



Canadian Property

VALUATION ÉVALUATION

Immobilière au Canada

THE OFFICIAL PUBLICATION OF THE APPRAISAL INSTITUTE OF CANADA

VOLUME 56 | BOOK 4 | 2012

Maximizing efficiency


- ▶ Defending our professionalism
- ▶ Market Extraction Method is not yet obsolete
- ▶ Putting clients first can change your business

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COMPARABLE SALES DATA			
T PROPERTY	C COMPARABLE NO.1	COMPARABLE NO.2	
148 Armour Blvd	148 Armour Blvd	110 Armour Blvd	
3 / 16	C1392747 / 23	C1886784	
	6/8/2009	9/17/2009	
	126400	121500	
	50x80	50x80	
/ good	1	/ good	1
	2-story	2-story	

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WORLDWIDE ERC® THE WORLDWIDE MOBILITY ASSOCIATION		Worldwide ERC® Summary
Client Name		
Client Address	123 client address	
City	client state	client zip client zip client zip xClientZip
Transfer	transferee	Owner(s)
Subject Property Address	12 village	
City	city	
Appraiser Company Name	appraisal company	
Appraiser	appraiser	Co appraiser
Appraiser Address	appr address	
City	appr city	
Ph #	appr ph	Fax #
SALIENTFACTS		

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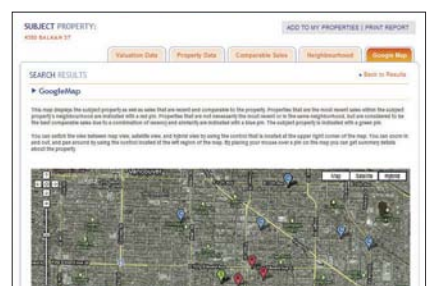
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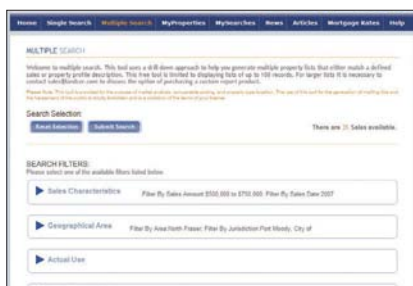
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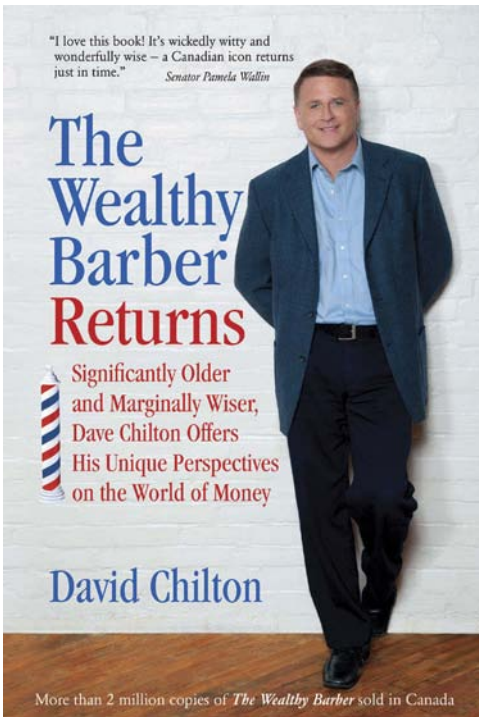


*See you in Calgary
- June 6-9, 2013!*

The Appraisal Institute of Canada (AIC) and the Appraisal Institute of Canada – Alberta (AIC-AB) are thrilled to be hosting the 2013 Annual Conference in Calgary, Alberta – one of the most vibrant cities on the prairies. Join Committee Chair, Laurel Edwards, AACI, P.App and the AIC 2013 Conference Committee at Calgary’s beautiful Westin Hotel, proudly showcasing the results of its recent \$35 million renovation.

Calgarians still know how to whoop it up like the cowboys who built this city, and today there is more than ever to celebrate – interesting markets, sophisticated dining, and world-class entertainment and attractions.

We have created an educational program that aligns with our conference theme of ‘Harnessing the Energy.’ We are very pleased to announce our Keynote Speaker – David Chilton – whose energetic address will harness the attention of all attendees to kick off our conference.



DAVID CHILTON

Author of *The Wealthy Barber* & Judge on CBC's *Dragons' Den*

David Chilton, author of Canada's all-time best-selling book, *The Wealthy Barber*, is among the most sought after speakers in North America. His unique combination of financial knowledge and humor has helped to take the intimidation out of financial planning for millions of Canadians. He is also one of the co-stars of CBC's *Dragons' Den*.

David Chilton's speeches are not about just money, they are about believing in yourself, overcoming mistakes (many of his are truly hilarious) and, most importantly, perspective – the missing ingredient in many people's financial lives. The sequel to *The Wealthy Barber*, entitled *The Wealthy Barber Returns*, offers expanded advice – 20 years worth – to a new generation of Canadians seeking strong, non-technical and reliable advice from the clever mind of David Chilton. He is the opposite of the stereotypical dry financial expert: he is "charming, unpretentious and funny" says *The Chicago Sun-Times*.

Besides finance, Chilton took on the billion-dollar food industry with the Podleski sisters. As their company's president and publisher, he helped them turn their idea of low-fat cookbooks into an award-winning food company. Their cookbook, *Looneyspoons*, was one of the fastest selling books in Canadian publishing history, joining another classic: *The Wealthy Barber*.

For more information about AIC's 2013 Annual Conference, visit www.aicanada.ca



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Appraisal Institute of Canada
Institut canadien des évaluateurs



NOTICE OF Annual General Meeting

APPRAISAL INSTITUTE OF CANADA AGM 2013
Westin Hotel
Calgary, Alberta
Saturday, June 8, 2013

AGENDA

1. To confirm the Minutes of the June 8, 2012 AGM.
2. To receive Reports
 - a) President
 - b) Management
 - c) AIC Committee Reports
3. To receive audited financial statements for the past year and appoint auditors for the forthcoming year.
4. To elect the Board of Directors of the Appraisal Institute of Canada.
5. To consider resolutions submitted in accordance with the By-laws.
6. To consider all other business as may properly come before the meeting.

AVIS D'assemblée générale annuelle

INSTITUT CANADIEN DES ÉVALUATEURS, AGA 2013
Hôtel Westin
Calgary, Alberta
Samedi, le 8 juin 2013

ORDRE DU JOUR

1. Approbation du procès-verbal de l'AGA du 8 juin 2012.
2. Présentation des rapports
 - a) du Président
 - b) de la direction
 - c) des comités de l'ICE
3. Présentation des états financiers vérifiés du dernier exercice et nomination des vérificateurs pour le prochain exercice.
4. Élection des membres du Conseil d'administration de l'Institut canadien des évaluateurs.
5. Examen des résolutions présentées conformément aux règlements.
6. Étude de tous les autres points dûment présentés à l'Assemblée.



David Shum, AACI, P.App

FROM THE PRESIDENT

The real value of your time and expertise

I would like to give you a glimpse of who I am. But first, let me tell you who I am not:

- *I am not the most intriguing man in the world. . . (Dos Equis is not stocked in my bar.)*
- *I do not have Gangnam Style. . . (I do not own canary yellow suits.)*
- *I am not a contestant on 'So You Think You Can Dance'. . . (I know I can't.)*

Rather:

I am the president of the Appraisal Institute of Canada (AIC), I am proud to be an AACI, P.App designated member, and, I am committed to serving the interests of our members.

As a member-driven organization, the AIC has benefited from years of work and effort from a dedicated group of volunteers who serve on committees and executive councils across the country. Our association has successfully evolved

due to the direction and guidance of these members over the past 75 years.

Although you may assume that there is an army of volunteers involved in making the Institute run, you may be surprised to learn that this group represents approximately 5% of our membership. Unfortunately, this number is declining, leaving many volunteers to take on multiple positions within our organization.

That is a problem.

In my new role as president, I am looking to the other 95% of our members to step forward and contribute their most valued assets: time and expertise.

Insurance. . . mortgage fraud. . . marketing. . . member services. . . professional practice. . . education. . . These issues have varying levels of significance to different segments of our membership. Our ability to tackle these various issues

is dependent on the availability of members from specific segments who are willing to contribute their expertise and experience.

Many of the issues affecting the AIC are a continuation of ever-changing initiatives that have been implemented on local, provincial, and national levels. The challenge for the AIC is to identify our role in each of these issues; to develop appropriate plans to address each with the aim of bringing resolution to some long-standing issues for the benefit of our entire membership. Our goal is to adapt to these changes efficiently and with a sense of poise and rationality. Recruiting the right volunteer for the right position is essential to addressing that goal.

In taking on these challenges and goals, I want to thank the dedicated members who continue to foster the growth and development of our association. I also thank, in advance, those members who are stepping forward to volunteer their time and efforts for the greater good of the membership. I look forward to hearing your opinions and views on the various issues affecting our industry. I also look forward to adding your name to our list of volunteers; the two are not mutually exclusive.

I am, David Shum, AACI, P.App.





David Shum, AACI, P.App

MESSAGE DU PRÉSIDENT

La vraie valeur de votre temps et de votre expertise

J'aimerais profiter de cette occasion pour vous dire qui je suis, mais d'abord, je crois important de vous dire qui je ne suis pas :

- *Je ne suis pas l'homme le plus intrigant du monde . . . (je n'ai pas de Dos Equis dans mon bar)*
- *Je ne suis pas le style Gangnam . . . (je n'ai pas d'habits de couleur jaune canari)*
- *Je ne suis pas concurrent à La Fièvre de la danse (TVA) . . . (je sais déjà que je ne suis pas bon danseur)*

Plutôt,

Je suis le président de l'Institut canadien des évaluateurs (ICE). Je suis fier d'être membre AACI, P.App accrédité et je me suis engagé à servir les intérêts de nos membres.

À titre d'organisation axée sur ses membres, l'ICE a profité de plusieurs années de travail et d'efforts d'un groupe dévoué de bénévoles qui siègent auprès des comités et Conseils exécutifs à l'échelle du pays. Notre association a évolué avec succès grâce à l'orientation et aux précieux conseils de ces membres au cours des 75 dernières années.

Bien que vous puissiez croire qu'il existe une armée de bénévoles qui contribuent au bon fonctionnement de l'Institut, vous seriez sans doute surpris d'apprendre que ce groupe ne représente qu'environ 5 % de tous les membres. Malheureusement, ce nombre est à la baisse, ce qui oblige de nombreux bénévoles à assumer des tâches multiples au sein de l'organisation.

Voilà qui soulève un problème.

Dans le cadre de mon nouveau rôle à titre de Président, je me propose de solliciter la participation de la tranche restante des membres, soit les

95 %, et les convaincre de prendre la barre et de contribuer leurs atouts les plus chers : leur temps et leur expertise.

Assurance . . . Fraude hypothécaire . . . Marketing . . . Services aux membres . . . Pratique professionnelle Éducation

Ces enjeux ont tous une certaine importance pour une variété de segments de nos membres. Notre aptitude à traiter ces enjeux dépend de la disponibilité des membres de divers milieux qui sont désireux de contribuer leur expertise et leur expérience.

Plusieurs des enjeux qui guettent l'ICE sont liés à des initiatives en constante évolution qui ont été mises en oeuvre aux paliers local, provincial et national. Le défi que doit relever l'ICE consiste à identifier le rôle qu'il doit jouer dans le cadre de chacun desdits enjeux et à élaborer des plans d'action appropriés pour les traiter individuellement avec, comme objectif, de résoudre certaines questions de longue date à l'avantage de tous les membres. Notre objectif est de nous adapter efficacement à ces changements tout en faisant preuve de contrôle et de raison. Le placement des bons bénévoles dans les bons postes est essentiel à cette fin.

En acceptant de relever ces défis et ces objectifs, je profite de l'occasion pour remercier les membres

bénévoles qui continuent de contribuer à la croissance et à l'avancement de notre association. Je remercie aussi d'avance tous les membres qui accepteront de contribuer temps et efforts pour le bien commun de tous les membres. J'espère recevoir vos opinions et vos commentaires sur les divers enjeux qui guettent notre industrie et j'espère également ajouter votre nom à notre liste de bénévoles. L'un ne va pas sans l'autre.

Je suis David Shum, AACI, P.App. 





Keith Lancaster, MBA, CAE
Chief Executive Officer

A year of change

Just over a year ago, I took on the role of CEO for the Appraisal Institute of Canada (AIC) with the expectation that some degree of change would be in order. At that time, I stressed the need to strike a balance between honoring the accomplishments and legacies of the past, while at the same time taking some proactive steps in response to changing realities.

Fast forward one year and some of the changes we have undertaken are starting to bear fruit.

Earlier this year, the AIC Board approved a new governance approach and structure to streamline AIC's operations and decision making.

The Institute's work has been recast into four distinct streams, with dedicated committees assigned to each area. As the graphic below shows, each of these streams align with, and touch on, the four key result areas contained in the AIC Strategic Plan.

Each of the operating committees, chaired by a member of the AIC Board and 'staffed' with volunteers from across the country, has developed objectives and work plans in support of the key result areas – and, in many cases, work is already underway.

But, what does this mean in 'real terms' – and how does it affect our members on a day-to-day basis. Here are a few examples.

AIC's insurance program – the insurance program has been a strategic cornerstone for the Institute for nearly a quarter century and has served the AIC, and the members, very well. That said, the Board has recognized the need for change in the program, beginning in 2013.

The appointment of Integro Insurance Brokers is an important step in the process. Integro has been hard at work negotiating the renewal of the program and developing a new administrative system/portal for AIC members. At the same time, the first stages of a risk-based premium allocation – replacing the 'one size fits all' model – will be implemented for the renewal. Under the new model, members with claims will now bear a larger portion of the costs than those without claims – responding directly to member input.

AIC's website – www.aicanada.ca – will be completely revamped over the coming months with the launch of the new site scheduled for January. By updating the site, we will make the information members need more readily and easily accessible. Equally important, we will transform the site into a promotional tool that will position AIC members as the valuation professionals of choice. We will be supporting that with a targeted ad campaign that directs your clients, and potential clients, to the website and encourages them to engage an AACI, P.App or CRA when a valuation or appraisal is required.

Media and government relations – our advocacy and government relations work has started to generate some results and timely interventions with media has put our members in a favourable light. Over the coming year, we want to build on the successes we have had and position AIC as 'the voice' for the valuation profession in the minds of key national policy makers and the media.

Education and certification – our education program has been recognized nationally – and internationally – as a leading example of adult education and professional certification. We will continue to seek out opportunities to build on the success to date by benchmarking against other professions and developing strategies and programs to meet future demands.

As we move towards 2013 – and our 75th anniversary – these and other evolutions are important parts of the effort to maintain AIC's status as Canada's pre-eminent valuation organization. We are proud that you and nearly 5,000 of Canada's leading professionals continue to choose AIC as your professional organization and we thank you for your support.





Keith Lancaster, MBA, CAE
chef de la direction

Une année de changement

Il y a tout juste un an, j'ai assumé le rôle de Chef de la direction à l'ICE et je prévoyais que certains changements seraient nécessaires. À l'époque, j'ai mis l'accent sur le besoin d'atteindre un équilibre entre le respect des réalisations et de l'héritage du passé et les mesures proactives prises aujourd'hui en réponse aux réalités qui prévalent et qui sont en constante évolution.

En mode d'avance rapide, nous constatons déjà qu'il est évident que certains changements que nous avons apportés commencent à porter fruits.

Plus tôt cette année, le Conseil de l'ICE a approuvé une nouvelle structure de gouvernance et une nouvelle approche visant à rationaliser les opérations et le processus décisionnel de l'ICE.

Le travail de l'Institut a été refondu en quatre volets distincts, des comités étant assignés à chacun. Ensuite, comme l'indique le graphique ci-dessous, chaque volet est aligné et vise les quatre résultats clés énumérés dans le plan stratégique de l'ICE.

Chacun des comités opérationnels, présidé par un membre du Conseil de l'ICE et formé de bénévoles de tous les coins du pays, a établi des objectifs et des plans de travail en appui aux résultats clés et, dans plusieurs cas, les travaux ont déjà été amorcés.

Mais, qu'est-ce que cela signifie en « termes concrets », et comment cela affecte-t-il nos membres sur une base quotidienne? Voici quelques exemples.

Programme d'assurance de l'ICE – Le programme d'assurance a été l'une des pierres angulaires stratégiques de l'Institut depuis près d'un quart de siècle et a très bien servi l'ICE et ses membres. Ceci étant dit, le Conseil a reconnu le besoin de modifier le programme à compter de 2013. La nomination du cabinet de courtage Integro s'est révélée une étape importante du processus. En effet, ce cabinet a déployé tous les efforts dans le cadre des négociations touchant le renouvellement du programme et l'élaboration d'un nouveau système d'administration / portail pour les membres de l'ICE. Du même coup, les premières étapes d'une prime fondée sur les risques et devant remplacer la « prime générale pour tous » seront mises en œuvre en temps pour le renouvellement. En vertu du nouveau modèle, les membres qui auront des réclamations devront assumer une portion plus élevée des coûts que ceux qui n'en n'auront pas. Cette mesure découle directement de l'inspection des membres.

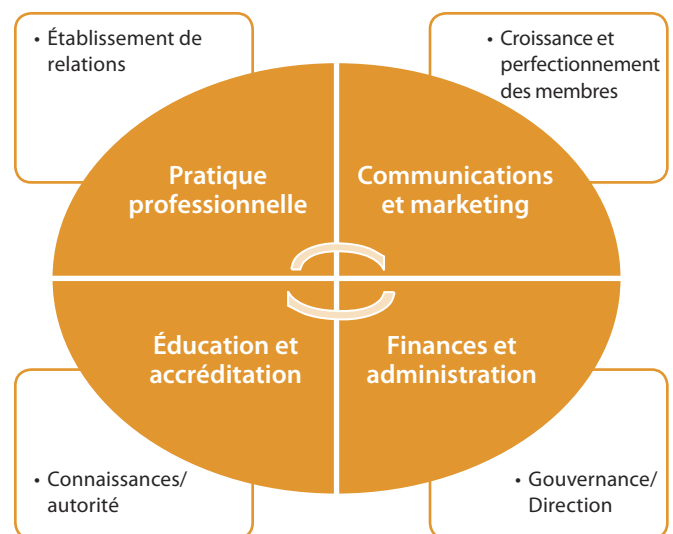
Site Web de l'ICE – L'adresse www.aicanada.ca sera complètement remaniée au cours des mois à venir, le lancement du nouveau site étant prévu pour le mois de janvier. La mise à niveau du site permettra aux membres d'accéder plus facilement l'information dont ils ont besoin. Fait également important, nous transformerons le site en un outil de promotion

qui positionnera les membres de l'ICE comme les professionnels de premier rang en évaluation. Tout ce travail sera appuyé par une campagne d'annonces ciblées qui dirigeront vos clients et clients potentiels au site Web, les encourageant à retenir les services d'un AACI, P.App ou d'un CRA lorsqu'ils ont besoin d'une évaluation ou d'une estimation.

Relations médiatiques et gouvernementales – Notre travail en matière de représentation et de relations gouvernementales a commencé à produire des résultats et nos interventions ponctuelles auprès des médias ont rehaussé l'image de nos membres. Au cours de l'année qui vient, nous voulons bâtir à même les succès obtenus et présenter l'ICE aux principaux décideurs et médias nationaux comme étant la « voix » de la profession d'évaluateur.

Éducation et accréditation – Notre programme pédagogique a été reconnu aux paliers national et international comme un excellent exemple à suivre en matière d'éducation des adultes et de certification professionnelle. Nous continuerons à poursuivre les occasions de bâtir à même les succès remportés à ce jour en comparant notre système à ceux d'autres professions et en élaborant des stratégies et des programmes qui répondront à la demande future.

À l'aube de l'an 2013 et de notre 75^e anniversaire, ces changements et les autres qui viendront font partie intégrante des efforts déployés pour maintenir le statut de l'ICE comme étant l'organisation de premier choix en matière d'évaluation au Canada. Nous sommes fiers que vous et près de 5 000 autres professionnels canadiens avez retenu l'ICE comme organisation professionnelle et nous vous remercions très sincèrement pour votre appui.



Fresh territory and an all-new site

The Appraisal Institute of Canada (AIC) is launching new initiatives to increase and enhance the profile of the appraisal profession, recruit the next generation of appraisers, and help AIC members access tools and resources that enable them to better serve their clients.

The process began in summer 2012, when AIC invited bids from qualified advertising agencies and interactive firms to work with the Institute to develop an integrated, strategic communications program and refresh the AIC website. Mediaplus, a respected Ottawa-based agency, was chosen for both assignments on the strength of its vision for AIC communications and its 28-year track record of delivering results for clients.

“The Marketing and Communications Committee and the Board felt the time had come to explore new ways to take awareness of our profession to a higher level,” says CEO Keith Lancaster. “We have seen what other professions like the CAs have done to influence perceptions and add value to their brands. We believe it is time the Canadian appraisal profession did the same.”

Since summer, committee members under the leadership of Tom Fox, AACI, P.App and AIC staff have been engaged with Mediaplus on a number of key initiatives. Messaging created and presented by the agency during the bidding process was further developed and refined, with three different overarching themes and presentation styles created for testing in online qualitative research in late autumn. The final campaign will have two streams: one will be targeted at the general public and other professions in the real estate sector and focused on raising positive awareness of the appraisal profession; the other will be focused on recruitment and targeted at post-secondary school graduates and those considering a second profession. The campaign is set to launch in early 2013 and will integrate online rich media, print, social media and other targeted communications vehicles.

Coinciding with the campaign launch, a redesigned and fully refreshed *AICCanada.ca* website will go live early in the New Year. In the fall, Mediaplus conducted extensive website user and stakeholder interviews and analyzed user metrics on the

website to understand who uses the site and for what purposes. Based on that intelligence, the agency’s information architecture specialists began reconfiguring and redesigning the site to streamline the navigation and enhance member access to key tools and resources.

For those looking for an appraiser, a new ‘widget’ on each page will enable users to input the key search information without having to link to another page. Users will be able to search for appraisers based on location and practice areas (property types), with all members mapped to their respective geographic areas of practice. The overall site navigation will also be enhanced for single click access from the home page to virtually any second level page, tool or resource on the site.

“We are very excited about the upcoming advertising campaign and the new website, both of which we believe will attract attention and get people thinking about our profession in a whole new way,” says AIC Marketing and Communications Committee Chair, Tom Fox, AACI, P.App. “Watch for it launching early in the New Year.”



AIC appoints Director, Marketing and Communications

In October 2012, **Sheila Roy** joined the Appraisal Institute of Canada (AIC) as Director, Marketing and Communications.

With over 20 years of experience, Sheila has acquired an in-depth and diverse knowledge of various disciplines involved in strategic marketing and communications, including research, advertising, social media, branding, issues management, media relations, corporate responsibility, public affairs and social marketing.

Previously, the Executive Director, Corporate Services and Communications for the Canadian Paralympic Committee (CPC), Sheila and her communications team worked with CPC members – the National Sport Organizations – to develop and implement a national campaign to raise the profile of Paralympic sport and athletes leading up to the London 2012

Paralympic Games. The multi-faceted campaign was the most successful in CPC's history, increasing media impressions and engagement in social media three-fold. She was also involved in the development of a five-year strategic plan and was responsible for leading significant change in the organizational and governance structure of CPC.

Prior to CPC, Sheila was Vice-President of APCO Worldwide, an international public affairs and strategic communications firm. During her tenure, Sheila was the project manager for a three-year, \$12 million comprehensive campaign to raise awareness of the opportunities within the Skilled Trades. The campaign, known as *Skilled Trades: A Career You Can Build On*, won the International Association of Business Communicators Silver Leaf Award in the 'Multi-Stakeholder Communications' category. Sheila also worked with many clients from diverse sectors, including financial services,

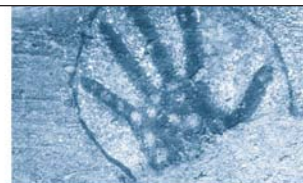
pharmaceutical, IT, sport, health, energy, and the environment.

Sheila is originally from Saskatchewan, and graduated with distinction from the University of Regina with an administration degree, and a specialization in marketing. She has also obtained a Certificate of Management Skills, with a focus on leadership, effective communication and change management.

Sheila brings both her passion for client-service as well as a strong commitment to work in collaboration with her colleagues, AIC members and stakeholders to successfully reach their common goals. Members are invited to contact Sheila at sheilar@aicanada.ca or 613-234-6533 Extension 224.



The Evolution of Your
SIGNATURE



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Since June 1st, 2012, Notarius is pleased to count members of the Quebec associations of urban planners (OUQ) and chemists (OCQ) among its partners. Notarius now serves 14 professional associations across Canada, including the AIC who was one of the first to trust Notarius and whom we continue to serve with pride.

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Appraisal Institute
of Canada

Institut canadien
des évaluateurs



Professional Practice introduces two products

Appraisal Review Professional Excellence Bulletin

By Larry Dybvig, AACI, P.App

People wishing to rely on the advice contained in the written report of a professional often want a second opinion. They might ask another professional to look over the report to assess the completeness and reasonableness of the report under review, if there are shortcomings that lessen its reliability for a particular purpose, or if there are areas where further work could be done. This is a normal and typical part of the appraisal business.

This **new** professional excellence bulletin provides an overview of appraisal review, followed by a discussion of risk management and best practices.

The general reason for appraisal review is to evaluate:

- Scope of work – Is it suitable for reliance under the circumstances at hand?
- Completeness – Is the appraisal under review complete, i.e., does it meet the requirements set by its stated purpose and scope of work?
- Terms of reference – Are they suitable for reliance under the circumstances at hand?
- Recognised professional standards – To what extent does the report under review conform?
- The body of knowledge – Does the report reflect contemporary professional appraisal teachings, and, if so, does it reflect best practises?

Often, the review will consider both minimum requirements and best practices.

Types of review

'Review' is a generic term that clients apply to various types of services. What follows is a brief description of the different types of review.

An **administrative review** is work performed by clients and users of appraisal services as a due diligence function in the context of making a business decision. A lender might receive an appraisal report along with a loan application, and will read it to help understand the property and its marketplace; this type of 'review' might simply entail checking for minimum requirements – is there a cost approach, for example, or did the comparables sell within the past six months. Use of a checklist is common in administrative reviews. The 'reviewer' does not consider (and often is not qualified to ascertain) if the comparables are, in fact, 'comparable.'

A **technical review** is work performed by an independent third party appraiser, in accordance with professional appraisal standards, of an appraisal report prepared by another appraiser for the purpose of forming an opinion as to whether the analysis, opinions and conclusions in the report under review are appropriate and reasonable. The review appraiser does not sign or co-sign the appraisal report that is under review. In a technical review, the review appraiser goes beyond checking for a level of completeness and consistency in the report under review by provid-

ing comment on the content and conclusions of the report. The review appraiser might not have first-hand knowledge of the subject property or of data in the report.

Supervisory review involves the review of an appraisal by a supervisor of the author. The supervisor does not sign the appraisal report, but might provide feedback on an appraisal analysis or draft report to its author. A supervisor signing an appraisal certificate, the letter of transmittal, or a 'supervisor's certificate' is considered a co-signer. However, someone other than the author of an appraisal report can sign the letter of transmittal that in most narrative reports precedes the appraisal report itself. Provided that the letter of transmittal does not suggest the signatory is endorsing the valuation work itself, co-signing is not involved.

External review is often commissioned for the purposes of financial reporting. Typically, the external review is of an 'internal' appraisal, i.e., a valuation completed by an entity for the purposes of reporting the value of its assets. The function of an 'external review' is not to appraise the subject property, but to examine the contents of the management valuation and form opinions as to its adequacy and appropriateness, and that it is suitable for its intended use and user.

Peer review involves reviews completed for the purposes of professional development or

"This new professional excellence bulletin provides an overview of appraisal review, followed by a discussion of risk management and best practices."

professional competency review. In the former, the reviewer provides feedback to the appraiser in a 'coaching' capacity: the report is often confidential and the reporting might be oral and in person, in which case there is no formal written report, and the reviewed appraisal and any review notes are destroyed after the review. However, peer review undertaken as part of professional practice review (as a Practice Sanction, for example) involves a formal written report, with the documentation retained on file. A peer review can be a technical review, but might not be comprehensive, depending on the objective of the review.

Co-signing is not a review; rather it implies joint authorship of an appraisal. A co-signature is personalized evidence indicating authentication of the work performed by the signatories as joint authors, where each is responsible for content, analyses, and the conclusions in a report. An appraiser signing a report assumes responsibility for the entire report, including technical assistance in the form of factual information that an assistant collects.¹

Ethical standards

The most common ethical issues in appraisal review assignments involve

- unprofessional and prejudicial comments criticizing the report author;
- the expression of important opinions without presenting supporting data; and
- speculative comments respecting professional practice consequences of deficiencies when the reviewer has no direct knowledge of such consequences.

Risk management and best practices

The most common sources of problems arising from appraisal review involve unsupported, negative comments, and a failure to support comments and conclusions; both involve communication failures, and sometimes incompetence.

The purpose of an appraisal review is not to develop critical comments respecting another appraiser. An appraisal review is a review of an appraisal report, not of its author. Should it be necessary to make a critical comment, it should

be made in the context of 'the report has an error,' not 'the appraiser is incompetent.'

The competence of a review appraiser can lead to substandard appraisal reviews. Prior to taking on an assignment, a reviewer must actively consider if he or she has the knowledge and experience to complete the assignment competently.

Reviewing the work of peers and developing a credible opinion as to the quality of another appraiser's work requires different appraisal skills. Some are uncomfortable with these types of assignments; however, appraisal review can be a rewarding specialty within the appraisal profession.

A complete copy of the **Appraisal Review Professional Excellence Bulletin** is available in the members Section under Professional Practice/Professional Practice Resources/Claims Prevention Bulletins/Appraisal Review.

End note

¹ CUSPAP 7.29.1, definitions

Consumer Guide to Understanding the Appraisal Process

By Allan Beatty, AACI, P.App and Nathalie Roy-Patenaude, AACI, P.App

The purpose of this guide is to provide advice and guidance to consumers seeking professional valuation services when retaining a designated appraiser. The Appraisal Institute of Canada (AIC) encourages members of the public to engage real estate appraisers with a strong professional association, such as the AIC, to obtain an independent assessment of the market value of their property. Consumers can find AIC members on the 'Find a Real Value Expert' on the AIC's home page at www.aicanada.ca.

Understanding the appraisal process

AIC members are engaged by a diverse range of clients to provide a professional opinion or consultative valuation services on the quality, value, or utility of a specific property. Appraisals may be required

"The purpose of this guide is to provide advice and guidance to consumers seeking professional valuation services when retaining a designated appraiser."

for just about any type of property, including single-family homes, apartment buildings and condominiums, office buildings, shopping centers, hotels, industrial sites and farms, whenever real estate is sold, mortgaged, taxed, insured or developed.

This guide is focused on residential appraisals with an emphasis on appraisals commissioned for mortgage lending purposes — one of the primary reasons an appraisal is requested. Appraisals are frequently associated with the purchase and sale of property, when a new mortgage loan is required to

complete the transaction. Mortgage renewals, line of credit applications and renovation loans are also circumstances that require an up to date estimate of market value, for the lender to ensure they have sufficient security for the mortgage loan.

Steps in the appraisal process

The valuation of residential properties relies heavily on a comparison of recently sold properties to the property being valued. Since the objective of the exercise is to estimate the price that the subject



property would most likely sell for, if exposed to the market place, recent sales of similar properties are used for comparison and as benchmarks. Comparable sales represent what other informed buyers in the marketplace are prepared to pay for similar features, location and amenities.

Since no two properties are exactly alike, the appraiser gathers information on the comparable sales and applies adjustments to the actual sale price of these sales to reflect their differences (location, characteristics and amenities) vis-à-vis the subject property. The adjusted sale price of each comparable sale then provides a reasonable range of value to guide the appraiser in estimating a market value for the subject property.

What to expect with an inspection of the property

The valuation process takes into account a number of elements including the physical characteristics of the dwelling, as well as any deficiencies or impairments. In addition to understanding the dynamics of the real estate market, AIC members also have construction skills and knowledge, which are fundamental to their training. Members also rely on the expertise of industry professionals where building characteristics are more complex.

Whether the consumer or a lending institution engages an appraiser to appraise your home,

- the appraiser will set a convenient time for an inspection;

- plan for 20–40 minutes or more for the inspection – the duration depends largely on the size and characteristics of the property; and
- the appraiser will collect as much information as possible during the inspection of the home on the interior and exterior of the property.

Photographs are an important component of an appraisal report since they provide a visual representation of the data outlined in the report. Exterior photographs are important to clearly identify the property and its characteristics. Sometimes, interior photographs are requested by the appraiser's client. Consumers must be mindful that, under the *Personal Information Protection and Electronic Document Act (PIPEDA)*, the appraiser must obtain the homeowner's or occupant's consent (if different than the homeowner) in writing or verbally, prior to taking interior photographs.

The appraiser is also required to gather information about recent marketing activity on your home. While public information is often available, the appraiser may inquire about any listings of the property or offers to purchase in the past 12 months, as well as any sales of the property for the previous three years.

Financing or refinancing your property

Whether buying a home or refinancing an existing one, consumers must understand where the appraisal process falls within the overall mortgage loan process and recognize the key players and the role each plays.


Renovating your home

There are different reasons for wanting to renovate. Whether a lifestyle choice or a change in family circumstances impose the need for more practical renovations, or the simple the need for change and protecting your home, planning a renovation is key. The guide answers frequently asked questions on the best ways to improve the value of a home, small renovations that go a long way, and return on renovation investments, to name a few.

Hiring an AIC accredited appraiser – key things to consider

When hiring a designated appraiser, the Terms of Reference of the appraisal assignment should be in writing and agreed to by the parties to avoid any misunderstanding or additional work to amend the valuation report. The guide outlines typical terms and conditions that should be taken into consideration when retaining and instructing a designated appraiser.

Conclusion

For a comprehensive valuation of your home, a designated member of the Appraisal Institute of Canada (AACI, P.App or CRA) should be consulted. Homeowners can save time, expenses and heartache by first consulting with an AIC appraiser. A complete copy of the **Consumer Guide to Understanding the Appraisal Process** is available on the AIC website under Client Resources/Find a Real Value Expert. 



is more than just talk

As we continue to deliver valuable information through the pages of this magazine, in a printed format that is appealing, reader-friendly and not lost in the proliferation of electronic messages that are bombarding our senses, we are also well aware of the need to be respectful of our environment. That is why we are committed to publishing the magazine in the most environmentally-friendly process possible. Here is what we mean:

- We use lighter publication stock that consists of recycled paper. This paper has been certified to meet the environmental and social standards of the Forest Stewardship Council® (FSC®) and comes from responsibly managed forests, and verified recycled sources making this a RENEWABLE and SUSTAINABLE resource.
- Our computer-to-plate technology reduces the amount of chemistry required to create plates for the printing process. The resulting chemistry is neutralized to the extent that it can be safely discharged to the drain.
- We use vegetable oil-based inks to print the magazine. This means that we are not using resource-depleting petroleum-based ink products and that the subsequent recycling of the paper in this magazine is much more environment friendly.
- During the printing process, we use a solvent recycling system that separates the water from the recovered solvents and leaves only about 5% residue. This results in reduced solvent usage, handling and hazardous hauling.
- We ensure that an efficient recycling program is used for all printing plates and all waste paper.
- Within the pages of each issue, we actively encourage our readers to REUSE and RECYCLE.
- In order to reduce our carbon footprint on the planet, we utilize a carbon offset program in conjunction with any air travel we undertake related to our publishing responsibilities for the magazine.

So enjoy this magazine...and KEEP THINKING GREEN.

Le groupe de la Pratique professionnelle lance deux produits

Examen d'évaluation – Bulletin d'excellence professionnelle

Par Larry Dybvig, AACI, P.App

Les gens qui désirent se fier aux conseils contenus dans le rapport écrit d'un professionnel, sollicitent souvent une deuxième opinion. Ils peuvent demander à un autre professionnel d'examiner le rapport afin d'évaluer l'exhaustivité et le bien-fondé, de voir si le rapport comporte des lacunes qui en réduisent la fiabilité sur un plan particulier ou de déterminer s'il existe des points à travailler davantage. Ce genre de demandes est tout-à-fait normal et caractéristique du travail de l'évaluateur.

Ce **nouveau** bulletin d'excellence professionnelle donne un aperçu de l'examen d'évaluation, suivi d'une discussion sur la gestion du risque et sur les pratiques exemplaires.

Un examen d'évaluation vise en premier lieu à évaluer :

- La portée du travail – peut-on s'y fier dans les présentes circonstances?
- L'exhaustivité – l'évaluation faisant l'objet de l'examen est-elle complète, c.-à-d., satisfait-elle aux exigences établies dans l'énoncé du but et de la portée du travail?
- Les attributions – peut-on s'y fier dans les présentes circonstances?
- Les normes professionnelles reconnues – dans quelle mesure le rapport faisant l'objet de l'examen s'y conforme-t-il?

- L'ensemble des connaissances – le rapport reflète-t-il l'état actuel des connaissances professionnelles en matière d'évaluation et, si oui, reflète-t-il les pratiques exemplaires?

Un examen prendra souvent en considération à la fois les exigences minimales et les pratiques exemplaires.

Types d'examen

L'« examen » est un terme générique que les clients appliquent à divers types de services.

Un **examen administratif** désigne un travail effectué par les clients et utilisateurs de services d'évaluation comme fonction de diligence raisonnable dans le contexte d'une prise de décision d'affaires. Un prêteur peut recevoir un rapport d'évaluation joint à une demande de prêt dont il fait la lecture pour mieux comprendre la nature de la propriété et le marché dans lequel elle se trouve; ce type d'« examen » peut se borner à vérifier les exigences minimales. L'examen administratif utilise communément une liste de contrôle. L'« examinateur » ne s'assure pas (et, souvent, n'est pas qualifié pour le faire) que les propriétés comparables sont vraiment comparables.

Un **examen technique** désigne un travail d'examen effectué par un évaluateur indépendant en tierce partie, en conformité des normes d'évaluation

professionnelle, d'un rapport d'évaluation préparé par un autre évaluateur, dans le but d'émettre une opinion à savoir si l'analyse, les opinions et les conclusions du rapport faisant l'objet de l'examen sont pertinentes et raisonnables. L'évaluateur chargé de cet examen ne signe pas ou ne cosigne pas le rapport d'évaluation faisant l'objet dudit examen. Dans un examen technique, l'examineur va au-delà de la simple vérification du degré d'exhaustivité et de cohérence du rapport sous étude en formulant des commentaires sur son contenu et ses conclusions. L'examineur peut ne pas connaître la propriété en objet ou les données contenues dans le rapport.

Un **examen de supervision** désigne l'examen d'une évaluation par le superviseur de l'auteur. Le superviseur ne signe par le rapport d'évaluation, mais il peut fournir une rétroaction sur l'analyse d'évaluation ou rédiger l'ébauche d'un rapport à son auteur. Un superviseur qui signe un certificat d'évaluation, la lettre de transmission ou un certificat du superviseur est considéré comme un cosignataire.

Cependant, une autre personne que l'auteur d'un rapport d'évaluation peut signer la lettre de transmission qui précède la plupart des rapports narratifs d'un rapport d'évaluation. La signature d'une lettre de transmission qui ne laisse pas entendre que le signataire endosse le travail d'évaluation n'est pas considérée comme une cosignature.

« Ce nouveau bulletin d'excellence professionnelle donne un aperçu de l'examen d'évaluation, suivi d'une discussion sur la gestion du risque et sur les pratiques exemplaires. »

Un **examen externe** est souvent commandé aux fins de présentation dans un rapport financier. L'examen externe est typiquement l'étude d'une évaluation faite à l'interne, c'est-à-dire une évaluation effectuée par une entité aux fins de déclaration de la valeur de ses actifs. L'examen externe n'a pas pour but d'évaluer la propriété en objet, mais plutôt d'examiner le contenu de l'évaluation effectuée par la direction et de formuler une opinion quant à sa suffisance et à sa pertinence et quant à sa capacité de répondre aux attentes des utilisateurs. Un examen externe juge le raisonnement et la logique de l'évaluation initiale, mais l'examinateur ne substitue pas son propre jugement. Un examen externe ne mène pas à une autre conclusion quant à la valeur de la propriété. Étant donné la fonction d'un examen externe, les auditeurs et autres utilisateurs de ce service considèrent une évaluation interne appuyée par un examen externe comme une évaluation interne. La distinction est pertinente aux fins de la présentation des rapports financiers.

Un **examen par les pairs** consiste en un examen effectué aux fins du perfectionnement professionnel ou de la vérification des compétences professionnelles. Dans le premier cas, l'examinateur fournit une rétroaction à l'évaluateur en qualité de « formateur » : le rapport est souvent confidentiel et peut se faire oralement et en personne, auquel cas, il n'y a pas de rapport formel écrit et les notes de l'examen sont détruites après celui-ci. Par ailleurs,

un examen par les pairs entrepris dans le cadre de l'examen de la pratique professionnelle (en cas d'une sanction de pratique, par exemple) comporte un rapport formel écrit et la documentation est conservée dans les dossiers. Un examen par les pairs peut être un examen technique, sans toutefois être nécessairement exhaustif, dépendamment de son objectif.

La **cosignature** n'est pas un examen; elle signifie plutôt qu'une évaluation a été produite conjointement. Une cosignature est une preuve personnalisée authentifiant le travail effectué par les signataires comme auteurs conjoints, où chacun est responsable du contenu, des analyses et des conclusions d'un rapport. Un évaluateur qui signe un rapport se porte responsable de tout le rapport, y compris de l'aide technique sous forme de données factuelles recueillies par un assistant.

Normes éthiques

Les questions éthiques les plus courantes dans les affectations d'examen d'évaluation sont :

- les commentaires non professionnels et préjudiciables critiquant l'auteur du rapport;
- la formulation d'opinions importantes sans présenter les données justificatives; et
- les spéculations quant aux conséquences de pratique professionnelle des lacunes quand l'examinateur n'a aucune connaissance directe de ces conséquences.

Gestion du risque et pratiques exemplaires

Les plus fréquentes sources de problèmes découlant d'un examen d'évaluation concernent les commentaires négatifs gratuits et le manque de preuves à l'appui des commentaires et conclusions; ces deux problèmes font ressortir un manque de communication et, parfois, l'incompétence.

Un examen d'évaluation n'a pas pour but de formuler des commentaires négatifs au sujet d'un autre évaluateur mais bien de faire l'étude d'un rapport d'évaluation et non de son auteur. Les commentaires devraient être émis dans le contexte « le rapport contient une erreur », plutôt que « l'évaluateur est incompétent ».

Examiner le travail de ses pairs et former une opinion crédible sur la qualité du travail d'un autre évaluateur requiert des compétences d'évaluation différentes. Certaines personnes sont mal à l'aise avec ce type d'affectation; mais l'examen d'évaluation peut être une spécialité enrichissante dans la profession d'évaluateur.

Une copie complète du **Bulletin d'excellence professionnelle sur l'examen d'évaluation** est disponible dans la Section des membres sous Pratique professionnelle/Ressources de pratique professionnelle/Bulletins sur la prévention des réclamations/Examen d'évaluation.

Note

¹ NUPPEC 7.29.1, définitions

Guide à l'intention du consommateur : Comprendre le processus d'évaluation

Par Allan Beatty, AACI, P.App et Nathalie Roy-Patenaude, AACI, P.App

Ce guide est conçu pour fournir des conseils et des directives aux consommateurs cherchant des services d'évaluation professionnels en choisissant un évaluateur accrédité. L'ICE encourage membres du public à engager des évaluateurs immobiliers possédant une solide association professionnelle, comme l'ICE, pour obtenir une évaluation indépendante de la valeur marchande de leur propriété. Les consommateurs peuvent

trouver des membres de l'ICE en cliquant sur Trouvez un expert en évaluation dans le site Web de l'Institut.

Comprendre le processus d'évaluation

Les membres de l'ICE sont engagés par une grande diversité de clients pour fournir une opinion professionnelle ou des services d'évaluation consultatifs sur la qualité, la valeur ou l'utilité d'une propriété donnée. Des évalua-

tions peuvent être requises pour presque tous types de propriété lorsque des biens immobiliers sont vendus, hypothéqués, évalués pour fins municipales, assurés ou développés.

Le guide porte sur les évaluations résidentielles, en mettant l'accent sur les évaluations demandées pour fin de prêt hypothécaire, l'une des principales raisons d'être d'une évaluation. Cette dernière est fréquemment associée à l'achat d'une propriété lorsqu'un nouveau

« Ce guide est conçu pour fournir des conseils et des directives aux consommateurs cherchant des services d'évaluation professionnels en choisissant un évaluateur accrédité. »

prêt hypothécaire est requis pour compléter la transaction. Les renouvellements d'hypothèque, demandes de ligne de crédit et prêts à la restauration sont également des circonstances nécessitant une estimation à jour de la valeur marchande, qui permet au prêteur de s'assurer qu'il possède des valeurs suffisantes pour le prêt hypothécaire.

Étapes du processus d'évaluation

L'évaluation des propriétés résidentielles dépend fortement d'une comparaison des propriétés récemment vendues à la propriété évaluée. Comme l'exercice consiste à estimer le prix auquel se vendrait probablement la propriété visée si elle était offerte sur le marché, les ventes récentes de propriétés similaires servent de comparaisons et de références. Les ventes comparables représentent ce que d'autres acheteurs informés sur le marché sont disposés à payer pour des caractéristiques, un endroit et des commodités comparables.

Comme deux propriétés ne sont jamais tout à fait identiques, l'évaluateur réunit les renseignements sur les ventes comparables et applique des ajustements au prix de vente réel de ces ventes afin de refléter leurs différences (endroit, caractéristiques et commodités) par rapport à la propriété visée. Le prix de vente ajusté de chaque vente comparable donne alors une fourchette raisonnable de valeurs pour guider l'évaluateur dans l'estimation d'une valeur marchande de la propriété visée.

Ce qu'on peut attendre de l'inspection d'une propriété

Le processus d'évaluation tient compte de plusieurs éléments, y compris les caractéristiques physiques de l'habitation ainsi que les déficiences ou détériorations. En plus de comprendre les forces dynamiques du marché immobilier, les membres de l'ICE possèdent des compétences

et des connaissances dans le domaine de la construction, qui sont essentielles à leur formation. Ils comptent également sur l'expertise des professionnels de l'industrie lorsque les caractéristiques des bâtiments sont plus complexes.

Qu'un consommateur ou une institution financière embauche un évaluateur pour évaluer votre maison :

- l'évaluateur fixera un moment qui vous convient pour faire l'inspection;
- il prévoira 20-40 minutes ou plus pour faire l'inspection;
- il recueillera le plus de renseignements possible durant l'inspection de la maison sur l'intérieur et l'extérieur de la propriété.

Les photographies sont une partie importante du rapport d'évaluation, car elles fournissent une représentation visuelle des données contenues dans le rapport. Les photographies extérieures sont importantes pour identifier clairement la propriété et ses caractéristiques. Il arrive que le client de l'évaluateur demande des photographies de l'intérieur de la propriété. Les consommateurs doivent se rappeler qu'en vertu de la *Loi sur la protection des renseignements personnels et les documents électroniques* (LPRPDE), l'évaluateur doit obtenir le consentement écrit ou verbal du propriétaire ou de l'occupant (si différent du propriétaire) avant de photographier l'intérieur de la propriété.

L'évaluateur doit en outre réunir les renseignements touchant les activités récentes survenues sur le marché relativement à votre maison. Alors que des renseignements publics sont souvent disponibles, l'évaluateur peut s'informer des inscriptions de la propriété ou des offres d'achat dans les 12 derniers mois, de même que toute vente de la propriété depuis trois ans.

Financer ou refinancer votre propriété

Qu'ils achètent une maison ou qu'ils refinancent la maison qu'ils possèdent, les consommateurs doivent savoir où le processus d'évaluation s'insère dans le processus de prêt hypothécaire et reconnaître les joueurs clés et le rôle de chacun.


Rénover votre maison

Il existe différentes raisons de vouloir rénover. Que le choix d'un style de vie ou un changement de situation familiale entraîne la nécessité d'autres rénovations pratiques ou que vous ayez simplement besoin de modifier ou protéger votre maison, planifier ces rénovations est essentiel. Le Guide répond aux questions souvent posées sur les meilleures façons d'augmenter la valeur d'une maison, suggère de simples rénovations très profitables et produit un bon rendement du capital investi dans les rénovations.

Engager un évaluateur accrédité de l'ICE – Points importants à considérer

Lorsqu'on engage un évaluateur accrédité, les paramètres de l'affectation d'évaluation doivent être fixés par écrit et convenus par les parties afin d'éviter tout malentendu ou travail supplémentaire requis pour amender le rapport d'évaluation. Le Guide décrit les modalités habituelles qui doivent être prises en considération à l'engagement et à l'instruction d'un évaluateur désigné.

Conclusion

Pour une évaluation complète de votre maison, vous devriez consulter un membre désigné de l'ICE (AACI, P.App ou CRA). Les propriétaires peuvent épargner temps, argent et déceptions en consultant d'abord un évaluateur de l'ICE. Une copie complète du **Guide à l'intention du consommateur : Comprendre le processus d'évaluation** est disponible sur le site Web de l'ICE sous Ressources à la clientèle/Trouver un expert en évaluation. 

Jurisdictional Exception: narrower than you think?

The rules in the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* prescribe minimum performance *Standards*.¹ However, an appraiser may depart from the *Standards* where the basis for a 'Jurisdictional Exception' exists.

Section 2.38 of *CUSPAP* provides the following:

2.38 JURISDICTIONAL EXCEPTION: permits the appraiser to disregard a part or parts of these *Standards* that are determined to be contrary to law or public policy in a given jurisdiction and only that part shall be void and of no force or effect in that jurisdiction.

Section 3.6.2 of *CUSPAP* describes 'jurisdiction' as relating to "the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government." For example, appraisals for expropriation purposes may involve hypothetical conditions and may require the appraiser to invoke the Jurisdictional Exception protocol (*Appraisal Standard Comment 7.12.4*).

Jurisdictional Exception arises frequently in the context of real property assessment and in matters of expropriation. *CUSPAP* makes specific reference to these two spheres of appraisal² and

"Jurisdictional Exception arises frequently in the context of real property assessment and in matters of expropriation."

also refers to another area that might not be readily apparent, namely, reports not prepared for public forums, but which could be released by law under legislation such as *Freedom of Information* statutes.³

An appraiser's ability to depart from *CUSPAP* on the basis of Jurisdictional Exception is limited to those parts of *CUSPAP* that are contrary to the law or public policy of the subject jurisdiction. Conformance to all other parts of *CUSPAP* remains a requirement.⁴ In an American case commenting upon the Jurisdictional Exception under the *Uniform Standards of Professional Appraisal Practice (USPAP)*, the court accepted the *USPAP* direction that "The purpose of this rule is strictly limited to providing a saving or severability clause to preserve the balance of

USPAP if one or more of its parts is contrary to the law or public policy of a jurisdiction."⁵

To illustrate the point, under the *Assessment Act*, R.S.B.C. 1996, c. 20, the improvements for certain classes of industrial property are valued according to a regulated costing manual, but the value of the land continues to be based upon the market value. Thus, the valuation exercise is bifurcated requiring an appraiser to adhere to the *Standards* when valuing the land component, but invoking Jurisdictional Exception for the improvements.

CUSPAP 3.6.2 puts the responsibility squarely on the appraiser for determining when Jurisdictional Exception is appropriate. In order to avoid misleading the reader and the intended user, it is necessary to identify those parts of *CUSPAP* that have been disregarded and the legal authority justifying the exception. *CUSPAP Practice Note 12.50* reinforces this requirement where it says that, when Jurisdictional Exception is claimed, the appraiser must be able to explain the basis for the claim – mere indifference in a particular jurisdiction as to whether the *Standards* are to be applied will not suffice to invoke the exception.

CUSPAP Practice Note 12.50.3 provides two circumstances for claiming Jurisdictional Exception:

- where legislation overrides the *Standards* rules, or

"An appraiser's ability to depart from CUSPAP on the basis of Jurisdictional Exception is limited to those parts of CUSPAP that are contrary to the law or public policy of the subject jurisdiction. "

"It is the appraiser's responsibility to determine when Jurisdictional Exception is appropriate."

- where assessment jurisdiction policy or the evidentiary procedures of the appeal process will not allow assessors to provide information required by the *Standards*.

An example of the former situation is where a jurisdiction mandates a determination of value based upon value-in-use.⁶ In a residential context, at least one jurisdiction requires an appraiser to value certain types of residences in their actual use regardless of the highest and best use.⁷

In the latter instance (policy or procedure), presenting an opinion of value without appropriate supporting data and analysis may or may not be appropriate for a Jurisdictional Exception. If a valuation tribunal makes orders

limiting the form of report or the requirement for production of supporting material, invoking the Jurisdictional Exception is appropriate. On the other hand, some valuation tribunals simply do not pay particular attention, or require adherence, to *CUSPAP*. This does not provide the basis for invoking Jurisdictional Exception.

In closing

Jurisdictional Exception is only applicable where part or parts of *CUSPAP* are contrary to law or public policy. It is not appropriate where the jurisdiction is indifferent to adherence to *CUSPAP*.

It is the appraiser's responsibility to determine when Jurisdictional Exception is appropriate.

When in doubt, seek direction from an appropriate legal advisor or the applicable tribunal regarding the specific requirements in your jurisdiction. 🏠

End notes

¹ *CUSPAP*, January 01, 2012, p. 1

² *CUSPAP* 7.12.4, 12.50

³ *CUSPAP* 12.40.8

⁴ *CUSPAP* 2.38, 3.6.1

⁵ *Berne Corp. and Others v. Government of the Virgin Islands*, 2003 262 F. Supp. 2d 540; 2003 U.S. Dist. LEXIS 8087; affirmed 105 Fed. Appx. 324, 2004 U.S. App. LEXIS 13241

⁶ *In re: The Majestic Star Casino, LLC*, 2011 457 B.R. 327; 2011 Bankr. LEXIS 3370

⁷ *Assessment Act*, R.S.B.C. 1996. c. 20, Section 19(8)

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Defending our professionalism

In August, an article written by Mike Holmes (Canadian professional contractor) was published in 11 newspapers across the country. The article referenced a consumer's experience with an appraisal done on their home and Mr. Holmes questioned the academic and technical qualifications required to become an expert-appraiser. He also questioned what he perceived to be the profession's lack of professional practice standards.

Although the article did not mention the appraiser's professional affiliation (Appraisal Institute of Canada (AIC) or any other appraisal organization), the AIC felt an obligation to respond to inform the public about the AIC's rigorous curriculum, education and applied experience requirements for achieving the distinguished CRA and AACI, P.App designations. We emphasized that our members have a professional obligation

to comply with the AIC's ethics and appraisal standards under the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*. Below is an excerpt from the AIC's letter to the 11 newspapers' editors, which is also available in the members Section of the AIC website.

"Mr. Holmes' article criticizes the appraiser without having seen the house, and goes on to say that the 'appraiser the bank

"The AIC felt an obligation to respond to inform the public about the AIC's rigorous curriculum, education and applied experience requirements for achieving the distinguished CRA and AACI, P.App designations."

hired couldn't support the loan.' In truth, the appraiser's professional and ethical responsibility is to provide an independent and unbiased assessment of the value of the subject property. While the homeowners in the article may be disappointed, it does not mean the appraiser was wrong.

"... the valuation of collateral is just one step in the loan process. In fact, all Canadian federally-regulated and non-federally regulated financial institutions have specific guidelines and policies for underwriting loans, which include, but are not limited to: (i) the borrower's ability to service their debts and to repay the loan; (ii) a thorough understanding of the market conditions; and (iii) the value of the collateral.

"Contrary to Mr. Holmes' assertions, construction skills and knowledge are fundamental to the training AIC members receive and our Continuing Professional Development programs regularly focus on new and emerging construction practices. Members also rely on the expertise of industry professionals where building characteristics are more complex."



In September, the AIC wrote to all four appraisal management companies (AMCs) to bring to their attention a number of issues raised by our members. The letter reiterated the rules of ethical conduct that come from the obligations that arise from being a profession and reminded the AMCs that AIC members are expected to:

- commit themselves to principles that reflect high standards of professionalism; and
- engage in conduct that will enhance their professional status, the reputation of the Institute, the profession, and the confidence and interest of the public.

What follows are some of the key concerns raised along with excerpts from the letter:

- **Quick turnaround times** – “. . . the pressures of increasingly shorter turnaround times make it increasingly difficult for our members to meet the *Standards* without compromising quality ...”
- **Requests for ‘limited time’ clauses** – “effectively undermine our members’ ability to effectively complete a proper market assessment and analysis of the data by asking them to ballpark the market value of the property, conditional to a 10% variance.”
- **Undetermined or unknown intended user** – “Under *CUSPAP*, in the report, the appraiser must identify the client and other intended users, by name or type. *To be determined* or *To be confirmed* is NOT compliant to the *Standards* . . .”
- **System limitations of AMC forms** – “Many of our members use the forms mandated by the AMCs; however, the system limitations imposed by the AMC forms make it difficult, and in some instances impossible, for our members to comply to *CUSPAP*.”
- **Withholding of relevant information** – “The voluntary withholding of key information raises concerns and questions as

“The AIC wrote to all four appraisal management companies (AMCs) to bring to their attention a number of issues raised by our members.”

to the validity of the mortgage application, risk of fraudulent lending activities, the owner or borrower’s awareness and understanding of the mortgage lending process, the professional and ethical business practices of our members’ clients.”

The letter outlined the *Standards* implications surrounding each issue and invited the AMCs, individually or collectively, to discuss with the AIC how business practices can be improved, all the while meeting client requirements and protecting the public interest.

At the request of the Real Estate Council of Alberta (RECA), on October 22, AIC President Dave Shum, President-Elect Dan Wilson and CEO Keith Lancaster met with RECA, the four AMCs and other industry stakeholders to discuss issues of mutual concern. Alberta is one of three provinces where appraisers are licensed and, as the regulator, RECA has sought to develop a better understanding of the evolving role AMCs play within the marketplace. Many of the issues and concerns raised in the AIC letter to the AMCs were discussed; RECA representatives provided context from

the regulator’s perspective. A number of RECA policies and regulations are currently under review and the meeting provided an opportunity for candid discussion among the key stakeholder groups. A copy of the AIC letter is available in the members Section of the AIC website under Advocacy and Government Relations Initiatives.

Finally, the AIC was invited to participate as a panelist at the Canadian Association of Accredited Mortgage Professionals (CAAMP) Fraud Summit in Toronto (October 11) and in Calgary (October 15), as part of CMHC’s session on Valuation Fraud. The AIC’s presentation walked the audience through an appraisal report, focusing on key areas where data can be misrepresented or manipulated. It also provided tips on mortgage and valuation fraud prevention, as well as key information to assist intended users in effectively reading and understanding an appraisal report.

With these two sessions, the AIC reached close to 325 industry stakeholders and extended an invitation to all in attendance to continue to engage the AIC and our members in discussions on valuation, particularly in the context of mortgage fraud. 🇩🇪

“With these two sessions, the AIC reached close to 325 industry stakeholders and extended an invitation to all in attendance to continue to engage the AIC and our members in discussions on valuation, particularly in the context of mortgage fraud.”



It pays to get peer reviewed

“As part of the recruitment process for becoming a Professional Practice seminar instructor (PPSI), I had to submit a work product for peer review. My peer review experience was great. The reviewer provided very specific points for improvements and distinguished between his comments related to things like Standards and his editorial opinion. I recommend peer review to everyone, whether you are in the public or private sector. I can see a day coming when all members will need to complete a peer review at least once or twice during a recertification cycle.”

– **John Peebles**, AACI, P.App, New PPSI

“Each and every peer reviewer is committed to providing constructive comments and suggestions to help fellow members improve their work product. They find providing peer review reports to be a rewarding endeavour – a sentiment echoed by the many members who have undergone peer review.”

– **Shelley Poirier**,
Professional Practice Coordinator, National Office

“You may feel an adrenal rush when you consider that an ‘outsider’ is going to review a report of yours looking for shortcomings, but it is worth it. Live a little. The comments improved ALL the reports leaving our firm.

“I don’t know who can’t afford this. It is free and takes none of your time. This is the most cost effective way to improve the quality of your firm’s reports because it addresses the appraiser’s particular areas for improvement.

“Who do you want to find your report weaknesses – a peer reviewer, or cross-examining counsel? You cannot get this kind of support anywhere else.”

– **Steven Thair**, AACI, P.App, New PPSI

“Operating an appraisal business in a sparsely populated region tends to influence the number of hours I spend writing appraisal reports. Most of my concerns relate to

appraisal methodology when comparable information is limited. I often ask myself: ‘What would another appraiser do in the same circumstances, with limited sales data and a unique property?’

“One might not approach a competitor with this type of question; however, I have submitted a report for peer review, and have been given answers to my questions. I found the experience unbiased and rewarding. The feedback was constructively critical with suggestions for improvements.

“Members submitting work product for peer review are eligible for **four to eight CPD credits per five-year cycle**, at no cost to me, the appraiser.

“I recommend peer review to all AIC fee appraisers. It is also a great learning tool for Candidate members looking for another designated member’s opinion of their work product.”

– **Linda Hastings**, AACI, P.App, Peer Reviewer 

UBC/AIC Certificate in Residential Valuation (CRV)

The Appraisal Institute of Canada (AIC) and UBC's Sauder School of Business Real Estate Division are pleased to announce the launch of a new Certificate Program leading towards the Canadian Residential Appraiser (CRA) designation. The UBC/AIC Certificate in Residential Valuation (CRV) will provide an educational program for residential appraisers that is similar in design to the successful Post-Graduate Certificate in Real Property Valuation (PGCV) that leads towards the AACI, P.App designation.

The CRV program presents a valuable opportunity for several reasons. First, it will give our members the additional benefit of an academic credential from a recognized university, as well as a professional designation upon completion of the CRA. Those who complete the CRV program can promote both the academic and professional designation together adding additional credibility to their professional services.

Second, given the fact that the vast majority of our CRA Candidates come to AIC with a degree and the two prerequisite courses already completed (*BUSI 100* and *BUSI 101*), the CRV will streamline the education program rather than duplicate course work. This is an important change, since potential Candidates often compare career alternatives based, in part, on the time and money they will need to invest to achieve their professional designation.

Finally, the CRV will provide students with an opportunity to select of one of two elective courses. This change reflects a successful component of the PGCV program and will present students in the CRV program with an opportunity to focus on either real property assessment or real estate business. This addresses the different needs of two key constituents in AIC – those working in fee and non-fee appraisal/consulting.



The new Certificate Program was endorsed by the AIC Board in June 2012 and is now moving through UBC's final approval process. The Certificate will be formally provided by UBC, with the UBC/AIC education partnership recognized directly on the Certificate. The anticipated date for final approval is late 2012, with the program's formal introduction in early 2013.

Although students currently working towards the CRA designation are eligible for the CRV, the CRV will not be issued retroactively to students who have already completed all courses currently required for the CRA designation. Admission to the program is based upon applicable post-secondary education.

The CRV prerequisites include:

1. university undergraduate degree completion (Canadian four-year degree/120 credits);
2. *BUSI 100: Micro Foundations of Real Estate Economics* (or equivalent); and
3. *BUSI 101: Capital Markets and Real Estate* (or equivalent).

The program comprises four core courses and one of two elective courses:

Core courses:

- *BUSI 112: Canadian Real Property Law and Real Estate Ethics;*
- *BUSI 330: Foundations of Real Estate Appraisal;*
- *BUSI 344: Statistical and Computer Applications in Valuation;* and
- *BUSI 400: Residential Property Analysis.*

Elective courses

(must complete *one* of the following):

- *BUSI 443: Foundations of Real Property Assessment;* OR
- *BUSI 433: Real Estate Business* (currently in development and pending UBC approval).

Refer to the UBC Real Estate Division website for further information pertaining to the UBC/AIC Certificate in Residential Valuation (CRV) program.

www.sauder.ubc.ca/Programs/Real_Estate_Division/Credit_Programs_and_Professional_Development_Courses/Appraisal_Institute_of_Canada

Spotlight on Continuing Professional Development

FEED YOUR FUTURE with CPD FRIDAYS



The UBC Real Estate Division continues its series of live, online *webinars* on Friday, December 7 from 9 am – 11 am Pacific time (12 pm–2 pm Eastern time). The webinars are two-hour presentations by expert instructors, in an interactive online classroom environment. 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.

Self-Study Course

Please note – a self-study version of each course is also available, with an archived version of the webinar presentation.

CPD 112: Real Estate Consulting: Forecasting

This course is the third in a series of CPD courses adapted from the UBC Real Estate Division's *BUSI 460 Critical Analysis and Forecasting in Real Estate* course. *BUSI 460* aims to widen the perspective of real estate professionals, fostering capabilities for offering high-level real estate advisory services. The 'big picture' goal is advancing beyond point-in-time valuation, by better focusing on clients' needs and helping them make high quality real estate decisions.

The *CPD 112 Forecasting* course specifically addresses how forecasting can be used

as a creative problem-solving tool. Various forecasting methods are introduced along with their specific application to real estate practitioners.

A great deal of real estate decisions are linked to demographic trends. Developing accurate demographic forecasts is a key success factor in analysis of trends in real estate markets. The *CPD 112* course also focuses on forecasting for both demographics and psychographics. Demographic analyses involve mathematical analysis, while psychographics is more a matter of studying social trends.

Examples and case studies are provided throughout the course, in order to demonstrate the practical application of demographic, psychographic, and market analysis in a real estate investment context.

CPD 113: Requests for Proposals (RFPs) – Winning Strategies

If you want to do real estate consulting or valuation work for government, you will likely be required to compete for this work via a request for proposals (RFP). Your chances of achieving this work, therefore, depend on your ability to respond to the RFP effectively. Preparation of RFP documents is both an art and a science.

If you are a professional real estate consultant or appraiser who has been discouraged from pursuing RFP opportunities,


then this course is for you. Our goal is to take the mystery out of RFPs, and increase your chance of success in seeking out RFP business opportunities. This course was written by highly qualified experts in RFP preparation, along with 'words of advice' from individuals who have submitted successful proposals.

The one consistent message we heard in preparing this course was the need to invest the necessary time and effort to prepare a quality proposal. Your proposal reflects on you as an individual and/or on your company. Therefore, it is essential that you prepare a quality submission that reflects your standards of work and professionalism. With this mindset, and with the information in this course, we anticipate readers will be in a much stronger position to develop their own winning proposals in response to RFPs.

Upcoming CPD Friday webinars:

- Friday, December 7, 2012
 - CPD 112: Real Estate Consulting – Forecasting
 - CPD 113: Request for Proposals (RFPs)

For more information on these and other UBC CPD offerings, please visit our website: www.realestate.ubc.ca/webinar or www.realestate.ubc.ca/cpd

See you online! 

Moving to a global position

Not so long ago, a friend asked me why the Appraisal Institute of Canada (AIC) takes such a strong interest in international work – “After all,” he said, “aren’t your members working only in Canada?” On the surface, it seems like a valid argument, but the truth is that, while many of our members work solely within their own provinces, a good many have expanded their scope of work in niche markets or specialties beyond their provincial borders, and, for some, the reach has become increasingly ‘international.’

Much has been said and written about the Canadian recovery from the 2008–09 global financial crisis. Unlike the United States and many European countries, Canada’s real estate markets have, in most areas, been resilient and recovered to pre-2008 levels. The structure and performance of our banking system, along with the strong federal oversight, have been globally recognized for their role in minimizing the financial impact on Canadians and foreign investors, and ensuring a timely economic recovery.

With diversification of assets used as an investment strategy to minimize risk and optimize return, the stability of Canada’s real estate market, supported by relatively stable economic fundamentals, continues to provide opportunities for domestic and foreign investors. International investment has been commonplace in key markets such as Vancouver, Edmonton, Calgary, Toronto and Montreal for a number of years; more recently, international investors are discovering opportunities in other Canadian cities and with a focus on a wider range of real property types.



Whether it is the regulators, our clients or stakeholders changing the rules, or the AIC updating its *Standards of Professional Appraisal Practice*, change is inevitable. With reference to **International Financial Reporting Standards (IFRS)**, one reason for change, cited by Paul Cherry, Chair of the Canadian Accounting Standards Board (AcSB)¹, is that “Canada cannot stand in isolation from the growing acceptance of a common financial reporting language. Capital markets have gone global and, with businesses increasingly making decisions in a global context, Canada is also moving to a global position.” These kinds of change represent great opportunities for AIC members.

International players considering investing in Canada need to know the fundamentals are sound – and knowing that the valuation of a real property asset is completed in compliance with globally and nationally recognized valuation standards is an important consideration.

The 2012 edition of the *Canadian Uniform*

Standards of Professional Appraisal Practice (the ‘Standards’ or CUSPAP) was developed with international standards in mind. It respects the expanding role of the valuation professional within the Appraisal Institute of Canada (AIC). Past President Paul Olscamp, AACI, P.App (Fellow) has actively represented the AIC within the International Valuation Standards Council (IVSC) and has brought that perspective to the work of the Standards Sub-committee.

With the advent of IFRS, the transition within Canada to *International Accounting Standards (IAS)*, and the continued interest from international investors in Canadian real property, the AIC has recognized the need for valuation standards that address emerging valuation requirements and diversification of the scope of work available to AIC appraisers. 🌐

End note

¹ *Canadian Property Valuation* magazine, Volume 52, Book 2, 2008

“International players considering investing in Canada need to know the fundamentals are sound – and knowing that the valuation of a real property asset is completed in compliance with globally and nationally recognized valuation standards is an important consideration.”

A day in the life – Part 1

How one CRA maximizes efficiency

Technology should be a means to an end. For me, that end is an increase in the quality of my work and the quality of the work experience.

In the span of my career, work product by AIC members has improved radically. Due in large part to changes in technology, the reports have become more detailed, better supported and better documented. The volume of information, the type of available data, the multitude of sources and the tools used to derive meaning from it all are staggering in the context of where some of us started. Having the skill to pull all this together has now become our accepted standard.

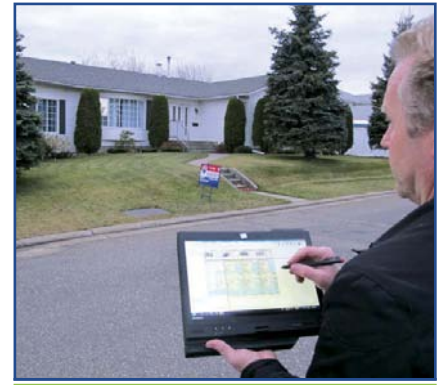
Some of the biggest technology changes to affect the appraisal world in the past few years have been with devices and systems that allow us to 'go mobile.' Over the next few columns, I am going to profile two appraisers who have taken a step beyond where most of us are currently. This first article will look at how a CRA in BC has eliminated the downtime in his day and taken the office into the field in a very reliable and simple way.

Darcy Finden is a CRA working in the residential, fee sector in Prince George, BC. Like many of our era, he started appraising in the typewriter days. "As I was entering, the last few assignments were actually handwritten", says Darcy. Soon after, residential appraisal

forms started becoming standardized and the typewriter gave way to DOS-based software programs – the computer age had begun and big changes were to follow.

Fast forward to the new century. Around 2005, Darcy accidentally discovered what was then called a slate – one of the first evolutions of the laptop that promised practical field mobility. It was a flat, relatively small device that, among other things, converted voice to text and could recognize handwriting. That started the wheels turning. Because of the limitation of the slate, he ended up with the more powerful **convertible tablet** – essentially a laptop with a lid that can be closed 'screen up.' With the power of a full PC, he had a compact device with an exposed screen he could write on and an accurate speech to text converter. "I can talk way faster than I can possibly ever handwrite," he emphasizes. Running a tablet version of Windows XP, any other software on the tablet could be accessed by touch or voice.

What this new hardware enabled was a smooth and almost seamless transition from the office to the field and back. Darcy is now on convertible tablet #2, with Windows 7. This machine is faster, has a sturdier solid-state hard drive, cellular internet and instant start up from sleep mode. It is now the only computer he owns and serves as his field device and office PC.



For Darcy, the appraisal process now looks like this. . . .

- A form report is started in the office by support staff and sent to the tablet via Dropbox.
- During the inspection, the form is nearly completely filled out. Using the stylus, the boxes are checked, fields are filled from drop down menus, notes are converted from handwriting and the photos are loaded directly from the camera's memory card.
- Back in the vehicle (his vehicle is equipped with a docking station with DC power and USB mouse), dictation fills in some of the longer text sections, and observations and other background information are recorded. Now, all but the direct comparison approach and conclusion are complete.
- By the time Darcy returns to the office, he

"Technology should be a means to an end. For me, that end is an increase in the quality of my work and the quality of the work experience."

“The efficiency gains allow him to spend more time where it is needed most – on the real core of the appraisal process.”

has a ‘roughed out report.’ By filling out the form in real time, he saves 30 minutes of transcribing per report. Back at the office, the direct comparison approach is completed, conclusions are made and the report is finalized.

Surprisingly, the sketch is still done on paper and clipboard. One of the few limitations of the convertible tablet, or iPad for that matter, is the weather and the environment. Rain, bright sunshine and freezing temperatures mean that exterior notes are started in the car and do not always continue until inside the house. But, since most residential appraisal software suites have a sketch or CAD program, he can draw the digital sketch in the house or in the driveway, allowing him to catch any measurement mistakes before he leaves.

Keeping track of multiple appraisals is all done naturally in the new workflow. “At the end of the day, you have four sets of photographs to sort out, four sketches, four sets of notes...it becomes a nightmare to keep them all straight. Do that three days in a row and now you have a problem,” he says.

With the new tablet as a complete computer system, if a client requires a rush,

“Leveraging modern productivity... can allow us to be productive and profitable, while continually pushing the evolution of product quality.”

an appraisal can be finished in the field. His full comparable database is on the tablet; access to MLS data, mapping, municipal websites – everything is available. According to Darcy, “I can verbally navigate around (the form) with both hands on the steering wheel. But, when you want to finish a job. . .you just pull over and do it right there.” If he is waiting on the highway at road construction, if the homeowner is late or Darcy has gaps between appointments, he has the option to keep working. The non-productive holes in the day are now gone and the repetition inherent in a paper note system is eliminated.

“All of this automation simply allows me to focus on the valuation section. . .the main and obviously most important section of the report,”

says Darcy. The efficiency gains allow him to spend more time where it is needed most – on the real core of the appraisal process. “I have time to enter the most recent sales data and analyze the active listings in the area and more importantly to ponder the state of the market and the valuation.”

While leveraging modern productivity tools will never bring us back to the speed of the one-page residential appraisal reports of the 1980s, it can allow us to be productive and profitable, while continually pushing the evolution of product quality. As our workplace evolves and we adopt new methods, our profession advances and our clientele benefit.

It is the end that we, as a profession, all strive for. 🇨🇦

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How to REALLY put clients first

Move beyond the cliché and change your business forever

While we pay lip service to the idea of ‘putting the customer first,’ few companies truly do. Often, we are so concerned with bottom lines, profit margins, and paying bills that we instinctively put ourselves first. As counterintuitive as it may seem, Joseph Callaway, who, along with his wife, JoAnn, is the author of the new book *Clients First: The Two Word Miracle* (Wiley, October 2012, ISBN: 978-1-1184127-7-0, \$21.95), says that anxious sense of self-preservation may be exactly what’s holding you back.

“When you *really* put the customer first, and put your own needs second, other things naturally fall into place,” notes Callaway. “Tough decisions practically make themselves. Since you’re no longer pitting the client’s needs against your own, relationships are based on transparency and honesty. People like and trust you, and referrals flow freely.”

Step One: Make the commitment

‘Commitment’ can be a scary word. It implies that you have accepted responsibility, that you are ‘locked in,’ and (sometimes) that you have given up an aspect of your freedom. For those reasons, most commitments should not be taken lightly. But, here is the good news: Because sincere commitments require you to step up and take a stand, they often lead to great things.

HOW-TO HINT: Give yourself a week to think it through before you decide. A no is better than a quick yes and a shallow commitment. Ask yourself: What will my life really look like when I put customers first? Will I have to work later, take client calls at home, or have conversations that veer into “personal” territory? If you don’t like what you envision, don’t make the commitment.

Step Two: Speak the commitment

Making the commitment won’t ultimately mean



much if you don’t share your intentions with others. Speaking your commitment gives you strength, and is instrumental in affirming (and reaffirming) to yourself what your goals are and why.

HOW-TO HINT: If you get a negative reaction when you speak your commitment, channel David Letterman. The late-night TV host often reads jokes from index cards. If one happens to fall flat, he simply flicks the card away. This flicking gesture protects him from rejection. If someone dismisses your spoken commitment (or worse, mocks it), make a flicking gesture and move on.

Step Three: Keep the commitment

“Clients First is something you must consciously recommit to every day,” Callaway affirms. “Remember, it’s usually not the big things that trip us up; it’s the little steps we miss. One day, you let an aggravating client get to you, for example, and the next, you’re pre-judging a walk-in. Eventually, keeping your commitment to Clients First becomes easier. It’s a habit that will become hardwired into your life. By that point, the benefits, rewards, satisfaction, and success will be rolling in—and you’ll be proud of the person you’ve become.”

HOW-TO HINT: Remember the Napoleon Hill story from his classic Think and Grow Rich. A miner worked a claim for years before eventually giving up and going back home. A few years later an amateur visiting the area found a pickaxe and

gave a promising wall a try. In less than an hour, he discovered one of the West’s richest strikes. Don’t stop Three Feet from Gold!

Step Four: Get yourself out of the way

When it comes to being successful, having a healthy ego can be a blessing and a curse. Yes, you need a strong sense of self in order to avoid being trampled on and marginalized by competitors *and* by clients. But, when you start to believe that winning, recognition, and accolades are ‘the point’ of what you do, you’ve veered off onto a destructive path.

“Your job is to be a champion for your clients, to solve their problems and find them satisfying solutions,” says Callaway. “It is **not** to be the most important person in the room or to put others down. When you take care of your clients first and foremost, they will take care of you through their loyalty and appreciation.”

HOW-TO HINT: Notice how often you bring the story around to yourself. Stop doing that. Many people think building rapport is a matter of finding a common interest. They then dominate the common interest discussion by talking about themselves. Don’t. This is a form of arrogance and it takes your focus off the client.

Step Five: Set the monkey down

Is there a monkey riding your back in the form of responsibility and pressure? If you’re like most people, you probably feel burdened with a myriad of worries, fears, and obligations. You assume that “it’s all up to me,” and you might even lie awake at night fretting over what isn’t right and what could go wrong. However, if you want to successfully care for your clients, you can’t be expending the majority of your mental energy on yourself.

HOW-TO HINT: Every time you find yourself fretting, do something for a client. Spend an hour solving

a client problem you've been avoiding. Connect one client to another who might be able to help him. Email him a link to an article you know would interest him. Worry thrives when you procrastinate and hand wring. Action is the antidote, so do something to back up your commitment to your clients.

Step Six: Put your faith in others

According to Callaway, this has two meanings: serving others and then letting others serve you. Serving others means separating the service you render from the paycheck you receive. Don't give your services away for free; just make sure that growing your bank account isn't your primary motivation. In other words, do your job because you genuinely want to help your clients, and don't worry about what you'll get in return. (You will probably find that your clients feel just as strongly about compensating you fairly!)

The second aspect of putting your faith in others, says Callaway, is allowing them to help you by delegating tasks or leveraging others' talents. No matter how good you are, you can't do it all. "When you trust others and give them the freedom they need to do their jobs, you'll usually be pleased with the results," he adds.

HOW-TO HINT: Practice going first. The next time you find yourself in a position to serve someone — a boss, an employee, a client — take the leap. Don't wait for them to do something for you. Don't think about what you're going to get in return. Don't ask yourself if the person 'deserves' it. Going first is a way of putting your faith into action. Your faith will be repaid.

Step Seven: Trust the truth

If someone accused you of not being honest, you'd probably react with something like: "How can you even ask that? Of course, I'm honest!" By most people's standards, you probably are. But, it's also likely that you aren't being completely authentic in the way you handle relationships and do business.

HOW-TO HINT: You know that thing you've been wanting to say for a long time? Go ahead and say it. Don't worry about the fallout. Bravely take the leap. You'll find that most people want the truth. Give it to them and you'll be joined together in a bond that never betrays.

Step Eight: Let the work be the reward

In the real world (and a tough economy), you can't always follow the popular graduation day advice and 'do what you love.' What you *can* do is choose to take pride in your work. When you consciously decide to put forth your best efforts, you'll experience greater rewards and you'll get better at what you do!

HOW-TO HINT: At least once a year, do something that will help you get better at your job. Maybe it's going to a seminar. Maybe it's asking the client how you can serve him better. Maybe it's shutting down your email so you can better concentrate on the task at hand. The better you get at what you do, the more rewarding it will be.

Step Nine: Learn to like people

Even if you already consider yourself to be a people person, chances are you still need to learn to like them more. Do you see clients as business opportunities and sources of income, or do you see them as human beings with likes, preferences, quirks, and stories? To truly put clients first, your number one goal at each meeting should be to invite them within arms' length and make them less of a stranger.

"People want to do business with individuals they like — and they like people who like them!" Callaway points out.

HOW-TO HINT: Every time you meet with a client, ask at least one question that has nothing to do with business. Ask about their kids or their favorite food, movie, or vintage car. The conversation will likely develop in a surprising direction. As you hear their stories and get to know their joys and sorrows, you'll start liking them. You'll also find it more natural to put them first as clients.

Step Ten: Turn it around

You, not the customer, are the expert on your business. But, that does not mean that yours is the only opinion that matters. You need to *turn your viewpoint around* and make a sincere effort to see yourself and your business as your client does.

HOW-TO HINT: Call up ex-clients and ask how they see your business. Assure them up-front that your goal is not to win them back, but rather to uncover

the truth about how you are perceived and what the customer really wanted from you. If you are willing to do this (and make no mistake, it's hard), you'll learn a lot about what needs to change.


Step Eleven: Give to get

We've all heard the expression, "The more you give, the more you get." While we understand its meaning when it comes to things like love, smiles, and kindness, how does it relate to business? Well, you can give your clients honesty, competence, and care, and hope to get those things back. But, if you give away your expertise, time, energy, and (gasp!) money, won't you go broke?

"Not necessarily," says Callaway. "I remember being very apprehensive about donating a large sum of money to build a Habitat for Humanity house as a Christmas gift for our clients. I thought I'd never see that money again. In the years since, I've learned that new clients chose us — and even that a bank gave us all of their foreclosures to sell — because they had learned of that donation. Now, you might not always give and get on such a large scale. But the principle works for all amounts of money, and it also works when you're giving over-and-beyond service.

"Understand that giving to get isn't like a financial transaction where you give and get right there and then," Callaway adds. "There is no up-front agreement on what you'll receive or when you'll receive it. It may take time. But, rest assured, whatever you give will come back to you with interest."

HOW-TO HINT: Look for something to give away. (And don't be cheap about it!) Whether you give free popcorn to moviegoers or a free grooming to pet boarding clients or a gorgeous framed print to your interior design clients, you make them feel special. This will keep them coming back.

"As you're implementing each step, remember that Clients First — like life itself — isn't so much a destination as it is a journey," Callaway concludes. "If you commit to it, Clients First is a path you'll be traveling for the rest of your life. It will fill you with pride, clarify your perspective, and promote your business's prosperity. Most of all, your clients will love you for it — and you will love them!" 

Orville D. Lim, AACI, P.App

Integrity is key for a Professional Practice Advocate



“The reputation and integrity of the Appraisal Institute of Canada (AIC) depends on the effectiveness of the professional practice process.”

The reputation and integrity of the Appraisal Institute of Canada (AIC) depends on the effectiveness of the professional practice process. In turn, that process depends on the dedication and effectiveness of its volunteers. As a Professional Practice Advocate for the Institute, Orville D. Lim, AACI, P.App is one of the linchpins in the process.

“One of the things I try to instill in the members with whom I work,” says Lim, “is that the process is beneficial to everyone.” The ability to regulate the affairs of members relating to professional conduct and competence not only keeps professional liability insurance affordable, but also – and even more importantly – promotes confidence and trust in accredited members of the appraisal profession.

Lim explains that the process is put into action when the AIC receives a written complaint from either a consumer or an AIC member. The first point of contact is the AIC’s Director, Professional Practice, who reviews the complaint and decides whether to dismiss it or act on it. Various forms of disciplinary actions can ensue, depending on the nature of the complaint. Matters within certain authorities are referred to the Counsellor, Professional Practice for review.

The Counsellor, Professional Practice can direct the member for peer review; recommend mediation between the complainant and the member; provide advice to the member; temporarily defer proceeding with the process; or refer the complaint directly to the Investigating Sub-Committee, the

“At every step of the process, there are plenty of opportunities to propose a variety of resolutions.”

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Special Investigator or one of the AIC’s two Professional Practice Advocates such as Lim.

Depending on the nature of the complaint and the seriousness of the breaches, the Counsellor, Professional Practice and the Chair of the Investigating Sub-Committee have designated authorities whereby they may impose a Practice Sanction on the member. “Invalid professional liability insurance, improper registration of Candidates in the Candidate Registry, and the absence of a required co-signer are all examples of complaints that fall into that category,” says Lim. A Practice Sanction may involve a fine, education, peer review, reprimand, or simply giving the member advice. However, if the member refuses to accept the Practice Sanction or any other recommendation from the Counsellor, Professional Practice or Chair of the Investigating Sub-Committee (ISC), the case is then referred to the Professional Practice Advocate.

“Sometimes members are receptive, and sometimes not,” notes Lim. It is important to note that at every step of the process, there are plenty of opportunities to propose a variety of resolutions. The member has the option to accept or reject a Practice Sanction Consent Agreement; in the event that the member would reject the proposed agreement, the case will be brought before the Adjudicating Panel for a hearing.

At the hearing, the Professional Practice Advocate represents the Institute. Fortunately, Lim has had considerable practice presenting arguments at hearings. He started his career in the mid-1970s with the BC Assessment Authority in the Property Assessment function at its Sunshine Coast

office in Sechelt. After a couple of years, he transferred back to Vancouver to take care of his elderly parents. His work included being an expert witness as well as an advocate for BC Assessment Authority at appeal hearings. “That was when I picked up the Downtown Vancouver portfolio including Chinatown and Gastown,” he recalls.

Eventually, his experience as the supervisor of commercial teams, combined with his knowledge of recreational properties from his Sechelt days, led to his covering the lower mainland as part of a hotel specialist team. A year or two before he retired, he had the opportunity to visit other areas – Kelowna, Prince George and Vancouver Island – to mentor and train other specialists in accommodation properties. “I got interested in sharing my experience and knowledge,” says Lim.

The combination of mentorship and advocacy made for a natural transition to the role of Professional Practice Advocate. “I enjoy helping members,” says Lim. “Any alleged violation of the *Canadian Uniform Standards of Appraisal Practice (CUSPAP)* jeopardizes the entire Institute and the integrity of its membership. I enjoy advocating for professional practice to members, helping them see the big picture and where they can improve

so as not to get into the same situation again.”

But, sometimes situations fall beyond the category of practice violations. In cases of gross incompetence, multiple complaints, serious or ethical violations and the improper submission of a complaint about another member, the member may be subject to a Conduct Sanction. When the Counsellor, Professional Practice or the Investigating Sub-Committee has deemed a Conduct Sanction appropriate, the case is automatically referred to the Professional Practice Advocate to requisition a hearing before the Adjudicating Committee.

At other times, the Investigating Sub-Committee refers a case to the Professional Practice Advocate when a member’s actions *may* be deserving of a Conduct Sanction. In this case, the Advocate reviews the complaint investigation report to decide whether the conduct is deserving of a Conduct Sanction, a Practice Sanction, or an outright dismissal. “In layman’s terms, I am the prosecutor,” says Lim. “It is the Professional Practice Advocate’s role to determine whether charges are valid, whether they are sufficient or insufficient.”

In keeping with the seriousness of the process, members are allowed to retain legal representation. “When a matter escalates

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“The entire process is undertaken under strict confidentiality and impartiality.”

to discussions with legal counsel, then it gets more challenging,” notes Lim, adding that, at that point, the case usually proceeds to a hearing. The Professional Practice Advocate has the option of representing the Institute without legal representation or retaining a lawyer for advice.

The Adjudicating Committee is composed of volunteer members, three of whom are selected to form a Hearing Panel to hear a case. After hearing the evidence from both sides, the Hearing Panel can decide to dismiss the complaint, put the case on hold (stay of proceedings), or impose Practice and/or Conduct Sanctions.

Disciplinary measures that fall under the category of Conduct Sanctions include censure (with or without publication) as well as suspension and expulsion from the Institute. The Panel can also recommend that

the Sanction include publication of the case as well as payment of costs. For a Practice Sanction, this involves a charge of \$500, while, in the case of a Conduct Sanction, the member can be required to pay costs of investigation, administration, adjudication and publication of the complaint.

“In communicating with the member, the situation can get tense,” says Lim. “After all, if it comes to expulsion and suspension, the member’s livelihood is at stake.”

The entire process is undertaken under strict confidentiality and impartiality. Mike Lee, also a volunteer Professional Practice Advocate for the Institute, is based in Ontario and deals mostly with cases related to members working to the west of that province. Lim, who lives in BC, generally handles cases from Ontario and eastward, but has included Prairie Provinces. “If we know

the member or are in a position of conflict of interest, we must recuse ourselves from the case,” he adds.


Because Lim worked mainly in BC’s public sector during his career, he knows very few of Canada’s fee appraisers, an advantage in his role as Professional Practice Advocate.

During his time with BC Assessment Authority, he performed many valuations on hotels and commercial buildings, some of them heritage buildings in Vancouver’s Chinatown. This led to his volunteering with the Chinatown Historic Area Planning Committee.

“After taking early retirement, I felt a need to continue giving back to my community,” says Lim. Today, he sits on the Vancouver Heritage Commission and volunteers as vice-president for a non-profit society that is trying to rehabilitate its 109-year old heritage building — after serving the maximum two consecutive terms as the president. Concurrently, he is a founding director of the Chinatown Society Heritage Building Association, involved in the rehabilitation of all of Chinatown’s non-profit society heritage buildings.

He also performs pro bono work and some selective consulting assignments, including capital asset portfolio valuations and property redevelopments.

As well, he has completed a couple of contracts with BC Assessment Authority to train/mentor hotel specialist appraisers and to resolve and/or assist on intricate hotel and other complex property appeals.

Through his ongoing work, Lim continues to hone the expertise he has developed over the years that serves him well in his volunteer efforts as a Professional Practice Advocate. 



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Market Extraction Method is not yet obsolete

Institutional properties are tough valuation assignments. Sales are scarce, the building design and construction is often unique, and rents are not common since these properties are almost always owner-occupied. Appraisers are often called to value institutional properties when the current use terminates and the property is vacant or converted to an alternate use. The Cost Approach is generally the prime appraisal method for institutional properties, given the lack of rents and scarcity of comparable sales. Measuring the loss in value from functional and external obsolescence can be the biggest challenge for these assignments.

In this article, I explore the use of the Market Extraction Method¹ to determine an overall obsolescence factor for an *institutional property*. The *Dictionary of Real Estate Appraisal*² defines institutional property as *Property of a public nature owned and operated by the government or a non-profit organization*. Common examples are places of worship, public and private schools, university education and research facilities, health-care facilities, conference centres, and museums.

The *Appraisal of Real Estate* provides several methods or tests to identify and measure forms of obsolescence: income analysis, paired sale analysis, and market extraction methods. Since institutional properties are rarely rented and paired sales are virtually unknown, the Market Extraction Method is an important analysis tool. In this method, the reproduction cost new (RCN) of the property being appraised is compared with similar, or benchmark property sales, adjusted for site value.

Before examining this method in detail, a brief refresher is in order on the two forms of real estate obsolescence: functional and external. Functional obsolescence is about the

efficiency of the improvements to continue to perform the use identified as the highest and best use, the most reasonable, probable, profitable use. Building design, building systems and materials are constantly evolving and improving. In some cases, the same level of productivity can be delivered from a smaller, modern building. All of the inefficiencies associated with older, outmoded improvements that measurably impact property value contribute to functional obsolescence. In contrast, economic (also called external) obsolescence is about external, macro-economic forces that impact the value of real estate. Some of these forces are changes in labour costs, local industry competitiveness relative to other regions, over-capacity in the industry, consumer tastes, population shifts, changes in transportation networks, and competition from new products and technologies. A cautionary note; it may be possible to clearly identify property functional versus external obsolescence issues. However, the task of distinguishing the value impact of these two factors will be difficult – there is a risk of double counting depreciation.

The steps in the Market Extraction Method are as follows.

Step 1

Determine the reproduction cost new (RCN) of the subject property.

Step 2

Identify sales of benchmark properties, determine the total physical depreciation of each benchmark sale at the sale date, and estimate the contributory land value of the sale.

Step 3

Deduct the estimated land value from each benchmark sale price to arrive at the residual value contribution of the improvements. This amount represents the **total depreciated value** of the improvements, including all forms of depreciation.

Step 4

Add the estimated residual improvement value and physical depreciation for each benchmark (at the sale date) and deduct this amount from the benchmark RCN.

Since institutional properties are rarely rented and paired sales are virtually unknown, the Market Extraction Method is an important analysis tool.

The premise that each form of depreciation can always be clearly identified and allocated is unrealistic, especially for institutional properties.

The difference between the RCN of each benchmark and the sum of the residual improvement value and physical depreciation at the sale date is the remaining depreciation attributable to all forms of **obsolescence**.

The obsolescence estimate can be expressed as a percentage of the benchmark RCN.

Step 5

Reconcile the obsolescence percentage outcomes from the Market Extraction analysis to arrive at a supportable obsolescence adjustment for the subject property.

Step 6

Apportion the obsolescence estimate into functional and external components. Refer to the *Appraisal of Real Estate* for methods of apportioning obsolescence. Apply the percentage adjustments to the RCN of the subject property through the Cost Approach and communicate the limitations of the analysis to the intended user(s).

Market Extraction is a logical and appealing *appraisal model*³ to forecast functional and external obsolescence. Yet, the premise that each form of depreciation can always be clearly identified and allocated is unrealistic, especially for institutional properties. In many scenarios, the Extraction Method will end at Step 5, meaning functional and economic obsolescence must be treated as a combined value impact.

Our case study is a former retirement residence and retreat for a religious order. The property,

located on 15 acres in suburban Victoria, is similar in design to an assisted living facility. The two principal buildings are designed with two levels of accommodation, common dining areas, commercial kitchens, recreation and lounge space, a connecting chapel, and other support facilities. The two principal buildings were constructed in 1966 and 1982. The total gross building area of both buildings is about 63,000 ft². Given the decline in residents at the residence over the years and rising operating costs the church decided to divest the property. There is a post-secondary institution that is interested in acquiring the property and potentially adapting the improvements for education use. Let's assume you have been engaged by the parties to determine the market value of the property for negotiation of a sale price.

Your appraisal process begins with a site and improvement analysis. The property is an attractive treed acreage located in a desirable higher income suburban neighbourhood near the university. The site is irregular in shape, with moderately level terrain and frontage on three public roads. The existing site area coverage of the improvements is low – about 10%. The current improvements require a site area of about 10 acres, meaning ± 5 acres are surplus and may have potential for additional development. However, the zoning restricts the use to a range of personal care uses, including the current use – assisted living. Any attempt to change the zoning would require long-term discussions and buy-in from a very strong and

vigilant local community association and local residents.

An improvement analysis reveals that there are a number of functional issues associated with the building design (small accommodation rooms with limited ensuite facilities), inefficient HVAC, and other obsolete features. These issues are incurable – meaning the cost to correct the design problems and modernize the improvements is significantly greater than the corresponding increase in value. However, the building envelope is in good condition and the improvements continue to have remaining economic life for their intended use. The improvements may also be impacted by external obsolescence. According to your research, fewer faith communities are developing care facilities for their members due to the high capital cost, complexity of government licencing, and need for specialized expertise to operate lodging, food, and care services for the residents. The facility does not meet current design and accommodation standards for residential care facilities. It is unlikely that an established assisted living operator could be secured to purchase the property and upgrade the facilities to ensure profitable operations.

The next step is to take into account your investigation of the zoning, site and improvements to determine the property's highest and best use. You conclude that the current assisted-living use is the only probable and legal use in the short-term. However, there are other long-term options to be considered. Viable institutional uses that permit the property to be maintained as an intact 'green' acreage may be supported by residents. Two Institutional uses that residents may support are keeping most of the site intact and conversion of the improvements to private school use or post-secondary student housing and education associated with the nearby university. It may be possible in the long-term to develop the five acres of surplus land with higher end housing consistent with the neighbourhood development. However, there are no plans before local government and the local community for alternative uses. Any use other than the current legally permitted use would be speculative.

You conclude that the highest and best use conclusion is a continuation of the current use with some possibility of low-density housing in the long-term. You also conclude that it is probable that a potential purchaser would recognize the property's functional and economic obsolescence in negotiating the purchase price. The next step is the valuation analysis.

The Cost Approach and Direct Comparison Approach are both appropriate valuation methods for this assignment. Since our goal in this article is measuring obsolescence, we focus on the Cost Approach. Assume that the land value has been estimated at \$8.1 million through comparative land sales analysis. The RCN of the improvements has been estimated at ± \$16 million, relying on commercial manual costs and advice from contractors. After accounting for the different effective ages of the two principal improvements, the depreciated improvement value is estimated at \$11,420,000. The next step is to account for the impact of functional and economic obsolescence with the Market Extraction Method.

This analysis begins with the identification of benchmark institutional property sales in the region. Ideally, these sales should be representative in size and construction relative to our subject property. The reality is very different. Your investigations confirm that sales evidence is limited and the few potential benchmark sales have unique design and use. All of the benchmark institutional property sales are located in the Greater Victoria area. These sales have occurred over an extended time frame – meaning different market conditions. The icing on the cake is that most of the benchmarks are court ordered sales.⁴ On the positive side, you have file information on these properties through previous valuation work, listings, broker documents, and other reliable sources. Each benchmark has notable examples of obsolescence. You can revisit your files to update the costs for these benchmarks at the property effective sale dates.

The first benchmark is the dated sale of a large private sports facility near the University of Victoria. At the date of sale, the facility included tennis courts, gym, outdoor pool, and an ice rink. The property, in receivership, sold to a well-known



BENCHMARK 1 – Private recreation complex

A Determine depreciated value of improvements at sale date

Construction date	1966	% of RCN
Sale date	October 1986	
RCN at sale date	\$5,422,000	
Physical depn at sale date	\$1,832,636	33.8%

B Identify the residual value to the improvements at sale date

Sale price	\$1,970,000	
Land value	\$1,250,000	
Residual to improvements	\$720,000	13.3%

C Determine the remaining depreciation from obsolescence

Obsolescence estimate	\$2,869,364	52.9% of RCN
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The purchaser resold the recreation centre to the University of Victoria after improvements to the sports facilities and the addition of new instructional-office space. It was necessary to establish a new replacement cost base.

BENCHMARK 2 – Resale of recreation complex

A Determine depreciated value of improvements at sale date

Construction date	1966	
Sale date	Summer 2000	
RCN at sale date	\$8,045,000	
Physical depn at sale date	\$2,532,000	31.5%

B Identify the residual value to the improvements at sale date

Sale date	October 1986	RCN
Sale price	\$4,325,000	
Less land value	\$2,870,000	
Residual to improvements	\$1,455,000	18.1%

C Determine the remaining depreciation from obsolescence

RCN – phys. depn – residual imp.	\$4,058,000	50.4% of RCN
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BENCHMARK 3 – Sale of a boutique resort (not operating)

A Determine depreciated value of improvements at sale date

Construction date	1990	
Sale date	September 2011	
RCN at sale date	\$6,884,000	
Physical depn at sale date	\$2,065,200	30.0%

B Identify the residual value to the improvements at sale date

Sale price	\$3,100,000	
Less land value	\$3,575,000	
Residual to improvements	-\$475,000	



BENCHMARK 4 - church and care home sale

Step 1 Determine depreciated value of improvements at sale date

Construction date	2009	
Sale date	October 2012	
RCN at sale date	\$22,000,000	
Physical depn at sale date	\$1,100,000	5.0%

Step 2 Identify the residual value to the improvements at sale date

Sale price	\$11,500,000	
Less land value	\$2,613,600	
Residual to improvements	\$8,886,400	40.4%

Step 3 Determine the remaining depreciation from obsolescence

RCN - phys. depn - residual imp.	\$12,013,600	54.6% of RCN
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local private school. In the second case study, this property was resold to the adjacent university. The percentage of the facility RCN associated with obsolescence in both cases is in the order of 50%.

The next benchmark is the sale of a non-operating 1990s-era boutique resort. This 35-room lodging property is located north of Victoria at the summit of Malahat Drive. While not an institutional property, the location and unique design of the resort make it a limited market property worthy of research. The very scenic location, combined with luxury accommodation and three-star food services, initially contributed to successful operations. However, the resort failed financially after the 2008 global economic recession and was eventually closed and placed in receivership.

Since this property sold through court order for an amount less than the land value, we stop at step B. In this extreme example, our Market Extraction Model provides little guidance, since the market has attributed no remaining value to the improvements.


Benchmark 4 is a more contemporary example of an institutional facility with some similarity to the subject property. This benchmark is a combined church, conference centre, and assisted living facility located in Sidney, BC. The property represents a unique project funded partially by the faith community, local investors, and secondary lenders. While the concept initially appeared viable, this 82,000 ft² project was underfunded and the church failed to acquire the necessary residents for the care component of the property. The property was sold through a court order for a significant discount. The indicated obsolescence factor for Benchmark 4 is about 55% of the improvement RCN.

The range in obsolescence estimates is roughly 50% to 55% of RCN, excluding Benchmark 3, the boutique resort. Since the market data to support allocation of obsolescence between functional and economic factors is not available, our next step is to reconcile our benchmark indicators. The combined church – retirement residence is the most recent benchmark and is most similar in construction and design relative to the subject. The church and the subject property are both unoccupied.

Giving most weight to the church – retirement residence benchmark, the overall obsolescence factor is 55%. We now have a factor to apply in the Cost Approach after accounting for physical depreciation. A simplified Cost Approach is presented in the *Cost Approach – Subject Property* summary table. Note that the 55% obsolescence factor is applied to the estimated RCN of the subject property.

SUMMARY

What can we conclude about the strengths and limitations of our Market Extraction case studies? First, this method provides more direct market evidence of obsolescence and is more convincing than an arbitrary guestimate based on one’s general experience. However, there are limitations to the obsolescence analysis that should be disclosed to any intended user of an appraisal or consulting report. First, this analysis is notional in nature, since it involved several transformations of market information – a process that buyers and sellers may not rely on when arriving at a negotiated sale price. The second issue is the unique nature of each benchmark property and conditions of sale. For example, Benchmark 3 is an example of the industry specific nature of obsolescence. The market dynamics of the resort accommodation industry are very different than the not-for-profit assisted living sector and other types of institutional properties. The rural location of the boutique resort, poor outlook for resort properties, and high risk in acquiring a closed lodging operation were factors that contributed to the low sale price. Our last point is to be careful with court ordered sales. While the court may direct that the property be marketed in an orderly and open sale process to ensure multiple offers, there is often a stigma or intangible value impact associated with these offerings. In the case of Benchmark 4, a court ordered sale, the purchasers still paid a substantial amount for the property – well in excess of the underlying land value.

Those who would like to further explore techniques for estimating functional and economic depreciation can refer to the short reading list at the end of this article. 

There are limitations to the obsolescence analysis that should be disclosed to any intended user of an appraisal or consulting report.

Cost Approach summary – Subject property

Land value estimate		\$8,100,000
RCN of improvements	\$16,000,000	
Less physical depreciation	\$4,580,000	
Less obsolescence at 55% of RCN	\$8,800,000	
Depreciated value of improvements	\$2,620,000	
Plus depreciated value of site improvements	\$50,000	\$2,670,000
Total market value		\$10,770,000

END NOTES

- ¹ Appraisal Institute of Canada, *The Appraisal of Real Estate: 3rd Canadian Edition*, 2010, p.19.34.
- ² Appraisal Institute, *The Dictionary of Real Estate Appraisal: 4th Edition*, 2002, p. 147.
- ³ A Model is our attempt to represent reality, in this case the behavior of participants in real estate markets, to forecast outcomes. A depreciation model is our attempt at predicting the reduction in value that a purchaser would assign to property improvements associated with various forms of depreciation.
- ⁴ We will revisit these limitations at the end of our analysis.

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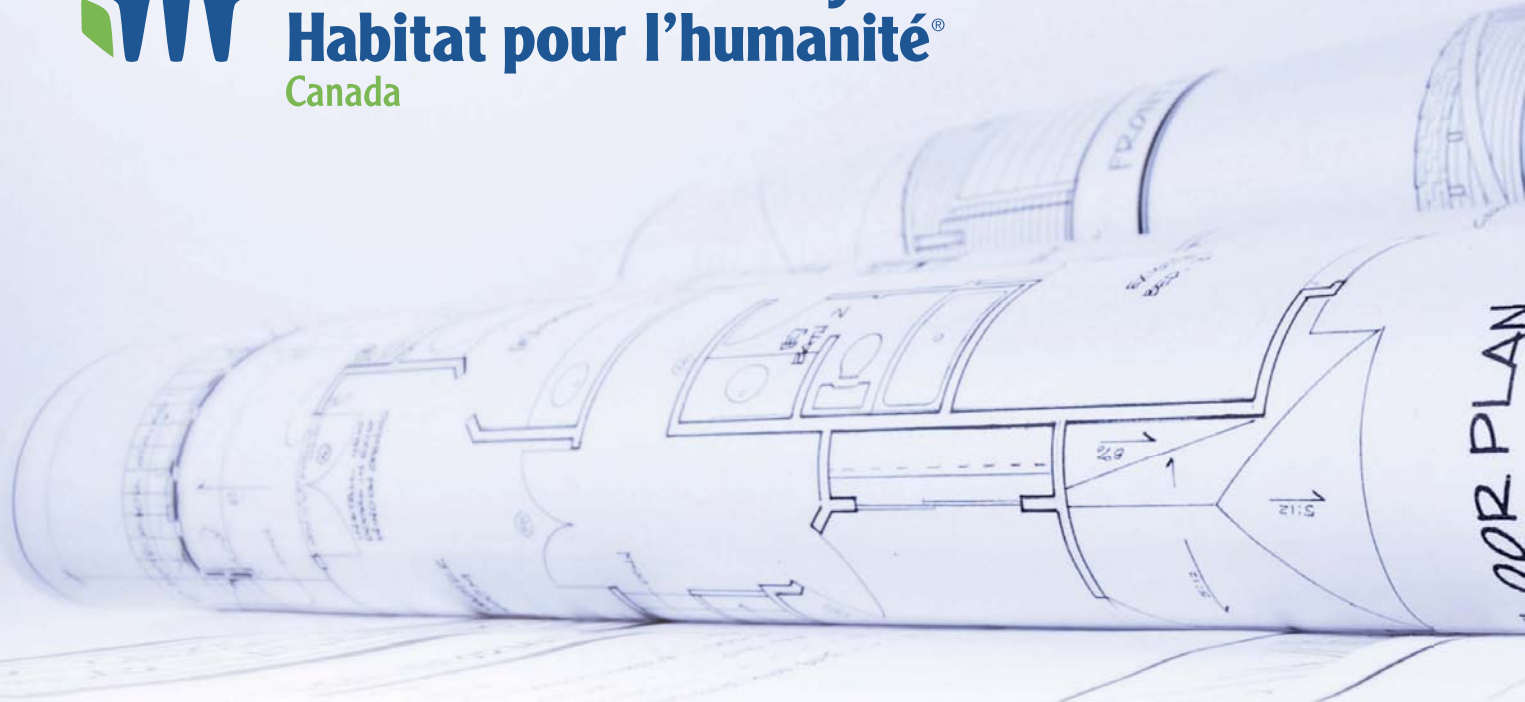
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Habitat for Humanity®
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Members building together offers many benefits



In August 23, a group of Nova Scotia Appraisal Institute of Canada (AIC) members volunteered their time to help build a house in Halifax for Habitat for Humanity Canada. “We had fun working together, while making an important contribution at the same time,” recalls Rick Colbourne, the AIC director for Nova Scotia.

The AIC’s charity of choice, Habitat for Humanity Canada, is dedicated to providing low-income Canadian families the opportunity to own a safe, decent and affordable home. The organization uses volunteer labour and tax-deductible donations of money and materials to reach these goals. Investing 500 hours of their own sweat and equity, homeowners receive an interest-free mortgage. Since 2009, the Institute has donated more than \$30,000 to Habitat for Humanity.

At a national Marketing and Communications Committee meeting earlier this year, AIC Confer-

ence and Meeting Planner Kevin Collins suggested participating in a build to raise the profile and step up the Institute’s contribution. “I offered to take the idea back to our local membership to see if they were willing to support it,” says Colbourne, who sits on the committee. “We are hoping we can eventually get all AIC provincial associations involved.”

He received immediate support for the idea from the NS executive and the project was announced in June at the AIC’s National Conference. “I sent out the information and mustered the troops,” recalls NS Executive Director Davida Mackay, adding that she also contacted the local Habitat for Humanity chapter to sign up for a build. “We had a lot of members interested, but, as the only available time was in August, several people had to bow out due to vacation plans.”

On a warm summer day, a group of 10 arrived at 8 a.m., ready to work on the side-by-side being

built for two local families. There was a good mix of people, with volunteers from across the city as well as from Kentville, an hour out of Halifax. Fee appraisers worked shoulder to shoulder with non-fee appraisers and Candidates. A former AIC member, Colbourne’s wife, and three local high school students rounded out the team.

Because each build has a specific timeline, the type of work required depends on how far construction has progressed. Some of the other groups involved in the build included KPMG, Manulife and Emera.

Depending on the type of work involved, Habitat for Humanity may offer some advance training. In every case, safety is paramount and all appropriate equipment – such as hard hats, safety gloves and steel-toed boots – is provided. “Those interested in participating need not hold back because they think they might not have the skills,” says Colbourne. “Everyone has a skill,



whether they realize it when they first get to the jobsite or only by the time they leave.”

At the Halifax build, the NS AIC group focused on insulating the ceilings. They performed some minor landscaping, cleanup, deck-work and caulking, while waiting for the fiberglass batts to be delivered. The group split into two teams, each concentrating on one side of the duplex.

Insulating around the windows and doors proved to be quite an adventure. “Apparently, on the other side of the house, they were going through the caulking like nobody’s business,”

laughs Mackay, recalling the look on the Habitat supervisor’s face when he realized that an entire case had been used. “Nobody needs to worry about air leaks in that house!”

As soon as the batts arrived, the division of labour evolved fairly quickly, with the height-averse volunteering to do the cutting, taller people handing insulation up to the ceiling, and the more nimble climbing into the rafters. “The teamwork was one of the most impressive things,” says Colbourne.

He adds that, with this first build, Nova Scotia has thrown down the gauntlet for all AIC associa-

tions and affiliates across the country. “I would love to see another group rise to the occasion,” he says. “It would be great if we could roll it right across Canada, from one coast to the other, then start all over again.” 🇨🇦

Note: If you or a group of your appraisal associates are interested in getting involved with a Habitat for Humanity project in your area, please contact Kevin Collins at kevinc@aicanada.ca

AIC designations granted / Désignations obtenues de l'ICE

The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the AIC, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period July 19, 2012 to October 26, 2012: *L'Institut canadien des évaluateurs (ICE), en collaboration avec les associations provinciales et les organismes provinciaux affiliés à l'ICE, félicitent les membres suivants qui ont complété le programme rigoureux d'accréditation à titre de membre désigné de l'ICE durant la période du 19 juillet, 2012 au 26 octobre, 2012 :*

AACI, P.App

Accredited Appraiser Canadian Institute

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

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

ALBERTA

Victoria Arista
Christopher Nicholas Kroker
Edwin Lee
Rachel Rothery

BRITISH COLUMBIA

Janet Yat Ping Au
Nolan Alexander Rivers

INTERNATIONAL

Tania N. Wardle

MANITOBA

Astrid De Bruyn
Willson A. Shih

NEW BRUNSWICK

Curtis Vincent Dixon

ONTARIO

Aaron Harlang
Andrew Nathan Love
Brian Anthony
McDonald
Michael J. Parsons
Luca Pasquali
Matthew Van Huizen
Prakash Venkat

SASKATCHEWAN

David A. Fortier

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

Terry C. Gould
Jeffrey Douglas Schroeder

BRITISH COLUMBIA

Kyle Inchea Song
Leo Zhao-Xue Su

MANITOBA

Joel Berard

NOVA SCOTIA

Derek S. Bellefontain

ONTARIO

Zeeshan Ansari
Luba O. Cargill
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Ryan LeBreton

Leslie D. Lee
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PRINCE EDWARD ISLAND

Simon Moore

SASKATCHEWAN

Lorne Albertson
Sandy Antonini

Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period July 19, 2012 to October 26, 2012:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 19 juillet, 2012 au 26 octobre, 2012 :

ALBERTA

Courtney Bell
Sherry Cartwright
De Dai
Alice Dale
Vincent Ken Gervais
Mark Giampa
Michael Minard

BRITISH COLUMBIA

Chrissa Kristine
Anagnostopoulos
Matthew T. Andrews
Michael Bose

Steven R. Caldecott
Brad Owen Davis
Brian Gay
Peter Gibson
Maryam Hassanian
Mariana Janusic
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Robbie Rajinder Mattu
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Yean Khiong Siau
Tenhon Tran

Corrine Lee Ann
Treasure
Wesley Yu
Eric Yuen

MANITOBA

Christopher T.
Marchand
Armohan Singh

NEW BRUNSWICK

Anca Reid

NEWFOUNDLAND & LABRADOR

Mike Barry

NOVA SCOTIA

William Boyles
Ryan Fraser

ONTARIO

Paulette Louise Barnes
Bojan Bijelic
Jeffrey Cheong
Wayne Cryderman
Lisa Downs

Andrea Edsall
Daniel Fama
Fardin Feizi
Sofia Ganni
Catherine Gulliver
Matthew Hill
Mark Isherwood
Kristen Ivinac
Vadess Johan
Matt Koskinen
Alexander L. Lee
Andrew Markham
Teresa Martin

Aziz Abdiladif
Mohamed
Mugur Padure
Robert J. Patterson
Michael Rix
David Ross
George P. Tsialtas
Shahid Uddin
Eric Visser
Erin Westhoff

SASKATCHEWAN

Leanne McLeod
Karlo Simonson

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 joindre cette catégorie de membre.

ALBERTA

Paul Christensen
Amanda J. Ravoy

BRITISH COLUMBIA

Curtis M. McGrath
Helena Huan Ran Zhang

MANITOBA

Simardeep S. Khanijo
Stephen A. Laubenstein

ONTARIO

Alexandre Belokoskov
Olen Boynton
Corrie Denomme
Amie Katherine Duquette

Clair Elise Farmer
Paul Ferraro
Brett Leaf
Jasna Vukojevic

QUEBEC

Ralph Mefleh

SASKATCHEWAN

Danielle A. Gates

CRITICAL DATES

December 31, 2012

Deadline for meeting your minimum requirement of six CPD credits per year

December 31, 2012

Final date for completion of 60 credits for current five-year CPD cycle. This includes 14 CPD credits for the mandatory Professional Practice Seminar.

January 15, 2013

Deadline for payment of insurance premiums – renewal notices will be issued by Integro in November.



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 their 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 Kuhl, Candidate, Calgary, AB

John Weisgerber, AACI, P.App, Edmonton, AB

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Calendar of Events

AIC	2013 Annual AIC Conference Theme: Harnessing the Energy Dates: June 6-9 2013 The Westin Calgary, Calgary, Alberta Keynote Speaker – David Chilton, author of <i>The Wealthy Barber</i>	ON	Professional Practice Seminars November 30 & December 1 London December 7 & 8 Mississauga December 14 & 15 Toronto Power of Sale and Foreclosure (Basics for Real Estate Industry members) December 11, 2012 (9:00 am – 4:00 pm) Novotel Hotel, 3670 Hurontario, Mississauga \$75.00 + HST Credits: 6 For information or to register please log onto www.aicanada.ca under Provincial Site Click Ontario – Events, or contact info@oaaic.on.ca 416-695-9333
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AB	Professional Practice Seminar November 30 & December 1, 2012 Edmonton For information, go to the Events section of our website: http://ab.aicanada.ca or email us at aic.alberta@shawlink.ca or call 403-207-7892	NB	For information please contact Jennifer Nemeth-MacArthur at nbarea@nb.aibn.com or check www.nbarea.org
SK	For information contact Marilyn Steranka at skaic@sasktel.net or 306-352-4195 or check http://saskatchewan.aicanada.ca	NS	Christmas Reception December 13, 2012 4:00 pm – 7:00 pm Park Place Hotel & Conference Centre, Dartmouth For information contact Davida Mackay at nsreaa@nsappraisal.ns.ca or 902-422-4077 or check http://nsreaa.ca/
MB	Professional Practice Seminar November 23 & 24, 2012 AIC Manitoba Holiday Luncheon December 10, 2012 Amicis at Niakwa Golf Course For information contact Pamela Wylie at mbaic@mts.net or 204-771-2982 or check http://manitoba.aicanada.ca	PE	For information contact Suzanne Pater at peaic@xplornet.com or 902-368-3355 or check http://pe.aicanada.ca
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