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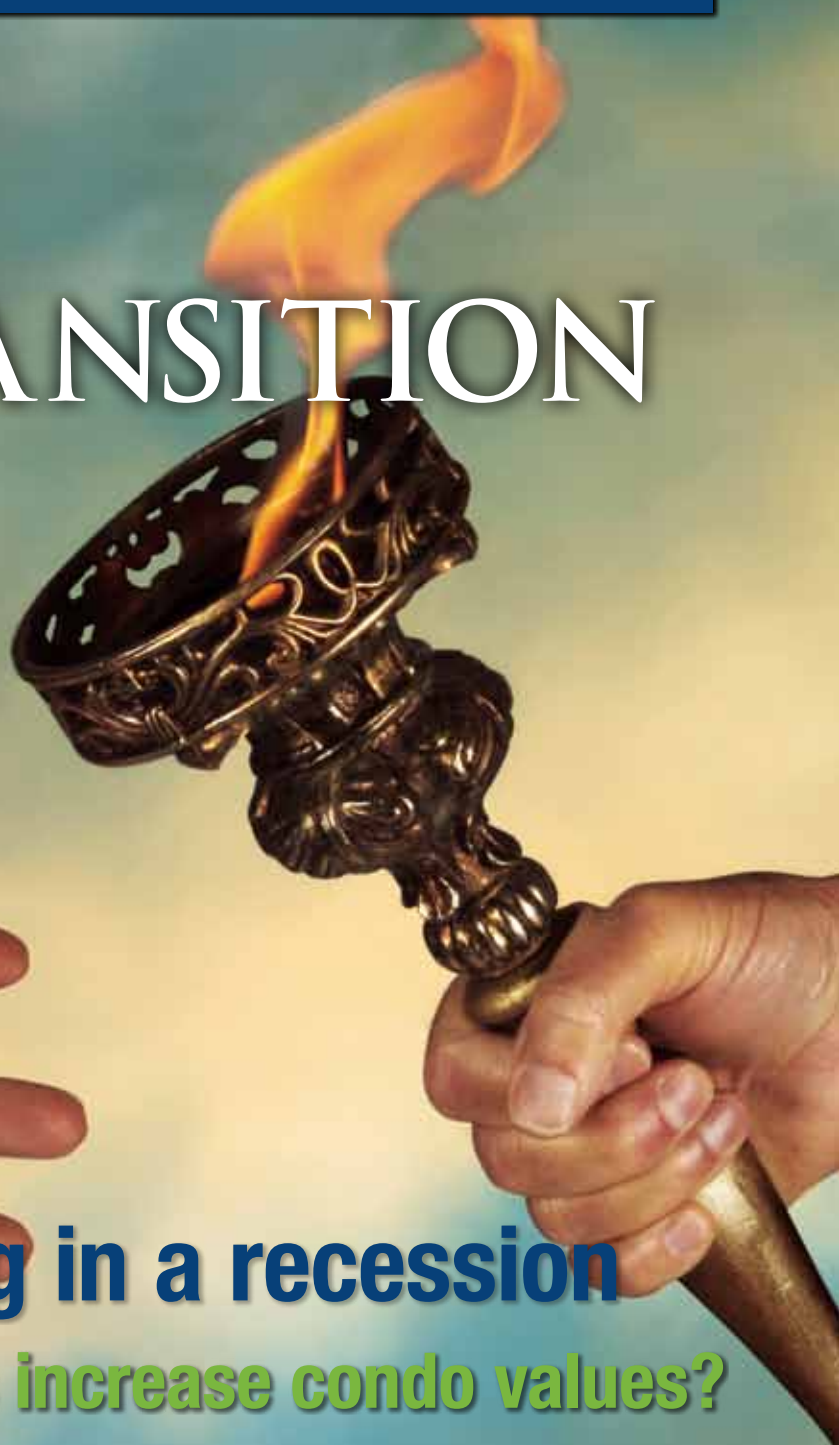
Immobilière au Canada

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- ▶ Preparing for the unexpected
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Phone: (613) 234-6533 Fax: (613) 234-7197  
Web site: [www.aicanada.ca](http://www.aicanada.ca)  
Contact us at: [info@aicanada.ca](mailto:info@aicanada.ca)

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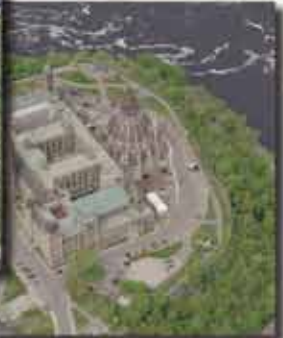
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Sheila Young  
AAI, P. App, AIC President

# The appraiser as referee

When we think about sports, we focus on the athletes and their teams. But, there is another person on the field – the referee. The referee's contribution to the sport is often not given the recognition it deserves. The attributes of a referee are many. The ref is a lover of the sport who knows the rules of the game backwards and forwards. He has the ability to apply the rules objectively and skillfully. The referee is judge, jury, mediator and diplomat with the fitness, personality and skills to officiate at the highest levels of the game.

Appraisers are the referees of the real property world; unseen until a 'wrong' call is made, occasionally harassed and abused. However, all the participants agree that the referee's unbiased and objective opinion is needed for the game to proceed.

## Do referees change the world?

Perhaps you think that referees do not change the world that they observe and enforce; think again. The goal and success of referee associations, particularly in minor league sports, is to make the game safer for the participants, while encouraging the excitement and accomplishments that come with playing sports. Referee associations lobby governing bodies to change the rules to make it safer and more fun!

AIC lobbies government and regulatory bodies to ensure that the real property game is safe for participants. It is often helpful for us to think back to when AIC was created. During the Depression in the 1930s, there were a number



of foreclosures, particularly on the prairies. AIC ensured that valuation standards were met in difficult times. Through time, in Canada, the US and most of the major industrialized countries of the world, valuation standards have been created and maintained. These standards have not yet reached the emerging economies or the Third World countries. AIC's participation in the IVSC is bringing valuation standards and ethics to these countries and, in this sense, we are changing the world right now.

## Do referees protect the participants?

As appraisers, our individual and collective goal is to protect the public. Appraisers do this by being impartial, unbiased observers of the market, and by stating opinions on real property that are grounded in facts. Understandably, we want current and future property owners to enjoy the excitement and financial benefits of owning real property, and it can be difficult to make the tough calls. We have the necessary

skills to communicate those tough calls, as we are able to explain our analyses and opinions in plain language. Always remember that, as an appraiser, you are providing a valuable service to the public.

## Do you have control of your arena?

Just as the referee can eject an unruly hockey parent from the arena, we have control of our arena through our scope of practice. In a recession, it is difficult to remember that we do not have to work with all the potential clients who call. Some clients are more trouble than they are worth. Even when we think that there are external forces manipulating our work, we still have control over the fees that we charge. As appraisers, we provide unbiased and impartial opinions just like a referee. Referees develop their specialties and find their niches, just as we do. Even in tough times, referees are professionals. To the public and clients, they speak well of their peers, just as we speak well of ours.

Speaking well of peers to the public and clients is one way in which we market the profession and ourselves. AIC markets and lobbies for all appraisers; each of us markets and lobbies for ourselves. Tools and resources are available on the web site and from provincial and national offices to help you market your niche. Please remember that professionalism is about providing excellent work products, maintaining high standards, and projecting those values in all that we do. When you are watching the game, give a thought to the referee, he or she is one of us. 🇨🇦



Sheila Young  
AACI, P. App, Président de l'ICE

# L'évaluateur comme arbitre

Lorsque l'on pense aux sports, on pense principalement aux athlètes et à leurs équipes. Mais il y a une autre personne qui joue un rôle important, l'arbitre. La contribution de l'arbitre au sport ne reçoit souvent pas la reconnaissance qu'elle mérite. Les qualités d'un arbitre sont nombreuses. Il aime le sport et possède une connaissance approfondie des règles du jeu. Il en applique les règles de façon objective et adroite. Il est à la fois juge, jury, médiateur et diplomate et possède aussi la condition physique, la personnalité et la compétence pour agir comme officiel au plus haut niveau.

Les évaluateurs sont en quelque sorte les arbitres du monde de l'immobilier. On ne les voit pas à moins qu'une erreur ne soit commise, et ils sont à l'occasion victimes d'abus et de harcèlement. Toutefois, tous les participants conviennent que l'opinion partielle et objective de l'arbitre est nécessaire à la bonne marche du jeu.

## Les arbitres sont-ils en mesure de changer le monde?

Peut-être croyez-vous que les arbitres ne changent pas le monde qu'ils observent et dans lequel ils évoluent. Si tel est le cas, vous devriez revoir votre position. Le but et le succès des associations d'arbitres, surtout dans les ligues mineures, est de rendre le jeu plus sécuritaire pour les participants tout en encourageant le dynamisme et les réalisations associées à la pratique d'un sport. Les associations d'arbitres exercent des pressions sur les organismes de régie pour faire modifier les règles de sorte que le jeu devienne plus sécuritaire et plus plaisant!


L'ICE exerce des pressions auprès du gouvernement et des organismes de régie afin d'assurer que le jeu de l'immobilier soit sécuritaire pour ceux qui y participent. Il est souvent utile pour nous de réfléchir à l'époque où l'ICE fut créé. Durant la Grande Crise des années '30, il y a eu de nombreuses forclusions, en particulier dans les Prairies. L'ICE a veillé à ce que les normes d'évaluation soient respectées en ces temps difficiles. Avec le temps, des normes régissant l'évaluation ont été élaborées et maintenues au Canada, aux États-Unis et dans la plupart des principaux pays industrialisés de par le monde. Ces normes n'ont pas encore été adoptées par les économies émergentes ou les pays du tiers monde. La participation de l'ICE auprès du Conseil sur les normes internationales d'évaluation contribue à l'application de ces normes et de l'éthique correspondante dans ces pays et, en ce sens, nous contribuons actuellement à changer le monde.

## Les arbitres protègent-ils les participants?

Comme évaluateurs, notre but individuel et collectif est de protéger le public. Pour ce faire, les évaluateurs agissent comme observateurs impartiaux du marché et formulent des opinions fondées sur les faits. Il est facile de comprendre que nous voulions que les propriétaires actuels et futurs apprécient la joie et les avantages financiers d'appartenir une propriété et il peut parfois être embêtant de prendre les décisions difficiles. Nous avons les compétences requises pour transmettre ces décisions difficiles et d'expliquer nos analyses et opinions de façon simple et précise. Nous devons toujours nous rappeler qu'à titre d'évaluateurs, nous offrons au public un service de grande valeur.

## Avez-vous le contrôle de votre aréna?

Tout comme un arbitre peut demander à un parent d'un jeune hockeyeur de quitter l'aréna, nous avons le contrôle de notre milieu dans les limites de la portée de notre pratique. En période de récession, il est difficile de nous rappeler qu'il n'est pas nécessaire de travailler avec tous les clients qui nous appellent. Certains clients sont problématiques et il ne vaut pas la peine de s'en occuper. Même lorsque l'on pense que des forces externes influencent notre travail, nous avons toujours le contrôle de nos honoraires. Comme évaluateurs, nous formulons des opinions impartiales comme le fait un arbitre. Les arbitres développent leurs spécialités et trouvent leurs créneaux comme nous, et même dans les temps les plus difficiles, les arbitres sont des professionnels. Devant le public et leurs clients, ils parlent en bien de leurs collègues, exactement comme nous le faisons.

Le fait de parler en bien de nos collègues devant le public et les clients est une façon de commercialiser la profession et nos services. L'ICE fait le marketing et défend les intérêts de tous les évaluateurs et nous faisons de même individuellement. Des outils et des ressources sont disponibles sur le site Web et des bureaux provinciaux et nationaux pour vous aider avec le marketing de vos spécialités. Rappelez-vous que le professionnalisme a trait à l'excellence de votre travail, au maintien de normes élevées et au reflet de ces valeurs dans tout ce que nous faisons. Enfin, la prochaine fois que vous regarderez une émission sportive, pensez à l'arbitre. Il est comme nous. 



Georges Lozano, MPA  
AIC Chief Executive Officer

# Building a winning team

The strength of an organization is derived not only from the individual skills and knowledge of its employees, but also from how well they work together as a team. Today, more than ever, a strong multi-disciplinary team is essential in order to capitalize on the many different kinds of opportunities that there are to provide real property appraisal and related consulting services.

These range from complex residential and ICI appraisal assignments that originate within the private sector to a myriad of real property consulting contracts tendered by private, and public sector organizations including portfolio analysis, highest and best use studies, and the emerging area of valuation for financial reporting, to name but three.

Teams can be built using existing in-house resources, by developing the talent of your employees, and by building alliances with other professionals. Strong winning teams can be built through a combination of all of these approaches. In order to do so, organizations should begin by embracing a team spirit and fostering a culture that will lead to the development of teamwork on a daily basis.

A strong team is one that has a clear understanding of corporate objectives and trust in the collective strength that working together brings. Multi-disciplinary teams recognize individual strengths and specialty areas of knowledge and they know how to draw these attributes from team members to produce a collective output that is much stronger than the sum of its parts.

The team culture embodies a number of features that include sharing information,

encouraging input from all team members, and adopting a continuous learning philosophy that rewards the achievement of new skills and competencies. Information sharing can take many forms, including the development of accessible data management systems that make it easy for team members to learn from the experience of others, and to stay abreast of new and emerging practices and technologies in their area of expertise. Electronic forums, chat rooms and other social media tools are now available to allow for the exchange of information on a professional and technical basis. This is particularly helpful when team members are not located in the same premise. Inclusivity is an important element of all winning teams. No one gets left out. Post-mortems and debriefing sessions are very helpful in reviewing ongoing work completed projects and addressing both successes and shortcomings

in the execution of the work. The important thing is that all members of the team are involved in a continuous improvement cycle and everyone comes out stronger in the end.

Continuous learning is achieved in a variety of ways. Organizations that are team-focused make available a wide range of resources to help team members improve and expand their skill sets. In-house training is one way to ensure that team members are uniformly qualified and abreast of the methods, approaches, and techniques used by the organization. The team-focused organization invests in its team members by supporting external training as well. This might involve bringing in pertinent experts to address the team and provide them with new insights. It also includes providing financial support and other incentives to encourage team members to enroll in educational programs to enhance their competence and qualifications.





Winning teams are innovative. They seek out new ideas from within and encourage all team members to participate actively in the formulation of solutions to problems. This means setting time aside to have open discussions not only about projects, but also about the management of the organization, with the aim of identifying effective ways to meet challenges and achieve stated objectives.

Success oriented organizations are in for the long run. Similarly, winning teams have a long-term view, which includes investing in the members of the team and striving to continuously improve performance over time. In this respect, senior team members are mindful of the future needs of the organization and look out for young talent to bring into the team and develop. Team oriented managers take their mentoring roles very seriously, because they know that training tomorrow's professionals is essential to the long-term success of the organization.

This is particularly important in the appraisal profession. Currently, the Institute is facing a significant shortage of qualified mentors to meet the needs of its Candidate members. Remember that there is a clear distinction between co-signing a report and mentoring a Candidate. The designated members of the Institute who co-sign Candidate reports should ideally be the mentors as well. However, this is not always the case and, while designated members have an obligation to provide appropriate oversight of Candidate work when co-signing reports, this still falls short of providing the support and advice of a mentor.

The mentoring process should be rewarding for both the mentor and the Candidate. A good mentoring experience should provide all concerned

***“A strong team is one that has a clear understanding of corporate objectives and trust in the collective strength that working together brings.”***

with fresh insight into the profession and what constitutes best practices. Mentors strive to provide their mentees with a rich experience involving job rotation in order for them to gain a better appreciation of different areas of valuation work. Further, increasing levels of responsibility should be assigned to the Candidates as they progress through the AIC's Applied Experience Program.

A good mentor program should be based on honest discussion between the mentor and the mentee, in which constructive criticism is encouraged on both sides. Finally, the team oriented mentor will work with the Candidates to help them identify a career path and work towards its achievement. In the process, loyalty is built and this can serve the organization well in the long run with a stable and supportive team.

Beyond building strong teams, the mentoring of Candidates will also help to build a strong future for the profession. Team leaders should appreciate the need and the importance of help-

ing Candidates achieve their professional designation. More highly qualified team members raise the productivity of the organization and make it possible to take on more complex and commensurately more lucrative assignments.

While the base of winning teams is built within the organization, it is not always possible to harness all of the diverse skills necessary to tackle complex assignments in-house. Therefore, an important facet of team building is the development of external partnerships that form part of the extended team. Once again, the development of the expanded team begins with a plan. Organizations need to identify their own strengths and weaknesses and establish appropriate partnerships to help them fill any identified skill gaps. This might mean bringing such professionals as lawyers, engineers, or accountants into the team in order to tackle projects where knowledge from these professions plays a big part. Large, multi-disciplinary projects are bid upon by any number of firms including management consulting, engineering and others. These firms often bring in appraisers to provide advice and support to their teams. However, in many cases, the project leadership should be undertaken by an appraisal firm and designated members of the Institute should be in charge. The initiative is there and so are the qualifications, but often the only thing missing is the multi-disciplinary team that can handle all aspects of the work.

The time has come for the appraisal profession to take its rightful place at the head of the team and to reap the benefits of leadership. Start team building today for the benefit of your organization and of the profession. 🇨🇦

# Mettre sur pied une équipe gagnante



Georges Lozano, MPA  
Chef de la direction

La force d'une organisation réside non seulement au niveau des compétences et des connaissances individuelles de ses employés, mais aussi dans leur façon de travailler en équipe. Aujourd'hui plus que jamais, une équipe multidisciplinaire solide est essentielle pour tirer profit des différents types de possibilités en matière de prestation de services d'évaluation immobilière et de services d'experts-conseils connexes.

Ces possibilités comprennent des évaluations résidentielles complexes et des évaluations d'ICI provenant du secteur privé, ainsi qu'un éventail de contrats en consultation immobilière adjugés par des organismes des secteurs public et privé, y compris des analyses du portefeuille, des études portant sur l'utilisation optimale et le domaine émergent des évaluations aux fins de rapports financiers, pour ne nommer que ces trois éléments.

Les équipes peuvent être créées à même les ressources internes existantes, en perfectionnant le talent des employés ou en nouant des alliances avec d'autres professionnels. Les équipes gagnantes solides peuvent être formées à partir d'une combinaison de ces approches. Pour ce faire, les organisations doivent commencer par adopter un esprit d'équipe et promouvoir une culture qui mènera à l'instauration du travail d'équipe quotidiennement.

Une équipe solide possède une compréhension claire des objectifs de l'entreprise et a confiance en la force résultant du travail d'équipe. Une équipe multidisciplinaire reconnaît les forces et les domaines de connaissances spécialisées individuels et sait comment tirer parti des attributs de ses

membres pour produire un résultat collectif qui est plus grand que la somme de ses parties.

La culture de l'équipe englobe un certain nombre de caractéristiques, notamment échanger de l'information, inviter tous les membres de l'équipe à s'exprimer, et adopter une philosophie d'apprentissage continu qui récompense l'acquisition de nouvelles compétences. L'échange d'information peut prendre plusieurs formes, dont la mise sur pied de systèmes de gestion de données accessibles qui aident les membres de l'équipe à apprendre des expériences des autres et leur permettent de se tenir au courant des pratiques et des technologies émergentes et nouvelles dans leur domaine d'expertise. Des forums électroniques, des clavardoirs et d'autres outils de médias sociaux sont maintenant mis à leur disposition afin qu'ils échangent de l'information de façon professionnelle et technique. Ceux-ci s'avèrent particulièrement utiles lorsque les membres de l'équipe ne se trouvent pas au même endroit. L'inclusivité constitue un élément important de toutes les équipes gagnantes. Personne n'est exclu. Les bilans et les réunions d'information sont très utiles pour examiner les travaux en cours et les projets complétés et aborder les réussites et les points faibles relatifs à l'exécution des travaux. Il est important que tous les membres de l'équipe participent à un cycle d'amélioration continue et que tout le monde en ressorte gagnant.

L'apprentissage continu peut s'effectuer de différentes façons. Les organisations axées sur l'équipe mettent à la disposition des membres de celle-ci un large éventail de ressources afin de les aider à perfectionner et à élargir leurs

compétences. La formation interne constitue une façon de s'assurer que les membres de l'équipe sont qualifiés uniformément et qu'ils sont au courant des méthodes, approches et techniques utilisées par l'organisation. L'organisation axée sur l'équipe investit dans les membres de l'équipe en appuyant aussi la formation externe. Par exemple, on peut inviter des spécialistes pertinents qui s'adresseront aux membres de l'équipe et leur fourniront de nouvelles connaissances. Cet appui comprend également l'offre d'un soutien financier et d'autres mesures incitatives pour encourager les membres de l'équipe à s'inscrire à des programmes éducatifs afin d'améliorer leurs compétences et leurs qualifications.

Les équipes gagnantes sont innovatrices. Elles recherchent de nouvelles idées auprès de leurs membres et elles incitent tous les membres à participer activement à l'élaboration de solutions aux problèmes. Cela signifie prévoir du temps



pour avoir des débats libres non seulement au sujet des projets, mais aussi au sujet de la gestion de l'organisation dans le but de cerner des façons efficaces de relever les défis et de réaliser les objectifs énoncés.

Les organisations qui visent la réussite font des prévisions à long terme. Dans le même ordre d'idées, les équipes gagnantes possèdent une vision à long terme qui comprend des activités comme investir dans les membres de l'équipe et s'efforcer d'améliorer continuellement le rendement au fil du temps. À cet égard, les principaux membres de l'équipe sont conscients des futurs besoins de l'organisation et recherchent de jeunes talents à intégrer à l'équipe et à perfectionner. Les gestionnaires axés sur l'équipe prennent leur rôle de mentor très au sérieux parce qu'ils savent que former les professionnels de demain est essentiel à la réussite à long terme de l'organisation.

Cela est particulièrement important dans le domaine de la profession d'évaluateur. À l'heure actuelle, l'Institut est confronté à une importante pénurie de mentors qualifiés en réponse aux besoins de ses membres stagiaires. Souvenez-vous qu'il existe une distinction claire entre la cosignature d'un rapport et le mentorat d'un stagiaire. Les membres agréés de l'Institut qui cosignent les rapports des stagiaires devraient idéalement leur servir également de mentors. Cependant, cela n'est pas toujours le cas et bien que les membres agréés aient l'obligation de superviser les travaux des stagiaires lorsqu'ils signent les rapports, ils n'offrent pas l'appui et les conseils d'un mentor.

Le processus de mentorat devrait être enrichissant à la fois pour le mentor et le stagiaire. Une bonne expérience de mentorat devrait fournir à toutes les personnes concernées de nouvelles perspectives sur la profession et sur ce qui constitue les pratiques exemplaires. Les mentors s'efforcent d'offrir à leur sujet une riche

**« Une équipe solide possède une compréhension claire des objectifs de l'entreprise et a confiance en la force résultant du travail d'équipe. »**


expérience comprenant une rotation d'emplois afin qu'ils comprennent mieux les différents domaines de l'évaluation. De plus, des niveaux de responsabilité croissants devraient être attribués aux stagiaires au fur et à mesure qu'ils font des progrès dans le cadre du Programme d'expérience appliquée de l'ICE.

Un bon programme de mentorat devrait être fondé sur des discussions honnêtes entre le mentor et le sujet au cours desquelles on incite les deux parties à formuler des critiques constructives. Finalement, le mentor axé sur l'équipe travaillera avec les stagiaires afin de les aider à déterminer leur cheminement de carrière et à travailler en vue de le réaliser. Au cours du processus, la loyauté se manifeste et elle peut bien servir l'organisation à long terme grâce à une équipe stable qui la soutient.

Au-delà de la mise sur pied d'équipes solides, le mentorat des stagiaires permettra également d'édifier un avenir prospère pour la profession. Les dirigeants d'équipe reconnaissent la nécessité et l'importance d'aider les stagiaires à obtenir leur titre professionnel. Les membres hautement qualifiés de l'équipe contribuent à accroître la productivité de l'organisation et permettent d'entreprendre des

travaux plus complexes et, en conséquence, plus lucratifs.

Bien que la base des équipes gagnantes soit formée au sein de l'organisation, il n'est pas toujours possible de tirer profit des diverses compétences nécessaires pour entreprendre des travaux complexes à l'interne. Par conséquent, l'établissement de partenariats externes faisant partie de l'équipe élargie constitue un aspect important de la mise sur pied d'une équipe. Encore une fois, la création d'une équipe élargie commence par un plan. Les organisations doivent déterminer leurs propres forces et faiblesses et nouer des partenariats appropriés qui les aideront à combler tout écart cerné au niveau des compétences. Cela peut signifier intégrer des professionnels comme des avocats, des ingénieurs ou des comptables à l'équipe afin d'entreprendre des projets au cours desquels les connaissances de ces professionnels jouent un grand rôle. Un grand nombre d'entreprises, dont des sociétés de consultation en gestion, des sociétés d'ingénierie, etc., soumissionnent sur les grands projets multidisciplinaires. Ces entreprises font souvent appel à des évaluateurs afin qu'ils prodiguent des conseils et qu'ils appuient leurs équipes. Toutefois, dans plusieurs cas, la direction du projet devrait être confiée à une société d'évaluation et des membres agréés de l'Institut devraient en assumer la responsabilité. L'initiative est là, ainsi que les qualifications, mais, souvent, tout ce qui manque, c'est une équipe multidisciplinaire qui peut s'occuper de tous les aspects du projet.

Le temps est venu pour la profession d'évaluateur de prendre la place qui lui revient à la tête de l'équipe et de récolter les avantages liés au leadership. Commencez à mettre une équipe sur pied dès aujourd'hui au bénéfice de votre organisation et de la profession. 



# 2010 Annual Conference

## OF THE APPRAISAL INSTITUTE OF CANADA

Victoria, British Columbia,  
Fairmont Empress Hotel

June 2-5, 2010

The Appraisal Institute of Canada and AIC - British Columbia Victoria Chapter are very pleased and proud to be hosting the 2010 Annual Conference in Victoria, British Columbia. Join Co-Chairs **Leonard Sherwood, AACI** and **Gordon Cavanaugh, CRA** and the Organizing Committee members in June 2010 for the Annual Conference being held at the Fairmont Empress Hotel & Convention Centre. The 2010 conference presents delegates with the opportunity to engage in stimulating professional development programs in a spectacular setting. The Organizing Committee has developed an educational program around the theme of **Green and Global in the Garden City**. A diverse range of panelists and speakers will offer AIC members valuable and practical advice to assist them in capitalizing on trends that will influence the future.

Join **keynote speaker Guy Dauncey** as he shares his positive vision of a sustainable future and how we can translate that vision into action. For years now, through his books, as a consultant and in his lectures from America to Africa to China, **Dauncey** has dedicated his life's work to "encouraging greater sustainability and hope for our future." In his presentation, Dauncey will look at solutions that retain the quality of our civilization and our livelihood. He is founder and president of the BC Sustainable Energy Association and a consultant specializing in green building, sustainable energy and sustainable community development. He is also the author of several books including *After the Crash: The Emergence of the Rainbow Economy*, which was an *Observer Green Book of the Year*, and *Stormy Weather: 101 Solutions to Global Climate Change*.

The interesting and varied slate of speakers will offer presentations and panel discussions aimed at enhancing your skills and providing you with tools to succeed beyond 2010. For more information, go the AIC conference web site at: <http://aic2010.aicanada.ca>.

The committee has planned a fascinating networking evening at the Sticky Wicket Pub, where delegates will be introduced to local foods, culture and talent. The evening promises to be filled with good music, hearty laughter and great networking opportunities.

Come to Victoria next spring. We will examine and debate achievable solutions to these pressing global issues, take a walk together along the Causeway, and watch the sunset that has a redder tinge now than a century ago. These concerns are not trivial. They are critical. They are now!


For a two-year trial period, AIC is offering a special conference fee for Candidates and Students, in order to increase the participation of these two member groups. The discounted registration fee is \$400.00 [excluding taxes]. This registration fee will be available for a maximum of 100 Candidates and Students per conference on a first come, first served basis.

Registration Fees (excl. taxes)	Until May 3	May 4 - May 15	After May 15*
Full conference	\$650.00	\$750.00	\$850.00
Full companion/retiree	\$300.00	\$325.00	\$350.00
Candidate/Student	\$400.00	\$400.00	\$400.00
Daily rate (per day)	\$300.00	\$350.00	\$400.00

- Online registration open February 28, 2010
- Online registration closes May 15, 2010.

Mark the dates on your calendar. Book your hotel room now by visiting: <http://www.aicanada.ca/cmsPage.aspx?id=230> or call the hotel at: 1-800-441-1414.

Visit the conference web site at: <http://aic2010.aicanada.ca>.

For further information, please contact AIC's Conference and Meeting Planner, Marie-Louise Doyle at [maried@aicanada.ca](mailto:maried@aicanada.ca) 



# Appraisal Institute of Canada

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## Institut canadien des évaluateurs

### NOTICE OF ANNUAL GENERAL MEETING

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Appraisal Institute of Canada AGM 2010

The Fairmont Empress Hotel  
Victoria, British Columbia

**Friday, June 4, 2010 – 15:15**

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#### Agenda

1. To confirm the Minutes of the May 30, 2009 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

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Institut canadien des évaluateurs, AGA 2010

Hôtel Fairmont Empress  
Victoria, Colombie-Britannique

**Vendredi le 4 juin 2010 – 15 h 15**

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#### Ordre du jour

1. Approbation du procès-verbal de l'AGA du 30 mai 2009.
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.

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



## Brian McDonald: Exploring all angles

When Brian McDonald was extended the golden handshake by his employer of 18 years, he found himself in the position of considering a new career. “I had always given some thought to real estate over the years, but it was not until then that I started looking at it seriously,” says the Oakville resident, who originally hails from Waverley, Nova Scotia.

He had fond memories of selling residential properties at the beginning of his work life, but, at 47, with a wife and two children, he knew a sales career would be too disruptive to family life. His only exposure to valuation involved having their homes appraised as the family moved from city to city over the years. Yet, that experience had left him with two important impressions: a commitment to keeping his family in Oakville, and a burgeoning interest in the appraisal industry.

Since starting from scratch was not an option, when McDonald’s research revealed that his past education made him eligible for the Appraisal Institute of Canada (AIC) fast track program to becoming an AACI, his interest grew exponentially. “I was pleasantly surprised that I could earn my accreditation relatively quickly,” he recalls. “That was very important at my age and the point I was at in my life.”

McDonald graduated with a Bachelor of Commerce Honours degree from Dalhousie University in 1983 and completed his Masters of Business Administration three years later. For two years afterwards, he sold

residential real estate. Then, in 1988, he joined Sobeys, a large national chain of grocery stores, for which he worked for almost two decades in various management positions throughout Nova Scotia and Ontario.

His last position with the company was in Toronto as the Director of Produce Procurement, Category Management and Quality Control for Ontario Operations. At that point, the valuation industry was more foreign to him than some of the exotic vegetables Sobeys stocks in its produce aisle. “It was a mystery to me how the whole process worked,” he recalls. “I did not know any appraisers first hand.”

It was not long before he changed all that. Shortly after parting ways with Sobeys in August 2007, he started researching the profession on line. That winter, he signed up with the AIC for all the courses necessary to become a Candidate (plus one extra course for good measure). At the same time, he joined the Ontario Association’s Credit Valley Chapter as a student.

“I thought these would be good ways to network,” says McDonald.

He was right. Taking the Professional Practice Seminar gave him the opportunity to meet with appraisers from various fields. One of those professionals was fellow Maritimer Brian Varner, AACI, P. App, an appraiser who started in private practice, but now works for the City of Toronto. The two met several times to discuss the opportunities that McDonald might expect to find in the world of real property valuation.

*“I was pleasantly surprised that I could earn my accreditation relatively quickly. That was very important at my age and the point I was at in my life.”*

To further broaden his perspective, McDonald also decided to take an employee from the Altus Group out for lunch. “That way I found out a little about what a large appraisal firm does,” he recalls.

He then contacted a small residential appraisal firm. Over the winter of 2007, McDonald studied for his courses in the firm’s office so that he could develop a better understanding of how the work and remuneration of residential appraisers differed from those specializing in commercial or industrial valuation.

“I was at a stage in my life where I had already experienced one career,” he notes. “We had enough income and savings to support us for a certain period of time. However, I still needed to know that my progression in salary from a Candidate to full accreditation would maintain my family’s lifestyle. I think it is important to do that analysis beforehand and understand what you are getting yourself into.”

All the while, he continued to attend Chapter meetings. As the time approached when he would meet the requirements to become a Candidate member, McDonald began to let people know that he would soon be looking for placement as part of the Applied Experience Program. By the end of the coursework, he had received offers from two appraisal firms and decided to take a salaried position at Robson, McLean & Associates where Bob Robson, AACI, P. App, CET, also offered to pay for his courses, insurance and dues.

“I thought it would be a good place to get some background and experience on the commercial side, as well as on litigious cases such as expropriations,” explains McDonald, noting that Robson’s status as an expert witness piqued his interest even further. “Doing residential appraisals would have involved an income from a commission split structure, as well as a greater time commitment. I preferred having more stability, while being able to work and study at the same time.”

Once he had made a firm decision to continue with the program, McDonald asked Robson to be his mentor. He then scheduled the required interview with the association and is working with Robson to complete the compulsory 800-word essay explaining his plans for fulfilling the Applied Experience Program.

Initially, McDonald had thought he might ask Varner to be his mentor. But, the arrangement proved to be too complicated. “One of the challenges with having a mentor you don’t work for is the confidentiality of the work samples,” explains McDonald. “I would not have been able to show Brian the work I had done.”

This is why having a choice of mentors can be beneficial. He adds: “I know some people have a hard time finding mentors, but I think Candidates have to do their homework and put themselves out there.”

McDonald found that participating in the Credit Valley Chapter was an excellent way to do just that. In fact, he became increasingly involved with the chapter, eventually volunteering for the AIC-ON Candidates Task Force, as

*“I know some people have a hard time finding mentors, but I think Candidates have to do their homework and put themselves out there.”*


one of five candidates to create a survey examining the issues and challenges Candidates face.

Recently, the Task Force reported back to the Board of the Ontario Association, making several suggestions for improvement based on the survey responses. One of these recommendations was to find more ways to involve Candidates in the accreditation process. “That way, instead of feeling isolated, they feel that they are part of a cohesive group,” explains McDonald, adding that part of this integration is as simple as ensuring Candidates understand the structure of the AIC at the national, provincial and local level. “I did not know any of that when I started. This is something we can do to help Candidates understand the process and to get them involved.”

These are some of the points McDonald was able to share with Ontario members when he delivered the report on behalf of Committee Chair Marie Garbens, CRA, at the last AIC - Ontario Chapter Chairs Summit. After all, a third of the membership, he points out, is comprised of Candidates. “They are an important part of the organization,” McDonald reiterates. “We have to make sure they are being heard and that they are actively involved. They are the future of the industry. We have to make sure we keep that pipeline filled.”

Part of the process of ensuring that the association continues to attract and maintain membership at the Candidate level involves disseminating information not only to students graduating from high school and university, but also to professionals, like McDonald, who might be considering a second career.

For the former food industry manager, the information he researched about the valuation profession helped him plot the path to accreditation. Currently, he is taking another AIC course from the University of British Columbia while completing his Applied Experience Program at Robson, McLean & Associates. In January 2010, he will begin his final course then take the summer off before starting his guided case study in the fall. After successful completion of his written examination and professional competency interview, he will be eligible for an AACI designation.

McDonald can see clearly down the road to his career as a professional appraiser. It is a road filled with hard work and many challenges. But, most of all, it is a goal and a life he knows he can attain. 

# Primer on International Valuation Standards – Part 5

In continuing with the review of *International Valuation Standards (IVS)*, this article looks at applications of both private and public sector asset valuation to financial statements or related accounts, and to decisions involving loan or mortgage security.

## IVA-1 – VALUATION FOR FINANCIAL REPORTING

The material for *International Value Application-1 (IVA-1)* is drawn from *International Financial Reporting Standards (IFRSs)* and the objective is to explain the principles that apply to valuations prepared for use in financial statements. Appraisers should have some understanding of the accounting concepts and principles underlying the relevant *International Accounting Standards (IAS)*.

In accounting terminology, there are two models for the recognition of property assets on the balance sheet: the cost model and a fair value model. It is this latter model that is the focus of this application.

The application begins with a number of definitions generally familiar to appraisers such as depreciated replacement cost, improvements, market value and specialized property. However, there are 17 additional definitions, primarily from *IFRS*, which are perhaps new to appraisers. Appraisers undertaking appraisals for financial accounting should study all of them, however, a sample of some that may have a different meaning to appraisers are as follows:

**Depreciable amount:** The cost of an asset, or other amount substituted for cost (in the financial statements), less its residual value.<sup>1</sup>

**Depreciation:** The systematic allocation of the depreciable amount of an asset over its useful life.<sup>2</sup>

**Fair value:** The amount for which an asset

could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.<sup>3</sup>

**Impairment loss:** The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.<sup>4</sup>

**Investment property:** Property (land or building, or part of a building, or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation, or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of business.<sup>5</sup>

**Net realizable value:** The estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.<sup>6</sup> Net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of business. Fair value reflects the amount for which the same inventory could be exchanged between knowledgeable and willing buyers and sellers in the marketplace. The former is an entity-specific value; the latter is not. Net realizable value for inventories may not equal fair value less costs to sell.<sup>7</sup>

**Value in use:** The present value of the future cash flows expected to be derived from an asset or cash-generating unit.<sup>8</sup>

In undertaking this type of work, an appraiser must determine the classification of the asset being appraised, as such determines which accounting concept applies, i.e., *IAS* or *IFRS*. For example, if the 'fair value model' applies, regular revaluations may be required. Also, disclosure of whether the appraisal has been conducted by an external or internal appraisal is required. Keep in mind that

'fair value' is not necessarily synonymous with 'market value.' If adopting the 'fair value' concept, *IVS* notes that the fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professional, qualified valuers. If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment, and the item is rarely sold, except as a part of a continuing business, an entity may need to estimate fair value using an income or depreciated replacement cost approach.<sup>9</sup>

*IVA-1* goes on to provide detail on valuations for investment properties (*IAS 40*), impaired assets (*IAS 36*), business combinations (*IFRS 3*), surplus assets (*IFRS 5*), properties held for sale in the ordinary course of business (*IAS 2*), and biological assets (*IAS 41*). If dealing with any of these concepts, an appraiser is obligated to become familiar with these terms and concepts in order to be able to claim competency in an assignment.

The disclosure requirements of this application are recognized by most appraisers. As with the 'jurisdiction exception' concept in *CUSPAP*, an appraiser undertaking financial accounting appraisals must disclose the regulatory framework and any departures required from the *IVS* to comply with local legislation, regulation (including accounting rules), or customs.<sup>10</sup>

## IVA-2 – VALUATION FOR SECURED LENDING PURPOSES

This application covers appraisals for lending or mortgage purposes – what the majority of appraisers now do – so the concepts are very familiar. As *IVS* notes, an appraisal for lending purposes is not necessarily the same as an appraisal for financial accounting purposes. Although a similar base such as 'market value' may be applicable,



the assumptions on which the valuation is based may be different. For example, valuations for financial accounting usually assume that the 'going concern' continues, an assumption that may not be required for lending purposes.

*IVS* requires comments on current market activity and trends; historic, current and anticipated future demand for the category of property in the specific location; consideration for alternative uses; marketability; and any impact of foreseeable events on the value of the property. Most importantly, *IVS* requires market-based evidence in support of the value conclusions.

The *IVA-2* application adds a paragraph that may be very helpful to appraisers dealing with mortgage brokers and the lending community. Often, there are cases when an appraiser is simply told by a mortgage broker that an appraisal is required, but the lender has yet to be identified. What can happen in this case is that a first mortgage lender uses the report to measure the risk involved in the loan. Then, a second or third mortgagee also relies on the report. However, the element of risk likely rises significantly with each succeeding mortgage. Suddenly, the appraiser is defending a report he or she believed to be a 'low risk' valuation. Had the appraiser realized that a 'high risk' valuation was in order, the decision to increase the scope of work undertaken would likely give the appraiser and the lender a higher level of comfort. *IVA-2* suggests that appraisers should have a general understanding of the requirements of the lender and possibly the structure of loan terms and agreements. Even though lenders feel that terms of the loan are confidential, it does not relieve the appraiser from the obligation to have a general understanding of the lending process, which, in turn, will dictate the scope of work involved.

Appraisers are sometimes confused when confronted with a 'specialized property.' Usually, these types of properties have limited marketability. Their value is usually derived from the business operation itself. In these cases, lenders usually require an appraisal to reflect an 'as though vacant' state of the property. An example may be a cold storage facility. The cost of such a facility is usually higher than a similar sized light industrial structure, merely due to the insulation and cooling requirements. However, if the operation ceases and the lender is forced to sell the property vacant, a potential buyer would likely put little, if any, value on the additional cost of a cold storage facility. These concepts are known to appraisers as 'value in use' and 'value in exchange.' *IVA-2* provides explanations for these concepts, along with other concepts involving 'trade related properties,' 'development properties,' and 'wasting assets' such as mines or quarries.

### **IVA-3 – VALUATION OF PUBLIC SECTOR ASSETS FOR FINANCIAL REPORTING**

Property in the public sector is made up of cash-generating and non cash-generating property assets, as well as specialized property assets including heritage and conservation assets, infrastructure assets, public buildings, public utility plants and recreational assets. As with private sector assets, public sector assets fall into operational and non-operational categories. Non-operational assets include investment and surplus assets.<sup>11</sup>

*IVA-3* provides definitions for these various assets and this application mirrors similar concepts involving fair value, independent valuations, re-valuations, etc. If involved in preparing appraisal of public sector assets for financial accounting purposes, an appraiser must be

familiar with *International Public Sector Accounting Standards (IPSASs)* which provide the necessary guidance, definitions and terminology for dealing with such things as value in use, government business enterprises, depreciated replacement cost approach, restoration cost approach, etc.

These past five installments of the *IVS* Primer have dealt with almost one half of the entire *IVS* document. The balance of *IVS-2007* primarily comprises Guidance Notes, which provide an excellent resource for appraisers in dealing with numerous appraisal issues from simple fundamentals of appraising to more complex subjects such as discounted cash flow analysis for market valuations and investment analysis. As such, *IVS-2007* is a must for the serious appraiser's library. 🇨🇦

### **End notes**

<sup>1</sup> *IAS-16, para.6*

<sup>2</sup> *IAS-16, para.6; IAS 36, para.6*

<sup>3</sup> *IAS-16, para.6*

<sup>4</sup> *Ibid*

<sup>5</sup> *IAS-40, para.5*

<sup>6</sup> *IAS-2, para.6*

<sup>7</sup> *IAS-2, para.7*

<sup>8</sup> *IAS-36, para.6*

<sup>9</sup> *IVA-1 – 5.4 Valuations under IAS 16*

<sup>10</sup> *IVA-1 – 7.0 Disclosure requirements.*

<sup>11</sup> *IVA-3 – 1.5*

### **International Valuation Standards Sub-Committee**

Raymond Bower, AACI, P. App – Chair  
Larry Dybvig, AACI, P. App  
David Jenkins, AACI, P. App  
Louis Poirier, AACI, P. App  
Brad Wagar, AACI, P. App  
Paul Olscamp, AACI, P. App, Fellow  
George Ward, AACI, P. App  
To contact this committee email:  
[standards@aicanada.ca](mailto:standards@aicanada.ca)

# Saying goodbye Sickness and death in the appraisal profession

**T**oday, we canvass the topic of preparing to exit the appraisal profession. For some, retirement is a long awaited goal. For others, dreams of retirement are curtailed by illness and death, leaving loved ones to care for the sick and tend to their affairs. In the case of a professional appraiser, the multitude of assignments, past and present, can make this unenviable task even more of a chore and, in many cases, a burden.

Most of us think this will never happen to us. But, in the majority of cases, it will happen

and, unless we prepare ourselves for such contingencies, we may end up creating a situation of liability for ourselves, our estate, and those who try to cope with our withdrawal.

There are several things that the appraiser, whether in single practice or in a partnership/firm, can do in order to mitigate this prospect:

1. Cultivate a person who can take over for you to assist in the completion of your projects. He or she should be someone you trust and whose work meets your standards. Some appraisers have formal and informal referral relationships

*“Unless we prepare ourselves for such contingencies, we may end up creating a situation of liability for ourselves, our estate, and those who try to cope with our withdrawal.”*



whereby work can be assumed to ensure that completion dates are met with quality results for the client. Instructions should be left behind or a format of appraisal should be agreed on in advance in order that appraisals are completed in a timely fashion.


2. Maintain a list of pending and future projects as well as client names and contact numbers so that required work can be identified and either cancelled or dealt with by your 'substitute.' The desire to retain clients obviously depends on circumstances of whether or not you will be returning to work. Such a list and information should be readily accessible to your survivors or colleagues, so that they may follow up immediately to ensure that clients are properly served.
3. Ensure that your past files are well categorized and accessible or that directions exist that will identify their location. We have experienced many cases where the unfortunate widow or spouse, coping with their partner's illness, cannot find documents or reports in order to answer a negligence lawsuit. This causes significant stress to people in this position, as they feel compelled to defend their partner's good name, yet are without the ability to find or deal with documents required for that process. Instructions as to business matters and affairs should

be discussed with your spouse in advance, preferably at the same time you have your valid will made or updated.

4. Ensure that you have a list of accounts pending, so that your executor or business representative can collect your accounts. This will ensure that your estate or practice has sufficient income collected, as such funds will be needed to wind-down your practice. Refunds may also have to be provided if deposits were taken in advance of work, when that work cannot be completed.
5. Ensure that your representatives make no admissions against your interest. In face of people complaining of your work, hearing your spouse make the admission that "Henry has had memory problems for years" usually does not help in refuting claims where you are alleged to have neglected certain appraisal issues. Your spouse/executors should simply be told to report any allegation to your claims adjusters retained by the professional liability insurance program, to ensure that such matters are dealt with properly.
6. Maintain a deductible reserve for claims pending against you to ensure that your spouse has access to funds to meet deductible obligations. If you are retiring or are not well, and you have a good idea that the allegations are borne out, you may pay your deductible in advance.

7. Have a proper will and a proper power of attorney for property. If you run business accounts, these will be inaccessible unless your spouse or executors have the ability to deal with those funds. A will can be taken in and proved, so as to allow your designated executors access to funds. A power of attorney is only valid while you are alive. If you are confined to a hospital or home, the person named in the power of attorney for property can bring it to a bank or other business establishment and transact business in your name. There are many other reasons to have valid testamentary documents, as the complications arising for your estate from lack of a valid will can be horrendous on your successors and heirs and can end your hopes to benefit people in a manner that you wish.

8. Finally, ensure that, if you have to leave the profession, you can purchase or arrange for the purchase of 'tail coverage' that will cover your past work for any negligence case that arises. Generally, most people buy tail coverage for a period of 2-6 years after they retire or stop practising.

By implementing these steps, you will not only avoid claims, but also leave behind some peace of mind for your successors and heirs who have to deal with your affairs, as well as your clients with whom you have had ongoing relationships. 

*"By implementing these steps, you will not only avoid claims, but also leave behind some peace of mind for your successors and heirs who have to deal with your affairs, as well as your clients with whom you have had ongoing relationships."*

# Successful leadership transition

Death and taxes often are described as the certainties in life — individuals have little control over them. On the other hand, retirement and financial planning are within one's control. Valuation practitioners may want to plan their future, at least as much as they can. Baby boomers continue to reign and make up a large percentage of the Appraisal Institute of Canada (AIC) membership. Conversely, a growing number of younger professional members appear on the scene each year. Can the older of us better navigate the transition as the new generation replaces us?

Business, or at least successful businesses, often are family owned, or are like families. Business is built by leadership and risk taking, along with the acquisition of experience and corporate history. Making the generational transition in any organization requires the transfer of authority to the leadership of the next generation. What often happens is the loss of corporate history when long-term members of an organization retire. Retention of corporate history, accompanied by the transfer of authority to the next generation, is one of the keys to succession planning. Whether it is in a small firm or large institution, the 'family' depends for its success on key and trusted people, working together. Leadership has to be focused and, inevitably, a single person has to be in the key leadership role.

As leadership transfers from one generation to the next, many organizations fail on the retention of corporate history and past experience, as key people transition to retired status. Better planning would see people rise in authority and then pull back to an advisory role when new leadership takes control. This requires skill and determination from both the

old and new. New leadership needs to be given free reign to carry out its responsibilities, but, at the same time, be comfortable enough to seek advice from the experienced professionals.

The appraisal profession has been part of the Canadian business scene since at least the 1930s and we are now in the third transition of generations. The current passing of the torch is different from the past in that fewer people are employed by corporations and many more in a growing number of small or family firms. The challenge for a family firm is to transfer control without destroying itself. An



*"If it is done successfully, you may retire happier, and the organization to which you gave so much time and effort will have a better chance of survival."*

urban myth is that organizations go through a trio of life cycles. Generation one builds a business, generation two manages it, and generation three runs it into the ground. Is this a myth or reality? The next generation has to be selected on the basis of merit and capability, coupled with the timing of the transfer.

The new generation must be given 100% control over the operation and growth of the business. Will this be difficult for the old guard – absolutely. Clients and friends that worked with the former leader will continue to call, and, to be successful, the former chieftain will need to insist that questions go to the successor. To do otherwise would instantly undermine the new leader. On the other hand, having the former leader available, and assuming they can cope without interfering, will preserve both corporate history and, equally or more importantly, corporate business.

Small or family businesses, unlike an institution, may have a value that the old generation wants to sell, and the new is prepared to buy. Some family organizations feel that a son or daughter must take on the business, assuming that children will have the same capability and interests as their parents. This is rarely the case, and, if young adults are coerced in this way, disaster may follow. You may need to look more broadly to keep the business in the family, and you may find that one of your children ends up partnered with someone who shares your goals and whom you can trust. If you want to be paid for your business, you need to make sure that you have something that is indeed valuable, especially in the eyes of your successor. There are stories of successful businesses being destroyed after the old generation sells and leaves the business. Too late, the successor becomes aware of the importance of the predecessor's personal business links and interpersonal skills, as old business disappears and internal rivalries emerge. The successor needs a chance to become

a respected leader inside the firm as well as externally. This takes time, and a successful planner will plan for a replacement many years before retirement. The choice of a successor may be key to an owner's financial future, and a wrong or inexperienced choice will backfire. Conversely, an overzealous new leader who refuses to mine the resources of a predecessor is vulnerable to unnecessary surprises and potential failure.

Changing of the guard will never be easy, but, for organizations that plan their future, the transition need not be impossible. Do not delay too long in making the decision to retire, as the training of a successor will not happen overnight. However, do not feel that you need to be put out to pasture. The experience and knowledge of successful leaders can continue to

be mined, and paid for, for a long time. Moving away from a leadership role will happen whether you plan for it or not; the planning is up to you. If it is done successfully, you may retire happier, and the organization to which you gave so much time and effort will have a better chance of survival. 🇨🇦

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# Mentor versus co-signer

As I travel around the country, I take the opportunity to ask Candidate members if they have had problems finding a mentor. Sadly, more often than not, the answer is yes. I will provide you with a few real examples.

This past summer, I was in northern Saskatchewan inspecting a closed sawmill that was the subject of an assessment appeal. The assessment supervisor took great pride in introducing his new employee as hoping to be “one of you.” Seeking some clarification, I found out that the Candidate was a recent U of Guelph graduate who had almost completed the educational pre-requisites for the AACI designation. When I asked about her applied experience, she told me she had been unsuccessful for more than a year in finding a mentor and, as such, had not started. She told me that her organization did not have many designated members and that the people she approached from outside were either not interested or said they did not have the time.

So, is this a rural problem? Unfortunately, it is not. I recently had a similar conversation with another Candidate in Toronto who shared with me a similar story. Once again, there were no designated members in his department and the external members he approached were not willing to become his mentor because of time constraints.

Is the problem economic? Again, unfortunately, it probably is not. We recently received correspondence from a somewhat disgruntled Candidate who told us that, although he had been able to find work and was working under the direct supervision of several co-signers, he had been unable to enlist a mentor so that he

*“The primary aim of the Candidate Co-Signing Policy is to protect the public by ensuring that designated members provide appropriate supervision to the work of inexperienced, non-designated members of the Institute.”*

could enrol in the Applied Experience Program.

So, if it is not a geographic or economic problem, what is the root of the concern? In speaking with designated members, I find that there is a great deal of confusion between the role of a mentor and that of a co-signer. It is likely that this confusion between the roles and responsibilities may be causing our designated members to be discouraged from accepting the rewarding and worthwhile opportunity of mentoring our Candidates.

Therefore, I think it is useful to explore the differences between these two important roles in Candidate development.

The primary aim of the Candidate Co-Signing Policy is to protect the public by ensuring that designated members provide appropriate supervision to the work of inexperienced, non-designated members of the Institute. The role of a designated member who is a co-signer is a very hands on supervisory role. This is understand-

able, as they are ultimately responsible for the content and conclusions of the report or appraisal that they co-sign. The *Guidelines for Candidate Co-signing* (<http://www.aicanada.ca/cmsPage.aspx?id=114>) stipulate that the co-signer must ensure that the Candidate understands the Problem; Property Content; Property Rights; Definition of Value; Intended Use, Purpose and Scope; Highest and Best Use; Economic Variables; Legal Issues; Research; Approaches to Value; Ethics; Effective Communication; and Critical Thinking required for each assignment.

The Applied Experience Program ensures that all newly-designated members have obtained relevant experience in the application of the *First Principles of Value* in a professional setting, and have developed the professional skills expected by the clients of AIC members. Mentoring, which replaced articling, ensures that Candidates are guided in their development and in the application of the *Principles of Value* and professional skills. The mentor must be willing to:

- assist the Candidate to prepare the *Applied Experience Enrolment Report*, which forms a critical component of the application to AEP;
- help the Candidate understand the importance of *First Principles of Value* as they relate to their work in the *Recognized Areas of Applied Experience*;
- advise the Candidate on the development of Critical Professional Competencies as defined by AIC; and
- prepare a report for the Committee of Examiners that briefly outlines the Candidate’s experience as well as his or her application and understanding of the *First Principles of Value* and recommends that the Candidate is ready for designated member status based on his or her applied experience.

The role and obligations of a mentor are defined in the Applied Experience Program Guidelines ([http://www.aicanada.ca/images/content/file/aic\\_applied\\_experience\\_guidelines%28june\\_2009%29.pdf](http://www.aicanada.ca/images/content/file/aic_applied_experience_guidelines%28june_2009%29.pdf)). Candidates and their mentors work together to ensure that the Candidates are prepared to demonstrate, in both written and oral examinations, their proficiency in the application of the First Principles of Value and have developed the necessary Professional Competencies.

In many instances, a Candidate's employer will also serve as a mentor, but the mentor need not have any employment relationship with the Candidate. In some instances the Candidate may also have a co-signing relationship with the mentor or another designated member – this requires a separate registration of the relationship. Not all Candidates will require or want a co-

signer relationship with a designated member – this is not a prerequisite to obtaining a professional designation. It is not a requirement that Candidates sign a report, but, if they do not sign it, then the certification needs to cite them as having provided significant professional assistance in completing the assignment.

All Candidates require a mentor to enter into and complete the Applied Experience Program that is a prerequisite to obtaining a designation.

As explained here, the role of a mentor is to assist, help and advise the Candidate during the Applied Experience Program, in order to successfully demonstrate his or her knowledge of the *First Principles of Value* and the Professional Competencies during the exam and interview process. This is not the same hands-on supervisory role required of a co-signer. As a mentor,

you will have the benefit of regularly meeting with Candidates that will be your future colleagues, exposing yourself to fresh ideas about our profession, and learning by teaching. As an employer, you will have the additional benefit of using the meetings with the Candidate as part of the ongoing employee development and performance review process. 🚩

### Applied Experience Sub-committee

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# The wider world of peer review

Previous peer review articles have focused on AIC's Peer Review Pilot Project. In this article, we will extend our view and take a brief look at recent peer review developments by other Canadian professions. A short update of AIC's peer review program is also offered.

In 2006, the Law Society of Upper Canada created the Practice Review Program, which reflects the Society's emphasis on quality assurance in service of public interest.

The Chartered Accountants of Alberta and BC have each implemented a mandatory Practice Review Program. Each firm is reviewed at least once every three years and given recommendations for improvement. Other provincial CA associations have similar programs, as do numerous international associations (e.g., the New Zealand Institute of Chartered Accountants).

In 2002, the College of Nurses of Ontario created the mandatory Quality Assurance Practice Review program with a stated purpose of protecting the public and enhancing professional growth. Up to 750 nurses and nurse practitioners are selected at random each year. This program has a three-step process involving in-depth assessments and, if necessary, a remediation component.

In 2006, the Ontario Ministry of Education introduced the Teacher Performance Appraisal System for Experienced Teachers. The intent of this program is to provide a continuum of support, as a new teacher successfully completes the New Teacher Induction Program and becomes an experienced teacher.

The Practice Review Program of the Professional Engineers and Geoscientists of BC is designed for the benefit of its membership, and is an education-oriented professional development process. This is a mandatory program, and members can also request additional reviews.

The Ordre des évaluateurs agréés du Québec has a mandatory peer review pro-



*"The Peer Review Pilot Project has progressed well since its January 2009 launch, and initial feedback from participants has been very positive."*

gram auditing up to 5% of members on an annual basis.

Based on this brief survey, it can be observed that many of Canada's top-tier professions have recognized the tremendous benefits of an education-oriented peer review program.

In terms of AIC's Peer Review Pilot Project (PRPP), we are pleased to report that the PRPP has progressed well since its January 2009 launch, and initial feedback from participants has been very positive.

As a result of this encouraging start, the Board of Directors has extended the PRPP for an additional two years, from January 2010 until December 2011. Also, beginning January 2010, the PRPP mandate has been expanded to include reviews of non-residential appraisals.

During the past few months, the Ad Hoc Committee on Peer Review has been busy recruiting commercial reviewers, preparing the fall 2009

training sessions, and creating a commercial review infrastructure. Also, the committee recently conducted a member-wide survey to gain a better understanding of the members' perceptions and expectations of the peer review concept.

For AIC members interested in seeing copies of actual peer reviews, please go to <http://www.aicanada.ca/cmsPage.aspx?id=266> in the members section of the AIC website where we have posted redacted copies. 🇩🇪

## Adhoc Committee on Peer Review

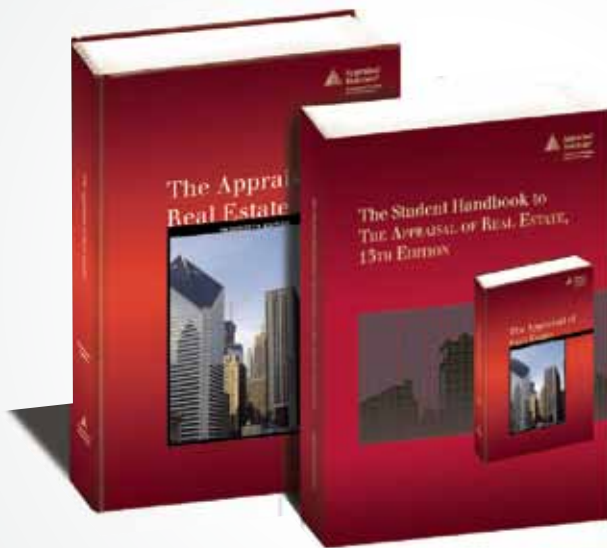
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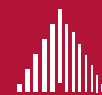
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# The investigating perspective

It was an honor to be asked to sit on the Appraisal Institute of Canada (AIC) Investigating Committee (IC) and have the opportunity to work with some talented and dedicated volunteer members. Leading this committee is no easy task and I have the greatest respect for everyone who has taken on this challenge during my tenure, including Dave Gabbruch and John Hutchinson. Today, it is my privilege to work with Sheldon Rajesky as IC co-chair.

Most professions looked very different in the 1970s than they did in the 1990s. Similarly, these specialized 1990s occupations requiring extensive education and training also changed and evolved in the succeeding decade. How professions accept the necessity and inevitability of change enables them to see times of transition as opportunities for constructive improvement.

A 2008 Ontario Superior Court decision provided significant direction for AIC's Professional Practice Committee to consider the background of the AIC investigating process. With this decision, there was a misunderstanding as to what the process meant, due to some simplistic comments which included the notion that, somehow, the AIC process was "fatally flawed." Of course, this was not the case and the AIC sought fair opportunity through an appeal to uphold the professional practice process. The decision of the Ontario Court of Appeal this year found that the AIC abided by the principles of fairness in keeping with the professional practice process outlined in the consolidated regulations. In light of this, the IC saw an opportunity to change the way it communicated.

The real 'meat' of professional practice revolves around the honest and respectful sharing of information between complainants, AIC members and the Professional Practice Committee. The IC is charged with the responsibility to receive complaints about members from the Counselor. The primary goal of our process is procedural fairness, which we seek to achieve

with two steps – to identify and detail all of the evidence in support of alleged infractions committed by the member; and to provide the member with fair and ample opportunity to explain his/her understanding of the situation, including how it arose, as well as what he/she did and did not do. We achieve this with written communication and, wherever possible, a telephone conversation with the member. Each investigator assigned to a file is asked to provide a thorough and comprehensive report.

With the clear understanding that the opinion of the investigator shall not be considered a finding or conclusion of alleged breaches of *CUSPAP*, Sheldon and I ask the investigator to provide her/his recommendations for a suggested outcome and/or discipline which we, in our sole discretion as co-chairs, may choose to accept or reject.

Readers are encouraged to read Section 5.44 of the consolidated regulations, which defines the range of sanctions available for both findings of practice sanctions and conduct sanctions. It is our view that the appropriateness of a sanction is largely determined by the member.

Should you have the opportunity to participate in the professional practice process and be the subject of a formal complaint, please avoid any consideration that you are now like a Holstein that has wandered into an abattoir. The member's level of co-operation throughout the investigation is very important, because our primary goal is to educate and help the member with restorative objectives. We want to hear your compelling point of view. In this way, we can work together towards positive developments and prevent reoccurrence of situations that caused the original complaint.

Proceeding to the other end of the spectrum, all members must take responsibility for their actions and, in such circumstances where we are in a position to report serious contraven- tions, we will respond appropriately in accor-

dance with the rules outlined in the consolidated regulations.

The IC is a team of volunteers wanting to give back to the AIC by upholding the rules and the regulations that make us Canada's valuation authority. We communicate with members, complainants, the Counselor, and the Professional Affairs Coordinating Committee (PACC). Earlier this year, when Sheldon and I took on our roles as co-chairs, we were faced with a backlog of 59 investigating files. At the time of writing this article, and as a result of our communication efforts, we have dealt with 21 files. Of these, 11 files were closed without any further action other than writing the member, four have been forwarded to the two advocates, three have moved on to the Adjudicating Committee, and three have been closed with member agreements.

Open communication assures that ideas and positions have a forum. The IC has made real changes as steps towards our commitment to make sure these many lines of communication are both clear and free. We want to work with our members and we appreciate your co-operative, respectful and helpful efforts to assist us resolve any matter put before us. 🌈

## Investigating Committee

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 Vanit Kumar, CRA  
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 Nicholas Lonsdale, AACI, P.App  
 Deanna Halladay, CRA  
 To contact this committee, email:  
[investigating@aicanada.ca](mailto:investigating@aicanada.ca)

# Appeal hearing Standard of Review

**R**egulation 5.52 of the *Consolidated Regulations of the Appraisal Institute of Canada* (the 'Regulations') is entitled *Standard of Review at Appeal Hearing*. Implicit in the title is the fact that hearings before the Appeal Committee are not new hearings. Regulation 5.52.6 confirms this: "An appeal hearing is not a hearing 'de novo.'" In other words, the Appeal Committee simply reviews the decisions made by others – it does not adjudicate afresh.

In the review process, the Appeal Committee is bound by three standards of review described under Regulation 5.52:

- a. correctness;
- b. unreasonableness; and
- c. patent unreasonableness.

These standards are borrowed from the common law as it existed prior to a recent Supreme Court of Canada decision.<sup>1</sup> The standards of review dictate the deference the Appeal Committee must give to the decision-makers whose decisions are appealed. Under a correctness standard, little deference is required; under a reasonableness standard, some deference is afforded; and, in the case of the patent unreasonableness standard, much deference is in order.

The correctness standard is the easiest to explain. It involves the Appeal Committee developing its own reasoning to determine the correct result. If the appealed decision coincides with the determination of the Appeal Committee, the decision will be affirmed. Otherwise, it will be overturned or varied.

The challenge is explaining unreasonableness and patent unreasonableness. One judge has said that unreasonableness exists when a probing examination discloses a result that cannot be supported on the evidence<sup>2</sup>, whereas a result is patently unreasonable if it clearly, on its face, cannot be supported on the evidence. Under either reasonableness standard, the test is not whether the Appeal Committee agrees with the appealed decision. It is enough if the Appeal

*"A member appearing before the Appeal Committee needs to appreciate that the committee's role is limited to a review process which depends upon which of the three standards of review apply."*

Committee concludes that, on the evidence or in the circumstances, the decision-maker could make the decision.


Under the *Regulations*, correctness is the default standard. Regulation 5.52.1 states: "In an appeal hearing, the standard of review to be applied to a decision is correctness for all questions except those respecting the exercise of discretion, findings of fact and the application of the common law rules of natural justice and procedural fairness." One can see that much falls outside the default correctness standard.

The point is that decisions not subject to the correctness standard will be more difficult to overturn because the Appeal Committee is required to pay more respect to the rulings of the decision-makers. Under the reasonableness standard, the Appeal Committee may be forced to accept decisions with which it might not agree. To reiterate the point made above, the question is whether the appealed decision withstands a 'somewhat probing examination' and can be supported when the evidence as a whole is reviewed. The unreasonableness standard does not involve asking what the correct decision would have been. Under this

standard, there will often be no single right answer to the question under review.

As noted earlier, reasonableness differs from patent unreasonableness by the 'immediacy or obviousness of the defect.' A patently unreasonable decision is 'clearly irrational' or 'evidently not in accordance with reason' – 'so flawed that no amount of curial deference can justify letting it stand.' A decision may be unreasonable without being patently unreasonable, when the defect in the decision is less obvious and might only be discovered after 'significant searching or testing.'<sup>3</sup>

When the reasonableness standards apply, the appellant must demonstrate how the evidence cannot support the appealed decision.

The standard of review case law has moved on.<sup>4</sup> The number of standards has been reduced from three to two (correctness and reasonableness), unless the rules of a tribunal dictate otherwise. Since our *Regulations* dictate otherwise, the law pertaining to three standards is still germane. Consequently, a member appearing before the Appeal Committee needs to appreciate that the committee's role is limited to a review process which depends upon which of the three standards of review apply. 

## End notes

<sup>1</sup> *Dunsmuir v. New Brunswick*, 2008 SCC 9

<sup>2</sup> *Ryan v. Law Society (New Brunswick)*, 2003 SCC 20

<sup>3</sup> *Ryan*, supra., paragraphs 52 and 53

<sup>4</sup> *Dunsmuir*, supra.

## Appeal Committee

Leonard Lee, AACI, P. App – Chair  
Allan Beatty, AACI, P. App, Fellow  
David Babineau, AACI, P. App, Fellow  
John Shevchuk, Associate

To contact this committee, email:  
[appeal@aicanada.ca](mailto:appeal@aicanada.ca)

# Streamlining the adjudication hearing process

The role of the Adjudicating Committee (AC) is to hear referred cases involving allegations of member MISCONDUCT, and to hear appeals to decisions taken by the Counsellor of Professional Practice. To this end, the AC arranges formal hearings that are held twice per year, generally in the spring and fall. Recognizing Canada's geographic vastness and the fact that our membership extends from coast to coast, scheduling AC hearings can present challenges. Based on past experience and, in an attempt to maximize accessibility, AC hearings are held each spring in Vancouver, BC and each fall in Ottawa, ON. As might be expected, these hearings are intended to facilitate in-person attendance and are held in a local hotel with a formal set-up

While these venues serve to facilitate attendance, it is nevertheless acknowledged that, for some members, attending in person may not always be possible or, in other instances, costs or scheduling could impede attendance. Because it is not the AC's intention to create hardship in an already arduous situation, the Appraisal Institute of Canada (AIC) *Regulations* offer alternatives.

For example, the *Regulations* permit the Counsellor of Professional Practice — a position created in the AIC's reorganization several years ago — to either process or refer files. Robert Patchett, Counsellor, Professional Practice is generally the first point of contact for complaints submitted to the AIC. Briefly, the *Regulations* permit the Counsellor to deal directly with complaints that warrant no more than a practice sanction. A practice sanction is applicable when there has been a breach of the AIC's *Bylaws*, *Regulations*, policies or *CUSPAP*, with examples including invalid insurance, and not being properly registered in the co-signer registry or in the fee/non fee category. More serious complaints


*“An adjudication hearing is a serious matter and an integral component of AIC’s professional practice process. Accordingly, a member’s personal attendance at these hearings is always the preferred option.”*

requiring a conduct sanction, however, would normally be referred directly to the Investigating Committee or to the AIC's Professional Practice Advocate.

As part of the process, the member is expected to cooperate fully with the Counsellor, typically through a verbal interview process and/or through written replies to the Counsellor's inquiry. Ultimately, it is the Counsellor who determines the outcome and, on consent, imposes the appropriate practice sanction where appropriate. A significant benefit of the process is that files handled exclusively by the Counsellor generally result in reduced processing times.

Following a different stream, a complaint can also be referred to the Professional Practice Advocate and, should it warrant only a practice sanction, a similar process to that involving the Counsellor would result. Again, member attendance would not be necessary; rather, the process could be accomplished through oral and/or written inquiry with the communications ultimately leading to the imposition, on consent, of the appropriate practice sanction.

For files that ultimately find their way to adjudication, the *Regulations* permit the AC's Hearing Panel to hold any combination of electronic, teleconference, oral or written hearings, with provision to permit calling and examining witnesses, presenting evidence and submissions and conducting cross examination. Therefore, it is apparent that activities typically taking place during an in-person hearing can frequently be accommodated within the scope of a teleconference hearing, provided advance arrangements have been made. However, by their very nature, hearings conducted via written communication can generally accommodate only those situations where matters are relatively straight-forward and direct, without the need for back-and-forth dialogue.

In these ways, by acknowledging and responding to those situations where personal attendance of members is not absolutely essential, the AIC's new *Regulations* serve to streamline the AC hearing process. Notwithstanding these efforts to address logistical difficulties with in-person hearings, an adjudication hearing is a serious matter and an integral component of AIC's professional practice process. Accordingly, a member's personal attendance at these hearings is always the preferred option. 

## Adjudicating Committee

John Ingram, AACI, P. App — Chair  
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 To contact this committee, email [adjudicating@aicanada.ca](mailto:adjudicating@aicanada.ca)



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

# Knowing when to say NO

**NO** – *adverb (a negative used to express dissent, denial, or refusal, as in response to a question or – verb (used with object) to reject, refuse approval, or express disapproval of.*

From time to time, we are all called upon to deny a request – whether it is telling a child that there will be no dessert unless the broccoli is eaten, turning down an invitation to dine out with friends, or having to forgo attendance at an event. In the office, you will be obligated to say no in cases where there are potential conflicts of interest. What is spoken of less often is the occasional need to say no to a client – particularly a good client.

Ideally, the decision to turn down a client would be due to your being too busy to take on new work or because you have a vacation planned and could not start a new project for several weeks. However, the reality of the current economic climate might make it more difficult to say no to potential work, as you may not be as busy as you were during the heady days of the real estate boom market.

If you are experiencing a quiet period in your business, it might be the ideal opportunity to develop new business clients, broaden your skill set, and read a book. Human Resources and Skills Development Canada reports that many professionals use a downturn in their market to return to school to acquire new skills, and to look for new markets and opportunities for their products. The buggy whip from the horse and buggy days is still being made today and continues to have a niche market, even though we all drive an automobile.

In the book *The Power of a Positive No: How to Say No and Still Get to Yes*, William Ury<sup>1</sup> suggests that, in order to be able to say 'YES,' at times you have to say 'NO.' It is what he describes as the 'YES,



NO, YES?' approach. Ury gives readers a strategy to avoid situations where they reluctantly take on obligations by saying yes and then feel resentful for doing so. He helps readers have the conviction to say 'NO' when they really mean 'NO,' and to take the next leap of offering the requestor a 'YES?,' so that turning him down is still framed as a positive experience of accepting his offer.

With Ury's 'YES, NO, YES?' technique, the first 'YES' is followed by your contemplation of what is in your best interest and your consideration of what you want to protect with by saying 'NO.' Thus, when you say 'NO,' it is founded on something of

*"The challenge in human nature is to know when to say 'NO' and to deliver it so that people understand that you mean it."*

importance that you value and the person receiving your 'NO' understands you are not rejecting him, but honoring something you value instead. After providing your listener with a firm and respectful 'NO,' you suggest an alternative which becomes your 'YES?' In other words, you make a suggestion that another solution be considered.

If it is applied to appraisal practice, you, as the appraiser, would like to receive assignments from your clients on reasonable terms including a fair fee, and with the necessary time to complete the assignment competently and professionally. However, competition from peers, non-appraisers and intermediaries in the collateral valuation process may be creating artificial pressures to lower fees or speed up turn around times. The one size fits all does not work, therefore, you may have to say,

- "YES" I would like to take on that assignment,
- "NO" it cannot be done that fast for that fee.

These are my reasons – "YES?" The consumer will say that I am not a professional if I fail to inspect, spend only five minutes, or fail to consider all the improvements. The appraisal reviewers will say the adjustments make no sense without a more detailed explanation.

Without doubt, we all like to say 'YES' when we can. The challenge in human nature is to know when to say 'NO' and to deliver it so that people understand that you mean it. Saying 'YES' when you really mean to say 'NO' delays the problem, but does not make it go away. So, next time your client says, I need it tomorrow, just say 'NO' by saying 'YES, NO, YES?' Ury's book and others on interest-based negotiation are recommended reading to refine your own negotiation skills and to learn how to apply them. 📖

## End notes

<sup>1</sup> *The Power of a Positive No: How to Say No and Still Get to Yes*, William Ury, published by Bantam Books 2007

# Write once, write right

## How to successfully complete the applied experience written examination

Getting to the stage of writing the applied experience exam requires exceptional time and hard work. As such, Candidates should not take this exam lightly and must ensure they are appropriately prepared for this challenge. This article details the steps that Candidates should consider to confidently and competently promote successful achievement.

### What is being examined?

Before you start preparing, think about what is being asked of you throughout this exam. It is your opportunity to show the marker that you have acquired sufficient experiences and competencies through guided mentorship, such that you can apply the *First Principles of Value* appropriately in a given situation.

This exam is not one you can study for from a text book. Therefore, before you apply to write this exam, ask yourself whether or not you have attained sufficient experience to successfully write it. Ask your mentor for an honest opinion, because it is better that you gain more experience first than learn of this need through failure.

### How to prepare for the exam

AIC has prepared several online tools to help Candidates prepare for the applied experience examination:

- The Revised Edition of *First Principles of Value*
- Sample CRA and AACI Applied Experience Exam
- Sample Grading Sheet and Marking Criteria
- Tips for Writing the Examination
- Exam Writing Strategies

The AIC Applied Experience Written Examination

web site can be found at: <http://www.aicanada.ca/cmsPage.aspx?id=164>

The UBC Real Estate Division's web site also summarizes these resources at: [www.realestate.ubc.ca/aeexam](http://www.realestate.ubc.ca/aeexam)

You cannot study for this exam as you would for a regular course exam, but you can prepare. Review the *First Principles of Value* very closely, and be prepared to speak to each with reference to your own value-related experiences. Refer to the sample exam questions so that you know what to expect, and read the sample exam in advance so that you do not have to read the instructions during the exam time. Think of good examples from your work experience that highlight challenging problems related to one or more *First Principles*, and structure answers that discuss them — this will help you become familiar with the logic and style of answer required, and you may be able to use these examples on your exam. Ensure that you know the address or can adequately describe the locations of these examples.

### How to write the exam efficiently and effectively

You have talked to your mentor, you have sufficient experience required to tackle the exam, you have reviewed the *First Principles of Value*, you went through the sample exam so you know what kind of questions to expect, and, most importantly, you looked at the grading sheet and criteria for the allocation of marks.

Now what?

Have a mental plan in place for how you will approach the exam. Some points to keep in mind:

- *Equate marks with time available and words required:* The exam is three hours — allot your time accordingly. You have one case study and three work experience questions to answer. You have read the marking guide, so you know how the grading is weighted — if you have a 40-mark question, you should be allotting roughly 72 minutes for that portion of your exam. If you finish after an hour of writing, you may want to review your answers to ensure there is enough content to justify the 100 marks. Ensure your work experience examples give enough detail for the marker to identify the specific property and understand the scenario being described.
- *Get easy marks first:* Answer first the questions that you find the easiest. This will help your confidence, calm you down, and may even give you extra time to tackle the more challenging questions later on in the exam.
- *No marks if we cannot read it: write legibly!* We realize it is three hours of writing, but you must ensure that you write legibly and preferably with a pen (leave the pencils at home; you can cross things out and use additional exam booklets if needed). Remember, if the marker cannot read your writing, the chances of receiving a successful grade are reduced dramatically.
- *Answer the question — no more, no less:* Read each question fully. You will receive no marks for answers to questions that are not being asked. This cannot be stressed enough . . . READ THE QUESTION.
- *Paint a picture, not a sketch:* When asked to describe a property, do not be vague in your answer. For example, "A house with a basement

on a quiet street,” will get you zero marks. A more appropriate response would be, “A 1,200 square foot 1970s bungalow, with full-finished basement, located at the NW corner of Main and Fraser Streets, Woodpile, Saskatchewan. Neighbouring and adjacent properties are similar in age in utility. Middle and high school are within walking distance, transit is available on the corner, neighbourhood strip mall with 12 units one block away. Neighbourhood is stable and considered to have average demand. Pricing levels have been stable for the last year due to stable local economic conditions.”

You have to paint a picture for the marker, realizing that we likely come from a different part of Canada than you. For property location, if you cannot remember the address, then give a description – the marker must be able to tell that it is real, not a hypothetical example.

- *Explain your assumptions:* Assumptions are acceptable and expected when answering the case study portion of the exam, as long as they are reasonable and kept in perspective of the situation being addressed. If the case study indicates there has been no market activity in the area, do not respond by assuming that you have adequate sales in the area to support an estimate of market value. Assumptions should not be used as a crutch to easily get through the case study; this will return a failing grade. For example, saying, “Highest and best use is assumed to be the current use” without explanation equals zero marks. You must explain to the marker the steps you would take to arrive at that conclusion.
- *Give answers, not questions:* Do not answer the case study question with more questions, this will likely result in a failing grade. Asking a string of erroneous questions does not demonstrate to the marker that you have logically thought through the *First Principles of Value* to arrive at a conclusion for the situation presented.
- *Appropriate work examples:* Your work experience examples should be appropriate for your level of experience. If you are writing the CRA exam, then avoid work examples of properties that do not conform to the CRA limitations. As a CRA Candidate, if you discuss properties beyond

the CRA’s limitations, then be cautious to explain the limitations of your role and where additional assistance was required. Otherwise, it is a breach of professional ethics.

- *Cautious terminology:* Avoid slang terms, acronyms, and improper terminology. For example:
  - In Canada, we use CUSPAP, not USPAP;
  - If you are describing a retrospective report, do not call it a retroactive report;
  - AIC uses market value, not fair market value (an accounting term);
 Avoid using acronyms in your examples, as markers are from various regions of Canada and may be unfamiliar with the terms, e.g., Accredited Municipal Assessor of Alberta (AMAA), Property Assessment Appeal Board (PAAB), etc.
- *Answer everything:* Try and get an answer down for all questions. If you miss answering one of the work experience examples due to lack of time, it leaves little margin for error to pass the exam, given the minimum total pass mark of 70% needed on both case study and work experience.
- *Be general and comprehensive:* When answering the case study portion of the exam, avoid answering it solely from the specialized or limited perspective of your current job. Explaining to the marker that you need not be concerned with market value because of assessment law in your province will undoubtedly not cover all *First Principles of Value*. Answer the question from a wider, more general, and more comprehensive perspective.
- *Consider Point Form:* To best answer the case study, you must work through all of the *First Principles of Value*. Using expanded point form to go through each principle can be an efficient and effective way of ensuring you are covering all aspects of the case study.
- *‘I’ not ‘we’:* Be careful about the ‘team’ approach – when answering the work experience example questions, explain to the marker what ‘you’ did, not what ‘we’ did. This does not preclude teamwork, but you must tell what you did in that team to address the *First Principle* being described.
- *Explain suitability:* There are three parts to the work experience question: description, suitability and details. The second part is easily overlooked,

but, if answered appropriately, it segues nicely into the details of the example.

### Answer the 5 W’s and do not forget the H

Finally, keep in mind these last few important points for success:

- Answer the *who, what, when, where, why*, and do not forget the *how*. At the end of the day, the how is what the marker is looking for. How did you determine highest and best use, how did you find market evidence to justify the adjustment made, how did you analyze the economic variables of the situation, how did you ensure that you reviewed all possible legal issues that could have an effect on your estimate of market value, how did you ensure the property rights were those of the fee simple. . .and so on.
- Make it easy for the marker to logically go through your exam and understand how you have related everything back to the *First Principles of Value*. Keep the verbosity in check. For example, “It is assumed that the property rights appraised are those of the fee simple interest.” Do not go into an elaborate dissertation on the concept of the Bundle of Rights if unnecessary.
- Last, but not least, remember you are putting forward a professional argument for review and examination. Do not assume the marker knows what you are trying to say, *tell* the marker what you are saying. Logic of argument, composition of material and rationale behind assumptions all play a factor. Writing clearly, logically, and thoroughly without being long-winded and repetitious will serve you well in presenting a well-written exam. 📄

### Learning Advisory Committee

David Highfield, AACI, P. App – Chair  
 April Green, Candidate  
 Suzanne de Jong, AACI, P. App  
 Wayne Kipp, AACI, P. App  
 Vikki Leslie, Qualifications Officer, AIC – ON  
 Charles Abromaitis, AACI, P. App  
 Duane Bates, AACI, P. App  
 David Shum, AACI, P. App  
 To contact this committee email:  
[lac@aicanada.ca](mailto:lac@aicanada.ca)

# Spotlight on Continuing Professional Development

## FEED YOUR FUTURE with CPD FRIDAYS



The UBC Real Estate Division continues its series of live, online, web-based seminars or webinars on Friday, December 4, 2009, from 8 am-10 am Pacific time (11 am-1 pm Eastern time). These *CPD Fridays* webinars consist of a two-hour presentation with an expert instructor, who will present an interactive online classroom session and answer any questions you may have. By attending the session and completing two hours of pre-reading on your own, you will receive four AIC CPD credit hours. There is no quiz or exam required to receive these credits.

In this article, we highlight two upcoming webinars in the UBC Real Estate Division's *CPD Fridays* series – **Feed Your Future!**

### CPD 111: Decision Analysis – Making Better Real Property Decisions

Presented December 4, 2009 by Bruce Turner, AACI, P. App

This course is the second in a series of three professional development courses adapted from the UBC Real Estate Division's *BUSI 460* course: Critical Analysis and Forecasting in Real Estate.

The first course in this series, *CPD 110: Creative Critical Thinking - Advancing Appraisal to Strategic Advising*, establishes the creative critical thinking foundation necessary for effective client service in real estate consulting. *CPD 111* advances this further, helping appraisers move from valuation technician to strategic advisor. In this course, the focus turns to decision analysis and how this can help clients and employers make better-informed real estate decisions.

The specific goals of this course are to enable the participant to:

- Critically analyze the context for real estate problems.
- Accurately diagnose complex real estate problems.
- Identify and support potential real estate solutions, goals, and actions that are objective and comprehensive, facilitating sound decision-making by clients.

There are various methods of decision-making, some informal and some formal. For example, following intuition or a 'rule of thumb' can be perfectly appropriate in some circumstances. Other situations may need a more systematic analysis of alternatives that best align with the client's objectives – this more formal process is termed 'decision analysis.'

The first step in decision analysis is to frame the decision, getting to the heart of exactly what problem your client actually needs to solve. Once the decision is framed, then decision analysis techniques can offer a systematic approach to making better decisions — 'better' in the sense that they are based on logic, consider all available data, and evaluate all possible alternatives, generally with some form of quantitative approach.

Decision trees are one example of a tool that helps clients better choose between a number of complex alternatives. Decision trees help answer the following questions:

- What are the key uncertainties?
- What are the possible outcomes of these uncertainties?
- What are the chances of occurrence of each possible outcome?
- What are the consequences of each outcome?

It is crucial to understand key factors in uncertain events and to estimate the likelihood and consequences of various possible outcomes. In doing so, the decision maker must always question potential influence of bias or other decision-making traps.

In summary, *CPD 111* will build on *CPD 110's* creative critical thinking mindset so that you can add value by better helping to solve your clients' real estate problems. This will entail being aware of your client's context and environment, considering their needs and objectives, and then thinking through decisions strategically towards meeting their needs.

As a final step, the course will also explore how we can all better learn from our experiences.

EXPERIENCE IS INEVITABLE; LEARNING IS OPTIONAL



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

Presented December 4, 2009 by John Peebles, AACI, P. App

In this follow-up to the very successful June 2009 presentation on this subject, we will introduce participants to what *International Financial Reporting Standards (IFRS)* means for real property valuation and, at the same time, provide an update on events during the past year since this initial presentation.

On January 1, 2011, 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.

A number of influential appraisers are saying that *IFRS* adoption in Canada brings with it a potential for an expanded scope of real property valuation and consulting work, starting as early as 2009. Entities preparing for *IFRS* in 2011 are beginning to secure valuation services in 2009 – meaning appraisal firms that are ready, willing, and able to take on *IFRS*-related work are already experiencing an expansion in their scope of work.

This course answers questions about how *IFRS* may impact the Canadian appraisal community, in particular, those who practice in the field of industrial, commercial, and investment (IC&I) property valuation and consulting. After completing this course, participants should be able to answer these questions:


- What is the likely volume of new valuation-related work coming soon?
- How significant is the opportunity for expansion of my client base and services offered?
- What can individual appraisers and the AIC do to take advantage of this opportunity and avoid the threats?
- If I practice as an institutional appraiser, how will *IFRS* impact my organization and my valuation related activities?

One potential threat is a significant shortfall in trained, experienced appraisers who are qualified and capable to meet this demand. This should be a 'wake-up' call for the appraisal profession – start preparing for the adoption of *IFRS* now! Because, if the demand for *IFRS* valuation materializes and the appraisal profession cannot respond, 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 prepares for the transition to *IFRS*.

While this course will provide participants with a baseline understanding of the role of *IFRS*, it will also prepare them to deal with future more practice-specific courses that are currently in planning. Looking beyond, the UBC Real Estate Division and Appraisal Institute of Canada will develop further learning materials on this subject once more information becomes available on *IFRS* implementation in Canada. For example, we anticipate developing a series of case studies that illustrate the practical application of new and adaptive valuation processes to meet the requirements for financial reporting of real estate values.

### Upcoming CPD Friday webinars:

- Friday, December 4, 2009:
    - CPD 114: Valuation for Financial Reporting – Real Property Appraisal and IFRS
    - CPD 111: Decision Analysis – Making Better Real Property Decisions
- For more information on these and other UBC CPD offerings, please visit our website: [www.realestate.ubc.ca/webinar](http://www.realestate.ubc.ca/webinar) or [www.realestate.ubc.ca/cpd](http://www.realestate.ubc.ca/cpd) 



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Appraisal Institute of Canada  
Institut canadien des évaluateurs



ORDRE DES ÉVALUATEURS AGRÉÉS DU QUÉBEC



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## 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 11, 2009 to Oct 13, 2009:

*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 11 juillet au 13 octobre, 2009:*

### 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 AAI, P. App designation.

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

#### ALBERTA

Gary P. Swanson

#### BRITISH COLUMBIA

Stephen M. Blackkoc  
Ellaina Laliotis  
Megan J. McFarlan  
Meng Mandy Zhao

#### NEW BRUNSWICK

Jason R. White

#### ONTARIO

Justin C. Chiarotto  
Edward J. Galka  
Philippe R. Hebert  
Dan S. Laven  
David R. Leathem  
Peter J. Spivey  
Jason Stipancic  
Maria Surina

#### QUEBEC

Maxime Fournier

### 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

Stacy A. Cooper  
Keely Migchels  
Donna Simmers  
Prabdeep Singh

#### BRITISH COLUMBIA

Kristin N. Linquist  
Nathan Nottingham  
Christine Fraynor

#### NOVA SCOTIA

Robert M. Gordon  
Renee A. Walker

#### NORTHWEST TERRITORIES

Denis Alain

#### QUEBEC

Nicole Dubreuil  
Yves Kirouac  
Yann-Frédéric  
Lizotte-Nitka

#### SASKATCHEWAN

Robert J. Cantin  
Darcy Huisman

#### ONTARIO

Crystal L. Brum  
Thomas D. Cull  
Heather A. Fuller  
Monique V. Gillespie  
Andrew B. Grace  
Steve Johnson  
Aaron Wai Lun Kwong  
Paul G. Martin  
L. Darcy McPhail  
Alison L. Ouimette

## Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period July 11, 2009 to October 13, 2009:

*L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 11 juillet au 13 octobre 2009:*

#### ALBERTA

Mark Berestiansky  
Sheena A. Kereliuk  
Terence Kook  
Edwin Lee  
Yvette Lee  
Adrian S. Miller  
Greg B. Moore  
Brad Slomp  
Yang Wang

#### BRITISH COLUMBIA

Shawn R. Anderson  
Courtney Brooke Eyre  
Song Jing  
Adam Palmer  
Ravinder Singh Punia  
Rupinder Rai  
Tracy L. Shymko  
Gorka E. Zabala

#### MANITOBA

Jennifer Anderson

#### NOVA SCOTIA

Sean Lonar  
Jennifer Rafuse

#### ONTARIO

Donna Aldridge  
Colin David Boyne  
James G. Burton  
Jared G. Coffell  
Andrew J. Crook  
Ryan Gulyas  
Keenan G. Lane  
Jeff Roy MacPhail

Jeffrey Charles McDowell  
Cynthia L. Morey  
Tramy Thi Nguyen  
Ryan Richard Parker  
Frazer S. Pearson  
Mark E. Pruefer  
Kitch Russell  
Andrew Valyi  
Prakash Venkat  
Maithel Lee Wilson  
Kent Wong  
Mark Andrew Zuccon

#### SASKATCHEWAN

Jimmy Cheung

#### INTERNATIONAL

Tania N. Wardle

## Students / Étudiants

This category of membership 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 category of membership.

*Cette catégorie de membre 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 rejoindre cette catégorie de membre.*

#### BRITISH COLUMBIA

Adam Kamal Naamani

#### ALBERTA

Allan Dale Colpitts

#### MANITOBA

Sheila L. Michalski  
Gary Page

#### NEWFOUNDLAND

William W. Harbin

#### ONTARIO

Robert Biasi  
Shari Lynn Injic  
Judy Lok  
Stefan H. Stefanov

## PRESIDENTIAL CITATIONS

The Presidential Citation is awarded by the Institute to recognize, in a meaningful way, an individual or organization who has made a significant contribution to the growth and enhancement of the appraisal profession.

President, Sheila Young, AACI recently awarded Presidential Citations to the following AMC Task Force members:

George Ward, AACI, Chair

Paula Malcolm-Schaller, CRA

Richard Graves, CRA

Dan Wilson, AACI

Dino Giuliani, AACI

In presenting the citations, Sheila thanked each of the recipients for their specific contributions to completing their mandate and investigating member concerns on AMCs. Sheila also commended their dedication to the betterment of the profession and the Institute in particular.

At the AIC-Manitoba AGM in early November, Sheila also presented a Presidential Citation to outgoing Investigating Committee Chair, John Hutchinson, AACI. John served several years on this committee and completed his term as Chair in June 2009. She also presented a Presidential Citation to Greg Wilkinson, AACI, who served as AIC's first AIC Special Investigator. This volunteer position was established in 2006 to provide independent investigation of complaints submitted against members of the professional practice committees.

## AD HOC AMC TASK FORCE ON AMCS REPORT

At its October meeting, the Appraisal Institute of Canada (AIC) Board of Directors received the report and recommendations from the Ad Hoc Task Force and the following motions were passed:

- THAT the Board receives in confidence the report submitted by the Ad Hoc Task Force on Appraisal Management Company Issues.
- THAT the Board refers the recommendations contained within the report to the appropriate committees.
- The AIC committees are asked to report back with an implementation timeline and budget and any concerns by Monday, January 25, 2010. Where this is not possible, a submission timetable should be provided in lieu.
- THAT the AIC president will refer the report to provincial affiliate presidents to receive the report and to consider the lobbying recommendations contained therein.



## JACK WARREN SCHOLARSHIP RECIPIENTS - 2009

The Jack Warren Educational Trust Committee is pleased to announce the recipients of the 2009 scholarships. Congratulations go to **Vi Thi Dang**, AIC Candidate, North Vancouver, BC; **Alex Messina**, Vancouver, BC; and **Wendy Wood**, AIC Candidate, Kelowna, BC, this year's recipients of the Jack Warren Education Trust Scholarship.

The annual scholarships are 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, #845 – 1200 West 73<sup>rd</sup> Avenue, Vancouver, BC, (604) 266-8287, or visit our website [www.appraisal.bc.ca](http://www.appraisal.bc.ca): click on publications, brochures and the Jack Warren Educational Trust.

## 2008-2009 BURSARIES AND AWARDS

Over the last several years, the Appraisal Institute of Canada (AIC) has introduced a series of academic awards that recognize the achievements of students undertaking appraisal studies in programs delivered through AIC's partners in professional education.

### UNIVERSITY OF BRITISH COLUMBIA

#### Appraisal Institute of Canada Bursary

A bursary of \$1,000 is offered by the Appraisal Institute of Canada to an undergraduate student specializing in the Real Estate Division of the Faculty of Commerce and Business Administration. The recipient for 2008-2009 is **Christopher Czorna**, Vancouver, BC.

#### Appraisal Institute of Canada Prize

A \$500 prize is awarded annually to the student receiving the highest standing in BUSI 330 offered by the Real Estate Division, Sauder School of Business. The 2009 winner is **Bob Bickerton**.

### UNIVERSITY OF GUELPH

#### Appraisal Institute of Canada Scholarship

2009 marks the first year the Appraisal Institute of Canada has offered this \$1000 scholarship to a student registered in the Real Estate and Housing major of the Bachelor of Commerce degree program. This scholarship is awarded to a student who has completed at least 9.0 credits, but no more than 12.5 credits with a minimum 70% average during the last two full-time semesters. The winner of this year's scholarship is **Kevin Bros**.

### SENECA COLLEGE, TORONTO

#### Appraisal Institute of Canada Award

An annual award in the amount of \$500 is presented to a graduating student in the Real Property Administration Program (RPA), who has, in the opinion of a Seneca faculty panel, demonstrated academic excellence in RPA 112 and one or more of the additional AIC curriculum courses at the College, and an active interest in the field of real property as a career, as well as made valuable contributions to the classroom environment. The 2009 award winner is **Andrew Valyi**, AIC Candidate, of Whitby, Ontario.



*Kevin Bros (R) receives his award from AIC President - Elect Grant Uba, AACI, P.App.*



*Andrew Valyi (L) receives his award from AIC Past-President George Maurice, AACI, P.App, Fellow.*

## ASK NOT WHAT AIC CAN DO FOR YOU, BUT WHAT YOU CAN DO FOR YOURSELF AND AIC

The Appraisal Institute of Canada (AIC) has increasingly become the 'go to organization' among reporters sourcing material for their appraisal related stories. Progressively more, AIC is receiving media requests that our members provide their expertise on numerous issues for segments on TV, radio and in print.

Joanne Charlebois, AIC Director, Marketing & Communications, has conducted media training for AIC's Board of Directors and, in conjunction with the Mont Tremblant conference, trained 21 AIC members and Executive Directors.

AIC is often required to call upon AIC designated members to respond to media inquiries from coast to coast. When the phone rings and AIC is calling to ask if you would be willing to represent your profession, are you ready? The following resources are available for AIC members on the member's only website at <http://www.aicanada.ca/cmsPage.aspx?id=295> :

- 6 steps for identifying key points and using them appropriately
- How to answer difficult questions
- 7 axioms for giving effective interviews
- Focus your attention on the relevant key points
- How to prepare for an interview

You may wonder WIFM (what's in it for me) to collaborate with AIC when called upon. In addition to promoting your profession, it is an opportunity to get exposure for yourself, which is a form of business development. Your employer will also appreciate you raising your organization or firm's visibility.

Lora Wylie, CRA (ON), who recently collaborated with AIC, responded when asked: "I do not really know what to expect, however, I do know that it is the kind of exposure the AIC members have been asking for and, as such, I am hoping it will give us a bit more presence in the public eye. Thanks again for the kind words and I will do my best to represent AIC in a professional light on the HGTV segment."

Being proactive with the media is a pillar of the AIC Marketing Plan. Further training sessions are planned in conjunction with the AIC 2010 conference in Victoria in early June. AIC members who wish to represent the appraisal profession and AIC when media wish to interview an AIC member, should contact Joanne at [joannec@aicanada.ca](mailto:joannec@aicanada.ca).



## ON THE MOVE



Photo by O. Seniw

### Roman Cherwonogrodzky,

CRA, SRA, a residential and commercial appraiser with IRR Residential Appraisers & Consultants in Houston Texas was recently awarded the Appraisal Institute's 2009 Anglyn Award.

Each year, a first-year participant of AI's Leadership Development and Advisory Council, who exhibits outstanding participation in all four breakout sessions, is awarded the Anglyn Award — an award that exemplifies leadership, integrity and contribution on the part of a first-year participant.

Houston-based Cherwonogrodzky is the AI's unofficial 'ambassador' to Eastern Europe, including Russia and the Ukraine. He is the Appraisal Institute of Canada's only non-retired CRA with an SRA currently working and residing in the US. He is originally from Canada and holds an associate's degree in urban land economics from University of British Columbia and a CRA from the Appraisal Institute of Canada.

## IMPORTANT INFORMATION CONCERNING PROFESSIONAL LIABILITY INSURANCE

Are you properly registered in the insurance program? If not, you may not be properly insured for the kind of work you are performing.

All members of the Appraisal Institute of Canada (AIC) must participate in the program in either the 'fee' or 'non-fee' member categories in accordance with the type of work they do and the liability it attracts.

A 'fee appraiser' means a member who renders 'professional services' on a fee-for-service basis. A professional service may be provided on a fee basis directly to a client or indirectly on behalf of an employer or a contractor to whom a fee is paid.

'Non-fee appraisers' are members who are salaried employees of public or private sector organizations and who provide 'professional services' to an employer for the internal use of the organization.

The insurance policy defines 'professional services' as real estate appraisal services including opinions and/or counseling rendered by a member of the Institute who, at the time of providing the services, was qualified and authorized to do so under the *By-laws and Regulations* of the Institute.

Members who are providing and taking responsibility for 'professional services' as described above, whether in the public or private sector, full-time or part-time, directly or indirectly on a 'fee' basis, must be registered as 'fee' members with respect to the AIC professional liability insurance program and pay the appropriate insurance levies.

Maintaining professional liability insurance is a key element for any professional, where consumers expect their professionals to carry adequate insurance, even if this is not an express term or condition in your contracts for professional services.

The registration of membership class as either 'fee' or 'non-fee' for insurance purposes is at the discretion of the members. This honour-based system requires members to declare annually whether they are 'fee' or 'non-fee' and pay the corresponding insurance levies.

When you receive an invoice for the 2010 insurance program levy from Martin, Merry and Reid, there will be information about the 'fee' and 'non-fee' member categories. Please read this carefully and continue on to the declaration section where you need to declare which category you fall under by checking the appropriate box, signing the declaration, and remitting the appropriate levies. It is essential that this be done correctly.

If you have any doubt about your status as a 'fee' or 'non-fee' member and need more information, please contact Martin, Merry and Reid at (416) 366-3333.

## CRITICAL DATES

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

**December 24, 2009** – AIC Ottawa offices close for the holidays from December 24-January 1 inclusive.

**December 31, 2009** – AIC designated members must have completed and posted their minimum six annual CPD credits obtained between January 1 and December 31, 2009. Random audits will take place in the early months of 2010.

**January 1, 2010** – Due date for payment of AIC insurance premiums. e-invoices were sent November 6, 2009.

**January 1, 2010** – As of January 1, 2010, only experience gained since enrolment in the Applied Experience Program (AEP) will be considered valid for the purpose of obtaining the AACI or CRA designation.

**Friday, January 22, 2010** – Deadline for article submission for next issue of *Canadian Property Valuation* magazine

**Friday, February 26, 2010** – Launch of AIC Conference online registration

**June 2-5, 2010** – AIC Annual Conference, Victoria, BC

**Friday, June 4, 2010** – AIC AGM – Victoria, BC – 3:15 pm

## 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.*

**Chiu-yin Chan, AACI, P. App**

Vancouver, BC

**Sadie Moranis, Candidate**

Toronto, ON

**Pentti Penttila, AACI, P. App**

Sudbury, ON

**Helen Harris, Candidate Retired**

St. Catharines, ON

# THE ART OF APPRAISING IN A RECESSION



BY BRAD CARTER, MAI; SANDRA MCALISTER WINTER, MAI; AND CAROLYN CHEN SAWYER, MBA

*The following article originally appeared in Valuation magazine.  
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**M**any veteran appraisers contend that appraising has never been more difficult. With sales volume approaching non-existent and financing often unattainable, appraisers face an unprecedented task in attempting to value real property in a market that barely functions. *The Art of Appraising in a Recession*, a recent Appraisal Institute Atlanta Area Chapter symposium, brought together five appraisal industry leaders to explore the hurdles confronting appraisers in their day-to-day practices — and to offer solutions.

What follows is a representative sampling of the questions posed and the responses offered during the April 2 symposium.

## LACK OF COMPS

The panel was consistent that a shortage of data requires becoming more flexible; even researchers with the highest standards must sometimes re-evaluate the distinction between what is preferable and what is acceptable.

Marlon Day, SRA, president of M L Day and Associates, Inc., offered his thoughts on this difficult dilemma as it pertains to residential appraisals: “The first step that I take in solving the problem of limited or lack of availability of comparable sales

is to review historical sales data for the particular market. Oftentimes, the data will show a wealth of sales activity that may have occurred outside of your typical search parameter of six to 12 months. Analyzing historical sales data and determining a reasonable market condition adjustment may present itself as a credible option when there are no comparable sales available.”

Of course, using more dated transactions heightens the importance of market conditions adjustments and increases the importance of a deep and thorough understanding of market trends and changes. “In conjunction with this method,” Day adds, “analysis of current listings and interviews with real estate professionals within the particular market can provide the necessary support for the results of a historical sales data analysis.”

John Cherry, MAI, CRE, managing director of Butler Burgher Group, recommends a similar tact for appraising commercial property, and suggests expanding the search of comparable sales to include a longer time frame and a larger geographic area. While making sense of less-than-ideal data can be difficult, market research from interviewing brokers, bankers, sellers, buyers and other appraisers will help determine appropriate market conditions and location adjustments.

“In the case of literally no sales, the appraiser must consider that the subject highest and best

use may not be a subdivision,” reports Harris ‘Bo’ Simpson, MAI, CRE, in response to a question about the development of a subdivision. He adds that the lack of competitive product in a given market should, in itself, at least raise the question of feasibility.

However, if a subdivision is believed to be a reasonable form of the highest and best use, and there are no recent lot sales, Simpson recommends that the appraiser extract retail lot prices from nearby home sales (sometimes known as a lot-contribution ratio analysis). “This may require considerable research and judgement. In numerous markets, demand for higher priced homes is declining, and it is often reasonable to conclude that subdivisions, once planned for upper price points, will eventually be reintroduced at much lower prices. If this is true for the subject property, then a lower retail lot price will also be appropriate, and the projected absorption schedule may be significantly different than for the original product planned. However, the net present value may actually be higher for a more moderately [i.e., lower] priced product.”

## MARKET RESEARCH

If older sales are to be considered, there are some tools or resources to help measure changes in market conditions to develop and support adjustments. The key to appraising in a recession

sion is “more market research,” reminds Cherry. Helpful resources include personal interviews with brokers and other market participants on capitalization and discount rates, as well as trend analysis from investor surveys (such as those published by Korpacz, Realtyrates.com, Cushman & Wakefield, Marcus & Millichap and CBRE), and published economic data (job growth, population growth, etc.). He recommends keeping an updated library of data. The Appraisal Institute’s web site and Lum Library are also excellent resources for such data.

Cherry says that first-hand market research also is needed to answer questions like, “What is the absorption period in normal

times? How long will it take to recover and return to ‘normal times?’ What is the competition, both existing and under construction?” His advice came in response to how to appraise a mostly unoccupied property when there is no leasing activity and, therefore, no absorption rates at competitive properties to analyze.

He also points out that a large supply of product could result in a longer holding period before a normalized rate of absorption can resume. Another important aspect is the “willingness of management to meet the market,” including the willingness to reduce rent and offer more concessions. If management is prepared to be

influenced by market forces and compete aggressively, this could mean an increase in the absorption rate.

### **RESIDENTIAL IMPACTING COMMERCIAL**

There is unquestionably a link between the health of the housing market and demand for supporting commercial development, but it is not always easy to measure. According to Simpson, “For years, the Appraisal Institute has encouraged appraisers to incorporate fundamental supply and demand analysis into their work. This involves taking demographic growth projections and deriving conclusions for the demand for real estate products. I think the appraiser today needs to be a student of economics if he or she



“

WITH SALES VOLUME APPROACHING NON-EXISTENT AND FINANCING OFTEN UNATTAINABLE, APPRAISERS FACE AN UNPRECEDENTED TASK IN ATTEMPTING TO VALUE REAL PROPERTY IN A MARKET THAT BARELY FUNCTIONS.

”



is going to be able to understand and navigate financial markets, human behaviour, market trends and ascertain the impact on real estate.”

### IMPACT OF FORECLOSURES

If it is a market where the only sales are from banks to investors, do those sales reflect ‘market value?’ Market value is the most probable sales price a particular property can achieve in an open market between willing parties. “Therefore, if foreclosures represent the only (or majority of) transactions within a particular market, it would be reasonable to consider the transactions to be reflective of market activity as of a specific date,” Day explains.

Foreclosures bring downward pressure on both home and lot prices, Simpson says.

“As long as foreclosures continue, buyer expectations will be influenced,” he reasons. He cautions that appraisers must exercise judgement in determining whether bank sales rise to the level of defining the market, but suggests that even those that do not could still be of interest. “Even a transaction that does not meet all the criteria of ‘market value definition’ could still contribute significantly toward defining the market for an asset,” Simpson says.

Day expressed similar sentiments on the impact distressed sellers have on all market participants: “There is generally a lack of willingness to pay more for a particular property when there is a comparable/viable alternative offered for less.”

Historically, it would be proper to consider the possibility of a stigma when appraising a property that has been advertised for foreclosure, as evidenced by the fact that brokers were not quick to publicize that a property listed for sale was in the hands of a lender. Today, however, some association to a foreclosure is not a stigma. In fact, brokers use ‘bank-owned’ as a selling point.

According to Paul Aase, MAI, CCIM, who focuses on special assets as director at Roberts & Associates, properties in many markets must

have something identifying them as distressed assets just to draw attention from potential buyers. Given the wealth of properties available, and the dearth of buyers willing and able to execute a transaction, purchasers do not need to spend time with any seller they do not perceive to be extremely motivated. This trend has become so prevalent that traditional sellers have been forced to represent themselves as being at a disadvantage. As evidence, Aase cites the numerous examples of properties being marketed as ‘pre-foreclosure’ deals, as sellers try to convey that they are motivated enough to warrant a buyer’s attention — even if they are not a bank.

Another important point to consider is exposure period. If a property is exposed to the market for an extended period, can the value exceed the highest offer? Does it really matter what line of business the seller is in (such as banking), or how they acquired the property (such as through foreclosure)?

Citing the principal of substitution, Simpson adds that, in many over-supplied areas, lender-owned properties are actually defining the market, as all other sellers must be price-competitive to attract the limited buyers shopping the numerous alternatives. “Again,” Simpson advises, “the appraiser needs to use some judgement in this area.”

### CONCLUSION

The solutions the panel presented, based on their day-to-day practices, not only offer guidance on solving challenging appraisal problems, they focus on what banks and review appraisers look for in times of recession. Users of appraisal services want to see that whatever limited data is available has been properly analyzed, and that the appraiser has educated himself or herself sufficiently through firsthand market research such as personal interviews with brokers, buyers and sellers. In a market that barely functions, appraisers must be more flexible, perform more market research and, of course, exercise careful judgement. 🏡

### AUTHORS

**Bradley R. Carter, MAI, CRE, CCIM**

Greystone Valuation Services, Inc.

**Carolyn Chen Sawyer, MBA**

Greystone Valuation Services, Inc.

**Sandra McAlister Winter, MAI**

SunTrust Bank

President, Appraisal Institute

Atlanta Area Chapter

Vice-Chair, Georgia Real Estate

Appraisers Board



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# DO RESTRICTIONS ON RENTING INCREASE CONDOMINIUM VALUES? EVIDENCE FROM VANCOUVER\*

**P**roperty owners, in association with one another, can choose to place restrictions on their individual property rights. Commercial property owners may choose to do this as part of a business improvement district; residential owners may act through their homeowner's association or by vote of a strata council in a strata title community.<sup>1</sup> An important question for valuation is whether the imposition of restrictions affects the market value of the units. The research presented here studies the effect of one particularly

strong restriction: strata by-laws that forbid owners of condominium units in the strata from renting their units.

What effect rental restrictions should have on prices and values is not clear. Restrictions reduce a potential investor's return, making a unit in a building that forbids rental of lower value to investors.<sup>2</sup> This will push down market values by reducing demand. On the other hand, owner-occupiers might prefer a building with rental restrictions, such that they would pay a premium. First, if renters are perceived to be risky or undesirable, then restricting them makes the building more attractive to owner-occupiers.

Second, if there is no benefit, why would owners vote for these restrictions, which require a supra-majority of 75% to pass?

Transaction data on condominiums in Vancouver, BC and the adjacent suburbs of Richmond and Burnaby is used to measure the effect of these restrictions on unit values. This issue is of particular importance in Vancouver. Apartment-type buildings made up 65% of new construction in Vancouver in 2007-08 and 50% of starts between 1996 and 2008, compared with 45% and 28% respectively in Toronto. Unlike other cities, in Vancouver, these starts are almost entirely strata titled buildings sold to individual buyers rather than rental buildings owned by a single individual or entity.<sup>3</sup> Investors make up a substantial share of the owners of condominium units in the Vancouver area. In the city, 35% of condominium units appear to be investor owned.<sup>4</sup> The figure is lower in Vancouver's suburbs, but still significant at 22%. The absence of new purpose-built rental construction and the decline of the existing stock of purpose-built rental units means that investor-owned condominium units, along with basement suites, are and can be expected to be an important part of the rental housing stock in the Vancouver area.<sup>5</sup> Restrictions on the ability of investors to rent their units can be expected to not only affect values, but the ability of the Vancouver area to supply rental housing options.

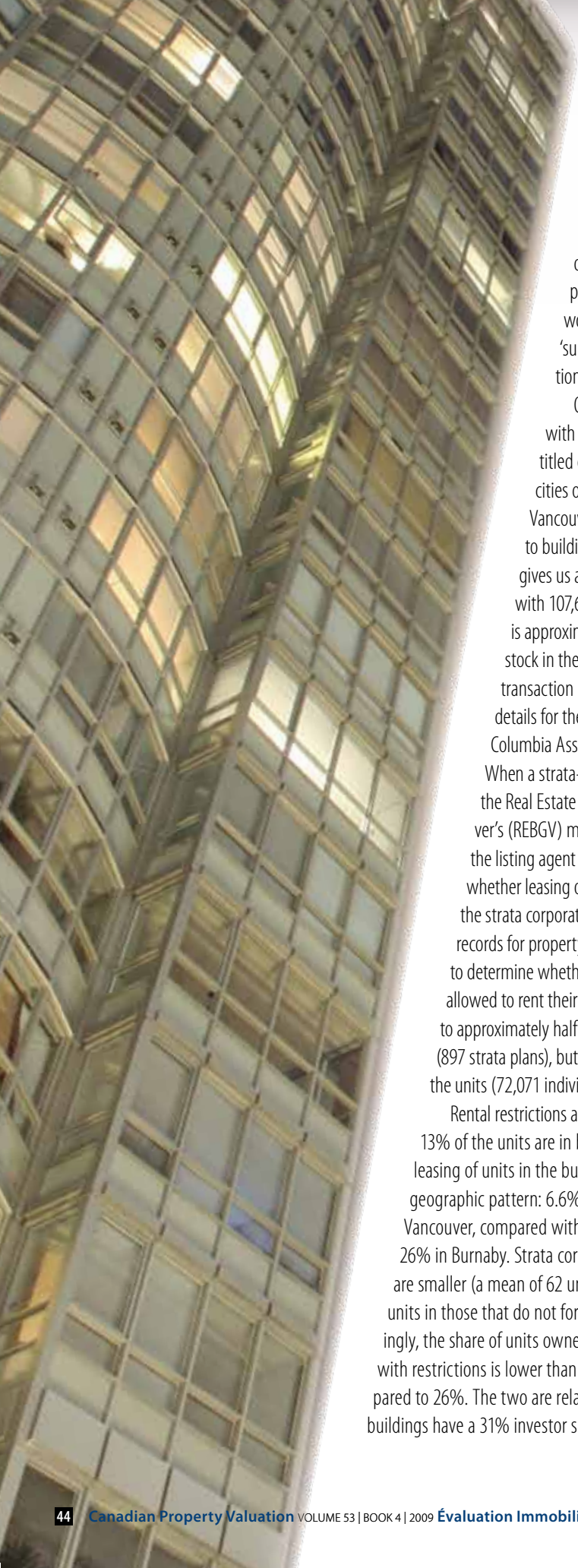
While this is the first study we know of to examine the effect of restrictions on leasing on condominium values, there is a body of research that has attempted to identify the effects of collective property rights restrictions through private covenants on property values. The main body of this work has looked at gated communities and 'homeowner associations' (HOAs), in part, because of the criticism the gated community has received from planners and sociologists.<sup>6</sup> Among economists, the objective of research has been to identify the magnitude of any effect on

value for a home being in such a community and the source of these effects, either from enhanced security, reduced traffic flow, or restrictive covenants that limit the risk of actions by one household having a negative effect on the value of neighbouring houses. General effects for the presence of an HOA range from *Agan and Tabarrok's* (2005) finding of a 5.4% premium for houses in a community with an HOA to *Hughes and Turnbull* (1996), who find the price premium for being in a community stricter covenants is between 2% and 6%. The gated aspect itself adds 6% to value in *Bible and Hsieh's* (2001) study. The findings in this research appear to be quite sensitive to the location of the analysis. Two other studies have found much larger effects: *Pompe* (2008) finds an 18.6% premium for gated communities in beach resorts, while *LaCour-Little and Malpezzi* (2001) find that in a St. Louis neighbourhood, house prices are 26% higher in a gated community – 17

percentage points from the presence of an HOA and nine percentage points from the gate. The precise relevance of these studies of single-family housing, typically in more suburban locations for the valuation of urban condominiums is not clear.

Two studies have looked explicitly at restrictions in condominium units, though not at the restrictions on leasing that is the focus of our work. *Allen* (1997) compares condominiums with and without age restrictions in Florida and found that buildings that limit the occupancy to older residents received a 20% premium to similar un-restricted units. *Cannaday* (1994) presents a simple model that suggests limited constraints are more valuable to owners in a building than stricter constraints. Examining a set of condominiums in Chicago, he finds that allowing cats only raises property values by 5.5% relative to forbidding pets entirely, while allowing dogs, either small or large, lowers values. Both of these effects are surprisingly large, given





that the formal 'cost' of imposing restrictions is quite low, and that, if the premiums are so high, we would expect more units to be 'supplied' via strata corporation by-laws.

Our data analysis starts with the universe of strata-titled condominium units in the cities of Burnaby, Richmond and Vancouver, BC. Limiting our analysis to buildings with at least five units gives us a sample of 1,781 buildings with 107,611 individual units, which is approximately 1/4 of the housing stock in these three cities. We received transaction price and unit characteristic details for these units from the British Columbia Assessment Authority (BCAA). When a strata-title property is listed on the Real Estate Board of Greater Vancouver's (REBGV) multiple listing service (MLS), the listing agent has the option of indicating whether leasing of the unit is allowed by the strata corporation or not. We use these records for property listings in 2007-2009 to determine whether or not unit owners are allowed to rent their units. This limits our data to approximately half of the universe of buildings (897 strata plans), but this includes about 70% of the units (72,071 individual units).

Rental restrictions are not trivial. Approximately 13% of the units are in buildings that forbid the leasing of units in the building. There is a clear geographic pattern: 6.6% of units are restricted in Vancouver, compared with 14% in Richmond and 26% in Burnaby. Strata corporations with restrictions are smaller (a mean of 62 units) compared with 85 units in those that do not forbid leasing. Not surprisingly, the share of units owned by investors in buildings with restrictions is lower than those without: 15% compared to 26%. The two are related, as the largest 25% of buildings have a 31% investor share and only 11% of these

have rental restrictions, as compared with a 26% investor share and 20% with restrictions for the smallest quartile of buildings.

To estimate the effects of these restrictions on values, a hedonic analysis is performed on transaction prices. In a standard statistical appraisal approach, a unit's transaction price is estimated as a function of unit characteristics, the year and quarter of the transaction, whether leasing is allowed, and controls for each of the BCAA-designated assessment neighbourhoods.<sup>7</sup> Transactions from between January 2007 and April 2009 are used and the analysis is conducted combining all the transactions, by year, and by city.

We find that forbidding rentals in a building lowers the price owners receive when they sell by between 2.7% and 3.3%. This result is robust and consistent across the different types of statistical analysis conducted. The one exception is that units in strata buildings in the West End of Vancouver, an area with very high numbers of renters and rental buildings, actually receive a premium of 10%. It would not be surprising that, in an area where renters are the dominant tenure, being able to differentiate your product can yield a positive effect on unit values. Excluding the West End from the more general analysis strengthens the negative effect of restrictions on price: to 3.3% to 5.4%.

Along with price, unit owners can be expected to care about liquidity: how easy it is to sell their units. We are unable to formally test this effect with the data we have. We know if a unit is sold, but not how long it took to sell, or whether a seller withdrew the unit from the market. We do analyze the effect of restrictions on whether a unit sells or not. We find that rental restrictions will raise the probability that a given unit is sold by 1.2 to 2.8 percentage points. Given, that restrictions are associated with a decline in prices, this results is more consistent with owners of units in buildings with restrictions being more likely

to sell, than an actual increase in liquidity.

This study attempts to achieve two goals: a very narrow objective of giving valuers and property owners a yardstick for assessing a certain type of owner-imposed restrictions on the ability of individual property owners to exercise their rights: the restriction preventing the leasing of condominium units; and a second more general objective to increase our understanding of the patterns of these restrictions and identify aspects of their potential impact on housing markets. The results of the former are quite clear: a general 3% decrease in property value. This effect is higher, closer to 4.5% in areas where rental is not the dominant form of tenure. Interestingly, the restrictions can have a positive effect in situations where the restrictions limit a clearly perceived and likely use. As to the second objective, the results are more general, but they do highlight the clear geographic variation in the application of restrictions; restrictions are more likely to occur in older buildings with more owner-occupiers and fewer investors. 📊

#### END NOTES

- <sup>1</sup> Strata title developments are typically condominiums, but can be townhouse or single-family detached and non-residential developments.
- <sup>2</sup> The *Strata Act* in BC allows existing renters in a building that passes a strata by-law to forbid rentals to be grandfathered in perpetuity, and owners have a one year window after a grandfathered tenant has left, during which the unit may still be rented.
- <sup>3</sup> CMHC Marketwire 12/13/07 <http://www.marketwire.com/press-release/Canada-Mortgage-And-Housing-Corporation-802631.html>.
- <sup>4</sup> We define a unit as investor-owned if the property tax assessment is sent to an address other than the unit itself. If an investor has the assessment sent to the unit, we are likely to underestimate the number of investors.
- <sup>5</sup> CMHC estimates this to be 20% of the rental stock in the Vancouver metro area (see CMHC, *Rental Market Report: Vancouver and Abbotsford CMAs*, Fall 2008). For a discussion of the decline of the purpose-built rental stock in Vancouver see <http://theyee.ca/Views/2009/03/04/RentalHomes/>.
- <sup>6</sup> See Blakely and Snyder (1997) as an example.

<sup>7</sup> For residential properties, there are 40 in Burnaby, 37 for Richmond and 32 in Vancouver (including areas near the University of British Columbia). For Burnaby and Richmond, a 'neighbourhood' may be specific to a type of property.

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#### AUTHORS

**Tsur Somerville**, Director, UBC Centre for Urban Economics and Real Estate, Sauder School of Business, UBC

**Chris Kay**, Head of Acquisitions, Fairmont Pacific Development Ltd.

**Seung Dong You**, PhD Student, Sauder School of Business, UBC

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## Calendar of Events

<b>AIC</b>	<b>2010 Appraisal Institute of Canada Annual Conference</b> June 2-5, 2010 – Fairmont Empress Hotel Victoria, British Columbia For information contact: <a href="mailto:info@aicanada.ca">info@aicanada.ca</a> or <a href="http://www.aicanada.ca">www.aicanada.ca</a> or 1-888-551-5521	<b>ON</b>	<b>Legal Impact of Grow House Operations/Legal Issues to Consider in the Appraisal</b> December 4, 2009 – Burlington <b>Annual General Meeting</b> Peterborough April 24, 2010 For information contact: Lorraine Rigas at <a href="mailto:lrigas@oaaic.on.ca">lrigas@oaaic.on.ca</a> or (416) 695-9333 or check <a href="http://www.oaaic.on.ca">www.oaaic.on.ca</a>
<b>BC</b>	<b>Professional Practice Seminars</b> <b>January 29 and 30, 2010 – Nanaimo</b> Larry Dybvig, AACI, P.App <b>April 16 and 17, 2010 – Vancouver</b> Allan Beatty, AACI, P.App <b>September 24 and 25, 2010 – Kamloops/Okanagan</b> Allan Beatty, AACI, P.App <b>November 19 and 20 2010 – Lower Mainland</b> Larry Dybvig, AACI, P.App For information contact: Anne Dunning at <a href="mailto:info@appraisal.bc.ca">info@appraisal.bc.ca</a> or (604) 266-8287 or check <a href="http://www.appraisal.bc.ca/">www.appraisal.bc.ca/</a>	<b>QC</b>	For information contact: Ginette St-Jean at <a href="mailto:aqice@qc.aira.com">aqice@qc.aira.com</a> or (450) 454-0377 or check <a href="http://www.aqice.ca">www.aqice.ca</a>
<b>AB</b>	<b>Spring 2010 Conference &amp; AGM</b> March 5 and 6, 2010 – Blackfoot Inn, Calgary <b>Spring 2010 Continuing Education Events – TBA</b> <b>Spring 2010 Professional Practice (Standards) – TBA</b> For information contact: AIC - AB at <a href="mailto:info@appraisal.ab.ca">info@appraisal.ab.ca</a> or (403) 207-7892 or check <a href="http://www.appraisal.ab.ca">www.appraisal.ab.ca</a>	<b>NB</b>	<b>Annual General Meeting</b> Fredericton April 22, 2010 For information contact: Jennifer Nemeth at <a href="mailto:nbarea@nb.aibn.com">nbarea@nb.aibn.com</a> or (506) 450-2016 or check <a href="http://www.nbarea.org/main.asp">www.nbarea.org/main.asp</a>
<b>SK</b>	<b>Annual General Meeting</b> Regina April 9, 2010 For information contact: Marilyn Steranka at <a href="mailto:skaic@sasktel.net">skaic@sasktel.net</a> or (306) 352-4195 or check <a href="http://www.skaic.org/">www.skaic.org/</a>	<b>NS</b>	<b>NSREAA Annual General Meeting</b> Halifax March 6, 2010 For information contact: Davida Mackay at <a href="mailto:nsreea@nsappraisal.ns.ca">nsreea@nsappraisal.ns.ca</a> or (902) 422-4077 or check <a href="http://www.nsappraisal.ns.ca/">www.nsappraisal.ns.ca/</a>
<b>MB</b>	<b>Rent Renewal Arbitrations – The Role of the Appraiser</b> Presenter: Mark Newman, Fillmore Riley LLP November 30, 2009 – 11:30 am-1:30 pm The Winnipeg Real Estate Board Classroom – 1240 Portage Avenue, Winnipeg 2 Guaranteed CPD Credits \$40 – lunch included <b>Professional Practice Seminar</b> Presenter: Allan Beatty, AACI, P. App March 19 and 20, 2010 – 8:30 am-4:00 pm 14 Guaranteed CPD Credits For information contact: Kelly Tole at <a href="mailto:mbaic@mts.net">mbaic@mts.net</a> or (204) 943-1177 or check <a href="http://www.aimanitoba.ca">www.aimanitoba.ca</a>	<b>PEI</b>	<b>Annual General Meeting</b> Charlottetown April 21, 2010 For information contact: Suzanne Pater at <a href="mailto:peiaic@explornet.com">peiaic@explornet.com</a> or (902) 368-3355
		<b>NL</b>	<b>Annual General Meeting</b> St. John's April 23, 2010 For information contact: Sherry House at <a href="mailto:naaic@nf.aibn.com">naaic@nf.aibn.com</a> or (709) 753-7644



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The image displays two overlapping screenshots of the ACI365 software. The top screenshot shows a website interface with a navigation menu, a header with the ACI365 logo, and a main content area featuring a city skyline image and a 'Welcome' message. The bottom screenshot shows a dashboard with a grid of icons organized into categories: Orders, Reports, Utilities, Management, and Marketing. A starburst graphic on the right side of the dashboard area contains the text 'Includes CRAL2009™ Integration'.

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