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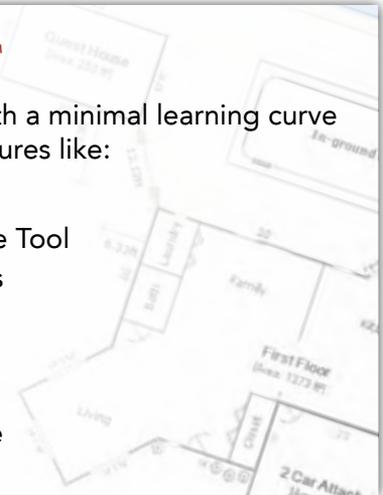
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Sheila Young  
AACI, AIC President

# Clear as glass

Open, transparent and accountable are the current buzz words for not-for-profit Boards such as the Appraisal Institute of Canada (AIC) Board of Directors. What do those buzz words mean?

- Being responsible for AIC's results, i.e., successes as well as failures.
- Being responsible for decisions and actions.
- Ensuring correct information about the operations of the organization is clearly communicated.
- Asking members and stakeholders for their views on a particular issue, strategy or direction, and considering their views when making decisions. Members' views are gathered through surveys and meetings, as well as asking for comments to communiqués and other written publications.

The Board of Directors of AIC shows that it is accountable by:

- continuing with the annual independent financial audit,
- continuing to keep good financial records,
- stating our conflicts of interest,
- understanding our roles and responsibilities, and the roles and responsibilities of provincial affiliates and chapters,
- understanding applicable provincial and federal law,
- distributing information to directors about Board agenda items well in advance of meetings,
- keeping good records of the rationale behind decisions and actions of the Board, and
- ensuring that the Board is guided by clear

policies and procedures to ensure decisions are consistent and can be shown to be informed and consistent. The Board of Directors of AIC shows that it is transparent by:

- publishing regular communiqués,
- publishing an annual report,
- being responsive to requests for information,
- having available Board minutes, mission and vision statements, auditors reports, and the strategic plan, and
- using the website to publish information about AIC and the Board.

In an open, transparent and accountable environment, every view is recognized, but not every view can be given the same weight when making a decision. On complex issues, the views of those most affected, both positively and negatively, by the potential decision tend to carry more weight.

Being open, transparent and accountable tends to provide some benefits to the organization. Usually, the organization becomes more efficient and effective, and has greater respect and trust from the members. The road to trust and respect is a two-way street. The Board gains trust and respect from the members by being open and transparent with them. However, the members earn openness and transparency from the Board by remembering, for complex issues with an emotional component, thoughtful commentary is more valued by the Board than an emotional response. 🌈





Sheila Young  
AACI, Président de l'ICE

# Claire comme de l'eau de roche



Ouvert, transparent et imputable sont les mots à la mode actuellement utilisés pour qualifier les conseils d'organismes à but non lucratif comme le Conseil d'administration de l'Institut canadien des évaluateurs. Que signifient ces mots à la mode?

- Être responsable des résultats de l'ICE, de ses succès et de ses échecs
- Être responsable des décisions et des actions
- Veiller à ce que la bonne information soit disséminée clairement au sujet des opérations de l'organisme
- Solliciter l'opinion des membres et des intervenants sur un sujet particulier, une stratégie ou une orientation et tenir compte de ces opinions au moment de prendre des décisions. L'opinion des membres est obtenue via des sondages, lors de réunions, par des demandes spécifiques à cet effet, les communiqués et d'autres publications imprimées.

Le Conseil d'administration de l'ICE montre qu'il est responsable en

- Poursuivant la tenue de la vérification financière annuelle indépendante,
- Maintenant des dossiers financiers de qualité,
- Soulignant les conflits d'intérêts,
- Comprenant ses rôles et responsabilités et les rôles et responsabilités des associations et chapitres à l'échelle provinciale,
- Comprenant les lois provinciales et fédérales applicables,
- Distribuant aux administrateurs de l'information concernant les sujets qui figurent à l'ordre du jour bien avant les réunions,
- Conservant des dossiers de qualité sur chaque décision et mesure que prend le Conseil, et

- Veillant à ce que le Conseil soit guidé par des politiques et procédures claires afin d'assurer que les décisions soient cohérentes et qu'il soit possible de montrer qu'elles sont bien avisées.

Le Conseil d'administration de l'ICE montre qu'il est transparent en

- Publiant des communiqués réguliers,
- Publiant un rapport annuel,
- Répondant aux demandes d'information,
- Conservant un procès-verbal de ses réunions, les énoncés de mission et de vision, les rapports des vérificateurs et le plan stratégique, et
- Utilisant le site Web pour disséminer de l'information au sujet de l'ICE et du Conseil.

Dans un contexte ouvert, transparent et imputable, toutes les opinions sont considérées mais n'ont pas toutes le même poids au moment de prendre une décision. Lorsqu'il s'agit de questions complexes, l'opinion de ceux qui sont le plus affectés positivement et négativement par la décision potentielle ont tendance à porter le plus de poids.

Le fait d'être ouvert, transparent et imputable comporte des avantages pour une organisation. Habituellement, elle devient plus efficace et jouit d'un respect et d'une confiance plus élevés de la part des membres. La voie du respect et de la confiance est à double sens. Le Conseil gagne la confiance et le respect des membres en étant ouvert et transparent à leur endroit. Toutefois, les membres obtiendront un Conseil ouvert et transparent en se rappelant que pour les questions complexes à caractère émotionnel, le Conseil préfère des commentaires bien pensés plutôt qu'une réponse émotionnelle. 

# The machinery of an association



Georges Lozano, MPA  
AIC Chief Executive Officer

In government, the people who implement policy and handle the day-to-day operations – the civil service – is sometimes referred to as the machinery of government. Associations like the Appraisal Institute of Canada (AIC) share many similarities with governmental organizations, and, as with government, there is a lot of misunderstanding about how they work. As such, I would like to provide you with an overview of the ‘machinery’ of the Institute – the policy-making process, the implementation and administration of policies, and the role and responsibilities of the volunteers and staff who work together to serve the members.

As in government, associations like the Institute have two levels. One provides leadership and establishes policy, while the other implements policy and runs the day-to-day business of the organization. In government, the leadership is made up of elected politicians, while the administration is handled by a professional civil service. In associations, the leadership is made up of volunteers who are elected by the membership to serve on the Board of Directors, while the administration is handled by a professional staff.

The Board of Directors of the Institute is elected by the membership across Canada from a slate of nominees provided by the AIC’s affiliated associations. These 14 directors are accountable not to the provincial associations that nominated them, but to the nationwide membership that elected them, and they are responsible for the top leadership and management of the association. The Chief Executive Officer of the

Appraisal Institute of Canada is not a member of the Board of Directors but, as the employee of the Board, is fully accountable to the Board for the administration of the national office and the implementation of the policies and programs that are approved by the Board.

Associations like the Institute are non-share capital corporations. This means that there are no shareholders. Instead, the members are stakeholders. This means that they have an interest in the organization that they belong to because it has relevance to them and its performance has a direct impact on them.

The Board of Directors of an association must be attuned to the needs and expectations of the members that it serves. The Institute’s directors are peers – fellow appraisers who are entrusted by the membership with the prudent management of the association.

In organizations with membership as diverse as the Institute’s, decision-making is a complex affair. As such, your Board of Directors must take into consideration many factors before taking a course of action. In this respect, Board members consult with provincial association leaders and volunteers, and the members in their province and across Canada to garner their views on emerging issues and policy in the making. AIC committees provide advice to the Board and advise them about new and existing policies and programs.

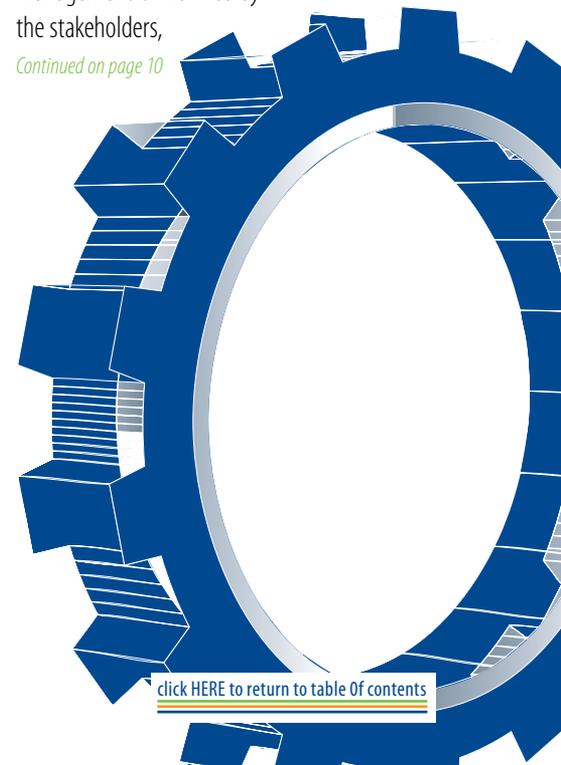
AIC has a strong team of volunteers with a wide range of knowledge and experience serving on 10 standing committees that report to the Board of Directors. Together, they work with dedication and commitment for the best

interests of the Institute and its members.

When the membership elects the Board of Directors each year at the annual meeting of members, it is effectively giving them a strong vote of confidence and trusting them to work on their behalf and to lead the organization. Having given that vote of confidence, members must then turn over the role of management of the organization to the Board. Members can voice their views and concerns to the Institute with the assurance that volunteer and staff member alike take all member feedback into consideration in the process of developing, revising, and implementing policies and programs.

This does not mean that every policy question is put to a vote by the membership, nor does it mean that every policy decision will be agreeable to every member. In fact, responsible management is informed by the stakeholders,

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# La machinerie d'une association



Georges Lozano, MPA  
Chef de la direction

**A**u sein du gouvernement, nous trouvons les gens qui sont chargés de mettre en œuvre les politiques et d'expédier les affaires courantes, c'est-à-dire la fonction publique, que l'on appelle parfois la machinerie du gouvernement. Les associations comme l'Institut canadien des évaluateurs ont plusieurs traits en commun avec les organismes gouvernementaux et, comme c'est le cas avec le gouvernement, on se méprend souvent sur leur fonctionnement. À ce titre, j'aimerais vous donner un aperçu de la « machinerie » de l'Institut, soit le processus de formulation des politiques, la mise en œuvre et l'administration des politiques, ainsi que les rôles et responsabilités des bénévoles et des employés qui s'efforcent conjointement de servir les membres.

À l'instar du gouvernement, les associations comme l'Institut possèdent deux paliers. L'un fournit le leadership et fixe les

politiques, tandis que l'autre applique ces mêmes politiques et assure l'exploitation quotidienne de l'organisation. Au gouvernement, ce sont les politiciens élus qui représentent le leadership, alors que l'administration est confiée à une fonction publique professionnelle. Mais dans les associations, le leadership se compose des bénévoles qui sont élus par les membres pour servir au Conseil d'administration, alors que le personnel technique se charge de l'administration.

Le Conseil d'administration de l'Institut est élu par les membres à travers le Canada, qui font leurs choix dans une liste de candidats fournie par les associations affiliées à la l'ICE. Ces quatorze administrateurs doivent rendre compte, non pas aux associations provinciales qui les ont nommés, mais à tous les membres du pays qui les ont élus, et ils sont responsables de la direction principale et de l'administration de l'Institut. Le chef de la direction de l'Institut canadien des évaluateurs n'est pas membre du Conseil d'administration, mais en tant qu'employé du Conseil, il est entièrement responsable devant celui-ci pour l'administration du bureau national et la mise en œuvre des politiques et des programmes approuvés par le Conseil.

Les associations comme l'Institut sont des corporations sans but lucratif. Cela signifie qu'il n'y a pas d'actionnaires. Les membres sont plutôt des parties prenantes, c'est-à-dire qu'ils ont un intérêt dans l'organisation à laquelle ils appartiennent parce qu'elle les concerne et que son rendement a une incidence directe sur eux.

Le Conseil d'administration d'une association doit être sensible aux besoins et aux attentes

des membres qu'il sert. Les administrateurs de l'Institut sont des pairs, ou des collègues évaluateurs à qui les membres confient l'administration prudente de l'Institut.

Dans les organisations qui accueillent des membres aussi diversifiés que l'Institut, la prise de décision n'est pas chose facile. Votre Conseil d'administration doit donc tenir compte de plusieurs facteurs avant d'adopter un plan d'action. À cet égard, les membres du Conseil consultent les dirigeants et les bénévoles des associations provinciales, de même que les membres de leur province et du Canada, afin de recueillir leurs opinions sur les questions émergentes et sur les politiques en cours de formulation. Les comités de l'ICE donnent des avis au Conseil sur les politiques et programmes, nouveaux et existants.

L'ICE compte sur une excellente équipe de bénévoles riches de connaissances et d'expériences très variées siégeant à dix comités permanents qui rendent compte au Conseil. Ensemble, ils travaillent avec cœur et engagement pour les intérêts supérieurs de l'Institut et de ses membres.

Lorsque les membres élisent le Conseil d'administration chaque année à l'assemblée annuelle des membres, ils lui accordent en réalité un solide vote de confiance, sachant qu'il s'évertuera à bien les représenter et qu'il mènera l'organisation comme il se doit. Après avoir exprimé cette confiance, les membres doivent remettre au Conseil le soin d'administrer l'organisation. Les membres peuvent faire part de leurs opinions et préoccupations à l'Institut avec

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but decides independently with the best interests of the organization over the long-run in mind. The trust relationship that exists between members and the Board must also exist between the Board and the Chief Executive Officer and his staff.

As in a government department, the top civil servant is the deputy minister, in an association that role falls to the Chief Executive Officer.

The CEO is solely accountable to the Board of Directors as a whole, and he works closely with the Board to ensure that its decisions are met.

The CEO and his staff support the Board of Directors and the committees of the Institute by implementing approved policies and programs, monitoring their effectiveness, and providing feedback to improve them. The Institute's staff is also responsible for the day-to-day operation of

the national office, which includes the delivery of member services.

Staff members do not make major policy decisions, nor do they have discretion to vary policy in any significant way. Policy exceptions are handled by the Board or designated volunteers, generally working within committees.

In government, it is said that ministers are politically oriented and operationally sensitive, while civil servants are operationally oriented and politically sensitive. Similarly, in associations, the role of the Board of Directors is to focus on providing high-level leadership and direction, while maintaining awareness of operations. The role of staff is to implement Board approved policies and programs,

while maintaining sensitivity to the political environment surrounding them.

Volunteers and staff work together in this unique relationship to ensure that the association and its membership thrive. In recent years, rapid and significant change in the marketplace has presented the profession with both challenges and opportunities. The Institute's leadership is working hard to address the challenges and help members take advantage of the opportunities. Tough decisions have to be made and not always to the liking of all members. Nonetheless, you should know that the Board, the committees, and staff take very seriously their responsibilities and the trust that the membership has placed in them to govern the Institute. On their behalf, I thank you for your continued trust. 

*Suire de la page 9.*

l'assurance que les bénévoles aussi bien que le personnel technique en tiendront compte lorsque viendra le temps d'élaborer, réviser et instaurer les politiques et les programmes.

Cela ne signifie pas que les membres votent sur chaque politique, non plus que tous les membres seront d'accord avec chacune des décisions prises en la matière. En fait, l'administration responsable s'appuie sur les parties prenantes, mais décide de façon indépendante en gardant à l'esprit les meilleurs intérêts à long terme de l'organisation. La relation de confiance entre les membres du Conseil doit aussi exister entre celui-ci et le chef de la direction et son personnel.

Dans un ministère du gouvernement, le plus haut fonctionnaire est le sous-ministre, alors que dans une association, ce rôle appartient au chef de la direction. Ce dernier est uniquement responsable devant le Conseil d'administration dans son ensemble, et il travaille de près avec lui pour s'assurer que l'on donne suite à ses décisions.

Le chef de la direction et son personnel appuient le Conseil d'administration et les comités de l'Institut en instaurant les politiques et les programmes approuvés, en surveillant leur efficacité et en offrant une rétroaction pour les améliorer. Les employés de l'Institut assurent également l'exploitation quotidienne du bureau national, ce qui comprend la prestation des services aux membres.

Les membres du personnel ne prennent pas de décisions majeures en matière de politiques et n'ont pas le pouvoir de modifier celles-ci de manière importante. Les membres du Conseil ou des bénévoles désignés travaillant habituellement au sein de comités s'occupent des exceptions à cet égard.

Au gouvernement, on dit que les ministres sont voués à la politique et sensibles à l'exploitation, tandis que les fonctionnaires sont voués à l'exploitation et sensibles à la politique. Dans le même ordre d'idées, le rôle du Conseil d'administration dans une association consiste à offrir un leadership et une direction de haut niveau, tout en demeurant

conscient de l'exploitation. De son côté, le rôle du personnel est de mettre en application les politiques et les programmes approuvés par le Conseil, tout en demeurant conscient de l'environnement politique d'où ils émanent.

Les bénévoles et les employés travaillent de concert dans cette relation unique pour assurer la prospérité de l'Institut et de ses membres. Depuis quelques années, la transformation rapide et profonde du marché a présenté des défis aussi bien que des opportunités à la profession. Les dirigeants de l'Institut déploient tous les efforts possibles pour relever ces défis et pour aider les membres à profiter des opportunités offertes. Il faudra prendre des décisions difficiles qui ne plairont pas toujours à tous les membres. Néanmoins, vous devez savoir que le Conseil, les comités et les employés prennent très au sérieux leurs responsabilités et la confiance que les membres ont placée en eux pour présider aux destinées de l'Institut. En leur nom, je vous remercie pour votre confiance renouvelée. 

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## Josh Morash: a career in the making



Since graduating with a Bachelor of Science degree from St. Francis Xavier University in 2002, **Josh Morash** had been looking for a career. He worked with the Canadian Food Inspection Agency and then as an environmental technologist for a Nova Scotia mining company. But, it was outside of work that he found something that truly excited him. “I was always interested in real estate, so I started buying some investment properties,” he explains. “Every time I went through the process, I would deal with an appraiser.”

Having no interest in a sales career, Morash had limited his passion for real estate to investing. But the role

of the appraiser intrigued him. He decided to conduct further research to see if this was a career he would like to pursue.

His local contact from the Nova Scotia Real Estate Appraisers Association (NSREAA) pointed him in the right direction, informing him of the steps involved in becoming an appraiser. Soon Morash found himself studying online for his *We Value Canada* course and then heading to Halifax for his Professional Practice Seminar. Once he completed his *Business 330* course from the Sauder Business School at UBC, he accessed the website listing local appraisers and started looking for a mentor for his applied experience year.

During the course of dealing with his properties, he had heard several names

mentioned repeatedly. "Sitting in the bank with a loans person, you hear about who they can trust," he elaborates. Based on this information, he decided to approach Bev Girvan, AACI, P. App, of Kempton Appraisals Limited in Bridgewater.

"It was not only a question of who I wanted to go with," he recalls, "but of whether she would take me on." Fortunately, the answer was yes and Morash joined the firm as a Candidate in September 2008.

Until then, Girvan had been working alone, with only an office manager for assistance. But, her workload was getting heavy, with growing demand for appraisals coming from the firm's 100 km radius service area. With projects that include everything from commercial properties to vacant land and homes from \$20,000 to more than \$1 million, having a Candidate committed to obtaining an AACI is certainly an asset to the firm.

"Once I decided on appraising as a career, I wanted to go as high as I could possibly go," says Morash, confirming that the AACI designation has been his goal from the beginning. "Then, I would not be limiting myself as to what kind of work I could do. I want to have all of my bases covered."

Because only Candidates who have a business degree are eligible for the fast-track program, Morash has to complete requirements for his CRA before starting his courses for the AACI designation. As soon as he started with Kempton Appraisals, he began taking one or two correspondence courses in each of the three yearly semesters via the Post Graduate Valuation Degree program offered through UBC. "I want to get it done as soon as possible," he notes.

*"Once I decided on appraising as a career, I wanted to go as high as I could possibly go."*

For most of the past year and a half, Morash has worked all day and then gone home to study. Fortunately, the time difference between British Columbia and Nova Scotia works in his favour. When he gets home from work, it is still early afternoon in BC, so he can call to ask questions if necessary.

Also helping the process is the fact that, whenever he has had an exam, Girvan has given him the day off to go into Halifax to write it. "She definitely pushes me," he says. "Education is very important to me and it is really important to her. She is very supportive."

Already, he has finished all of the business courses necessary for his CRA designation as well as the case study, and is registered to write the final exam from UBC. Upon successfully completing these steps, he will be eligible to have his interview with NSREAA for his CRA designation. Then, he will start to take courses again, this time towards his AACI.

At the same time, Morash is performing various valuations under Girvan's guidance. She serves not only as his mentor, but also

as the co-signer for his applied experience. "Being in the office with her has worked out well," he says. "It makes my life a lot easier when I can ask a question just by going next door. Watching her and how she deals with clients has been very helpful as well."

In the beginning, Morash shadowed Girvan, accompanying her on appointments out of the office. Now, working with her every day, he has the chance to see how she responds to a wide variety of issues and challenges.

As long as he gets the work done, Morash knows that he can organize his time to complete his work assignments and educational requirements in the way that suits him best. This kind of flexibility is one of the things he enjoys about fee appraising. Another is the opportunity to be involved with paperwork and with traveling to locations out in the field. "I like the balance between the office and outside," he confirms.

In appraising, he has finally found his career path. While it is true that, for the moment, he has little free time between work and studying, he still manages to pursue the renovations on his house in Queens County, one of many indications that he is settling in for the long haul. "I am going to stay as a fee appraiser with Kemptons and work alongside Bev," he says. "For me, it is a very good fit." For the future of appraising in the area, it is very good news. 🏡

# Commitment and dedication... the keys to our success



## Troy Davidson, CRA My turn to step up

*The Appraisal Institute of Canada (AIC) has many determined and dedicated volunteers who make the work of the Institute possible and help move the profession forward in progressive and fundamental ways. Despite being under heavy commitments both professionally and personally, AIC members continue to serve in countless ways. For this issue of Canadian Property Valuation, we interviewed AIC member, Troy Davidson, CRA from Wolfville, Nova Scotia.*

**Q. At what stage of your career did you first become involved as a volunteer with the Institute?**

A. I have been a member in good standing of the Appraisal Institute of Canada since June 1992. It was an opportunity presented to me by my father, who was an appraiser and a realtor. The subsequent 18 years have resulted in a successful career, with numerous challenges and ample rewards, in a profession of which I am extremely proud. From the start of my career in residential fee appraisal, I wanted to learn as much as I could. From the books to the street, my career in the appraisal profession grew. I attended association meetings, professional development sessions and industry seminars in an attempt to be current and relevant in a rapidly changing work environment. I obtained my CRA in February 1996, and assumed ownership of the family appraisal business in January 2005. In June of that same year, I had an opportunity to volunteer

as a member of the Nova Scotia Real Estate Appraisers' Association (NSREAA) Committee of Examiners. It was my turn to step up. To this day, I remain a member of that committee conducting BDI (behavioral descriptive interviews) for Candidates striving to obtain their CRA designations.

**Q. In a time when you have so many personal and professional commitments, why do you feel it is important to undertake volunteer roles with the Institute?**

A. By definition, a volunteer is a person who voluntarily performs work and assumes an obligation. Organizations and businesses across our country depend on these people to offer their assistance in achieving success. The overwhelming achievements of our recent Olympics in Vancouver and Whistler, for example, is a tribute to the countless volunteers and their tireless efforts to welcome the worlds' athletes, media and fans. What is common in individuals who volunteer is the inherent desire to assist and to ultimately strive for success. Volunteering for me was a natural progression in my own professional development. It may have taken a few years to become formally involved in the NSREAA, but I knew it was inevitable. My days as an undergrad student at Acadia University solidified my commitment as a volunteer. I volunteered during those years and enjoyed a rewarding university experience as a result. Marriage and children followed, along with other opportunities to volunteer in the community as a coach, sharing my own experiences and knowledge of sport with young athletes. Their development and enjoyment continues to be my reward year after year and that is what led me to become involved as a volunteer in the NSREAA. I wanted to share my professional experience and knowledge with a committee of my peers involved in a necessary component of the formal designation process. This provincial involvement led me to the Appraisal Institute of Canada's Learning Advisory Committee's Applied Experience Sub-committee in 2009. An essential and important task to improve student and Candidate applied experience across Canada awaits. It is vital and necessary to become involved with this endeavor to improve professional competencies, to enhance educational standards, and to promote the continuance of our profession on the national and international stage. Without a volunteer effort in this regard, progress would not exist.

**Q. How do you feel your experience has benefited you in your professional life?**

A. One of the largest professional resources in anyone's career is found in their peer group. Having the opportunity to volunteer and interact more formally with your peers on the numerous provincial and national committees in your profession is invaluable. I have learned so much from those that I have served with over the past five years and I am grateful to have been given the chance to do so. Volunteer experience is the key to growth, professional and personal development, and the future success of any organization. It is that experience from which I have derived the most benefits in my professional life.

**Q. If you were going to meet with a newer member of the profession, what would you tell them is the most important reason/benefit for getting involved?**

A. For those new members commencing their careers in the AIC, a rewarding profession lies ahead. Participate in it. Become involved with your local associations and provincial organizations from the start. Attend the meetings, seminars and presentations. Attend your professional development sessions, not merely to obtain your CPD credits for your five-year cycle, but to learn and improve your knowledge and professionalism in your career. As well, network with your peers across the country at an AIC national conference. Attend an AGM virtually or in person to find out what direction our professional organization is heading. More importantly, what direction you are heading. Get involved, volunteer and broaden your own professional scope. Your involvement will help to shape the future of the Appraisal Institute of Canada.

**Q. How would you describe the future for appraisers as it applies to newly-designated members and long-standing members?**

A. I am a proud and professional member of the Appraisal Institute of Canada. I have had numerous successes in my own career to date and look forward to many more over the next two decades. I will continue to serve and promote the AIC on the committees I currently work with in an attempt to better prepare students and Candidates for professional status in our association. I will remain involved and supportive of the Appraisal Institute of Canada as we strive for membership growth, higher educational standards and future success of the appraisal profession. Fee appraisal and non-fee appraisal work does exist for newly-designated members in all of our markets across the country as we adapt to our changing economies and seek out new opportunities for our members. Further, mentorship opportunities for our long-standing members will come to the forefront in the future as Candidates seek out experienced members for training and development. This aspect of our professional development is critical for the future growth of the Appraisal Institute of Canada. There will be a reliance on the knowledge of our most experienced members to guide and teach new members, not necessarily to be competitors in business, but, more importantly, to be our peers in a growing and viable profession.

**Q. Are there any other thoughts you would like to share?**

A. If the opportunity arises, I encourage all members to volunteer provincially or nationally on the numerous committees in our profession. In fact, take the initiative and express an interest about your own willingness to serve to your peers who are currently serving your membership. I am thankful for my opportunity to volunteer and confident I can work with my peers to impart change, professional growth and ultimate success. 🌈

# Becoming involved

## *Participer activement*

The Appraisal Institute of Canada (AIC) is governed by a Board of Directors (the 'Board') which consists of 14 directors nominated by the provincial associations. The Board meets on a regular basis including two live meetings in Ottawa and one during the annual conference.

The Board obtains much of its decisional support from 11 standing committees that study, discuss and make recommendations to the Board. In addition to the valuable work of the AIC committees, the forum of exchange between governance at the provincial and national levels takes place in two ways. First, in some instances, AIC Board directors also sit on provincial Boards and provide a valuable communication link between the AIC and the provincial associations. Second, the presidents of the provincial associations and the president of the AIC meet on a regular basis. The primary objective of such meetings is discussion of important decisions under consideration by the AIC Board and how to better coordinate efforts among the various provincial associations on important matters.

Each year, AIC holds its Annual General Meeting (AGM) during the national conference. Although the overall conference receives most of our attention in terms of planning and promotion, it is at the AGM where the voices of the membership are heard. The decisions which are made by a membership vote at the AGM are, in part, the result of recommendations originally made to the Board by AIC committees.

For the first time in its history, AIC plans to provide access to the proceedings of its AGM via live webcast. All AIC members may view and hear the AGM live from Victoria on Friday, June 4. In addition, members who are not attending the AGM and have not given a proxy to another member shall also be eligible to vote electronically for all motions on the agenda approved by the directors and posted to the

*“Working on a committee is a great opportunity to get involved by giving back to your profession, learning more about AIC, working with other members to make a difference, and contributing to the future of AIC.”*

L'Institut canadien des évaluateurs (ICE) est dirigé par un Conseil d'administration (le « Conseil ») de 14 membres nommés par les associations provinciales. Le Conseil se réunit régulièrement et tient deux réunions en tête-à-tête en plus d'une autre réunion lors de la conférence annuelle.

Une grande partie du soutien décisionnel accordé au Conseil provient de 11 Comités permanents qui étudient et discutent les enjeux et formulent des recommandations au Conseil. En plus du travail important accompli par les Comités de l'ICE, le forum d'échange entre la gouvernance aux paliers provincial et national se présente sous deux volets. D'abord, les administrateurs du Conseil de l'ICE siègent dans certains cas auprès des Conseils provinciaux et assurent un lien vital entre l'ICE et les associations provinciales. Ensuite, les présidents des associations provinciales et le président de l'ICE se réunissent régulièrement. Ces réunions ont pour but principal de discuter les décisions importantes sous étude par le Conseil de l'ICE et la meilleure façon de coordonner les efforts entre les diverses associations provinciales sur les questions d'importance.

Chaque année, l'ICE tient son Assemblée générale annuelle (AGA) lors de la conférence nationale. Bien que l'ensemble de la conférence reçoivent une grande partie de notre attention en termes de planification et de promotion, c'est durant l'AGA que la voix des membres se fait entendre. Les décisions prises par scrutin des membres lors de l'AGA résultent en partie des recommandations formulées à l'origine au Conseil par les comités de l'ICE.

Pour la première fois dans son histoire, l'ICE prévoit donner accès aux débats de son Assemblée générale annuelle via une diffusion Web. Tous les membres de l'ICE pourront visionner et entendre en direct les débats de l'AGA qui se tiendra vendredi le 4 juin à Victoria. De plus, les membres qui n'assistent pas à l'AGA et qui n'auront pas signé de procuration nommant un mandataire pourront aussi voter électroniquement sur toutes les motions à l'ordre du jour qui auront été approuvées par les administrateurs et qui seront affichées dans la section des membres du site Web de l'Institut. L'élection des membres du Conseil d'administration a aussi lieu durant l'AGA.

Les comités de l'ICE facilitent le travail de l'Institut et contribuent au progrès de la profession. Ensuite, les membres de l'ICE qui siègent à ces comités font que ceux-ci sont en mesure d'accomplir leur travail. C'est pourquoi chaque année avant l'AGA, nous veillons à ce que chaque comité ait un effectif complet de bénévoles.

Quel est le processus? Qui siège aux comités? Comment un membre de l'ICE devient-il membre d'un comité?

Le Comité des candidatures est un Comité permanent de l'ICE. À ce titre, son autorité lui est conférée par le Conseil d'administration de qui il relève. Le mandat du Comité des candidatures consiste à solliciter et à revoir les

members' section of the Institute's website. The election of the Board of Directors also takes place at the AGM.

AIC committees make the work of the Institute possible and help move the profession forward, and AIC members who sit on these committees make the work of committees possible. This is why, every year prior to the AGM, we focus on ensuring each of our committees has a full complement of volunteers.

How does that happen? Who sits on committees? How does an AIC member become a committee member?

The Nominating Committee is a standing committee of the AIC. As such, its authority comes from, and it is accountable to, the Board of Directors. The mandate of the Nominating Committee is to request and review nominations to serve on committees. All AIC committees are established by *Roles and Structure Guidelines* which are approved by the Board of Directors. The Nominating Committee itself is appointed in accordance with those *Guidelines* and consists of the immediate past-president (who chairs the committee), the president, the president-elect, and a maximum of three additional AIC members. The Nominating Committee aims to encourage inclusivity among the AIC membership and, therefore, works closely with the provincial associations in ensuring that there is proper and qualified representation on all committees.

If you are thinking of volunteering, AIC's website has a Volunteer Corner where information about all AIC committees, both standing and ad hoc, can be reviewed. Working on a committee is a great opportunity to get involved by giving back to your profession, learning more about AIC, working with other members to make a difference, and contributing to the future of AIC. The Nominating Committee is now accepting expressions of interest to fill vacancies on several AIC committees. Learn more at Volunteer Corner:

<http://www.aicanada.ca/cmsPage.aspx?id=245> 

*« Travailler auprès d'un comité est une excellente façon de s'impliquer et de redonner à votre profession, d'apprendre davantage au sujet de l'ICE, de collaborer avec d'autres membres afin de faire une différence et de contribuer à l'avenir de l'ICE. »*

candidatures des membres devant siéger aux comités. Tous les comités de l'ICE sont établis en fonction de lignes directrices régissant leurs rôles et leur structure, lignes directrices qui sont approuvées par le Conseil d'administration. Les membres du Comité des candidatures sont nommés conformément à ces lignes directrices et consistent en le président sortant immédiat qui préside le comité, le président, le président élu, et un maximum de trois autres membres de l'ICE. Le Comité des candidatures vise à encourager l'inclusivité à l'échelle des membres de l'ICE et travaille donc en étroite collaboration avec les associations provinciales pour assurer une représentation adéquate et compétente auprès de tous les comités.

Si vous songez à faire du bénévolat, vous trouverez sur le site Web de l'ICE un coin réservé aux bénévoles comportant de l'information au sujet de tous les comités permanents et ad hoc de l'ICE. Travailler auprès d'un comité est une excellente façon de s'impliquer et de redonner à votre profession, d'apprendre davantage au sujet de l'ICE, de collaborer avec d'autres membres afin de faire une différence et de contribuer à l'avenir de l'ICE. Le Comité des candidatures accepte maintenant les expressions d'intérêt visant à combler des postes libres auprès de plusieurs comités de l'ICE. Pour en savoir davantage, rendez-vous au Coin des bénévoles à l'adresse <http://www.aicanada.ca/cmsPage.aspx?id=245> 

#### **Nominating Committee/ Comité des candidatures**

George Maurice, AACI – Chair  
Sheila Young, AACI

Grant Uba, AACI  
Dan Jones, AACI

Bob Tipple, AACI  
George Semine, AACI

To contact this committee, email: /Pour contacter ce comité, email : [nominating@aicanada.ca](mailto:nominating@aicanada.ca)

# Measure for measure

## Introduction

In this article, we note some common causes of claims and some simple steps that should be employed to avoid them. Simple errors, capable of being avoided, coupled with half-measures and haste, lead to a debasing of the appraisal profession and much grief for its practitioners. Keep these simple tips in mind when undertaking your work and avoid the regret and expense that accompany errors and omissions complaints.

## Measuring as the key component

Measuring is a key component of any appraisal.

Upon the measure rests the use of comparables, the value of rent, the costing of construction, the desirability of property and a hundred more arbiters of property valuation. As is apparent, bad measuring leads to bad appraisals, bad appraisals lead to unhappy clients, and unhappy clients lead to claims, a lack of repeat business and an unhappy profession.

Measuring is a simple task. Why does it go astray in some appraisal reports? Differences of a few square feet in a home or industrial building are bound to occur in the opinions of reasonable people. Differences of hundreds and sometimes

even thousands of square feet are another matter.

How does this happen? How does one avoid it?

## Proper tools please

I once did a real estate case where the agent used a measuring stick that was only 34 inches instead of 36 inches. His yard measures then were only 2 foot 10, and every 18 feet was only 17 feet. You can see the problems here. In another case, the agent measured the property in yards, but described it in the listing as metres. The property ended up being a full 12 feet short of what was represented.



All appraisers should have proper measuring tapes and should affix them properly when taking measures in order to ensure accuracy. While there is a great use of measuring wheels and laser measuring devices these days to take measurements, these can also be inaccurate if used improperly. Keep your measuring tape safe and in good repair and keep your notes regarding measures in a designated measure record book, where you may easily access them if you need to.

Have a methodology to your measurement style so that you can say you do it the same way every time.

### Plans and specifications

While it may be generally accepted by some to rely wholesale on plans and surveys of buildings, it is not a good policy. Each appraiser has the duty and obligation to measure and not accept the representations of others. Plans, drawings and other representations are often inaccurate for a variety of reasons and appraisers should be wary of this. To answer to a court that one relied on drawings as opposed to the certainty of marking off space by measure is a hollow response. No appraiser can rightly say he or she did not have the time to make careful measure.

In defence of claims, we have seen that surveys of property can be entirely wrong, and plans of commercial and residential buildings are off by hundreds of square feet. One commercial building had plans that indicated 20,000 square feet, but, in reality, it had been downsized during construction due to cost, leaving the actual total at around 15,000. Offered the out-of-date plan, the appraiser gladly accepted, and its inaccurate figures entered the appraisal unverified. Was this reasonable conduct?

### Real estate listings

The dimensions that appear in real estate listings, while mostly accurate, must still be confirmed and not adopted willy nilly. If one is going to rely upon such documents in absent of ability to actually measure, one should make clear note of same in his or her report document. It would not hurt to call the listing agent to get some confirmation on how measures were taken, or, of course, to review the property in person to ensure it is as represented.

### Non-scientific measures

By all means, avoid use of the paced foot, the arpent, the cubit and all other means that our ancestors used to keep measure. Guesswork, estimating, reckoning – all these methods are, in fact, not methods at all. They cannot be scientifically proven and are arbitrary and prone to error. The yard, or metre stick, the tape, and even electronic means are preferable. Above all, be consistent – do not pace off one room in order to measure another.

### Noting measure

If one is going to the trouble of measuring, then one should note down the measures for proof of having taken them, and keep careful record of such in the file. But, more than that, having taken the measures, one should be obliged to recheck them at least twice before recording them in an appraisal.

In one case, the appraiser's own measures did not add up and certainly did not match the figure he recorded in his report. A careful addition check would have saved the appraiser a great deal of problems.

One appraiser I know has a small, spiral bound notebook where he notes measures

and sketches of every property for both building size and property dimensions. If he ever has to attest to his practice, he can bring out the notebook and refer to it and it will be a good record of his efforts.

Making measure is an art as well. It is best done in pairs, where possible. Someone needs to hold the tape and read back measures. If you use the client to hold the tape, make sure it is properly placed by him or her.

### Haste

The hurry associated with mundane tasks often leads people to errors of inattention. Measuring can be an uninteresting task and, accordingly, the reasons to be careful at it and take your time are even more important. Do not schedule yourself so that you are unable to complete your task as you know you should. If you have to go back to finish the job, then go back.

We have heard more than one appraiser comment on how he or she had four appointments that day and it was convenient to use the MLS. Convenience is not skill and reasonable ability is not served by rushing and not paying attention.

These solutions are simple, but their message is one of great magnitude. Errors of measure are multiplied when manifest in damages. Your time is best used by being devoted to your paying practice, as opposed to measuring your time in a courtroom on trial for negligence.

Further guidance can be found in AIC's *Claims Prevention Bulletin No.15* at: <http://www.aicanada.ca/cmsPage.aspx?id=110> 

# Promotion of our members from coast to coast

**A**s you promote your business locally, and the Appraisal Institute of Canada (AIC) continues to advertise our profession at a national level, your provincial affiliates are working on marketing at a provincial level. Each province has a selected volunteer or volunteers to help coordinate local advertising, sponsorship and promotions. Some of these initiatives are truly inspiring and unique.

Most provinces are promoting their members and the association in similar places including career tradeshows at universities and high schools as well as at home and garden shows. The new tradeshow booths designed and produced by the national office have been well received. In a number of provinces, the display is available for members to borrow and take to tradeshows and community events. Ask your local executive director if your province has a display to borrow.

Many provinces have advertisements in local newspapers and magazines and have participated in joint ventures with affiliated professional groups such as Chambers of Commerce and local real estate, financial, accounting and legal associations. These may involve educational seminars, tradeshows, newsletters, or joint sponsorships.

Some of the provincial associations have created very unique marketing initiatives and promotions. For example, the BC association is using credit card points accrued from the association's expenses to buy prizes and giveaways for events and tradeshows.

In Saskatchewan, the association has sponsored a 'home in a home' renovation tour. During the event, AIC members will be avail-

able to explain to homeowners (and potential clients) the benefits of consulting an AIC expert before, during and after renovations.

Have you ever heard of a divorce event? The Nova Scotia association was involved in a local 'divorce fair.' This show is organized by a group of lawyers, therapists and other service providers targeting individuals in the midst of a divorce. The two-day event is open to men on one day and women on the other. Next on the Nova Scotia Association agenda is putting together a team for a 'Wish Maker Event' in support of Children's Wish. It will be an Exile Island event ([www.exileisland.ca](http://www.exileisland.ca)) which is a fundraiser held in select cities across Canada where local business leaders exiled with only their personal communication devices compete in a Survivor-like competition. The ultimate goal is to grant a specific wish for a local child. In PEI, the local association participated in the Annual Habitat for Humanity Baby Barn Build last spring. In conjunction with Habitat for Humanity, they also organized an Annual Golf Tournament and raised \$5,000 in donations. They look forward to doing these two events again this spring.

Ontario has taken its marketing 'on air.' Beginning in late January 2010 and continuing until April, the Ontario association has created a number of radio advertisements. These ads are aired on AM740 Zoomer Radio seven days a week, seven times a day. The success of this initiative will be measured in an increase of calls to the association and increased hits to 'Find a Real Value Expert' on the website. Early results have been promising.

Many provincial associations have started to create relationships with the local media.

Some associations are providing the media with a list of local AIC members and their areas of expertise for media interviews. As a result, our members and the association have been featured in a number of local media stories on radio and TV as well as in print. Janet Aspinall, AACI, was interviewed by the *Calgary Herald* for a full-page article on the top 10 renovation ideas for budgets. The article appeared in January 2010 and referred readers to the AIC website. Tom Fox, AACI in Regina, was interviewed by the *Saskatoon Star Phoenix* in an Ask the Experts supplement. Beverley Girvan, AACI in Nova Scotia, was interviewed on CBC Radio, and Ed Saxe, CRA in Ontario, appeared on Canada AM on behalf of AIC.

Also on the media front, the AIC Marketing & Communications Committee is working with members to create a pool of newsworthy articles which the provincial associations can then provide to community newspapers.

There are some great ideas out there. If you have any new marketing ideas for your province, make sure to share them with your local association. 

## Marketing & Communications Committee

Beverley Girvan, AACI – Chair

Glen Power, AACI

Tom Fox, AACI

Laura Kemp, Candidate

David Babineau, AACI, Fellow

To contact this committee, email:  
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# Professional Excellence Program

The Professional Qualifications and Competency Committee (PQCC) has a broad mandate from the Board. Our purpose is to advise the Board on all matters regarding professional qualifications and competency of all Appraisal Institute of Canada (AIC) designated members (AACI and CRA), including their reinstatement requirements.

As a result of our mandate, a lot of the work done by the PQCC is reactive. We review requests for exemptions from the co-signing policy, make recommendations to the Board regarding requests for membership from professionals with credentials from outside of Canada, and review and make decisions on reinstatements. This is all necessary. Recently, we received approval in principle from the Board to undertake a series of projects related to professional excellence that are proactive and will be helpful to many members.

What is professional excellence? Is it simply a matter of obtaining recognition for your work? Climbing the corporate ladder? Owning your own company? I think not. These are noble goals, of course, and may be a legitimate part of professional excellence for some people.<sup>1</sup>

In 2002, AIC's mandatory recertification program was replaced by the continuing professional development program (CPD). The new program was aimed at encouraging members to expand and enhance their skills, not only in the field of valuation, but in new and complementary practice areas. As a result, the only continuing competence requirement is the Professional Practice Seminar which members must take every five years.

Maintaining your required technical knowledge through continuing professional development program(s) is certainly a legitimate component of professional excellence; in fact, it is probably the foundation. Is being technically excellent synonymous with professional excellence? Again, I think not.

Claims prevention was identified as an important aspect of the AIC members' professional liability insurance program. Over the years, claims prevention bulletins have been produced sporadically. From time to time, insurance related articles have been published in the AIC magazine. However, to date, AIC has not provided a comprehensive claims prevention program that uses a variety of information resources to inform members and clients and to help mitigate errors and omissions claims.

The professional practice process is reactive and only addresses shortcomings after the fact. The program has been re-focused on education, but it reaches only those members who are the object of a complaint.

In short, the Institute currently does not have a program that proactively supports and encourages best practices aimed at ensuring that members perform in a competent manner and, in so doing, mitigate the incidence of complaints and claims, let alone resources to assist them in achieving professional excellence.

One of the key components of the Professional Excellence Program is the creation of a professional excellence micro-site. This web micro-site will be created for members-only use. The site will be dedicated to all things related to professional excellence including claims prevention bulletins, best practices, and information aimed at enhancing members' technical and business skills. This site will provide resources for continuous learning to maintain competence and will encourage professionalism through attention to best practices.

Additionally, we will be adding online training to the micro-site. Best practices, claims prevention advice, specialty practice areas and more could form the basis for online training produced under this program. Self-paced learning, interactive educational tools, and webinars could be produced and posted on the micro-site for members only. Initially, the online training will consist of short (five-minute) instructional videos that will address practice issues. Longer

seminars (30 minutes) covering selected topics more comprehensively will be added later.

The Professional Excellence Program will not only consolidate information on technical issues as they relate to claims prevention, but will also address the five broad professional competencies required of our profession. The professional competencies are: market analysis; integrity; critical thinking; relationship building and communication; and self-development. These are the very competencies that our Institute has determined are critical for Candidates to demonstrate during their final interview prior to being awarded a designation. Therefore, we believe that it stands to reason that a member who demonstrates professional excellence will be highly proficient in these competencies.

The Professional Excellence Program is a large, multi-faceted undertaking that will be rolled out in phases over the next three years. The PQCC is looking forward to providing members of the Institute with materials and resources of value in a proactive manner. If you have ideas or suggestions, please forward them to us at [pqcc@aicanada.ca](mailto:pqcc@aicanada.ca) 

## End note

<sup>1</sup> In Search of Professional Excellence, Alan P. Rossiter, Ph.D

### Professional Qualifications and Competency Committee

Charles Johnstone, AACI – Chair

Brad Brewster, AACI

Roland Mayr, AACI

Suzanne Pater, CRA

John Clark, AACI, Fellow

Alfred Mullally, AACI

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# Hypothetical conditions and extraordinary limiting conditions

A close reading of appraisal *Standards*, rules, comments and practice notes reveals that the words ‘hypothetical,’ ‘assumptions’ and ‘extraordinary’ are mentioned regularly. In each instance, the use of these words is linked to requirements intended to ensure clarity in appraisal reports and other assignments.

As the definitions indicate: a hypothetical condition is “that which is contrary to what exists, but is supposed for the purpose of analysis.” An assumption is “that which is taken to be true” and an extraordinary assumption is “an assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.” These and other definitions are outlined in Section 2 of the *Standards*, pages 2 to 7. In addition, an extraordinary limiting condition refers to a necessary modification or exclusion of a *Standards* rule.

The relevant appraisal *Standards* rules are:

6.2.10 – Identify all assumptions and limiting conditions.

6.2.11 – Identify any hypothetical conditions.

Comments outlining the mandatory requirements linked to these rules are:

7.11.1 – Ordinary assumptions and limiting conditions should be grouped together and disclosed in an identified section of the report.

7.11.2 – Extraordinary assumption refers to a hypothesis either supposed or unconfirmed which, if not true, could alter the appraiser’s opinions and conclusions. Full disclosure of any extraordinary assumption must accompany statements in each opinion/conclusion so affected.

In practice, the typical circumstances in which extraordinary assumptions might be necessary

would include the most common situation when access to a property is denied and an interior inspection is not possible, thereby requiring an assumption as to interior condition based on exterior viewing or other information.

7.11.3 – Extraordinary limiting condition refers to a necessary modification or exclusion of a *Standards* rule. The burden is on the appraiser to explain and justify such necessity in the report and to conclude before accepting an assignment and invoking an extraordinary limiting condition that the scope of work applied will result in opinions/conclusions that are credible.

Considerable discussion with respect to extraordinary limiting conditions is provided in the *Standards* practice notes 12.32, page 62.

Typical examples are the exclusion of a relevant valuation approach or no title search. In all situations, however, as *Standards* comment 7.11.3 indicates, the appraiser must provide sound reasoning in support of the decision to complete the assignment based upon an extraordinary limiting condition.

The interconnection between extraordinary assumptions, extraordinary limiting conditions and hypothetical conditions is evident in *Standards* comment 7.12 and, specifically, in 7.12.2, which states that “For every hypothetical condition, an extraordinary assumption is required in the report.”

The use of hypothetical conditions is often necessary in everyday appraisal work. However, a common flaw in appraisal reports is not clearly identifying hypothetical conditions and often missing extraordinary assumptions.

Often, an appraisal report will state, for example, that the estimate of value “is based upon

the completion of renovations as proposed” or “this appraisal is based upon the assumption that the property (such as an industrial site) is clear of environmental concerns or contamination.”

Although these statements may get the message across to the reader, *Standards* require much more equivocal statements and explanations. For instance, appraisal *Standards* comment 7.12.5 requires that a hypothetical condition must be clearly disclosed in the report with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.

In addition, and equally as important, 7.12.5 continues with “An analysis based on a hypothetical condition must not result in an appraisal report that is misleading.” In other words, unrealistic hypothetical conditions should not be used. *International Valuation Standards (IVS)* are more specific on this point.

Therefore, the Standards Committee suggests that, in the event an appraisal assignment requires anything which is beyond ordinary assumptions and limiting conditions, then hypothetical conditions, extraordinary assumptions or extraordinary limiting conditions are likely necessary and should be clearly described. 

## Standards Committee

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Appraisal Institute  
of Canada

Institut canadien  
des évaluateurs

# IVS Council news

I had the pleasure of attending the meetings of the International Valuation Standards Council (IVSC) Professional Board, the Standards Board, the inaugural meeting of the Professional Valuation Advisory Forum, and, finally, the IVSC Annual General Meeting.

The IVSC has been successfully restructured and is beginning to bear fruit with the three Boards (Trustees, Standards, and Professional) striving to work collaboratively, while at the same time staking out their individual roles. The lines of communication and information dissemination are improving and will continue to do so. Recognition among the world financial organizations has been strengthened by the outreach of the Board of Trustees. Of particular note is the recent Memorandum of Understanding (MOU) between the IVSC and the International Federation of Accountants

## IVSC STANDARDS BOARD

The current edition (eighth – 2007) of the *International Valuation Standards (IVS)* is being revised and re-written as a major project, including an exposure draft period with a proposed completion in the 3<sup>rd</sup> quarter of 2010 for publication in 2011. It has been impressed upon IVSC that an online version in addition to a print version is highly desired.

As part of the re-write, it has been concluded that, because valuation requires a high degree of professional judgment, it was inevitable that valuation standards must focus on objectives and principles, rather than attempt to give detailed instructions. Where appropriate, guidance notes will be published to supplement the *Standards*. In this concept, our *CUSPAP* aligns rather nicely.

## IVSC PROFESSIONAL BOARD

The role of the IVPB is to monitor the education, training and accreditation of valuers. Its activities include, but are not limited to:

- fostering and reviewing the development of educational programmes and materials that are consistent with the IVSC objectives,
- developing a multi-discipline international body of knowledge,
- developing a set of international valuation best practices, and
- supporting the work of the IVSC and promoting education and training relative to the *International Valuation Standards*.

The IVPB is reliant on the Standards Board and other stakeholders for input and collaboration. With this in mind, I have spoken to the chair and, on behalf of the AIC, have submitted the work of the AIC *IVS* Sub-committee, as contained in our recent exposure draft on 'Proposed Scope of Work and Best Practices.' I believe that this is highly relevant as the IVPB moves towards a development of best practices, including a review of inspection of property for *IFRS*, including frequency.

A second draft on code of ethics is being prepared. A survey of other associations is being undertaken, and it was noted that, even with a code of ethics, enforcement is difficult across jurisdictions. A profession is defined as owning a body of knowledge and a code of ethics, and providing services to the public.

The IVPB is undertaking a project defining a professional valuer, with the objective to raise awareness and to document a framework of core competencies and skills needed covering all disciplines and types of work involved. It was agreed that the definition needs to be general,

however, not so much so that it becomes generic. It must pertain clearly to the valuation profession. Initial work has begun on this topic, including comments being supplied to the IVPB by the Valuation Organization Advisory Council. It is anticipated that exposure drafts will be published on both of the above topics by mid-year.

## IVSC AGM

The AGM was well attended. In the ordinary course of business, the officers of the IVSC were installed as well as appointments made to the IVSB and IVPB.

The chair noted that an immediate goal of the IVSC is to gain recognition as the global valuation setter in the G20 and the Financial Stability Board. A major priority of the Board of Trustees will be fundraising. To date, approximately 1 million dollars has been raised from the members. The Board of Trustees has committed to improving communications across all levels, including the website and online functionality.

Membership continues to grow, with 10 new applications approved. There are presently 48 countries representing 62 different organizations within the IVSC.

The Valuation Organization Advisory Council had its inaugural meeting and an inception charter was approved. The establishment of this 'council' will give an effective voice to the valuation organizations of the IVSC in providing advice and council to the various Boards.

For further information on the IVSC, on recent Guidance Notes (GN4 Valuation of Intangible Assets and GN 17 Valuation of Investment Property Under Construction), as well as other valuable topics, please bookmark and visit: <http://www.ivsc.org/> and <http://www.ivsc.org/about/docs/brochure.pdf> 



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

# Expert witness – scope of work

**T**he rules of civil procedure for courts in some provinces have recently been amended to add specific reporting and certification requirements to be used in submitting expert opinion evidence for the courts. These amendments themselves do not amend the *Standards* published by the Appraisal Institute of Canada (AIC). Generally speaking, the *Standards* establish minimum reporting requirements and ethical rules. Therefore, the court's own rules amendments are supplemental reporting and ethical obligations to the *Standards*.

The role of an expert witness is to provide independent and unbiased opinion to the court within one's area of expertise; as such an expert should never assume the role of advocate.<sup>1</sup> This is straightforward and mirrors an appraiser's ethical obligations. "Because the opinions stated by an expert are predicated upon expertise that the court does not possess, the court must be confident in relying upon the expert to provide a thorough, balanced and technically sound analysis. Independence and impartiality – the court expects nothing more and it will accept nothing less."

In fact, in the decision noted, the courts go on to provide a reasonable expectation of an expert to opine on areas within his or her expertise: "The court should not need to take the time to review the proposed evidence of any expert to determine whether the witness is qualified to offer the evidence. That is a function of the role of the expert. The court expects the expert to know his or her professional limitations and expects the expert to decline to speak to matters beyond them."

Thus, while courts have set down common law duties in this regard, these are now set out

*"When acting as an expert, it is important to know the rules you must work within to ensure your opinions are accepted and relied upon by the courts."*

in the rules. In Ontario, for example, at rule 4.1, it sets out that the duty prevails over any obligation owed by the expert. This is now set out in a specific form to be filed with the courts and in expert reports.

In terms of the contents of a report, in Ontario, at rule 53.03 (2.1), the specific requirements for inclusion in expert reports include provision of the instructions provided to the expert, along with your business address and C.V., which appear as being obvious, however, this may be there to suggest that a post office box might not be sufficient.

Ontario went further to permit courts to direct experts, when ordered, to focus on joint statements as a form or mutual peer review in order to simplify the process. This permits experts to set out where they agree and permits the courts to focus on where you disagree. This has the complementary benefit of shortening the length of a trial and reducing the costs of litigation.

The key to pointing this out is to suggest that the scope of work requirement for a report to be used in litigation is much different than what one might expect in a mortgage

financing appraisal report. For example, in providing your opinion, you are expected to describe your research and to list in the report every document you relied on in forming your opinion. This might include the search string on MLS and the results report and printout of each property so that you can explain why you chose those specific properties for your report. This level of detail implies that a form report may not be sufficient.

At the same time, these new rules should benefit appraisers in the sense that the homeowners that are provided a copy of your report from the lender will be restricted in their ability to use these reports in litigation, since they are not prepared for that express purpose. Thus, if you are subpoenaed to give evidence in court, your ethical duty would be to advise the lawyers involved and the courts that your report was not prepared for use in court and its use as such is contrary to the court's rules on expert reports and opinions.

The emphasis here is to highlight the new rules and how they might affect you in your day-to-day practice. Rules not adopted in all provinces may soon be coming to your local courtroom – if not in the form of rules, then in common law principles. Therefore, when acting as an expert, it is important to know the rules you must work within to ensure your opinions are accepted and relied upon by the courts. 

## End note

<sup>1</sup> *Frazer v. Haukioja*, 2008 CanLII 42207 (ON S.C.) at paragraphs 137-141. In the subsequent costs award, the judge commented on obligations of legal counsel when dealing with own expert. *Frazer v. Haukioja*, 2008, CanLII 68149 (ON S.C.) at paragraph 32.

# The membership pledge and commitment

Many know and understand that the Appraisal Institute of Canada (AIC) is a national, not-for-profit association incorporated pursuant to the *Canada Corporations Act* and registered as such with Industry Canada. The legislation and the bylaws grant authority to the Institute to establish classes of membership, i.e., designated member, Candidate member and student, among others. The requirements for each class of membership are then detailed in the *Regulations*.

What many may not know and understand is that membership in the Institute comes about in the legal sense through a contract – specifically, acceptance of your initial application for membership and subsequent amendment when you apply for and are granted designated member status. Members agree to abide by the Institute's *Bylaws, Regulations, policies and Standards*. This is a fundamental element of membership, and, based on this member commitment, the Institute promotes the professionalism of members and the pre-eminence of the AIC designations for practising appraisers in Canada.

Membership implies a moral and ethical professional obligation. Many members also hold additional designations awarded by other associations. From a marketing perspective, holding more than one designation helps to promote one's self and to stand out in an otherwise crowded room. However, one must be cognizant that membership in another association may carry with it moral and ethical obligations that conflict with those of the Institute.<sup>1</sup>

Membership in any profession is a 24-hour, seven days a week obligation. As a member,

one cannot simply doff one's membership to avoid addressing a conflict of obligation. The Institute will hold members responsible for their professional appraisal services, and adherence to the *Code of Professional Conduct and Ethics*.<sup>2</sup>

The Institute's *Canadian Uniform Standards of Professional Practice* (the *Standards*) are generally accepted as minimum standards. Therefore, it is probably reasonable to conclude that the professional standards of other associations, in which membership probably requires compliance, are also generally accepted as being minimum standards. Since membership in the AIC and membership in another appraisal association obliges the dual designated member to prepare a report that complies with both the AIC *Standards* and the standards of the other association, the member has probably exceeded the minimum standards of both the AIC and the other association. However, there are some *CUSPAP* rules that cannot be ignored and may create conflicts. In particular, an AIC designated member cannot co-sign for a non-member. Aside from the *Standards* breach that this creates, it also triggers an exclusion from the AIC professional errors and omissions insurance in the event of a claim.

Regardless of any duality of professional designations, you are always a member of the AIC and are required to certify your reports as a designated member of the AIC. You may certify your report using your AIC designation and the designation of another association. You cannot certify a report using solely the designation of another association. For every report you certify while maintaining designated membership in the Institute, you are always required to adhere

to your contractual agreement of membership. Regardless of use or the intentional 'non-use' of an AIC designation, the Institute's *Bylaws, Standards and Professional Practice Regulations* always apply.

Designated membership is a privilege that is earned and granted by the Institute. It is not a matter of convenience. Membership in the AIC is a contractual commitment that requires the member to comply with the AIC professional standards. With this commitment, members have the expectation that the Institute will ensure that members comply with the Institute's rules. 🇨🇦

## End notes

<sup>1</sup> For example, see articles from Mark Frederick and Robert Patchett <http://www.aicanada.ca/cmsPage.aspx?id=168>, *Canadian Appraiser*, Page 32, Volume 51, Book 4, 2007, *Conflict of Obligations*; and Canadian Property Valuation, Page 32, Volume 53, Book 2, 2009, *Wearing Two Hats*

<sup>2</sup> <http://www.aicanada.ca/cmsPage.aspx?id=194#regulations>

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# How to avoid a misleading report

The 2010 *Standards* say that “A member of the Appraisal Institute of Canada must develop and communicate his/her analysis, opinions and advice in a manner that will be meaningful to the client, that will not be misleading in the marketplace, and that will be in compliance with these *Standards*.” (3.1.2) It is important to remember that your report can be misleading even though you did not do so on purpose.

Within practically every report we create, there is the danger that what we write, although clear to us at the time, will be confusing to the reader and, as a result, has the potential to inadvertently mislead. This can happen in virtually every section of the report. It can rear its ugly head when attempting to describe a complex improvement, when attempting to accurately portray a convoluted site and, of course, most often surfaces in our analysis of the sales and how they compare to the subject.

The *Standards* list 27 items that, at minimum, should be addressed within every report. Remember, these 27 items are the minimum, not the maximum. The Investigating Committee repeatedly sees reports that are far too brief for the complexity of the assignment at hand. We recently investigated an eight page report of a waterfront property that contained over 100 acres and, according to the writer of that report, had the potential for development. What do you think the likelihood was that that report addressed the 27 items in the *Standards* and did so in a manner that was not at least confusing and, at worst, misleading?

When questioned about the minimal (read missing) content of their reports, members will often tell the Investigating Committee either “I do not have to explain that to my client, he/she knows all about the property,” or “the

client wanted a short report, they do not want to pay for a 60- to 70-page book.” You must always keep in mind that an appraisal report is a travelling document. Once you have written your report and sent it to the client, you no longer have any control or idea, for that matter, where it could end up, or with whom. In addition, putting together a brief and/or form report is no excuse to ignore the *Standards*, nor do you have to. A number of our *Standards* can be concisely addressed in one clear sentence.

Even the notion of “attempting to avoid a misleading report” is sometimes a difficult concept to grasp. How often have you had a client come back to you and ask for clarification of a certain portion of your report? Although, at the time of writing, you did not think twice about this aspect of the report because you were certain your meaning was ‘perfectly clear,’ when you try and explain that ‘perfectly clear’ paragraph, you end up referring back to your files, looking up additional information and, ultimately, after numerous emails back and forth, completely rewriting the paragraph.

Remember, the English language is wonderfully complex and, often, the same word will have different meanings and different connotations to different people, in different situations. Of course, this is delightfully confusing all by itself.

The most difficult challenge when attempting to communicate in a clear manner is reporting on a hypothetical situation. As we all know, a hypothetical situation is something that does not exist. We have all been faced with the lender’s requirement to appraise a 50-acre rural property ‘as if’ it contained only five acres surrounding the dwelling without any out buildings.

Paragraph 7.12 of our *Standards* lists five items that must be made clear to the reader when preparing a hypothetical report. Take a

moment and read that paragraph. Now, does that not give you a headache just thinking about how to cover it off in a report?

I think that the first step to producing a clear and concise report is to recognize that it is a very difficult thing to do. Always keep this thought in mind with every report you write. Whenever you are faced with the task of explaining a difficult or complicated concept, give it your best attempt, set the report aside and, if possible, allow a colleague to review your work. Always try to write your report as though you are explaining it to someone who knows nothing about the property or the market. Stephen King says that the best way to become a good writer is to do a lot of reading. For our purpose, we will change that to say: the best way to become a good report writer is to read a lot of reports and – not just good ones. The good ones will give you ideas about how to write well and the bad ones will give you ideas about what to avoid when writing your own reports.

Good writing is a difficult skill to acquire, but, with constant striving, we can all improve. 🌈

## Investigating Committee

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# What is peer review?

Although the term 'peer review' is used in the *Standards*, the Appraisal Institute of Canada (AIC) *Regulations*, and in AIC's 2007-2012 Strategic Plan, interestingly, peer review has never been defined by AIC.

What is peer review? We know that peer review is intended to be educational. This means that a peer review should focus on the member's work product (e.g., an appraisal report, appraisal review report, or consulting report), and not on the appraiser. We also know that peer review is about learning through shared knowledge and experience.

These two factors suggest a dynamic of two professionals working together in examining a work product and seeking ways to improve.

Is peer review an appraisal review? Appraisal review is defined by the *Standards* "as the act or process of developing and communicating an opinion about all or part of an appraisal." Although both activities are 'reviews,' their purposes differ. Appraisal review is not educational. It is a professional service that provides an opinion to a client.

Is peer review an investigation? No, it is not. An investigation focuses on the member and includes an examination of the report, a work file, and the appraiser's related activities. The purpose of an investigation is to identify infractions. Again, with a peer review, the focus is on the report and not the appraiser, and its purpose is educational.

With the above factors in mind, the Ad Hoc Peer Review Committee has developed the

following draft definition of peer review:

Peer review is a critical examination of a designated member's professional work product (appraisal report, review report, or consulting report) by another designated member who is trained in peer review. Peer review is for educational purposes only and is intended to maintain and/or enhance quality of work.

With this working definition, the committee has turned its focus towards creating a scope of peer review. At the beginning of the pilot project, and perhaps somewhat due to necessity, the committee was a bit ambitious in this regard. Our initial scope of review was overly comprehensive and resulted in unacceptable time commitments.

As the pilot project unfolds, the scope of peer review continues to evolve. Our goal is to find that scope which is time and cost effective, yet also delivers maximum benefits to the member.

The Peer Review Pilot Project has a three-year mandate ending in December 2011. At that point, the committee will report to the Board its findings on costs and benefits, and also provide the Board with recommendations on how the AIC may move forward with peer review.



## Ad Hoc Committee on Peer Review

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# Many shades of grey in ethical behaviour

**W**e spend much of our time as conscientious appraisers attempting to ensure our appraisal reports conform to the rules and ethical standards adopted by the Appraisal Institute of Canada (AIC), and detailed in the *Canadian Uniform Standards of Professional Appraisal Practice* (the *Standards*).

Does my report have sufficient support for the comparable sales adjustments? Are my highest and best use conclusions reasonable and defensible? Did I verify and disclose any and all of the sales and listing history for the subject property?

It can be very stressful trying to remember everything we need to consider as professional appraisers, while on the clock of a fixed fee quote.

The members of the Adjudicating Committee (AC) are very aware of these pressures, and wrestle in their deliberations with cases before them, as to what represents a simple oversight or error, versus what is intentionally misleading or fraudulent behaviour. To that end, the AC thought it would be helpful to convey some of the reasoning behind its decisions.

The term ‘reasonable appraiser’ referred to throughout the *Standards* is an important one. It is defined as “an appraiser that provides appraisal, appraisal review and consulting services within an acceptable standard of skill and expertise, and based on rational assumptions.”

The term is rooted in common law under the concept of a ‘reasonable person,’ and represents an objective standard against which an individual’s conduct can be measured. It is used by courts to determine if a breach of the standard of care has occurred where a duty of care exists. It is considered particularly relevant

for professionals, and the AC will always consider this principle in their deliberations.

Given that real life is never black and white, let’s look at the grey areas. By way of example, consider this: you complete an appraisal for mortgage lending purposes on a house and small acreage in a remote rural area. There is no organized multiple listing service. Land titles searches are slow and registrations delayed; so they are not commonly completed for residential appraisals within the market area.

The lender makes a loan based upon your appraisal, and one year later is forced to foreclose. A substantial loss is incurred. It turns out the property sold for significantly less than your value estimate just three months before the appraisal was completed.

The *Standards* require that you analyze all data relevant to the assignment including prior sales. Under the *Ethics Standards*, it is considered misleading to omit relevant information. But you did not know. . . you followed generally accepted practices in the market.

A clear comment in the report, explaining to the reader what steps were taken with respect to the sales and listing history would help (i.e., confirming that no MLS service exists, an inquiry was made of the seemingly reliable vendor or neighbour, but no title search completed).

In this example, it seems reasonable to conclude that, while omitting the prior sale was an error and misleading, it was not intentional. It was not fraud.

Now, what if you were also the real estate agent involved in the prior sale? Would a ‘reasonable appraiser’ not be expected to remember being involved in the transaction? The case for fraud becomes clearer –

particularly when it happens several times.

This example may seem far fetched, but stems from an actual case.

When deciding how to proceed in a given situation, step back, look in the mirror, and ask yourself: have I disclosed everything of which the reader should be aware? Is this point clear or misleading in the way it is presented? Do I have the necessary expertise within my scope of practice? Would a ‘reasonable appraiser’ agree with me?

Members are also encouraged to make good use of extraordinary assumptions when warranted. Almost any assignment can be tackled in an ethical manner, providing assumptions and limiting conditions are clear and easily visible, and all relevant information is disclosed. The steps taken (and equally important the steps not taken) to verify data should be discussed, as should the impact on value of an extraordinary assumption proving to be incorrect.

Keep in mind that the more hypothetical or complex the appraisal, the greater the duty of care required to be crystal clear. . . .after all. . . it is only ‘reasonable.’ 

## Adjudicating Committee

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# Walking the line – advocate or expert

The *Canadian Uniform Standards of Professional Appraisal Practice* (the *Standards*) introduces the concept that a member of the Appraisal Institute of Canada (AIC) can fill both the role of appraiser

and consultant on the same assignment. The primary difference between these roles is that the member is allowed to charge fees on a contingency basis for the consulting role, whereas contingent fees can **never** be

associated with the appraisal function. While some believe this is a subtle distinction, significant problems arise if members do not understand their obligations under the *Standards*, regardless of the capacity in which they act.

Over the past three years, two separate organizations have asked me to make presentations on our *Standards* for appraisers acting as consultants. The concern in both cases was whether the expert witness evidence was tainted by the ability of the appraiser to charge contingent fees based on the outcome of a proceeding – thereby sliding into the role of advocate, rather than acting in an unbiased and impartial manner. While the most frequent practice area where this becomes a concern is assessment appeals, it is not confined to that sector. Nor is the concern confined to the party acting as appellant. Appraisers working on behalf of property owners are quick to point out cases where appraisers working for the ‘other side’ have also shown bias in their representations to an adjudicating body.

The *Standards* that were introduced in 2001 were intended to be enabling for members that chose to work in this area. The rules that allow members to act in a consulting capacity in an assignment where a value opinion is also provided have not changed since their introduction. The 2010 *Standards* (Ethics Rules – Comments) contains the following reference:

*5.13.2 When both an appraisal and a consulting assignment are performed by an appraiser, compensation for the consultation may be on a contingent fee basis. The appraiser must:*

*5.13.2.i. make arrangements with the client such that the consulting appraiser’s compensation for developing the real property appraisal is on a basis that complies with this Ethics Rule; or*



5.13.2.ii. retain (or suggest that the client retain) another appraiser to perform the real property appraisal under compensation arrangements that do not violate this Ethics Rule; and

5.13.2.iii. properly certify the real property consulting report, including therein a clear disclosure of the separate compensation arrangements for the appraisal portion and the real property consulting portion of the assignment.

*The purpose of this rule is to ensure that appraisers properly understand how they may comply with this Ethics Standard when performing a real property consulting assignment in which a real property appraisal is necessary and compensation for performing the assignment is contingent on the attainment of a stipulated result or the occurrence of a subsequent event (such as in connection with real property assessment appeal).*

What the rule requires is some meaningful separation between the roles of appraiser and consultant. Unfortunately, these lines can become blurred. We have heard from users of appraisals that some members are not respecting their obligations under the two different roles. An AIC member's obligations are outlined in the required Certification Statement for consulting services (see Box 11.12 in the Consulting Comments Section). These clauses are identical to those in the Appraisal Comments section – those most directly on point are the following:

*The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*

- *I have no bias with respect to the issue that is the subject matter of this report or to the parties involved with this assignment.*
- *My compensation is not (or is) contingent on an action or event resulting from the*

*analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)*

The above quote calls for impartial and unbiased professional analyses, opinions and conclusions, even when acting as a consultant and regardless of the basis for the fee. By extension, this directly addresses the role of a member whether appearing as an appraiser or a consultant. The language does not permit the appraiser to advocate for the client. The role is to opine or offer an expert opinion regarding the optimal solution, regardless of personal or client preferences. Courts have weighed in on the role of an expert on numerous occasions – which is to assist the adjudicating body in formulating a fair ruling. The appraiser as consultant is no different.

If the consulting standard for the certification statement is not clear enough, the objectivity of the member is also dealt with in the Ethics Comments:

## 5.2 Conduct [see 4.2.2, 12.2]

5.2.1 *Members must perform assignments ethically, objectively and competently in a meaningful manner in accordance with these Standards.*

5.2.2 *Members must not engage in activities within a group or organization that these Standards would preclude them from doing as an individual.*

5.2.3 *Members cannot avoid their ethical responsibilities and obligations by doing indirectly what they cannot do directly.*

The feedback from users of AIC member services has not been universally positive. Signs of these concerns could not be more clearly expressed than considering recent changes to the rules governing expert evidence. Both were covered in the previous issue of *Canadian Property Valuation*, where

it was indicated that two jurisdictions have recently dealt with related issues.

In Ontario, advocates to judicial or quasi-judicial bodies must take training leading to recognition, at least to a paralegal level, before they can be accepted as an advocate. In BC, recent changes to the Supreme Court rules for expert witness evidence have changed to favor the two litigants to retain a single expert. Both of these are direct outgrowths of the experience by these bodies with the difficulties they have encountered with 'dueling experts.' The rules require that the appraiser be instructed that they be objective and unbiased, and to so certify in their report.

Members are reminded that their role is to act in an independent, objective and unbiased capacity, whether performing appraisal or consulting services. When faced with providing evidence, your role is to assist the adjudicating body to reach the correct decision. If you are uncomfortable in doing both, tell your client to retain someone else that can fulfill one function or the other – but, never misunderstand the basis of your ethical requirements. The cost of failing to keep these roles straight will most likely result in one of two things. Either the Institute will be forced to reconsider the permissive nature of the current rules for consulting, or more of our constituents will move to restrict the role(s) appraisers may fill in addressing valuation related issues before judicial and quasi-judicial bodies. 🏠

### Appeal Committee

Leonard Lee, AACI – Chair  
Allan Beatty, AACI, Fellow  
John Shevchuk, Associate  
Andrew Chopko, AACI  
Gordon Tomiuk, AACI, Fellow  
To contact this committee, email:  
[appeal@aicanada.ca](mailto:appeal@aicanada.ca)

# Volunteer as a mentor – you win and the profession wins

The strength and longevity of a profession is directly tied to the ability and willingness of its members to share their knowledge and experience with those entering the profession. In the appraisal profession, this transfer of knowledge and experience has been formalized into the Appraisal Institute of Canada (AIC) Applied Experience Program (AEP) and is known as mentorship.

Mentoring can be defined as "... a process for the informal transmission of knowledge, social capital, and the psychosocial support perceived by the recipient as relevant to work, career, or professional development; mentoring entails informal communication, usually face-to-face and during a sustained period of time, between a person who is perceived to have greater relevant knowledge, wisdom, or experience (the mentor) and a person who is perceived to have less (the

protégé)." (*Bozeman, Feeney, 2007*)

This article identifies some of the key values of mentorship to our profession, with the hope that experienced members not currently involved in active mentorship will seek out opportunities to share their knowledge and expertise with others.

## Importance of mentoring to our profession

Below are a few of the reasons why the mentorship process is critical to the continued success of our profession:

- It contributes to a positive climate and promotes a clearer understanding of professional responsibilities and expectations.
- It can increase Candidate satisfaction and retention in our profession by reducing a perceived sense of isolation.
- It contributes to faster learning curves and results in a better trained professional.

- It promotes a positive image of the profession and reflects Candidate-centered values.
- It contributes to the development of partnerships and/or alliances that may be useful to the profession in the future.
- It provides a means of instructing a Candidate in the 'first principles' and critical professional skills as related to work experience.
- It provides practical skills to Candidates that are not obtained through course work and gives the Candidate a good understanding of the various specialization options available in our profession, be it fee appraisal, consulting, portfolio management, etc.
- It allows Candidates to acquire on-the-job experience, while being given guidance by an experienced member who is able to reinforce the Candidate's achievements and identify areas requiring improvement.
- Studies have shown that members who have received direct mentorship when joining a profession have significantly greater success rates than those who did not.
- Mentoring can help to reduce insurance claims associated with newly-designated members.
- The mentorship process prepares the Candidate to successfully complete the final two requirements to achieving designation, i.e., the applied experience written exam and the professional competency interview.

## Benefits to the mentor

We often forget about the benefits received by those who take on a mentorship role. If you ask most mentors why they choose to volunteer their time in this way, you will find that they strongly believe they get as much from the mentor/mentee relationship as the mentee.



Some of the benefits mentors have identified include:

- One of the best ways of solidifying your knowledge in a particular area is by sharing it with others in an interactive environment. Through the mentorship process, the mentee may challenge commonly held ideas or concepts of the mentor. This can often lead to the development of new and improved processes. As with anything, an unbiased new set of eyes often shines a critical light on long held ideas.
- Mentorship creates opportunities for experienced professionals to strengthen their knowledge base and improve communication skills.
- Mentorship enhances the leadership, teaching and coaching skills of mentors and encourages them to become more reflective practitioners.

- Mentorship creates new support networks with other professionals in the field and promotes greater collegiality among professionals within and across institutions.
  - Mentorship provides intrinsic satisfaction by helping emerging professionals develop to their potential.
  - Mentorship allows the mentor to demonstrate professionalism and a commitment to personal and professional development.
  - Mentorship promotes the professional recognition of mentors for their commitment to developing the talents of new professionals.
- It is the goal of the Applied Experience Committee to continue to increase the mentor resources available on AIC's website. If you are a designated member who has been contemplating the idea of taking on a mentorship

role for some time, we strongly encourage you to take the step of entering into a mentor/mentee relationship with a Candidate. You will not regret it. 🇩🇪

### Applied Experience Committee

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John Clark, AACI, Fellow

Troy Davidson, CRA

Suzanne de Jong, AACI

David Highfield, AACI

Charles Johnstone, AACI

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# Two thumbs up for statistics education

**D**ata analysis skills have always been a pillar of quality appraisal work. Today, with the explosion of data sources, the ability to manage and evaluate data is more important than ever. The Appraisal Institute of Canada (AIC) has responded to this need by encouraging the development of the University of British Columbia (UBC) *BUSI 344* course on 'Statistical and Computer Applications in Valuation,' and endorsing it as a requirement for designation. Yet, since its 2007 introduction, the *BUSI 344* course has met with skepticism from some students and a vocal minority of the

appraisal community. Their primary concern is that *BUSI 344*'s content is not relevant to typical appraisal practice.

While it can be acknowledged that the first couple of terms for *BUSI 344* were rough for students, as UBC worked out the kinks, subsequent terms have improved greatly and the student success rate is high. The criticism that remains for *BUSI 344* chiefly falls into two categories:

1) I will never use most of this content in my appraisal practice; what is the point of studying it? and

2) *BUSI 344* is about computerized mass appraisal, and should be left to the assessment students. I have no intention of working as an assessor.

*"The future of appraisal does not lie in more or better data, but in how well you extract meaning from it."*



### **BUSI 344 structure and content**

*BUSI 344* is a degree credit course within the UBC Diploma in Urban Land Economics. The course, which is broadly comprised of 10 lessons and two projects, examines how statistics and computer applications can be applied in a wide variety of valuation contexts. For students unfamiliar with data analysis, *BUSI 344* is certainly a challenging course. But, perhaps this is to be expected because good data analysis is challenging in itself.

A large part of the course focuses on how exploratory data analysis, regression analysis, and other statistical tools can be applied in single property appraisal. The materials also cover automated valuation models (AVMs) and geographic information systems (GISs). Numerous case studies highlight practical appraisal applications of these principles and techniques, requiring hands-on computer work with Excel spreadsheets and SPSS statistical software.

### **Why do valuation professionals need *BUSI 344*?**

“The future is here. It is just not evenly distributed yet,” said famed sci-fi writer William Gibson.

*BUSI 344* helps you to apply data analysis tools to your appraisal problems, aiding your career and saving the world in the process. Okay, maybe that goes a bit far, but it is clear that technology has changed how appraisers do business. Valuation fundamentals have not changed much over the past couple of decades – nor should they as they are based on a sound body of knowledge – but, the diversity and level of sophistication in applying these fundamentals have changed.

The data analysis techniques for ‘traditional’ appraisal work were developed in a very different world from what we see today. Databases today are computerized and data is nearly limitless. The future of appraisal does not lie in more or better data, but in how well you extract meaning from it. Many contemporary appraisers lack the

***“Appraisal education must consider long-term trends, because our data analytic techniques have to make sense in the world in which they will be used, not the world in which they started.”***

knowledge and skills necessary to compete in this changing environment. Appraisal education must consider long-term trends, because our data analytic techniques have to make sense in the world in which they will be used, not the world in which they started.

Existing mainstream appraisal work is evolving, illustrated by the erosion of residential mortgage finance valuation work. With this trend advancing, it is naive to think the future of valuation practice lies in a continuation of the large volume, low margin residential mortgage market. As a result, residential appraisers are seeking a diversified client base, and servicing these new clients requires new skills. Data analysis is one of these skills, and, as our profession expands, new training is needed and forward-looking education programs must provide for the skill-set of tomorrow’s valuation professional.

Consider the feedback from several *BUSI 344* graduates, who offer a positive experience with this course and also have interesting views on the valuation profession.

“I am a strong believer in higher education. Not everything learned for the CRA designation should be directly related to doing a residential appraisal. When you get a degree in university, you often take courses that may not be related to your field. You wonder why you take them,

but later in your career you realize it was all part of being a well-rounded, diversely educated person (i.e., a professional).”

“I strongly disagree that assessment is assessment and appraisal is appraisal. The correct statement is valuation is valuation. All that changes is the purpose and scope of the assignment, not the first principles of value.”

“Our industry is changing; we need to keep current and so do our courses. The AIC represents all facets of real property valuation. We should be proud of the fact that our core education allows us to make a wide range of career choices, moving from independent contractor, to private sector consulting firms, to the public sector and back again.”

With the current speed of change, today’s Candidates will encounter a different marketplace, particularly by the time they reach full professional productivity in five years or more. Consequently, the professional education program must aim forward, anticipating the skills that will be needed years from now. Recognizing that the future of the valuation profession depends on adaptation to changing industry demands, the AIC and its education partner UBC, have developed *BUSI 344* to directly address William Gibson’s uneven distribution of the future – achieving the future’s potential now. 🇩🇪

### **Learning Advisory Committee**

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April Green, Candidate

Wayne Kipp, AACI

Vikki Leslie, Qualifications Officer

Charles Abromaitis, AACI

Duane Bates, AACI

David Shum, AACI

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



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- Adjustment Support in the Direct Comparison Approach
- Residential Appraisal Basics / Commercial Appraisal Basics
- Valuation of Property Impairments and Contamination
- Speciality Valuation: Agricultural, Multi-Family, Business Enterprise, Submerged Land, Hotel, Office, Seniors Facilities, Machinery and Equipment Valuation
- Creative Critical Thinking
- Decision Analysis
- Highest and Best Use Analysis
- Appraisal Review
- Lease Analysis
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# 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, June 4, 2010, 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 126: Getting to Green – Energy Efficient and Sustainable Housing

*Presented June 4, 2010 by Paula Steele, MA, LEED AP*

The Appraisal Institute of Canada (AIC) National Conference is in Victoria, BC from June 2-5 this year, with the theme 'Green & Global in the Garden City.' The conference is sure to be highly informative and thought provoking, and you cannot beat the location. However, for the many AIC members across Canada who are unable to attend the conference this year, we have scheduled a similarly green-themed webinar for June 4.

The CPD 126 course covers 'green' issues for residential properties. The key focus is on energy efficiency and its benefits

for cost savings, improved comfort, and environmental impact. The course also touches on sustainability issues beyond energy consumption, including water conservation and efficient waste management.

The 'Getting to Green' course is aimed at a variety of audiences ranging from homeowners to government agencies, and, in particular, real estate professionals. Valuation professionals will benefit in many ways from attending this course, both personally and professionally.

Appraisal requires an in-depth understanding of market forces and market participants, both of which are increasingly influenced by green issues. Once seen only as a fringe consideration, the consideration of green issues is now deeply rooted in Canada's social and political fabric – and this is perhaps seen nowhere else quite as tangibly as in real estate.

The economic impact of green issues in real estate must be understood by valuers – from the highly conceptual, macro-economic perspective right down to the specific pricing, buying, and selling decisions of vendors and purchasers.

The 'Getting to Green' course spends a considerable effort in explaining the building science behind green real estate and how this is manifested in residential properties. This physical aspect is critical for valuation professionals, because you cannot appraise it

if you do not know what you are looking for or understand what you see. With green features increasingly built into residences and with market participants increasingly demanding more, the valuation professional must be able to recognize these green features, be able to analyze their pros and cons, and, in the end, evaluate what impact they may have on real property value.

All this and more will be discussed in this 'Green Residential' webinar and explained in the associated workbook and online reading materials. If you cannot attend the Victoria AIC Conference in person, then we urge you to consider attending this live online presentation instead. We look forward to seeing you online on June 4.

### Upcoming CPD Friday webinars:

- Friday, June 4, 2010: CPD 126 *Getting to Green – Energy Efficient and Sustainable Housing*
- Friday, October 1, 2010: CPD 109 *Lease Analysis*
- Friday, November 5, 2010:
  - CPD 110: *Creative Critical Thinking: Advancing Appraisal to Strategic Advising*
  - CPD 127: *Property Tax Management and Assessment Appeals*

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) 

## 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 January 23, 2010 to April 15, 2010:

*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 23 janvier au 15 avril, 2010:*

### AACI

#### Accredited Appraiser Canadian Institute

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

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

#### ALBERTA

Karim Daya  
Sanjit Singh

#### BRITISH COLUMBIA

Brian W. Brown  
Megan A. Brunato  
Suzanne P. Clarke  
Andrea Franz  
David K M. How  
Shari L. Jablonski  
Jeom Kim  
Tyra Luckhurst  
Clifford A. Smirl  
Linda Waterfall McGuire

#### ONTARIO

Jeffrey A. Grad  
Eric A. Kushner  
Tim R. MacLeod  
Yan Zhuang

### 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

Christina M. Galavan  
Heather P. Roach  
David J. Robinson

#### NOVA SCOTIA

Brian L. Barkhouse

#### ONTARIO

Graham M. Adams  
Victor D. Caratun  
Calvin Perry Colard  
Marc Dallaire  
Nancy J. Donati  
Melissa G. Fialho  
Diana J. Gardner

Robert L. Isbester  
James J. Jacques  
Joseph Lee  
Murray P. Moore  
Pamela Poste  
Alex R. Rudenberg  
Jennifer A. J. Sebele

#### SASKATCHEWAN

Lorne John Woitas

## Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period January 23, 2010 to April 15, 2010:

*L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 23 janvier au 15 avril 2010:*

#### ALBERTA

Dawn Achtemichuk  
Alyson Jane Balfour  
Samantha Chan  
Katarina Sterbenc

#### BRITISH COLUMBIA

Shaun R. Blythen  
Cathy Colborne  
Johnny Grewal  
Benjamin Lowther  
Thomas D. Trowbridge

#### MANITOBA

Michelle Baisinger

#### NEW BRUNSWICK

Mel Vincent

#### NOVA SCOTIA

Brian AuCoin  
David Dawood

#### ONTARIO

David Appiah  
Warren Coffell  
Thomas Davidoff  
Kimberly A. Dickinson  
Cheryl Lynn Duggan  
Greg Falkner

Harold Colin Graham  
Jason Henry  
Gord J. Jones  
Eric Knight  
Ahsan Paracha  
Zachary Read  
Chi Fung Wong

## 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 contemplant une carrière comme évaluateur professionnel sont bienvenus à rejoindre cette catégorie de membre.*

#### BRITISH COLUMBIA

Julie T. Chu  
Eric K. Fung  
Michael Ryan Lamont

#### ONTARIO

Clinton A. Harwood  
Jason Lee

Tien Kim Nguyen  
Jeremy A. Silburtr

#### SASKATCHEWAN

Jean Micketinac

## 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.*

- William Beer**, CRA – Charlottetown
- Roland Cusson**, AACI – St. Lambert
- Michael Perkins**, CRA – Toronto

## CRITICAL DATES

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

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

**Mid-August 2010** – Dues E-invoices emailed to members

**September 30, 2010** – Candidates' Course Per Year Deadline (Candidates must successfully complete a university level course between October 1, 2009 and September 30, 2010)

**September 30, 2010** – Deadline for payment of member dues



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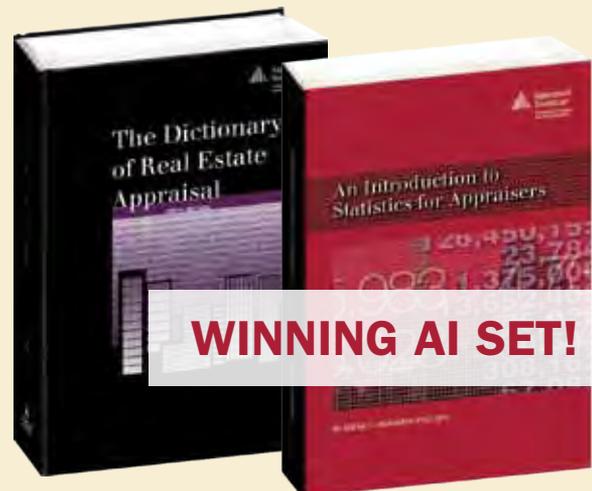
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# Valuation

## international challenges and opportunities in developing countries

By Bruce Turner, AACI

### → Introduction

This article explores the importance of property valuation as a function of a modern land administration system (LAS), with particular focus on its relevance in helping address some of the challenges faced by developing countries that need infrastructure for fair and equitable taxation, better land use control, efficient property and credit markets and access to international capital markets. Such infrastructure, including property valuation, is essential in formalized property markets to encourage domestic as well as foreign direct investment in land, which is necessary to economic growth and wealth creation.

In the past two decades, forces such as globalization, securitization of real estate, growth in capital markets, climate change, changing demographics and enabling technology continue to drive the need for sophisticated national concepts in integrated land management. At one end of the spectrum, in North America and Europe, elements of land administration systems (including property valuation) are being integrated into seamless business lines, where clients have focused access to a suite of property-related services that inform their decisions in changing global property markets. Real estate service providers are shifting their business models through strategic thinking and business

“Valuation professionals can contribute significantly to fill the decision-making information vacuum in developing countries, and consequently benefit their own professional development.”

planning, force field analysis, re-engineered business processes for cross-functional operations and improved service delivery, accompanied by development of international professional standards.

At the other end, developing countries in South-East Asia and Africa are receiving advice through internationally funded projects about how to establish the basic operations of a land administration system and to introduce the fundamentals for functional property markets. Of the 227 world nations, approximately 40 can claim to have formal comprehensive property markets (*Williamson and Wallace, 2007*).

Emerging property markets – including examples like Thailand and India – represent investor-driven demand for valuation services. A less well represented need for valuation information to support decision-making lies in

the demand by multi-nationals and developed countries for large land tracts in developing and least-developed countries in Africa, Latin America and South East Asia. Demand that has recently escalated due to factors such as climate change, climate obligations, political support for agro-fuels, and trade liberalization – factors which were exacerbated by 2007–08 food crises and the financial crisis of 2008. Although information is scanty on individual transactions, their scope is evident in the single deals which have been as large as 1.3 million hectares.<sup>i</sup> Such land concession decisions, made in the absence of functional land administration systems (providing for secure land tenure, land use control and land valuation information) can increase conflict and make long-term impact evaluation difficult.

Foreign direct investment (FDI) in land<sup>ii</sup> has received little attention in past. However,

according to a recent German study, the magnitude and relevance of FDI in land is growing rapidly. And while FDI in land in developing countries brings many benefits to developing countries, the commercial pressures on land are worldwide and not always positive – particularly where policy- and decision-makers do not have the benefit of information from efficient LAS, which exist in formalized property markets.<sup>1</sup>

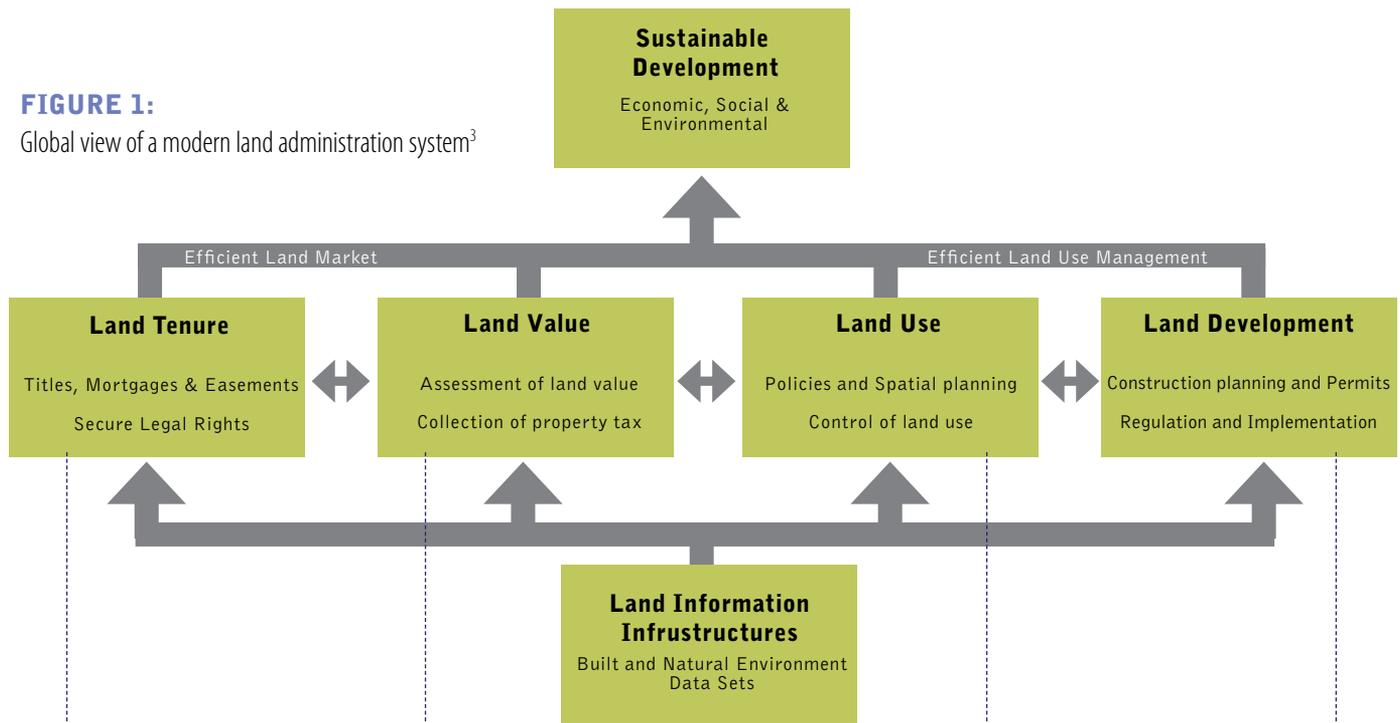
Valuation professionals can contribute significantly to fill the decision-making information vacuum in developing countries, and consequently benefit their own professional development.

→ **Valuation: a pillar in land administration**

A land administration framework helps provide valuation experts with context for how their

**FIGURE 1:**

Global view of a modern land administration system<sup>3</sup>



**Land Tenure:** the allocation and security of rights in lands; the legal surveys to determine the parcel boundaries; the transfer of property or use from one party to another through sale or lease; and the management and adjudication of doubts and disputes regarding rights and parcel boundaries.

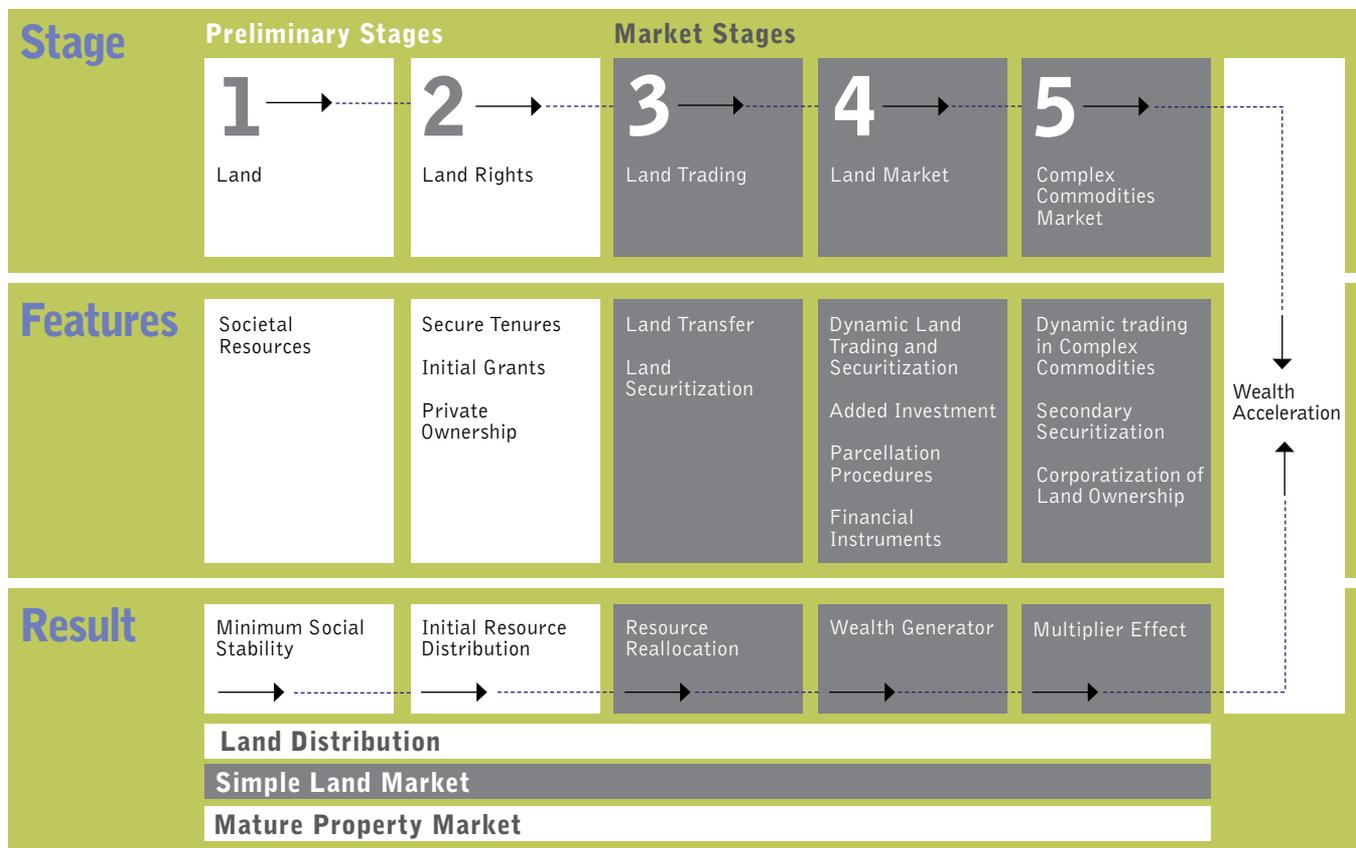
**Land Value:** the assessment of the value of land and properties; the gathering of revenues through taxation; and the management and adjudication of land valuation and taxation disputes.

**Land Use:** the control of land use through adoption of planning policies and land use regulations at national, regional/federal, and local levels; the enforcement of land use regulations; and the management and adjudication of land use conflicts.

**Land Development:** the building of new infrastructure; the implementation of construction planning; and the change of land use through planning permission and granting of permits.

**FIGURE 2:**

Evolutionary stages to support formal property markets<sup>7</sup>



services relate to other professionals in aiding policy- and decision-makers to achieve multi-dimensional goals in sustainable development (i.e., economic, social, environmental and cultural). As Figure 1 indicates, valuation is an essential pillar of the modern land administration system whether one is considering property markets in developed or developing countries. Land administration systems (LAS) provide the framework for policy implementation and support information transparency necessary to efficient land markets by drawing together the four land administration functions of land tenure, land value, land use and land development.<sup>2</sup> Professional appraisers should understand how these functions are inter-related and may even take them for granted when working in mature property markets that are prevalent in developed countries. However, it is important to recognize the paradigm shifts that are occurring in modern land administration systems in developed countries, and equally important

to consider how valuation contributes to the land administration systems that are being created in developing countries. The latter is our focus in this article, as we consider the need for shifting from informal to formal property markets in developing countries.

→ **Baseline: moving from informal to formal property markets in developing countries**

There is evidence of significant correlation between development of effective land administration systems and the transition from informal to formal property markets.<sup>4</sup> Before considering the interaction between land administration systems and property markets, it is helpful to consider what informal markets are, and why their transition to formal property markets is generally desirable.

Property markets may be described as more or less formal according to the extent to which market activities are authorized and supported

by government. (Williamson and Wallace, 2007)

Informal markets have met local needs in the local property markets of some countries for many years. People have relied on local authorities to recognize and validate local land transactions and transfers.<sup>5</sup> Where there was limited need for regional or international property markets, people tended to place greater trust in local officials and locally held records. Where public trust in central governments is not strong, and where corruption is commonplace, it is seen as preferable to trust local people. There can also be resistance to a movement toward formal markets where central governments introduce onerous property transaction fees and taxes, especially where people do not understand the broader benefits associated with a formal property market.

Over time, as property markets mature in developing countries, there is risk that locally approved transfers will not be recognized by the government or by the courts. But, governments

need to tread carefully in the transition to more formal markets to avoid exacerbating land tenure security problems, thereby potentially increasing conflict, as evidenced by eviction of land occupiers in some developing countries. Early projects, focused on land titling, have shown benefits such as improved access to credit, increased land values and tax collection, but, as discussed later, such narrowly focused projects are not sufficient to the development of comprehensive, formalized property markets.

We have said that formal property markets are defined by the degree to which governments authorize and support the LAS. Thus, a key to success is that governments understand their role in reducing corruption and building public trust in land administration to achieve the desired benefits (e.g., increased tax revenue, land use control, wealth creation, economic growth and access to international capital markets).

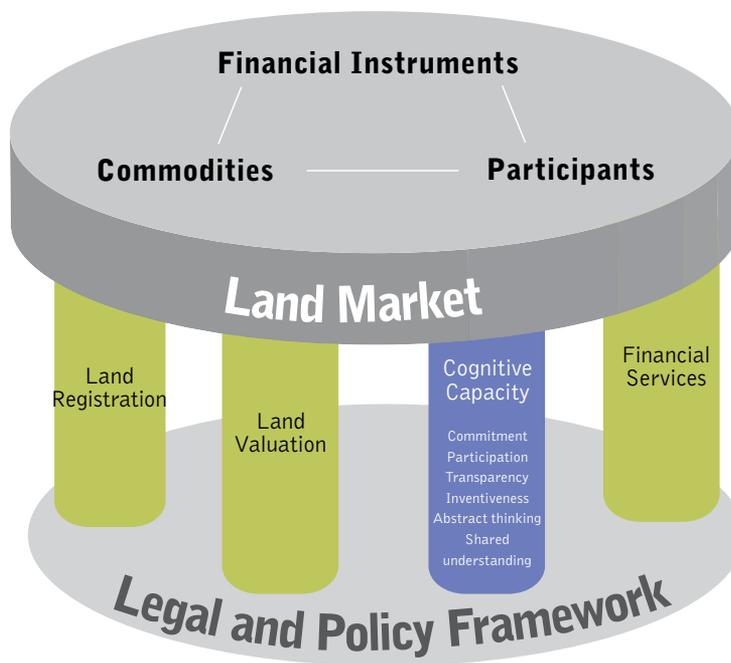
*Williamson and Wallace, 2007* have described a five-stage evolutionary model whereby property markets advance from bureaucratic land distribution (e.g., in post-war periods) to complex commodities markets designed to help guide development of land administration systems, including valuation services, to promote a country's economic

development (Figure 2).<sup>6</sup> Advancing through each stage – from land trading (3), through land market (4) to complex commodities market (5) – requires greater sophistication and support from valuation professionals in order to develop the investor and public confidence necessary to success in international market places.

→ **Helping to build capacity in the shift from informal to formal property markets**

Also key to successful transition to formalized property markets is the ability of developing countries to draw on the collaborative experience and expertise of professional practitioners to

**FIGURE 3:**  
Land market supports and enablers



“Forces such as globalization, securitization of real estate, growth in capital markets, climate change, changing demographics and enabling technology continue to drive the need for sophisticated national concepts in integrated land management.”



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“Appraisers and their professional organizations gain by contributing to coherent land management policies and to continuing improvement in land administration systems.”

expedite the transition, which has taken decades to accomplish in developed countries. Building capacity in the LAS of developing countries may be seen as an important part of the infrastructure needed to support global markets and to address growing global challenges like climate obligations, recent food shortage crises or the 2008 financial crisis. In other words, building LAS capacity is broadly beneficial and presents professional growth opportunities for LAS (including valuation) service providers and their professional organizations as they continually adjust to increasingly global business and market environments.

Successful transition to formal property markets requires building capacity among local property market participants, i.e., creating an awareness of

the risks related to their informal markets and an understanding of mechanisms and advantages related to market formalization. A key focus in successful transition to formal property markets is development of the cognitive capacity of property market participants. As Williamson and Wallace state, “any transitional process needs to start much more with people’s attitudes, than with building GIS and titling programs.”<sup>8</sup>

As appraisers know, people do not own land; they own rights to land – commonly referred to as a ‘bundle of rights.’ Those ‘rights,’ in whatever form they take, require valuation to facilitate decision-making in formal markets. So, bridging the gap from informal to formal property markets necessary to effective participation in regional or global markets

(advancing from Stage 3 to 5 in Figure 2), means building the capacity to understand and benefit from abstract notions about the ‘bundle of rights.’ Creative ‘unbundling’ and commoditization, supported within a LAS frame, needs to be enabled by building the capacity of market participants to understand the nature of the commodities. This capacity is critical to shifting local market participants from simple land trading, to creating and marketing abstract land rights and complex commodities, related to property. Williamson and Wallace illustrate the complementary nature of cognitive capacity with the three ‘pillars,’ which have traditionally been understood to support land markets (Figure 3).

#### → Building property valuation capacity

Not only do we need to create support among market participants for, and public confidence in formal markets, but, we also need to create the systemic capacity in the developing country to deliver property market services – including valuation.

Essentially, the developing country requires a scalable valuation system that builds public and investor confidence to meet initial policy requirements for supporting taxation and land use control policies, but with an increasing capability to deliver the professional services necessary to valuation of complex entities such as property related derivative commodities and ‘unbundled’ land rights. This emphasizes the need for professional capacity, in tandem with the jurisdiction’s responsibility to build infrastructure to engender investor confidence by providing for rule of law, public services capacity and a national capability to attract FDI and compete for capital in international marketplaces.

Valuation professionals can play key roles in helping the developing country to build a functional valuation system that supports the transition from informal to formal property markets. Areas in which

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“As appraisers gain a better understanding of global issues, they are introduced to collaborative opportunities that allow meaningful contribution to poverty reduction, economic growth and wealth creation through more efficient and effective property markets.”

valuation professionals can contribute include all those necessary to a functional property valuation system that supports government policy, and meets market participants’ needs within the broader land administration system. A few areas where professional/technical advisors can help the transition to formal markets include:

- development of national policy around valuation (e.g., related to property tax – periodic and transfer taxes, land use control mechanisms, investment and financial vehicles);
  - creation of the legal and legislative framework to support early policy objectives such as property taxation and land use controls;
  - development of governance and institutional frameworks, and collaborative professional organizations to enable valuation functions, and sustain public confidence;
  - creation of valuation capacity – including education, training and continuing professional development; best practices benchmarking and adaptation; and technological innovations to meet local needs;
  - adaptation of valuation standards and methodologies appropriate to country circumstances and culture;
  - specification of codes of conduct and development of professional practices that are respected in international property markets;
  - information management, related to property databases (ensuring transparency, accessibility and affordability of information to support domestic and international decision-makers); and
  - public relations, education and awareness.
- There are significant challenges to building capacity in property valuation in a developing country – valuations that support local market

requirements, but also support evolution to mature property markets, i.e., to encourage wealth creation and economic growth, but not at the expense of destabilizing land tenure, creating conflict or exacerbating local poverty. If they take time to learn the local culture, Western societies have the expertise and experience to provide such guidance, and, in turn, they can benefit from building collaborative relationships and expertise that are a necessary preface to their own success in responding to global property market trends.

### → Conclusion

Paradigm shifts are occurring in land administration systems world-wide, responding to global trends and the changing requirements of international market participants. Developing countries need to build capacity in their LAS, including property valuation systems. And professionals in developed countries need to grow their knowledge and awareness to help ensure that clients, at home and abroad, are better served, and that valuation services continue to be relevant in a changing environment.

Appraisers and their professional organizations gain by contributing to coherent land management policies and to continuing improvement in land administration systems. Developing reliable valuation systems and building capacity to deliver valuation services throughout the evolutionary stages of international property markets are an integral part of that challenge.

As appraisers gain a better understanding of global issues, they are introduced to collaborative opportunities that allow meaningful contribution to poverty reduction, economic growth and wealth creation through more efficient and effective property markets. 

### → End notes

- <sup>i</sup> GTZ: Federal Ministry for Economic Cooperation and Development. *Foreign Direct Investment (FDI) in land in developing countries*. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH. December 2009. URL website: <http://www2.gtz.de/dokumente/bib/gtz2010-0060en-foreign-direct-investment-dc.pdf>
- <sup>ii</sup> FDI in land is such a new phenomenon that it is only beginning to be defined. An early definition by GTZ, GmbH is presented here: “FDI in land by a foreign company or state is based on a lasting interest in taking control over land use rights. The transaction includes either rights of land use or land ownership. The land use rights are generally valid for a limited period and can possibly be extended.”
- <sup>1</sup> International Land Coalition: Commercial Pressures on Land. URL website: <http://www.landcoalition.org/cpl-blog/>
- <sup>2</sup> Enemark, Dr S. *The Land Management Paradigm*. University of Melbourne, AU. Conference presentation: *Incorporating Sustainable Development Objectives into ICT enabled Land Administration Systems*. November 2005. URL website: [http://vbn.aau.dk/ftp/preview/2935555/SE\\_Melbourne\\_2005.pdf](http://vbn.aau.dk/ftp/preview/2935555/SE_Melbourne_2005.pdf)
- <sup>3</sup> *Ibid*, p. 7.
- <sup>4</sup> CDRI: *Annual Development Review 2007-08*. Cambodian Development Policy Research Institute. Brett Ballard: Chapter 5, *From Informal to Formal Land Markets: Navigating Land Tenure in Cambodia*, p.139. February 14, 2008.
- <sup>5</sup> CDRI: *Annual Development Review 2007-08*. Cambodian Development Policy Research Institute. Brett Ballard: Chapter 5, *From Informal to Formal Land Markets: Navigating Land Tenure in Cambodia*, p.140. February 14, 2008.
- <sup>6</sup> See Appendix A for a brief description of the five evolutionary stages of formal property market development.
- <sup>7</sup> *Williamson and Wallace, 2007*. Williamson, Ian and Wallace, Jude (2007). *Building Land Markets in the Asia Pacific Region*. Paper delivered to international workshop on *Good Land Administration – Its Role in Economic Development*. Ulaanbaatar, Mongolia, p. 6. URL website: [http://dtl.unimelb.edu.au/R/4YPLLC17LHT8S7PCL57RFFXBAS4MS8KY998RR2K7UAEX84T1D-00503?func=dbin-jump-full&object\\_id=67711&local\\_base=GEN01&pds\\_handle=GUEST](http://dtl.unimelb.edu.au/R/4YPLLC17LHT8S7PCL57RFFXBAS4MS8KY998RR2K7UAEX84T1D-00503?func=dbin-jump-full&object_id=67711&local_base=GEN01&pds_handle=GUEST)

### → NOTE

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