, CRA Candidate, AACI Candidate, Candidate CRA, or Candidate AACI

Wording in the Certification should be revised to “We” from “I” when there are two members signing the report.

When a report is changed/revised the Date of the Report should also be changed/revised. Clients should be advised of any changes to the date of a report in an accompanying letter.

See Made a Mistake PEB:

<https://www.aicanada.ca/members-home/professional-practice-resources/professional-excellence-bulletins/>

# Further Comments:

**LETTER OF TRANSMITTAL**

Some form reports include a letter of transmittal that shows only one signature from the AIC Candidate Member. Any signature page must include the cosigner’s signature (see CUSPAP 7.26.8) or alternatively a statement in the report should explain why this cannot be done.

Example: Where the letter of transmittal generated by the form only provides for 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 signatures on this report”.

**LAYOUT**

Blank pages that do not contribute to the report in any way should be removed. If is a result of a limitation in the software, inform the AIC as the ability to add/remove pages that are relevant to each assignment should be available.

**SPELLING/GRAMMAR**

Reports should be re-read by the Candidate and the co-signing/reviewing Member to ensure the final report is professional – with no grammar or spelling mistakes.

We recommend using a 2018 CUSPAP checklist or create your own:

<https://www.aicanada.ca/wp-content/uploads/CUSPAP-2018-Compliance-Checklist.pdf>