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Professionalism: an unwavering constant in an evolving marketplace



George Maurice
AACI, P. App, AIC President

The market for real property valuation services is changing and expanding in ways that no one could have foreseen a few years ago.

Traditional point-in-time appraisal now competes with a number of alternatives including risk assessment services, title and mortgage value insurance products, automated valuations, and appraiser-assisted automated valuations, to name a few.

Lenders, in particular, are embracing these products, with the aim of reducing turnaround time in the mortgage lending process while cutting costs.

In addition, a number of institutions are further customizing the value confirmation process by asking appraisers to take on assignments with specific conditions or requirements. Whether these assignment instructions are issued by lenders or appraisal management firms is of less importance than the nature of these requirements and, more importantly, whether they could cause a breach of the *CUSPAP* standards.

When undertaking any assignment, appraisers must first and foremost ensure that they are complying with *CUSPAP*, that they do not violate the professional code of conduct, that the work performed is done in a competent manner, and that all due diligence has been applied.

There may be instances where accepting the assignment as presented is not appropriate. For example, a lender/client asks you to appraise a property "as if five acres," where the subject property has 10 acres and the

"When undertaking any assignment, appraisers must first and foremost ensure that they are complying with CUSPAP, that they do not violate the professional code of conduct, that the work performed is done in a competent manner, and that all due diligence has been applied."

minimum new lot size in the subject's zoning district is 10 acres. If the appraiser properly explains this to the lender/client, he or she will typically agree that it makes no sense to use a hypothetical condition that is not allowed under the jurisdiction's zoning ordinance. However, in cases where five-acre lots are allowed by zoning, a hypothetical condition can often, but not always, be used.

The best way to avoid problems is to follow a systematic approach to undertaking the assignment and delivering the required service. This begins with understanding and communicating the scope. By scope, we mean the extent of the process of collecting, confirming, and reporting data. If clients provide special instructions that limit the scope of the assignment, then appraisers should make this clear in the report, so that there is no misinterpretation as to what was asked and what was delivered.

One of the best ways to communicate this information is through a letter of engagement. Another important way to ensure that there is no misunderstanding is through disclosure and the setting out of limiting conditions. With respect to disclosures, it must be kept in mind that these do not necessarily form part of the contract between parties, unless both parties agree to them. Ideally, the scope of the appraisal and any unusual aspects thereof would be apparent to the appraiser at the outset. However, this is not always the case and the appraiser may have to add the relevant disclosure statements to the standard engagement letter as a schedule or appendix. Special conditions of any assignment should always be reiterated, whenever the final opinion or conclusion is stated.

In addition to the letter of engagement, appraisers should prepare and provide a letter of transmittal to clients when they submit their final report. Letters of engagement should be succinct, and clearly sum

“As professionals, appraisers cannot be unquestioning order takers, but must take on work on the basis of a mutual understanding between the client and the appraiser of what needs to be achieved.”

up the scope of the assignment and the work delivered. The letter should also identify any extraordinary assumptions and limiting conditions.

The above-mentioned steps are essential to ensuring that the report complies with *CUSPAP*. The standards make it clear that an appraiser’s responsibility includes:

- communicating the appraisal clearly and accurately;
- not misleading;
- disclosing all relevant factors related to the appraisal, including any departures from accepted appraisal practice;
- adhering to the standards; and
- taking full responsibility for any report that the appraiser signs.

Appraisers face the danger of breaching the standards when they do not take pause to review the scope of the assignment and what is being asked by the client.

Clearly, appraisers are constantly under pressure to deliver reports in short order, all the while facing competitive fee pressures. Nonetheless, professionalism must take precedence over market pressures, and fast-tracking work or otherwise cutting corners must be avoided at all times. If you were to be sued, your fee would not make any difference, since your professional obligation was to render appraisal services in a competent manner.

An important aspect of professionalism is the consultative focus that professionals bring to the marketplace. As professionals, appraisers cannot be unquestioning order takers, but

must take on work on the basis of a mutual understanding between the client and the appraiser of what needs to be achieved in contrast with what the client might have requested at the outset.

In taking on such assignments, appraisers need to be mindful of the value they bring to the table and the complexity of the work being undertaken when they establish their professional fees. Such fees should be distinct from ancillary costs incurred in undertaking the work. Such costs should be identified and billed for separately as disbursements. When faced with assignment conditions that would result in a breach of professional standards or ethics, appraisers need to be prepared to bring those issues to the client’s attention and ultimately turn down such assignments.

Whether a form report is prepared or the assignment calls for a narrative report, due diligence should be exercised at all times. Review of the assumptions, limiting conditions and disclosures in the report is necessary to ensure that the appraiser’s professional obligations are met. Appraisers should ensure that disclosures are clearly written in unambiguous language that the client can understand.


In some cases, appraisers will be asked to use a form supplied by the client. In such cases, appraisers should be vigilant that the form does not mislead and that any gaps in such forms are covered off by an appropriate addendum. Once again, the disclosures, assumptions and limiting conditions must be reviewed to ensure that they are clear and

easily understood by clients. *CUSPAP* sets the minimum requirements for content, but does not specify which forms are acceptable.

Appraisers can run into trouble when they fail to take into account the purpose of a report, and do not clearly identify the assumptions made in its preparation, along with any conditions and limitations that impact the value conclusion.

The above applies to appraisal reviewers and supervising appraisers, who must ensure that the work complies with the standards at all times. It is important to remember that designated members of the Institute, who co-sign Candidate reports, must ensure that the Candidates are registered with them in the Institute’s Candidate Registry.

Increasingly, appraisers will find themselves working with or assisted by automated valuation models. These may range from simple paper models to sophisticated valuation software. The standards state that you must possess the requisite competence when undertaking an assignment. If you are unfamiliar with computer programming or the algorithms computer modeling use, or how they select and use data, then some further professional development should be pursued before you accept such an assignment.

The AIC program of professional studies covers statistical modeling and mass appraisal in some of its courses, and there is a wide range of training available on the subject. Appraisers would be well advised to consider taking such courses as part of their continuing professional development. 

Professionnalisme : une constante inébranlable dans un marché en évolution



George Maurice
A.A.C.I., P. App., Président de l'ICE

Le marché des services d'évaluation immobilière connaît des transformations et une expansion que personne n'aurait pu prévoir il y a à peine quelques années.

L'évaluation traditionnelle doit maintenant livrer concurrence à diverses solutions de rechange, y compris les services d'évaluation du risque, les produits d'assurance de titres et de valeurs hypothécaires, les évaluations automatisées et les évaluations automatisées assistées par évaluateur, pour n'en nommer que quelques-unes.

Les prêteurs se tournent de plus en plus vers ces produits dans le but de réduire le délai d'exécution du processus de prêt hypothécaire, tout en réduisant les coûts.

De plus, diverses institutions personnalisent encore davantage le processus de confirmation de la valeur en demandant aux évaluateurs de s'acquitter de tâches comportant des conditions ou exigences spécifiques. Que ces instructions d'affectation soient émises par les prêteurs ou par les entreprises de gestion de l'évaluation importe moins que la nature de ces exigences et encore moins que la possibilité que ces affectations constituent une dérogation par rapport aux normes retrouvées dans les RUPPEC.

Quand ils entreprennent une affectation, les évaluateurs doivent, d'abord et avant tout, s'assurer qu'ils se conforment aux RUPPEC, qu'ils ne contreviennent pas au code d'éthique de la profession, que le travail accompli est effectué avec compétence et que la diligence raisonnable a été appliquée.

Il peut se présenter des cas où l'acceptation d'une affectation telle que présentée soit inacceptable. Par exemple, un prêteur/client vous

« Quand ils entreprennent une affectation, les évaluateurs doivent, d'abord et avant tout, s'assurer qu'ils se conforment aux RUPPEC, qu'ils ne contreviennent pas au code d'éthique de la profession, que le travail accompli est effectué avec compétence et que la diligence raisonnable a été appliquée. »

demande d'évaluer une propriété « comme si elle avait 5 acres » alors qu'elle en a vraiment 10 et que la taille minimum des nouveaux lots dans le district de zonage afférent est de 10 acres. Si l'évaluateur explique correctement cette situation à son prêteur/client, ce dernier conviendra probablement qu'il est illogique d'appliquer une condition hypothétique qui n'est pas permise selon les ordonnances de zonage des autorités ayant juridiction. Cependant, dans les cas où le zonage permet des lots des 5 acres, une condition hypothétique peut souvent, mais pas toujours, être utilisée.

Le meilleur moyen d'éviter des problèmes consiste à adopter une approche systématique

dans l'exécution des affectations et dans la prestation des services requis. La première étape sera de comprendre et de communiquer la portée de la tâche. Par portée, nous entendons l'envergure du processus de collecte, de confirmation et de déclaration des données. Si les clients fournissent des instructions spéciales qui limitent la portée de l'affectation, les évaluateurs doivent alors l'indiquer clairement dans le rapport de sorte à éviter toute erreur d'interprétation par rapport à ce qui a été demandé et à ce qui a été livré.

Une des meilleures façons de communiquer cette information est par lettre d'engagement. Un autre moyen important d'éviter tout malentendu est par divulgation et énoncé des conditions limitatives. En ce qui a trait aux divulgations, on doit se rappeler que ces dernières ne font pas nécessairement partie du contrat entre les parties à moins que celles-ci n'en conviennent. Idéalement, la portée de l'évaluation et de tous les aspects inusités qui s'y rattachent serait apparente à l'évaluateur dès le début. Cependant, il n'en est pas toujours ainsi et l'évaluateur peut devoir joindre, en annexe ou appendice, des déclarations pertinentes à sa lettre d'engagement standard. Les conditions spéciales de toute affectation devraient toujours être réitérées chaque fois qu'une opinion ou conclusion définitive est énoncée.

Outre la lettre d'engagement, les évaluateurs devraient préparer et fournir une lettre de transmission aux clients lorsqu'ils soumettent leur rapport final. Les lettres d'engagement devraient être succinctes et résumer clairement la portée de l'affectation et le travail livré. La lettre devrait aussi préciser toutes les hypothèses extraordinaires et les conditions limitatives.

« À titre de professionnels, les évaluateurs ne doivent pas être des exécutants serviles, mais plutôt des consultants qui acceptent un travail sur la base d'une entente entre le client et l'évaluateur de ce qui doit être réalisé. »

Pour s'assurer que le rapport est conforme aux RUPPEC, les étapes susmentionnées sont essentielles. Les normes font ressortir clairement que les responsabilités de l'évaluateur comprennent :

- la transmission de l'évaluation avec clarté et exactitude;
- ne pas induire en erreur;
- divulguer tous les facteurs pertinents relatifs à l'évaluation, y compris tout écart aux pratiques d'évaluation acceptées;
- adhérer aux normes;
- prendre l'entière responsabilité de tout rapport signé par l'évaluateur.

Les évaluateurs courent le danger de revenir aux normes quand ils ne prennent pas le temps d'examiner la portée de l'affectation et ce que demande le client.

Il ressort clairement que les évaluateurs sont constamment sous pression, devant livrer leurs rapports dans de courts délais tout en ayant à maintenir des honoraires compétitifs. Néanmoins, le professionnalisme doit avoir préséance sur les pressions du marché et on doit éviter en tout temps les mesures expéditives et les raccourcis. Si on vous poursuit, les honoraires que vous avez perçus sont nonavenus parce que vous étiez dans l'obligation professionnelle de rendre des services d'évaluation avec compétence.

Une marque importante de professionnalisme est la dimension consultative que les vrais professionnels contribuent sur le marché. À titre de professionnels, les évaluateurs ne doivent pas être des exécutants serviles, mais plutôt des consultants qui acceptent un travail sur la base d'une entente entre le client et l'évaluateur de

ce qui doit être réalisé et non de ce que le client pourrait avoir demandé à l'origine.

Au début de telles affectations, les évaluateurs doivent tenir compte de la valeur ajoutée qu'ils mettent à contribution et de la complexité du travail à accomplir quand ils établissent leurs honoraires professionnels. Ces honoraires devraient être distincts des frais connexes encourus dans la réalisation du travail. Ces frais devraient être ventilés et facturés séparément au chapitre des dépenses. Face à des conditions d'affectation qui entraîneraient une infraction aux normes professionnelles ou d'éthique, les évaluateurs doivent être prêts à porter ces questions à l'attention du client et, en cas d'impasse, à refuser un tel travail.

Que l'affectation exige un rapport type ou un rapport narratif, on devrait faire preuve de diligence raisonnable en tout temps. Il est nécessaire de passer en revue les hypothèses, conditions limitatives et divulgations dans le rapport afin de s'assurer que les obligations professionnelles de l'évaluateur soient respectées. Les évaluateurs devraient s'assurer que les divulgations sont écrites clairement dans un langage non ambigu que le client peut comprendre.


Dans certains cas, le client demandera à l'évaluateur d'utiliser un formulaire fourni par le client. En pareils cas, les évaluateurs devraient veiller à ce que le formulaire ne porte pas à confusion et que toutes les lacunes dans de tels formulaires soient couvertes par addendum. Encore une fois, les divulgations, hypothèses et conditions limitatives doivent être étudiées pour s'assurer qu'elles sont claires et faciles à comprendre. Les RUPPEC établissent les exigences

minimales de contenu, mais elles ne précisent pas les formulaires qui sont acceptables.

Les évaluateurs s'exposent à des problèmes quand ils ne tiennent pas compte du but d'un rapport et qu'ils n'identifient pas clairement les hypothèses appliquées au cours de la préparation du rapport ainsi que les conditions limitatives qui ont une incidence sur la valeur présentée en conclusion.

Cette mise en garde s'applique également aux réviseurs et superviseurs d'évaluateurs qui ont le mandat de s'assurer que le travail respecte les normes en tout temps. Il importe de se rappeler que les membres agréés de l'Institut qui cosignent les rapports des stagiaires doivent s'assurer que ces stagiaires sont inscrits avec eux dans le Registre des stagiaires de l'Institut.

De plus en plus, les évaluateurs seront appelés à utiliser des modèles d'évaluation informatisés ou à collaborer avec de tels modèles. Ces modèles peuvent aller d'un simple modèle papier à un logiciel très perfectionné. Les normes stipulent que vous devez posséder les compétences requises quand vous entreprenez une affectation. Si vous ne connaissez pas l'informatique ou les algorithmes utilisés par la modélisation informatique ou comment l'ordinateur choisit et utilise les données, vous devriez probablement suivre des cours de perfectionnement professionnel avant d'accepter de telles affectations.

Le programme d'études professionnelles de l'ICE couvre, dans certains de ses cours, la modélisation statistique et l'évaluation de masse et il existe un large éventail de cours dans ce domaine. Les évaluateurs auraient intérêt à envisager de suivre de tels cours dans le cadre de leur programme de perfectionnement professionnel continu. 



Report on 2008 AIC Member Survey

Last summer, Appraisal Institute of Canada (AIC) members were randomly selected and invited to participate in a survey aimed at better understanding membership needs, in order to improve the services that AIC offers to its members. Including AACIs, CRAs and Candidates, 1,009 active members responded to the survey, providing reliable data that is statistically representative of the entire membership within an interval of +/- 2.5% at the 95% confidence level (i.e., 19 times out of 20).

The survey was designed, in part, as a follow up to the 2004 New Horizons Survey. A number of questions were the same.

Just over 70% of the respondents indicated that they do point-in-time appraisal work similar to the responses received four

years earlier. Work other than point-in-time appraisal included administration, management, consulting, and providing strategic advice, among others. While AIC demographics are well known, and the aging membership is a challenge, the survey highlighted this. The responses suggested that, in the next 5-10 years, 42% of the members plan to retire.

Compared to the 2004 New Horizons Survey, in this survey more members reported that they had an undergraduate degree/diploma (56.8% versus 49%) and fewer reported that they had some college or university courses (25.1% versus 34%).

Sixty percent of the respondents indicated that their annual income was between \$60,000 and \$150,000. Compared to the New Horizons Survey, in this survey fewer members report

annual income of less than \$30,000 (1.8% versus 7%) and between \$30,000 and \$50,000 (22.9% versus 34%). Also, more members in this survey report earnings of \$250,000 and over (8.5% versus 1%).

Also similar to the previous survey, members indicated that the top threats to their livelihood were other real estate appraisal organizations, price competition from inside the profession, appraisal management firms, automated valuation models, and competition from outside the profession.

The one threat that stood out as noticeably different was "other real estate appraisal organizations." In 2004, 19% of the respondents saw other real estate appraisal organizations as a threat, while 52.4% of the respondents this

time indicated they are a threat. Though less noticeably, three other categories are also different in the 2004 survey compared to this one: appraisal management firms (28% versus 40.6%); real estate agents (11% versus 25.5%); and quantity surveyors (1% versus 15.8%).

The main purpose of the survey was to find out what members like and did not like with respect to member services and a series of questions were asked in this respect. Member indicated that, generally, they are satisfied with their dealings with the Institute and its staff, finding that they get the information they need in a timely manner.

Respondents indicated that the top AIC services they like most are, in order of popularity:

1. Education and networking, including providing conferences, seminars, training and courses, meetings, research, university affiliations, magazine, and FAQs
2. The AIC website and online services and resources, including providing the online library, the LUM library, web reports, member directory, regular emails, notices, updates, links to other services, the forum online; and offering the option of making payments for membership dues online
3. Member services and resources such as providing the *Designated Members Source Guide*, the Counselor of Professional Practice, providing marketing information, posting employment opportunities and RENOVA,

These three member service areas accounted for 73.6% of all the responses to this question.

Respondents were asked, in general, what two improvements could AIC make to the existing services it provides that would help you do your job better? The improvements identified as most important were:

1. Offer better courses and materials, including providing more online courses and opportunities for acquiring mandatory credits for the CPD program, more courses during the winter, more courses offered

locally, more courses offering technical content and examples, more quick tips and best practices, more case studies, more FAQs, and more resources for valuation.

2. Offer better customer service, including having a live person answer the phone rather than voicemail, providing more timely responses, better and more timely updates, better advertisement of what services AIC offers members and of deadlines and requirements, providing more member information online and speeding up the complaint process, strive for better communication between the provincial and national offices; reduce any duplication of services.
3. Increase advocacy, promotion and marketing, including providing better promotion of members to financial institutions, explaining the need for professional appraisers to the public and banks, and sharing *CUSPAP* requirements with the public and the banks.
4. Elevate standards, designations, and discipline, including support for a fairer and more relevant examination process; offer better monitoring of the mentoring program, closer oversight of appraisal firms

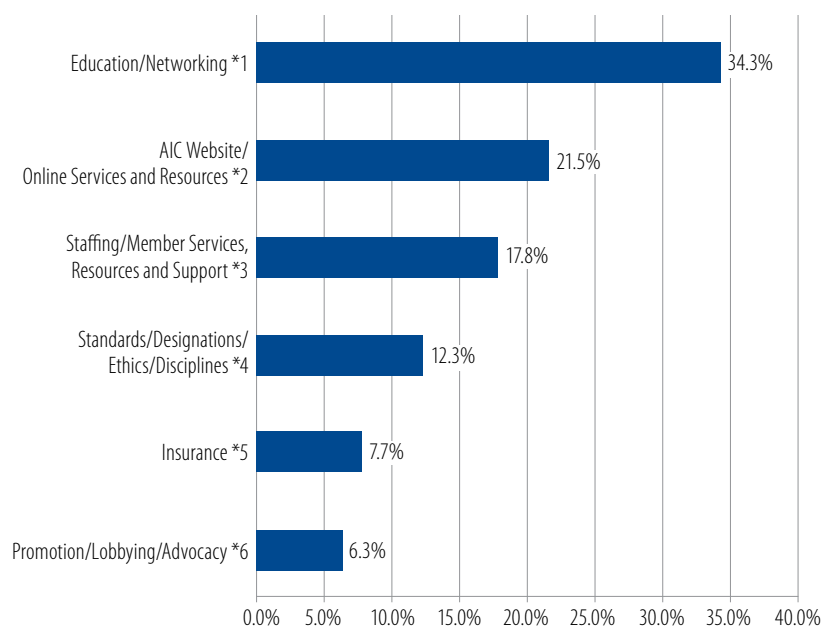
and more clarity online for designation requirements; provide more mentors and more penalties for bad appraisers; initiate a mandatory peer review; set a standard fee structure (or a range) for services members provide; provide more consistency in policies; and more examples of appropriate reporting

These four top areas for improvement accounted for 72.8% of all the comments to this question.

The survey asked respondents what two additional services could AIC provide that would help you in your job. The top three additional services identified were

1. Enhanced website with more information, including provide more comprehensive and collaboratively-developed databases; offer more information on major trend-setting transactions, general marketing trends and difficult cases; provide more FAQs; provide a more comprehensive online reference library; offer better search features; offer more information on the numbers and types of AIC members and listings of appraisal companies.

What three services that AIC provides do you like most?



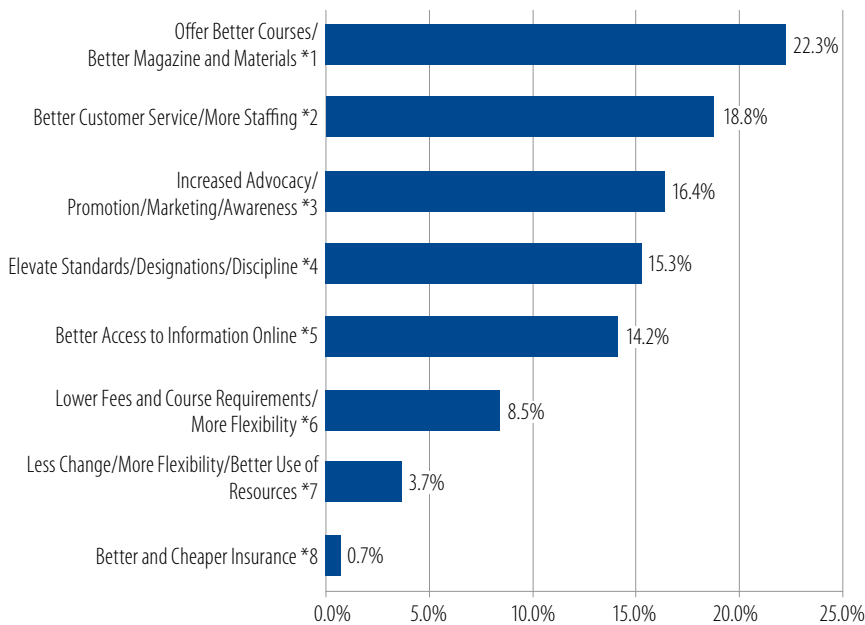
2. More educational opportunities including offer more 'real world' case studies, more up-to-date courses, more online courses for CPD credits and more courses offered locally; provide more practical and best practices articles in the magazine; offer more sample reports and more forums;

provide examples for different applications of valuation principles; and provide improved education on international practices.

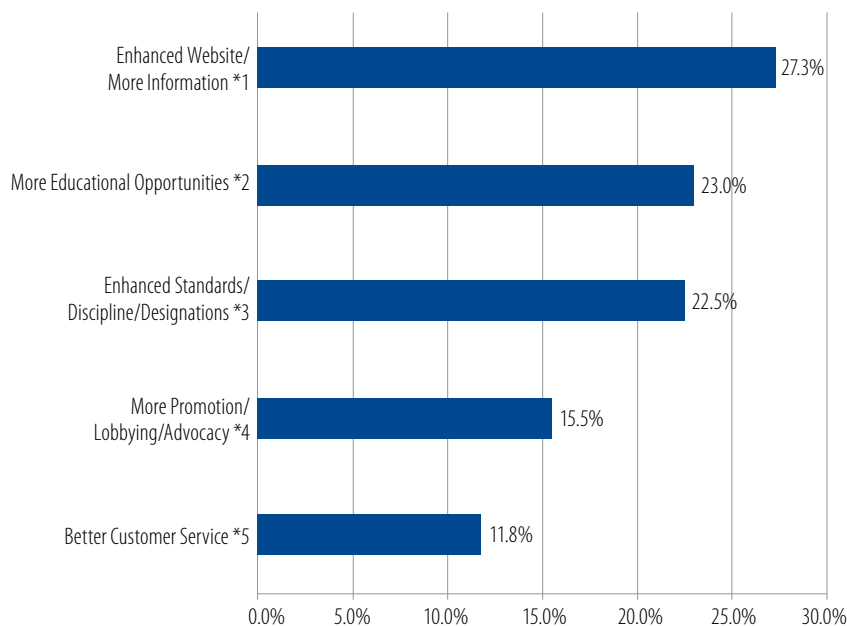
3. Enhanced standards, discipline and designations, including promote unity across the profession; arbitrate between appraisers as needed; reduce academic requirements; set

baseline fee schedules; provide less complicated and more intuitive standards formats and start a peer review program; consider joining OREA or CREA and establish more mutually-beneficial partnerships; provide more monitoring of appraisal firms; and develop a better mentoring program

In general, what two improvements could AIC make to the existing services it provides that would help you do your job better?



In general, what two additional services could AIC provide that would help you in your job?

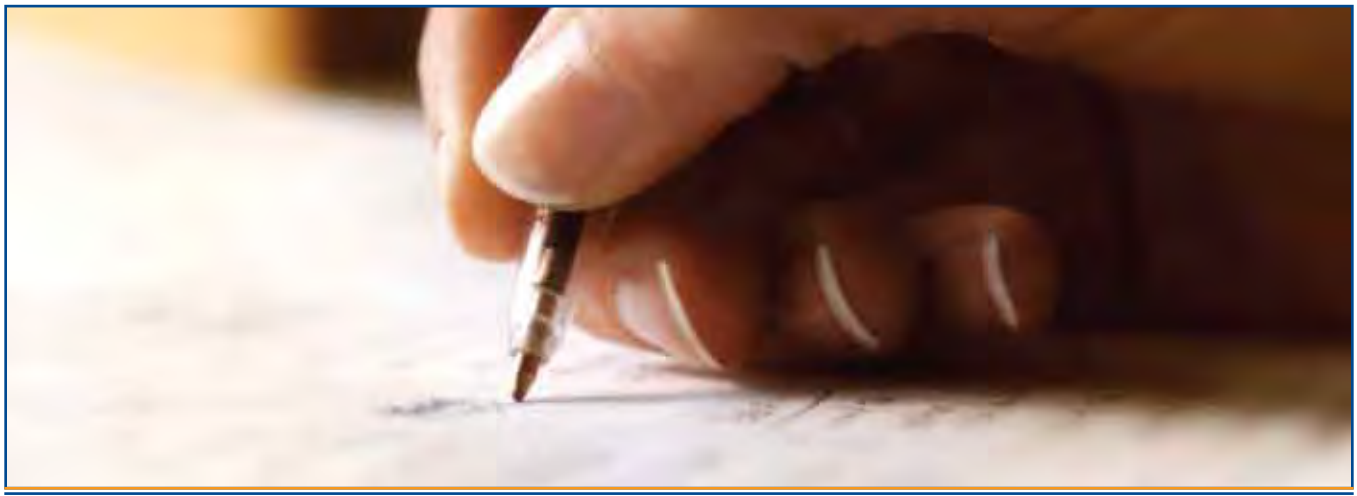


Overall, the survey revealed that members who have had dealings with AIC staff found the experience to be congenial and helpful. Also, members appreciated the educational and networking opportunities, the website and online resources, as well as the member services that AIC provides. In general, AIC members rated the services that they received well. Also, most members praised the educational opportunities, the AIC website and online services, and the member services they received.

The survey revealed a number of areas for improvement, including educational opportunities. This was mentioned both as one of the key aspects that respondents liked about AIC services and as an area that needed to be improved. These improvements included offering more courses, more online courses, more local courses, and offering more courses during the winter months. Though respondents rated customer service as one of the services they appreciated, they felt this was also an area that needed to be improved. Specifically, they would like to receive more timely responses to their queries, would like more timely updates, and suggest that a live person should answer the phone.

Respondents indicated that more must be done to promote the professions. While they appreciated the existing online services, including the online library, the LUM library and web reports, they felt strongly that these services should be enhanced.

Communications was identified as an area for continuous improvement, especially since the appraisal profession is experiencing significant changes. Respondents felt that it is vital for the Institute to communicate with its members frequently and in a number of formats about the changes that are happening and the reasons for these changes.



Rapport sur le sondage mené auprès des membres de l'ICE en 2008

été dernier, des membres de l'Institut canadien des évaluateurs ont été sélectionnés au hasard et ont été invités à participer à un sondage visant à mieux comprendre les besoins des membres et améliorer les services que leur offre l'ICE. Un total de 1009 membres actifs, dont des membres AACI, des membres CRA et des stagiaires, ont répondu au sondage et ont fourni des données fiables qui sont statistiquement représentatives de la totalité des membres dans un intervalle de plus ou moins 2,5 %, soit 19 fois sur 20 (limite de précision de 95 %).

Le sondage a été conçu, en partie, pour faire suite au sondage Nouveaux Horizons, qui a été mené en 2004. Un certain nombre de questions étaient les mêmes.

Un peu plus de 70 % des répondants ont indiqué qu'ils effectuent des évaluations traditionnelles semblablement aux réponses reçues quatre ans auparavant. Les travaux autres que les évaluations traditionnelles comprenaient, entre autres, l'administration, la gestion, la consultation et la prestation de conseils stratégiques. Le sondage a souligné le défi que constitue le vieillissement des membres, bien que les données sur les membres de l'ICE soient bien connues. Les

réponses ont suggéré que, au cours des cinq à dix prochaines années, 42 % des membres ont l'intention de prendre leur retraite.

Comparativement au sondage Nouveaux Horizons mené en 2004, un plus grand nombre de membres ont signalé dans ce sondage qu'ils possédaient un grade de premier cycle ou un diplôme (56,8 % par opposition à 49 %) et un plus petit nombre de membres ont affirmé qu'ils avaient suivi quelques cours collégiaux ou universitaires (25,1 % par opposition à 34 %).

Un total de 60 % des répondants ont mentionné que leur revenu annuel se situait entre 60 000 \$ et 150 000 \$. Comparativement au sondage Nouveaux Horizons, un plus petit nombre de membres ont déclaré, dans ce sondage, avoir un revenu annuel inférieur à 30 000 \$ (1,8 % par opposition à 7 %) ou se situant entre 30 000 \$ et 50 000 \$ (22,9 % par opposition à 34 %). De plus, un nombre plus élevé de membres ont précisé dans ce sondage qu'ils gagnaient 250 000 \$ et plus (8,5 % par opposition à 1 %).

Tout comme dans le sondage précédent, les membres ont souligné que les principales menaces liées à leur gagne-pain sont les autres organismes d'évaluation immobilière, la concurrence dans les

prix au sein de la profession, les cabinets de gestion en évaluation, les modèles informatisés d'évaluation et la concurrence à l'extérieur de la profession.

Les autres organismes d'évaluation immobilière constituent une menace considérée comme nettement différente des autres. En 2004, 19 % des répondants percevaient les autres organismes d'évaluation immobilière comme une menace, tandis que 52,4 % des répondants ont spécifié cette fois-ci qu'ils sont une menace. Bien qu'elles soient moins évidentes, trois autres catégories sont aussi différentes dans ce sondage comparativement à celui mené en 2004 : les cabinets de gestion en évaluation (28 % par opposition à 40,6 %), les agents immobiliers (11 % par opposition à 25,5 %) et les métresseurs (1 % par opposition à 15,8 %).

Le principal objectif du sondage consistait à découvrir ce que les membres aimaient et n'aimaient pas relativement aux services qui leur étaient offerts et une série de questions ont été posées à cet égard. Les membres ont indiqué qu'ils étaient, en général, satisfaits de leurs rapports avec l'Institut et le personnel, et qu'ils trouvaient qu'ils recevaient les renseignements dont ils avaient besoin au moment opportun.

Les répondants ont souligné que leurs services préférés offerts par l'ICE sont les suivants, en ordre de popularité :

1. L'éducation et le réseautage, notamment les conférences, les séminaires, la formation et les cours, les réunions, la recherche, les affiliations avec les universités, la revue et la foire aux questions;
2. Le site Web de l'ICE et les services et ressources en ligne, notamment la bibliothèque virtuelle, la bibliothèque LUM, les rapports sur le Web, le répertoire des membres, les courriels envoyés régulièrement, les avis, les mises à jour, les liens vers d'autres services, le groupe de discussion en ligne et l'option de payer les frais d'adhésion en ligne;
3. Les services et ressources offerts aux membres tels que le *Guide de référence des membres agréés*, le Conseiller en pratique professionnelle, l'offre de renseignements sur la commercialisation, l'affichage des possibilités d'emploi et RENOVA.

Ces trois catégories de services offerts aux membres représentaient 73,6 % de toutes les réponses à cette question.

On a demandé aux répondants qu'elles étaient, en général, les deux améliorations que l'ICE devrait

apporter aux services qu'elle offre actuellement afin de les aider à mieux exécuter leur travail? Les améliorations les plus importantes qui ont été identifiées sont les suivantes :

1. Offrir de meilleurs cours et documents, comme un plus grand nombre de cours en ligne et de possibilités d'acquiescer des crédits obligatoires pour le programme de PPC, des cours d'hiver, des cours offerts à l'échelle locale, des cours présentant un contenu et des exemples techniques, de petits trucs et des pratiques exemplaires, des études de cas, des foires aux questions et des ressources relatives à l'évaluation;
2. Offrir un meilleur service à la clientèle, comme avoir une personne qui répond au téléphone au lieu d'une messagerie vocale, fournir des réponses plus opportunes, faire des mises à jour de meilleure qualité et plus opportunes, faire une meilleure publicité des services qu'offre l'ICE à ses membres ainsi que des échéances et des exigences, offrir aux membres plus de renseignements en ligne et accélérer le processus de traitement des plaintes, s'efforcer d'améliorer les communications entre les bureaux national et provinciaux et réduire le chevauchement des services;

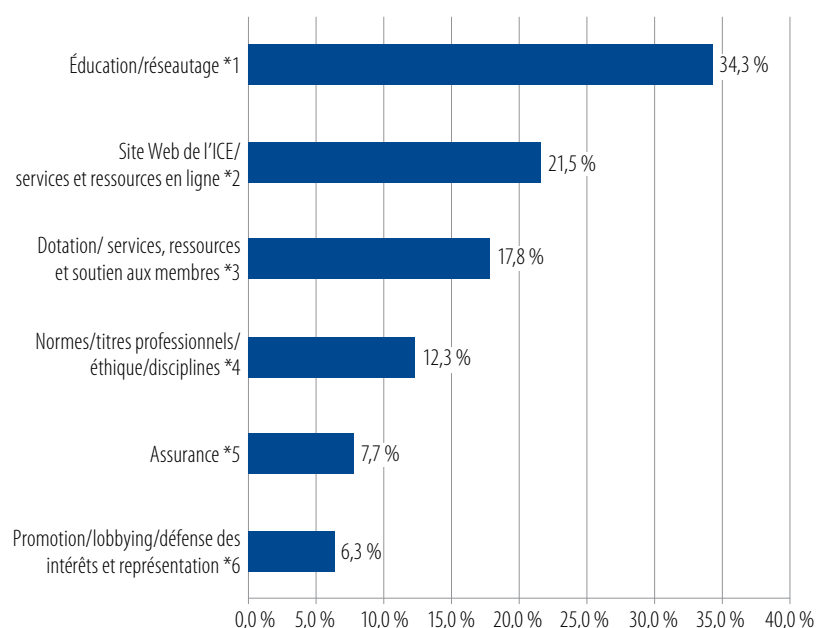
3. Accroître la défense des intérêts, la promotion et la commercialisation, notamment mieux promouvoir les membres auprès des institutions financières, expliquer le besoin d'avoir des évaluateurs professionnels au public et aux banques et partager les exigences des RUPPEC avec le public et les banques;
4. Hausser les normes, les titres professionnels et la discipline, notamment appuyer un processus d'examen plus juste et plus pertinent, mieux surveiller le programme de mentorat, surveiller plus étroitement les cabinets d'évaluation, clarifier les exigences d'accréditation en ligne, avoir un plus grand nombre de mentors et imposer de plus grandes pénalités aux mauvais évaluateurs, mettre en œuvre un examen par les pairs obligatoire, établir un barème tarifaire (ou une fourchette de prix) pour les services fournis par les membres, augmenter la cohérence dans les politiques et donner un plus grand nombre d'exemples sur les rapports appropriés.

Ces quatre secteurs à améliorer représentaient 72,8 % de toutes les réponses à cette question.

Le sondage demandait aux répondants quels étaient les deux services supplémentaires que l'ICE devrait offrir pour les aider à exécuter leur travail. Les trois premiers services supplémentaires identifiés sont les suivants :

1. Améliorer le site Web afin qu'il contienne plus de renseignements et qu'il offre des bases de données plus complètes et élaborées conjointement, de plus amples renseignements sur les transactions d'avant-garde importantes, sur les tendances générales en matière de commercialisation et les cas difficiles, une plus grande foire aux questions, une bibliothèque virtuelle de référence plus complète, de meilleures fonctions de recherche, de plus amples renseignements sur le nombre et les types de membres de l'ICE ainsi que la liste des cabinets d'évaluation;
2. Offrir plus de possibilités d'apprentissage, notamment offrir un plus grand nombre d'études de cas réels, de cours à jour, de cours en ligne permettant d'obtenir des crédits pour le PPC et de cours à l'échelle locale, retrouver un plus grand nombre d'articles pratiques et d'articles sur les pratiques exemplaires dans la

Quels sont les trois services offerts par l'ICE que vous préférez?



revue, offrir un plus grand nombre de rapports-échantillons et de groupes de discussion, donner des exemples sur les différentes applications des principes d'évaluation et offrir une formation améliorée sur les pratiques internationales;

3. Hausser les normes, la discipline et les désignations, notamment promouvoir l'unité au sein de la profession, trancher entre les évaluateurs au besoin, réduire les exigences académiques, établir des grilles tarifaires de référence, rendre le format des normes moins compliqué et plus intuitif, mettre sur pied un programme d'examen par les pairs, songer à se joindre à l'OREA ou à l'ACI et établir des partenariats plus avantageux de part et d'autre, surveiller davantage les cabinets d'évaluation et élaborer un meilleur programme de mentorat.

Dans l'ensemble, le sondage a démontré que les membres qui ont eu des rapports avec le personnel de l'ICE ont trouvé leur expérience agréable et utile. De plus, les membres ont apprécié les possibilités d'apprentissage et de réseautage, le site Web et les ressources en ligne, ainsi que les services que l'ICE offre à ses membres. En général, les membres de l'ICE ont attribué une bonne note aux services qu'ils ont reçus. Aussi, la majorité des membres ont fait l'éloge des possibilités d'apprentissage, du site Web de l'ICE et des services en ligne, ainsi que des services qu'ils ont reçus.

Le sondage a mis en lumière un certain nombre de domaines à améliorer, dont les possibilités d'apprentissage. Ces dernières constituent à la fois un des principaux aspects que les répondants aimaient à propos des services de l'ICE et un domaine qui doit être amélioré. Parmi les améliorations, citons l'offre d'un plus grand nombre de cours, de cours en ligne, de cours à l'échelle locale et de cours pendant les mois d'hiver. Bien que le service à la clientèle fasse partie des services appréciés par les membres, ils ont l'impression qu'il doit aussi être amélioré. Spécifiquement, les membres demandent des réponses plus spécifiques à leurs questions ainsi que des mises à jour plus opportunes. Par ailleurs, ils ont proposé qu'une personne réponde au téléphone.

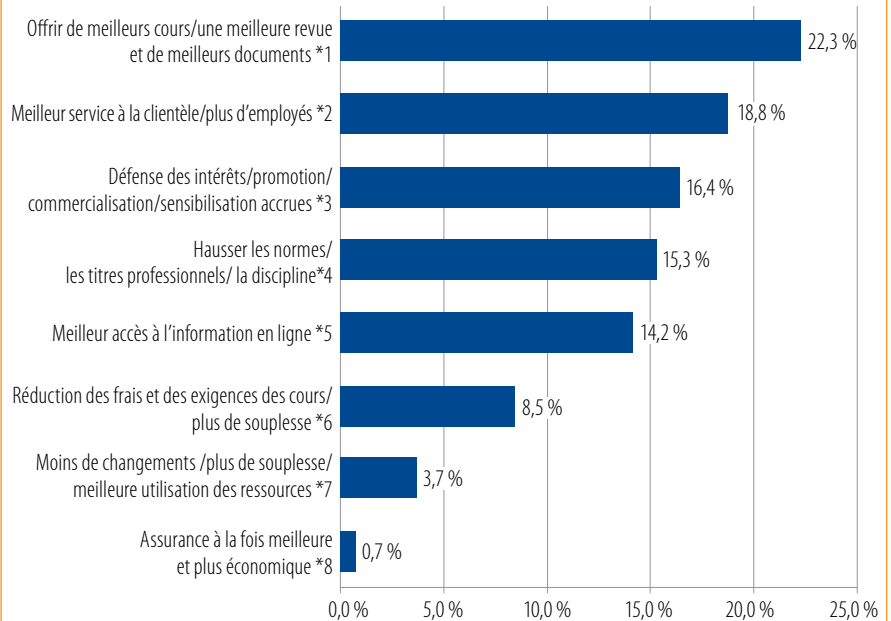
Les répondants ont souligné qu'il faut faire

plus pour promouvoir les professions. Bien qu'ils apprécient les services en ligne existants, dont la bibliothèque, la bibliothèque LUM et les rapports sur le Web, ils sont fermement convaincus que ces services doivent être améliorés.

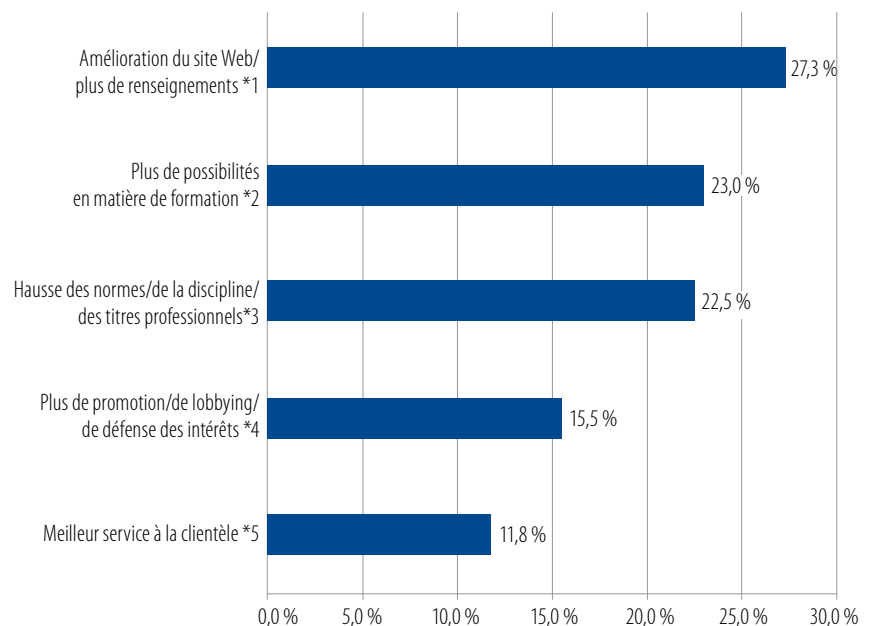
Les communications ont été identifiées comme un domaine qui exige une améliora-

tion constante, surtout depuis que la profession d'évaluateur subit d'importants changements. Les répondants croient qu'il est essentiel que l'Institut communique fréquemment avec ses membres à propos des changements qui se produisent et des raisons les justifiant, et ce, dans un certain nombre de formats. 🇨🇦

En général, quelles sont les deux améliorations que l'ICE devrait apporter aux services qu'il offre actuellement afin de vous aider à mieux exécuter votre travail?



En général, quels sont les deux services supplémentaires que l'ICE devrait offrir pour vous aider à exécuter votre travail?



AACI (Hon) Members recognized for outstanding contributions to profession

In the previous edition of *Canadian Property Valuation (Volume 52, Book 3, 2008)*, we featured four individuals who were the recipients of the first ever Honorary AACI designations presented by the Appraisal Institute of Canada (AIC). These designations are with distinction and come with the expectation that the individuals honoured in this manner will play an important advisory role within the AIC and its committees, providing leadership and visibility that will assist the Institute in achieving its goals. In this issue, we present two more of the initial group of 10 who were honoured in 2008.



Michael Brooks

Michael is the Chief Executive Officer of the Real Property Association of Canada (REALpac). REALpac is a national trade association of the largest public, private and institutional real estate owners in Canada. Its 80 corporate members own approximately \$150 Billion (Cdn) in assets. His role encompasses strategic planning, policy formulation, government relations, member recruitment and retention, and overseeing office operations. One of Michael's key roles is being proactive with the real estate community in Canada and internationally, and ensuring that REALpac is seen as a thought leader on policy and government relations issues – locally, nationally and internationally.

In addition to his duties with REALpac,

Michael is an Associate Professor at the Ted Rogers School of Management, Ryerson University, Toronto. He is a member of the Canadian Bar Association, American Bar Association, Law Society of Upper Canada, International Council of Shopping Centres, and Urban Land Institute. He is also a Fellow of the Royal Institute of Chartered Surveyors and is on the Board of Directors of the Canada Green Building Council. He has practiced real estate law in Canada for over 25 years and is co-editor of the *Canadian REIT Handbook*.

According to Michael, "REALpac members rely on the quality and integrity of appraisers to maintain the public trust in the real estate industry. Because the Institute plays such a critical role in this, being recognized with this designation is an honour.

"The AIC has been very helpful in informing and advising REALpac on appraisal issues, and in collaborating with us. In fact, in 2001, REALpac formed a terminology committee with AIC representatives to standardize some widely used real estate terms that could be subject to abuse. Over the course of a very productive year and a half, the committee formalized terms that were important to the real estate industry and its ongoing development.

"More recently, we have re-engaged with the Institute to deal with international valuation standards and issues and the training required to meet the challenges ahead. With today's global economy and the implementation of the *International Financial Reporting Standards (IFRS)*, there is going to be considerably more pressure

"REALpac members rely on the quality and integrity of appraisers to maintain the public trust in the real estate industry."

Michael Brooks

on the valuation function and process. In order to ensure a smooth transition, with everyone involved in real estate on the same page, the co-operation between the appraisal profession and our industry is extremely important.

"Having worked with professional appraisers over a 25-year law career and an 11-year career at REALpac, I have seen how their standards, education and degree of professionalism have risen. Today, there seems to be more people with university degrees entering the appraisal profession and appraisal firms seem to increasingly recruit from the universities. It is evident that universities are partnering with each other to provide appraisal programs and are more involved in customizing appraisal educational programs. There are definitely more resources available to appraisers, if they choose to take advantage of them. Personally, I am committed to the philosophy of lifelong learning and I believe that, for the most part, people who continually strive to increase their knowledge and skill levels are the ones who

eventually rise to the top of their fields and pull away from the pack. There are new challenges coming at us all the time and we must be prepared to deal with them. Continuing education is the best way to understand and overcome those new challenges.

“REALpac is trying to be a steward of the real estate industry in Canada and help to lead it in the right direction. Part of that process involves looking around the world, observing who is the best at what they are doing, and determining how we can learn from them. For example,

Australia is leading the way in sustainability as it relates to real estate, with the UK not far behind. There is still a long way to go with this journey and I am looking forward to continuing my involvement with the AIC to ensure that we reach our destination.”



Sheila Botting

Sheila Botting is Senior Managing Partner & Canadian Area Leader with Cushman & Wakefield LePage, based in Toronto. She is responsible for Canada’s valuation, advisory, business consulting and property tax practices within the company’s Capital Markets Group. She is also part of the firm’s global Valuation Advisory leadership team.

Sheila has more than 24 years of real estate experience with Cushman & Wakefield and previously with an international accounting firm. She has worked on real estate advisory issues and opportunities providing advisory solutions for pension funds, financial institutions, investors, government, corporations, rating agencies and property owners.


“Our company is a leader in Canada and throughout the world for the valuation of property. Cushman & Wakefield Valuation is responsible for the valuation of more than \$40 billion worth of property in Canada and more than \$600 billion worldwide. The Canadian Valuation & Advisory team is exceptional and many are AIC designated professional appraisers. We have introduced a program for ‘Emerging Appraisers’ and I am very proud of the fact that they are emerging as true, highly-competent valuation professionals who will take leadership roles in the future. In this regard, the Appraisal Institute of Canada (AIC) provides an exceptional education and training program for new members and I strongly recommend that anyone entering the real estate profession go through the programs offered by the Institute, and its designated education partners including the University of British Columbia and Seneca College.

“The appraisal profession is becoming increasingly sophisticated. Technology and databases substantially expand the capacity of individual appraisers and appraisal firms. There is also much more emphasis on corporate governance. The soon-to-be-implemented IFRS is just one example of the enormous changes that are in store for our profession. As a result, I cannot emphasize enough how important it is for Institute members to become actively engaged in their profession, to enhance their knowledge, to continually develop and refine

their skill sets, and to maintain the highest level of professional standards. That means being involved in the AIC and its programs. It also means working for outstanding professional firms in Canada who are dedicated to excellence in the technology and educational platform critical to our business.

“In its desire to enhance its leadership role and ensure that its members can meet the challenges ahead, the AIC is actively engaged in an ongoing strategic planning process. To enhance the effectiveness of planning and to involve other stakeholders in the industry, the AIC regularly convenes an Advisory Council comprised of other individuals and groups in the real estate community. I was honoured to be involved with the AIC’s Strategic Planning Committee in the past and I very much look forward to providing more input in the future.”

“As the only regulatory body for the real estate valuation profession in Canada, the AIC plays a vital role in ensuring that there is integrity, professionalism and accountability in the valuation process. To be honoured by such an important group means a great deal to me.”

Sheila is also a Fellow of the Institute of Management Consultants; a Fellow of the Royal Institute of Chartered Surveyors; a Founding Director of the Commercial Real Estate Women (CREW) in Toronto. She currently sits on the Americas Board for the Institute of Chartered Surveyors and is a Director of Toronto NAIOP. 

“As the only regulatory body for the real estate valuation profession in Canada, the AIC plays a vital role in ensuring that there is integrity, professionalism and accountability in the valuation process.”

Sheila Botting



Will the US sub-prime crisis head north?

By John T. Glen, MA, AACI, FRICS, MIMA,
Director of Corporate Real Estate Advisory Services for AEC
International and Course Director, York University,
Department of Administrative Studies

NOTE: All Figures detailing information presented in this article can be found on the 6 pages following this article (pages F1-F6).

Introduction

I believe that there will be a spill over of the US sub-prime crisis into Canada in terms of a reduction of real estate transactions, prices and building activity. To support this forecast, this article compares residential and investment property markets in both countries. After a brief overview of the history of sub-prime lending in the US and the key reasons for the current lending crisis, US and Canadian residential lending practices are compared to see whether the conditions which lead to the US sub-prime crisis also exist in Canada, and then, through the vehicle of debt securitization, it is demonstrated how mortgage backed securities have spread the problem to other parts of the credit markets.

Sub-prime glossary

Definitions

Prime, non-prime and sub-prime are terms relating to a borrower's credit rating. FICO¹ credit rating scores can vary from 300 to 850. TransUnion credit scores vary from 300 to 900.²

Prime borrower

A borrower with a very good credit rating and one capable of providing at least a 20%-25% down payment.

Sub-prime borrower

This term has come to describe borrowers with fair to poor credit ratings who would not normally qualify for a conventional mortgage requiring a 20% down payment and a credit rating. Some lenders required no documentation of a borrower's income.

Sub-prime borrowers are generally defined as individuals with limited income or having FICO credit scores below 620 on a scale that ranges from 300 to 850.

Sub-prime mortgages

Sub-prime mortgage loans are riskier loans in that they are made to borrowers unable to qualify under traditional, more stringent criteria due to a limited or blemished credit history. Sub-prime mortgage loans have a much higher rate of

default than prime mortgage loans and are priced based on the risk assumed by the lender.

Sub-prime crisis

Beginning in late 2006, the US sub-prime mortgage industry entered what many observers have begun to refer to as a meltdown. A steep rise in the rate of sub-prime mortgage foreclosures has caused more than two dozen sub-prime mortgage lenders to fail or file for bankruptcy. The failure of these companies has caused prices in the \$6.5 trillion mortgage-backed securities market to collapse, threatening broader impacts on the US housing market and economy as a whole. The crisis is ongoing and has received considerable attention from the US media and from lawmakers during 2007 and 2008.

Sub-prime statistics³

Canada

- Only 5% of borrowers are sub-prime.

United States

- Over 20% of borrowers are sub-prime.

Default rates

Canada⁴

- Overall default rates are less than 0.5%

United States

Early indications from the Mortgage Brokers Association show that US default rates vary based on whether the mortgage has a fixed or variable rate.

In July 2008, the Commercial Mortgage Securities Association compared delinquencies for US prime residential, sub-prime residential and commercial mortgage bonds to July 2008.

(See Figure 1 (right). Click here to also view Figures 1.2.1, 1.2.2 and 1.2.3 on page F1.)

Residential markets

One measure of the performance of the residential market is housing starts. The second measure is prices of new house and resale homes.

Housing starts

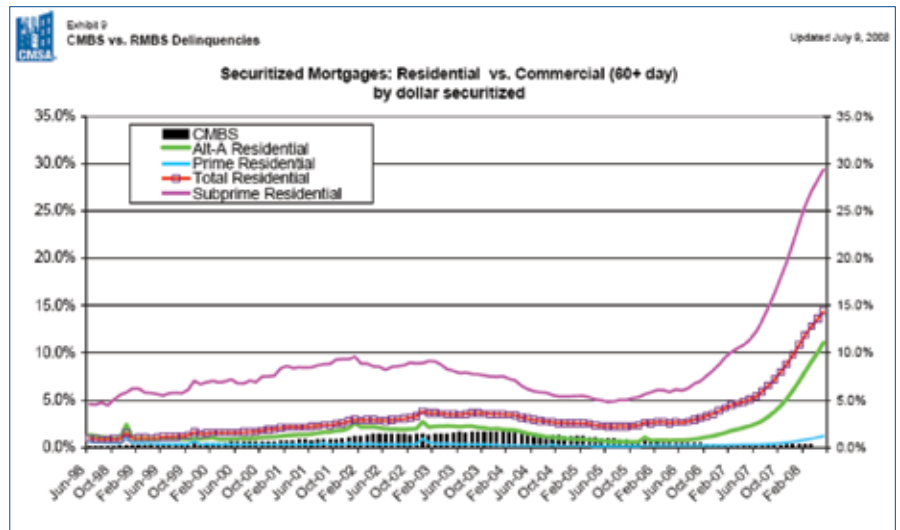
For 2008, Canada Mortgage and Housing Corporation (CMHC) forecast single-family housing starts to decline in all provinces except Newfoundland, Manitoba and Saskatchewan. For 2009, only Newfoundland, Quebec and Manitoba will be exempted from forecast single-family housing start declines. (Click here to view Figure 2.1.1 on page F1.)

Meanwhile, for multi-family housing starts for 2008, CMHC forecast multi-family housing (mostly condominiums) starts to decline in all provinces except Quebec, Ontario and Saskatchewan. For 2009, only PEI and Manitoba will be exempted from forecast declines in multi-family housing starts. (Click here to view Figure 2.1.2 on page F1.)

Housing prices

According to CMHC forecasts of provincial residential resale activity and prices, total residential resale activity is expected to decline in all provinces except Saskatchewan, while average residential resale price increases will moderate. Only in Newfoundland and Manitoba are prices expected to increase from 2007 to 2008. Alberta's average house prices are expected to increase from 3.6% in 2008 to 5.1% in 2009. (Click here to view Figures 2.2.1 and 2.2.2 on page

Figure 1: Securitized mortgages: residential vs commercial default rates



F2.)

CMHC's publication *Housing Outlook Canada Edition Second Quarter 2008* details housing price forecasts for individual local markets as well. (Click here to view Figure 2.2.3 on page F2.)

Housing starts

Five cities stand out in terms of defying the overall trend to fewer housing starts in 2008 compared to 2007 — Regina, Toronto, Ottawa, Montreal and St John's. In Regina, the increase in housing starts is attributable to expected increases in starts of single-family detached homes. In the other four cities, multi-family starts will offset declines in single-family detached homes starts.

House prices

Prices will increase in all markets from 2007 to 2008 and 2008 to 2009, except for Calgary, which is expected to experience price stability.

Residential mortgage markets

On July 9, 2008, the federal government announced that CMHC would no longer insure 40-year mortgages with zero down payments. Quoting the July 11, 2008 *Toronto Star* article "Ottawa tightens mortgage rules":⁵

Concerned about the "risk of a U.S.-style housing bubble developing in Canada," the federal government has tightened rules on government-backed mortgages, including limiting the use of

popular, but controversial 40-year amortizations.

Longer-term rates of up to 35 years will still be allowed under new rules released yesterday, which are seen as a pre-emptive move to quell the kind of housing implosion in the United States not seen since the Great Depression.

"They are obviously quite concerned about what is happening in the United States, and the spillover into Canada," said Jim Murphy, CEO of the Canadian Association of Accredited Mortgage Professionals. "The government is looking at their risk tolerance and the impact on Canadians."

Murphy said 37% of all new Canadian mortgages taken from the one-year period ending in the fall of 2007 were longer than the standard 25-year amortization period.

"Longer-term mortgages have been extremely popular with Canadians," said Murphy.

The new rules, which take effect October 15, would also require a minimum down payment of 5% on new government-backed mortgages and also call for 'consistent' minimum credit-score requirements and loan-documentation standards. Under current rules, it is possible to take out a 40-year mortgage, which has been available on the market for less than two years, with zero down payment.

The regulations will apply to federal agencies such as the Canada Mortgage and Housing Corp., which has an estimated 60% share of the mortgage insurance market.

However, private-sector mortgage insurance



rivals such as Genworth Financial, PMI Mortgage Insurance Co. Canada and AIG United Guaranty are free to offer the product.

One difference is that the federal government will no longer provide insurance that protects lenders in the event of a default by the insurers.

The new regulations mean potentially higher sales and prices in the near-term as “buyers jump into the market before they are enforced,” said TD Bank deputy chief economist Craig Alexander. “Then, the new rules will likely contribute to the cooling of the housing market.”

Interestingly, the Government of Canada action coincides with continuing instability in US Residential Secondary Mortgage Bond (RMBS) markets, with two government backed agencies Fannie Mae and Freddie Mac, which securitize the bulk of US residential mortgage loans through residential mortgage bond securities (RMBSs). In the US, banks are making fewer loans, and on tighter terms, while the securitization market is gone that formerly funded large loans, sub-prime loans and others.

Fannie and Freddie now fund eight out of every 10 loans in the US below the \$417,000 level, according to regulatory data. By March

2008, Fannie and Freddie accounted for 97.6% of the mortgage bond market, compared with less than 50% in the first quarter of 2007, according to UBS.⁶

On July 13, 2008, the US Treasury and Federal Reserve took wide-ranging steps to boost Fannie Mae and Freddie Mac. Steps included a line of credit of \$2.5 billion US and the Federal Reserve authorized borrowing from the discount window as necessary.⁷

The secondary mortgage market⁸ is the arena in which previously originated mortgage loans are bought and sold. It is critically important to the real estate industry as we know it today; not only do mortgage loan resales provide liquidity, but the requirements for marketability also strongly influence the types of loans lenders choose to originate.

In his July 12, 2008 article, ‘Good timing: Feds avoid Fannie-style mortgage freefall,’ Boyd Erman of the *Globe and Mail* stated that “the changes unveiled by Ottawa this week should help to avoid any danger of a similar, costly debacle in this country.

“The proof is in the performance of bonds issued by Canada Housing Trust, which plays the

same role in this country as Fannie and Freddie do down south. Canada Housing Trust is the biggest issuer (besides governments) of bonds in the country and the backbone of Canada’s mortgage market.

“The trust’s Canada mortgage bonds are holding up fine. The spread between the interest rate on a CMB and a similar Canadian government bond has widened over the past year, thanks to the credit crunch. Yet, in the past month, as the outlook has become dire for Freddie and Fannie, the Canadian situation has been boring. Boring is good. Boring means Canada Housing Trust is able to continue selling bonds and buying mortgages.

“The mortgages behind RMBS in Canada are generally pretty good, i.e., they are insured and have bigger down payments and shorter amortizations than in the US. Also, because mortgage interest is not tax deductible in Canada, we tend to pay down home loans faster, adding to equity and credit quality.

“Until this week, the government was in danger of letting the Canada Mortgage Trust walk into the same trap as Fannie and Freddie, by allowing banks to dilute the quality of Canadian RMBS with more and more dodgy home loans.”⁹

By October 2008, further uncertainty led to a decision by the Government of Canada to try to unfreeze credit, by arranging for a program to buy residential mortgages from lending institutions.

CMHC plans to buy up to \$7-billion of mortgages from Canadian lenders on October 23. That will be the second wave of purchases under the government’s new \$25-billion program, designed to help banks and other lenders with financing that will make it easier to lend to consumers. The first \$5-billion purchase was at a price that suggests Ottawa could earn roughly \$250-million from the \$25-billion program. Banks have welcomed the new measure, and many are calling for it to be increased. The government is using its ability to borrow cheaply to provide the banks with cheaper financing for their mortgage portfolios than they could raise themselves.¹⁰

Investment property markets

Non-residential building permits

In reviewing the value of both residential and non-residential building permits by province for May 2007 and May 2008, statistics indicate that declines in non-residential building permits have outstripped those in residential. Exceptions to the decline in non-residential are Newfoundland, PEI, New Brunswick, Ontario, Saskatchewan and BC.

[\(Click here to view Figure 3.1.1 on page F3.\)](#)

As for the value of both residential and non-residential building permits by CMA for May 2007 and May 2008, the pattern is much more complex, with some cities showing ongoing expansion, while other locations (e.g., Ontario) have shown dramatic declines. This type of bifurcation in the market is caused by local factors, such as layoffs in manufacturing. [\(Click here to view Figure 3.1.2 on page F3.\)](#)

Non-residential construction declined in all centres in Atlantic Canada, except Moncton. In Quebec, Sherbrooke saw a decline, while certain centres in Ontario were hit with declines, especially Ottawa, Oshawa, St. Catharines-Niagara, Brantford, Guelph, London, Windsor and Thunder Bay. In the prairie provinces, Winnipeg suffered from decreases, while in BC, only Kelowna was exempted from a decline.

Office and industrial markets

CB Richard Ellis 2008 Canada Market Outlook summarized its expectations for the major Canadian markets for 2008 as follows:

Office markets

For downtown office markets, the expectations are buoyant, with most markets except Toronto and Ottawa indicating decreases in vacancy and increasing rents.

For suburban office markets, the expectations are less optimistic, with Vancouver, Winnipeg, Toronto, Ottawa and Montreal indicating decreases in vacancy, while Calgary, Edmonton and Halifax should see increasing vacancy.

Rents are expected to increase in Vancouver, Calgary, Edmonton, Toronto, Montreal and Halifax, while remaining stable in Winnipeg.

Industrial markets

For industrial markets, availability is expected to decrease in Vancouver, Calgary and Halifax, remain stable in Edmonton and Winnipeg, and increase in Toronto, Ottawa and Montreal. Rents and prices are likely to rise in Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa and Halifax. In Montreal, rents and prices are expected to remain stable.

Commercial and industrial valuation parameters

The Altus-Insite Investment Survey Overall Capitalization Rates (OCRs) summarize the effect of the sub-prime crisis dramatically. Generally, OCRs have risen 1-4 basis points in most categories including office, retail, industrial and multi-residential markets surveyed across Canada.

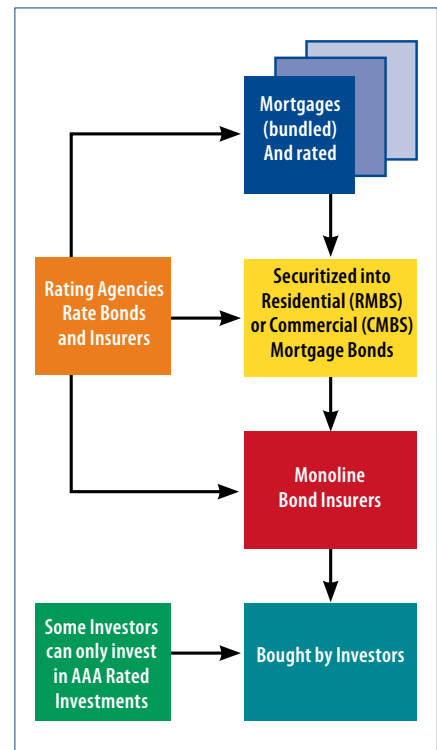
Interestingly, the Altus-Insite Investment Survey of Prices per Square Foot/Unit illustrates that the upward trending OCRs have not necessarily affected prices in all locations. If rents have trended upwards, this may have offset the change in OCRs.

As well, Altus-Insite Investment Survey Implied Rents Psf/Unit shows that dramatic increases in rents in Vancouver, Edmonton and Calgary have more than offset the upward trending OCRs for both downtown class AA and class B offices. This upward trending rental effect is limited to downtown class AA in Montreal and Halifax, whereas downtown class B rents decreased. This demonstrates the important interaction of rents and capitalization rates in different types of real estate and locations. [\(Click here to view Figures 3.3.1, 3.3.2 and 3.3.3 on page F4.\)](#)

Commercial mortgage markets

Commercial mortgage-backed securities (CMBS) are bonds created by pooling a group of commercial mortgages and issuing bonds against the security of the underlying properties. The security of the bond is comprised of income producing properties such as commercial and industrial buildings, multi-family units, retail and office spaces. Specific properties are secured against overall debt and subordination of the various tranches can

Secondary Mortgage Market Chart



change a tranche's credit rating from AAA to BBB. This is referred to as the waterfall concept. CMBSs are structured to pay investors monthly income consisting of principal and interest for the first tranche rate AAA, and interest only for subsequent tranches. Principal on a CMBS issue's tranches is paid subsequently in order of class. The class A tranche pays principal out fully before the class B tranche receives any principal payments and class C will receive principal payments only after class B is fully paid out.¹¹ An outline of how the mortgage securitization process functions is outlined in the adjacent Secondary Mortgage Market Chart.

In Canada, the success of the residential secondary mortgage market has led to the development of a commercial secondary mortgage market. The pioneers in this market were CIBC and Merrill Lynch, but other firms such as TD Bank, Royal Bank and Scotia McLeod (Bank of Nova Scotia) followed.

One notable effect of the sub-prime crisis was the effect on commercial mortgage bond securities (CMBS). In Canada, the effects included the meltdown in the asset-backed commercial paper (ABCP) market as well. At the Real Capital Forum,



held in February 2008, David Miller, President of Canadian Mortgage Rating Service Ltd., addressed the question: 'CMBS and mortgage loan securitization in Canada: will they survive?' In Canada 2007 vs 2008 Commercial Mortgage Lending Volumes,¹² indications are that commercial lending volumes will decrease dramatically in 2008. [\(Click here to view Figure 3.4.2 on page F5.\)](#)

This would have a damping effect on commercial property transactions. An article entitled *CMBS Market Correction and Commercial Property Valuations*¹³ suggests property value decreases by 2.2% for a generic property and 3.1% for a premium property. Moderating income growth forecasts by half could further lower valuations by 5.8% for a generic property and 14.5% for a premium property.

According to Mr. Plessl of RBC Dominion, "Canada's \$15-billion a year commercial mortgage lending industry has gone from a period of excess supply into a relative drought — one that could leave the market \$3-billion to \$4-billion short of what borrowers are seeking in 2008.

"Borrowers who do manage to find a loan that suits their purposes should grab it as quickly and as early in the year as possible, as there is a good chance banks will run out of funds allocated for commercial mortgages around August.

"The primary issue is fallout from the global credit crisis, which has put a halt to one of the

industry's key sources of financing, commercial mortgage-backed securities (CMBS). A form of bond comprised of commercial mortgage loans that are packaged and sold to investors, CMBS issuance went from \$200-million in 1998 to \$4.8-billion in 2006.

"That came to an abrupt halt late last year, when defaults on sub-prime mortgages in the US spilled over to cause a deep freeze on investor demand for asset-backed debt products."¹⁴ CMBS spreads to swaps have increased significantly from February 2007 to March 2008. [\(Click here to view Figure 3.4.3 on page F5.\)](#)

Commercial real estate investment market

On August 27, 2008, CBRE forecast that commercial real estate in Canada would fall by as much as 40% in 2008.¹⁵ CBRE compared commercial investment transactions the second quarter of 2008 to the second quarter of 2007. Only Vancouver experienced an increase in market activity. All other major Canadian cities experienced declines. The overall decline in commercial real estate investment in Canada was 24%. [\(Click here to view Figure 3.5.1 on page F6.\)](#)

Specific transactions

One transaction exemplifies the more difficult market brought about by financing issues. The

acquisition by Calloway REIT was originally announced on December 2007 and was to consist of 10 properties with a capitalization rate of 6.42%, totaling 2,049,006 sq. ft. for completed projects and a further component for 909,634 sq. ft. of projects under development at a 6.55% capitalization rate, for an overall rate of 6.47%.

A revised press release in April 2008 reduced the number of properties to six, with a capitalization rate of 6.78% for developed properties totaling 1,409,369 and a further component for 358,045 sq. ft. of projects under development at a 7.14% capitalization rate for an overall rate of 6.88%. Both the price and the financing arrangements had changed. Properties in Hamilton, Pembroke, Laval and Winnipeg were excluded. [\(Click here to view Figures 4.1 and 4.2 on page F6.\)](#)

Conclusions

Overview

Canada's real estate markets have been affected by the US sub-prime crisis, both directly thorough the tightening of credit and lending and indirectly through the resultant economic slowdown in the housing markets. Industries such as lumber have been affected. Indeed, it could be said that the decline in the US dollar and resultant exchange rates are due in large part to the sub-prime fiasco. The effects are by no means completed, because the political and economic consequences will reverberate throughout the US until the results of the November 2008 presidential and congressional elections are known.

In the meantime, the full effect of the sub-prime crisis on Canada is still undetermined as we approach the end of 2008. The effects will continue through 2009 at a minimum.

Residential markets

In 2008, residential market activity will slow down in all provinces except Saskatchewan. Price increases will moderate in all provinces except Newfoundland and Manitoba. In terms of local markets, price increases will continue to increase, but at a more moderate level than in

2007. In terms of residential mortgage financing, the federal government decision to discontinue CMHC insurance for 40-year amortization mortgages and zero financing will contribute to cooling the housing market.

By August 2008, Canada's housing market showed fresh signs it has exited the boom phase. A Canadian Real Estate Association report showed sales activity slumped 13.1% in the first half of the year.¹⁶ Resale home prices decreased by 2.4% between July 2007 and July 2008.

Western Canada led the year-on-year decline in prices, with Vancouver, Edmonton and Calgary affected. In contrast, Saskatoon and Regina have continued to benefit from significant price increases.

Eastern Canadian cities, especially Toronto and Hamilton, have experienced more moderate increases from prior years. Ottawa, a notable exception, is still benefiting from government-induced local growth.

[\(Click here to view Figures 5.2.1 and 5.2.2 on page F6.\)](#)

Investment property markets

The decline in availability of commercial mortgage funds and upward trending capitalization rates will contribute to moderating of prices in most major markets. This will be offset by increasing rents especially for downtown class AA office space. Downtown class B office and suburban office space demand will moderate in most locations.

Industrial availability will generally remain low and rent increases will be moderate, except in high demand locations such as Vancouver, Edmonton and Calgary.

In conclusion, Canadian markets are bifurcated by a combination of local real estate market conditions and economic factors. That said, most markets will experience some moderating trends due to the sub-prime crisis and related factors in 2008 and 2009.

According to CB Richard Ellis Ltd, commercial real estate investment in Canada is forecast to fall by as much as 40% or more this year, the biggest drop since the start of the decade.¹⁷

Economic uncertainty and hesitation by investors, a reduction in availability of financing

and a smaller pool of properties mean a challenging market for commercial sales in 2008.

While residential real estate nationally has suffered a decline in sales, the commercial world has been taking an even worse hit, reflecting the global slump in property markets.

Kim Mercado, manager of national research for CB Richard Ellis, said some buyers are taking a "wait and see approach" to determine where the market is going for commercial deals, which include all office, apartment, industrial and retail properties.

Mercado is quick to point out that 2007 was a record year, with three significant real estate investment trust transactions, including the sale of Legacy REIT, the largest hotel and lodging trust, for \$2.5 billion, helping to push sales 33% higher than the previous year.

That is not happening this year. In the first six months of the year, investment in commercial real estate by both foreign and domestic buyers was already showing a steep decline, falling 24% to \$10 billion from the same period in 2007.

Of the nine major markets covered in the study, only Vancouver had a slight increase, rising from \$1.5 billion last year to \$1.6 billion in the first half of this year for a 6.6% increase.

Already, other indications from analysts at the Urban Land Institute and Pricewater-

houseCoopers LLP¹⁸ indicate that "the Canadian commercial real estate market will be hit by shockwaves emanating from the economic crisis in the US next year, according to a report by the Urban Land Institute and PricewaterhouseCoopers LLP.

However, in 2009, the Canadian market is more likely to be in for a tough slog rather than the full-blown disaster unfolding in the US, according to the report, which included feedback from more than 700 industry members.

"Overall, Canada may get sideswiped, but should avoid the more serious problems suffered south of its border," the report said.

Upward pressure on capitalization rates may be expected in the next 12 months. The credit crisis is affecting the value of commercial real estate, according to Desjardins Securities analyst Jeff Roberts. Mr. Roberts has raised the capitalization rates he uses to value real estate investment trusts and real estate operating companies.

"The financial crisis over the last month has and will cause real estate cap rates to increase significantly, we believe, despite the scarcity of transaction activity," said Mr. Roberts, adding pricing from deals that closed even as late September do not reflect the current marketplace. He estimates cap rates have risen 50 to 100 basis points since early October.¹⁹

NOTARIUS

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US developments and expected affect on Canada

Henry Paulson, the US Treasury Secretary, turned to Canada and other Group of Seven industrialized countries on September 21, 2008 to back a sweeping financial relief package to alleviate stresses in the banking system that carries a fast-rising price tag of well over US \$700-billion to buy up the bad debt associated with the sub-prime crisis.²⁰

Given that the US Federal Reserve and US Treasury had already committed \$380 billion in previous attempts to calm the troubled financial markets for a cumulative investment of over \$1 trillion US dollars to date, some commentators were calling the latest effort, "Resolution Trust Two," reminiscent of the process used to overcome the problems caused by the US Savings and Loan crisis in the 1980s.

The ongoing effects of the sub-prime debt led to US government takeovers of Fannie Mae and Freddie Mac, the main holders of troubled RMBS paper, and AIG Insurance, an insurer of collateralized debt securities. In addition, the investment banks Lehman Brothers declared bankruptcy and Merrill Lynch was taken over by the Bank of America.

By September 22, 2008, the last two stand-alone investment banks on Wall Street surrendered their independence, as Goldman Sachs and Morgan Stanley agreed to transform themselves into holding companies and accept much tighter regulation in a deal that limits their ability to take risks and reshapes international finance.

The decision to fundamentally transform Wall Street to look more like Canada's Bay Street, where investment banks operate under the wing of commercial banks, reflects the growing acceptance by regulators that the independent model has created too much risk in the financial system.

The move will be welcomed by Canadian banks that sought greater clarity from US regulators over the way the industry would be governed in the future, after investment banks were forced to break the rules and seek emergency funds from the Federal Reserve to survive amid the credit crisis.

The decision to place the institutions under Fed supervision and reduce the amount of leverage they can risk for every dollar they hold creates a more level playing field for Canadian and other commercial banks.²¹

End Notes

- 1 FICO is a credit score developed by Fair Isaac & Co. It is used by many mortgage lenders that use a risk-based system to determine the possibility that the borrower may default on financial obligations to the mortgage lender. Equifax and Fair Isaac use this system. TransUnion's credit score ranges from 300 to 900. Experian calls its credit score product PLUS Score. The PLUS Score ranges from 330 to 830.
- 2 Financial Consumer Agency of Canada (2007), 'Understanding Your Credit Report and Credit Score'
- 3 Canadian Association of Accredited Mortgage Brokers
- 4 Canadian Association of Accredited Mortgage Brokers, March 2007
- 5 Wong, Tony, Trichur, Rita and Daw, James (2008), 'Ottawa tightens mortgage rules,' *Toronto Star*, July 10, 2008
- 6 Saft, James (2008), 'The indispensability of Fannie and Freddie,' *Reuters*, July 11, 2008
- 7 Murray, Brendan and Kopecki, Dawn (2008), 'Mortgage giants shored up,' *Toronto Star*, July 14, 2008
- 8 These are known as collateral loans versus equity loans. Collateral lending was heavily promoted in the US as a means of financing new cars, furniture, home renovation, and vacations. The key in collateral lending is the ability of the loan recipient to make payments. We have not had the same traditional of collateral lending in Canada, again because our lenders are more cautious.
- 9 Erman, Bart (2008), 'Good timing: Feds avoid Fannie-style mortgage freefall,' *Globe and Mail*, July 12, 2008.
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Figure 1.2.1: Canada versus US sub-prime lending

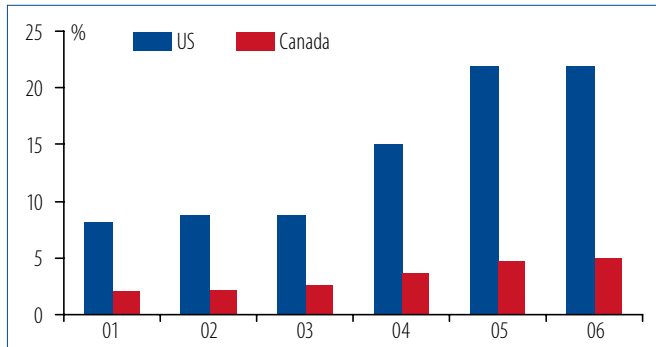
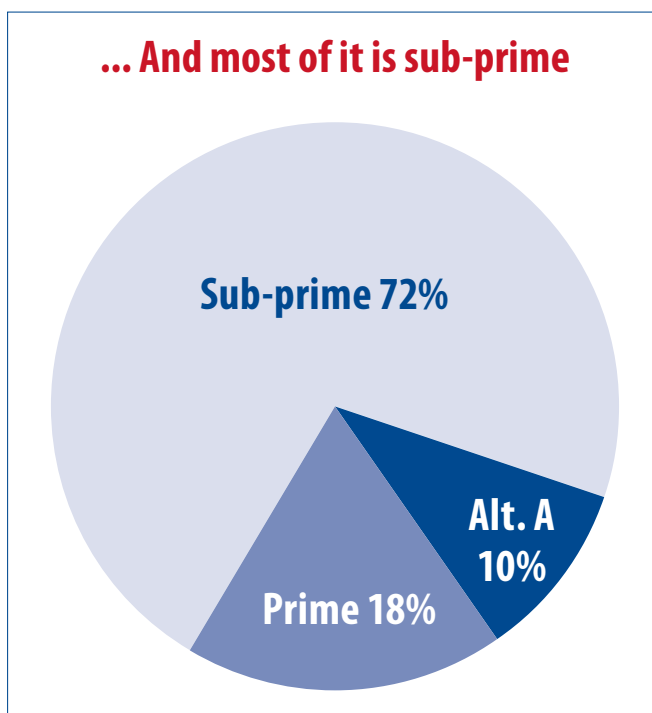


Figure 1.2.2: Sub-prime ratio of adjustable rate mortgages



Source: Bisson, Chris (2008), 'Mortgage meltdown: Should we be worried?' *Housing Finance*, University of Guelph Mortgage Centre

Figure 1.2.3: US sub-prime default rates: December 2007

RATING	TYPE	DEFAULT %
Sub Prime	Variable	17.0%
Sub Prime	Fixed	10.0%
Better	Variable	3.7%
Prime	Variable	2.2%

Source: Mortgage Brokers Association

Figure 2.1.1: Provincial Housing Starts Summary – Single Detached Starts

Province	2003	2004	2005	2006	2007	2008(F)	2009(F)
NFLD	2,240	2,229 -0.5%	2,005 -10.0%	1,864 -7.0%	2,184 17.2%	2,425 11.0%	2,500 3.1%
PEI	613	682 11.3%	634 -7.0%	512 -19.2%	573 11.9%	525 -8.4%	500 -4.8%
NS	2,968	3,270 10.2%	3,010 -8.0%	2,757 -8.4%	2,887 4.7%	2,650 -8.2%	2,450 -7.5%
NB	3,139	2,970 -5.4%	2,665 -10.3%	2,445 -8.3%	2,733 11.8%	2,510 -8.2%	2,400 -4.4%
QUE	27,225	28,871 6.0%	23,930 -17.1%	21,917 -8.4%	22,177 1.2%	19,500 -12.1%	19,750 1.3%
ONT	47,610	48,929 2.8%	41,682 -14.8%	38,309 -8.1%	37,910 -1.0%	34,825 -8.1%	31,000 -11.0%
MAN	3,165	3,484 10.1%	3,709 6.5%	3,552 -4.2%	3,857 8.6%	3,900 1.1%	4,050 3.8%
SASK	2,097	2,193 4.6%	2,425 10.6%	2,689 10.9%	4,017 49.4%	4,600 14.5%	4,100 -10.9%
ALTA	21,918	22,487 2.6%	26,684 18.7%	31,835 19.3%	28,105 -11.7%	19,250 -31.5%	20,000 3.9%
BC	12,252	14,056 14.7%	13,719 -2.4%	15,433 12.5%	14,474 -6.2%	12,500 -13.6%	12,300 -1.6%
CANADA	123,227	129,171 4.8%	120,463 -6.7%	121,313 0.7%	118,917 -2.0%	102,700 -13.6%	99,050 -3.6%

Source: CMHC.
(F) Forecast.

*Totals may not add due to rounding.

Figure 2.1.2: Provincial Housing Starts Summary – Multi-Family Starts

Province	2003	2004	2005	2006	2007	2008(F)	2009(F)
NFLD	452	641 41.8%	493 -23.1%	370 -24.9%	465 25.7%	400 -14.0%	375 -6.3%
PEI	201	237 17.9%	228 -3.8%	226 -0.9%	177 -21.7%	175 -1.1%	175 0.0%
NS	2,128	1,447 -32.0%	1,765 22.0%	2,139 21.2%	1,863 -12.9%	1,850 -0.7%	2,050 10.8%
NB	1,350	977 -27.6%	1,294 32.4%	1,640 26.7%	1,509 -8.0%	1,415 -6.2%	1,250 -11.7%
QUE	23,064	29,577 28.2%	26,980 -8.8%	25,960 -3.8%	26,376 1.6%	27,000 2.4%	26,000 -3.7%
ONT	37,570	36,185 -3.7%	37,113 2.6%	35,108 -5.4%	30,213 -13.9%	37,350 23.6%	34,000 -9.0%
MAN	1,041	956 -8.2%	1,022 6.9%	1,476 44.4%	1,881 27.4%	1,550 -17.6%	1,600 3.2%
SASK	1,218	1,588 30.4%	1,012 -36.3%	1,026 1.4%	1,990 94.0%	2,000 0.5%	1,800 -10.0%
ALTA	14,253	13,783 -3.3%	14,163 2.8%	17,127 20.9%	20,231 18.1%	18,000 -11.0%	13,000 -27.8%
BC	13,922	18,869 35.5%	20,948 11.0%	21,010 0.3%	24,721 17.7%	22,200 -10.2%	20,600 -7.2%
CANADA	95,199	104,260 9.5%	105,018 0.7%	106,082 1.0%	109,426 3.2%	111,940 2.3%	100,850 -9.9%

Source: CMHC.
(F) Forecast.

*Totals may not add due to rounding.

Figure 2.2.1:
Total Residential Resales (units and annual percentage change)

Province	2003	2004	2005	2006	2007	2008(F)	2009(F)
NFLD	3,238	3,265 0.8%	3,211 -1.7%	3,537 10.2%	4,471 26.4%	4,250 -4.9%	4,200 -1.2%
PEI	1,404	1,500 6.8%	1,449 -3.4%	1,492 3.0%	1,769 18.6%	1,600 -9.6%	1,550 -3.1%
NS	9,221	8,887 -3.6%	10,948 23.2%	10,697 -2.3%	11,857 10.8%	11,100 -6.4%	10,900 -1.8%
NB	5,489	5,979 8.9%	6,836 14.3%	7,125 4.2%	8,161 14.5%	7,600 -6.9%	7,450 -2.0%
QUE	67,130	69,296 3.2%	70,649 2.0%	72,520 2.6%	80,338 10.8%	76,000 -5.4%	79,250 4.3%
ONT	184,457	197,353 7.0%	197,140 -0.1%	194,930 -1.1%	213,379 9.5%	193,375 -9.4%	181,250 -6.3%
MAN	11,523	12,098 5.0%	12,761 5.5%	13,018 2.0%	13,928 7.0%	13,600 -2.4%	13,900 2.2%
SASK	7,698	8,172 6.2%	8,312 1.7%	9,140 10.0%	12,054 31.9%	13,400 11.2%	12,750 -4.9%
ALTA	51,334	57,460 11.9%	65,866 14.6%	74,350 12.9%	71,430 -3.9%	61,250 -14.3%	62,750 2.4%
BC	93,095	96,385 3.5%	106,310 10.3%	96,671 -9.1%	102,805 6.3%	93,750 -8.8%	91,000 -2.9%
CANADA	434,589	460,395 5.9%	483,482 5.0%	483,480 0.0%	520,192 7.6%	475,900 -8.5%	465,000 -2.3%

Source: The Canadian Real Estate Association. *Totals may not add due to rounding.
(F) Forecast by CMHC.

Figure 2.2.2:
Average Residential Resale Prices (units and annual percentage change)

Province	2003	2004	2005	2006	2007(E)	2008(F)	2009(F)
NFLD	119,822	131,499 9.7%	141,167 7.4%	139,542 -1.2%	149,258 7.0%	165,000 10.5%	175,000 6.1%
PEI	101,745	110,815 8.9%	117,238 5.8%	125,430 7.0%	133,457 6.4%	137,500 3.0%	142,000 3.3%
NS	136,292	146,033 7.1%	159,221 9.0%	168,614 5.9%	180,989 7.3%	190,000 5.0%	195,000 2.6%
NB	105,858	112,933 6.7%	120,641 6.8%	126,864 5.2%	136,603 7.7%	142,000 4.0%	146,000 2.8%
QUE	151,881	171,099 12.7%	184,583 7.9%	194,024 5.1%	208,240 7.3%	218,000 4.7%	224,000 2.8%
ONT	226,824	245,230 8.1%	262,949 7.2%	278,364 5.9%	299,544 7.6%	310,000 3.5%	317,500 2.4%
MAN	106,788	119,245 11.7%	133,854 12.3%	150,229 12.2%	169,189 12.6%	192,000 13.5%	207,000 7.8%
SASK	104,995	110,824 5.6%	122,765 10.8%	132,078 7.6%	174,405 32.0%	220,000 26.1%	238,000 8.2%
ALTA	182,845	194,769 6.5%	218,266 12.1%	285,383 30.8%	356,235 24.8%	369,000 3.6%	388,000 5.1%
BC	259,968	289,107 11.2%	332,224 14.9%	390,963 17.7%	439,119 12.3%	479,500 9.2%	498,500 4.0%
CANADA	207,162	226,387 9.3%	249,219 10.1%	276,943 11.1%	307,306 11.0%	323,000 5.1%	333,500 3.3%

Source: The Canadian Real Estate Association. *Totals may not add due to rounding.
(F) Forecast by CMHC.

Figure 2.2.3:
Selected Local Housing Markets

		Housing Starts	Single Detached	Multi Family	NHPI Annual %	MLS Sales	Average Price
Victoria	2007	2,579	795	1,784	0.5	8,403	466,974
	2008(F)	2,275	850	1,425	1.0	7,700	500,000
	2009(F)	1,845	820	1,025	0.7	7,300	520,000
Vancouver	2007	20,736	4,211	16,525	7.1	38,978	570,795
	2008(F)	19,000	4,000	15,000	6.5	36,000	615,000
	2009(F)	18,500	3,600	14,900	5.8	35,000	645,000
Edmonton	2007	14,888	7,682	7,206	32.1	20,427	338,636
	2008(F)	9,500	4,500	5,000	5.0	8,500	350,000
	2009(F)	10,200	5,200	5,000	7.0	19,000	370,000
Calgary	2007	13,505	7,777	5,728	6.2	32,176	414,066
	2008(F)	12,500	5,500	7,000	2.5	26,000	429,000
	2009(F)	8,600	5,600	3,000	3.5	26,750	429,000
Saskatoon	2007	2,380	1,485	895	38.8	4,446	232,755
	2008(F)	2,550	1,650	900	25.0	5,000	275,000
	2009(F)	2,250	1,450	800	13.0	4,750	297,500
Regina	2007	1,398	864	534	22.2	3,957	165,613
	2008(F)	1,400	950	450	15.0	4,400	230,000
	2009(F)	1,300	900	400	10.0	4,200	250,000
Winnipeg	2007	3,371	1,870	1,501	12.2	12,319	174,500
	2008(F)	3,150	1,950	1,200	8.5	12,000	200,000
	2009(F)	3,275	2,025	1,250	6.5	12,250	216,000
Hamilton	2007	3,004	1,761	1,243	4.5	3,866	268,857
	2008(F)	3,070	1,810	1,260	4.3	12,900	285,000
	2009(F)	2,910	1,770	1,140	4.2	12,100	296,000
Toronto	2007	33,293	14,769	18,524	2.5	95,164	377,029
	2008(F)	38,300	13,500	24,800	2.3	84,000	394,000
	2009(F)	32,800	10,500	22,300	2.0	77,000	404,000
Ottawa	2007	6,506	2,973	3,533	1.6	14,739	273,058
	2008(F)	6,900	2,750	4,150	1.6	13,500	285,000
	2009(F)	6,400	2,500	3,900	1.7	13,250	295,000
Montréal	2007	23,233	8,013	15,220	4.1	43,543	253,340
	2008(F)	22,600	7,300	15,300	3.5	41,800	266,000
	2009(F)	22,200	7,200	15,000	3.0	40,700	276,000
Québec	2007	5,284	2,144	3,140	4.0	7,287	178,212
	2008(F)	5,000	1,900	3,100	3.5	7,000	191,000
	2009(F)	4,700	1,750	2,950	3.0	7,200	201,000
Moncton	2007	1,425	655	770	1.0	2,849	140,032
	2008(F)	1,340	620	720	2.5	2,650	147,000
	2009(F)	1,250	590	660	2.0	2,500	152,000
Halifax	2007	2,489	1,207	1,282	7.5	6,938	215,018
	2008(F)	2,450	1,175	1,275	5.5	6,500	225,000
	2009(F)	2,550	1,075	1,475	5.3	6,400	233,000
St. John's	2007	1,480	1,174	306	5.0	4,471	149,258
	2008(F)	1,725	1,400	325	7.5	4,250	165,000
	2009(F)	1,750	1,450	300	5.0	4,200	175,000

Figure 3.1.1:
Value of Building Permits, by Province (monthly)

	May-07	May 2008 ^p	May 2007 to May 2008
	seasonally adjusted		
	\$ millions		% change
Canada	7,006	6,616	(5.6)
Residential	3,845	3,693	(3.9)
Non-residential	3,161	2,923	(7.5)
Newfoundland and Labrador	48	59	23.0
Residential	33	42	26.9
Non-residential	15	17	14.1
Prince Edward Island	13	42	214.4
Residential	10	7	(30.4)
Non-residential	3	35	934.8
Nova Scotia	112	133	18.1
Residential	72	96	34.0
Non-residential	41	37	(9.8)
New Brunswick	98	122	24.9
Residential	47	56	20.0
Non-residential	51	66	29.5
Quebec	1,137	1,111	(2.3)
Residential	701	710	1.3
Non-residential	436	401	(8.1)
Ontario	2,152	2,459	14.3
Residential	1,221	1,352	10.7
Non-residential	931	1,107	19.0
Manitoba	154	136	(11.8)
Residential	83	94	13.2
Non-residential	72	43	(40.6)
Saskatchewan	132	184	38.9
Residential	73	107	46.5
Non-residential	60	77	29.5
Alberta	1,800	1,223	(32.1)
Residential	673	582	(13.6)
Non-residential	1,126	641	(43.1)
British Columbia	1,338	1,137	(15.0)
Residential	926	643	(30.6)
Non-residential	412	495	20.2

p : preliminary. r : revised. ... : not applicable.

Note: Totals may not add due to rounding.

Sources: Statistics Canada, CANSIM, table (for fee) 026-0006 and Catalogue no. 64-001-X.

Figure 3.1.2:
Investment in Non-residential Building Construction, by CMA

	Second quarter 2007	Second quarter 2008	Second quarter 2007 to second quarter 2008
	Seasonally adjusted		
	\$ millions		% Change
Atlantic Canada			
St. John's	41	39	(4.9)
Halifax	83	81	(2.4)
Moncton	39	42	7.7
Saint John	32	28	(12.5)
Quebec	1,606	1,709	6.4
Quebec w/o Montreal	766	806	5.2
Saguenay	31	34	9.7
Québec	181	272	50.3
Sherbrooke	44	40	(9.1)
Trois-Rivières	46	46	0.0
Montréal	840	903	7.5
Ottawa-Gatineau (Que. part)	44	53	20.5
Ontario	2,956	3,261	10.3
Ontario w/o Toronto	1,314	1,317	0.2
Ottawa-Gatineau (Ont. part)	376	307	(18.4)
Kingston	48	67	39.6
Peterborough	14	15	7.1
Oshawa	95	85	(10.5)
Toronto	1,642	1,944	18.4
Hamilton	139	205	47.5
St. Catharines-Niagara	71	69	(2.8)
Kitchener	140	154	10.0
Brantford	40	17	(57.5)
Guelph	50	43	(14.0)
London	118	153	29.7
Windsor	90	63	(30.0)
Barrie	54	58	7.4
Greater Sudbury	56	65	16.1
Thunder Bay	23	16	(30.4)
Prairie Provinces	1,728	1,964	13.7
Winnipeg	151	122	(19.2)
Regina	62	68	9.7
Saskatoon	96	140	45.8
Calgary	1,092	1,228	12.5
Edmonton	478	528	10.5
BC	1,044	1,010	(3.3)
Kelowna	48	78	62.5
Abbotsford	64	55	(14.1)
Vancouver	842	792	(5.9)
Victoria	90	85	(5.6)

Figure 3.2: CBRE Forecasts for Major Canadian Office and Industrial Markets

	Vancouver		Calgary		Edmonton		Winnipeg		Toronto		Ottawa		Montreal		Halifax		National		% - 07-08
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	
OFFICE																			
Inventory	39.2	39.6	48.3	51.3	21.0	21.5	9.4	10.1	140.5	141.7	52.5	52.7	63.8	63.9	9.2	9.6	402.1	408.8	2%
Overall Vacancy	6.5%	5.8%	3.3%	6.8%	4.6%	4.4%	7.0%	6.3%	6.6%	5.9%	4.7%	4.7%	10.4%	9.8%	8.1%	8.7%	6.6%	6.6%	0%
Sublet % Total	12.8%	9.7%	22.3%	26.2%	8.9%	9.5%	15.1%	14.8%	9.2%	7.4%	14.5%	14.7%	9.8%	9.6%	4.6%	4.2%	10.6%	12.2%	15%
Downtown	3.2%	2.6%	3.0%	4.9%	4.9%	4.0%	8.3%	7.3%	5.0%	4.5%	3.9%	4.2%	8.3%	7.5%	5.3%	5.0%	5.4%	5.3%	(2%)
Suburban	10.0%	8.7%	4.1%	10.4%	3.9%	5.2%	3.2%	3.1%	8.5%	7.5%	5.2%	5.1%	14.5%	14.0%	10.5%	11.7%	8.1%	8.2%	1%
Central Net Rent	\$21.50	\$24.00	\$37.00	\$37.00	\$20.75	\$23.00	\$12.19	\$12.22	\$20.80	\$20.38	\$18.30	\$18.00	\$15.45	\$16.35	\$14.30	\$15.00	\$18.58	\$20.01	8%
Suburban Net Rent	\$16.10	\$16.60	\$23.50	\$24.25	\$14.10	\$15.50	\$11.00	\$11.00	\$13.37	\$13.64	\$13.00	\$13.25	\$11.63	\$12.37	\$13.54	\$14.00	\$13.69	\$14.85	8%
Total Average Net Rent	\$17.44	\$18.36	\$31.29	\$30.16	\$18.80	\$19.99	\$12.10	\$12.25	\$16.21	\$16.43	\$14.95	\$15.07	\$14.13	\$14.97	\$13.80	\$14.50	\$15.97	\$17.18	8%
Total Absorption	0.32	0.67	1.59	1.03	0.66	0.57	-0.09	-0.08	4.63	2.14	0.96	0.20	1.15	0.50	0.14	0.27	9.83	6.70	(32%)
New Supply	0.35	0.41	2.74	2.93	0.10	0.57	0.00	0.78	1.56	1.20	1.03	0.23	0.15	0.10	0.09	0.35	6.34	6.90	9%
INDUSTRIAL																			
Inventory	161.0	161.8	109.9	112.6	87.1	90.5	79.2	79.6	717.0	724	24.2	24.4	330.8	331.8	10.0	10.21	1661.8	1679.2	1%
Availability Rate	3.6%	3.5%	1.7%	1.5%	1.7%	1.7%	4.4%	4.4%	5.7%	5.8%	6.2%	6.3%	8.3%	8.8%	6.7%	6.0%	5.7%	5.8%	2%
Asking Net Rental Rate	\$8.10	\$8.50	\$8.90	\$9.30	\$8.80	\$8.90	\$5.03	\$5.05	\$5.55	\$5.66	\$6.85	\$7.00	\$5.08	\$5.06	\$6.54	\$6.60	\$5.64	\$5.71	1%
Asking Sale Price (psf)	\$160.00	\$170.00	\$175.00	\$184.00	\$150.00	\$165.00	\$35.00	\$40.00	\$90.00	\$90.90	\$80.00	\$85.00	\$52.97	\$52.97	\$57.50	\$60.00	\$88.68	\$94.29	6%
Total Absorption	1.80	1.75	3.67	2.94	4.12	3.41	-0.47	-0.01	4.24	5.88	0.37	0.18	-0.92	-0.50	0.49	0.62	12.91	15.76	22%
New Supply	0.75	0.75	3.57	2.75	2.24	3.41	0.25	0.43	7.50	7.00	0.47	0.20	1.34	1.00	0.58	0.60	18.83	18.05	(4%)

Figure 3.3.1: Altus-Insite Investment Survey: Overall Capitalization Rates

LOCATION	Vancouver		Edmonton		Calgary		Toronto		Ottawa		Montreal		Halifax	
Property Type	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08
OFFICE: DOWNTOWN														
Class AA	5.8	5.9	6.2	6.4	5.7	6.0	5.8	6.0	6.1	6.2	6.6	6.6	6.8	7.1
Class B	6.4	6.4	6.7	6.9	6.3	6.5	6.5	6.7	6.8	6.9	7.2	7.2	7.9	8.0
RETAIL														
Tier 1 Regional Malls	5.5	5.8	5.8	6.1	5.5	5.7	5.4	5.8	5.7	6.0	5.7	6.2	6.4	6.2
Community Malls	6.5	6.7	6.9	7.2	6.5	6.9	7.1	7.2	7.0	7.2	7.2	7.6	7.7	8.0
INDUSTRIAL														
Single Tenant	6.0	6.2	6.5	6.5	6.1	6.3	6.2	6.6	6.6	6.8	6.9	7.2	6.9	7.4
Multi-Tenant	6.0	6.4	6.4	6.6	6.2	6.5	6.3	6.9	6.8	7.1	7.1	7.4	7.3	7.7
MULTI-RESIDENTIAL														
Multi-Residential	5.1	5.2	5.6	5.7	5.4	5.5	6.0	6.3	5.9	6.0	6.3	6.4	6.7	7.0

Figure 3.3.2: Altus-Insite Investment Survey: Prices psf/unit

LOCATION	Vancouver		Edmonton		Calgary		Toronto		Ottawa		Montreal		Halifax	
Property Type	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08
OFFICE: DOWNTOWN														
Class AA	397	439	287	336	449	481	425	423	357	375	270	280	213	224
Class B	280	329	211	236	348	361	272	263	252	237	203	193	141	123
INDUSTRIAL														
Single Tenant	115	124	103	113	115	114	97	94	96	89	80	80	84	81
Multi-Tenant	118	127	110	112	127	115	99	92	95	87	75	72	79	75
MULTI-RESIDENTIAL														
Multi-Residential	150,000	175,875		127,600	200,000	157,200	98,000	94,222	96,667	100,600	97,500	97,333	89,000	88,833

Figure 3.3.3: Altus-Insite Investment Survey: Implied Rental psf/unit

LOCATION	Vancouver		Edmonton		Calgary		Toronto		Ottawa		Montreal		Halifax	
Property Type	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08	Q2 07	Q2 08
OFFICE: DOWNTOWN														
Class AA	23.03	25.90	17.79	21.52	25.59	28.84	24.65	25.40	21.78	23.27	17.82	18.45	14.48	15.92
Class B	17.92	21.04	14.14	16.25	21.92	23.45	17.68	17.59	17.14	16.36	14.62	13.91	11.14	9.84
INDUSTRIAL														
Single Tenant	6.9	7.70	6.70	7.32	7.02	7.19	6.01	6.17	6.34	6.08	5.52	5.75	5.80	6.01
Multi-Tenant	7.09	8.14	7.03	7.36	7.89	7.47	6.23	6.36	6.43	6.18	5.33	5.34	5.75	5.79
MULTI-RESIDENTIAL														
Multi-Residential/Yr	7,650	9,146		7,273	10,800	8,646	5,880	5,936	5,703	6,036	6,143	6,229	5,963	6,218
Multi-Residential/Mo	638	762		606	900	721	490	495	475	503	512	519	497	518

Figure 3.4.2:
Canada 2007 vs 2008 Commercial Mortgage Lending Volumes \$ (billion)

Source	2007		2008	
	Actual	Low	High	
Lifeco's	\$6.75	\$5.75	\$5.75	
Pension Funds	\$3.50	\$3.25	\$3.25	
CMBS	\$3.60	\$0.50	\$1.00	
Bank/Credit Unions/ Other	\$5.00	\$4.00	\$4.00	
Total	\$18.85	\$13.50	\$14.00	

Source: CMBS and Mortgage Loan Securitization in Canada: Will they survive?

Figure 3.4.3 CMBS Fixed Rate Credit Curves

Rating	Spread to Swaps		
	27-Feb-07	23-Nov-07	07-Mar-08
AAA	23	112	300
AA	32	270	865
A	40	420	1,090
BBB+	60	700	1,420
BBB	70	800	1,520
BBB-	80	900	1,745

Source: Wachovia Capital Markets LLC

Figure 3.4.3: CMBS Fixed Rate Credit Curves

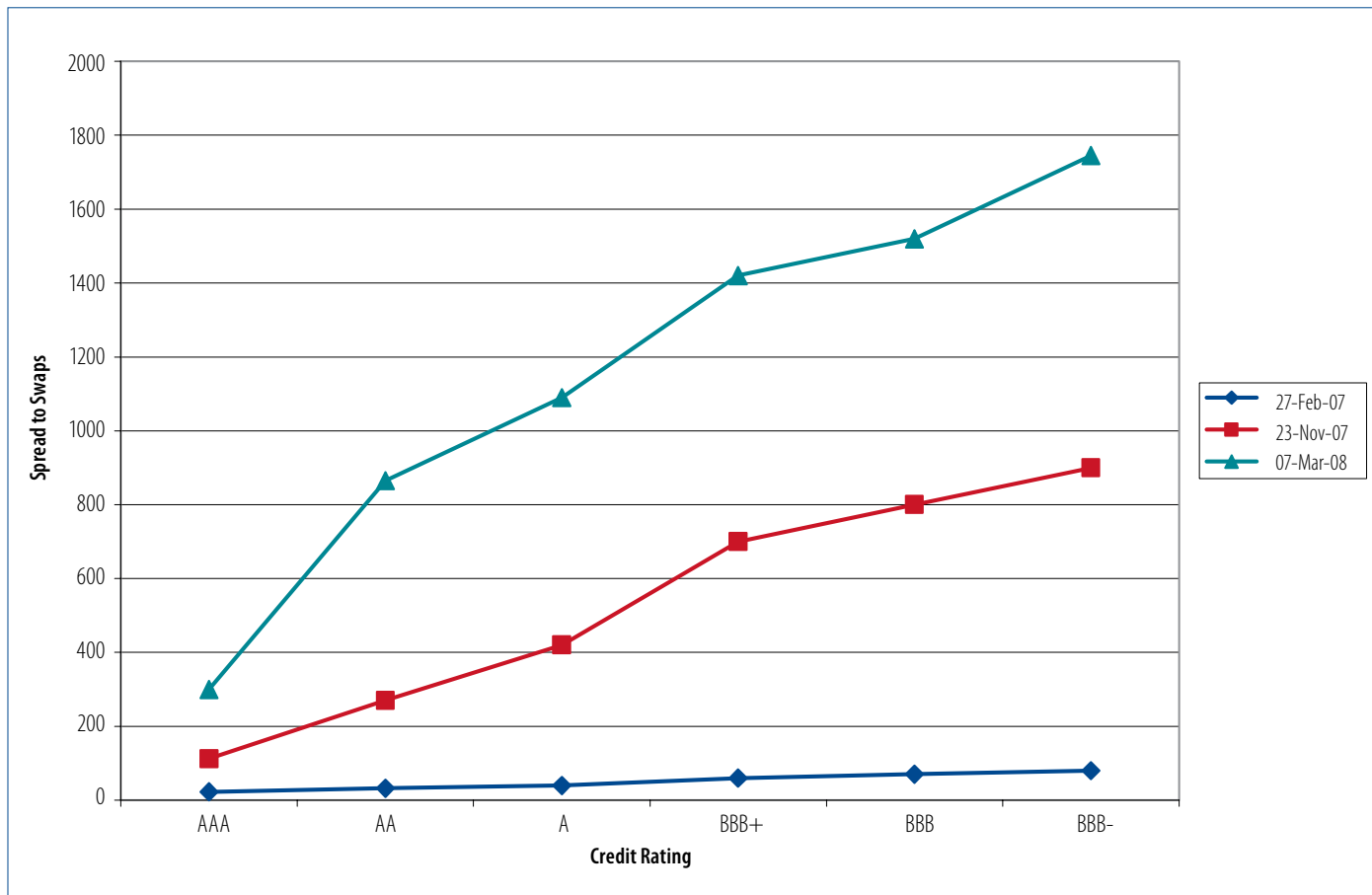


Figure 3.5.1: Commercial Real Estate Investment Canada 2Q 2007 versus 2Q 2008 \$ million

Location	2Q 2007	2Q 2008	2008 v 2007
London	\$353	\$86	(76%)
Waterloo	\$465	\$289	(38%)
Halifax	\$193	\$153	(21%)
Toronto	\$4,500	\$3,700	(18%)
Montreal	\$1,782	\$1,078	(40%)
Ottawa	\$618	\$322	(48%)
Total East	\$7,911	\$5,628	(29%)
Calgary	\$2,900	\$2,200	(24%)
Vancouver	\$1,500	\$1,600	7%
Edmonton	\$870	\$634	(27%)
Total West	\$5,270	\$4,434	(16%)
Canada	\$13,181	\$10,062	(24%)

Figure 4.1: Calloway Portfolio Sale Announced Dec-2007

Calloway Portfolio 8.1 Dec-07

	When	NOI	Price	Cap	Size	NOI PSF	Price psf
Initial Payment	Dec-07	\$26,000,000	\$405,000,000	6.42%	2,049,006	\$12.69	\$197.66
Further Payments	Dec-11	\$18,000,000	\$275,000,000	6.55%	909,634	\$19.79	\$302.32
Completion		\$44,000,000	\$680,000,000	6.47%	2,958,640	\$14.87	\$229.84

Figure 4.2: Revised Calloway Portfolio Sale Announced April 2008

Calloway Portfolio 8.2 Apr-08

	When	NOI	Price	Cap	Size	NOI PSF	Price psf
Initial Payment	Apr-08	\$18,300,000	\$270,000,000	6.78%	1,409,369	\$12.98	\$191.58
Further Payments	Dec-11	\$7,500,000	\$105,000,000	7.14%	358,045	\$20.95	\$293.26
Completion		\$25,800,000	\$375,000,000	6.88%	1,767,414	\$14.60	\$212.17

Figure 5.2.1: MLS Average Resale Home Prices July 2007 versus July 2008 – By City

Location	Jul-07	Jul-08	08 vs 07	% Change
WEST				
Victoria	\$464,417	\$487,864	\$23,447	5.0%
Vancouver	\$581,108	\$575,256	(\$5,852)	(1.0%)
Edmonton	\$353,919	\$335,100	(\$18,819)	(5.3%)
Calgary	\$436,739	\$402,788	(\$33,951)	(7.8%)
Saskatoon	\$245,152	\$292,428	\$47,276	19.3%
Regina	\$176,537	\$246,463	\$69,926	39.6%
East				
Toronto	\$366,012	\$371,410	\$5,398	1.5%
Hamilton	\$268,561	\$281,580	\$13,019	4.8%
Ottawa	\$269,792	\$295,134	\$25,342	9.4%
Fredericton	\$133,081	\$147,091	\$14,010	10.5%
Saint John	\$136,995	\$154,274	\$17,279	12.6%
Halifax	\$219,032	\$236,514	\$17,482	8.0%

Source: Canadian Real Estate Association

Figure 5.2.2: MLS Average Resale Home Prices July 2007 versus July 2008 – By Province

Location	Jul-07	Jul-08	08 vs 07	% Change
BC	\$446,481	\$444,589	(\$1,892)	(0.4%)
Alberta	\$309,885	\$302,298	(\$7,587)	(2.4%)
Saskatchewan	\$182,920	\$237,604	\$54,684	29.9%
Manitoba	\$167,774	\$190,354	\$22,580	13.5%
Ontario	\$291,807	\$298,630	\$6,823	2.3%
Quebec	\$202,395	\$214,070	\$11,675	5.8%
NB	\$135,631	\$141,255	\$5,624	4.1%
NS	\$182,267	\$192,160	\$9,893	5.4%
PEI	\$309,885	\$302,298	(\$7,587)	(2.4%)
Newfoundland/Labrador	\$152,718	\$181,269	\$28,551	18.7%
Canada	\$309,885	\$302,298	(\$7,587)	(2.4%)

Source: Canadian Real Estate Association

Revised *Regulations* take fresh approach to range of sanctions

The revised *Regulations* have taken a fresh approach to the range of sanctions that may be imposed when a member is found to have acted in breach of Appraisal Institute of Canada (AIC) *Bylaws, Regulations*, and *CUSPAP*. From the outset, the prime consideration was an acknowledgement that “to err is human,” which has been taken to mean that we should be able to learn from our mistakes and, thus, not repeat them. The goal of providing education has been the cornerstone of the revisions to the range of sanctions available to the professional practice committees, and the Counsellor, Professional Practice.

As such, the range of sanctions has been segregated into two sections: Part 5, Section 5.44 of the *Regulations*: Practice Sanctions and Conduct Sanctions. (see table)

Practice sanctions may be imposed in three areas: administrative errors in the conduct of a member’s business or practice, minor technical appraisal or *CUSPAP* related errors, and minor ethical violations. Practice sanctions entail a minor error where an easily remedied oversight has been uncovered. The range of practice sanctions is typical of what was available under the old *Regulations*, however, the focus is on education through courses, seminars, peer review or other directions to assist a member. A new sanction of fines was added at the request of the Professional Practice Committee, as there were some situations where an alternative to education is appropriate.

Conduct sanctions specifically address the most serious member errors. These are significant breaches of *CUSPAP*, gross negligence,

Findings	Any one or more of the following Sanctions	Subject to the following timeframes as applicable to complete the sanction
Practice Sanctions		
(1) Administrative (for example) <ul style="list-style-type: none"> Invalid Insurance Not properly registered in co-signor registry Not properly registered in fee/non fee category (2) Technical Appraisal related Errors (3) Ethical Violation of Rules 4.2.6, 4.2.7, 4.2.9 and 4.2.10 and associated Comments	(i) Fine (ii) Education, (iii) Peer Review, (iv) Reprimand, (v) Provide advice, (vi) Direct Member to take action, (vii) Recommend mediation	(i) 30 days to pay fines (ii) 6 months to complete peer review and education
Conduct Sanctions		
(1) Gross Incompetence (2) Multiple complaints (3) Serious violations (4) Ethical violation (5) Non-Cooperation pursuant to Section 20 (6) Improper submission of a Complaint	Any Sanction referred to in Practice Sanctions, and in addition, any one or more of the following: (i) Censure (ii) Suspension (iii) Expulsion	(i) Immediate imposition

egregious incompetence, and serious ethical violations. Conduct sanctions are intended to discipline a member where the error is serious and where education has failed to have the rehabilitative effect desired.

Please note that the *Regulations* regarding publication have changed. Practice sanctions will not be published. Conduct sanctions will be published on the Institute’s website and, in exceptional circumstances, in the member’s local newspaper. Please see section 5.46 of the *Regulations* for more information.

In summary, the professional practice process has been infused with a renewed sense of purpose to provide for education first in addressing complaints, and the vigor to impose discipline where it is necessary. 📍

Professional Affairs

Coordinating Committee

Sheila Young, AACI, P. App, – Chair, President Elect

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

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

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

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

To contact this committee email: professionalaaffairs@aicanada.ca

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Ours is an exclusive profession – not everyone who applies is admitted. Our insurance program is not like that. We take in everyone who is a member and provide them with quality insurance from quality insurers, not to mention our own insurance fund which provides the first portion of our coverage. But, like any other program, we rely on licensed Canadian insurers for the circulation of our insurance. These insurers cover most, but do not cover every exposure that we have.

Currently, major Canadian lenders are seeking to have you give them assurances in areas that you cannot possibly opine. In particular, opinions on the environmental condition of land require a certain type of knowledge or skill which the average appraiser does not possess. In this issue, Miller Thomson's Mark Frederick tells us about exclusions to our insurance policy that you, the practicing appraiser, must be wary of, and what you can do when faced with these enquiries. Mark is a barrister and solicitor with Miller Thomson LLP, a national Canadian firm that specializes in real property and insurance work.



Brian Duncan
A.A.C.I., P. App.,
President of the Board,
FPLICL

Environmental assessments are not covered by your insurance

Exclusive advice

While we have heard how the insurance industry has insured everything from Betty Grable's legs to the RMS Queen Mary, there are simply some things that cannot be insured. The first thing we need to understand is the answer to the question "What is insurance?"

Insurance is a contract of indemnity – that means that it is an agreement between you (the insured) and the company who agrees to provide you with the ability to meet demands of third parties for any loss that you or your activities may cause them.

In our case, our insurance is more than simply providing indemnity. It also provides you with a defence to any suit brought against you for your professional conduct. To some extent, you are your own insurer, because you must pay a deductible for losses that you cause. In the insurance world, this is insurance in itself, as it is assumed that a desire to avoid payment of that deductible makes you that much more cautious.

But, insurers learned some time ago that there is a need to restrict the type of coverage

they provide to make it commensurate with the skill and ability of those whom they insure. For example, anyone who is qualified to be a lawyer in Ontario is given training in several areas of law – tax, estates, real estate, family law, labour, etc. Most lawyers do not practice in all areas. They are expected to refer work in areas in which they do not practice to others who do. But, all the same, they are licensed to do all work. Nor can they buy insurance that covers them for doing just labour law. They must buy insurance that covers all aspects of their practice. If the average litigator strays and does a large land transaction and makes an error, his policy will still apply to provide indemnity to him.

For appraisers, it does not work this way. Your policy provides coverage for one thing – appraising. If you provide services that are beyond the scope of appraising – such as selling property or providing accounting or property management services – your policy will not respond to that risk. Simply put, you will be practicing outside the normal scope of an appraiser.

What about when you do practice as an appraiser? This does not mean that your insurance will guarantee any type of transaction. While appraisers by and large tend not to practice in areas in which they have no experience or qualification, your insurance policy contains restrictions on what you can opine about.

The most common issue faced by the profession today is the ever increasing demand by lending underwriters to have you assume risk for the environmental state of land that you appraise. There are good reasons not to provide opinions on environmental issues.

First, opining on pollution requires not only specialized training as an engineer or chemist, but also sophisticated equipment that can not only detect pollutants, but also detect the level of these pollutants. Just because land is polluted does not make it dangerous or even affect its value. Tolerances of safety allow for some contaminated land to be adjudged fit for other purposes. As an appraiser, you have no real ability to make such determinations.

Second, the rules and regulations that govern toxicity keep on changing. What was acceptable 30 years ago may not be acceptable today, as research into the effect of pollution continues to disclose more health hazards with situations previously adjudged safe. To be fluent and current in this area, one must continually take courses and updates and watch the gazettes where these regulations are published. Various types of audits and reports have been established to be undertaken before the Crown regards land as being clean.

Third, knowledge of pollution also requires knowledge of the historical use of property and the processes that clean them. In urban centres, this is particularly difficult, as the industrial usages of property can go back over 200 years. While we look fondly on the days of yesteryear as being a less complicated time, the use of noxious chemicals and processes created horrible blights on waterfronts, railway right of ways and canals that are only being understood today. Other problems, such as the spread of fill and waste, complicate the soil-bearing aspects of property, as well as the environmental impact of concrete rubble. Currently, there are many techniques and solutions for repairing or restoring polluted land. However, these processes are not areas covered by appraisal qualifications courses.

Aside from these practical aspects is a prohibition in your insurance policy (mimicked in large part by an exclusion in the limiting condition that most of you use – and all of you should be using) that provides no coverage for matters relating to environmental impairment.

The current threat then is the situation where lenders ask you to provide confirmation as to the state of property that you are to appraise and include within their instructions requests that your report meet Phase 1 Environmental Site Assessment guidelines.

For some of you, providing comprehensive reports is done all the time. You will hire others to do this job. If you do, it is wise to

ensure that they are qualified to provide you with the opinion that the client requests. It is then wise to ensure that they have insurance to back up their conclusions. Finally, it is prudent to have them issue that component of their report separate from yours, addressed to the client, and have the client pay for that part of the report separately from yours. Indeed, you are wise to reflect this in your report as follows:

“You requested we provide a comprehensive appraisal report on your land located at _____. Included in your instructions was a request to provide an opinion with regard to the environmental condition of the property. As we noted to you, we do not have the requisite skill and ability to opine on environmental matters, nor are we insured to do so. At your instructions, we have obtained an independent opinion on matters relating to environmental concerns from _____Engineers and have attached same hereto. We take no responsibility for this opinion, which is independent and unrelated to our opinion. Any questions as to the content or sufficiency of this opinion must rest with its authors.”

If you receive a request in writing to provide any environmental view, you must answer it with a notice in writing that you do not provide such opinions and that, if the client wishes, you may provide them with some recommendations of persons who do provide such opinions which they may thereafter retain at their own cost.

KEEP IN MIND THAT IF YOU TAKE ON A JOB THAT COMPELS YOU TO PROVIDE AN OPINION ON THE ENVIRONMENTAL STATE OF LAND, YOU WILL NOT HAVE INSURANCE COVERAGE. YOU WILL BECOME YOUR OWN INSURER.

Remember the following:

- 1) do not accept jobs that compel you to do things that you cannot do;
- 2) ensure that your appraisal has limiting conditions that mitigate against such concerns as pollution and other environmental impairment;
- 3) see that the client retains independent experts for reports on issues that you do not have the skill to report upon; and
- 4) reject jobs where you cannot impose 1-3 above. 🏡



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Current Courses

(X) = Number of AIC CPD Credit Hours

Business Enterprise Valuation (7)

Valuation of Property Impairments
and Contamination (10)

Hotel Valuation (7)

Highest and Best Use Analysis (4)

Multi-Family Property Valuation (7)

Office Property Valuation (7)

Seniors Facilities Valuation (4)

Land Valuation (7)

Appraisal Review (7)

Machinery and Equipment Valuation (7)

Lease Analysis (7)

Real Estate Consulting: Forecasting (13)

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

Real Estate Consulting:
Decision Analysis (10)

Urban Infrastructure Policies (7)

Urban Infrastructure Applications (10)

Agricultural Valuation (10)

Exposure & Marketing Time: Valuation Impacts (4)

Expropriation Valuation (4)

Green Value - Valuing Sustainable
Commercial Buildings (7)

Adjustment Support in the Direct Comparison
Approach: Hybrid Adjustment Technique (4)

Submerged Land Valuation (7)

Future Courses

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Real Estate Division



THE UNIVERSITY OF BRITISH COLUMBIA

[Click HERE to return to Table of Contents](#)

Spotlight on continuing professional development

In this column, we highlight two of the UBC Real Estate Division's continuing professional development (CPD) courses that will be available mid-December. UBC's CPD courses are intended to: (1) refresh Appraisal Institute of Canada (AIC) members' skills and knowledge; and/or (2) teach members new techniques and applications for the evolving marketplace. The CPD courses are short, self-paced, and completed online.

CPD 114: Valuation for Financial Reporting – Real Property Appraisal and IFRS

On January 1, 2011, the *International Financial Reporting Standards (IFRS)* will replace Canada's current *Generally Accepted Accounting Principles (or GAAP)* for publicly accountable profit-oriented enterprises. In other words, December 31, 2010 will be the last day of financial reporting under Canadian *GAAP* for many organizations.

IFRS adoption in Canada brings with it a potential for significant amounts of real property valuation and consulting work, starting as early as 2009. Some proponents suggest this will be the largest ever one-time increase in the real property valuation sector, bigger than capital gains valuation day back in 1972. Entities preparing for *IFRS* in 2011 will begin securing valuation services in 2009 – meaning appraisal firms that are ready, willing, and able to take on *IFRS*-related work will likely experience a major expansion in scope of work very soon.

This course will answer questions about the impact on the appraisal community with the coming adoption of *IFRS*. The primary audience for this course is active members of the



AIC, who practice in the field of industrial, commercial, and investment (IC&I) property valuation and consulting. It will examine potential valuation opportunities arising from the adoption of *IFRS* in Canada, looking at both a best case and conservative scenario. Will it be a new golden age for appraisers or business as usual?

The course outlines opportunities and threats from *IFRS*:

- A virtual tidal wave of valuation-related work coming very soon.
- Unprecedented opportunity for expansion of client base and services offered.
- If there are insufficient appraisers to fulfill the demand, the work will have to be done by someone...if not AIC members, then who?
- What can individual appraisers and the AIC do to take advantage of this opportunity and avoid these threats?

The conclusion is there may be a significant shortfall in appraiser capacity to meet this demand. The appraisal profession faces a significant opportunity, but to seize this opportunity it must start preparing for *IFRS* now! If the appraisal profession cannot meet the initial and ongoing demand for *IFRS* valuation services, others will.

The lesson closes with a series of opinions from valuation professionals who are currently preparing for *IFRS*. These valuation professionals share their views on the business opportunities, challenges, and practice issues appraisers may face in the next two years, as Canadian business and government prepare for the transition to *IFRS*.

We caution that students completing this introductory course will not suddenly be considered experts in this specialized field of practice. Looking beyond, the UBC Real Estate Division and the Appraisal Institute of Canada plan to develop additional learning materials on this subject when more information becomes available on *IFRS* implementation in Canada. For example, we will develop a series of case studies illustrating the practical application of new and adaptive valuation processes to meet the requirements for financial reporting of real estate values.

CPD 126: Getting to Green – Energy Efficient and Sustainable Housing

Interest in green residential construction is growing rapidly, spurred on by rising fuel prices combined with a growing interest in mitigating climate change. Homeowners, feeling the impact of high energy bills, are looking for ways to control their own energy consumption – energy efficient 'green homes' are well-placed to fill this niche.

Describing a property as 'green' can mean different things to different people. For most, 'green' implies 'environmentally friendly.' For others, 'green' is interchangeable with 'sustainable,' 'high performance,' or 'energy-efficient.' This course will discuss a variety of features that contribute to residential structures being considered 'green,' including a variety of measures established by third-party rating organizations and legislating bodies.


The goal of this course is to help consumers, real estate professionals, and government 'get to green,' by which we mean recognizing the benefits of energy efficient and sustainable real estate and then pursuing these benefits. Our definition of a model green building is one that is energy-efficient, water-efficient, designed for healthy living, constructed of low-impact materials that do not compromise the building's durability or performance, is accessible to amenities, and is protective of the local ecosystems. A green building is in harmony with its occupants and its environment such that it:

- provides a healthy indoor living environment;
 - allows ample fresh air and natural light;
 - is designed to take advantage of natural resources such as solar or geothermal heat, natural airflow patterns, or rainwater;
 - uses significantly less energy and water than typical homes; and
 - requires minimal care and maintenance.
3. Low-impact, durable building materials
 4. Form and function for healthy living
 5. Access to amenities
 6. Protection of local ecosystems

A significant proportion of a building's 'greenness' derives from its construction and building systems, so the course focuses on Building Science 101, explaining exactly how the components of a home work together to control the flow of air, heat, and moisture to maintain healthy indoor environments. Green construction practices and building features aim for a residence that is built with fewer non-renewable resources, disrupts fewer natural systems, and uses less energy and water in its final operations. Topics explored include:

1. Energy-efficiency
2. Water-efficiency

The course concludes by investigating economic, governmental, and other market mechanisms that are driving the green building market forward, while also examining challenges and barriers to this burgeoning industry. It appears building green is finally entrenched in Canada and on the cusp of rapid expansion. The business model incorporates a shift in evaluation systems from single to triple bottom line factors (economic, social, and environmental) and from short-term to long-term cost analysis. The course will examine tools for advancing green building technologies and success stories world-wide that demonstrate the potential for a greener future.

For more information on these and other UBC CPD offerings, you may wish to visit our website: www.realestate.ubc.ca/cpd. 

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Notice of Annual General Meeting

Appraisal Institute of Canada AGM 2009

Fairmont Mont Tremblant Hotel | Mont Tremblant, Quebec
Saturday, May 30, 2009

Agenda

1. To confirm the minutes of the June 6, 2008 AGM.
2. To receive reports
 - a) President
 - b) Management
 - c) AIC committee reports
3. To receive audited financial statements for the past year and appoint auditors for the forthcoming year.
4. To elect the Board of Directors of the Appraisal Institute of Canada.
5. To consider AIC By-law revisions as presented by the Board of Directors.
6. To consider resolutions submitted in accordance with the By-laws.
7. To consider all other business as may properly come before the meeting.

Note: Designated members have the right to vote by proxy.

Avis d'assemblée Générale Annuelle

Institut canadien des évaluateurs, AGA 2009

Hôtel Fairmont Mont Tremblant | Mont Tremblant, Québec
samedi, le 30 mai, 2009

Ordre du jour

1. Approbation du procès-verbal de l'AGA du 6 juin 2008.
2. Présentation des rapports
 - a) du Président
 - b) de la direction
 - c) des comités de l'ICE
3. Présentation des états financiers vérifiés du dernier exercice et nomination des vérificateurs pour le prochain exercice.
4. Élection des membres du Conseil d'administration de l'Institut canadien des évaluateurs.
5. Examen des modifications aux règlements de l'ICE, telles que présentées par le Conseil d'administration national (CAN).
6. Examen des résolutions présentées conformément aux règlements.
7. Étude de tous les autres points dûment présentés à l'Assemblée.

Note : les membres agréés ont le droit de voter par procuration.

Appraisal Institute of Canada

2009 Annual Conference

Fairmont Hotel Mont-Tremblant

May 27 – 30, 2009



The Appraisal Institute of Canada – Quebec

L'Association du Québec de l'Institut Canadien des Évaluateurs [AQICE] is very pleased and proud to be hosting the 2009 annual conference in Mont-Tremblant, Québec.

The 2009 conference presents delegates with the opportunity to engage in stimulating professional development programs in striking surroundings. The Organizing Committee has created an educational program built on three essential pillars – education, experience, and high standards.

The 2009 conference presents a unique opportunity for members from coast to coast to examine trends and innovation in the Quebec real property milieu, as well as the national scene. The diversity of the program is intended to reflect the

diversity of AIC members and the schedule will feature a mix of well known speakers, panel discussions and tours with a Québécois flavour. LEED and Green Certification, the implications of IFRS, and the impact of global economic developments are all on the agenda, along with informative sessions on marketing and Human Resource management, as well as new approaches to traditional valuation topics.

Do not miss this opportunity to visit one of Canada's most picturesque communities. Mont-Tremblant, Québec is known world over as a beautiful resort area offering fantastic local eateries; cultural entertainment; and stunning scenery. Start your travel planning now; book early to ensure your accommodation requirements

are guaranteed. The Mont-Tremblant area is located north of Ottawa and Montreal and offers tourists the opportunity to visit both Ontario and Quebec communities. If you plan to do some sightseeing, we recommend that you book your car as soon as possible. Visit http://www.aicanada.ca/e/aboutaic_events_con2009.cfm for accommodation, car rental, and tourist attractions. Come and join us in "la belle province."

AIC has arranged for shuttles to transport attendees from the Pierre Elliott Trudeau Airport in Montreal to and from Mont-Tremblant. More details to follow!

*Laurent Brosseau, AACI, P. App
Conference Chair*



Conférence Annuelle 2009 de l'Institut canadien des évaluateurs

Hôtel Fairmont Mont-Tremblant

du 27 au 30 mai 2009



L'Association du Québec de l'Institut Canadien des Évaluateurs (AQICE)

C'est avec fierté et grand plaisir que l'Association du Québec de l'Institut canadien des évaluateurs [AQICE] vous invite à la conférence annuelle 2009 au Mont-Tremblant, Québec.

La conférence 2009 permettra aux délégués de participer à des programmes stimulants de perfectionnement professionnel dans un milieu sans pareil. Le comité organisateur a élaboré un programme pédagogique qui prend appui sur les trois piliers du professionnalisme, soit l'éducation, l'expérience et des normes élevées.

La conférence 2009 permettra également aux membres de tous les coins du pays de se pencher sur les tendances et l'innovation dans le secteur de l'immobilier au Québec, ainsi que sur la scène nationale. La diversité du programme vise à refléter la diversité des membres de l'ICE et le programme met en vedette des conférenciers

réputés, des discussions de groupes et des tournées à saveur purement québécoise. Le programme d'évaluation LEED, la certification des bâtiments durables, les conséquences des NIRF et l'impact des développements économiques à l'échelle du monde sont tous à l'ordre du jour, ainsi que des séances d'information sur la gestion du marketing et des ressources humaines et les nouvelles approches aux sujets traditionnels portant sur l'évaluation.

Ne ratez pas cette occasion de visiter l'une des collectivités les plus pittoresques du Canada. La région du Mont-Tremblant au Québec est reconnue de par le monde comme centre touristique où l'on retrouve des établissements culinaires inégalés, une grande diversité culturelle et un paysage qui vous coupera le souffle. Commencez à planifier votre séjour avec nous dès maintenant. Il faut réserver tôt pour garantir votre hébergement.

Le parc du Mont-Tremblant est nord localisé d'Ottawa et de Montréal et offre donc aux touristes l'occasion de visiter des collectivités à la fois ontariennes et québécoises. Si vous prévoyez visiter la région, nous vous recommandons de réserver votre voiture dans les meilleurs délais. Pour de l'information sur l'hébergement, la location de voitures et les attractions touristiques, veuillez consulter l'adresse http://www.aicanada.ca/e/aboutaic_events_con2009.cfm. Joignez-vous à nous dans la « la belle province ».

L'ICE a fait des arrangements pour le transport en navette aller-retour des participants entre l'aéroport Pierre Elliott Trudeau de Montréal et le Mont-Tremblant. Plus de détails à suivre!

*Laurent Brosseau, AACI, P.App
Président de la conférence*



Primer on *International Valuation Standards*

The introduction of our *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* states that the *Standards* meet the sponsor criteria of the Appraisal Foundation in their international membership category, and endorse the *International Valuation Standards (IVS)* as an authority promoting world-wide acceptance of standards for property valuation.¹ The purpose of this article is to introduce the most recent edition of the *International Valuation Standards* and compare it to our *Standards*.

The eighth edition of *IVS* (2007) is a document that contains 462 pages. Almost 65% of the *IVS* book is dedicated to Guidance Notes, which are designed to amplify the fundamentals of valuation so that they may be better understood.² By comparison, the current 2008-2009 edition of *Uniform Standards of Professional Appraisal Practice (USPAP)* has 95 pages plus Advisory Opinions and FAQs. Our *Standards* contain only 62 pages, including Practice Notes and definitions. However, note that *USPAP* has 39 individual appraisal reporting rules,³ plus an additional 24 appraisal development rules,⁴ whereas our *Standards* have 27 appraisal standards rules. The real property valuation reporting standards of *IVS* contain only 17 reporting rules.⁵

The *IVS* document is broken down into nine areas (plus an index) briefly summarized as follows:

Introduction (Pages 1-18)

Here, the objective and scope of *IVS* state that the development of the standards have been guided by the objectives of facilitating cross-border transactions and to contribute to the viability of international property markets by promoting the reliability of valuations performed to secure loans and mortgages, for transfer of ownership and for settlement in

litigation or tax matters. These concepts are familiar to our members in their day to day activities. In addition, however, the *IVS* looks to provide rules and guidelines for appraising as it relates to the emergence of new financial reporting rules, something that our *Standards* currently do not address.

Concepts fundamental to Generally Accepted Valuation Principles (GAVP) (Pages 19-34)

The concepts referred to are universal and are the basis for the *Standards*, Applications and Guidance Notes. This section addresses these various concepts including land, property, real estate, assets, price, costs, value, highest and best use, utility, etc. The section also provides overviews of the various valuation approaches.

Code of Conduct (Pages 35-45)

As with our own *Ethical Standard Rules*, the *IVS* recognizes that valuations should be provided by honest and competent people, the *Code of Conduct* deals specifically with ethics (integrity, conflicts of interest, confidentiality and impartiality) competence, and disclosure.

Property types (Pages 46-64)

Recognizing that appraisers often encounter assignments involving various property types, *IVS* provides the distinguishing characteristics of real property as well as other categories of property, namely personal property, businesses and financial interests.



Introduction to the Standards (Pages 65-72)

This section discusses differences between market value basis and bases other than market value. The concepts of utility, scarcity, desire, purchasing power, supply, demand, price, cost and value are briefly discussed.

Standards (Pages 73-104)

This section contains the rules divided into market value (*Standard 1*), bases other than market value (*Standard 2*) and reporting requirements (*Standard 3*). These three *Standards* serve as the foundation for international valuation applications, which deal with the application of valuation for financial reporting and lending.

“The guidance provided by both our rules and the IVS rules do indeed assist in clarifying those grey areas and delicate situations that often present themselves.”

Applications (Pages 105-162)

The application of both private and public sector asset valuation to financial statements or related accounts and to decisions involving loan or mortgage security is described.

Guidance Notes (Pages 163-328)

There are 15 topics covered in this section that deal with subjects such as the valuation of lease interests, plant and equipment, intangible assets, personal property, businesses, agricultural properties, mines, trade related properties and historic properties; consideration of hazardous and toxic substances; the cost approach; discounted cash flow; reviewing valuations; and mass appraisal for property taxation.

Glossary (Pages 329-424)

The glossary provides a summary of all terms defined in the *Standards*, *Applications* and *Guidance Notes*

Index (Pages 427-462)

The three principle elements of *IVS* are the *Standards*, *Applications* and *Guidance Notes*. All are given equal weight and all valuations prepared in compliance with *IVS* must conform to the principles and procedures elaborated throughout the entire document.⁶

Ethics Standards Rules/ Code of Conduct

The preamble to our *Ethics Standards Rules* states that members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or real property appraisal profession. Members' relationships with other members and the Institute shall portray courtesy and good faith and show

respect for the Institute and its procedures.⁷ The introduction to the *IVS Code of Conduct* states that it is fundamental to the operations of *IVS* that valuations performed in compliance therewith should be provided by honest and competent professional valuers, free of bias or self-interest, whose reports are clear, will not mislead, and will disclose all matters essential to the proper understanding of the report. Valuers should always promote and preserve public trust in the valuation profession.⁸

Our current *Ethics Standard Rules* are more AIC specific than the *Code of Conduct* of *IVS* in that ours deal with issues such as adherence to the Institute *Bylaws*, *Regulations*, Professional Liability Insurance Program, AIC cooperation and the Continuing Professional Development program. Certain concepts are common to both sets of rules, such as acting in a misleading or fraudulent way, failing to reveal a conflict of interest and contingent reporting, however, the *IVS Code of Conduct* adds certain rules not covered in our *Standards*. For example, *IVS* rules require that a valuer shall ensure that any staff person or subordinate assisting with the assignment adhere to the *Code of Conduct*.⁹ However, arguably this situation could be covered under our Comments regarding both assistance and responsibility.

The *IVS* rules also are somewhat more specific than ours when it comes to the use of hypothetical conditions wherein *IVS* requires that such hypothetical conditions must be a 'reasonable possibility' and that there must be some discussion both of the prospect of realizing the hypothesis and a consideration of value that reflects the true situation prevailing.¹⁰ Again, arguably this situation could be resolved through our 'reasonable appraiser' concept.

One of the more interesting conduct rules of *IVS* states that a valuer should act promptly and efficiently in carrying out the client's instructions and should keep the client informed of the valuer's progress.¹¹ This may create concern for our busy members.

At the end of the day, the *Conduct Rules* of *IVS* are not all that unfamiliar. As professionals and members of society, all we really need is one ethical rule that simply states "be ethical," however, the guidance provided by both our rules and the *IVS* rules do indeed assist in clarifying those grey areas and delicate situations that often present themselves.

In the next edition, I will continue with the *IVS* primer and attempt to briefly compare the *Appraisal Standard Rules* with those of *IVS*. 🌈

End notes

- 1 CUSPAP – April 2008 (Page i)
- 2 *IVS*, 8th Edition – 2007 (Page 165)
- 3 *USPAP* – 2008-2009 Edition – Standard 2
- 4 *USPAP* – 2008-2009 Edition – Standard 1
- 5 *IVS*, 8th Edition – 2007 (Pages 97-104)
- 6 *IBID* (Page 12)
- 7 CUSPAP – April 2008 (Page 3)
- 8 *IVS*, 8th Edition – 2007 (Page 37)
- 9 *IVS*, 8th Edition – 2007 (4.1.7 - Page 40)
- 10 *IVS*, 8th Edition – 2007 (4.4.7 - Page 41)
- 11 *IVS*, 8th Edition – 2007 (5.3.1 - Page 42)

Standards Committee

Ray Bower, AACI, P. App – Chair
Iain Hyslop, AACI, P. App
Brian Varner, AACI, P. App
Chris Perret, AACI, P. App
George Ward, AACI, P. App
To contact this committee email:
standards@aicanada.ca

Use of extraordinary assumptions and hypothetical conditions

According to *CUSPAP*, hypothetical conditions may be used when they are required for legal purposes, purposes of reasonable analysis, or purposes of comparison. The most common hypothetical conditions are utilized for appraisal reports, which include proposed improvements. For every hypothetical condition, an extraordinary assumption is required.

A common example for a residential appraisal report could be as simple as follows:

On the date of inspection, the single-family residence as described herein was at the framing stage of construction. In order to facilitate builder mortgage financing, I have completed my analysis under the extraordinary assumption and hypothetical condition that the residence was already completed and ready for occupancy.

Generally, these types of assignments appear to be well done; the Investigating Committee (IC) has not seen many residential construction mortgage financing report complaints. That being said, given the downturn in the economy, builders undoubtedly may walk away from partially completed projects. Now is the time to ensure that, when writing this type of report and completing building construction appraisals and progress inspection reports, care is taken to provide a greater level of detail with respect to extraordinary assumptions and hypothetical conditions.

As a member of the IC, I have reviewed several reports where it became evident that there would likely have been no valid basis for a substantive complaint against the appraiser had the writer made it clear throughout the report that he was using well thought out extraordinary assumptions and hypothetical conditions.

While completing investigation assignments, I have seen that appraisers often find themselves with the daunting task of completing an appraisal

on a unique or challenging property. Typically, these assignments take a longer period to complete and the appraiser, faced with tightening tight time constraints, perhaps either omits or makes only cursory reference to an extraordinary assumption and hypothetical condition.

It has been the consensus of IC members that, at a minimum, these statements should be included in the letter of transmittal (if used), at the certification page, and every place where the value estimate is indicated. In addition, it is often best to provide the details of the extraordinary assumptions and hypothetical conditions within the property description and highest and best use sections of the report.

For example, consider a property that is a segment of a larger parent property. One way to handle this type of assignment would be to provide a detailed explanation in the property description as follows:

On the date of inspection, the subject 3.5-acre parcel was part of a larger parent property having a site area of 10.75 acres. In order to facilitate first mortgage financing, I have completed my analysis under the extraordinary assumption and hypothetical condition that the 3.5-acre parcel land has been subdivided from the parent property and has its own marketable title. Documentation provided by the local municipality confirmed that the proposed subdivision of the subject property will be approved subject to installation of services and road works as outlined herein.

This explanation could be repeated or partially repeated in other appropriate places throughout the report with additional notifications at the letter of transmittal, certification page, and any other place where the value estimate is noted.

When using hypothetical conditions, it is imperative that assumed hypothetical condition is reasonable and probable. Expanding on the example of a request for valuation of a 3.5-acre site that is to be subdivided from a 10.75-acre property; if the appraiser discovered that the zoning would not permit the proposed subdivision, this assumption should not be used.

It is important to be specific, because a reader who is relying upon the report can be misled. Taking the time to complete a well-worded report, including properly addressing extraordinary assumptions and hypothetical conditions, is a relatively simple and painless way to avoid a confrontation and a potential complaint against you in the future.

While working on the IC, it has become evident to me that the majority of members are providing professional valuation consulting services with a high level of integrity. I believe that, with the constructive efforts of our committee, we can improve the level of service to all AIC member clients. 

Investigating Committee

John Hutchinson, AACI, P. App — Chair
Sheldon Rajesky, AACI, P. App
Michael Lee, AACI, P. App
Trent Gelmici, AACI, P. App
Mike Schulkowsky, AACI, P. App
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Stan Jugovic, AACI, P. App
Darrell Thorvaldson, AACI, P. App
Jane Kulyk, CRA
Gerry Gehlen, AACI, P. App
To contact this committee, email investigating@aicanada.ca

Limiting assignments to your scope of training and expertise

Cases coming before the Adjudicating Committee (AC) involve a variety of issues and circumstances which keep our task challenging and interesting. However, some problems seem to occur more frequently than others, leaving the impression that certain messages are not getting out to the membership or are simply being ignored by a select few.

Leading the way is the problem of CRAs completing assignments beyond the scope of the training and expertise associated with their designation, without the benefit of a co-signature from an AACI. Here are some examples of cases coming before the AC:

CRA appraising a commercial property

Some cases are much clearer than others:

Case 1 – A CRA undertook an appraisal of what was described in the report as commercial premises with accommodation above. The property consisted of a 10,000 square foot garden centre and related greenhouses, with a four-bedroom residence on the second level.

A cost approach and income approach were utilized in the property valuation. With the income approach, the member elected to capitalize the income from the business as opposed to rental income from the property and derived a capitalization rate by “contacting a couple of commercial appraisers from outside the area.” The report was not co-signed by an AACI.

There were a number of other ethics and standards violations, but the key issues involved a CRA valuing what is clearly a commercial property without the benefit of a co-signature. The inexperience with the property type led to the employment of incorrect valuation methodology.

The AC imposed a discipline of Censure with

publication in the AIC’s *Communiqué* and *Canadian Property Valuation* magazine, as well as costs and an educational discipline.

Some cases are a bit more subtle:

Case 2 – A CRA completed an appraisal of what was contended to be a duplex, with no evidence of a commercial use of the property. Closer examination of the report suggests the contrary. The property had a commercial zoning designation, the neighbourhood was characterized as commercial/residential, the assessment designation for the property was commercial, and the building description identified the main level room allocation as ‘store front’ and included the comment “carpeted store front for commercial/apartment use.” The property had been listed on the market extolling the commercial potential. The report was not co-signed by an AACI.

The AC imposed a discipline of Censure with publication in *Communiqué*, *Canadian Property Valuation* magazine and a local newspaper, as well as costs and an educational discipline.

CRA appraising development land

Sometimes, it is claimed to be a misunderstanding:

Case 3 – A CRA completed an appraisal of an agricultural operation which involved 200 acres of farm land, a variety of service buildings and a single-family residence. Over 75% of the appraised value was allocated to the agricultural component, with the remainder being attributed to the residence.

The report was not co-signed by an AACI. The member claimed that, since the property involved a residential component, it was acceptable for a CRA to undertake the appraisal.

The AC imposed a discipline of Censure with publication in *Communiqué*, *Canadian Property*


Valuation magazine and a local newspaper, as well as costs and an educational discipline.

Member ignoring the rules

Then there is the occasional slam dunk:

Case 4 – A Candidate member countersigned an appraisal with the signature of a former AIC member who had held the AACI designation, but who had not been a member for 10 years. This practice was reported by this member to have been used on 250-300 appraisal reports per year. There were other ethics and standards violations in the report forming the basis of the complaint, but the key issue was the Candidate member using the signature of a non-member and effectively representing that member as an AACI in good standing.

The Investigating Committee recommended a discipline of expulsion, but the member resigned prior to the hearing.

Both in the ways the AC deals with these individual members and in our efforts to communicate these issues to the membership, we continually strive to ensure AIC members are working within their defined scope of expertise and training. The key is that these types of situations be brought to the AIC’s attention as soon as possible so that we can act to correct them. 

Adjudicating Committee

Peter Lawrek, AACI, P. App – Chair

Pat Cooper, AACI, P. App

John Ingram, AACI, P. App

Rolf Halvorsen, AACI, P. App

Michael Wootton, AACI, P. App

Vesa Jarvela, AACI, P. App

To contact this committee, email

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

Letters of transmittal/reliance – business opportunities and risks

There has been a recent trend in the lending industry regarding the use and form of letters of transmittal and reliance. As a professional appraiser, the typical scenario you encounter is that, sometime after you prepare an appraisal report for a client, the original lender (or a different lender) calls seeking a letter permitting him or her to use and rely on your report in order to make a lending decision. If asked, you need to obtain your client's consent as you owe a duty of confidentiality to your client before you disclose the report to a third party.

First and foremost, it is important to understand that the appraiser's role is to provide an independent opinion on the value of the property that, if approved, may have a mortgage charge registered against title. What you cannot do is comment on the creditworthiness of the borrower or the borrower's ability to repay the mortgage. Thus, your role is limited to only the first part in a lender's decision-making process. You do not address the underwriting of lending risk as a primary consideration in the investigation, analysis and presentation of market value. This is best reflected by including the following recommended text in the limiting conditions of a report:

"The reader should be aware that, when preparing an appraisal for financing purpose, appraisers do not investigate if the prospective loan and applicant satisfy prudent underwriting criteria. Consequently, we assume no responsibility for losses on loans involving our appraisal efforts that result from the lender's failure to do proper due diligence regarding creditworthiness of the borrower or their ability to service or repay the loan."

There are some good business practices that you could adopt in order to minimize the risk of appraisal fraud and liability, while at the same

time satisfying a lender's requirements. The first question you should ask yourself before you agree to provide a transmittal/reliance letter is: *How much time has elapsed since the original report was prepared?* If the market has changed, or you are aware of a change affecting the property, it may be better to refrain from issuing the letter and recommend that a new report is more appropriate under the circumstances. If you do choose to proceed and issue a transmittal/reliance letter, the following minimum recommendations should be considered:

- The transmittal/reliance letter should include a true copy of the appraisal report. If you have not already provided the lender with a true copy directly (i.e., not through a broker or property owner), then the prudent thing to do is to provide them with one.
- There should be a statement to the effect that the lender may rely on the true copy only, that liability on any other copy is expressly denied.
- The transmittal/reliance letter should specify the date of inspection, the effective date of the appraisal (particularly if there is a time lapse worth highlighting), the property address, and the opinion of value. It should also state that this letter forms part of the appraisal and should be read in conjunction with the appraisal.
- The transmittal/reliance letter should specify that the report must be relied upon in its entirety. (It is recommended that this also be a Standard Limiting Condition contained in the appraisal report.) Quoting excerpts from an appraisal report is fraught with challenges, not the least of which is that the limiting conditions and extraordinary conditions must continue to be deemed to apply, and that quotes are likely to be out of context.

Also arising for consideration are requests from lenders to extend reliance beyond the original purpose and scope, and to additional parties. Thus, once the primary purpose has been fulfilled, the lender now wishes to make subsequent decisions to sell the mortgage risk as part of a syndication/club to a group of investors in the syndicate/club. As an appraiser, you play no part in that decision; nor in the decision of the syndicate/club participants to invest; nor can you know for certain who they are. The following is an example of the kind of broad reliance you may be asked to extend to unknown third parties:

"Investors who purchase the mortgage loan or a participation interest in the mortgage loan and the trustee in a securitization that includes the mortgage loan, each servicer of the mortgage loan, and all rating agencies involved in any sale, securitization or syndication involving the mortgage loan may use and rely upon this Report"

It remains a business decision if you wish to permit a lender client to use your reports for secondary purposes beyond original scope and purpose, and, in doing so, to permit others to rely on your report. If you do, the recommended text above should be included in the report and any letters of transmittal/reliance, with emphasis on limiting condition that the report must be relied upon in its entirety.

Also, as part of this additional request, you may be asked to address any questions and concerns of the syndicate/club participants with regard to your appraisal, as in the example below. Recall that *CUSPAP* imposes a confidentiality obligation; any discussions with unknown third parties require the specific consent of your original client. Therefore, care

should be taken when agreeing to discuss the opinion of value. For Example: the appraiser “agrees to cooperation in answering questions by any of the above parties in connection with the sale, securitization or syndication.”

None of the above takes into consideration your fees, which are a matter that should be negotiated in advance and included in the engagement letter with your client. It should be noted that, by granting such broad reliance, you would lose any ability to negotiate fees with all of the unknown users of your reports, for the time you may commit to responding to numerous queries.

Finally, some further comments on compliance with *CUSPAP*. The Appraisal Institute of Canada’s Standards Committee has written on a related issue, (www.aicanada.ca/e/pdfs/Can_App_Vol_51_Bk_3_14.pdf) and its conclusions were that *CUSPAP*, and the best practices reflected in the *Claims Prevention Bulletins* (Number 20, in particular) will guide you in your business decisions to accept or decline

these types of requests for your professional services. An appraiser must not allow any conflict of interest to infect his or her judgment and must exercise a high standard of skill and expertise for each engagement that is undertaken.

Practice in action: let’s now consider an example of all this and how it might play out:

The Counsellor, Professional Practice was contacted by an appraiser regarding the suspected fraud of an appraisal report. The appraiser had prepared and delivered a report to the client. Sometime later, the appraiser was contacted by an investor (from a different province) in a syndicated mortgage scheme to invest in the mortgage. This investor had some questions regarding the opinion of value. As it turns out, the appraiser had no knowledge of the syndication and marketing of the appraisal within the syndication process. Further, upon some probing, without revealing confidential information, it was discovered that the investor was not in possession of a true copy,

and, in fact, it appeared that the report had been modified to change the opinion of value conclusions of the appraiser. The appraiser was advised to take specific measures to notify lenders and others that might have been provided with a copy of the appraisal to minimize the lending risk, and to cooperate with the local police forces to investigate the fraudulent activity.

In this particular instance, a single investor prevented appraisal fraud, but this occurrence is not typical. Accordingly, the importance of the limiting conditions, and understanding the business opportunities and risks that flow from extending reliance and use beyond original purposes, should always be considered. Similar scenarios play out more often with mortgage brokers, when the report is modified and given to a new broker to obtain mortgage financing. By adopting the simple measures outlined in this article, you can work within your client and lender requirements, to build a solid business reputation and grow your business. 🌍



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AMCs and appraiser independence

The residential appraisal market has been witness to tremendous change in the recent past, not the least of which are the significant impacts resulting from the use of information technology. The prevalence of Appraisal Management Companies (AMC) operating nationally across Canada as well as in niche markets confirms the trend being witnessed regarding their increasing usage by lending institutions to rely on the AMC to manage the appraisal process within the mortgage originating process.

At last count, there are at least nine AMCs operating in Canada, or on the doorstep, poised to enter the Canadian market based on their dominance in the US marketplace. AMCs are operating in the appraisal service sector, acting as third party companies between the lender and the appraiser who has been retained to provide a valuation.

AMCs also provide additional services that are secondary to the appraisal report. Lending institutions rely on AMCs to provide a qualitative review and an appraiser performance review system. The qualitative review is to ensure compliance with appraisal standards, and additional appraisal criteria imposed by the lender. The performance review is based upon an appraiser's fee, turnaround times, accuracy, and borrower satisfaction (in the event of a dispute regarding the value). It is on this additional service that lenders are placing increasing reliance. Since the report is submitted on the AMC appraisal management platform, it is possible that the report, in its entirety, may not be provided to lenders, since they no longer need to rely on it.

It has been reported that some AMCs may be collecting the information contained in appraisal reports, which then allows them to compete directly, not only with appraisers, but with AVM service providers. Thus, AMCs are

“The AIC encourages members to contact the Counsellor, Professional Practice whenever they feel they are being pressured to attain a specific outcome by anyone, including AMCs.”

significantly impacting the residential marketplace, both as appraisal service managers and as providers of appraisal information products.

AMCs require appraisers to sign contracts that may prohibit appraisers from contacting lenders directly. This effectively distances appraisers from their clients. AMC contracts prescribe fees and turnaround times, and they ultimately determine whether an appraiser can continue working for them. In some cases, they impact the ability of appraisers to work for other lenders by use of exclusionary lists, ‘blacklists,’ or ‘do not use’ lists.

The Appraisal Institute of Canada (AIC) has heard from some members that certain AMCs have been aggressively driving down appraisal fees, while at the same time demanding higher levels of service. Fees are a matter of choice, and private sector appraisers need to appropriately gauge the value of their services including the time and professional expertise they provide to the client. Based on the current demand for residential appraisals and the available supply of appraisers servicing the residential marketplace, fees ought to be rising instead of decreasing.

The AIC reminds appraisers that they must not sacrifice the quality of their work and risk breaching the professional practice standards. There is a concern that low fees and quick turnarounds may compromise the quality of work. As professionals, appraisers must always provide independent professional valuations, and, in doing so, they must strive to compete on quality and not solely on fee. The AIC is aware of the situation and continues to monitor it to assess if AMCs could be exerting any kind of negative impact on the quality of appraisal work through their appraisal service requirements.

The AIC encourages members to contact the Counsellor, Professional Practice whenever they feel they are being pressured to attain a specific outcome by anyone, including AMCs. Remember, acquiescing to such pressure is unprofessional and puts appraisers in serious breach of AIC appraisal practice standards. The AIC has addressed these concerns directly and will continue to do so when brought to the Counsellor's attention.

Of interest is a recent message from the Registrar of Mortgage Brokers published by the Financial Institutions Commission of British Columbia (FICOM) – *Dealing With Appraisers Avoiding Undue Influence*. That message has been reprinted on page 42 of this issue of the magazine. 

Ad Hoc Real Estate Fraud Task Force

Gerald McCoombs, AACI, P. App – Chair

Paula Malcolm-Schaller, CRA

Kimberly Maber, AACI, P. App

Ed Saxe, CRA

George Ward, AACI, P. App

Bill Balsom, AACI, P. App

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fraudinfo@aicanada.ca

Property flipping – all in the family

An ongoing investigation into mortgage fraud in the US has revealed another scheme where the independence of an appraiser can be compromised. In that case, a family active in the real estate industry was buying properties and flipping them to family members for dramatically increased values, and, in some cases, within days. The lender that funded the majority of the flips is under investigation for allegedly directing the Appraisal Management Company (AMC) to use named appraisers with reputations for inflating property values.

CUSPAP is your authority for addressing this problem.

Appraisal Rule 6.2.23 directs an appraiser to analyze the purchase and sale agreement. Thus, the obligation of the appraiser is to obtain a copy of the agreement in order to confirm whether or not it is an arm's length transaction. Reviewing this agreement will also provide the sale price and any special conditions that might affect value, such as a vendor take back mortgage, or down-payment provisions.

Appraisal Rule 6.2.24 directs an appraiser to analyze prior sales of a property. In this instance, the current sale is a private sale, and would not appear on MLS in Canada – thus, the importance of not relying on a single source for verifying a property's prior sales. When analyzing prior sales and discovering a recent sale (e.g., within 90 days) with an unusually high selling price in relation to the prior sale, the appraiser should discuss with the client the new price and how it may not reflect his or her estimate of fair market value.

Appraisal Rule 6.2.10 directs an appraiser to identify limiting conditions. Where the purchase and sale agreement are not provided, this should be identified as a limiting condition in the appraisal report.

Single source reliance for prior sales may lead to the perception of a misleading report,



unless an appraiser can demonstrate that the source is reasonable and should contain the information sought. Not all sales appear on MLS and other sources should also be checked to verify prior sales.

All of this is a reminder that an appraiser quickly develops a reputation in his or her community and it will certainly be taken into account when lenders make selections for specific types of engagements.

US state appraiser influence legislation

Connecticut – A new law prohibits mortgage brokers, real estate brokers, and real estate salespersons from attempting to influence residential appraisals, and from refusing to pay an appraiser or intentionally avoiding a specific appraiser in the future, because of an appraiser's previous work that reflected a fair market value estimate that was less than the sale contract price.

Kentucky – It is now unlawful in Kentucky for “any person in the course of a mortgage transaction to improperly influence the development, report, result, or review of a real estate appraisal sought in connection with a mortgage loan.”

Missouri – It is illegal in Missouri to “influence, through extortion or bribery, the development, reporting, result, or review of a real estate appraisal.”

New York – As part of a comprehensive law addressing the mortgage foreclosure crisis, it is now a crime in New York to improperly “influence the development, reporting, result or review of a real estate appraisal relating to real property securing a home loan.” This language is similar to language that is contained in the *Home Valuation Code of Conduct* that was spurred by the investigations of the New York Attorney General.

Message from the FICOM Registrar of Mortgage Brokers

Dealing with appraisers: avoiding undue influence

Recently, staff at the Financial Institutions Commission of British Columbia (FICOM) were contacted by a representative of the Appraisal Institute of Canada about the conduct of a registered mortgage broker. In particular, we were advised that the mortgage broker had asked an appraiser to increase the appraised value of a property by using older and more dated comparable properties in her appraisal report.

The public may often conceive of mortgage fraud as being perpetrated by sophisticated fraudsters who use forged documents and deception to dupe lenders or innocent home owners. However, mortgage fraud can occur simply by telling the lender that a property is worth more than it really is. Mortgage brokers

“Mortgage fraud can occur simply by telling the lender that a property is worth more than it really is.”

may not be aware that by telling an appraiser that the appraised value of a property needs to “hit the sale price” or reach a specific value, they potentially create a problem for the appraiser.

Appraisers are hired by lenders to provide an objective third party opinion of the value of a property in order to ensure that there is sufficient equity in the property should default occur by the borrower. The appraiser must be free to provide an unbiased opinion for the lender – they are the lender’s best defence against mortgage fraud. The *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* states that it is unethical for an appraiser to accept an assignment if compensation for the assignment is contingent upon reporting a predetermined value or a value which results from improper influence.

Mortgage brokers who pressure appraisers to inflate property values may also be engaging in conduct which is prejudicial to the public interest, which is activity that can lead to the suspension of their registration under section 8 of the *Mortgage Brokers Act*.

However, it is appropriate for lenders or mortgage brokers to conduct appraisal review functions to assure themselves that appraisal reports conform to minimum appraisal standards and that appropriate appraisal methodologies have been used by the appraiser. When questioning an appraiser about an appraisal, mortgage brokers should, therefore, be careful to ensure that they enquire only about the quality of the appraisal or the appraiser’s methodology, and that they do not pressure the appraiser to simply increase the appraised value to hit a specific value.

Samantha Gale,
*Manager, Mortgage Broker Regulation,
Financial Institutions Commission
of British Columbia*

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CRITICAL DATES

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

DECEMBER

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
21	22	23	24 AIC offices close at 12:00 noon	25 AIC offices closed	26 AIC offices closed	27

JANUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
28	29 AIC offices open	30 AIC offices open	31 AIC offices close at 12:00 noon CPD reporting deadline (minimum annual requirement is 6 credits) Deadline for article submission for next issue of <i>Canadian Property Valuation</i>	1 AIC offices closed Professional Liability Insurance levy payment due date Deadline to complete We Value Canada	2 AIC offices closed	3



Leacy O'Callaghan-O'Brien bids farewell after six years with the Institute

After six years in the position of Director, Professional Development and Member Services, Leacy O'Callaghan-O'Brien has said goodbye to AIC and moved on to her new position beginning November 17 with the Canadian Association of Medical Radiation Technologists. Leacy will continue her career in the not-for-profit association environment as she assumes the duties of Director, Advocacy, Publications and Events.

Leacy came to AIC in November 2002 as the Institute was in its nascent stages of a broad reorganization. Since that time, she has been instrumental in championing many of the innovations that have transformed the Institute. Among them:

- Formalizing policy that supports the various new initiatives in CPD, professional education and accreditation, and admissions.
- The development of the new accreditation model and exams.
- Innovation in CPD delivery, such as the We Value Canada workshop and the new Professional Practice Seminar.
- Creation of the Candidate Central website
- Promoting recognition of appropriate credentials from other organizations such as WAVO and RICS.

AIC staff, volunteers and members thank Leacy for her tremendous contributions and service to the Institute and wish her well in her new endeavors. The Institute will be reassessing the evolving responsibilities of this position prior to filling this vacancy. In the interim, if you have any enquiries that would normally be directed to Leacy, please submit them to info@aicanada.ca

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.

John F. Ayliffe, AACI, P.App, Barrie, ON

Linda M Babineau, CRA, St. Stephen, NB

Henry Bil, CRA, Timmins, ON

Bruce A. Clarke, AACI, P. App, Embro, ON

John Graf, CRA, Regina, SK

Murray J. Jones, AACI, P. App, Toronto, ON

Ronald L. Marchand, AACI, P. App, Windsor, ON

Robert J. Mikitka, AACI, P. App, Duncan, BC

Isadore Nash, Candidate, Toronto, ON

AIC designations granted / Désignations obtenues de l'ICE

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 July 12, 2008 to October 31, 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 12 juillet au 31 octobre 2008:

AACI, P. App

Accredited Appraiser Canadian Institute

We welcome and congratulate these individuals as fully accredited members of the Institute through the granting of their AACI, P. App designation.

Accueillons et félicitons comme membres pleinement accrédités de l'Institut et leur accordons avec fierté la désignation AACI, P. App.

ALBERTA

Kenneth N. Gurney
Shyllo Kofoed
Brandon N. Lo
Matthew Richard Tozer

BRITISH COLUMBIA

Peter B. Drobina

ONTARIO

Don Edey
Robert J. Goerke
David S. Harris

QUEBEC

Félix Cartier
Christian-Pierre Coté

CRA

Canadian Residential Appraiser

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

Nous félicitons ces membres pour avoir complété avec succès le programme menant à la désignation CRA.

ALBERTA

Chelsi Dawn Hofmann

BRITISH COLUMBIA

Paul G. Dixon
David H. Van Veen
Keri Vrabel

NEW BRUNSWICK

Troy T. Blakney
Philomena Williams

ONTARIO

Michael N. Gillis
Colleen R. Hall-Clark
Terry W. Parke
Christopher Roworth

QUEBEC

Pierre Douville
Maxime Fournier
Johann Mader
Jean Venne

Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period July 12, 2008 to October 31, 2008:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 12 juillet au 31 octobre 2008:

ALBERTA

Brad David Bakke
Tereza Demian
Guo Jun He
Earl R. Hubbs
James D. Istvanffy
Karmjit S. Khamba
Paul A. Limacher
Darren A. McCord
Aaron Scott Nelson
Jocelyne Sauser
Tim L. Smith
Aubrey Ryan Winquist

BRITISH COLUMBIA

Peter James Dale
Vicente A. Gamboa
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Tu-Anh Lemckert
Kelly W. Morrish
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Jonathan G. Bannister
Andrew Chan
Calvin Perry Colard
Bill Norman Deevy
Sophie Lara Doria
Dorothy Gallardi
Adam Aubrey Hannah
Bartosz Jarocki
Min Gon (David) Kim
Jenny Yan Yan Lo
Timothy William Loch

Jatinder Maini
Matthew Martin McClellan
Bryen Charles McGuire
Peter R. Murray
Christine Diane Thompson
Emmanuel A. Umolu
Valery Zorin

SASKATCHEWAN

Caden Sam Chalack
Barry Wayne Daku
Joshua Stanislaus Korol
Samantha M. Lawrek
Marla T. Minke

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 entrait 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.

BRITISH COLUMBIA

Brian O'Dwyer

Virendar K. Sharma

ONTARIO

Sarah Cathrae

Dane A. Cocco

John Michael Mekitiak

Post-Graduate Certificates in Real Property Valuation

In 2003, the Appraisal Institute of Canada (AIC), with its education partner, the Real Estate Division, Sauder School of Business, University of British Columbia (UBC), established the UBC Post-Graduate Certificate in Real Property Valuation (PGCV), leading to the AIC's highest level of professional accreditation, designation as an Accredited Appraiser Canadian Institute (AACI). This program presents a unique opportunity for graduates of recognized Canadian business/commerce degree programs to earn a prestigious post-graduate certificate in real property valuation, while fulfilling the educational requirements for designation by AIC.

For more information on admission and requirements for the UBC/AIC post-graduate certificate in Real Property Valuation, visit UBC's web site at www.sauder.ubc.ca/AM/Template.cfm?Section=Real%20_%20Estate%20_%20Division.

In 2006, we had 27 graduates in the PGCV Program. In 2007, an additional 21 members graduated. In 2008, the following 34 graduates earned their PGCV and joined AIC. We congratulate them on their achievements

John Hughton, AB – CRA
Shyllo Kofoed, AB – Candidate
Richard Gregory Miskiewicz, AB – Candidate
Wanda Wong, AB – Candidate
Pat Woodlock, AB – Candidate
Dale Yachimec, AB – Candidate
Karim Daya, AB – Candidate
Sanjit Singh, AB – Candidate
Peter B. Drobina, BC – AACI, P.App
Alan A. Duncan, BC – Candidate
L. Rosetta Ferrari, BC – Candidate
P. Simon Wainwright, BC – Candidate

Henry Yixin Wang, BC – Candidate
Tyra J. Luckhurst, BC – Candidate
Megan McFarlane, BC – Candidate
Navjot Sandhu, BC – Candidate
Clifford Smirl, BC – Candidate
Eugene Steckley, BC – Candidate
Brian Michael O'Dwyer, BC – Student
Ian Toogood, MB – CRA
Matthew D. Johnson, NB – CRA
Jason White, NB – Candidate
Joanne Hayes, NL – AACI, P.App
Carla Thistle, NS – Candidate

Mike Domjancic, ON – AACI, P.App
Bill Norman Deevy, ON – Candidate
John H.N. Richards, ON – Candidate
Megan A. Brunato, ON – Candidate
Jay M. Charbonneau, ON – Candidate
Colin Sclater, ON – Candidate
Gina W. Genge, ON – Candidate
Martin Dion, QC – Candidate
Terry Hegel, SK – Candidate
Matt Proudfoot, UAE – Candidate



Jack Warren scholarship recipients for 2008

The Jack Warren Educational Trust Committee is pleased to announce the recipients of the 2008 scholarships.

Congratulations go to **Suzanne Clarke** of Surrey, BC, **Laura McConnell** of Victoria, BC, **Richard Marleau** of Saskatoon, SK, and **Clifford Smirl** of Westbank, BC this year's recipients of the Jack Warren Education Trust Scholarship.

The annual scholarship is available to individuals from across Canada pursuing careers in real estate appraisal. For more information or to obtain an official application form, please contact the Appraisal Institute of Canada – British Columbia by phone (604) 266-8287, email info@appraisal.bc.ca or visit www.appraisal.bc.ca, click on Publications, brochures and the Jack Warren Educational Trust.

AIC	<p>Pillars of Professionalism: Education, Experience, High Standards 2009 Appraisal Institute of Canada Annual Conference May 27 - 30, 2009 – Mont Tremblant, Quebec For further information: maried@aicanada.ca</p>	ON	<p>Everyday Business Management / Preparation and Participation December 5, 2008 – Toronto</p> <p>Professional Competency Interview The Final Step - For Candidate members February 21, 2009 – Toronto</p> <p>4th Annual Fee Appraisers' Symposium February 20 & 21, 2009 – Toronto</p> <p>Intensive BUSI (112, 330, 400, 334) courses March 2-6, 2009 - Toronto</p> <p>OA-AIC Conference and AGM April 24 & 25, 2009 – London For further information please contact Lorraine Rigas lrigas@oaic.on.ca or (416) 695-9333 or check www.oaic.on.ca</p>
BC	<p>2009 BC Land Summit – A Better Future; Adapting to Change May 20 – 22, 2009 – Whistler BC Telus Whistler Conference Centre The program of the 2009 BC Land Summit will include up to four leading, diverse, and engaging keynote speakers, who will present at four planned plenary sessions. Keynote speakers include: Robert F. Kennedy, Jr., Sherry Kafka Wagner, Thomas R. Berger, O.C., Q.C., O.B.C., and Richard Hebda. http://www.bclandsummit.com/ For information please contact: Jane Anne Dunning info@appraisal.bc.ca or 604.266.8287 or check www.appraisal.bc.ca/</p>	QC	<p>For further information contact Ginette St-Jean agice@qc.aira.com or (450) 454-0377 or check www.agice.ca</p>
AB	<p>Annual Conference and AGM Feb 20-21 2009 – Banff Park Lodge, Banff Alberta</p> <p>Professional Practice Seminar (Standards) spring 2009 Date and location TBA</p> <p>For information please contact AB AIC at info@appraisal.ab.ca or (403) 207-7892 or check www.appraisal.ab.ca</p>	NB	<p>AGM and Conference April 16, 17, 2009</p> <p>For information contact Jennifer Nemeth nbarea@nb.aibn.com or (506) 450-2016 or check www.nbarea.org/main.asp</p>
SK	<p>For further information please contact Marilyn Steranka skaic@sasktel.net or (306) 352-4195 or check www.skaic.org/</p>	NS	<p>Seminar and Annual General Meeting March 6 - 7, 2009</p> <p>For information contact Davida Mackay nsreaa@nsappraisal.ns.ca or (902) 422-4077 or check www.nsappraisal.ns.ca/</p>
MB	<p>Holiday Luncheon December 11, 2008 – Café Dario, Winnipeg</p> <p>Professional Practice Seminar (formerly the Standards) March 6 & 7, 2009 – Winnipeg</p> <p>For information please contact Lynne Smith Dark mbaic@mts.net or (204) 943-1177</p>	PEI	<p>Christmas Social Dec. 12, 5:00 - 7:00 pm - ISE's Bar, Charlottetown</p> <p>For further information contact Suzanne Pater peiaic@xplornet.com or (902) 368-3355</p>
		NL	<p>AGM April 17, 2009</p> <p>For further information contact Sherry House naaic@nf.aibn.com or (709) 753-7644</p>

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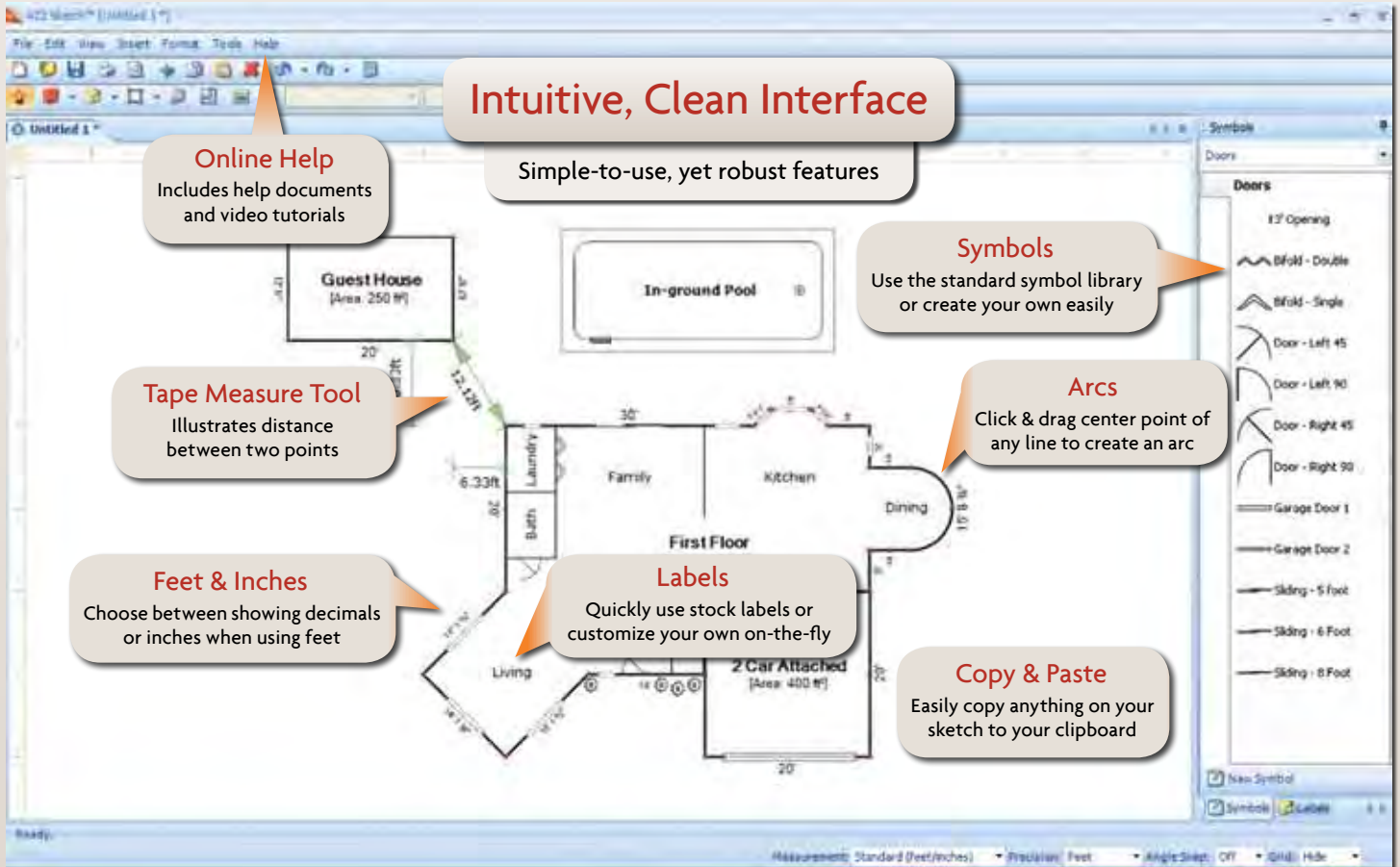
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