

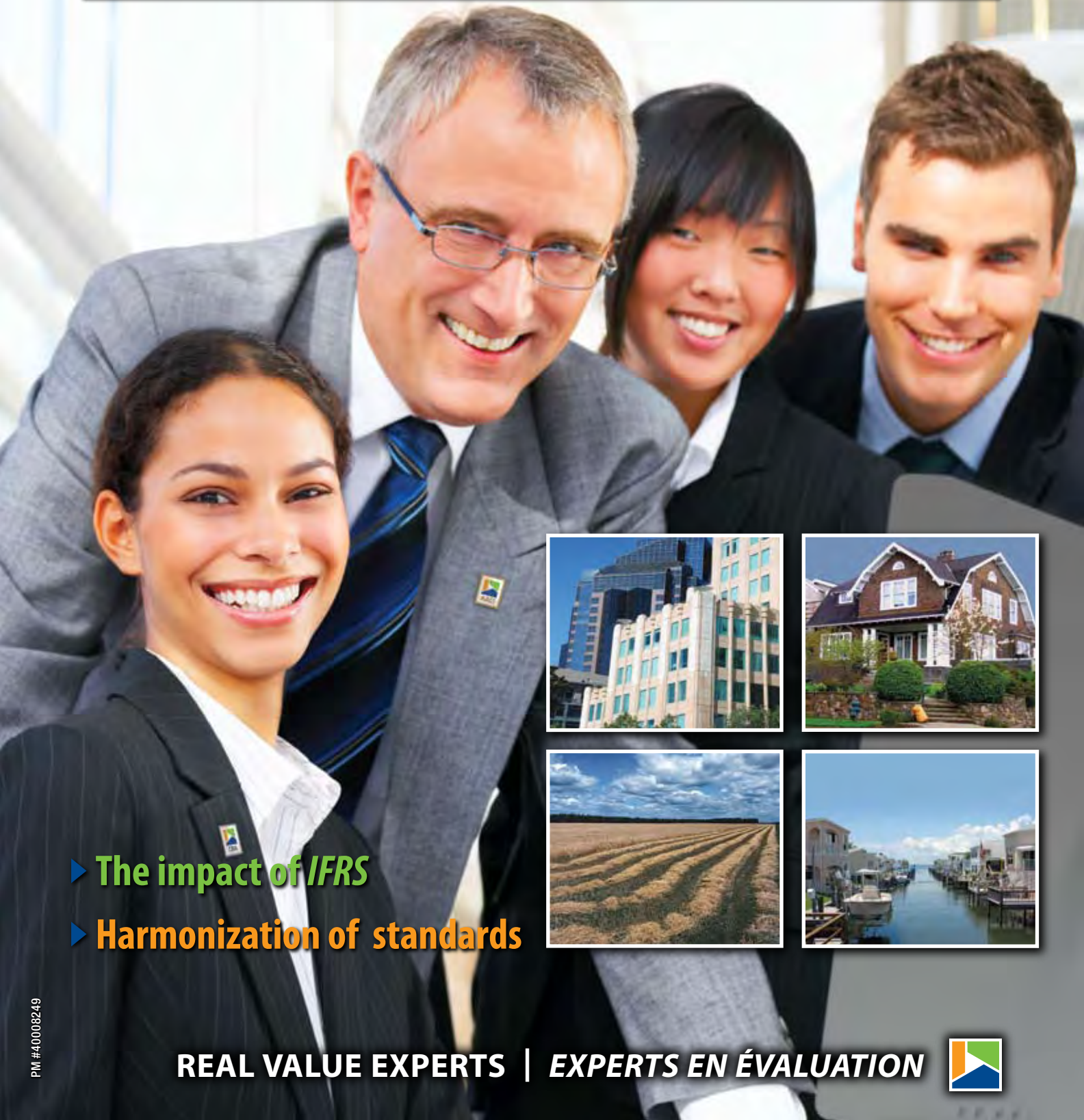
 Canadian Property

VALUATION ÉVALUATION

Immobilière au Canada

THE OFFICIAL PUBLICATION OF THE APPRAISAL INSTITUTE OF CANADA

VOLUME 52 | BOOK 2 | 2008



- ▶ The impact of *IFRS*
- ▶ Harmonization of standards

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New name

Another progressive step for AIC's magazine

As we mark the 70th anniversary of the Appraisal Institute of Canada (AIC) and launch our new brand at this summer's annual conference in St. John's, NL, it is my pleasure to announce that

beginning with this issue, the AIC's magazine has a new name – *CANADIAN PROPERTY VALUATION/ÉVALUATION IMMOBILIÈRE AU CANADA*.

Originally published under the name, *APPRAISAL INSTITUTE MAGAZINE (AIM)*, the publication underwent a name change in 1984, becoming the *CANADIAN APPRAISER/ÉVALUATEUR CANADIEN*. Now turn the clock ahead 24 years to 2008. As part of AIC's rebranding, marketing and communications initiatives, it was time to take a new look at the magazine, its name, its target audiences, and its objectives.

During the past months, the Institute's Publication Sub-Committee held a series of virtual meetings to explore these issues. We determined that we want a publication and name that will embody the promotion and marketing goals of the AIC Strategic Plan – specifically those outlined in the Marketing and Communications Plan. The committee discussed the increasing focus on international valuation and financial reporting standards, but decided that, despite this move towards globalization, we wished to mark the distinctly Canadian nature of the magazine by including 'Canadian' in the new name. Our discussions were also informed by a desire to reflect in the magazine name the fact that AIC is beginning to brand its members as more than just

point in time appraisers. Our members are experiencing changing roles in the real estate valuation services they provide, and we wanted a new name for the magazine that would reflect AIC's valuation practitioners' broadening

range of valuation and advisory services in Canada. We also wanted the new name to mirror the intended future direction of the magazine and plans for broadening its scope and target audiences.

The committee's recommendation for a magazine name change was embraced by the Board of Directors at its February 2008 meeting and the Board passed a motion to bring the new name into effect immediately.

The result of all our meetings, consultations and collaboration with our publisher, Craig Kelman & Associates Ltd., is the new name and masthead you see on this issue's cover. As well as the name change, it was important that the new AIC logo be displayed prominently, that we make use of our new official descriptor – *Real Value Experts*, and that it be clear that the magazine is published by the

Appraisal Institute of Canada. We believe we have accomplished all of this with our new cover.

On behalf of the committee, I express our great satisfaction in being a part of this evolutionary step in the development of AIC's magazine and our appreciation for the support and collaboration that AIC members continue to contribute to this publication. 🇨🇦

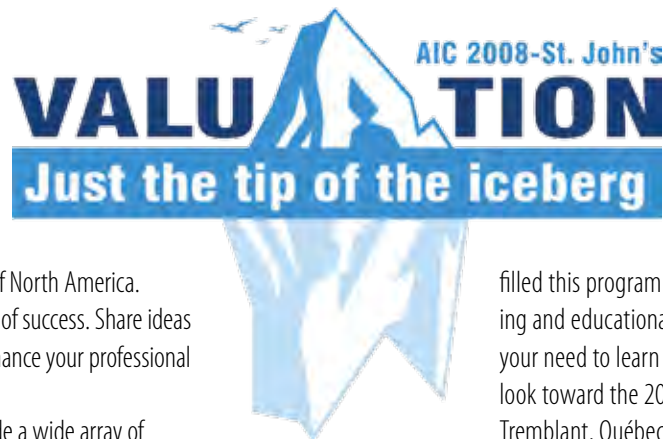
"Our members are experiencing changing roles in the real estate valuation services they provide, and we wanted a new name for the magazine that would reflect AIC's valuation practitioners' broadening range of valuation and advisory services."



The first issue of AIM, the Appraisal Institute Magazine, was distributed at the 1957 Annual General Meeting in Hamilton, the first AGM ever held outside Western Canada. The first issue of the Canadian Property Valuation Magazine will be distributed at the 2008 Annual General Meeting in St. John's, Newfoundland and Labrador, the second AIC AGM ever held in that province.

Come JOIN us on 'the Rock'!

AIC '08 • St. John's, Newfoundland



The Appraisal Institute of Canada (AIC), in conjunction with the Newfoundland and Labrador Association of the Appraisal Institute of Canada, is looking forward to hosting this year's conference at the eastern edge of North America.

Be there to celebrate AIC's 70 years of success. Share ideas and stories with your colleagues to enhance your professional achievements.

The conference program will provide a wide array of educational, informative and thought-provoking programs that have been lined up to make the 2008 conference an incredible learning opportunity.

Our keynote speaker **Richard Worzel** is asking the question "Who Owns Tomorrow?" His session highlights will provoke questions and answers regarding future trends in the industry and get you thinking about how to promote success in your business future.

Our two spotlight speakers are **Jeanette Hanna** and **Christopher [Kip] Beckman**. Ms. Hanna will be teaching effective communications design and brand management. She is considered a leader in the field of communications specializing in branding innovations. Mr. Beckman joins the team of speakers to discuss the US housing market meltdown and its implications for Canada. This promises to be an 'up to the minute session' as the landscape is constantly changing, prompting him to continuously monitor the data and facts to ensure he brings listeners present day and

future economic trends.

Come and take advantage of this year's top notch speakers. The networking opportunities are unlimited.

The Planning Committee has filled this program with interesting, thought provoking and educational sessions that will not only satisfy your need to learn this year, but will also entice you to look toward the 2009 AIC Conference being held in Mt. Tremblant, Québec.

Mr. Laurent Brosseau, AACI, P. App is next year's Chair and is assembling his team to provide members with stellar educational and networking programs.

Next year's conference is being held at the Fairmont Hotel Mt. Tremblant beginning Wednesday, May 27 and ending Saturday, May 30, 2009. Please visit the hotel website at: <http://www.fairmont.com/tremblant/>. This year, AQICE will be providing you with additional 2009 conference information during the June 7 lunch time session. Make sure you visit their booth in the exhibitor's hall at this year's conference. Committee volunteers will be on hand to answer any questions you may have regarding AIC 2009.

We are looking forward to seeing you this year and are happy that you will be joining us 'on the rock.' For further information regarding this year's conference, please visit our website at: <http://www.aicanada.ca/e/aic2008/index.cfm>



The official conference website is your source for complete information on the 2008 AIC Conference. Additional information will be continually added as details are finalized. Visit the AIC 2008 website at: aicanada.ca/e/aic2008. Please be sure to register and take advantage of our convenient online registration option.

AIC's continually evolving member services



Gordon J. Tomiuk
AACI, P. App, AIC President

The Appraisal Institute of Canada (AIC) is a professional association with some 4,600 active members. Imagine how easy it would be to service our members if everyone valued basically the same type of property and for the same reasons. Such is not the case with AIC. We have members that provide a wide range of services to a wide range of clients. Our members are real property experts in the residential market, the IC & I market, special use properties, contaminated properties. . . the list goes on and on.

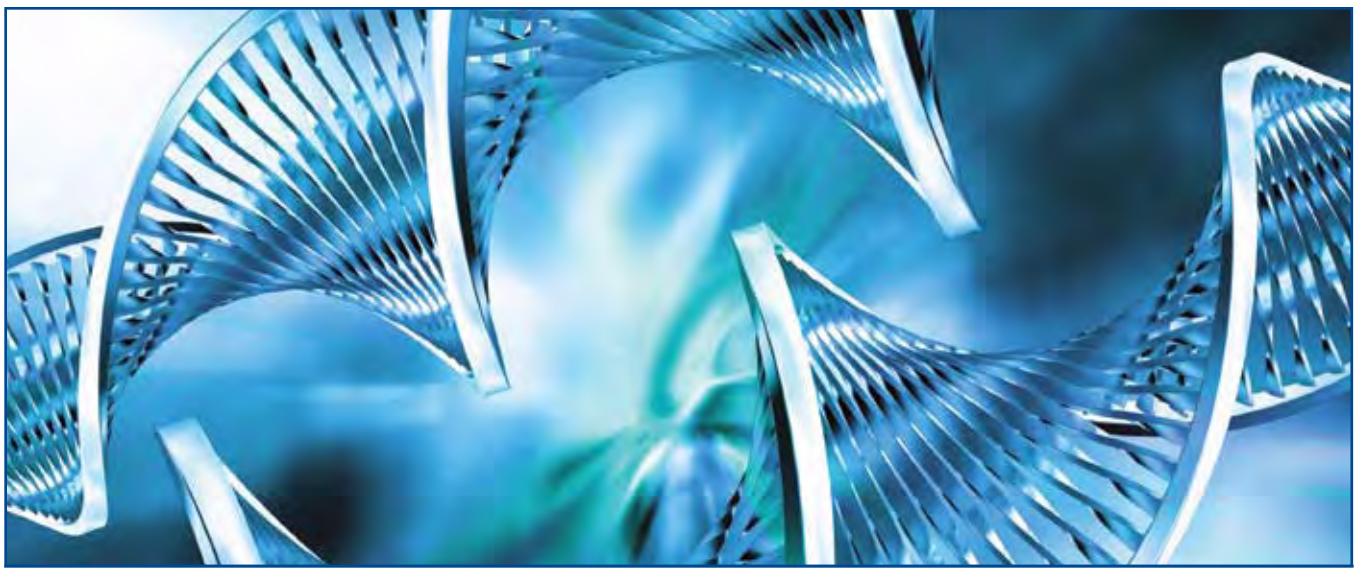
Individually, members must feel that they are getting their fair share of services and that the scale is not favouring one member over another. Our members value properties for financing purposes, dispute purposes (as in marital separations), expropriation purposes, purchase, sale, net worth calculations, risk management, taxation. . . and again the list goes on and on.

The manner in which AIC develops and delivers member services is critical. It takes into consideration fiscal responsibility in providing members with good value for money. Add to this list the Institute's need to explore new opportunities for our members, to design and deliver the educational requirements, and to incorporate the new services within *CUSPAP* and our insurance coverage. Now, you are thinking: wow, how do they do all of that? The answer is quite simple. It is largely because of the dedication of staff and volunteers who are passionate about our profession and the Institute. But, in addition to the human resources that make the Institute's programs and activities possible, adequate financial resources are indispensable and that is why it has been necessary to increase the membership dues.

Let's summarize some of the improvements to existing programs as well as to new member services.

In the area of professional designation requirements, we have added a final written professional examination and a new 'behavioural' interview that focuses on a Candidate's experience in handling professional work. Online CPD courses have increased in number, with over 20 mini-courses from UBC that address specialty areas of practice, emerging markets and stakeholder needs. Further, the Learning Advisory Committee will be looking at a Prior Learning Assessment Recognition Program.

The *International Financial Reporting Standards* that will come into effect in 2011 present a whole new challenge for our members and the Institute. However, the potential for increased business is significant, since every asset will have to be recorded at market value for publicly traded companies. This could potentially be one of the most promising developments in real property valuation since the Institute began over 70 years ago.



We will design appropriate courses for our members to familiarize them with the new standards and to prepare them to provide valuations for financial reporting purposes. This is in process.

It also opens up a new door on the machinery and equipment valuation front. These assets will also have to be recorded at market value. This will present new opportunity for those members who want to take on the challenge. We will, however, have to design the course, deliver it, include this area of practice in *CUSPAP*, and also insure it.

The Candidate Registry allows us and the users of our services to verify if Candidates are properly registered and if they are, in fact, members of AIC. To those of us who have been around for awhile, this may not seem like a big deal. It is, however, to users of our services and it reduces the risk of fraud by individuals claiming to be our members when they are not.

The Find an Appraiser feature on our website is also valued by many members and stakeholder users. It is easy to confirm a member in good stand-

ing. One could say that both of these services are fraud prevention services. Most recently, I received a copy of an appraisal report prepared by someone who is not a member of the Institute that was completed on an AIC form report. It included our certification that the author was a member in good standing of AIC. As it was prepared for a public consumer, he or she had no reason to doubt it. This matter has now been forwarded to our Counsellor.

Speaking of our Counsellor, he has provided a valuable service separating the nuisance and

petty complaints from the misleading and fraudulent ones. This will result in cost savings to our Professional Practice Program and a much faster process to conclusion.

What is on the horizon? Well, further improvements to the Professional Practice Committee process so that it serves the membership better and reduces the apprehension members experience when they receive a complaint notification letter, more CPD online courses that will be relevant to all members, the roll out of the Marketing and Communications Plan, an overview of our insurance program to identify ways of further enhancing it, further member education articles on real estate fraud, and the development of strategic alliances and partnering with related organizations.

This is an exciting time to be part of the AIC team. These accomplishments require the right financial resources, as well as a great deal of volunteer and staff time. I encourage one and all to support your association. Volunteer at any level you can and help achieve our goals. 🇨🇦

"The International Financial Reporting Standards that will come into effect in 2011 present a whole new challenge for our members and the Institute."

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Services en constante évolution pour les membres de l'ICE



Gordon J. Tomiuk
AACI, P. App, Président de l'ICE

L'Institut canadien des évaluateurs est une association professionnelle comptant quelque 4600 membres actifs. Il est facile d'imaginer comment il serait simple de servir nos membres si chacun offrait les mêmes services d'évaluation immobilière et pour les mêmes raisons. Malheureusement, la situation ne s'applique pas à l'ICE. Nos membres offrent une vaste gamme de services à une variété de clients. Nos membres sont de véritables spécialistes du marché résidentiel, du marché industriel, commercial et institutionnel, des propriétés à vocation spéciale, des propriétés contaminées et ainsi de suite. Individuellement, les membres sont d'avis qu'ils reçoivent leur juste part de services et qu'aucun secteur n'est favorisé aux dépens d'un autre. Nos membres effectuent des évaluations à des fins de financement, de litiges dans les séparations conjugales, à des fins d'expropriation, d'achat, de vente, d'établissement de la valeur nette, la gestion des risques, pour des raisons fiscales et la liste se poursuit.

La façon dont l'ICE élabore et assure la prestation de services aux membres est critique. Il est nécessaire de tenir compte de notre responsabilité fiscale de fournir aux membres une excellente valeur pour leur argent. De plus, l'Institut doit explorer de nouvelles occasions pour ses membres, concevoir et offrir des programmes de formation qui répondent aux exigences et incorporer les nouveaux services dans les RUPPEC et la couverture d'assurance. Vous vous demandez peut-être comment nous arrivons à tout faire? C'est bien simple. Nous y

parvenons grâce au dévouement du personnel et des bénévoles qui ont un intérêt marqué à l'endroit de la profession et de l'Institut. Toutefois, en plus des ressources humaines qui rendent possibles les programmes et les activités de l'Institut, il est indispensable de disposer de ressources financières adéquates et c'est pourquoi nous avons dû augmenter les frais d'adhésion.

« Les normes internationales régissant les rapports financiers qui doivent entrer en vigueur en 2011 posent un tout nouveau défi pour nos membres et l'Institut. »

Permettez-moi maintenant de résumer les améliorations apportées aux programmes existants et les nouveaux services aux membres :

Au niveau des exigences menant aux désignations professionnelles, nous avons ajouté un examen professionnel écrit et une nouvelle entrevue « fondée sur le comportement » qui porte sur l'expérience des stagiaires à s'acquitter de leurs fonctions professionnelles. Le nombre de cours de PPC en ligne a augmenté avec plus de 20 mini-cours qui sont offerts par l'U.C.-B. et qui portent sur divers secteurs de spécialité de la pratique,

les nouveaux marchés et les besoins des intervenants. Aussi, le Comité consultatif sur l'apprentissage s'affaire à étudier la possibilité d'un programme de reconnaissance de la formation antérieure.

Les normes internationales régissant les rapports financiers qui doivent entrer en vigueur en 2011 posent un tout nouveau défi pour nos membres et l'Institut. Cependant, le potentiel d'accroître les affaires est important puisque dans le cas des compagnies cotées en bourse, chacun des actifs devra être inscrit à la valeur marchande. Cela peut être l'un des développements les plus prometteurs en évaluation immobilière depuis la création de l'Institut il y a plus de 70 ans.

Nous prévoyons offrir des cours qui permettront à nos membres de se familiariser avec ces nouvelles normes et de se préparer à effectuer des évaluations à des fins d'inclusion dans les rapports financiers. Nous avons déjà entamé le processus.

Cela donne également lieu à des nouvelles possibilités dans le domaine de l'évaluation de la machinerie et de l'équipement. Ces actifs devront être inscrits à la valeur marchande, une autre nouvelle occasion pour les membres aptes à relever ce défi. Toutefois, nous devons concevoir le cours, l'offrir, inclure la pratique dans les RUPPEC et assurer le service en question.

Le Registre des stagiaires nous permet, ainsi qu'aux utilisateurs de nos services, d'assurer que les stagiaires sont effectivement inscrits comme membres de l'ICE. Dans le cas de ceux qui sont avec nous depuis un certain temps

déjà, la chose peut ne pas sembler importante. Pour les utilisateurs de nos services, toutefois, il s'agit d'une toute autre histoire et cette pratique permet de réduire les cas de fraude par les gens qui se disent membres de l'Institut lorsqu'ils ne le sont pas.

La rubrique « Recherche d'évaluateur » sur notre site Web est également un outil de choix pour plusieurs membres et intervenants. Il est facile de confirmer qu'un membre est en règle et on pourrait même avancer que ces deux services permettent de prévenir la fraude. Plus récemment, j'ai reçu une copie d'un rapport d'évaluation préparé par une personne qui n'était pas membre de l'Institut et qui a été complété sur un formulaire de l'ICE. Le rapport incluait notre certification à l'effet que l'auteur était membre en règle de l'ICE. Comme le rapport avait été préparé pour un consommateur, celui-ci n'avait aucune raison de douter de son authenticité. La question a été portée à l'attention de notre Conseiller en pratique professionnelle.

En parlant de notre Conseiller, celui-ci a établi un système qui permet de séparer les plaintes de moindre importance et celles qui concernent les rapports potentiellement trompeurs et frauduleux. Il en a résulté une épargne pour le programme de pratique professionnelle et une accélération du règlement des cas.

Alors que nous réserve l'avenir? Et bien d'autres améliorations sont prévues au processus de le programme de pratique professionnelle (PPC) dans le but de mieux servir les membres et réduire leur appréhension lorsqu'ils reçoivent une lettre d'avis de plainte, un nombre accru



de cours de perfectionnement professionnel continu (PPC) en ligne qui seront pertinents pour tous les membres, la mise en œuvre du plan de marketing et de communication, un examen de notre programme d'assurance pour identifier les façons de l'améliorer encore davantage, d'autres articles sur l'éducation des membres et touchant les fraudes immobilières en particulier, et la création d'alliances stratégiques et de

partenariats avec des organismes connexes.

Il s'agit d'un moment excitant pour faire partie de l'équipe de l'ICE. Toutes ces réalisations requièrent les bonnes ressources financières et beaucoup de temps et d'efforts de la part des bénévoles et du personnel. J'encourage chacun d'entre-vous à appuyer votre association. Le bénévolat à n'importe quel niveau peut certes faciliter l'atteinte de nos objectifs. 🇨🇦



Georges Lozano, MPA
AIC Chief Executive Officer

Revisiting the three Rs

In primary school, we were always taught that mastery of the three Rs: 'reading, 'riting, and 'rithmetic', was essential to achieving success in the business world. Today, professional associations similarly need to achieve three different Rs if they want to succeed. Unlike other times, when associations were founded primarily on member loyalty, today, although loyalty is much valued by associations, success is measured by the relevancy, recognition, and resources associations achieve.

For the Appraisal Institute of Canada (AIC), it is no different and the activities that AIC is undertaking are aimed at these targets. Relevancy and recognition are objectives that are important from both an internal or member perspective, and externally. Associations need to provide their members with programs and services that are relevant and benefit them in their professional lives. Externally, successful associations need to be relevant to their stakeholders and be seen by them to play a valuable role. Recognition follows relevancy and organizations that are relevant are usually recognized for that by their members and the public alike.

The third R — resources, are essential to any organization if it is to achieve its objectives. Resources include financial, human, and others such as information and strategic resources. Associations, in particular, rely heavily on human resources in the form of the volunteers that provide leadership and support for their programs and activities.

AIC has addressed these three Rs in recent years in a variety of ways. Achieving recognition

for the membership as the leaders in real property appraisal and related advisory services has been a top priority. As you are well aware, communications and marketing have been the focus of much of our work. This summer will mark the launch of the new marketing program, and activities will be undertaken on a regular basis to promote the Institute, its members, and the AAI and CRA designations across Canada.

While communications and marketing may have been the most visible activity, much work has gone into making improvements to the program of professional studies and related professional resources. Our quality standards continue to be increased to ensure that the caliber of professional associated with the Institute compares favorably with other top-tier professions. In this respect, over the past months, a new professional final examination has been put in place consisting of a multipart integrative written exam and a professional oral interview. Together, they are the final admission requirements that Candidates must fulfill to achieve professional designation.

Designated members now have more options than ever to develop their professional careers, with a great variety of continuing education courses that include many new specialty areas. Career development has been emphasized as an important part of professionalism. The We Value Canada workshop introduced over a year ago has assisted many non-designated and designated members in planning their careers. The Professional Practice (formerly

Standards) seminar has been updated and enhanced. Professionalism and quality control were also addressed through the development and introduction of the Candidate Registry a couple of years ago. It has been well received and recognized by stakeholders as a mark of professionalism of the Institute and its members. Recognition is earned. As the saying goes: by their deeds you shall know them. In this respect, AIC has been working diligently to enhance its standards, education, and professional practice program, among others, to ensure that AIC members will command the highest respect and recognition by their peers and clients.

AIC wants to be relevant to its members first and foremost and, as such, there are many initia-

*continued on
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Georges Lozano, MPA
Chef de la direction

Revoir les bases du succès

De nos jours, le succès des associations professionnelles repose sur des piliers bien différents que ceux d'autrefois. Contrairement à l'époque où les associations se fiaient principalement sur la loyauté de leurs membres et bien que cette loyauté soit toujours hautement considérée, leur succès dépend de leur pertinence et de la reconnaissance et des ressources dont elles disposent.

Rien n'est différent pour l'Institut et les activités de l'ICE visent ces mêmes objectifs. La pertinence et la reconnaissance sont des objectifs importants du point de vue interne ou des membres, ainsi qu'à l'externe. Les associations doivent offrir à leurs membres des programmes et des services pertinents et utiles pour leurs carrières professionnelles. Pour réussir à l'externe, les associations doivent être pertinentes pour leurs intervenants et être

considérées comme jouant un rôle de premier plan. La reconnaissance suit la pertinence et les organismes pertinents sont habituellement reconnus sur ce plan à la fois par leurs membres et le grand public.

En ce qui concerne les ressources, qu'il suffise de dire qu'elles sont importantes dans l'atteinte des objectifs de tout organisme. Les ressources incluent les ressources financières, humaines et autres comme en matière d'information et de stratégie. Tout particulièrement, les associations se fient largement sur leurs ressources humaines, surtout les bénévoles qui offrent à la fois leadership et soutien aux programmes et activités.

Au cours des dernières années, l'ICE s'est attaqué à ces piliers d'un certain nombre de façons. L'atteinte de la reconnaissance des membres comme chefs de file en évaluation immobilière et dans les services consultatifs connexes s'est révélée une priorité absolue. Nous verrons cet été le lancement de notre nouveau programme de marketing et de nombreuses activités seront amorcées régulièrement pour promouvoir l'Institut, ses membres et les désignations AACI et CRA à l'échelle du pays.

Bien que les communications et le marketing aient figuré parmi nos activités les plus visibles, beaucoup d'efforts ont également été déployés pour améliorer le programme d'études professionnelles et les ressources connexes. Nos normes de qualité continuent d'être raffermies afin d'assurer que le statut professionnel associé à l'Institut

se compare favorablement à celui des autres secteurs professionnels de premier plan. À ce chapitre, nous avons au cours des derniers mois élaboré un nouvel examen professionnel qui consiste en une portion écrite et en une entrevue professionnelle orale. Ensemble, ces deux critères constituent l'exigence finale que doivent respecter les stagiaires pour obtenir leur titre professionnel.

Plus que jamais, les membres agréés ont maintenant plus d'options pour parfaire leurs carrières professionnelles grâce à une gamme complète de cours de formation continue dans plusieurs nouveaux secteurs de spécialisation. Le perfectionnement a été reconnu comme une partie importante du professionnalisme. L'atelier « Nous valorisons le Canada », introduit il y a déjà plus d'un an, a aidé plusieurs membres agréés et non agréés à planifier leurs carrières. Le colloque sur la pratique professionnelle (anciennement le colloque sur les normes) a été mis à jour et amélioré. Le professionnalisme et le contrôle de la qualité sont aussi deux autres points qui ont été couverts par l'élaboration et l'introduction du registre des stagiaires il y a quelques années. Cette initiative a été bien accueillie et reconnue par les intervenants comme marque de professionnalisme de l'Institut et de ses membres. L'objectif de la reconnaissance a été atteint et comme on le dit : « on reconnaît le succès des gens à leurs exploits ». À ce chapitre, l'ICE a, entre autres choses, travaillé avec diligence pour améliorer et raffermir ses normes et son programme d'éducation et de pratique

suite à la page 14




tives underway to provide the members with the support and services needed to compete successfully in the marketplace. In the area of professional development, more specialized courses are being prepared, including specialties like green valuation, machinery and equipment valuation and information about performing appraisals for financial reporting purposes under the *International Financial Reporting Standards* that will come into effect in 2011. Significant improvements are coming in the way that we communicate with the membership, including a completely redesigned web site with easier to find information.

Relevancy and recognition are, in great part, achieved through consultation – by listening

to the members and adapting programs and activities to meet their needs. Recently, two forums – the CRA and Candidate Forums – were established for that purpose. Input is also received from the stakeholder community and factored into the programs that are developed by the Institute. Over the years, valuable input was obtained from the stakeholders through our Advisory Council meetings. During the last year, we have doubled the number of such meetings and have met separately with public and private sector representatives to promote the services offered by AIC members and to hear what new service opportunities there might be.

None of the above would have been possible without the significant commitment


and dedication from the dozens of volunteers who serve on AIC's Board, standing committees, and working groups. Adequate resources are essential to the success of any organization and this includes financial resources. That is why, in recent years, membership dues have increased in support of our expanded communications and marketing activities, and professional programs and member services. This combination of human and financial resources will help to ensure that the Institute can properly serve the membership by continuing to provide it with relevant and useful programs, and by promoting the profession and AIC members nationwide. 

professionnelle afin d'assurer que ses membres reçoivent tout le respect qui leur revient de la part de leurs pairs et de leurs clients.

D'abord et avant tout, l'ICE veut être pertinent pour ses membres et à ce titre, a amorcé de nombreuses initiatives pour leur offrir le soutien et les services nécessaires pour qu'ils soient concurrentiels sur le marché. Dans le domaine du perfectionnement professionnel, plus de cours sont en voie de préparation y compris dans les secteurs spécialisés de l'évaluation de bâtiments écologiques, la machinerie et l'équipement et l'information au sujet de l'exécution d'évaluations à des fins de préparation de rapports financiers à la lumière des nouvelles normes internationales régissant les rapports financiers qui entreront en vigueur en 2011. Plusieurs améliorations seront aussi apportées à nos communications avec les membres, y compris un nouveau site

Web où il sera plus facile de trouver l'information recherchée.

La pertinence et la reconnaissance sont des objectifs qui, en grande partie, sont atteints via la consultation – en écoutant les membres et en adaptant les programmes et les activités à leurs besoins. Récemment, deux forums, soit un pour les CRA et un autre pour les stagiaires, ont été créés à cette fin. Nous tenons aussi compte des commentaires des intervenants et les incluons dans les programmes élaborés par l'Institut. Au fil des ans, les intervenants ont formulé des commentaires utiles via les réunions de notre Conseil consultatif. L'an dernier, nous avons doublé le nombre de ces réunions et avons rencontré séparément les représentants des secteurs public et privé pour promouvoir les services des membres de l'ICE et dépister les nouvelles occasions potentielles en leur nom.

Aucune des mesures mentionnées ci-dessus n'aurait été possible sans l'engagement et le dévouement des douzaines de bénévoles qui siègent au Conseil de l'ICE, aux comités permanents et qui sont membres des divers groupes de travail. Les ressources adéquates sont nécessaires au succès de tout organisme et cela inclut les ressources financières. C'est pourquoi il fut nécessaire au cours des dernières années d'augmenter les cotisations en appui à nos activités accrues de communication et de marketing, à nos programmes professionnels et aux services que nous offrons aux membres. Cette combinaison de ressources humaines et financières aidera à assurer que l'Institut est en mesure de servir adéquatement ses membres, de leur fournir des programmes pertinents et utiles et de promouvoir la profession et ses membres à l'échelle du pays. 

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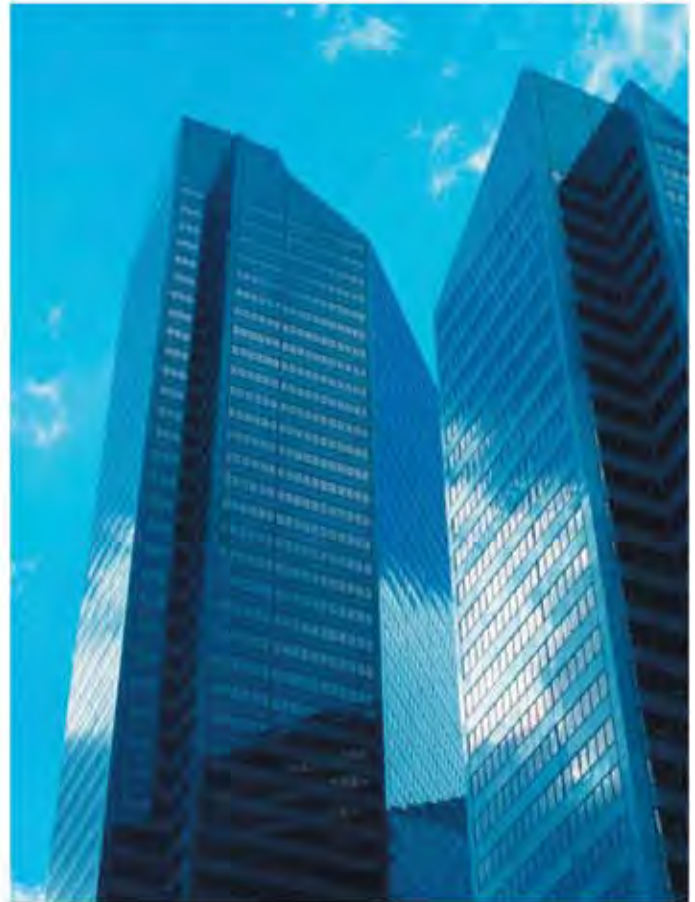
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Enthusiasm and credibility

Two powerful marketing tools

How does that saying go? Ask not what your country can do for you ...? As a member of a volunteer-based and volunteer-driven organization, we are most often faced with more tasks than time. Luckily, we have a pool of dedicated volunteers to work with our staff on both the provincial and national levels.

However, here is our current opportunity. We are well into our Marketing and Communications Campaign that is unprecedented in our organization. Never before have we been so bold as to take the un-Canadian approach and promote ourselves and our profession. As we lay the ground work for the external launch of the new look for the Appraisal Institute of Canada (AIC), I see the opportunity for our volunteer 'pool' to grow from a puddle to one of Olympic size. This is a task that is custom designed for all 4,600 of us.

How do we all get in on the action? This is the easiest bit of volunteering that we will ever be approached to undertake. No need to roll up our sleeves and make fudge or build a float. All we have to do is champion AIC and be an ambassador. The way to build a brand is with public relations. To be effective, advertising cannot rely on only creativity, it needs credibility. We bring credibility. As members, for too long we have neglected to toot our own horns. For whatever reason, we have not recognized the exciting career that we have chosen (or has it chosen us?).

What a delight when we met Cundari SFP (our Agency of Record). As they were learning about AIC and the vast scope of what our members do, they could not curb their enthusiasm about our profession. They were



"For those who do not know who we are and the value of what we bring to the table, it is up to each of us to tell them."

in awe of the exciting profession we have and envious of the very interesting positions we have. I would have to say they were lusting after those in the valuation field. How is it that those in the 'outside' world see us as having the world by the tail, while too many of us in the profession go about our business with our heads down? By far, we have the largest organization of professional valuers with a membership of 4,600. I find this very interesting in light of the importance of real estate to the national purse and to every individual Canadian's portfolio. There are over 30,000,000 people in the country, with a large percentage of them owning a house, and many also owning a recreational or investment property. With every piece of real estate in the nation being valued for tax purposes, it is little wonder that those who know who we are wowed by the importance of our position.

For those who do not know who we are and the value of what we bring to the table, it is up to each of us to tell them. Positive talk goes a long way. Why do we go to a new restaurant? Not just because they have a catchy ad, but because it was recommended by a colleague, friend, brother, etc. We listen to those we trust and, as AIC members, we are leaders in our field.

As part of the Marketing and Communications Campaign, we all will be provided with a tool kit that we can use to promote ourselves as individuals and to promote our profession. The more times the public as well as our clients, employers, and stakeholders see our new look, the more awareness and the more buy-in we will have. Canadians need to consult us on every decision made on their residences and income properties. Our expertise is required on public issues such as maintaining the public coffers in taxation and management of all real estate investments.


With this most exciting career path, why are we not inspired to grow the profession

and rise to the challenge? Perhaps we just need to be reminded of our good fortunes and join the growing wave of enthusiasm. When we are asked to participate in those pesky surveys sent by our provincial and national offices, we need to hop to it and offer up our service, as these play a necessary role in responding to the questions asked of us as Canada's most authoritative voice in real estate. Our RENOVA study is a wonderful example of how we have put AIC on the map. As a result of the data collected, we have been contacted by media players such as Canada AM, the *Globe and Mail*, the *National Post*, and HGTV. This is definitely the exposure we like. However, without current data, it is impossible to view this survey as the authority. So, when next asked to participate, we need to take a few minutes to help maintain our position as the 'go to' voice.

We can do so much more with our marketing campaign if we take the collaborative approach. We are all partners in this initiative. Oh yes, now I recall the saying ... Ask not what AIC can do for you; ask what you can do for AIC. I can't wait to see recognition replace the look of a deer-caught-in-the-headlights when asked at a cocktail party what I do for a living. 🏡

Marketing and Communications Committee

Paul Olscamp, AACI, P. App - Chair
 Glen Power, AACI, P. App
 Tom Fox, AACI, P. App
 Beverley Girvan, AACI, P. App
 Grace Ang-Lim, Candidate
 To contact this committee email:
communications@aicanada.ca




Financial Services Commission of Ontario

Information Session for Mortgage Brokers and Brokerages

On July 1, 2008, the new Mortgage Brokerages, Lenders and Administrators Act, 2006, goes into full effect. On this date, all Mortgage Brokerages, Administrators, Brokers and Agents will need to be licensed with FSCO in order to conduct business in Ontario.

To learn about the licensing requirements in the new Act, FSCO invites you to attend a free information session on May 26, 2008, in Toronto. Register online at www.fSCO.gov.on.ca.



Subscribe to FSCO's Mortgage Broker e-info Newsletter and get more information on the new Act. Also available are a Tool Kit and answers to frequently asked questions. Go to www.fSCO.gov.on.ca.

AIC – THEN AND NOW



Celebrating 70 Years
1938 – 2008



Using extracts from *The History of the Appraisal Institute of Canada* produced by AIC in 1988 (*read this publication on AIC's website where you find the *Canadian Property Valuation* magazine), we view a snapshot of the vision that AIC leaders held for the Institute during that time and contrast their ideas with the vision and priorities driving AIC in 2008, our 70th anniversary year.

Then....

"The 50th anniversary is an excellent opportunity to show what an appraiser is and does – to make our Institute and appraising better known to the general public by members talking to their neighbours and to their neighbour's neighbour. Go to your schools and sow the seeds among our young people. Young Canadians will then know of our Institute and some will perhaps take up a career in real estate appraising."

**Jack Warren, AACI, P. App,
AIC President 1987**

David Hildebrand, AACI, P. App in 1981 kept his ear to the grass roots, and then went public to comment on matters well within the competence of real estate professionals. During a two-day media blitz in Toronto, he appeared on four radio interviews and two television shows and gave six newspaper interviews.

Now....

"AIC's Marketing Program will showcase how AIC members, as first-tier professionals and leaders in their field, add value to every aspect of the appraisal cycle.

"An appropriate balance will be struck between promoting core appraisal work and the valuation-related advisory services that members may provide. Further, the program will emphasize the value for public and private sector corporations of hiring AIC members as managers and solution providers. A media road show, not unlike what David Hildebrand undertook in 1981, is also planned across Canada in the next 12 months."

**Paul Olscamp, AACI, P. App, Chair,
Marketing & Communications Committee**

Then....

"Can one be so bold as to predict that, by 2038, we shall be fully recognized throughout Canada, alongside the other established professions? I believe this will happen".

**Jack Warren, AACI, P. App,
AIC President 1987**

Now....

"As we, the Real Value Experts in Canada, continue to advance our status as a first-tier profession, our foundation of education and experience is proving fundamental and there is

no doubt in my mind that we are well on our way to achieving this nationwide recognition 30 years in advance of Jack Warren's prediction"

**Gordon J. Tomiuk, AACI, P. App,
AIC President**

Then...

In the early 1940s, "six members of the AIC, who had earlier been inspired by Doane's address (an ASFMRA representative), were the first to qualify as ARAs. They had passed rigorous examinations, prepared a demonstration appraisal, and had met the other prerequisites (five years of practical commercial appraisal experience, 250 written appraisals, a university education or its equivalent of four years of 'additional reputable experience as an appraiser.')"

extracted from *The History of the Appraisal Institute of Canada, Chapter 2, The Taproot 1938-1946*

Now....

"The implementation of a two-step qualification process is a major advance for AIC and its members. Our designations are held in high regard and those holding them must be held to a high standard. Qualifying members must have both the experience and qualities that are expected of us."

**David Highfield, AACI, P. App, Chair, AIC
Learning Advisory Committee**

Then....

"John A. MacDonald, Winnipeg assessment commissioner, supervised a staff who appraised property for assessments which would establish the city's tax base. He had previously held a similar position in Edmonton, where he had been active in the local chapter. Although he never qualified for the AACI, he insisted that his staff of over 100 appraisers enroll in the Institute course, and the AACI eventually became the standard professional requirement for the City of Edmonton. This recognition was strong endorsement of the Institute and the quality of its educational program. Similar endorsement by the public service at the provincial and federal levels played a major role in establishing the Institute's credentials and ensuring strong membership demand for years to come."

extracted from *The History of the Appraisal Institute of Canada, Chapter 3, Going with Growth 1947-1958*

Now....

"As our designated members take advantage of opportunities available to them, they need education and learning packages that match the valuation advisory expertise demanded

by clients. The public and our clients need to know that members who hold either CRA or AACI designations bring the skills of a first-tier professional."

**George Maurice, AACI, P. App,
AIC President Elect**

Then....

"Increasingly, it was the nucleus of members who shouldered the burden of committee work, who demanded a quality educational program that insisted on strict standards of professional ethics and the discipline of unworthy peers."

"December 11, 1959, the national Ethics Committee reported its first infraction of the Code of Ethics to Council, who directed that it be investigated."

extracted from *The History of the Appraisal Institute of Canada, Chapter 3, Going with Growth 1947-1958*

Now....

"One of the hallmarks of true self-regulation of a profession is the ability to regulate the affairs of members for matters relating to professional conduct, competence and discipline. Today, as

then, raising the professional competence of members by their peers stands out as the cornerstone of the profession and the AIC."

**Peter Lawrek, AACI, P. App Chair,
Adjudicating Committee**


AIC designations

Then....

In the early months of 1980, the 2,000th AACI certificate was awarded to M. Berthelot and the 1,000th CRA certificate was granted to R.O. Holmes. The first CRA certificate was awarded to Mrs. L.E. Gueland, from Ottawa on August 27, 1970.

Now....

R.O. Holmes went on to achieve his AACI designation in 1987 and continues to be an AIC member.

To date, 4,132 AACI designations have been granted and 4,021 CRA designations have been granted. The 4,000th AACI designation was awarded to Tristan Bock of Ontario in March 2006. Dwayne Chung of British Columbia was the recipient of the 4,000th CRA designation on February 1, 2008. 

Past Presidents of the Appraisal Institute of Canada

1938.....**W.B. MCCUTCHEON, AACI, P.App	1963.....*L.E. POPE, AACI, P.App	1986.....*H.N. BUTLER, AACI, P.App
1939.....**H.M. MORRISON, MAI	1964.....**G.E. ROUATT, AACI, P.App	1987.....**J.M. WARREN, AACI, P.App
1940.....**E.W. GULLAND	1965.....*A. SPEED, AACI, P.App	1988.....**J.N. PERRY, AACI, P.App
1941.....**W.J. SMITH, AACI, P.App	1966.....**E.R.E. HAGGLUND, AACI, P.App	1989.....R. MASON, AACI, P.App
1942.....**W.H. GRAY	1967.....**H.A. ROSS, AACI, P.App	1990.....K.F. STROUD, AACI, P.App
1943.....**H.R. GLOVER	1968.....*H. PAQUET, AACI, P.App	1991.....M.A. MARTYN, AACI, P.App
1944.....**C.N. ROGERS, AACI, P.App	1969.....**C.R. SIMONITE, AACI, P.App	1992.....B.F. MCMULLAN, AACI, P.App
1945.....**A.R. PURCHASE	1970.....**J.A. CRAWFORD, AACI, P.App	1993.....A.M. BARBER, AACI, P.App
1946.....**G.C. ELLIOTT, AACI, P. App.	1971.....*R.O. LEITCH, AACI, P.App	1994.....**K.J. STUB, AACI, P.App
1947.....**H.M. MORRISON, MAI	1972.....**M.H. BAUER, AACI, P.App	1995.....D.H. MOORE, AACI, P.App
1948.....**A.R. JUDSON, AACI, P.App	1973.....*A.D. POAPST, AACI, P.App	1996.....D.A. BEATTY, AACI, P.App
1949.....**J.S. MCPHERSON, AACI, P.App	1974.....*L.W. NORTH, AACI, P.App	1997.....D.J. RUNDELL, AACI, P.App
1950.....**T.A. MCFARLEN, AACI, P.App	1975.....**M. KVATUM, AACI, P.App	1998.....*P.J. CLARK, AACI, P.App
1951.....**E.R. RANSBY	1976.....**W.J. DIETRICH, AACI, P.App	1999.....*R.E. WADE, AACI, P.App
1952.....**G.M. BOWES, AACI, P.App	1977.....**R. TERHORST, AACI, P.App	2000.....J.M. KIRKLAND, AACI, P.App
1953-54.....**V.E. DRIVER, AACI, P.App	1978.....**V.E. PETERSON, AACI, P.App	2001.....J.A. CLARK, AACI, P.App
1955.....**I. CRISTALL, AACI, P.App	1979.....*D.W. LAMBERT, AACI, P.App	2002.....K. GOODWIN, AACI, P.App
1956.....**A. TURPIE, AACI, P.App	1980.....G.D. FRAMPTON, AACI, P.App	2003.....B. WAGAR, AACI, P.App
1957-58.....**J.A. MACDONALD, AACI, P. App	1981.....*D.F. HILDEBRAND, AACI, P.App	2004.....B. DUNCAN, AACI, P.App
1959.....**D.G. EDMOND, AACI, P.App	1982.....**J.W. OLIVER, AACI, P.App	2005.....D. HIGHFIELD, AACI, P.App
1960.....**J.W. EGERTON, AACI, P.App	1983.....**B.R. JENSEN, AACI, P.App	2006.....P. OLS CAMP, AACI, P.App
1961.....**H.P. HAMILTON, AACI, P.App	1984.....**J.D.H. MACKENZIE, AACI, P.App	2007.....G.J. TOMIUK, AACI, P.App (effective June 6/08)
1962.....**J.C. MCGEE, AACI, P.App	1985.....I. JORGENSEN, AACI, P.App	

**Deceased/ Décédés *Retired/Retraité

The evolution of appraising

As the Appraisal Institute of Canada celebrates its 70th anniversary in 2008, we felt it appropriate for some of our longest standing members to reflect on the last 50+ years as well as on the direction the profession is heading in the decades to come.



Ottawa's **Lou Howard**, B.Sc. (Eng), A.A.I.C. P. App (Fellow), proudly sports Certificate 108, evidence of his position as one of the few AIC

members who were accredited when he received his designation in 1957. "I entered the appraisal business with the most up-to-date piece of financial equipment then available," he recalls, "— a slide rule. Then people started using pocket calculators and eventually computers. Since that early start, I have seen the profession grow and become stronger, with a high level of recognition based on the excellent work of its professionals in all fields of valuation."

In fact, Howard was instrumental in ensuring that AIC's training and management has consistently met the changing market in the appraisal field. From 1957 to 1989, he served as

"I have seen the profession grow and become stronger, with a high level of recognition based on the excellent work of its professionals."

education chairman for chapters in Edmonton, Calgary, Halifax and Ottawa, as well as at the provincial and national association levels.

Despite concerns about competition from sources such as Automated Valuation Models, Howard sees a continuing role for professional appraisers in the valuation of real estate holdings in mutual funds, shopping centres and other large realty holding companies. To that end, he urges practicing members to keep their knowledge up-to-date and to mentor promising young candidates coming through the ranks. He advises the latter to work diligently towards obtaining an A.A.I.C. and benefit from the Institute's steadily expanding education process, which introduces the latest techniques and practices in the valuation of all types of real estate.



Gerry Rouleau, A.A.I.C. P. App of Sudbury takes this advice one step further. He advises those joining the profession to become

designated as quickly as possible, even if this means borrowing money to make it happen. "Growth will depend on the number of accreditations that come out of the numerous Candidates who now form almost 50% of the Institute's membership," says the founding member and former six-time chairman of the Sudbury chapter. He commends the Institute's decision to limit candidacy to 10 years.

Changes such as the 2001 decision to replace the articling system with the applied experience program make acquiring an A.A.I.C. a natural progression. He adds that, in the first

"Those joining the profession should become designated as quickly as possible, even if this means borrowing money to make it happen."

decades of the profession, appraisal courses were taught by member appraisers. Shifting the courses to the universities in the late 1970s has also contributed to streamlining the education process.

Since becoming accredited in 1968, Rouleau has also witnessed the evolution of provincial associations. As provincial president in 1978, he saw the Ontario Association take on some of the roles previously assumed by the chapters. By the time he served the national council from 1980 to 1984, several chapters had merged and found strength in their increased membership.



Around the same time, the AIC developed the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* recalls

Halifax's **Arthur Speed**, A.A.I.C. P. App (Fellow). He sees this as a major step in the lead-up to the provincial acts and regulations that govern appraisal practice today.

"I see the AIC continuing to move forward with the times," adds Speed. "I like this idea of branding based on high standards. Members



Appraisal Institute
of Canada

Institut canadien
des évaluateurs

Celebrating 70 Years

“I like this idea of branding based on high standards. Members are constantly expanding the kind of work they do.”

are constantly expanding the kind of work they do through services such as consulting and project valuation.”

In the late 1960s, after a stint as AIC president, Speed concentrated on expropriation and court work. He promoted the value of this expertise through weekly lectures to other appraisers, the local bar society and banks.

As national chairman of the Education Committee, he was a strong advocate of education, rejoicing in the eventual tie-in with UBC. Today, he stresses the importance of ongoing education, advising appraisers to get involved in local, provincial and national Institute activities, while consistently attending conferences. “In this day and age, with everything moving so fast, take sabbatical time to keep up-to-date with technology and practice,” he adds. “At the same time, never forget to walk the lines.”



one of the biggest changes that have occurred

This advice is taken straight from the standards of practice, which **Ivan Jorgensen**, AACI, P. App (Fellow) of Prince George, BC sees as

since he earned his accreditation in 1968. Since then, an increasingly sophisticated system of dealing with complaints against appraisers has kept pace with the rising complexities of the profession.

When he entered the profession, most AIC members were either in mortgage lending or public service. “Probably the biggest change has been the growth of the fee sector over the years,” says Jorgensen, who has served as a chapter chair as well as provincial and national president over the years. “It is an area that has become more sophisticated, varied and specialized.”

“The key is to keep current with new valuation methods, while anticipating and understanding clients’ needs.”

He commends the Institute for responding to these changes with such timely initiatives as effective and affordable self-insurance for liability, as well as health, life and disability insurance. At the same time, he applauds developments in education that led to university-based programs.

“The key is to keep current with new valuation methods, while anticipating and understanding clients’ needs,” says Jorgensen, adding that this responsibility falls not only to the AIC, but to every appraiser. “The challenge in today’s increasingly global economy is trying to anticipate future trends using historical data. Appraisers should always keep abreast of developments in the marketplace.”



In Montreal, **Benoit Egan**, AACI, P. App points to such growing trends as development of real estate projects under

private/public partnerships (PPPs). Over the last decade, pension funds have become more active participants in real estate acquisition, while, in the last three to five years, Real Estate Investment Trusts (REITs) have done the same.

“The players have changed and so has the ownership structure,” says Egan who has been practicing for 30 years. “Appraisers should not be afraid to extend their expertise to encompass consulting work, including feasibility studies, market studies and financial engineering of real estate deals.”

While he foresees a decline in the need for the traditional production of appraisal reports, he forecasts a bright future for any consulting that encompasses a comprehensive understanding of real estate dynamics and economics. “We have to adapt our practice to the needs of the industry and not the reverse,” says the former member of the National Governing Council and of the Executive Committee. “The industry is definitely looking for competent experts.”

“Appraisers should not be afraid to extend their expertise to encompass consulting work.”

According to Egan, as long as the new AIC and its members diligently align themselves with changes in the industry, the Institute will continue to be the professional reference across Canada.



The AIC continues to present a national standard upon which the industry can rely, concurs **Gordon Frampton, A.A.C.I., P. App (Fellow)** of

Langley, BC. He is optimistic that the publicity surrounding the new logo will generate even further attention to the profession.

At the same time, Frampton encourages new appraisers to get involved at the chapter level and bring in speakers from other professions such as property managers, contractors, notaries, accountants and lawyers. He sees this kind of networking as an invaluable way to capitalize on a designation that provides opportunities far beyond providing traditional appraisal reports.

On the other hand, it is equally important for new appraisers to have opportunities to benefit from the experience of long-standing members.

“Develop your expertise and share it with appraisers, Candidates and other professionals.”

When Frampton was the incoming national president in 1980, he invited former presidents to a luncheon where he sought their input.


Now, after 40 years in the profession, he has his own words of advice for new and more recent members. “Find yourself a niche,” says Frampton, noting that, by specializing in First Nations work, he has been very successful. “Do not try to be an expert in all fields. Instead, develop your expertise and share it with appraisers, Candidates and other professionals.”



Calgary's **Norm McNally, A.A.C.I., P. App** agrees that practicing members should continue to hone their area of expertise by

maintaining a high degree of competence and professionalism. “At this time, there appears to be lots of work for in-depth appraisals for various real estate valuation requirements,” says McNally, whose practice, over the years, has related substantially to surface rights, expropriation, arbitration, and the role of the expert witness in court proceedings.

When he joined the AIC in 1963, there were few accredited appraisers in Canada, even fewer in Calgary. With the rapid expansion of oil and gas development in the western provinces in the early 1960s, along with rising rural land values, expropriations and arbitrations followed, as did the need for appraisers. “There were also very few guidelines,” recalls McNally. “Our lessons were taken from an American appraisal book and a handbook setting out definitions and terms of reference. The Canadian manual had not yet been developed. Appraisal candidates had very limited contact with other appraisers, except for local chapter activity and the annual national conference.”

Despite these initial challenges, McNally has been involved in the AIC, assisting the Appraisal Review Committee, over the years, where required. “I am optimistic about the new AIC,” he says. “The Institute raises the profile of members in their various areas of expertise, demanding higher levels of education and ethical standards for Candidate members so that they can identify as professionals, not only with clients, but with all members of the public.” 

“Demand higher levels of education and ethical standards for Candidate members so that they can identify as professionals, with clients and the public.”



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Consistency and fairness for all members

The Professional Affairs Coordinating Committee continues to work on behalf of members to ensure that the professional practice process remains consistent and fair for all members. The committee has observed and reviewed recent trends and themes and made recommendations to the Institute in many areas. These include:

- **Business Valuation.** The committee will be recommending that the Institute step up development of appropriate training, standards and errors & omission protection for members that wish to expand their area of practice in this field
- **Ethics CPD.** The committee has recommended to the Learning Advisory Committee that, in conjunction with UBC, a specific Ethics CPD course be developed that would be complementary to the Professional Practice Seminar and the *BUSI 112 Real Estate Law and Ethics* course
- **Training and Development.** The committee affirmed that members of the professional practice committees should receive training on their roles and responsibilities as members of these committees.
- **Professional Practice Regulations Revisions.** The committee was consulted on revisions to the process and has endorsed the improvements under consideration.

The committee has reviewed the scope of practice of members and the errors & omissions coverage to ensure that there continues to be a fair and consistent interpretation of what *CUSPAP* provides and what valuation services continue to be insured. The goal is to ensure that members have coverage for valuation services and that those services are indeed within the scope of services that the Institute has endorsed from



a standards and education viewpoint.

The committee has asked the Institute to work with industry stakeholders to investigate the possibilities of reporting incidences of suspected appraisal fraud to a central agency that can then disseminate this information to lenders. Appraisal fraud is a serious concern and members have indicated that it is difficult at best to notify their customers when they suspect that one of their reports may have been modified by a third party.

The committee continues to refine the scope of what constitutes serious complaints that warrant a formal investigation and which conduct is deserving of discipline. For example, a review of those files referred to the Investigating Committee points to the fact that the CRA scope of practice continues to be an area in need of improvement. This pattern is being reviewed by both LAC and the Standards Committee, with the intent to improve the education and awareness of CRAs so that they will better understand and determine what valuation assignments may or may not be within their scope of practice.

The trends noted in this article result from complaints that the Institute receives, and from

members' feedback. Based on these observed patterns, PACC follows the consistency and fairness approach and takes steps to improve the Institute's programs. In turn, this continues to raise the level of confidence in the professional practice process. The committee welcomes feedback and can be contacted via email at pacc@aicanada.ca.

Professional Affairs Coordinating Committee

Gordon Tomiuk, AACI, P. App,
AIC President – Chair

Peter Lawrek, AACI, P. App –
Chair of Adjudicating Committee

Hal Love, AACI, P. App –
Chair of Insurance Advisory Committee

John Hutchinson, AACI, P. App –
Chair of Investigating Committee

Charles Abromaitis, AACI, P. App –
Chair of Appeal Committee

Ray Bower, AACI, P. App –
Chair of Standards Committee

To contact this committee email:
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The impact of *IFRS* on the valuation profession

On January 1, 2011, Canada's *Generally Accepted Accounting Principles* (*Canadian GAAP*) will be replaced with *International Financial Reporting Standards* (*IFRS*). While this change is acknowledged as a significant event for the accounting profession and financial statement users, it likewise holds considerable promise and opportunity for the valuation profession, not to mention a corresponding number of challenges.

What is the big deal?

Changes happen all the time. It seems lately there is always some rule or regulation being changed by someone. If it is not the accountants, it is the government changing tax rules, the regulators changing their rules or the Appraisal Institute of Canada (AIC) changing its standards. Put simply, Canada is moving to a global,

principle-based standard. To many, *IFRS* may even look similar to *Canadian GAAP*, but I am told "similar is not the same." In fact, some of the differences impact the valuation profession the most in terms of the services some of our clients will want and the information and reporting that they and others will need.

Why change?

One reason cited by Paul Cherry, Chair of the Canadian Accounting Standards Board (AcSB) is that "Canada cannot stand in isolation from the growing acceptance of a common financial reporting language. Capital markets have gone global and Canada accounts for less than 4% of the global capital markets." Why *IFRS*? I

would again quote Mr. Cherry, "With businesses increasingly making decisions in a global context, the move to *IFRS* will place Canada with more than 100 other countries, including the United Kingdom, other European Union nations

and Australia that have already made the move. Japan, China, India, Brazil, South Korea and Israel, to name a few, are now in the process of converging with *IFRS*. Even the United States is signaling acceptance of *IFRS*."

How does this impact appraisers?

Well, in a number of ways and from a number of perspectives. The first is that when *IFRS* comes into effect in Canada, companies will have to make the switch. *IFRS 1, First-time Adoption of International Financial Reporting Standards*, concerns itself with ensuring that the entity's first *IFRS* financial statement is a suitable starting point and that high quality information is provided in a transparent and comparable way. Part of the process is to present a fully *IFRS*-compliant opening balance sheet and this circumstance is significant to the valuation profession in a number of ways. First time adopters have the opportunity to report their assets and liabilities based upon fair value rather than historic cost. In the case of IAS 40 – Investment Property, even those who elect to continue reporting on a cost basis will

be required to determine and disclose fair value within the notes to the financial statements. While fair value and its measurement is a whole other subject, it is reassuring to know that the underlying principles of the AIC's definition of market value match up nicely. This opportunity for an entity to restate its financial statements in terms of the market place, a requirement to disclose in the notes whether valuations were carried out by an independent professionally qualified valuer and a further



requirement for transparency and disclosure in the Management Discussion and Analysis (MD&A) section of the financial statements, leaves no doubt members of the valuation profession are the best equipped to provide independent market-based value estimates and related data and advice. Moreover, management and boards are going to be looking increasingly to the valuation profession for provide them with advice and market-based inputs for their financial reporting.

It would be impossible to cover the subject of *International Financial Reporting Standards* in one article and, for sure, it would not be me writing it. What I can convey to the AIC membership about *IFRS* is that demand for the services of appraisers, or valuers as they are more commonly referred to outside North America, is going to increase exponentially. Granted, much of this work will be of a commercial nature. However, let's not forget that the residential market serves as security for a great many entities which will also be reporting under *IFRS*.

The valuation profession will not have to wait until 2011 to witness an increase in demand for their services. In fact, demand for *IFRS*-prompted services has already occurred in Canada. Consider for example, First Capital Realty updating the value of its properties under *IFRS* for the first quarter of 2007. The value estimates used were prepared by independent appraisers in compliance with *IAS 40 - Investment Property and the International Valuation Standard* of the International Valuation Standards Council (IVSC).

Before everyone's anxiety levels go through the roof, take comfort in the understanding that, even if you are reading about *IFRS* for the first time, you are not as far behind as you might think. Consider these observations. Australian and EU companies adopted *IFRS* in 2005, with New Zealand adopting them in 2007. Accountants and appraisers alike can gain from their experience. As expert as some people are or will be, *IFRS* continues to evolve. For example, according to *CA Magazine*, between the time you read this article and January 1, 2011, six

Canadian GAAP standards will change and five existing *IFRS* will be modified. While some of us have been tracking these events for years, an understanding of the events and changes of the last six months quickly brings one up to speed. Consider the following events:

- In November 2007, the US Securities Exchange Commission decided to accept *IFRS* from foreign private issuers and these issuers will no longer be required to reconcile their *IFRS* statements to *US GAAP*.
- In January 2008, the Chartered Financial Analysts (CFA) announced that, relative to investments in real estate assets, CFA will require that independent valuations be completed every three years and internal valuations with disclosure of underlying assumptions will be reported quarterly.
- In February 2008, the AcSB confirmed that *IFRS* will be adopted in Canada effective January 1, 2011.
- In February 2008, the Canadian Securities Administrators (CSA) issued a concept paper containing a tentative conclusion that financial statements may be prepared under *IFRS* for a financial year beginning on or after January 1, 2009.
- As I write and you read, the International Accounting Standards Board (IASB), the organization that issues *IFRS*, is working on its Fair Value Measurement project, which is not only attempting to define fair value, but the basis of its measurement. Even more exciting, the IASB is openly soliciting input from valuers and the International Valuation Standards Council is assisting in this project as well as providing input.

It is with this backdrop that AIC members should start preparing themselves for the day that their client's management team, chief financial officer, accountant, lawyer, or all of the above, phone and want to talk about *IFRS*-compliant market-based data inputs and values. No one is recommending that you go out and try to memorize the latest copy of *International Financial*


Reporting Standards, International Accounting Standards (IAS) and accompanying Interpretations, which by the way, is a hefty 2,500-page read. However, you might start with some of the summaries prepared by the International Accounting Standards Committee (IASC) Foundation staff.

The starter reading list might look like this:

- IFRS 1* – First-time Adoption of International Financial Reporting Standards
- IFRS 5* – Non-Current Assets held for Sale or Discontinued Operations
- IAS 16* – Property, Plant and Equipment
 - Initially recognized at Cost
 - After recognition, Revaluation at Fair Value
- IAS 17* – Leases
 - Operating Leases
 - Finance Leases
 - Sale/Lease back
- IAS 36* – Impairment of Assets
- IAS 38* – Intangible Assets
- IAS 40* – Investment Property
- IAS 41* – Agricultural Property

An expanded list might include:

- IFRS 3* – Business Combinations
- IAS 29* – Financial Reporting in Hyperinflationary Economies
- IAS 32* – Financial Instruments

Let me close by saying, *IFRS* will undoubtedly present a mix of challenges and opportunities. As you might have already gathered, there will be no shortage of acronyms to become familiar with. In short, there is much work to be done. That said, I believe the real opportunity lies in the reality that the accounting and valuation professions are going to be working more collaboratively than ever before. Working through the issues and challenges together, I believe the resultant exchange of professional acumen and best practises will yield financial statements that users can better understand and use as a basis for informed decisions. 

FIRST PROFESSIONAL LIABILITY INSURANCE COMPANY

This issue, Mark Frederick reviews some issues concerning appraisal practice that we at First Professional Liability Insurance Company Limited and the AIC Insurance Advisory Committee are on the lookout for in these uncertain economic times. Mark is a partner at Miller Thomson LLP, a Canadian national law firm with offices across Canada. He thanks Denis Rivard of SCM Adjusters Canada for his assistance with this article.

We will also allude to our upcoming presentation at the 2008 Conference in St. John's, Newfoundland, where we will again present a sequel to our successful 2006 edition of 'You Be The Judge' and extend an invitation to AIC members to attend this event – an excellent resource, where we are given an on-site look at the litigation process and the opportunity to judge for ourselves an alleged negligent practice by our defendant appraiser.



Brian Duncan
AAI, P. App,
President of the Board,
FPLICL

Claims for good times and bad

Successful/unsuccessful appraisal practice in uncertain times

When we watch television or read the papers, we are always confronted with the 'success' come-ons. You will recognize them – from the financial business to the diet business to the real estate business: '10 secrets to Financial Success,' '5 Steps to Take off 20 Pounds,' or, my favourite, 'How to Profit in Real Estate in a Falling Market.'

We live in societies that like easy, simple answers to complex problems, and, indeed, the appraisal profession is no different. Right now, as real estate markets in most Canadian provinces begin to soften, clients are becoming more insistent on trying to predict or fashion outcomes with regard to real estate problems that they may have. Some of them will do this through legitimate means – they will seize the initiative over their problems and try to correct them. Others will seek to coerce or entrap appraisers into assisting them in solving their problem, almost always at the expense of the appraiser's own pocketbook and at the expense of their insurer, so that the client can profit – or at least break even – in a falling market.

What should appraisers be wary of in these uncertain times?

There are hundreds of scams and scenarios to which unwary appraisers are subjected. Here are five that consistently figure in claims scenarios when the economy begins to slow down:

1. Updating opinions

I recently came across a case where an appraiser was asked to provide a letter of permission to a lender to rely upon an appraisal he had done 18 months earlier. Without any hesitation, this appraiser complied without any consideration of possible changes to the market that may have evolved since that time.

If an appraiser fails to take every step to confirm his opinion to make sure that it is a reasoned opinion, no court will consider him prudent. Relying on an 18-month old report with no evidence of updating is not reasonable.

Many appraisers specifically time-limit their report for 60 days, requiring new appraisals or updates after 60 days no matter who wants to rely upon them and for what purpose. Prudent appraisers should not jump for those who want a quick update. Updates must often be prepared

with the same skill and care required to do the initial appraisal. Do not forget to charge for your update, so that it reflects that additional time expended to review the appraisal and/or update any information.

2. The rent is due

When interest rates rise, the cost of financing changes for all borrowers. Those investor-borrowers, who typically like duplex, triplex or similar buildings because of their ability to pay expenses out of rental income, can find that the economics no longer make sense, when the rental market loses present renters due to better options for renting and when escalating interest rates mean costs of financing rise literally through the roof. It is at times such as these that you must protect yourself by ensuring that you clearly identify what the source of rental income was in calculating an income approach in your appraisal.

There are reasonable sources – the client's real estate agent, the accountant, even the tenants themselves – but it is up to you to identify the source in your report and give proper warning to the reader of the steps that you have

taken, and the information you have received and how it figures into your appraisal. There is nothing unreasonable about using reasonable sources, but you still should identify the source of the information relied upon and the steps you took to obtain that information.

Another appraiser I assisted recently thought he was safe in relying upon the real estate agent's listing for the triplex he was appraising. That would have been fine, if he had made notation of the source in his report. Instead, he simply credited the rates in his report without any qualification. He had not done any independent review of the figures himself. They later proved to have been made up and the realtor was part of a fraud. He could not find solace in the limiting conditions of his report, because he did not give the reader any caution as to the source of this information. A simple warning of the source and that he took no responsibility for the accuracy of the numbers would have been more helpful. Even better yet would have been a quick word with the tenants or a review of the leases, if the appraiser's goal was to protect their client/ lender.

3. Ignoring sales that do not fit

As someone who defends appraisers on a regular basis, I can never understand why appraisers ignore sales that occur on the same street as property they are appraising. I always hear excuses such as "But it was a different type of house" or "I did not see that one in the MLS," which can never hold up under any scrutiny. The whole point of being an appraiser is that you have the ability to adjust prices to arrive at a reasoned conclusion of value. If an appraiser chooses to rely on his judgement and ignore the obvious, it increases the likelihood that his future judgements will be considered unreliable by those who expect that the obvious should always be taken into account.

I am always reminded of the appraiser who ignored the sale two doors down because it did not have a garage. Instead of allowing a \$20,000

adjustment to make the properties similar (which were otherwise relatively similar), he felt more comfortable in assessing a value \$100,000 in excess of the neighbouring property. No excuses.

4. Special properties need special attention

Office buildings often seem a dime-a-dozen, but their specific uses and the specific markets that they attract often mean special consideration must be given to value to understand what might motivate a willing purchaser or lender. I recently saw office building comparables used in a geographic area when, in fact, the use of the buildings was so different that it skewed the values involved. The first building was located adjacent to a downtown hospital, in other words, a perfect location for physician offices and pharmacies. The second building was a mile away, but next to a downtown night club. Both buildings had similar attributes, but the value of the near medical facilities building had a great deal more utility and a great deal more value overall, because of the rent levels being paid. In the absence of some indication of the different uses of these buildings, a client reviewing the background facts would have no information, and a comparison of one building against the other would not be accurate. Reports should provide some analysis of comparables to allow a lay person to understand the logic.

5. Condition is important to note

These days, the most consistent feature in claims for deficient recoveries in power of sales is the condition of the property at the time of sale, as opposed to condition at the time of appraisal. Many appraisers do not take enough photos or make enough notations of condition at appraisal. When a loan goes bad, chances are the occupier or renter will give up and house pride evaporates. Homes are often left in poor condition, damaged and uncared for. Power of sale sometimes takes months and neglect becomes the most telling feature of the property.

Appraisers must note condition – bad, good or indifferent. Too often, appraisers do not protect themselves by simply checking the box 'average.' A notation such as "the property was clean and cared for, no damage was noted" would be helpful, if supported by photos that let the appraiser's report stand unchallenged when faced with a \$80,000 drop in value two years later, when the property has suffered neglect and damage, such as flooding, vandalism and other problems.

These are a few of the many particular issues that are causing appraisers to spend needless time and effort in defending their work, and all could have been circumvented. By following the above suggestions, you may be able to avoid being the target of lenders who seek to make you their own insurance policy for uncertain times or poor lending risks. 🌈

Newfoundland is calling

Join us in the Supreme Court of Newfoundland before the former Chief Justice of Newfoundland, the Hon. Mr. Justice T. Alex Hickman, QC, as once again the appraisal profession goes on trial in FPLICL's presentation of 'You Be The Judge.' Ably assisted by our insurance broker and sponsors, our team of lawyers, adjusters and appraisers has spared no effort to present you with a court experience that you will not forget. If you regularly go to court, or if you want to know what you are missing, our presentation will outline the issues and the drama that such court cases provide. Many of those who attended our last Mock Trial in Charlottetown believed this was one of the most entertaining sessions of the conference. Our hope is that you will be entertained and educated and given the opportunity of determining the outcome as you are invited to 'BE THE JUDGE.'

Evolving standards support AIC membership

Ethics and standards are fundamental to all professional practices. All AIC member reports, consultations and professional services must be prepared, undertaken and completed in accordance with *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*.

These standards and ethical requirements not only set out the 'rules of the road' to guide AIC members, but also provide clientele with confidence that the services received from an AIC member will be consistent, of high quality and delivered with integrity.

For these very important reasons, the Standards Committee has the objective of assuring that *CUSPAP* provides maximum benefit to all.

Accordingly, standards must be:

- (1) Comprehensive and applicable to all areas of appraisal work.
- (2) Practical and easy to understand.
- (3) Easy to utilize and apply.
- (4) Current and relevant to prevailing market requirements.

In addition, standards must not create obstacles to regular work.

In order to maintain these objectives, the Standards Committee is involved in several ways:

- Specific areas and the scope of standards are subject to regular review on an ongoing basis. This occasionally involves discussion with AIC staff, but is often the result of commentary from the membership. This feedback may originate in a general manner from online chat room discussion or directly by way of a member's query to the committee. All such matters and responses are given careful consideration in order to provide the best guidance.
- The committee is sometimes asked to

provide assistance to the Counselor, Professional Practice. This is usually in response to a specific question regarding the practical application of standards. These various communications and open discussions are often very beneficial in helping shape the standards, which ultimately leads to better support for the membership.

"The development of our present standards is the result of the best minds, considerable thought, a wealth of expertise and extensive volunteer work."

- Interaction and sharing of concerns with other committees occasionally provides the committee with a different perspective. Because it is important that standards work well for both professional liability insurance issues and professional practice concerns, such collaboration is very important.
- In order to keep pace with our rapidly changing world, the committee reviews the evolving standards of other like-minded associations and professional bodies in order to maintain a leading edge and to be consistent with developments in these other jurisdictions. From the global perspective, committee member Brad Wagar has been working as a liaison with regard to International Valuation Standards, the direction in which the Appraisal Institute of Canada and other professional organizations are quickly heading. Also of international note, appraisal practices in the US have again

come under scrutiny by regulators, as a result of the sub-prime mortgage collapse. Undoubtedly, some aspects of appraisal standards will be reviewed and changes will occur. In this respect, it should be noted that our present standards are an evolution of the earlier *USPAP*, which were a direct result of the 1980s Savings & Loan collapse in the US. The impact of any such changes on our practices and standards implications will be carefully studied by the committee and appropriate recommendations will follow.

- As a direct service to our members, the Standards Committee provides support for professional practice seminars and instructors. The results of each seminar are comprehensively reviewed, with the objective that, on an ongoing basis, all attendees receive maximum benefit.

Canadian appraisal standards may well be the best in the world. The development of our present standards is the result of the best minds, considerable thought, a wealth of expertise and extensive volunteer work. The present and future committees have the task of continuing this mission in a progressive manner to further the best interests of our membership. 🇨🇦

Standards Committee

Ray Bower, AACI, P. App - Chair
 Anne Clayton, AACI, P. App
 Brad Wagar, AACI, P. App
 Iain Hyslop, AACI, P. App
 Brian Varner, AACI, P. App
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The inspection process

One of the most important aspects of the real estate appraisal is the inspection. Whether inspecting new or existing, one- or two-family dwellings, three- or four-unit buildings, the appraiser must have a good overall knowledge of construction methods, building materials, plumbing, mechanical, electrical systems, and all products and systems relating to the structure. Keep yourself up to date. When you see something new or different, ask questions, or, when you get back to the office, look it up on the internet, it is a great source of information and explanations.

The process of a building inspection involves the collection of information and data pertaining to the subject property. A detailed inspection enables the appraiser to provide an accurate description of the property and allows you to conduct a thorough analysis of the subject. This

results in a more accurate appraisal evaluation and provides the client with the necessary information to make an informed decision.

When I begin an inspection, I advise the owner or whoever is present that I will start in the basement; work my way through the interior of the dwelling; then proceed with the exterior, and that I will most likely have some questions for them once I have seen the property. Sometimes, the owner may want to accompany me. This can be a distraction. Generally speaking, telling the person what I will be doing results in her or she giving me free reign of the dwelling. It is important to remember that most homeowners have never seen or had an appraisal done and have no idea what the process entails. Appraisers should view themselves as promoters of the profession. Take time to ensure that the homeowner understands the value of having the

home appraised. They may refer you to a friend, neighbour or relative once they understand the difference between you appraising their property and a realtor advising them of the value of their home.

It is very important to be consistent, so perform all inspections in the same manner to ensure that nothing is missed. I like to start in the basement. The foundation is the bones of the structure and will tell you a lot about the building. What is the foundation type – poured concrete, block, cinder block, stone? Are there support beams? In an older dwelling, if you can see the actual frame, check for wood rot. Is there evidence of dampness and or mold?

Next is the dwelling's heating system. What type of heating system does the house have? Is it a forced air furnace, hot water boiler system, baseboard heating, or radiant heat? Is it fired by



gas, propane, electrical, water source or oil? If there is an oil tank, how old is it and is there any evidence of leakage? What extra features does the furnace have? Are there humidifiers, air cleaners, or central air? Is there an HRV (Heat Recovery Ventilator) or HVAC (Heating Ventilation Air Conditioning) system? The appraiser must be familiar with the various types of heating systems and different types of heat sources.

What type of hot water tank does the dwelling have and what is the source? There are new on-demand water systems and the appraiser should be aware of these. Is the hot water tank owned by the property owner or leased from the local utility company?

What is the electrical panel that services the dwelling? Is it fuses or breakers, and what is the amperage? Is there aluminum wiring in the dwelling, or knob and tube? What other features does the dwelling have? Is there an alarm, intercom system, or central vac? Is it a smart-wired house or an energy star dwelling? Are there garage door openers? The appraiser must know and see all of these items, as they are important features of the house.

Once these items have been inspected and noted, proceed with the inspection of the remainder of the dwelling. What I like to do when I enter a room is to work from left to right. I will visually inspect all walls, ceiling, trim, baseboards and flooring, and identify the type of finish the dwelling features. I will check the windows and, if there are long curtains or the windows are blocked, I will move drapes or blinds to have full inspection access, as I look for any signs of mildew, water seepage or damage of any type, including condensation between the panes of glass indicating a broken thermo-seal. I will take pictures of any noted damage, as this can be very helpful once back at the office. As well, good, detailed notes are very important.

I proceed through the entire dwelling doing each room in the same manner, left to right (or which ever way is preferred, but be consistent). Be sure to enter the room, look at all walls, ceilings, flooring and windows, and

“The appraiser must have a good overall knowledge of construction methods, building materials, plumbing, mechanical, electrical systems, and all products and systems relating to the structure.”

check inside closets – you would be surprised what you may find inside a closet of an older home. Also take note if there are no closets in the home. Remember to turn around and look at the door you just came through. Always walk into the room, view all directions and then walk out. You must cover all floor area, otherwise you will not know if the floors are level. Be sure to observe the condition of the paint, wallpaper, other finish treatments, carpets, flooring, counter tops, fixtures, etc. Has the dwelling been maintained? The kitchen cabinets may be old, but they could still be sparkling.

I know some appraisers who just stand in the doorway of a room without ever entering it. Get into the habit of walking into and through each room. It only takes a few more minutes and you will be surprised at what you will notice.

Bathrooms must be inspected thoroughly. In bathrooms, look for chipped sinks and fixtures. Open the shower curtains or doors and look at the ceramic or tub/shower surrounds to determine if there are signs of mildew. If it is an older dwelling or one with ceramic tile around the tub, check to ensure the wall behind is not rotten. Usually, tapping on the tile or looking for excessive amounts of caulking will provide a clue to this. You need to see and inspect every inch of the dwelling;

otherwise it will be impossible to determine the economic life and depreciation of the subject property. Condition is a very important factor in the inspection of the dwelling and, ultimately, the appraisal of the property.

In the kitchen, open cupboard doors, look under the sink. Are there built-in appliances? Open the dishwasher. Is it affixed properly, is it usable, or is the interior rusted? It could be just sitting there and not working. Are the kitchen cupboards custom? Are there granite countertops? What is the quality of the finishings? Are there any cracked tiles or burns in the countertops?

Once you have finished inspecting the interior of the dwelling, proceed to the exterior. Again, proceed in a consistent manner each time. Look at the exterior cladding, check the bricks, mortar, vinyl siding, fascia, soffits, windows and foundation, and check the parging for cracks or signs of dampness. When looking at the roof coverings, also take note if there is a chimney and see what condition it is in. If there are decks, fencing, sheds, etc., have a look at their condition. Look at all the site improvements including driveways, walkways, etc. If there is a pool, note whether it is in-ground or above-ground. Check the condition of the liner and assess the apron around the pool. You must examine all of these features, otherwise, how will you cost these items and put a value on the improvements?

When you are standing in the rear and front yards, have a look around for any positive or negative influences. Does the subject back onto a major highway or are there hydro towers in your view? Be observative – you are the client’s eyes and ears. Also, remember to inspect the interior of the garage or other buildings that may be on the property.

If the owner is available, ask questions – how old is the house, when was the kitchen, bath renovated, how old are the roof shingles? If it is an older dwelling, has the insulation been upgraded and with what? Does the dwelling have UFFI? These are all important to your inspection and report. If you do not ask, you will never know, and you will not be

able to complete an accurate appraisal report. Many times, the owner does not know. In this case, there are a few potential sources: a date stamp inside the lid of the toilet tank, a date stamp inside window panes, or a sticker on the furnace. A hot water tank or the electrical panel may still have the home warranty sticker. You can also check with the local assessment office, or, before you leave the subject property, take a walk down the subject street and find a manhole cover – some have the year marked on the cover. The date stamps may reflect the initial date of construction, however, be careful, some items may be newer due to renovations.

When inspecting two-, three- or four-unit properties, always follow the same protocol. The person showing you through a three- or four-unit building may want you to start with the units first and then proceed to the basement. Whatever way you start, remember, be consistent. Use the same traffic flow pattern that you are accustomed to; otherwise

you will certainly miss something. Ask for the income and expense data, preferably in writing – it will save extra steps later.

It is a good idea before you leave a dwelling to review your notes to ensure you have not missed anything. You do not want to arrive at the office, start typing a report, then realize you have missed something. To help avoid this, when taking notes, I like to divide my page into sections; top right will have all the mechanical information about the property, then the basement development, then the exterior improvements. The left side of the page will have all the information concerning the rooms, number of baths and any comments pertaining to condition. The sectioning of the page is also helpful when typing the report. It is more time efficient. Remember – be consistent in your inspections, become methodical in your actions so as to avoid missing any details and it will increase your thoroughness and efficiency.

Measuring the dwelling will be addressed in a future article. 🌈

The CRA Focus is a committee of CRA representatives from across the country that meets virtually and collaborates through email to advance the interests of CRAs. They focus on identifying issues of primary concern to the CRA membership, exchanging ideas about career paths, identifying evolving education and/or continuing professional development training needs, and discussing issues pertinent to building successful business practices. Topics and issues of interest emerging from their meetings will form the basis of surveys and recommendations to the Board of Directors and/or become the foundation for articles in AIC's magazine – Canadian Property Valuation.

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Undue appraiser influence

There has been much written and published in the US about mortgage fraud and what, if anything, appraisal fraud may have contributed to the overall fraud problem. By now, many would have read about the recent agreement between the New York Attorney General and Fannie Mae and Freddie Mac regarding appraiser independence. The focus of this article is to place this issue in the Canadian context of what the Institute believes may be unreasonable appraiser influence. This is not about a conflict of interest which will be the focus of a future article.

Appraiser influence occurs when you are pressured or coerced into doing something that contravenes the Institute's *Code of Ethics*, appraisal

standards or your professional values.

Appraisal fraud takes many forms. Any intent to mislead the reader of a report by an act of omission (e.g., failing to note a prior sale in the report – *CUSPAP Appraisal Rule 6.2.23*) or an act of commission (e.g., creating a false or misleading comparable property to substantiate a value opinion) can lead to criminal and civil action against an appraiser, as well as potential discipline

“The Institute is working with stakeholders to develop a strategy that not only condemns this type of conduct, but sets industry standards to prevent it from occurring.”

before the Institute's professional practice committees. Appraisal fraud is more often committed by third parties. Someone obtains a copy of your report, and manipulates the data to change the conclusions in order to obtain a mortgage on the property. The most egregious form this has taken is appraiser identify theft; where a third party simply creates the report under your name or using your business name and letterhead. All the examples cited are real situations that have been brought to the attention of the Institute by members who have been affected by appraisal fraud. Knowing that it can and does occur is key to the development of prevention strategies on the part of the Institute and members equally. Preventing this type of fraud is a significant element of why the Institute partnered with Notarius for the provision of digital security services for reports and signatures. (www.notarius.com/en/clientele_ICDE_en.html) If you have not considered utilizing this service in the past, now is a good time to review your fraud prevention practices and to adopt some prevention tools.

Preventing undue appraiser influence is a subject of increasing awareness in the US, where California adopted legislation, where US Congress is considering legislation, and where the New York Attorney General entered into an agreement as part of the settlement of his investigation into this practice. There is also increased awareness within the Canadian lending community and at AIC, in particular. The Institute is working with stakeholders to develop a strategy that not only condemns this type of conduct, but sets industry standards to prevent it from occurring.



Undue appraiser influence takes many forms. At the very low end, when an appraiser receives a request from an appraisal management company or a lender stating what the value of the property is, or should be, this may be considered as improper influence. See *CUSPAP Ethics Standard Comment 5.14* for a discussion on this issue. As a professional, you are expected to ignore these statements and to produce your report in an unbiased manner. It would be inappropriate for you to contact your client to say that you are unable to confirm their preconceived notion of value and seek further instructions.

In the middle ground, there may be the perception that a client's instructions may alter the definition of fair market value, or unduly restrict you in some fashion. For example, they might suggest that you are only permitted to use a comparable within a certain geographic radius of the subject property or that the adjustments cannot exceed a predetermined percentage. As a

professional, you should endeavour to satisfy your client's request, however, where it is not possible, it is important to recognize that it is your professional opinion of value and that, in your report, you should set out the ways in which this criteria affected market value or how difficult this made the assignment. It would be inappropriate for you to simply comply with these requests without an independent analysis of market conditions.

The high end of undue appraiser influence may be where your client directs you to use a specific comparable or to rely on unsubstantiated facts, or makes a suggestion that failure to meet the client's value requirements may affect your ability to earn a livelihood. As a professional, your ethical obligation is to confront these challenges to your integrity and to not succumb to them. It would be inappropriate to react to these intimidations and it is reasonable for you to decline any assignment where you are uncomfortable with the pressures being placed on you.

The suggestion that failure to meet a client's demands may result in a complaint to the Institute may also be perceived as a form of undue influence. However, you should always welcome a review by the Institute and welcome the opportunity to publicly expose those who would attempt to unduly influence the appraisal process.

If an appraiser is concerned about undue influence, he or she may contact the Counsellor Professional Practice via email Counsellor@aicanada.ca or toll free 866-726-5996. 🇨🇦

Real Estate Fraud Task Force

George Maurice, AACI, P. App – Chair
 Paula Malcolm-Schaller, CRA
 Kimberly Maber, AACI, P. App
 Ed Saxe, CRA
 George Ward, AACI, P. App
 To contact this committee by email
fraudinfo@aicanada.ca

Each of these may be viewed as examples of undue appraiser influence:

- (1) by improper influence, through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, or bribery from a party with a direct interest in the property or the transaction;
- (2) by influence of an appraiser or otherwise encouraging a pre-determined value, a direction in value, or a specific result;
- (3) by any suggestion that an appraiser's livelihood may be jeopardized including non-payment, failure to timely compensate an appraiser for work completed or denial of future work; and
- (4) by threat or intimidation of the submission of a complaint to the Institute, if a pre-determined value, a direction in value, or a specific result is not obtained.

CANADIAN RESOURCE VALUATION GROUP INC.

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Dual examination process raises our standards



Leacy O'Callaghan-O'Brien
Director, Professional Development
and Member Services

In his inaugural speech delivered in January 1977, then US President Jimmy Carter assured the nation that they could expect from him this reasoned approach to change management, quoting a high school teacher. . . “We must adjust to changing times and still hold to unchanging principles.”

While the Appraisal Institute of Canada (AIC) leadership sought no advice from Mr. Carter on a change management strategy, the AIC has, in fact, adopted a similar approach in transforming many of its programs. Ensuring that the firm foundations of professional standards and irrefragable ethical principles upon which the Institute was built were preserved has been as critical an element of change management as creating the new framework of requirements that our candidates need to be successful in the world they are going to face when they complete their program of professional studies. To fulfill the goal of having AIC designated members recognized as first-tier professionals, the Board of Directors has approved a series of measures over the last 10 years to align the

AIC curriculum and experience with those of comparable professions.

The finishing touch on the most recent round of enhancements is the launch of the new dual examination process for members applying for either the CRA or AACI designation. We now have in place across Canada a written Applied Experience Exam process and an oral Professional Competency Interview process.

The written examinations were developed by the Learning Advisory Committee and the Applied Experience Sub-Committee to test the depth of a Candidate's experience and his or her use of the First Principles of Value during the mentoring period. Candidates who pass this examination, demonstrating the required depth of knowledge and experience, then proceed to the professional competency interview.

The professional competency interview is based on behavioural descriptive interview techniques. It provides a formal face-to-face meeting between appointed representatives of AIC and the Candidate. In that meeting, our newly-trained examiners will assess the

Candidate's qualities and competencies in areas considered critical for success in the profession. Qualities being tested include market analysis, integrity, communications, critical thinking, and self-development.

The implementation of this two-step qualification process is a major advance for AIC and its members. AIC designations are held in high regard and those holding them must be held to a high standard. Qualifying members must have both the experience and qualities expected of AIC designated members.

A comprehensive resource centre has been created to assist Candidates for designation in their preparation for the designation examinations in the Candidate Central Section of the AIC website. The site includes sample questions, links to exam preparation tools and model interviews, registration information and exam regulations. Candidates are encouraged to review this material with their mentors early in their Applied Experience program, so that they are effectively preparing for the final assessment throughout the working relationship.



Frequently asked questions about the applied experience written examination

Do I need to buy study materials?

No, the exam is based on your understanding of First Principles of Value and how these apply to your own work experience. You should review the First Principles closely and review the sample exam questions. Think about your work experience specifically in terms of how you have dealt with each of the First Principles. You can be reasonably certain that you will need to discuss examples based on each of the First Principles.

How do I register for the examination?

Once you have completed all curriculum and designation requirements, you can register for the examination online with the Real Estate Division of the Sauder School of Business at UBC, at least 30 days prior to the scheduled exam date.

What is the examination fee?

The examination fee is \$195.00.

How do I know if I have met all the curriculum and designation requirements?

Contact your provincial association office. The staff will review your file and advise you if you have outstanding requirements. They will then provide written confirmation that you have met all curriculum and designation requirements to the Real Estate Division, at least 30 days prior to the scheduled examination. Examination registrations will not be processed until confirmation of eligibility has been received by the Real Estate Division.

I recently wrote the exam.

How soon can I expect the results?

You can expect your results by mail in approximately 4–6 weeks. The Real Estate Division has a policy not to provide exam results over the telephone. The only exception to this is when a student has failed the examination and needs to be informed in time to apply for a rewrite.

What if I fail the exam?

You may apply to rewrite the examination at the next scheduled sitting of your choice, at a fee of \$195 per attempt. If you fail to pass the examination after three attempts, you may be required to complete additional education and/or experience before being permitted to sit the examination again.

Frequently asked questions About the professional competency interview

What is the difference between traditional and competency-based interviews?

Competency-based or behavioural interviews focus on past performance as a predictor of future performance. Research has shown that behavioural interviews achieve a higher level of accuracy than traditional interviews.

In a competency-based interview, Candidates are asked to provide detailed accounts of what they have done, said, thought and felt in situations similar to what they will experience as a designated member of the Appraisal Institute of Canada.

A traditional interview focuses on education, qualifications and credentials. Often, responses given address an individual's opinions and feelings, but do not provide information on actual performance on the job or about job experiences or accomplishments. It is difficult for a panel to determine how a person will perform into the future without an idea of what and how they have performed in the past.

Who will conduct the interview?

The trained interview panel consists of at least two individuals and may include up to four individuals appointed by your provincial organization and formally trained to carry out competency-based interviews. Over 60 designated members of the Institute have recently participated in intensive training workshops conducted by a firm of human resource consultants who specialize in Behavioural Descriptive Interview techniques.

What will be included in the professional competency interview?

Questions will be focused on obtaining information relevant to the defined competencies of designated members of AIC. Candidates will be asked questions that will enable them to provide detailed accounts of what they have done, said, thought and felt in situations which will be similar to situations they will encounter as a designated AIC member. Candidates may be asked for more than one example. For example, instead of being asked "How do you do such and such. . .?" you would be asked "Describe a situation when you have . . ., what were the circumstances, what were your specific actions, what was the result, etc. The interviewers will take notes during the interviews and may probe for further details when required. Take a look at the Interview Scenario (Link) to see how a sample question is answered.

Do I need to bring anything with me?


No, the interview panel will have received and reviewed your résumé and Applied Experience report in advance of the meeting.

What happens when the interview is over? Will I get my results immediately?

Once the interview is over, you will be asked to leave the room while the panel deliberates. You will then be invited back to meet with them. Successful Candidates will be congratulated by the panel chair, provided with information on use of the designation, and presented with the designation certificate. On occasion, the panel may require additional time to reach a conclusion, in which case you will be excused and advised of an approximate date when you will be contacted with the panel's decision.

What if I am not successful?

If you were unsuccessful, the panel chair will provide you with advice on how to succeed the next time, as well as when you may return for a second interview.

To review the complete guide to the new AIC examinations, visit: http://www.aicanada.ca/e/careers_candidate_membership-new-exams-study-resource.cfm . 

PROFESSIONAL DEVELOPMENT COURSES

UBC Real Estate Division



Today's successful real estate professional is creative, analytical, adaptable, and committed to lifelong learning. The Real Estate Division at UBC's Sauder School of Business offers a suite of self-paced, online courses designed to broaden your marketable skill set and enhance your professional future. Each course will earn you a UBC award of completion and **guaranteed credits** towards the Appraisal Institute of Canada's Continuing Professional Development (AIC CPD) requirements.

Current Courses

(X) = Number of AIC CPD Credit Hours

Business Enterprise Valuation (7)

An introduction to business valuation, illustrating the use and application of business valuation principles.

Valuation of Property Impairments and Contamination (10)

Discover the theory and methods used in the valuation of properties with impairments or detrimental conditions, such as contamination.

Hotel Valuation (7)

Explore hotel appraisal, test the three approaches to value, and discover the supply and demand factors that affect a hotel's income potential.

Highest and Best Use Analysis (4)

Learn how real estate market forces and market analysis impact the profitable use of both vacant and improved property.

Multi-Family Property Valuation (7)

Discover the physical considerations and valuation methods specific to multi-family dwellings, and apply these in case studies.

Office Property Valuation (7)

Find out how the physical aspects of office properties influence their value, with a focus on multi-tenanted office projects.

Seniors Facilities Valuation (4)

Examine the specialized data requirements and inspection and valuation techniques needed for the health care and assisted living sector.

Land Valuation (7)

Explore the principles and techniques for valuing land, with a focus on case studies and practical applications.

Appraisal Review (7)

Review appraisal reports for appropriateness and reasonableness, testing if the report achieved the client's purpose in a meaningful and ethical manner.

Machinery and Equipment Valuation (7)

Explore the concepts and techniques involved in valuing machinery and equipment.

Lease Analysis (7)

Examine the impact of lease documents in commercial real estate, specifically their legal and financial implications.

Real Estate Consulting: Critical Thinking, Research & Risk Analysis (10)

Explore real estate advisory services: thinking creatively and critically, gathering and evaluating necessary data, and evaluating risk.

Real Estate Consulting: Decision Analysis (10)

Discover how decision analysis can be applied to help clients and employers make better-informed real estate decisions.

Real Estate Consulting: Forecasting (13)

Learn how forecasting tools and techniques can enhance real estate decision-making and market analyses.

Urban Infrastructure Policies (7)

Explore the concepts, legislation, process, and skills necessary to understand the need for servicing requirements for land developments.

Urban Infrastructure Applications (10)

Examine the infrastructure and servicing requirements surrounding the development of real property.

Agricultural Valuation (10)

Examine the theory and methods used in the inspection and appraisal of agricultural properties, and apply your knowledge in a case study.

Exposure & Marketing Time: Valuation Impacts (4)

Examine how marketing time and exposure time impact market value appraisals.

Expropriation Valuation (4)

Discover expropriation concepts, the legislation and court precedents governing expropriation, and the techniques appraisers apply when carrying out expropriation assignments.

Green Value - Valuing Sustainable Commercial Buildings (7)

Learn about green building features and their economic impacts for investors, owners, and occupants.

Future Courses

Submerged Land Valuation • Exploratory Data Analysis in Real Estate • Letters of Engagement • Green Housing • Mark-to-Market Adjustment Support in the Direct Comparison Approach • Responding to RFBs • Establishing and Managing a Real Estate Business

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Real Estate Division



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Spotlight on continuing professional development

Over the past three years, the UBC Real Estate Division has developed short courses to meet the continuing professional development (CPD) needs of AIC members. These CPD courses have two goals: (1) to refresh members' skills and knowledge; and/or (2) to teach members new techniques and applications for the evolving marketplace. UBC's CPD courses are 'bite-sized,' self-paced online courses. There are more than 20 courses available, with new additions coming online regularly.

This article highlights three recently developed CPD courses, with the goal of providing information on their subject matter – and hopefully whetting your appetite to learn more.

CPD 125: Green Value – Valuing Sustainable Commercial Buildings

Global climate change and the sustainability of our current consumer lifestyles have become mainstream topics of conversation. Former US Vice President Al Gore brought widespread awareness of climate issues to the public in his documentary film *An Inconvenient Truth*, while the United Nations *Report on Climate Change* has reinforced the message that the Earth is changing.

This two-lesson course examines how contemporary environmental issues are impacting real estate decision-making. The first lesson explores the features of 'green buildings' and sustainable development. Green buildings aim for several or all of the following features:

- substantially reduce energy requirements;
- conserve water;
- maximize natural light and views;
- maximize fresh air circulation;
- minimize high energy heating/cooling;
- harvest rainwater for toilet flushing and irrigation;

- include recycled materials; and
- flexible sustainable designs that can endure for a hundred years and more.

In Lesson 1, we provide examples of architectural design and building construction practices that contribute to a building's 'green-ness.' We also introduce international standards for rating green buildings, most notably the Leadership in Energy and Environmental Design (LEED) program and the BOMA program.

The second lesson examines the business case for green building investments. We explore the additional costs of sustainable building and compare these against the benefits, both to the building owner and society at large. We also investigate the issue of 'green value,' whether or not green features add to real estate's market value. Questions to be explored include:

- In the case of feasibility studies, does building to green standards make economic sense?
- Is the value of a green 'retro-fit,' such as energy efficient lighting, captured in market value?
- How do financial incentives offered by energy companies, local, provincial, and national governments and agencies impact green building economics?
- What additional factors influence the business decision to adopt green building technologies? In other words, is green building an ethical choice and a good financial choice?

Since real estate professionals provide advice to clients on property value, brokerage, and building management, an understanding of the 'green increment' will increasingly become an expectation of a consultant's due diligence in the future. Our overall course goal is to explore the concept of 'green value' and shed light on the debate of whether a 'green' premium for commercial construction is fact or fantasy.

Note that this course focuses primarily on commercial real estate, including office, retail, industrial, and multi-family residential. We leave residential issues to another related course currently in development.

CPD 117: Exposure & Marketing Time: Valuation Impacts

Consider the following appraisal assignments:

- You are commissioned to complete an appraisal for a house in foreclosure. The legislation specifies it must be sold at 'market value,' but the bank has instructed you that they need to recover their money as quickly as possible and that your appraisal reflect 'market value based on a 30-day sale.' Typical exposure time in this market is 4-5 months.
- You have been hired to complete a valuation of a single-family dwelling. The intended use of the appraisal is for relocation purposes and the intended users of the report are the relocation company and the company that is relocating the employee. The property is located in a small community that typically will only experience two to three sales per year. The relocation company asks for a value estimate 'assuming a marketing period of 90 days.' Normal exposure is 180 days in this market.
- What special considerations are necessary in appraising these properties?
- Are these market value appraisal assignments or something different?
- How can you meet the clients' needs, but also protect yourself from potential liability and a breach of professional standards?

Most appraisal assignments involve estimating the market value of real property. Whether explicitly recognized or not, the concept of time is always intertwined within the definition of

market value. Market value estimates must always be as of a fixed point in time, whether current, retrospective, or prospective. The standard definition of market value includes the concept of a 'reasonable' exposure time. Also, a 'reasonable' marketing time is required in order to achieve market value. This one-lesson course explores the relationship between market value and time, focusing specifically on exposure and marketing time.

Exposure time and marketing time are two important concepts which are often not given the attention they deserve in the appraisal process. *Appraisal Standard Rule 6 of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* requires that the appraiser include an analysis of 'reasonable exposure time' in each report. In other words, there is a compulsory compliance requirement that exposure time be dealt with in an appraisal assignment and in every appraisal report.

The assumption of a 'reasonable' or 'adequate' exposure period is a cornerstone of most definitions of market value. If this period varies from normal, there is likely to be an impact – either on the market value estimate or the selling price of a property under review. It could be said that exposure time helps to shape the definition of market value. Therefore, it is imperative that the link be made between these two concepts in an appraisal report.

Attention should also be drawn to the various market conditions where buyers and/or sellers may be atypically motivated. It is important for appraisers to be aware of these different conditions, so when researching sales, the measure of exposure can be a true reflection of 'normal marketing conditions.' Exposure time and motivation of one or the other parties to a sale are so interrelated, that when sales with such features are used in determining value or average days on market, the accuracy of one or the other must suffer – either the value estimate or the estimate of exposure time. Furthermore, by understanding the circumstances surrounding a sale, an appraiser is in a better position to accurately link exposure and marketing times to their final estimates of value. Therefore, an appraisal that

considers these factors will more accurately reflect the conditions of the market and become more useful to clients.

This course explores the relevance of an exposure time estimate and the need for clear and adequate disclosure of the estimate in a report, such that the reader clearly understands the concepts of exposure time and marketing time. Through an in-depth discussion and a series of case studies, the course aims to clarify this often neglected aspect of appraisal assignments, so that appraisers across Canada may better serve their clients (as well as protect themselves from potential liability and meet professional standards).

CPD 118: Machinery and Equipment Valuation

Machinery and equipment (M&E) are items of personal property. This includes everything from the beds and televisions in a hotel room, to automobiles, trucks and other mobile equipment, to manufacturing equipment in plants and generators in power dams. M&E also includes the following:

- Machine tools
- Hand tools
- Vehicles, boats
- Chemical equipment and tanks
- Furniture and supporting equipment
- Communication equipment and computers
- Farm equipment
- Oilfield equipment
- Restaurant equipment

The valuation of M&E is a specialty branch of the appraisal field, combining technical machinery and equipment expertise with techniques from both business valuation and real estate appraisal. M&E appraisal assignments can differ from real property appraisals in many ways:

- A determination of market value is not always the aim of the assignment.
- M&E appraisals are often completed as part of complete business valuations that typically combine the need for expertise in real property values and analysis of the financial well-being of the business.
- Analysis of M&E values requires identification and classification of the items to be valued (which is not always an easy task), and then determination about the condition and func-


tion of each item. The location of the item will, in most cases, make a difference in its value.

- In an M&E assignment involving heavy or large machines, it is often difficult to know where to draw the line between where the machine ends and where the real property begins. For example, is the air conditioning that cools the employees, but is also needed to operate an engine production line within acceptable machined tolerances, part of the building or part of the M&E?
- M&E values can be very detailed, requiring considerable inspection time and analysis, or completely summary in nature, where a complex assembly process is valued as only one line on the report.
- M&E values can also involve the valuation of chattels, including horses and livestock.

In spite of these complications, the *CUSPAP* still apply to machinery and equipment appraisal assignments. *CUSPAP* discusses personal property as follows:

Personal property: including tangible or intangible items that are not real property, but that are included in the appraisal. May be omitted when not relevant to the assignment, otherwise competency in personal property appraisal is required when it is necessary to allocate overall value. (*CUSPAP* section 7.23, 2008)

This two-lesson course introduces concepts and techniques for the valuation of machinery and equipment. The intent of the course is to build awareness of this topic, either as a potential area of specialization for appraisers or at minimum so appraisers are more familiar with the 'what, why, and how' of machinery and equipment valuation, should they come across M&E issues as a part of real estate assignments.

Much of the first lesson is devoted to outlining the various types of machinery and equipment valuation assignments and the value definitions that apply. After, the resources and methods that are available to complete the appraisal are discussed, including simple examples using the income, cost, and direct comparison approaches. The second lesson provides case studies that illustrate the practical application of these techniques in a variety of real-world scenarios. 



Robert Patchett
LL.B., CD, AIC Counsellor,
Professional Practice

Reasonable appraisal review

I am sure you have all been asked at one time or another by a client or an interested third party to review your own appraisal report. This issue continues to challenge appraisers, as they seek clarity regarding what review and update can be undertaken and how the results of that review could be reported. If you do make any changes to your report, it is an 'updated report,' as set out in *CUSPAP Appraisal Standard Comment 7.6.4*.

The challenges to any review are to know and understand what constitutes a reasonable request from your client or other interested party. Their reaction typically starts with something like, "I thought it was worth more" or "the house next door sold for more." So, what can you do?

First, it is important to recognize that you are the professional and that you will stand behind your work; but that there may be an instance where your client has something to contribute. It is reasonable to be asked to correct any errors in your report, even if, in your opinion, it does not affect value. If you get the property description wrong, it undermines the entire report's credibility.

It is reasonable to be asked if you had considered a specific property for comparison purposes and, in such instances, it is reasonable to indicate that you did consider it, and why you chose not to use it. It is reasonable to update your report, if your client suggests a property that is, in your opinion, a better comparable, but one of which you were not previously aware.

It is not reasonable to update your report to provide an opinion of value that the client expects, if it does not correspond with the value you have already determined. See *CUSPAP Ethics Rule Comment 5.14* for a discussion of this.

The second part of this discussion has to

A reasonable request for an appraisal review can be based on a need to:

- (1) Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support an appraisal.
- (2) Provide further detail, substantiation, or explanation for the appraiser's value conclusion.
- (3) Correct errors in the appraisal report.

be about who can request a review and what information you could provide. If it is your client, then it is simple, you should have that conversation and explain your choices and your outcome. That is part and parcel of being a professional. Providing an explanation that contributes to your client's understanding of the appraisal process should always be part of the service appraisers provide. Where this is done well, chances are you will have a repeat client and someone who will refer family and friends to you. However, if not done well, it could lead to negative consequences.

When the request for a review comes from someone who is not your client, e.g., the property owner or mortgage broker, it is important to recognize that, as a professional, you have a duty of confidentiality to your client. However, there will always be a duty of care owing to the homeowners and others that may be interested or to those who will rely on your competence as a professional to prepare a professional report without undue influence. There is no question that it should not matter who asks for a review of your report;

your opinion of value should stand the test of review. In this situation, it is even reasonable for someone else to ask you to correct an error, even if it does not affect value. It is the ethical thing to do as a professional. It is reasonable to admit that there may be a better comparable that can be used in the report and to update your report accordingly.

The challenge is to provide a reasonable explanation to the other party regarding errors and choices of comparable properties. This contributes to their understanding appraisal methodologies and recognizes that the selection of an appropriate comparable for use in a particular appraisal assignment is dictated by your professional opinion. It would not be considered reasonable to be so rigid as to refuse to discuss these issues with a third party on the basis that they are not your client, or that the information is confidential, since clearly they may have a copy of your report and have some concerns that you should be willing to discuss. However, if not done well, it could lead to negative consequences.

In some cases, you may experience difficulties with clients and others about the content of an appraisal assignment. If you are unable to resolve these issues, then you can and should refer them to the Counsellor Professional Practice. You may also call upon the Counsellor for advice and coaching to assist you in resolving the difficulties on your own. The member service that I provide includes assisting members, their clients and intended users to resolve these kinds of disagreements and to better understand the methodologies involved. I may be contacted via email Counsellor@aicanada.ca or toll free 866-726-5996. 🇨🇦

Harmonization of standards

In the spring of 2007, a joint committee was struck to assume the task of reviewing and harmonizing the AIC standards with those of our counterparts at the Ordre des évaluateurs agréés du Québec (OÉAQ). Once this is accomplished, we will undertake to ensure that the harmonized standards comply fully with the *International Valuation Standards*.

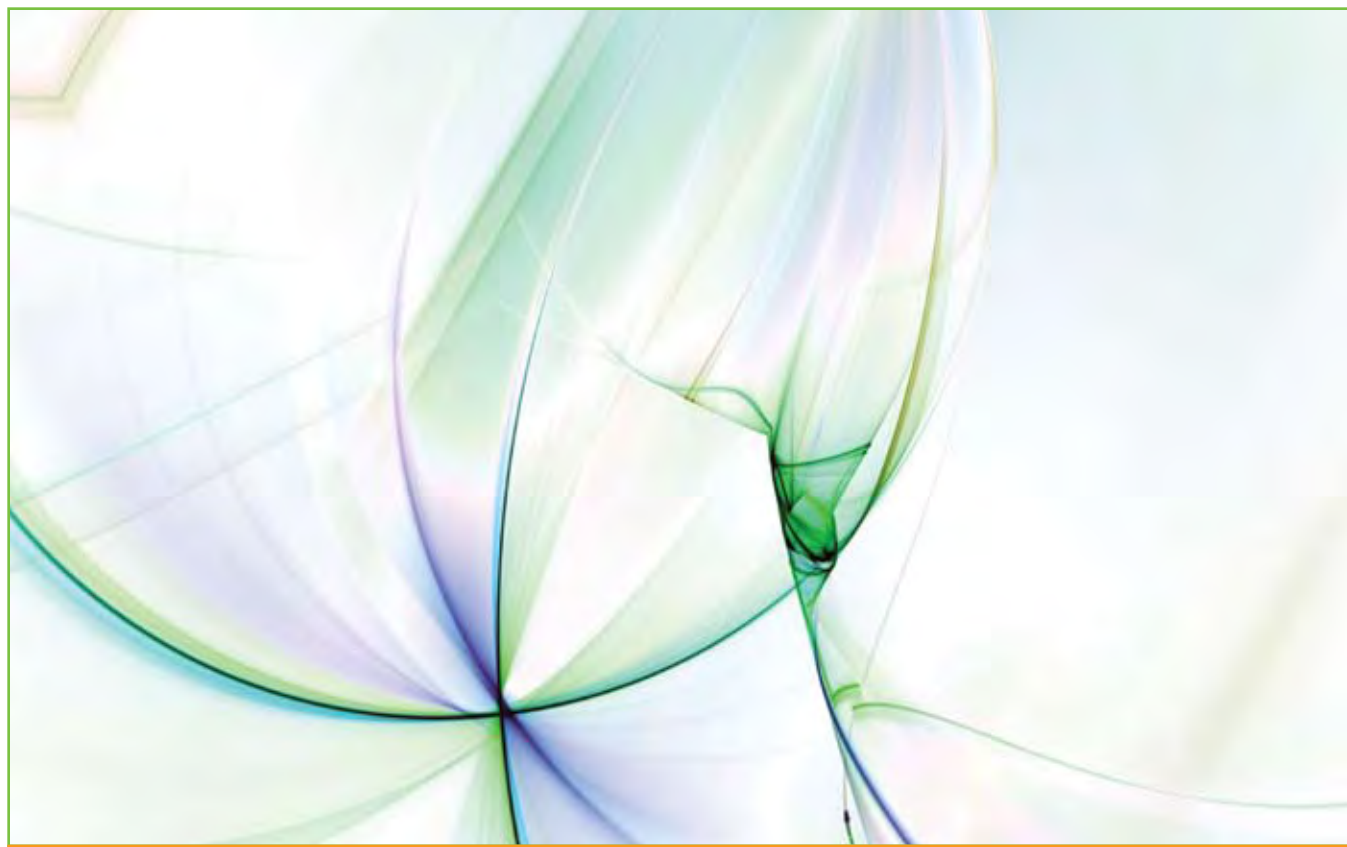
The question that should immediately come to mind is *why*? The AIC standards went through a significant revamping several years ago when we moved from *USPAP* to *CUSPAP* and have evolved since. So why bother? Why go through the effort and the expense and what benefits could possibly be gained? This article aims to provide a very brief overview of

the reason this committee was struck, what accomplishments are expected, why it is of significant importance, and how it will promote our industry and profession.

First of all, we have to acknowledge that the world is shrinking. Some of us continue to say “who cares” and cling to the comfort and notion that what happens outside our city or sphere of work does not matter. Well, it is time to wake up and smell the sub-prime melt down. Each of us will be affected by what goes on to the south and throughout the world, directly or indirectly, like it or not.

The *International Financial Reporting Standards (IFRS)* will come into full force in 2011. I will not go into details regarding what

IFRS entails, as we have had articles on this subject in earlier issues. But, if you are not sure, you should find out. That said, many in our midst think we have a couple of years to prepare, which is wrong. In order to be *IFRS* compliant, companies will require one year’s comparison to establish a base line for their accounting records, which means 2010 valuations. In order to get the work completed in time, many companies will start revaluing their real estate assets at market value very soon, because they know there are only so many appraisers out there. This means they will have to start in 2009, or now, to get ahead of the wave. So, the object in the rear view mirror is closer than it appears and is about to pull up along side of us.



What this means is that the international business community is pushing more cohesive financial reporting requirements through the system; and this will impact many private and public companies. By extension, this means consistent valuation methodology and standards for real property. That is the connecting link to us and to why we absolutely need national standards that are internationally compliant. If we do not take care of this and get in front of it, we will be led through the process by someone other than the real property valuation experts.

No disrespect intended toward lawyers and accountants, but we do not tell them how to do their jobs. We have to make sure we are driving this process or one of those groups almost certainly will assume the driver's seat.

Therefore, the logical starting point is to harmonize our Canadian standards by bringing together those adhered to by the AIC and the OÉAQ. Once this is completed, we will structure the common document so that, by default, our members will be IVS (International Valuation Standards) compliant.

The fact is that both our standards and the OÉAQ's are currently similar and close to being IVS compliant. Therefore, harmonization is a very short step, as opposed to a perceived giant leap. However, the devil is in the details, as we work at coordinating the AIC's and OÉAQ's documents, while including regional particularities relative to licensing in certain provinces. Nevertheless, the end result will be quite simple in that, as an AIC member or as a member of the OÉAQ, and by adhering to the Canadian standards as they apply to your province; you will be automatically Canada and IVS compliant.

"If we do not take care of this and get in front of it, we will be led through the process by someone other than the real property valuation experts."

What do you have to do as a member?

The answer is nothing. This committee has been working diligently at the task and will be presenting its first draft to the AIC Standards Committee and its counterpart at the OÉAQ in June 2008. The document will then evolve and, presuming it receives continued support by the AIC Board of Directors and the OÉAQ, it would eventually replace *CUSPAP*. In actual fact, the term 'replace' is probably the wrong word, because the new Canadian standards will actually be an evolution of *CUSPAP* and the OÉAQ's standards. This will be a fairly seamless transition, but will be a significant accomplishment for the future of our profession. In addition to establishing truly Canadian valuation standards, the international community will recognize these standards as the benchmark for quality and professionalism relative to real property valuation in Canada.

Furthermore, the intention is to expand and include the business valuers and the machinery and equipment valuation industry within the Canadian standards. AIC is currently developing training for M & E. Talks are ongoing between AIC and the Canadian Institute of Certified Business Valuators (CICBV), with

respect to having this organization participate in establishing Canadian standards relative to their specialized profession. Combining these elements is not a new concept, as IVS already has sections for real property, business valuation, machinery and equipment, and financial accounting. Therefore, the AIC is building on its international reputation and stepping to the forefront to maintain the position of its members within the business community. This is the AIC and its partner organization the OÉAQ working for their members on a national and international stage.

The members of the Harmonization of Standards Work Group consist of the CEO of the AIC, the Professional Affairs Coordinator of the OÉAQ, and volunteer members of both organizations, which includes a representative of Public Works and Government Services Canada (PWGSC). The federal government has taken a keen interest in this endeavour, as it represents a push towards truly national standards for real property valuation in Canada. The members are listed below. If you have any questions, please feel free to email AIC at standards-harmonization@aicanada.ca. 

AIC – Harmonization of Standards Work Group

Georges Lozano, CEO – Appraisal

Institute of Canada

Christiane Guimond, É.A. Professional Affairs Coordinator OÉAQ

Laurent Brosseau, AACI, P. App

Pierre Cyr, É.A.

Gérard D'Aoust, ÉA

Marc Lachaine, É.A.

Jules Mercier, ÉA

Louis Poirier, AACI, P. App

Harmonisation des normes

Au printemps de 2007, un comité mixte a été créé pour revoir et harmoniser les normes de l'ICE en collaboration avec nos collègues de l'Ordre des évaluateurs agréés du Québec (OÉAQ). Une fois l'exercice terminé, nous veillerons à ce que les normes harmonisées soient conformes aux « normes internationales d'évaluation » (NIE).

La question qui vient donc immédiatement en tête est *pourquoi*? Les normes de l'ICE ont subi un remaniement majeur il y a quelques années lorsque nous avons passé des *Règles uniformes de pratique en matière d'évaluation au Québec* aux *Règles uniformes de pratique en matière d'évaluation au Canada* (version 2007). Depuis, elles n'ont cessé d'évoluer. Alors pourquoi s'en faire? Pourquoi dépenser tant d'efforts et d'argent et qu'avons-nous possiblement à gagner? Le présent article vise à expliquer rapidement pourquoi ce comité a été créé, les réalisations attendues, son importance et comment il sert à promouvoir l'industrie et la profession.

D'abord et avant tout, nous devons reconnaître que le monde est de plus en plus petit. Certains continuent de dire « et puis après ? » et s'accrochent au confort et à la notion voulant que ce qui se passe à l'extérieur de leur ville ou leur milieu ne compte pas. Et bien il est temps de faire face à la réalité. Chacun de nous sera affecté par les événements de par le monde, soit directement ou indirectement et ce, qu'on y soit prêt ou non.

Les normes internationales régissant les rapports financiers (NIRF) entreront en vigueur en 2011. Je n'aborderai pas les détails de ce que cela signifie puisque des articles ont déjà paru sur le sujet dans des numéros précédents. Toutefois, si vous êtes incertain, vous devriez faire des recherches. Ceci étant dit, plusieurs croient que nous avons encore quelques années pour nous

« Si nous ne restons pas à l'affût de la situation et que nous ne prenons pas les mesures nécessaires, nous devons suivre dans la voie d'autres intervenants qui ne sont pas spécialistes dans le domaine de l'évaluation immobilière. »

préparer. C'est faux. Pour se conformer aux NIRF, les compagnies auront besoin d'une année de comparaison afin d'établir un modèle de base pour leurs rapports comptables, ce qui veut dire les évaluations de 2010. Pour compléter ce travail dans les délais prévus, plusieurs compagnies commenceront à réévaluer leurs biens immobiliers à la valeur marchande très bientôt parce qu'elles savent qu'il existe un nombre limité d'évaluateurs. Cela signifie qu'elles devront commencer en 2009, voire maintenant, pour aller aux devants des coups. Alors ce que l'on voit dans le rétroviseur est plus près qu'on le croit et s'apprête à nous rattraper.

Ce que cela signifie est que le milieu des affaires à l'échelle internationale vise à faire accepter des exigences plus cohérentes pour les rapports financiers et cela aura des conséquences sur plusieurs compagnies privées et publiques. Par extension, cela veut dire une méthode et des normes d'évaluation cohérentes pour les biens immobiliers. Voilà

pourquoi nous sommes concernés et pourquoi nous avons besoin de normes nationales conformes aux exigences internationales. Si nous ne restons pas à l'affût de la situation et que nous ne prenons pas les mesures nécessaires, nous devons suivre dans la voie d'autres intervenants qui ne sont pas spécialistes dans le domaine de l'évaluation immobilière. Sans être irrespectueux à l'endroit des avocats et des comptables, je m'empresse d'ajouter que nous ne leur disons pas comment faire leur travail. Nous devons donc assumer la direction de ce processus car sinon, l'un de ces groupes le fera certes à notre place.

Par conséquent, le point de départ logique est donc l'harmonisation de nos normes canadiennes en établissant un parallèle entre celles qui respectent l'ICE et l'OÉAQ. Une fois ce travail complété, nous devons structurer un document commun de tel sorte que nos membres se conforment également aux NIE (Normes internationales d'évaluation).

Le fait demeure que nos normes et celles de l'OÉAQ sont actuellement relativement similaires et suite aux travaux du comité, elles devraient être conformes aux NIE. L'harmonisation des normes de l'ICE et de l'OÉAQ est donc un exercice plus simple que prévu au départ plutôt qu'un travail très complexe.

Cependant, les difficultés surgissent des menus détails contenus dans les documents de l'ICE et de l'OÉAQ et l'inclusion des particularités régionales relativement à l'octroi de permis dans certaines provinces. Il va sans dire que les nouvelles normes pancanadiennes qui visent à rencontrer celles de l'international (NIC) n'empêchera toutefois les organisations régionales d'ajouter des obligations déontologiques plus spécifiques en fonction d'un contexte distinct.



Le résultat final est simple en ce sens qu'un membre de l'ICE ou de l'OÉAQ qui respecte les normes canadiennes applicables dans sa province sera automatiquement conforme aux NIE.

Alors comme membre, que devez-vous faire? Et bien c'est simple, vous n'avez rien à faire. Le comité travaille avec diligence en votre nom et présentera sa première ébauche au Comité des normes de l'ICE et à celui de l'OÉAQ en juin 2008. Le document suivra alors les étapes nécessaires et en supposant qu'il soit approuvé par le Conseil d'administration de l'ICE et de l'OÉAQ, il remplacera éventuellement les RUPPEC. En fait, le mot « remplacera » est probablement fautif parce que les nouvelles normes canadiennes seront en fait le résultat d'une évolution des RUPPEC et des normes de pratique professionnelle de l'Ordre des évaluateurs agréés du Québec. Il s'agira d'une transition qui se fera en douceur et qui représente un énorme progrès pour l'avenir de notre profession. En plus d'établir des normes uniformisées pancanadiennes, la communauté internationale les reconnaîtra comme une marque de qualité et de professionnalisme pour l'évaluation immobilière au Canada.

Aussi, il est prévu d'élaborer davantage et d'inclure l'évaluation d'entreprises et de machinerie dans les normes canadiennes. L'ICE s'affaire actuellement à préparer un programme de formation en évaluation de machinerie et d'équipement. Les discussions se poursuivent entre l'ICE et l'Institut canadien des experts en évaluation d'entreprises (ICEEE) concernant la possibilité que cette organisation participe à l'élaboration des normes canadiennes relativement à leur profession spécialisée. La combinaison de ces éléments n'est pas un élément nouveau puisque les NIE comportent déjà des sections sur l'immobilier, l'évaluation d'entreprises, la machinerie et l'équipement et la comptabilité financière. Ainsi, l'ICE s'appuie sur sa réputation internationale et prend toutes les mesures nécessaires pour maintenir le positionnement de ses membres dans le milieu des affaires. Il s'agit d'une collaboration véritable entre l'ICE et l'OÉAQ qui travaillent au nom de leurs membres aux paliers national et international.

Le Comité sur l'harmonisation des normes est composé de membres de la permanence et

du Conseil d'administration de l'ICE et de l'OÉAQ et de membres volontaires de chacune des deux organisations. Le gouvernement fédéral (Travaux publics et Services gouvernementaux Canada) s'est montré vivement intéressé dans cet effort d'harmonisation puisqu'il représente une poussée vers des normes uniformisées pancanadiennes en matière d'évaluation immobilière au Canada. 🇨🇦

Le nom des membres du comité figure ci-dessous. Si vous avez des questions, n'hésitez pas à les adresser par courriel à l'ICE à l'adresse standards-harmonization@aicanada.ca

Georges Lozano, Chef de la direction – ICE
Christiane Guimond, É.A., Coordonnatrice
aux affaires professionnelles OÉAQ
Laurent Brosseau, AACI, P. App
Pierre Cyr, É.A.
Gérard D'Aoust, É.A.
Marc Lachaine, É.A.
Jules Mercier, É.A.
Louis Poirier, AACI, P. App

Does your writing have reader relevance?

slaved over this article. It is a masterpiece, a symphony of verisimilitude. . . full of truth and wisdom. Who would not read *The Six Functions of One Dollar – Revisited?* Answer: lots of us.

There is a universal rule in writing. Capture the reader's interest or imagination in the first few lines and do not let it slip away. In this article, I will explain why this is important and how to lock onto your audience.

When you write for a technical or trade journal, such as *Canadian Property Valuation* (formerly *Canadian Appraiser*), you have a major leg up on most writers, since you have captured a subscription readership already interested in real estate valuation and profession-related topics. You still need to compete for reader's interest.

People have a great ability to skim and process information. Who reads a magazine cover to cover, almost no one. Readers tend to skip to the index, look for interesting titles (appraisal secrets to retire early) and flip to the article. On a sub-conscious level, our minds apply a spam filter to evaluate the title and first few lines of an article. Is the article likely to be informative, topical, entertaining, useful, or the opposite: confusing, boring, and un-informative?

What makes an article topical, informative and interesting? How can I write a paper with high relevance to readers? Here are some tips to persuade readers you have something they should definitely read.

1. A topical article is one that deals with one or more contemporary problems or issues facing a large number of valuation professionals. For example, the impact of the sub-prime crisis on tightening credit and bank valuation requirements is topical.



- An article on highest and best use may be interesting to some members, but since the topic has been covered in multiple AIC articles, it is not topical. Tip: check the AIC website for back issues of the *Canadian Appraiser* or the bibliography search index to see if your subject has been covered in previous articles.
2. To lock in your audience's attention and provide a sense that the article will be interesting and worthwhile, the first few sentences need to be very carefully scripted. Tell readers what the article is about, the key messages, and your hypothesis, or your point of view on an issue. Is your goal to inform, educate, argue for a new valuation best practice, or provide a solution to a problem? The rest of the article is your presentation of the facts, research and other information to support your findings.
 3. Think and write like an investigative journalist. If you can objectively say that your paper gives readers a *WS* or who, what, where, when and why, you are a success. Since appraisers have notorious inflated egos, it is a good idea to ask someone you trust to give you an honest review of the article, perhaps a teenager.
 4. To maintain your audience's interest, use the first person when writing, not the third person. Rather than saying "the appraiser's opinion, or the appraiser did this or that," speak plainly, and tell the reader.. "I believe this. . .or we did that. . ." Writing in the third person is a good way to put the audience to sleep quickly. Writing in the first person is a great way to personalize some potentially dry technical material, by telling us how you overcame diversity to solve a problem or reach an important

conclusion. "I hiked 10 miles in a driving snowstorm, survived an avalanche, pepper sprayed a bear, swam a raging torrent, and inspected the property."

5. Another tool for maintaining interest is to challenge your perceived conventional thinking. Be provocative. If you said "...there have been no advances in appraisal theory and practice since 1950," you have my attention. Now you have it prove it to me.
6. Use an outline. Writing from an outline keeps you organized and helps you build a logical progression for your hypothesis or key messages. A good outline results in a consistent, logical paper. Readers will appreciate the order, consistency and progression of thinking in your article. Your paper will be a joy to read, provided it does not carry on for 50 pages. Articles written without an outline are easy to spot, since paragraphs are out of order, logic is

lacking, and it is impossible to pick out the key messages. These articles are quickly identified and eliminated by our personal spam filters.

7. Use short sentences and plain language. It is okay to break a few literary rules when writing for a trade magazine. In my last article, I pointed out some useful web resources to improve your writing skills.
8. Do not tell us what we already know. A sure audience killer is to begin by reminding us of the three approaches to value.
9. Give us a quick summary at the end of the paper, purpose of the paper, what we learned, and the key findings.

I have given you nine tips for successful writing. My last tip is the most important. Take advantage of the expertise of AIC communications staff. They can help you overcome writer's block and move your article idea from concept to black ink. 🌈

The Publications Sub-Committee, essentially our Editorial Board, comprises six individuals from across the country, five of them AIC members representing various regions and valuation specialties and one associate professor from the University of Guelph. Reporting to the Communications Committee, this sub-committee works to help ensure AIC's ongoing production of a professional magazine valued by members, advertisers and stakeholders.

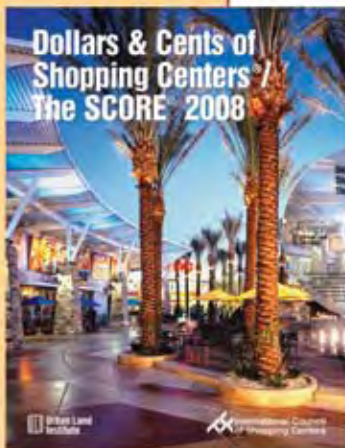
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Make the connection with high speed communication

In the real estate appraisal industry, as in every industry, communication is without a doubt the most important aspect of business. Simply put, it is what connects individuals to other colleagues, to our clients, to our world. In an era where technological innovation has allowed us to communicate in ways many of us never dreamed of, productivity and profitability have come to rely on connectivity for success. With more innovative possibilities than ever before, Voice-over-Internet Protocol (VoIP) technology is the next generation of business communication.

When VoIP first emerged as an alternative to traditional phone networks, it was met with some skepticism. Admittedly, there were some quality and reliability issues in its early days. However, like many emerging technologies, VoIP has evolved and strengthened — particularly in the business sector.

Today, as many businesses look to access the latest technology, improve their efficiency and reduce costs, VoIP is the obvious solution. In fact, a recent survey by Forrester Research indicated that 90% of Canadian businesses plan to switch to VoIP. Now more commonly referred to as IP communications or IP telephony, it is not just able to transform the way that we communicate, but also the way we do business.

There are substantial timesaving and cost benefits to implementing IP communications. Century 21 Leading Edge Realty Inc., a Toronto-based real estate brokerage, is an example of a small business that has had huge results.

“Since using OneConnect’s IP Voice, our service costs have decreased by 20%,” said Paul Baron, owner of Century 21 Leading Edge. “Furthermore, it used to take a month or longer for a new office to be operational. Now, I can




have a new office up and running in two days, which makes a huge impact on my business.”

The speed to open a new office is just one of many reasons why businesses can benefit from making the switch. As unified communications (integrating voice mail, email, instant messaging, conferencing, etc.), becomes increasingly popular, more businesses are looking to IP Telephony in order to use these services within their organizations.

With the option to direct calls to the office, your cell phone, or even at home, location becomes irrelevant. Despite where calls are made from, all calls are ‘local,’ meaning no long distance charges — and significant savings.

Traditional phone networks become obsolete with the ‘plug and play’ ability of IP communications. There is no phone equipment or telephone wires necessary. In fact, you do not even need a phone. Simply plug a headset into a computer and you are ready to go.

IP technology can make it easier for businesses of any size to afford innovative communications systems. Options such as hosted and managed solutions and the ability to integrate voice, data, internet, video, collaboration and conferencing services all make IP the obvious choice. To learn more about OneConnect’s IP Voice solutions, visit www.OneConnect.ca. 



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About the Trust

The trust will advance education in the areas of appraisal and valuation in the following ways:

- By providing financial assistance through scholarships and bursaries to members of the public who wish to undertake a course of studies in the areas of appraisal and valuation.
- The Appraisal Institute of Canada has academic requirements for accreditation and requires candidates to complete a prescribed course of studies.
- Persons wishing to enter the accreditation program OR those enrolled in it will be eligible for assistance.
- Scholarships will be awarded on the basis of academic achievement.
- Bursaries will be granted on the basis of financial need.

Applications are available by contacting the BC Association of the Appraisal Institute of Canada or by visiting www.appraisal.bc.ca/publications and selecting **Application Forms**.

Deadline for application is August 31, 2008

News Flash!

The Directors of the Jack Warren Education Trust are pleased to announce that they will be awarding two AIC conference registrations to two selected Jack Warren Trust recipients each year.

The free registrations will be randomly drawn from the names of all past Jack Warren Education Trust recipients who are current members in good standing of the Appraisal

Institute of Canada. The draw will be made each April and individuals will be notified so that travel arrangements may be made in plenty of time.

These prizes do not include transportation or accommodation to/from/at the conference. Winning conference registrations are for the exclusive use of the Jack Warren Educational Trust recipients and only for the current year conference. They may not be transferred to other

individuals or delayed to a future conference.

The registration fee will be reimbursed following the conference upon confirmation of attendance.

Good luck to past recipients!

One more reason to apply. Don't delay!

CRITICAL DATES

The following dates are provided as a reminder to Appraisal Institute of Canada (AIC) members of critical dates throughout the year:

July 31, 2008 – Candidates report annual course completion for processing in advance of September 1, 2008 deadline

September 30, 2008 – Membership dues payment due date

December 31, 2008 – CPD reporting deadline (minimum annual requirement is 6 credits)

January 1, 2009 – Professional Liability Insurance levy payment due date

January 1, 2009 – Deadline to complete We Value Canada

IN MEMORIAM

The following members of the Appraisal Institute of Canada have passed away. On behalf of everyone connected with the Institute and the profession, we extend our sincerest sympathies to the families, friends and associates.

Les membres suivant de l'Institut canadien des évaluateurs sont décédés. Au nom de tous ceux qui oeuvrent de près ou de loin au sein de l'Institut et de la profession, nous exprimons nos plus sincères condoléances à les familles, amis et associés.

Gordon Glover, CRA
Burnaby, BC

John C. F. Laird, CRA
Bridgewater, NS

Doug Dorey – Altus HealthTrust Canada



Altus Group is pleased to announce the appointment of **Doug Dorey**, AACI, P. App as a Senior Director, Altus HealthTrust Canada, effective

March 1, 2008. Doug joins Carole Cowper, Senior Director of Altus HealthTrust Canada, in heading Altus' Canadian Healthcare Appraisal Division, which will significantly bolster Altus' capacity in the seniors' housing market.

Doug is a member of the Appraisal Institute of Canada and an associate member of the Institute of Municipal Assessors of Ontario. With over 25 years experience providing valuation and consulting services across Canada, Doug is sought after by a broad range of clients for his

expertise in valuing retirement homes and long-term care facilities.


Paul Grosman – Cushman Wakefield LePage Property Tax Services



Paul Grosman, AACI, P. App, BA has joined the newly-created Cushman Wakefield LePage Property Tax Services Inc. As an Associate

Vice-President, Paul will continue to service clients as well as be part of the strategic management team in the company's Canada-wide property tax practice.

Paul has over 14 years experience in property tax assessment consulting. After serving as President of Pro Tax Realty Advisors

Inc., he more recently held a senior position at one of the big four accounting firms in Ontario. He is a graduate of the University of Toronto, a member of the Appraisal Institute of Canada, and a member of the Canadian Property Tax Association. 

NOTE:

If you or someone you know in the real estate industry is changing positions, taking on

new responsibilities, moving to a new company or location, winning awards, etc., please send

the information to

joannec@aicanada.ca so that we can include it in our ON THE MOVE section of *Canadian Property Valuation*.

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The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the AIC, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period January 19, 2008 to April 8, 2008: *L'Institut canadien des évaluateurs (ICE), en collaboration avec les associations provinciales et les organismes provinciaux affiliés à l'ICE, félicitent les membres suivants qui ont complété le programme rigoureux d'accréditation à titre de membre désigné de l'ICE durant la période du 19 janvier au 8 avril 2008:*

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Charlotte M. Coates

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Julie Clarke, AACI, P.App – NB – 12/13/2007

SPELLING ERROR IN PREVIOUS ISSUE:

Edwina Nearhood, AACI, P.App – BC

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These members are congratulated on the successful completion of the CRA designation requirements.

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Michael E. MacInnis, CRA – NS – 10/03/2007 Paul Babineau, CRA – NB – 12/13/2007
MaryAnn Kilravey, CRA – NB – 12/13/2007

Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period January 19, 2008 to April 8, 2008:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 19 janvier au 8 avril 2008:

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Students / Étudiants

This new category of membership was implemented January 1, 2007 and now serves as the first step on the path to designation for those completing their requirements for Candidate membership. Students considering the appraisal profession as a career option are also welcomed to this new category of membership.

Cette nouvelle catégorie de membre entrain en vigueur le 1er janvier 2007 et constitue la première étape sur la voie de la désignation pour ceux qui s'affairent à compléter les exigences de la catégorie de membre stagiaire. Les étudiants qui contemplent une carrière comme évaluateur professionnel sont bienvenus à joindre cette nouvelle catégorie de membre.

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The 'tear-down' trend



A major factor in the Greater Vancouver and Lower Mainland real estate marketplace of British Columbia in the last five years is the 'tear-down.' With ever-increasing land acquisition and lot creation costs (construction servicing, municipal fees and consultant costs), the tear-down builder has emerged from a minor influence in the dynamics of real estate to a major force shaping the nature of competition.

A tear-down is an existing single-family dwelling on an existing lot (known as a 'lot-of-record') that is acquired for the specific purpose of tearing down the existing dwelling and then constructing a new single-family dwelling within the existing zoning-by-law provisions and allowable building footprint. Under this scenario, no rezoning or subdivision (with associated costs) is applicable, and no development cost charges (DCCs) are payable. No GST is payable on the purchase, as the acquisition is of a 'used' existing single-family dwelling. Also, since the lot-of-record exists, no design guidelines are registered against the title and, thus, there is no

requirement to build to a certain neighbourhood standard, or no requirement to obtain approval from a developer's design consultant as to house style, house materials or landscaping treatment.

A significant amount of residential building construction costs can be saved by this method of acquisition, assuming the builder opts for a standard other than what would typically be prescribed by design guidelines for the neighbourhood. For these reasons, and in these particular situations, the existing building does not contribute utility to the land. The sale price of a tear-down property tends to set the upper limit of value of competing similarly-located and similarly-sized newly-subdivided vacant lots. This is because, as far as new dwelling size and design are concerned, the tear-down builder only has to conform to the setbacks of the existing zoning and, therefore, can build to the maximum floor area ratio and lot coverage permitted by the existing zone.

In most cases, the highest and best use continues to be a single-family residential building

lot. Tear-down situations tend to occur in neighbourhoods where existing single-family residential land uses are dominant. It is most noticeable in areas that are older and well established with existing infrastructure, and is foremost for properties fronting arterial roads. This is because older dwellings are situated fronting arterial roads, simply because arterial roads were the first roads constructed in early emerging communities. This trend is not found in emerging areas or newly-established neighbourhoods.

Besides the City of Surrey, the author has observed this trend occurring in many other sub-markets within the Fraser Valley/Greater Vancouver areas of British Columbia, including Richmond, Vancouver, Burnaby, White Rock, Port Moody, New Westminster, Coquitlam and Delta. This trend is not prevalent or applicable to major housing builders in the residential development industry, but rather occurs and applies to smaller builders and 'end-user builders.'

End-user builders are those participants that acquire the tear-down, not for the purpose of

constructing a new dwelling and reselling for profit, but for the purpose of constructing a new dwelling for their own use and occupation. Major housing builders tend to develop large tracts of land for new communities or neighbourhoods and, thus, the tear-down issue is not a business plan consideration for these builders.

The reason why this nuance of the residential construction and development business is important to appraisers and other marketplace observers is that an accurate picture of the single-family lots created vs. single-family building permits issued ('lot absorption') cannot be determined without specifically blending in or accounting for demolition permits issued, where the tear-down

trend is common. Generally, local governments only report lots created and building permits issued without reporting the relationship of demolition permits issued. If local governments do provide this information, it is generally not readily accessible.

For example, let us assume that, within a particular local government, during a particular month of the year, this local government reported that there were 177 single-family building lots created by way of final approval being granted via subdivision registration, and, during this same monthly time period, this local government reported 138 building permits issued for single-family dwelling construction. On this

basis, these published statistics would lead an observer to conclude that the lot absorption ratio for this particular month is at 77.97% (138/177).

For the purpose of this example, let us also assume that 29 of the 58 demolition permits issued during this same month for single-family dwelling demolition specifically applied to tear-downs for the purpose of constructing new single-family dwellings on the existing lots, and that the remaining 29 demolition permits applied to demolitions occurring for highest and best use changes due to land-use or zoning changes, or they are dwellings being demolished on acreages as part of larger subdivision projects. Because no new lot is created on an existing lot that under-

Lot Absorption – Surrey 2007													
	Jan/07	Feb/07	Mar/07	Apr/07	May/07	June/07	July/07	Aug/07	Sept/07	Oct/07	Nov/07	Dec/07	sub-total
North-West Surrey, Whalley													
lots created	18	2	13	2	4	31	18	4	0	0	0	0	92
building permits issued	9	9	5	9	12	19	10	18	14	8	9	4	126
net supply/depletion	9	-7	8	-7	-8	12	8	-14	-14	-8	-9	-4	-34
Guildford, Fraser Heights													
lots created	59	8	0	12	18	6	17	6	0	0	0	0	126
building permits issued	3	8	5	3	7	8	8	13	16	30	10	5	116
net supply/depletion	56	0	-5	9	11	-2	9	-7	-16	-30	-10	-5	10
Fleetwood													
lots created	8	2	0	9	3	19	38	25	2	0	0	6	112
building permits issued	5	10	7	1	6	12	10	4	9	4	1	4	73
net supply/depletion	3	-8	-7	8	-3	7	28	21	-7	-4	-1	2	39
Newton													
lots created	4	4	0	155	11	84	219	543	41	76	1	2	1,140
building permits issued	30	25	29	21	34	36	24	28	33	40	37	12	349
net supply/depletion	-26	-21	-29	134	-23	48	195	515	8	36	-36	-10	791
Cloverdale													
lots created	8	0	0	10	12	18	632	297	1	0	0	0	978
building permits issued	35	16	20	21	30	39	51	35	45	57	20	21	390
net supply/depletion	-27	-16	-20	-11	-18	-21	581	262	-44	-57	-20	-21	588
South Surrey													
lots created	5	17	8	0	80	27	387	86	0	322	2	0	934
building permits issued	19	15	23	31	34	35	14	33	32	29	21	15	301
net supply/depletion	-14	2	-15	-31	46	-8	373	53	-32	293	-19	-15	633
Totals:													
total lots created	102	33	21	188	128	185	1,311	961	44	398	3	8	3,382
* net de facto lot creation via demolition	28	28	25	33	37	29	31	27	38	23	14	22	335
total building permits issued	101	83	89	86	123	149	117	131	149	168	98	61	1,355
overall net supply/depletion (2007):	29	-22	-43	135	42	65	1,225	857	-67	253	-81	-31	2,362
Year:	2004	2005	2006										
residential lots created	2,036	1,738	1,699						at PLA	508	calculated from Jan.1/07 to Dec.31/07		
* net demolition permits issued	288	297	274						in Process	1,105	calculated from Jan.1/07 to Dec.31/07		
building permits issued	2,006	1,988	2,115						total:	1,613			
net supply/depletion	318	47	-142						as of:	Dec-07			
* net de facto lot creation via demolition permits is based on 50% of the actual number of 673 single-family demolition permits													
Note: A spike in lots created for July, 2007 and August, 2007 was due to the Development Cost Charge ("DCC") Deadline													
PLA means preliminary layout approval													
in Process means pre-preliminary layout approval													
December 31, 2007 updated as of													
net supply/depletion for 2007												2,362	
net supply/depletion for 2006												-142	
carry forward net supply/depletion for 2005												47	
carry forward net supply/depletion for 2004												318	
current overall net supply/depletion												2,585	



goes the cycle of 'demolition-permit-issued, old single-family-dwelling-demolished, new single-family-dwelling constructed,' then the observer, in order to arrive at an accurate estimate of the lot absorption ratio, would need to account for the 'de-facto' lots created by the issuance of demolition permits to arrive at the correct ratio of 66.99% (138/177+29).

By not accounting for de-facto lots, a pronounced margin of error occurs. The reason that a de-facto lot would need to be accounted for in the analysis is because a 'building permit issued' is recorded in the statistics, but, because the new single-family dwelling is to be constructed on an existing lot-of-record, no corresponding 'lot created' record is accounted for in the relationship. Without the inclusion of de-facto lots for these particular circumstances, the lot absorption ratio for this particular statistical month analyzed would be overstated, resulting in an incorrect conclusion, in this case by 10.98%. Using the included lot absorption study sheet for the City of Surrey indicates that, by not accounting for de-facto lots created during 2007, an inaccurate number of 335 lots would result, or nearly 10% of the total of new lots created (3,382 lots).

The lot absorption study sheet provides the actual numbers of single-family building lots created and single-family building permits issued for the City of Surrey during 2007. This information is based upon the six major sub-markets comprising the entire City of Surrey, with a 2007 population in excess of 410,000 people. This data does not address other forms of housing such as multi-family, which, as a matter of interest, was 1,797 townhousing permits and 2,450 apartment permits issued for 2007, for a total of 4,247 multi-family units. For 2007, there was an actual total of 673 single-family demolition permits issued within the City of Surrey. The author has estimated that approximately 20% of these permits are attributable to lands where the highest and best use was not single-family residential, but rather undergoing redevelopment to other forms of land-use via rezoning. The author further estimates that approximately 30% of these permits are attributable to acreages as part of a larger



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single-family residential subdivision project. In these particular cases, a de-facto account is not necessary, since, for example, if the existing single-family dwelling is being demolished on a 2.0-acre residential subdivision development site slated for 10 single-family lots, over the course of development and building construction, the City records 10 new lots created and 10 building permits issued. In this particular case, a de-facto account would only be necessary if the local government only recorded nine new additional lots created (assuming the existing parcel to be one lot already), with a corresponding 10 building permits issued.

A further consequence is that, of the actual total of 673 single-family demolition permits issued within the City of Surrey for 2007, 50% of this actual number results in an estimated 335 single-family demolition permits being attributable to an impact on the true absorption rate of lots. The observed visual evidence of this tear-down trend, along with the sheer total number of actual (673) single-family demolition permits issued within the City of Surrey for 2007, provides direct support of the premise that tear-downs impact the true absorption rate of lots. In this case, a negative actually proves the positive by posing the question: how could

335 demolition permits of existing single-family lots in one year (2007) not impact the absorption rate of lots?

The following is a typical case study of the economics involved in comparing the net property acquisition costs of acquiring an existing single-family dwelling lot for re-development purposes (tear-down existing older dwelling and rebuild new dwelling) vs. acquiring a newly-created (newly-subdivided) single-family zoned vacant lot. Both example parcels sold during the same period of time in the same general location. Even if we were to assume that the builders of these two example parcels were to construct an exact same dwelling plan on each of the two parcels, during the same construction period, resulting in the same or nearly the same residential building construction costs for each of the newly-constructed dwellings, the land component costs are essentially equal on a land per-square foot basis:

This cost comparison analysis demonstrates that costs incurred (both direct and indirect) to acquire a tear-down lot is a feasible exercise for the tear-down builder. On an initial base rate basis, the difference between the two is only \$0.87/ft.² (\$50.45/ft.² - \$49.58/ft.²). This price gap actually narrows when the property

purchase tax, GST and demolition cost factors are considered, resulting in a \$0.05/ft.² (\$53.21/ft.² - \$53.26/ft.²) difference. Depending upon the specific status of the owner or the intent of the buyer, in some cases, the GST cost component for the newly-subdivided vacant lot will be a flow-through cost, which will be passed onto the ultimate buyer of the final lot/dwelling combination. In these cases, no GST rebate is available to the end-user, because there is no rebate available for a home that sells for \$450,000 or more and this would be the case when the lot value alone is \$350,000 or more.

This information demonstrates that appraisers and other marketplace observers, when providing advice or reaching conclusions on the relationship between lots created and building permits issued, should be careful to account for net demolition permits where the tear-down trend is common, in order to accurately determine lot absorption. 🏡

Nicholas N. Rawcliffe, AACI, P. App, RI, FRI(E), is president of Urban-Genesis Lands Ltd., which provides due diligence, expropriation, acquisition and disposition realty services exclusively to government organizations.

	Tear-down (lot-of-record)	Newly-subdivided lot
Location	Index 1: Fronts arterial road, Surrey. Near Index 2	Index 2: Fronts arterial road, Surrey. Near Index 1
Sale price	\$375,000	\$350,000
Property purchase tax	\$5,500	\$5,000
Total transfer cost (excluding minor legal and registration costs)	\$380,500	\$355,000
Price per ft. ² (base rate)	\$50.45/ft. ²	\$49.58/ft. ²
GST	n/a	\$21,000
Demolition costs (typical), includes lot grading	* \$15,000	n/a
Gross purchase costs	\$395,500	\$376,000
Parcel size	7,433 ft. ²	7,060 ft. ²
Price per ft. ² (gross rate)	\$53.21/ft. ²	\$53.26 ft. ²

* a demolition permit application will trigger a hazardous materials inspection report requirement to determine the extent, if any, of asbestos and other possible contaminants, which will have to be safely removed before a final demolition permit will be issued.

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PEI	<p>Professional Practice Seminar November 14-15, 2008 – Rodd Charlottetown Hotel, Charlottetown</p> <p>For information contact: Suzanne Pater peiaic@explornet.com or (902) 368-3355</p>		
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