



Canadian Property

# VALUATION ÉVALUATION

Immobilière au Canada

PUBLICATION OF THE APPRAISAL INSTITUTE OF CANADA

VOLUME 55 | BOOK 1 | 2011



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- ▶ Education and experience program set career stage
- ▶ Promoting our profession in the community
- ▶ Enhancing global recognition
- ▶ Benefits of volunteering

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REAL VALUE EXPERTS | EXPERTS EN ÉVALUATION





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| 3 x 16                | C1382747 / 23    | C1689784         |
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| 126400                | 121500           |                  |
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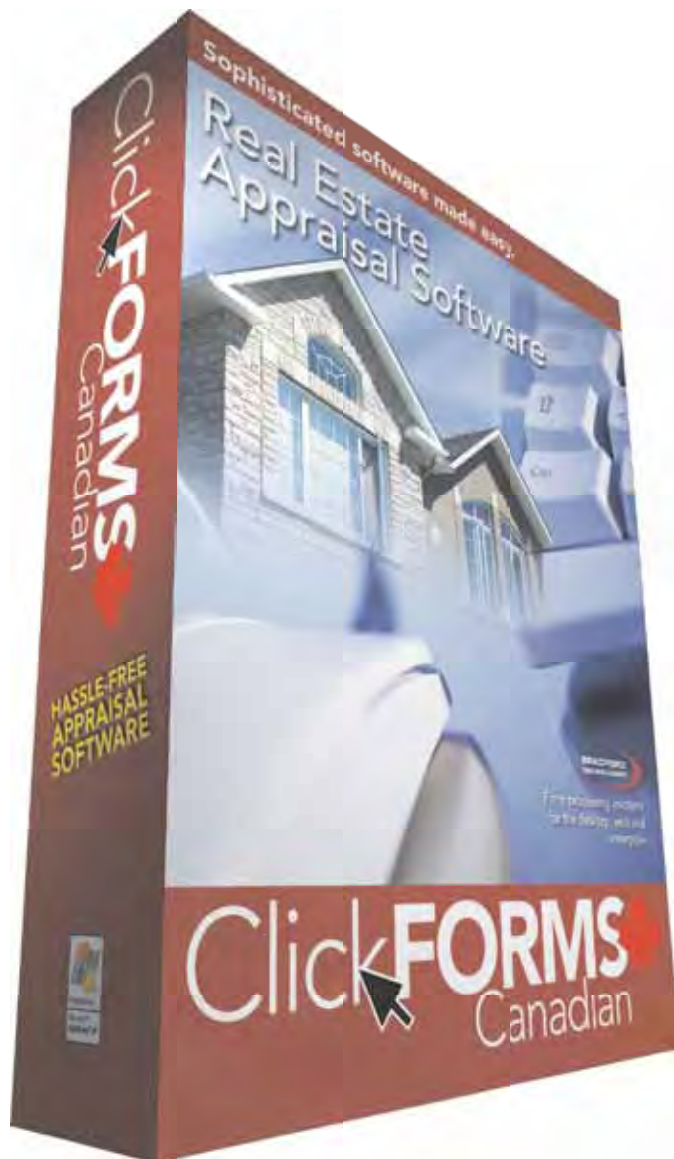
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403-200 Catherine Street,  
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Phone: (613) 234-6533 Fax: (613) 234-7197  
Web site: [www.aicanada.ca](http://www.aicanada.ca)  
Contact us at: [info@aicanada.ca](mailto:info@aicanada.ca)

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Advertising Co-ordinator: Lauren Campbell

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# Annual Conference

## OF THE APPRAISAL INSTITUTE OF CANADA



Moncton, New Brunswick  
Delta Beauséjour Hotel,  
June 8-11, 2011

This year's Annual Conference takes place June 8-11, 2011 in Canada's jewel of the eastern coast – Moncton, New Brunswick. The Moncton Organizing Committee, led by Mathieu Maillet, AACI, is eager to share the region's rich cultural history. Did you know that the area now known as Moncton was once an early Acadian settlement called 'Le Coude?' After the deportation of the Acadians, the settlement lay empty until settled by some Pennsylvania immigrant families in 1766. A township named after the British soldier Lt.-Colonel Robert Monckton, who led the 1755 capture of nearby Fort Beauséjour, grew on the site and quickly flourished as a centre for shipbuilding. It was incorporated as a town in 1855, but the birth of the steam age and iron ships brought a quick end to local prosperity and Moncton surrendered its charter in 1862. In 1971, CNR's forerunner – the Inter-colonial Railway – located its headquarters on the site, marking a new era of prosperity. In 1875, Moncton was again incorporated with the motto 'Resurgo'

(I rise again) and it became a city on April 23, 1890. Moncton's coat of arms illustrates its agricultural, industrial and railway heritage, along with the world famous Tidal Bore, an ever popular tourist attraction.

Join keynote speaker Martin Latulippe, who has dedicated his life's work to "helping individuals, teams and organizations to create and master transformational thinking." Martin Latulippe, CSP, is a four-time bestselling author and a highly acclaimed inspirational and transformational speaker in the field of human potential. Martin was blessed to receive a second chance after surviving a dramatic hockey accident at the 2001 World University Games in Poland, where he was the captain of the Canadian university hockey team and where Canada won the silver medal. To this day, Martin Latulippe's inspirational presentations at conferences and seminars have reached more than 350 000 participants in Canada and internationally throughout France, Belgium, Africa and the United States.

### The interesting and diverse slate of programs includes:

- You Be the Judge
- Moncton, A Success Story
- Finding of the Peer Review Committee for the Residential Appraiser

- Lease Interpretation Workshop
- Complex Scope of Work for Contract Negotiations

### The Organizing Committee would also like to recognize the winners of the 'Call for Papers.' They are:

- |                      |                                                                                          |
|----------------------|------------------------------------------------------------------------------------------|
| 1. Jeom Kim, AACI    | Valuation of the Franchise Restaurants by the Income Approach                            |
| 2. Jason Upton, CRA  | Deriving Total Economic Life from the Market and Estimating Economic Age                 |
| 3. Ben Lansing, AACI | Market Study: Effects of a Visible Power Transmission Corridor Bruce to Milton 1977-1986 |
| 4. John Glen, AACI   | Analyzing Non-Residential Sales in Canada's Recovering Market                            |

We are also offering our well-received Candidate Stream sessions. These will be of interest to all, but will have special appeal for AIC Candidates:

- A-Z What Candidates Need to Know
- How to Prepare for the AIC Designation Written Exam
- How to Prepare for the Competency Interview

The committee has planned a networking evening in keeping with celebrated east coast hospitality. Join other conference delegates as we introduce you to local foods, culture and talent. The evening is being held at the Parlea Beach restaurant in the village of Shediac and promises to be an evening filled with good music, hearty laughter and great networking opportunities.

The conference is being held at the Delta Beauséjour, located in the heart of downtown Moncton, within walking distance of dozens

of restaurants and pubs. The museums and historical sector are just around the corner.

We recommend that you book early, as space is limited. We invite you to familiarize yourself with Moncton by visiting <http://new-brunswick.net/new-brunswick/tourism.html>

When visiting AIC's conference website at <http://aic2011.aicanada.ca>, click on the travel and accommodation icon to reserve your guest room at the Delta Beauséjour.

For further information, please contact AIC's Conference & Meetings Planner, at [conference@aicanada.ca](mailto:conference@aicanada.ca)

**We look forward to seeing you in Moncton.**

## ANNUAL GENERAL MEETING

Friday, June 10, 2011, 3:15 pm (Atlantic Daylight Time)



In 2010, the Appraisal Institute of Canada (AIC) introduced the opportunity for AIC members to participate virtually in the Annual General Meeting (AGM). This option is again being offered in 2011.

By attending the AGM virtually, you are provided with the opportunity to participate alongside your colleagues who are there in person. As a designated member, you will also have the opportunity to exercise your right to vote concurrently after debates on motions brought before the membership by the Board of Directors.

Information regarding registering online for the AGM, including 'Frequently Asked Questions (FAQs)' and additional reference documents will be available on the AGM web page at <http://agm2011.aicanada.ca>.

Our first experience in 2010 was deemed very successful by participants. Ninety percent of virtual attendees reported that they planned on participating in the 2011 virtual AGM. Listen to what your colleagues said about their experience last year:

*"I thank you for the opportunity to be included in this event. It saved my time and costs of travel, and allowed a broader, potentially more representative audience to participate. I would encourage all members to participate in the future."*

*"I was interested in what was going to be said about the motions before I voted, and not being able to be at the meeting, I appreciated this opportunity to hear what both the board and members who were able to attend had to say in this meeting."*

*"As a member, it was great that I could vote at the AGM even though I could not attend. It was very helpful to hear the other members express their opinions on each of the motions."*

*"I thank you for doing this. It is meaningful to me and I truly appreciate the opportunity to be able to cast my vote in person."*

Join us virtually at the 2011 Annual General Meeting and exercise your right to vote. Watch for more information coming soon at [http://aic2011.aicanada.ca!](http://aic2011.aicanada.ca)



# The market value of an appraisal



Grant Uba, AACI  
AIC President

**M**arket value is the underpinning of the appraisal profession. One definition calls it “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties each acted knowledgeably, prudently, and without compulsion.”

The market value of a property varies according to a large number of factors including type, size of the site and of the building, location, age, number of properties available on the market, etc. The determination of market value is achieved using a variety of techniques well known to the appraiser.

The market value of appraisal work is governed by similar factors and members need to keep this in mind when determining the value of their work in establishing their professional fees.

Professional fees are usually understood to mean the compensation for services rendered and they are impacted by a variety of factors not unlike those that affect property values. First of all, fees are a function of supply and demand for a particular product or service. In the real estate market, supply and demand varies greatly in accordance with the type of appraisal or real property consulting service in question.

On the demand side, there are private-sector corporations large and small that require a wide range of appraisal services. The public

sector too requires appraisal services of all kinds including valuation work, assessment work, and consulting services related to their real property holdings. The residential market requires appraisals for mortgage lending, among other things, and the demand comes from such clients as banks, mortgage insurance companies, brokers and others involved in residential property transactions.

On the supply side, appraisers, including Appraisal Institute of Canada (AIC) members, but also appraisers outside the Institute, provide a wide range of appraisal and related consulting services. In addition, there are many other consultants working in the real estate field that compete with appraisers for consulting assignments involving real property. These include such professionals as business valuers, assessors, and accountants, to name a few.

In addition to the competition from other professionals, there are competing services that can substitute for appraisals and impact the marketplace significantly. The substitutes include automated valuation models (AVMs) that are widely used by the banks, in particular, instead of appraisals, and other risk management resources such as mortgage and title insurance products. Recently, third-party intermediaries have entered the real property appraisal marketplace. These appraisal management companies have impacted the service delivery model and professional fees.

Altogether, the demand for appraisal services is counterbalanced by not only the supply of available qualified appraisers, but also by the different products and services that may substitute for appraisal work. This combination of factors on both sides of the supply demand equation play an important part in the determination of the market value of an appraisal.

In economics, this is referred to as demand elasticity. The notion here is that the more and closer the substitutes for a particular product or service available, the higher the elasticity is likely to be, as people can easily switch from one good to another if even a minor price change is made. Conversely, if no close substitutes are available, the substitution effect will be small and the demand inelastic.

In the real estate appraisal market, demand elasticity varies greatly according to market sector and type of service provided. In certain segments of the residential appraisal marketplace, there appears to be significant elasticity, as there are a number of viable substitutes that compete with appraisal work, especially for mortgage lending where AVMs are used on a regular basis. This has effectively reduced the demand for appraisals and has had a negative impact on appraisal fees in this area.

Over the years, professionals of all kinds have called for their associations to establish fee guidelines to assist them in setting their fees. Trade associations, and particularly professional

*“Because there are such wide variations in the kinds of appraisal services as well as the market conditions across Canada,... it is best left to the individual to determine his or her professional fees.”*



*“The market value of appraisal services will be a function of supply and demand for the particular service being offered in the local marketplace.”*

associations, often disseminate fee guidelines. However, as fee guidelines risk facilitating collusion, they remain a source of unease for the Competition Bureau of Canada. According to the Bureau, an acceptable fee guideline is one that is issued merely for information purposes, without raising any intention or expectation that the member will adopt the guideline.

However, because there are such wide variations in the kinds of appraisal services as well as the market conditions across Canada, developing useful fee guidelines is tricky business and, ultimately, it is best left to the individual to determine his or her professional fees.

There are a number of ways to structure professional fees including on a timed basis, on a cost-plus basis, or as a flat fee to perform an agreed-upon service, to name but three. Time basis is recommended when the scope of services is difficult to determine, cannot be determined, is not well defined, or when the appraiser is not in total control of the required time and disbursements at any stage of the assignment. All time expended on the assignment should be billable, including travel, time in the appraiser's office and time on the subject property, the client's premises or elsewhere. This billable time also applies to technical and clerical services including, but not limited to, compiling data and assembling documents.

Cost plus a fee is suitable when the scope of the assignment is reasonably well defined at the outset, but not sufficiently defined to determine a fixed fee. Cost plus a fee is a method of cost-based compensation similar to time basis, but since the multiplier applied to salary does not include a factor for profit and is lower, it reflects only total cost. In addition to time charges, the appraiser is paid a professional fee.

A flat or fixed fee contract is suitable if the scope of the assignment is sufficiently defined to allow the appraiser to estimate the professional and related costs.

No matter what approach is taken to determine fees, it should be understood that professional fees must reflect the value of services received by the client and not merely the cost of providing services. The fees should be appropriate compensation for the professional work required to meet the Institute's appraisal practice standards. Since these fees are a matter of contract between the appraiser and the client, both parties are free to develop arrangements suited to specific situations within the scope of the agreed upon work.

In calculating professional fees, attention must be paid to such things as overhead costs, i.e., the sum of fixed operating expenses such as rent, utilities, telephone, insurance and property taxes. If you are located in a commercial unit, or pay for space on a per-use basis, your expenses will be much higher than if you operate from home. This cost must be reflected in your fee. In addition, ensure that all disbursements that are attached to a particular assignment are included in your invoice. New members of the profession may find that the fees they will be able to charge may initially be lower, but will likely increase with experience, skill, and reputation. Newcomers, in particular, will want to check the fees currently being charged for similar services to help ensure that their fees are realistic and competitive.


While price is a major factor in the marketplace for appraisal services, appraisers, as professionals, must keep quality top of mind at all times. In particular, all professional work undertaken by AIC members must adhere strictly to the *Canadian Uniform Standards of Professional Appraisal*

*Practice (CUSPAP)*, and incorporate appropriate due diligence and professional oversight at all times.

Some segments of the appraisal market have experienced more severe downward pressure on fees than others. In this respect, professional appraisers need to adjust their business models accordingly. If you choose relatively straightforward assignments that can be completed in short order, the fees will likely be smaller and you will need to rely on volume to generate a good income. If you choose more complex assignments that require specialized knowledge and require more time to complete, you will likely be able to complete a smaller number of assignments, but command larger fees.

One way to protect oneself against competition and substitution is by identifying and servicing niche markets that require specialized knowledge and call for high-value added work. Such markets may not be as well supplied and offer an excellent opportunity to build a solid client base and achieve higher remuneration.

In closing, it is important to remember that professional fees, like any other product or service offered in a competitive market, are going to be impacted by a wide range of factors over time. The market value of appraisal services will be a function of supply and demand for the particular service being offered in the local marketplace. In the appraisal market, the elasticity of demand will be governed by the availability of substitutes for an appraisal.

Adherence to professional standards and the consistent delivery of high quality value-added work product requiring specialized appraisal knowledge and skills is the best way to ensure a solid client base and appropriate remuneration for the long run. 



# La valeur marchande d'une évaluation



Grant Uba, AACI  
Président de l'ICE

La valeur marchande est le pilier de la profession d'évaluateur. Une définition l'appelle le montant estimé pour lequel une propriété devrait changer de main à la date d'évaluation entre un acheteur sérieux et un vendeur sérieux dans une transaction sans lien de dépendance suite à une mise en marché appropriée où les parties ont agi en toute connaissance de cause, avec prudence et sans compulsion.

La valeur marchande d'une propriété dépend d'un grand nombre de facteurs, y compris le type et les dimensions du site et de l'immeuble, l'emplacement, l'âge, le nombre de propriétés disponibles sur le marché, etc. L'évaluateur établit la valeur marchande en appliquant une variété de techniques qu'il connaît bien.

La valeur marchande du travail d'évaluation obéit à des facteurs similaires, ce dont les membres doivent tenir compte en déterminant la valeur de leur travail pour fixer leurs honoraires.

On croit généralement que les honoraires représentent la compensation pour services rendus et qu'ils sont touchés par divers

facteurs non différents de ceux qui touchent la valeur des propriétés. Tout d'abord, les honoraires dépendent de l'offre et de la demande pour un produit ou service particulier. Sur le marché immobilier, l'offre et la demande varient considérablement selon le type d'évaluation ou de service consultatif en immobilier dont il s'agit.

En ce qui concerne la demande, il existe dans le secteur privé de petites et grandes sociétés qui requièrent plusieurs types de services d'évaluation. Le secteur public requiert également des services d'évaluation de toutes sortes, incluant du travail d'évaluation, du travail d'analyse et des services consultatifs relativement à leurs avoirs immobiliers. Le marché résidentiel nécessite des évaluations aux fins de prêts hypothécaires, entre autres choses, et la demande provient de clients tels les banques, compagnies d'assurance hypothèque, maisons de courtage et autres entités intervenant dans les transactions visant les immeubles résidentiels.

Pour ce qui est de l'offre, les évaluateurs, y compris les membres de l'ICE mais aussi les évaluateurs à l'extérieur de l'Institut,

fournissent une grande diversité de services connexes en matière d'évaluation et de consultation. On trouve aussi beaucoup d'autres conseillers travaillant dans le domaine de l'immobilier qui font concurrence aux évaluateurs pour obtenir des tâches de consultation en matière d'immobilier. Ils comprennent des professionnels comme les évaluateurs d'entreprise, les estimateurs et les comptables, pour n'en nommer que quelques-uns.

Outre la concurrence des autres professionnels, il existe des services concurrentiels qui peuvent remplacer les évaluations et avoir un impact considérable sur le marché. Les substituts comprennent les modèles d'évaluation automatisés (MEA), largement utilisés par les banques en particulier plutôt que les évaluations, ainsi que d'autres ressources de gestion du risque comme les produits hypothécaires et d'assurance-titres. Récemment, des tierces parties intermédiaires sont entrées sur le marché de l'évaluation immobilière. Ces compagnies de gestion en évaluation ont eu un impact sur le modèle de prestation des services ainsi que sur les honoraires.

*« Étant donné la vaste diversité des services d'évaluation et des conditions du marché au Canada, l'élaboration de directives utiles sur les honoraires est une affaire délicate et il vaut mieux en fin de compte laisser l'individu fixer ses propres honoraires. »*

Dans l'ensemble, la demande de services d'évaluation est contrebalancée non seulement par l'offre d'évaluateurs qualifiés disponibles, mais aussi par les différents produits et services pouvant remplacer le travail d'évaluation. Cette combinaison de facteurs présents sur les deux côtés de l'équation offre-demande joue un rôle important dans l'établissement de la valeur marchande d'une évaluation.

En termes d'économie, on appelle cela l'élasticité de la demande. La notion ici est que plus les substituts sont nombreux et semblables à un produit ou service particulier offert, plus l'élasticité existera vraisemblablement alors que les gens pourront facilement remplacer un bien par un autre même si son prix est modifié légèrement. Réciproquement, si aucun substitut semblable n'est disponible, l'effet de substitution sera minime et la demande ne sera pas élastique.

Sur le marché de l'évaluation immobilière, l'élasticité varie beaucoup selon le secteur du marché et le type de service rendu. Dans certains segments du marché de l'évaluation résidentielle, il semble y avoir une grande élasticité car il existe plusieurs substituts viables faisant concurrence au travail d'évaluation, notamment en ce qui concerne les prêts hypothécaires où l'on a souvent recours aux MEA. Cela a effectivement réduit la demande d'évaluations et exercé un impact négatif sur les honoraires d'évaluation dans ce domaine.

Au fil des ans, les professionnels de toutes sortes ont demandé à leurs associations de fixer des directives pour les aider à établir leurs honoraires. Les associations commerciales – et

en particulier les associations professionnelles – publient souvent des directives sur les honoraires. Cependant, comme ces directives risquent de favoriser la collusion, elles demeurent préoccupantes pour le Bureau de la concurrence Canada. Selon le Bureau, une directive acceptable sur les honoraires n'est émise que pour des fins d'information, sans évoquer d'intention ou d'attente à l'effet que le membre adoptera la directive en question.

Toutefois, étant donné la vaste diversité des services d'évaluation et des conditions du marché au Canada, l'élaboration de directives utiles sur les honoraires est une affaire délicate et il vaut mieux en fin de compte laisser l'individu fixer ses propres honoraires.

Il existe plusieurs façons de structurer les honoraires, y compris la période de temps déterminée, le prix coûtant majoré ou les honoraires fixes pour rendre un service convenu, pour n'en nommer que trois. La période de temps déterminée est recommandée lorsque l'étendue des services est difficile à établir, ne peut être établie, n'est pas clairement définie ou lorsque l'évaluateur ne contrôle pas entièrement le temps ou les déboursés requis à toute étape de la tâche. Tout le temps consacré à la tâche devrait être facturable, y compris les déplacements, le temps de l'évaluateur au bureau et le temps sur la propriété visée, dans les locaux du client ou ailleurs. Ce temps facturable s'applique également aux services techniques et de bureau, incluant sans toutefois s'y limiter la collection des données et l'assemblage des documents.

Le prix coûtant majoré convient lorsque l'étendue de la tâche est raisonnablement bien définie au départ, mais pas assez pour déterminer des honoraires fixes. Le prix coûtant majoré est une méthode de compensation des coûts similaire à la période de temps déterminée, mais comme le multiplicateur appliqué au salaire n'inclut pas un facteur de profit et qu'il est inférieur, il reflète seulement le coût total. En plus d'être payé pour son temps, l'évaluateur reçoit des honoraires.

Un contrat fixe convient lorsque l'étendue de la tâche est suffisamment définie pour permettre à l'évaluateur d'estimer les coûts professionnels et associés.

Peu importe la méthode adoptée pour fixer les honoraires, on devrait comprendre qu'ils doivent refléter la valeur des services reçus par le client et pas seulement le coût des services rendus. Les honoraires devraient compenser de façon appropriée le travail professionnel requis pour rencontrer les normes des pratiques d'évaluation de l'Institut. Comme ces honoraires font l'objet d'un contrat entre l'évaluateur et le client, les deux parties sont libres de développer des arrangements convenant aux situations particulières entrant dans le cadre du travail convenu.

En calculant les honoraires, il faut tenir compte de certains facteurs comme les coûts indirects, c.-à-d. la somme des coûts fixes d'exploitation tels le loyer, les services publics, le téléphone, l'assurance et les impôts fonciers. Si vous êtes situé

*Suite à la page 12*

Suire de la page 11.

**« La valeur marchande des services d'évaluation sera fonction de l'offre et de la demande pour le service particulier offert sur le marché local. »**

dans une unité commerciale ou si vous payez pour l'espace utilisé, vos dépenses seront beaucoup plus élevées que si vous exploitez votre entreprise à domicile. Ce coût doit se refléter dans vos honoraires. De plus, assurez-vous que tous les déboursés relatifs à une tâche particulière apparaissent sur votre facture. Les nouveaux membres de la profession découvriront peut-être que les honoraires qu'ils peuvent charger seront inférieurs au début, mais qu'ils augmenteront vraisemblablement avec l'expérience, la compétence et la réputation. Les nouveaux venus en particulier voudront vérifier les honoraires présentement chargés pour des services similaires afin de s'assurer que leurs honoraires soient réalistes et concurrentiels.

Alors que le prix est un facteur important sur le marché des services d'évaluation, les évaluateurs en tant que professionnels doivent faire de la qualité une priorité constante. Plus particulièrement, tout le travail professionnel entrepris par les membres de


l'ICE doit respecter strictement les Normes uniformes de pratique professionnelle en matière d'évaluation au Canada (NUPPEC), en plus d'incorporer la diligence requise et la supervision professionnelle en tout temps.

Certains segments du marché de l'évaluation ont subi des pressions à la baisse plus graves sur les honoraires que d'autres. À cet égard, les évaluateurs professionnels doivent ajuster leurs modèles de gestion en conséquence. Si vous choisissez des tâches relativement simples qui peuvent être complétées assez rapidement, vos honoraires seront probablement plus modestes et vous devrez compter sur le volume pour générer de bons revenus. Si vous choisissez des tâches plus complexes qui nécessitent des connaissances spécialisées et prennent plus de temps à compléter, vous pourrez probablement achever moins de tâches et demander des honoraires plus élevés.

Une façon de se protéger des concurrents et de la substitution est de dégager et desservir

les marchés à créneaux qui requièrent des connaissances spécialisées et du travail à forte valeur ajoutée. Ces marchés ne sont peut-être pas aussi bien pourvus et offrent une excellente opportunité de bâtir une solide clientèle et d'être mieux rémunéré.

En conclusion, il est important de rappeler que les honoraires, comme tout autre produit ou service offert sur un marché concurrentiel, seront touchés par une grande variété de facteurs avec le temps. La valeur marchande des services d'évaluation sera fonction de l'offre et de la demande pour le service particulier offert sur le marché local. Sur le marché de l'évaluation, l'élasticité de la demande sera gouvernée par la disponibilité des substituts de l'évaluation.

L'adhérence aux normes professionnelles et la livraison stable de produits de haute qualité et à valeur ajoutée qui font appel à des connaissances et à des compétences d'évaluation spécialisées sont les meilleurs moyens d'assurer une bonne clientèle et une rémunération appropriée à long terme. 

***We look forward to seeing you in Moncton.***



# Seeking input from stakeholders

The valuation of assets has taken on greater importance in recent years as policy makers and regulators around the world focus on measures to strengthen the integrity of the marketplace and restore investor confidence in the wake of the economic downturn. As world trade in goods and services expands, the investment community more than ever needs reliable and accurate financial information upon which to base their business decisions.

Market value underpins these decisions and the valuation profession plays an essential role in determining the property value of all kinds. In the public and private sectors, managers rely on the expertise of valuers to manage risk and ensure that decisions are based on sound advice.

For its part, the Appraisal Institute of Canada (AIC) has strived to develop programs that will help its members acquire the skills and knowledge needed to deliver the kinds of professional services that the market needs. In this respect, AIC established the Advisory Council as a means of consulting with stakeholders and getting their valuable input with respect to their needs in the area of real property valuation and related advisory services. In recent years, Advisory Council meetings have been held twice per year in separate consultations with private and public sector senior representatives.

Last November, the Advisory Council meeting was held in Ottawa following the AIC's meeting of the Board of Directors. This meeting involved public sector representatives including the chief executive officer of the Federation of Canadian Municipalities, the president of the Municipal Property Assessment Corporation, a director from the Real Estate Council of Ontario, a director from the City of Ottawa, the acting chief appraiser from the Department of Public Works and Government Services Canada, a manager from the Canadian Mortgage and Housing Corporation, a representative from the Department

of National Defence, and a representative from Environment Canada's Ecological Gifts Program. The Institute was represented by the members of the Executive Committee and the chief executive officer.

During the half-day meetings, a wide range of topics were discussed as the AIC representatives heard from Advisory Council participants with respect to issues of prime concern.

With respect to demand, several areas of practice were identified where stakeholders are experiencing challenges in finding appraisers with the right mix of skills and experience. These include:

- northern communities,
- green building valuations,
- specialty property valuations, and
- niche properties such as casinos, hotels/motels, airports, time shares for cottages, varying interests and easements, and other asset classes.

It was suggested that:

- a register be created that shows appraisers' specialties and geographic areas they serve, and
- an exchange program be created where Candidates in private practice can be exchanged with Candidates doing non-fee work.

In the area of consulting, the following were identified as being of growing importance within the public sector:

- tax appeals undertaken by Public Works and Government Services Canada (PWGSC) for their lease portfolio,
- highest and best use studies versus public use studies was identified as an issue by PWGSC, which indicated that it will be undertaking training sessions with appraisers, and
- lease analysis and operating cost analysis.

With respect to 'green' valuation, areas of importance include LEED certified buildings and collateral

damage to other properties, cost benefit analysis, carbon footprint and valuation of property. In this respect, guidelines for green valuation are needed. Other issues discussed included the impact of climate change on property values, the need for more expertise on the move to green construction and its implications with respect to market values, market awareness when property values decline rather than increase, and how to value properties when there is little data (stressed markets or challenged markets).

In the area of property management, it was agreed that, due to succession, there will be a need for experienced managers in the civil service. It was noted that public servants working in real property management and related areas need the level of training afforded by AIC's education. However, the policy of some government departments is that, unless a position requires a designated valuer, membership fees are not covered. Risk, asset, and portfolio management were all deemed as important by the stakeholders.

In summary, it was agreed that there is a supply issue, an expertise issue, and a need for standardization of reports to help with consistency.

The role of the public sector with respect to standards was discussed. PWGSC guidelines require that professional work adhere to high standards. The participants felt it was important to have a single set of Canada-wide valuation standards.

In the areas of communication and training, it was suggested that an appraiser youth network might be created to help bridge the generation gap within the profession. It was thought that advanced adult training for managers and executives in corporations would be beneficial.

AIC also hosts an Advisory Council meeting with private sector stakeholders, including representatives from the lending community and appraisal management companies. It is scheduled for mid-February in Toronto. 



Georges Lozano, MPA  
AIC Chief Executive Officer

# Membership survey results and outcomes

In 2010, the Board of Directors of the Appraisal Institute of Canada (AIC) had to make a significant number of important policy decisions that would impact the membership. As part of its promise to consult more widely with members, a membership survey was undertaken in September to canvas opinion on several important issues under consideration.

The survey was conducted online in both English and French. A total of 1763 responses were received, representing about 40% of the active membership — a very good response rate. A large number of responses provided the Board of Directors a high level of confidence in the results and also provided valuable input into the policy-setting process.

The survey asked members to respond to seven questions, with the first six addressing issues of the day that the membership had been acquainted with previously through communiqués and articles in the Institute's *Canadian Property Valuation* magazine. In addition, a number of questions were asked that were demographic in nature.

## BACKGROUND

A few years ago, a policy was put in place that requires Candidates to successfully complete at least one university credit course per year in order to remain in good standing. This policy was reviewed in 2010, and the following question was asked in the survey:

## QUESTION

Current AIC regulations require all Candidates to complete at least one university credit course per year in order to retain their Candidate status. Do you support this requirement?

## ANSWER

Over 72% of the responses supported this policy and the Board of Directors concurred. Of the 72%, 39% of the respondents were AACIs, 18% Candidates, 29% CRAs, and 14% gave no response.

## OUTCOME

At its November 2010 meeting, the board decided that the course per year policy should remain in place and that Candidates who are in non-compliance should be suspended in accordance with the policy, may only be reinstated once, and must provide proof that the course requirement has been fulfilled and the \$500 fine paid. The Learning Advisory Committee was directed to review the course per year (CPY) policy as to what alternatives to suspension can be implemented to enforce the CPY policy and report back to the board by June 2011.

## BACKGROUND

The requirement that appraisal reports prepared by Candidate members be co-signed by designated members has been under review for quite some time. At issue is whether or not non-designated members should sign professional work product. The Institute standards state that candidates may sign reports, but are not required to do so. The survey posed the following question with three possible answers:

## QUESTION

Currently, Candidates are not required to, but may sign appraisal reports provided that they are co-signed by a designated member. Do you think:  
a) Candidates should be required to sign reports provided that they are co-signed by a designated member,

b) Candidates should continue to have the option of signing reports provided they are co-signed by a designated member, and  
c) only designated members should sign appraisal reports?

## ANSWER

Over 60% of the respondents indicated that Candidates should be required to sign reports provided that they are co-signed by a designated member. Just 11% thought that only designated members should sign appraisal reports.

## OUTCOME

The board felt that the issue deserves further study and, as such, it established an ad-hoc committee to investigate all issues concerned with Candidate co-signing. The ad hoc committee will prepare a policy discussion paper for presentation at the June 2011 board meeting. Until then, the existing policies will remain in place.

## BACKGROUND

Significant changes were made to the Applied Experience Program a few years ago. These included the addition of a professional written exam and the replacement of the final interview and the demo report with the current professional competency interview that forgoes the previous requirement to provide work product samples. Some concerns have been voiced around this issue and whether or not Candidates should be asked to provide some examples of their current work at the interview. In this respect, the membership survey asked:

## QUESTION

Should candidates provide samples of work product at the interview?

## ANSWER

More than 80% of the respondents said yes to this question.

## OUTCOME

The board has tasked the Applied Experience Committee to define the depth and breadth of knowledge with respect to both CRAs and AACIs. Part of this analysis will consider existing policies; member input, including the interview panelists report; and an examination of how work experiences or product can form part of the interview process. The AEC recommendations will be brought to the board for consideration at the June 2011 meeting.

## BACKGROUND

For many months, the board had been studying different options to provide CRA members with alternative paths to the AACI designation. One option – Option B as it came to be known – was debated for some time. The survey addressed the issue with the question:

## QUESTION

Should a one time opportunity be provided for CRAs to obtain the AACI designation by taking the required courses, but exempting them from the university degree requirement?

## ANSWER

Just over 60% of the members were in favour of this option.

## OUTCOME

In November, the board deliberated on this one last time, taking into consideration the survey responses as well as other information. It decided to adopt the recommendations of the Learning Advisory Committee that the existing educational requirements of moving from a CRA designation to an AACI remain in place, with the sole exception being that the applicants that have previously passed the professional competency interview be exempt from a further interview that is substantially equivalent in content. This was done for reasons of equity and in consideration of the knowledge required to become a competent AACI.

## BACKGROUND

For many years, AIC's designations have been the subject of much debate by the Institute and the membership. In particular, the CRA designation has been at the centre of the discussions ever since the policy requiring a university degree for CRAs was put in place in 2006. The membership survey asked the simple question:

## QUESTION

Which designations should the AIC offer?

## ANSWER

Overwhelmingly, more than 86% of the other respondents said both designations should be offered.

## OUTCOME

In response, at its November meeting, the Board of Directors reaffirmed its commitment to supporting the CRA designation with the passing of this motion: The board recognizes the contributory value and permanence of the CRA designation within the Appraisal Institute of Canada and re-affirms the Institute's commitment to fully support and continue to offer this designation in all aspects, on a go-forward basis.

## BACKGROUND

On the same topic, a second question was asked regarding the need for a university degree requirement for the CRA designation. The survey asked:

## QUESTION

Should a university degree be a requirement for the CRA designation?

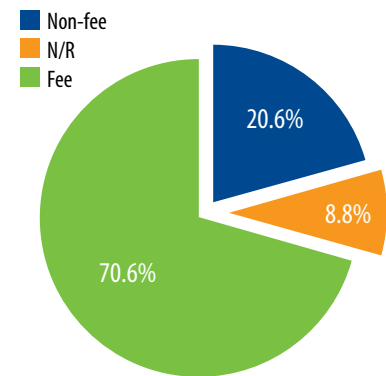
## ANSWER

In this instance, just over 60% of the respondents thought that a university degree need not be a requirement.

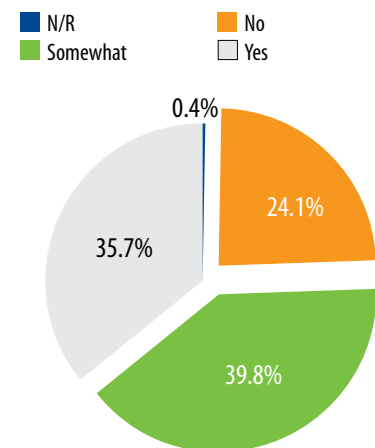
## OUTCOME

No change. The Institute's regulations state: Individuals first admitted to the Institute after December 31, 2005, are required to hold a university degree from an accredited university in order to attain use of the CRA designation.

## Practice Type



## Are you optimistic about the future of the profession?



## BACKGROUND

Given all the changes in the market for appraisal services and the challenges occasioned by the economic downturn, the survey asked members if they were optimistic about the days ahead. Specifically, the question was:

## QUESTION

Are you optimistic about the future of the profession?

## ANSWER

More than 75% of the responses indicated that members are optimistic or somewhat optimistic about the future of the profession. Of those who indicated they were not optimistic the breakdown was as follows: 40% CRA, 26% AACI, 23% Candidates, and 11% no response.

We believe that the future of the profession is strong and the AIC is working hard to introduce measures that ensure the industry's continued growth. 



Georges Lozano, MPA  
Chef de la direction

# Conclusions et résultats du sondage auprès des membres

**E**n 2010, le Conseil d'administration de l'Institut canadien des évaluateurs a pris un certain nombre de décisions de politique importantes pour les membres. Conformément à sa promesse de consulter les membres de façon plus générale, un sondage a été entrepris en septembre afin de connaître leurs opinions sur un certain nombre de points sous étude.

Le sondage a été mené en anglais et en français. Un total de 1 763 répondants ont participé, représentant environ 40 % des membres actifs. Il s'agit d'un excellent taux de réponse. Ce grand nombre de réponses a donné au Conseil d'administration un niveau élevé de confiance dans les résultats et a aussi contribué utilement au processus d'élaboration de politiques.

Le sondage invitait les membres à répondre à sept questions, les six premières portant sur des sujets d'actualité dont les membres ont pris connaissance via des communiqués et des articles dans la revue de l'Institut intitulée Évaluation immobilière au Canada. Aussi, un certain nombre de questions de nature plus démographique ont aussi été posées.

## ANTÉCÉDENTS

Il y a quelques années, une politique a été mise en œuvre selon laquelle les stagiaires devaient compléter avec succès au moins un cours universitaire par année donnant droit à des crédits afin de maintenir leur statut de membre en règle. Cette politique a été revue en 2010 et la question suivante a été posée dans le cadre du sondage :

## QUESTION

Les règlements actuels de l'ICE exigent que tous les membres stagiaires suivent au moins un cours universitaire donnant droit à un crédit afin de conserver leur statut. Appuyez-vous cette exigence?

## RÉPONSE

Plus de 72 % des répondants appuyaient cette politique et le Conseil d'administration en convenait. De ces 72 %, 39 % des répondants étaient membres AACI, 18 % des stagiaires, 29 % des CRA et 14 % n'ont pas répondu.

## RÉSULTAT

Lors de sa réunion de novembre 2010, le Conseil a décidé que la politique du cours par année devait être maintenue, que les stagiaires en non-conformité devaient être suspendus conformément à ladite politique et qu'ils pouvaient réintégrer les rangs de l'Institut uniquement sur présentation d'une preuve de conformité à la politique et si l'amende de 500 \$ était réglée. Le Comité consultatif sur l'apprentissage a été mandaté pour étudier la politique du cours par année (CPA) afin de déterminer les alternatives à la suspension tout en assurant l'application de la politique et doit présenter un rapport au Conseil d'ici le mois de juin 2011.

## ANTÉCÉDENTS

L'exigence à l'effet que les rapports d'évaluation préparés par les membres stagiaires soient cosignés par les membres accrédités fait l'objet d'un examen depuis déjà un certain temps. La question consiste à déterminer si les membres non accrédités peuvent ou non signer un travail professionnel. Les normes de l'Institut précisent que les stagiaires peuvent signer les rapports mais qu'ils ne sont pas tenus de le faire. Le sondage posait la question suivante et offrait trois réponses possibles :

## QUESTION

À l'heure actuelle, il n'est pas nécessaire que les membres stagiaires signent les rapports

d'évaluation, à condition qu'ils soient cosignés par un membre accrédité. Pensez-vous que :

- Les membres stagiaires devraient être tenus de signer les rapports, à condition qu'ils soient cosignés par un membre accrédité.
- Les membres stagiaires devraient continuer d'avoir le choix de signer les rapports, à condition qu'ils soient cosignés par un membre accrédité.
- Seuls les membres accrédités devraient signer les rapports d'évaluation.

## RÉPONSE

Plus de 60 % des répondants ont fait savoir que les stagiaires devraient être tenus de signer les rapports à condition qu'ils soient cosignés par un membre accrédité. Seulement 11 % des répondants étaient d'avis que seuls les membres accrédités devaient signer les rapports d'évaluation.

## RÉSULTAT

Le Conseil était d'avis que la question doit être étudiée de façon plus approfondie et, à cette fin, a créé un comité ad hoc pour étudier toutes les questions liées à la cosignature des stagiaires. Le comité ad hoc préparera un document de politique à des fins de présentation à la réunion de juin 2011 du Conseil. Jusqu'à ce moment, les politiques actuelles seront maintenues.

## ANTÉCÉDENTS

D'importantes modifications ont été apportées au programme d'expérience appliquée il y a quelques années. Entre autres choses, l'ajout d'un examen professionnel écrit et le remplacement de l'entrevue finale et du rapport de démonstration par l'entrevue actuelle sur les compétences professionnelles qui a préséance sur l'exigence précédente de présenter un échantillon de travail. Certaines préoccupations ont été manifestées à



ce sujet et à savoir si les stagiaires devaient ou non être invités à fournir des échantillons de travail lors de l'entrevue. À ce chapitre, nous avons demandé :

### QUESTION

Les membres stagiaires devaient-ils fournir des échantillons de produits de travail au moment de l'entrevue?

### RÉPONSE

Plus de 80 % des répondants ont répondu oui à cette question.

### RÉSULTAT

Le Conseil a demandé au Comité sur l'expérience appliquée de définir la profondeur et l'étendue des connaissances à la fois des membres CRA et AACI. Une partie de cette analyse tiendra compte des politiques actuelles, de la contribution des membres y compris le rapport du groupe d'intervieweurs et d'un examen visant à déterminer comment l'expérience de travail, supportée ou non par un échantillon de travail peut faire partie du processus d'entrevue. Les recommandations du CEA seront présentées au Conseil à des fins de considération lors de sa réunion de juin 2011.

### ANTÉCÉDENTS

Pendant plusieurs mois, le Conseil s'est penché sur une variété d'options visant à offrir aux membres CRA des alternatives menant au titre AACI. Une option, soit l'option B, fait l'objet de débats depuis un certain temps. Le sondage a cerné la question en demandant :

### QUESTION

Une occasion unique devrait-elle être offerte aux CRA afin qu'ils obtiennent le titre AACI en suivant les cours requis, mais en les exemptant de l'exigence concernant le diplôme universitaire?

### RÉPONSE

Un peu plus de 60 % des membres favorisaient cette option.

### RÉSULTAT

En novembre, le Conseil s'est penché sur la question une dernière fois, tenant compte des réponses au sondage et d'autres informations pertinentes. Il a été décidé d'adopter les recommandations du Comité consultatif sur l'apprentissage à l'effet que

les exigences pédagogiques pour passer du titre CRA au titre AACI soient maintenues moyennant la seule exception que les requérants qui ont déjà subi l'entrevue sur les compétences professionnelles soient exemptés de subir une autre entrevue au contenu essentiellement similaire. Cette décision a été prise pour des raisons d'équité et en considération des connaissances requises pour devenir un AACI compétent.

### ANTÉCÉDENTS

Pendant plusieurs années, les titres de l'ICE ont fait l'objet de nombreuses discussions par l'Institut et les membres. Tout particulièrement, le titre CRA a été le principal sujet de discussion depuis l'entrée en vigueur de la politique du diplôme universitaire pour les CRA en 2006. Nous avons posé la simple question suivante :

### QUESTION

Quels titres l'ICE devrait-il offrir?

### RÉPONSE

En grande majorité, plus de 86 % des autres répondants étaient d'avis que les deux titres devaient être offerts.

### RÉSULTAT

En réponse, le Conseil d'administration a, lors de sa réunion de novembre, réitéré son engagement à maintenir le titre CRA en adoptant la motion :

Le Conseil reconnaît la valeur contributive et la permanence du titre CRA au sein de l'Institut canadien des évaluateurs et réitère l'engagement de l'Institut à appuyer pleinement et à continuer d'offrir ce titre et tous les privilèges y afférents.

### ANTÉCÉDENTS

Dans la même veine d'idées, une deuxième question a été posée au sujet de l'exigence du diplôme universitaire pour le titre CRA. La question était la suivante :

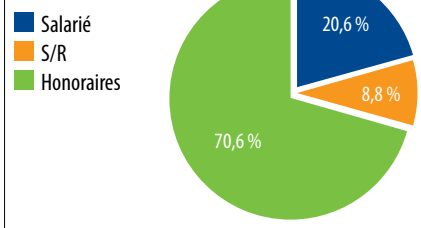
### QUESTION

Le diplôme universitaire devrait-il constituer une exigence relative au titre CRA?

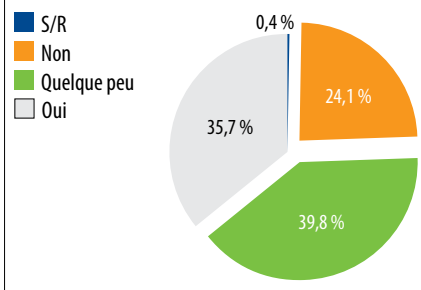
### RÉPONSE

Dans ce cas, un peu plus de 60 % des répondants

### Type de pratique



### Êtes-vous optimiste quant à l'avenir de la profession?



étaient d'avis que le diplôme universitaire ne devait pas constituer une exigence.

### RÉSULTAT

Aucun changement. Le règlement de l'Institut stipule que toute personne qui adhère à l'Institut pour la première fois après le 31 décembre 2005 doit détenir un diplôme universitaire d'une université reconnue pour obtenir son titre CRA.

### ANTÉCÉDENTS

Compte tenu de l'évolution du marché des services en évaluation immobilière et des défis associés au fléchissement économique, les membres ont été interrogés à savoir s'ils étaient optimistes face à l'avenir. Plus précisément, la question était la suivante :

### QUESTION

Êtes-vous optimiste quant à l'avenir de la profession?

### RÉPONSE

Plus de 75 % des répondants sont optimistes ou quelque peu optimistes au sujet de l'avenir de la profession. Dans le cas de ceux qui ne se disaient pas optimistes, la répartition se présentait comme suit : 40 % CRA, 26 % AACI, 23 % stagiaires et 11 % sans réponse.

Nous croyons que l'avenir de la profession est viable et l'ICE déploie tous les efforts pour introduire des mesures qui assureront la croissance continue de l'industrie. 🇨🇦

# Education and experience program sets career stage for Laurel Edwards



Laurel Edwards, AACI

In June 2010, Laurel Edwards obtained her AACI designation and a promotion to Managing Director at Colliers, where she has worked for the past six years. The transition from Candidate of the Appraisal Institute of Canada (AIC) to full-fledged appraiser was very smooth, says the 31-year-old. In fact, Laurel credits the Institute's Triple E program for the steady advancement of her career in valuation.

"The program prepared me to be able to write reports and handle all parts of a file on my own," she explains. "The applied experience enabled me to be the direct contact with the client. This was really beneficial."

She notes that this first-hand experience with clients is essential to learning how to collect information from them and manage their expectations of the end result. The applied experience program also afforded Laurel the opportunity to meet members of the real estate community and to start developing her own client base — all while taking the required theoretical courses at the University of British Columbia (UBC).

"The workload can get somewhat heavy when you are working full time," she admits. "The courses were all very useful, but time management was very important. But then, as an appraiser, you have to be good at time management throughout your career, so it is a useful lesson to learn early on."

The education component covers the theoretical part of what an appraiser does, while the applied experience puts that theory into practice. For instance, in their course, Candidates learn to use cash flow models. "But, in practice, you never know what kind of information you are going to be provided with," notes Laurel. "You have to be able to go through the appraisal with the information provided to you by a client and potentially source out further information. It is not always handed to you in an easy package."

Because what might be a straightforward three-step process in theory might involve many different steps in actual practice, the mentorship provided by established appraisers is an essential part of preparing for the AACI designation. When it came time to selecting a mentor, Laurel approached Chris Marlyn, then Managing Director of Colliers International Valuation and Advisory Services in Calgary (now Senior Vice-President of Colliers International Valuation and Advisory Services, Canada). He gave her the opportunity to work directly with him on every one of his files. As a result, Laurel gained exposure to valuation of a wide array of property types, including hospitality, industrial and retail.

"I think mentorship is such an important component of the program," she says. "You get to see so many different types of assignments, while having the opportunity to work with

a senior appraiser who has different ways of approaching various problems as well as different approaches to value."

Laurel knew Chris from her days working as a summer student on Colliers brokerage side, while she was attending the University of Alberta, and afterwards when she worked for Colliers Brokerage as an analyst. During her time at university, she was planning on a career in marketing, once she had completed her Bachelor of Commerce. But the experience at Colliers sparked an interest in real estate that continued beyond graduation.

After travelling for a few months, she went to work as an analyst for Colliers Brokerage in Calgary, where she was responsible for the management of the database and the compilation of the quarterly reports for all the departments. She then left for an investment analyst position with Cushman & Wakefield.

"Research was a good way to learn, but I was looking for some more financial analytical-type of work, so I joined the investment group," explains Laurel. "Then I wanted to take that even further, so I decided to pursue a career as an appraiser."

She realized that, while she enjoyed putting together the numbers for a financial analysis, she preferred the concept of valuing and delving deeper into the details of a property over the intricacies of the sales process. She also looked forward to working with lenders as well as mortgage and real estate brokers. "I liked the diverse group of people with whom appraisers work," she explains. "That was one of the draws."

In 2004, Laurel approached Chris to see if there were any positions opening in the Colliers appraisal group. There was, and Laurel was soon working for Colliers again, this time as an

AACI Candidate.

"When I joined the appraisal group, I already had a good understanding of real estate and I knew how to complete and analyze property cash flows," she notes. While she had not focused on appraisals, there was a large amount of cross-over between valuation and brokerage research. As a result, she was able to immediately dive into the valuation work even as she had barely started her coursework.

Reflecting back on her experience, Laurel feels lucky to have been exposed to valuation as a career option. "I felt that there was more opportunity to progress on the appraisal side," she explains. "As a fee appraiser, if you work hard, the potential for compensation and promotion is in your own hands. I saw that I could advance far more quickly in this field than I could in brokerage."

She adds that not all students are aware the profession even exists. "As appraisers, it is the responsibility of all of us to spread the message

about what we do and of the opportunities there are in valuation," she notes.

Laurel also encourages all Candidates to get involved with the AIC as early as possible in their careers. While still a Candidate herself, she attended the AIC's annual conference in Victoria and took in a session about the AACI Professional Competency Interview. The information proved to be particularly timely, as this step in her accreditation was fast approaching.

"On the other hand, there should not be any surprises at that point," says Laurel. "I think the Institute does a very good job at preparing Candidates. The AIC website was also a great resource for me."

The conference session also impressed on her the importance of accredited appraisers supporting Candidates in all stages of the accreditation process. Recently, Laurel completed training in Behavioural Descriptive Interview (BDI) techniques. She is looking forward to being part of

the panels that interview Candidates before they can be awarded their designation.

Laurel says she is eager to help other Candidates through the interview, adding that she plans to always be involved with the Institute in one way or another. At one point, she hopes to become a mentor, passing on to someone else the same opportunities and benefits she received as a Candidate. "I think mentorship is an important part of growing the profession," she explains. "For me, I know it was essential to progressing to where I am today."

Thanks to a program that combines education and experience, Laurel has already progressed well into her career. Now that she has her AACI, opportunities for advancement are even greater. "Certainly, in our group across Canada, the designation is essential to moving forward in your career," she says. As she settles into her new position as managing director, the future has never looked brighter. 🌈



## OUR CONCERN FOR THE ENVIRONMENT 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.
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- 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.

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



# Volunteering – Give back to your profession and grow your career

**W**ebster's Dictionary defines a volunteer as someone who voluntarily undertakes or expresses a willingness to undertake a service. Most of us have volunteered at some point in our lives, but have you ever sat back and evaluated the benefits of volunteering? Of course, there are the obvious benefits to the organization which you serve and the tangible benefits of the programs, money raised or experiences that are created from your volunteer efforts. But, have you ever sat back and looked at the personal benefits you reaped from your volunteer efforts? It may be unlikely that you have, as personal benefit is not the primary motivation for which most of us volunteer our time and services.

In 2008, as a newly-minted AACI, I decided it was time for me to start giving back to the organization of which I was now a professionally accredited member. As a Candidate member of the AIC I, had many opportunities to experience first hand the value that volunteers add to our organization.

As I made my way through an education program, that, at the time, seemed ever changing, there was always a willingness from local members of the NAAIC, as well as representatives of the national AIC Board of Directors and various education committees, to offer direction and guidance.


As I neared the end of my studies, I joined the Marketing and Communications Sub-committee. Eventually, I began to serve on the local NAAIC provincial Board, as well as various other committees.



As I progressed into my career and began to volunteer more, I discovered that, while volunteering was something I did in an effort to give back, I found myself benefiting from it as much as the organizations I was there to serve. I began to realize that, by volunteering on various committees and boards, I was not only helping those organizations, but I was also building my career. I was meeting and creating relationships with individuals from all across Canada and even the world. I was learning from those individual experiences and gaining confidence in my own.

I discovered that, while new to the profession and the real estate world, my ideas were important and appreciated. As complex issues arose, I found I had built a professional network that I

could call upon for advice and assistance, and, much to my surprise, many of these contacts were established through my volunteer efforts.

While we all volunteer for different reasons, it is important to remember you only get out of the experience as much as you are willing to put in. However, if you are willing, volunteering can be an excellent means to develop everlasting business relationships as well as friendships that you will soon discover are invaluable. 

## Marketing & Communications Committee

- Beverley Girvan, AACI – Chair
  - Joanne Hayes, AACI
  - Kathleen Ellis, AACI
  - Lora Wylie, CRA
  - Laura Kemp, Candidate
  - David Babineau, AACI, Fellow
- To contact this committee, email:  
[communications@aicanada.ca](mailto:communications@aicanada.ca)

*“Volunteering can be an excellent means to develop everlasting business relationships as well as friendships that you will soon discover are invaluable.”*

# Promoting your profession in your community

It is a new year — time to think about some new ideas for volunteering. We are most familiar with volunteering on committees and that definitely has an important place in the ongoing management of the Appraisal Institute of Canada (AIC), but there are also other ways.

1. Advise your provincial affiliate that you are willing to attend university and high school career fairs. At the university level, the focus should be contacting the School of Business, where graduating classes of Bachelor of Commerce (B. Comm.) and Bachelor of Business Administration (BBA) programs have ideal candidates for a career in real property valuation.
2. Promoting the profession at high schools is also a great opportunity to inform students and teachers of this potential career choice, so that students can select their university program accordingly. Ask your daughter, son, granddaughter or grandson to introduce you to a teacher in their high school so you can offer to make a presentation.
3. Join your local Board of Trade, Chamber of Commerce or any other similar organization, which will provide an opportunity to promote AIC to the professionals comprising its membership. Not only will this be of general interest to business, academic and other communities, but it will also provide a business opportunity for members in private practice and a relationship building opportunity for members who are employed by governments, financial institutions and otherwise not in private practice.
4. Get involved, or re-involved, with your local AIC chapter or association. This is a great opportunity to connect with other members, some of whom you may not have even met, either because you have been 'out of circulation' for a while, or because they are relatively new members. Start with simply helping to set up

the next meeting, including arranging a guest speaker or other specific task. You will feel good about 'being part of it' and getting to know others in a casual manner. Then, if you so choose, think about volunteering on a local committee and work up to putting your name forward for election as a Board member.


5. Although not everyone is comfortable with public speaking, some are very capable. Submit your name to your local association as being available for speaking to local realtor groups or associations, land surveyors, engineers, architects and other real estate professionals. Lawyers, lenders and mortgage brokers are other possibilities.

There are a couple of factors to note with regard to the above. One is that members of the AIC who are in good standing as 'retired' members (such as the writer) should give some thought to whether they might be interested in this type of volunteer work. What better way to give back to the Institute that supported you throughout your successful career? The other factor is that there must be some process and protocol around who speaks publicly as an AIC representative. Perhaps only members in elected office should perform that function — but is that practical? If you would like to discuss this further, contact your chapter or association president, or contact Joanne Charlebois, Director of Marketing & Communications, to inquire about spokesperson training. Joanne can be reached at 613-234-6533 ext. 224 or [joannec@aicanada.ca](mailto:joannec@aicanada.ca)

*NOTE: These are the views of the writer and are not necessarily those of the AIC, its Communications Committee, or the Nominating Committee, of which the writer is a member.*

## Comments received by NSREA members who recently participated in an AIC webinar for spokesperson training stated:

- *The Spokesperson Training Webinar is an efficient and effective approach in getting a consistent message to a group of 14 people. Our webinar participants consisted of all members of the AIC-NS programs and Program Committee, as well as volunteers for our 'media contact team.'*
- *The presentation was well organized and well presented by Joanne. There was opportunity for questions and answers throughout the presentation, making it an inter-active session which was appreciated by all participants.*
- *The webinar technology is a well presented forum for today's busy business professional.*
- *I found the session informative and thought provoking. As professionals, and as a way of promoting our profession, we need to learn to take advantage of promotion or media-related opportunities without fear.*
- *I found this session to be informative, interactive and interesting. Joanne's calm, sensible approach helped calm my fears of being unprepared and ill at ease in an interview.*

Chapters or provincial associations interested in organizing this webinar should contact Joanne. 

### Nominating Committee

Sheila Young, AACI, Fellow — Chair  
 Grant Uba, AACI  
 Dan Jones, AACI  
 Robert Tipple, AACI, Fellow  
 George Semine, AACI  
 George Ward, AACI  
 To contact this committee, email [nominating@aicanada.ca](mailto:nominating@aicanada.ca)

# Updates on being an expert witness (Part II)

Part 1 of this article was published in *Canadian Property Valuation*, Book 4, 2010



“If an expert says it cannot be done, get another expert.”

— David Ben-Gurion

## Questions the appraiser should ask after being retained

- What is the question I am being asked to answer?
- What facts are available to me?
- What are the assumptions I should make in arriving at an answer?

If you cannot answer these questions with any satisfaction, you should decline the assignment, as you will not be able to deliver a proper report.

## What is expected from the expert (e.g., in assessment and quantification of a claim)?

- Give evidence of the **proper method** to be adopted in assessing a claim and exceptions to that method.
- Give evidence of **industry practice**.
- Give opinions on **cause and effect**.
- Give **factual evidence** about construction techniques and practices.
- Give **technical reasons** why his or her opinion should be preferred over other experts.

## What is NOT acceptable

- Making conclusive findings of fact on disputed issues.
- Assessing the value of the plaintiff’s claim.
- Assigning blame.
- Giving a legal interpretation of contractual requirements.

## Being qualified

Qualification of an expert is a process whereby the court and opposing counsel get to test your qualification to be an expert. This is often an interesting part of the trial, as it is an opportunity for counsel to have you dismissed because of bias or errors in your report.

To be qualified, an expert must be forthcoming about his or her qualifications:

- Clearly state your education and/or experience.
- Advise when an issue falls outside your realm of expertise.
- If facts or instructions provided to you concerning your opinion are incomplete or research is based on insufficient data, then state your opinion as being provisional.

## Court criticisms of expert opinions

The Court is not hesitant to conclude that an expert opinion is unsound. This harms the overall credibility of an expert in his own case and in others. Some recent criticisms included:

- opinion expressed as to proper interpretation of contract in issue,
- the use of too many drawn inferences instead of actual facts to support opinions,
- positions that were more argument than evidence, and
- straying from the purely scientific to provide comment on matters in the case at large.

## Bias and expert role

A report that is biased is useless to the Court and to clients. To avoid this prospect, an expert must:

- maintain a degree of objectivity and impartiality with respect to the evidence that he or she is presenting,
- not provide unconditional support for counsel's position,
- display objectivity,
- advise counsel of both the strengths and weaknesses in his or her case,
- not come across as defensive or argumentative, and
- not be an advocate for his or her client.

## How to avoid bias

Some pointers on avoiding bias in your opinions:

- State the facts or assumptions on which your opinion is based.
- Do not fail to consider material facts that detract from the concluded opinion.
- After exchange of reports, if you change your view on a material matter, let the other side know.
- When referring to photographs, plans, calculations, survey reports or other similar documents, they must be provided to the other side.

## Expert sanctions

Possible sanctions for an expert who fails to adhere to his role include:

- evidence will be given little or no weight,

- reputation as a 'hired gun'/loss of credibility,
- complaint to professional body, and
- costs award against non-parties.

## Open season on your work product

The old rule in Ontario was that your work product had some privileges. This is no longer the case.

What about your notes, memos, earlier drafts, etc.?

- The opposing side can request production of preparatory materials.
- These include facts on which that opinion is based, and the instructions given to the expert by counsel, as well as the information which forms the basis of the expert's opinion, findings, and conclusions.
- Memoranda prepared by counsel and communications between counsel and expert are protected by litigation privilege, but information contained within these documents may be discoverable if it formed part of the expert's final opinion.

## Multiple experts

In complex claims, counsel may elect to have two experts:

- one to assist 'behind the scenes' with litigation strategy, including claim preparation, negotiation and mediation; and
- another to prepare the opinion and testify at trial.

## Summary

Briefly summarized, the new rules pertaining to expert witnesses provide:

- overriding duty to the Court, (*The Court can force experts to meet together and narrow issues in dispute*)
- joint statement by experts,
- earlier deadlines for service, and
- more information and substance required in report.

## Parting quote

"Expert: a man who makes three correct guesses consecutively."


— Dr. Laurence J. Peter 

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# Work continues for IVSC

The International Valuation Standards Council (IVSC) is the global standard setter for the valuation profession. Its mission is to set and maintain effective, high-quality global standards for the performance of valuations by the valuation profession and to contribute to the development of the worldwide valuation profession, thereby serving the public interest.

Having been established almost 40 years ago, the IVSC has grown from an association of about 20 professional valuation bodies to a diverse membership comprised of 48 countries representing almost 70 different organizations. The Board of Trustees exerts a great deal of effort and focus on continually expanding global contacts and communicating the mission. The direct result is continued growth in membership.

The first set of international standards was published in 1985. The ninth edition will appear in a revised format this year (2011) and replace the last edition published in 2007.

Historically, the focus was on the valuation of real estate, however, as the times and environment changed, the Council mandate has been broadened to include all valuation issues.

The IVSC Advisory Forum of Professional Valuation Organizations established in 2009 acts as an invaluable liaison voice to all the boards and provides a forum to address issues of mutual concern and interest. While not directly involved

with the development of technical papers or principles, the Forum assists the boards, by providing individuals and working parties, as recommended by the valuation organizations bringing a practitioner viewpoint to the discussions.

Both the standards and professional boards have been active throughout 2010, culminating in the publication of exposure drafts, guidance notes and discussion papers on the following topics:

- valuing investment property under construction,
- valuing intangible assets,
- new international standards,
- professional valuer,
- Code of Ethics, and
- valuation uncertainty.

This work will continue for 2011 with the development of technical papers on the discounted cash flow analysis and the cost approach, best practice papers on highest and best use and mass appraisal, and a discussion paper on the external auditor's use of valuation experts, to list a few.

In addition, and at the request of Public Works and Government Services Canada (PWGSC), the best practices documents prepared for PWGSC by the AIC on the valuation of penitentiaries, port facilities, National Defense bases, wilderness lands/national parks, and national historic sites, have been submitted to the professional Board for consideration of

the possibility that these important works may assist in forming the basis for the development of international guidance notes. The Board has assigned a member to review the material and report back.

The activity level of the three boards comprising the IVSC post-restructuring in 2007 has risen dramatically and 2011 is shaping up to be similarly busy. Watch for the publication of the 9th edition of the standards.

To obtain more information and follow the activities of the IVSC, please bookmark this site: [www.ivsc.org](http://www.ivsc.org).



*“Both the standards and professional boards have been active throughout 2010, culminating in the publication of exposure drafts, guidance notes and discussion papers.”*



# Enhancing global recognition of the valuation profession through WAVO

**T**he Appraisal Institute of Canada (AIC) is a founding member of the World Association of Valuation Organisations (WAVO). This body was established in 2003 to bring together professional valuation organizations that represent valuers and related property consultants employed in private practice, business and industry, the public sector, and education, as well as some specialized groups that interface frequently with the profession. WAVO seeks to promote best global valuation practices and consistent standards for robust growth of the profes-

sion. It provides an international platform for learning, sharing of experiences, and knowledge and debates on valuation practices (visit [www.wavoglobal.org](http://www.wavoglobal.org) for more information).

One of WAVO's roles is to provide public information, advocacy and international representation on matters relating to the valuation profession. An issue recently discussed by the WAVO Board was that, on a global scale, over the last decade and possibly longer, the valuation, appraisal and property profession is perceived to be lagging or less attractive than other professional vocations. Evidence of this can be seen by the number of students entering and graduating from education programs associated with professional streams other than those dealing with valuation or property.

A further issue for the profession concerns the number of senior Board positions held by other professionals who are required to make decisions concerning property, yet they have little or no valuation, appraisal or property-related experience.

An additional dilemma relates to the participation of the valuation and appraisal professional in major decisions concerning property. Has the property profession been slowly eroded and sidelined by the international accountancy and law professions? Is this erosion of the property profession still happening today? If we do not debate whether this situation exists, and if we fail to address this problem, then there may be no real betterment to the profession.

Are these observations correct? What strategies could we implement during the

next decade to propel the valuation profession to equal or higher levels than those held by other professions?

If it is true that the profession is lagging behind other professions, then this issue requires the cooperation of all stakeholders, as well as the leadership of a global membership body like WAVO.

Issues and challenges faced by the profession in the future may well include managing changes in technology, electronic reporting, automatic valuations, data accuracy, e-commerce, e-learning, and environment and sustainability issues.

Evidence suggests that, to our own detriment, the profession has yet to accomplish any uniform, effective and co-ordinated global marketing aimed at heightening the awareness, importance and growth of the profession.

Has there been enough effort directed at raising public awareness of the profession? Within the real estate sector, what place of importance does the valuation profession hold?

As a response to these concerns, at the 5th WAVO Congress held in Singapore, the WAVO Board decided to launch 'International Valuation and Appraisal Week' to raise the profile and awareness of the important role of valuers and appraisers to the global community.

The inaugural launch is targeted during the first week of November 2011 when each WAVO member will plan an initiative to publicize and promote the valuation and appraisal profession. 🇳🇵





# Navigating the Applied Experience Program: a Candidate's perspective

**A**s a Candidate, it can be overwhelming at times reconciling all the requirements for designation. I remember the first time I looked at the AACI designation requirements and felt quite intimidated by the work ahead of me; applying for entrance into the Applied Experience Program (AEP) was no exception.

At the onset of my AEP term, I was not sure what my expectations were or what a successful AEP even looked like. However, throughout my AEP term, I have come to realize several key elements required for a successful AEP outcome. In addition, I feel I have gained additional insight as a Candidate rep on the provincial board for AIC – British Columbia and the AIC Applied Experience Committee. This insight has proven valuable to me and I am sharing it with you to provide assistance in navigating the AEP.

## 1. Be diligent when choosing a Mentor

The Candidate-Mentor relationship is the foundation of the AEP and can be correlated to a Candidate's success or failure both in the AEP and as a professional. As AACI members Duane Bates and Suzanne de Jong indicated in previous articles in this publication, this relationship is important because "it provides the practical skills to Candidates that are not obtained through course work" and "it allows Candidates to acquire on-the-job experience, while being given guidance by an experienced member." Below are a few key elements that a Candidate needs to consider when choosing a Mentor:

- Make sure both you and your Mentor review the obligations in the *AEP Guidelines* document so that these obligations are clear and that you are

both committed to the program for the duration.

- A successful AEP requires a considerable time commitment from both the Candidate and the Mentor. When choosing a Mentor, ensure that he/she has the time to commit to working with you on a routine basis. Personally, I have the advantage that my supervisor is also my Mentor for the AEP term. This has worked extremely well because we have daily interaction and I am able to rely on him for guidance on most of the work that I do as well as through the AEP; I strongly encourage this type of relationship wherever possible.
- Personal relationships are an important factor in the success of the AEP. In my opinion, the worst thing that a Candidate can do is pair up with a Mentor with whom he/she does not get along.

Review the experience of the individual before you decide to approach him/her to be your Mentor. Simply approaching a designated member is not enough to receive the guidance and experience required to be successful in the AEP; the experience and competency of the Mentor is key to this success. If you are unsure of the Mentor's qualifications, ask the questions: How long has he/she been a designated appraiser? What is the depth and breadth of his/her experience? How familiar is he/she with the First Principles of Value? Has he/she recently completed the Professional Practices Seminar? Has he/she been involved in the AIC, either through committee work or otherwise? There are many other questions you can ask, however, the point I am trying to make is that you should do some investigation first before you commit to any one Mentor.

## 2. Take extra time and care when completing the AEP enrolment report

Although the AEP enrolment report is required for admittance into the AEP, the importance of this report should not be underestimated. This document lays out the entire framework for how the Candidate and Mentor will fulfill the AEP requirements and will help guide the Candidate and Mentor to success; that is, if it is put into action and followed.

Simply writing the AEP enrolment report because it is required and then casting it aside is not enough to be successful in the AEP. The *AEP Guidelines* dictate that the Candidate and Mentor have the obligation to routinely review the Candidate's progress in academic pursuits and applied experience. This cannot be accomplished without reviewing the AEP enrolment report on a routine basis to ensure that the Candidate is on track and to identify any deficiencies in the Candidate's progress.

## 3. Make use of all of the resources available to you

One of the things that the AIC has done well in the last number of years is to continually increase the resources available to Candidate members. The availability of and access to information relating to education requirements, designation requirements, and the AEP is improving and getting simpler to access each year.

One of the best things that you can do as a Candidate member entering the AEP is to research the resources available to you. This material can assist in understanding the expectations of you in the AEP, which can be invaluable towards the

successful completion of the program. To get you started, I have listed several resources where you can get good information relating to the AEP:

- The AIC website under the Careers section
- The *AEP Guidelines* document
- Articles, like this one, in the *Canadian Property Valuation* magazine
- Your peers; specifically those who have recently completed the AEP
- Each of the provincial association offices
- Material from presentations at AIC national conferences
- Members of the Applied Experience Committee (AEC)

#### 4. Maximize the depth and breadth of your experience during the AEP term

Depth and breadth are both defined in the current *AEP Guidelines*, however, these definitions can be summarized simply as a measurement of the extent and variety of an individual's professional experience. The application of these measurements is not limited to the AIC; similar measurements are used in most professions to qualify an individual as a professional and as an expert. In regards to the AEP, obtaining depth and breadth in your experience is the single most important element of a successful outcome.

The AEP replaced the former AIC articling program several years ago. Under the former articling program, Candidate members were expected to article with a firm for a minimum term and also produce work samples of their experience; depending on the designation they were seeking. The AEP is much broader, allowing a Candidate to gain experience from a variety of different real estate related fields and focusing more on the Candidate member's ability to apply the First Principles of Value during this experience. Regardless of whether you are in favour of the former articling program or the existing AEP, there is one common theme that is irrefutable: a mentorship program is an important part of our profession in that it fosters the professional skills expected by the clients of Institute members

It is not expressly stated in the *AEP Guidelines* that a Candidate must obtain depth and

breadth of experience in the AEP, however, it is inherent in the Candidate and Mentor obligations and it is at the very heart of why this program exists. As a Candidate, it is as much your responsibility to ensure you are achieving varied experience during your AEP term as it is your Mentor's. If you feel this is a deficiency in your AEP, then you should approach your Mentor and ask for his/her assistance in expanding the depth and breadth of your work. At the end of the day, you will be grateful for this opportunity because achieving this depth and breadth of experience will pay off in dividends as a designated member and a professional.

While my expectations of the AEP were uncertain at the beginning, I can now say with confidence that it has proven to be one of the most valuable and rewarding steps towards designation. In addition, I now realize more than ever how important the AEP is to the development of a Candidate's professional skills. Through my AEP term, I have identified four key elements that have been essential

to this positive experience: be diligent when choosing a Mentor, make the time and effort when filling out the AEP enrolment report, use all the resources available to you, and obtain depth and breadth in your experience. If you accomplish these key points I am sure that you too will be successful in navigating the Applied Experience Program. 🇨🇦

#### Applied Experience Committee

Duane Bates, AACI – Chair

Troy Davidson, CRA

Susan McRury, CRA

April Green, AACI

Tyler Beatty, Candidate

John Bridal, UBC

Suzanne Teal, ED, AIC – AB

Kimberly Maber, AACI – Board Liaison

To contact this committee, email:

[aec@aicanada.ca](mailto:aec@aicanada.ca)

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#208, 13220 St. Albert Trail, Edmonton, AB T5L 4W1

**President: John F. Wasmuth, AACI, P. App., P.Ag., CAC**



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# Before you sign the report

**A**lthough a signature is the final component of an appraisal report, it could be considered the most important. A signature transforms an appraisal report from an item of otherwise minimal value into a serious document.

The purpose of a signature on the appraiser's certification is twofold: (1) it authenticates the appraisal report, and (2) it confirms that the appraiser is taking responsibility for the accuracy of all content in the report and the veracity of the conclusion.

In appraisal practice, we are all aware that there is solemn responsibility once a report has been signed. However, it is worthwhile to occasionally pause and carefully consider the extent of this responsibility.

*CUSPAP* defines a signature as "personalized evidence indicating authentication of the work performed by the member where the member is responsible for content, analysis and conclusions in the report."

A signature can be represented by a handwritten mark, digitized image controlled by a personalized identification number, or other media where the member has sole personalized control of the affixing signature.

*CUSPAP Appraisal Standards* comment 7.29 elaborates on the extent of responsibility: "A member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information collected by an assistant . . ."

This responsibility can be far reaching. Section 7.29.5 states: "If the certification of value bears the signature of the member and employer/supervisor/prime contractor, then both individuals are responsible for the entire report."

Section 7.29.6 states: "If the certification



***"Responsibility in the finished product rests with the member signing the report."***

of value bears the signatures of two or more members as joint authors then each is responsible for the entire report . . .".

As a footnote, when a certification has more than one signature, it must clearly specify which individual did or did not make a personal inspection of the property. If two or more members sign, each is jointly responsible unless otherwise disclosed.

It is also clear that the responsibility arising from a signature can extend well beyond the appraiser's own work. For instance, the *CUSPAP* definition of technical assistance states: "Technical assistance involves support to the member in the preparation of a report, such as collecting

property data or other factual information, but does not in itself include interpretation or analysis. A member may rely on technical assistance from student members of the Institute or others, keeping in mind that 'responsibility in the finished product rests with the member signing the report.' But a member cannot co-sign a report with a student or non member."

In most circumstances, you have inspected the property, researched necessary data, and completed the appraisal with no assistance. Once signed, responsibility for the report is all yours, no question. But, what about the following?:

- You are training a Candidate who is becoming experienced and who can now prepare an appraisal report proficiently.

The *CUSPAP* definition of a co-signature (sec 2.20) applies responsibility for the work jointly.

- Your employer has a policy of more than one signature.

In this situation, it would be acceptable for the corporate signature to be placed on the letter of transmittal. *CUSPAP* does not prohibit a business entity from signing a letter of transmittal, however, it is the signature(s) on the appraiser's certification which matter. These carry all the weight and must be signature(s) of AIC members only. 🚩

## Standards Committee

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Chris Perret, AACI

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Dan Brewer, AACI – Board Liaison

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

# Peer review: in conversation with a member

**A**n appraisal report may lead a client to question the conclusions, because the report lacks the supporting details and analysis. Peer review considers each report in terms of compliance with CUSPAP. In the following conversation between a peer reviewer and a member, it becomes evident that compliance with CUSPAP is as important to the client as it is to the Institute.

## Member

I submitted a report on a 10-acre improved property with older residence, a shop and covered storage area. The home had been renovated in 2000. The report emphasized the cost approach alone; because there was no recent market evidence located within the general vicinity of the subject property that supported my opinion of the market value by direct comparison approach. In my opinion, the market data and current listings included inferior properties when compared to the subject.

My client, an appraiser working for a government ministry, insists that the report include market evidence to support the estimated value derived by the report's cost approach. The client wants to be convinced by the report, because the document has to appear before a Land Compensation Board. The client insists that my report is too vague and too easy to challenge by other appraisers.

My client wants the report to include market data to show that the real estate market would pay the kind of money suggested as the concluding market value.

## Peer reviewer

*The report needs to explain what market data supports your value adjustment for the renovations, because the appraisal report is accountable for the value conclusion.*

## Member

The report includes cost manual depreciation rates, but my client expects me to go the extra mile when doing this type of appraisal – I stated that I did not want the report to confuse the reader of the report with non-essential data, however, the client will not accept the report unless it includes the market data to support the value conclusion.

He suggests that I go to another community for the market evidence in order to establish a market-based adjustment rate for the renovations.

## Peer reviewer

*Hopefully, you can revise the report to comply with your client's terms of reference. Sooner or later someone reads appraisal reports and expects to be convinced that the value conclusion is probable. This proof is much like solving a high school math problem. The end result is going to get fewer marks unless you can show the work.*

## Member

My original appraisal mentor taught me not to include all the details of the adjustments in the report, because it gave the client fodder to question the appraiser. He said that he had all the data in his working file and could provide it if he had to go to court, but he did not like to include it in the original report.

The client is not willing to accept that type of reporting. He states that a report with a limited amount of detail does not instill confidence in the conclusion. He wants the report to include the supporting documentation and the reasoning within the analysis.

I wonder if I will be given the opportunity to bid on future appraisal assignments for this client. This agency's assignments have been more complicated than the typical mortgage

loan appraisals, however, I have been able to quote fees that reflect these challenges.

## Peer reviewer

*Does the report lead the reviewer or client to the document's conclusion? A poorly written report with weak reasoning is a poor reflection on the entire appraisal profession.*

*Any doubt or unanswered questions left in the analysis suggest that the report is non-compliant with the client's Terms of Reference and with CUSPAP. This will cost the client, as well as the appraiser time and money.*

## Member

I guess there are costs to the client and to me, the appraiser, if a report has to be revised or outright rejected. There is probably a cost to the professional organization as a whole when a client is dissatisfied because details are missing from a report written by a member of the organization.

## Peer reviewer

*Finally, proofread all your reports. Have a co-worker or employee do this if you find it difficult or too time consuming. Correct spelling, grammar and contradictions that may confuse the reader. Check that the report includes the market details and the reasoning that lead the reader to agree with the final value conclusion.* 📄

## Ad Hoc Committee on Peer Review

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Gerald McCoombs, AACI

Andre St-Arnaud, CRA – Board Liaison

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

# Being on auto-pilot courts trouble

**W**e all want to avoid situations where we find ourselves opening a letter from the Appraisal Institute of Canada (AIC) advising that a complaint has been filed against us. Having said this, we know that anyone can file a complaint against any AIC member, at any time. Section 5 of the *Consolidated Regulations* provides the process of procedural fairness for dealing with the complaint and, if necessary, the process for investigating the complaint.

Until recently, it was my practice that, when a file was assigned to the Investigating Committee (IC) from our Counsellor, Professional Practice, I picked up the phone and called the member directly to advise that an investigation had commenced. After having many of these conversations, I can see a clear pattern emerging. When members receive a call from the Chair of the IC telling them that the committee has opened a file with their name on it, these conversations usually start with their expression of real concern that they may have done something considered 'off-side,' and then move quickly to their wanting to know what is going to happen next, as well as what they need to do.

My goal in those telephone calls was to help our members understand that we need their help to work through the investigation process – simple communication based on a foundation of respect. This has gone a long way in helping our investigation timelines and compressing the time that it takes for the investigation to get to a point where the investigator has completed his/her report and sends it on to me. I listened to our members, understood the recurring themes of concern and emotion (some of it unnecessary), and put together a two-page letter that now goes out to every AIC member when we open

*“We need to really think about whether or not our professional actions are conscious, controlled and in line with AIC bylaws and standards, or are we on ‘auto-pilot,’ doing what we have always been doing.”*

a file. It summarizes four important points that they need to bear in mind as they move through the process with the investigator assigned to the file. This has served to explain the IC expectations of them and to manage any expectations that they have of us. It has also resulted in faster turnaround times for the completion of the investigation.

When we unwind the sequence of events of how all of us came to be members of AIC, we can probably draw a parallel to the stages that we normally go through when we learn to do anything new, e.g., how to drive. In our teenage years, we went through stages where the first stage would demand a lot of attention as we tried out the car controls and learned the rules of driving from our driving manual. We then entered the second stage where we linked it all together to co-ordinate our initial knowledge base with the rules that we learned, as well as with all the situations that we could run across when driving. Then some of us reached the third stage where we can get in the car and drive

without a thought – it is automatic and the learning curve flattens out.

We need to really think about whether or not our professional actions are conscious, controlled and in line with the AIC bylaws and standards, or are we on 'auto-pilot,' doing what we have always been doing for 10, 20 or 30 years. Many times, our members are aware of the standards, but their application of the rules simply falls short – their method of practice is not in step with AIC expectations.

Standards issues that have repeatedly fallen short in reports reviewed over the years through the course of our investigations are often attributed to shortcomings in writing skills. Our members know that they have to meet the standards and some of the problems lie with how they apply that understanding in their reports. Examples include subject property descriptions that are generic in nature and could basically be used to describe a variety of different properties, weak reasoning, and thin descriptions of relevant data. It is our view that we can help our members improve their methods of practice with a formal report-writing course offered as a continuing professional development (CPD) course through the University of British Columbia. Our committee is pleased to hear that the Learning Advisory Committee is addressing our recommendation.

We already have excellent CPD courses on various types of properties as well as courses on creative thinking (CPD 110) and decision analysis (CPD 110). If you had the opportunity to attend Darcy Rezac's session entitled *Interpersonal Communication & Effective Networking Skills* at our Victoria AGM, then you may begin to understand my point. This did not seem like an interesting topic at the outset, but the speaker was absolutely dynamic and completely engaged

the audience. One member stood up at the end of the seminar, thanked the speaker and summarized the views resonating in the room, i.e., the speaker did not tell us anything that we did not already know, but it was good to hear it again in a way that is positive and re-energizes us to be better at what we do. Any report-writing course would definitely have to hit that note and essentially connect the dots.

Our committee mirrors this point that there are educational opportunities that can serve to bridge gaps that exist with some of our members. These gaps were identified with the Counsellor, Professional Practice providing our committee with a summary of standard violations contained in *Practice Sanctions Consent Agreements (PSCA)*. The three major *Appraisal Standard Rule* violations for the past 18 months have been *Appraisal Standard Rules 6.2.15, 6.2.14 and 6.2.18*. (These are shown on page 18 of the bound CUSPAP copy that is either in hard copy on top of your desk or in your desktop screen in PDF format.)

We have opportunities to improve our methods of practice with our existing standards. Furthermore, I believe that the majority of our members look for ways to continue achieving higher levels of performance and work-product quality than what they produced in years past. Extrinsic motivational procedures such as negative discipline measures of reprimand, censure, publication and fines have their place.

Perhaps AIC should consider publishing more information on discipline activities so that we are all positively motivated to do a better job at working to achieve minimum results identified in our standards. It is possible that, with a comprehensive report-writing course in place, and more awareness of the professional practice activities, AIC can take steps to help our members work

towards consistently meeting the standards. Many people have worked very hard to develop and refine the standards and we owe a debt of gratitude to these AIC volunteers. My own view is that publication is a low trust option, but may be necessary for a period of time. Overall, it is my experience that professional development works better through positive reinforcement. Perhaps a balance can be struck.

In summary, ensure your reports show your clients that you know the standards apply to you. There is a saying that we learn 10-fold more during times of crisis. I hear that ring true in the tone and inflection of member speech patterns when I am on the telephone with them offering a *PSCA* to resolve the complaint matter. Putting the matter of standards shortcomings on the table in my article, if anything, may help some members with any unwillingness to face real issues – putting the fish on the table if you will.

Avoiding automaticity through continuing improvement of your methods of practice will show your client that they received professional service. It will reduce your chance of courting trouble should a complaint be filed against you, and it will help explain your compelling point of view when your work is under review by the team of AIC professional practice members who volunteer on the IC. 🇨🇦

#### Investigating Committee

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Joe Kireta, AACI

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



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# Clear, precise and persuasive

Steven Stark, a lecturer at Harvard Law School, argues that, “if you cannot communicate clearly, you are crippled as a lawyer.” This advice is equally applicable to the appraisal profession. Your professional reputation and credibility are bound in a package of expert knowledge, comprehensive research, skilled analysis, *and* effective communication.

Without question, how you communicate directly impacts your professional credibility. Regardless of your technical skills or abilities, a series of minor writing faults, even small typographical errors, can lead a reader to question your interest in accuracy, or worse, can lead to a misleading report due to lack of clarity or other errors. How can clients truly appreciate your knowledge and realize your worth, if your communication skills are marred by easily avoidable writing errors?

According to Stark, “if you are a litigator, written communication will determine whether you win or lose cases. Even if you are not a litigator, it makes an enormous difference in your ability to communicate effectively with your clients and your opponents.” The legal and appraisal professions share many similarities, including a common reliance on written communication. In both professions, ineffective reports tend to share common mistakes/oversights, regardless of the subject matter, content, or format of the report.

Often, the two most common problem issues cited in critiques of legal writing are (1) failure to adequately edit the work, and (2) failure to be persuasive. While the greatest




difference between the legal and appraisal professions may be the lawyer’s role as an advocate, as opposed to the appraisers’ duty to be objective and unbiased, the need to be clear, precise, and persuasive remains fundamental to the goal of most any written report.

Stark also argues that, “every lawyer needs an editor.” Well, the truth is, *every appraiser needs an editor*. As most appraisers cannot afford to hire a personal editor/proofreader, it is not surprising that some typos and minor errors will slip through the cracks now and then. However, there is a significant difference between minor errors and poor communication

skills. Unfortunately, it has become clear that a significant portion of our membership struggles to communicate at a professional standard.

If you took the time to read this brief article, I challenge you to take the time to review a sample of your recent written work. Whether an email to a client, a form report, a consulting assignment, or a full narrative appraisal, take a second look at your written work with fresh eyes. Reading what you actually wrote, rather than what you intended to write, can be surprisingly insightful (in both positive and sometimes negative ways).

Success in any professional practice demands communication skills that are clear, precise, and persuasive. Considering the nature of our industry, effective communication is no longer a competitive advantage, it is a competitive necessity. Regardless of whether you are a fee or non-fee appraiser, effective communication is a critical skill that we must strive to constantly improve. 

## Learning Advisory Committee

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John Bridal, UBC  
Andre Gravelle, UBC  
Signe Holstein, ED, AIC – ON  
David Shum, AACI – Board Liaison  
To contact this committee, email:  
[lac@aicanada.ca](mailto:lac@aicanada.ca)



## UBC UPDATE

# Foundations of appraisal: the importance of building design and construction

The partnership between the Appraisal Institute of Canada (AIC) and the University of British Columbia (UBC) has been uniquely successful because it has played to the strengths of both partners. Building on the best aspects of the AIC and UBC education programs, the result is a real estate valuation curriculum that is second-to-none.

In the early 1990s, AIC had a head start on UBC in teaching building design and construction to the valuation community. At that time, UBC's program was predominantly focused on economics and finance, while AIC's approach was oriented more to the practical side of things. At the same time, the AIC courses covering the physical aspects of residential and commercial buildings were in need of improvement – and UBC was able to lend a hand, updating the text and providing multimedia additions and learning support.

Now, more than a decade into the UBC/AIC partnership, it is time to revisit these courses – to examine how well they are meeting their intended purpose and to see where improvements might be made.

The goal of *BUSI 400* (Residential) and *BUSI 401* (Commercial) is to foster an understanding of real estate's physical characteristics in valuation professionals. This includes a variety of issues related to building design and construction, and how careful inspection and analysis of these issues can impact value. Redeveloping these courses is a challenge because each of its components could be a book, course, or program unto itself – including elements of architecture, engineering, infrastructure design, all of the building trades, building codes, zoning, environmental issues, and energy efficiency.



With so many facets, these courses are also a challenge for students, in terms of not becoming overwhelmed by the subject matter. Our intention is to build familiarity with the wide variety of issues that students will come across in practice, but we do not intend to make them experts in any particular area. The simple objective is that they better understand how design and construction influence values, know what to look for when reviewing a property, and ultimately are able to determine when they are beyond their professional expertise and need to call in other professionals with specific building expertise.

In pursuing this update, consider the following sampling of potential considerations:

- Revisit the blend of technical and practical, ensuring the text provides enough details for familiarity, but does not cross that fine line between 'need to know' and 'nice to know.'
- Build in more of a visual element, with additional illustrations and photos, as well as new

and improved videos and website elements.

- Emphasize the practical aspects of property inspection, in terms of addressing the client's needs in different valuation assignments and the standard expected of appraisers to minimize risk/liability.
- Recognize faulty construction and housing defects, including how these are remediated and their potential impact on value.
- Focus on energy efficiency and sustainability.
- Outline the requirements and risks in evaluating partially completed construction for lending purposes.

In pursuing this course update, UBC welcomes input from AIC members on what might be incorporated. UBC also welcomes expressions of interest from AIC members who may wish to get involved in this updating process, as advisors or contributors. We are looking to better educate the appraiser of tomorrow – to do so, we need the input of appraisers today. 📌

# Eroding professionalism?

Appraisers accepting assignments as expert witnesses in courts and real property tribunals should appreciate that a significant number of judges and tribunal members hold abiding suspicions about the reliability and trustworthiness of expert witnesses generally, and of appraisers more specifically. One trial judge wrote that, “although the Court as an institutional tribunal has much experience with the evidence and testimony given in a variety of cases by realty appraisers, the Court is itself not invested with what passes for expertise in this inexact, pseudo-scientific profession whose members are constantly called to contradict each other in solemn form, rarely agreeing on any significant matter.”<sup>1</sup> Harsh words, no doubt, but they are in line with what has been written about expert witnesses generally:

The professional witness is always partisan, ready and eager to serve the party calling him/her. This fact should be ever-present in the mind of the cross-examiner. Encourage the witness to betray partisanship, volunteer statements and opinions, and give unresponsive answers. Jurors always look with suspicion upon such testimony.<sup>2</sup>

Expert witnesses become so warped in their judgement by regarding the subject in one point of view that, even when conscientiously disposed, they are incapable of expressing a candid opinion.<sup>3</sup>

Despite the more rigorous rules of court applied to expert witnesses over the past few years, and the direction provided by the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*, recent decisions

of courts and real property tribunals continue to decry the lack of professionalism among some appraisers appearing as expert witnesses. In this context, lack of professionalism may exhibit itself in the form of inattention to detail, lack of competence in the particular subject matter, lack of objectivity, or assuming the role of advocate, to name a few examples.

If the rules of court and professional standards are insufficient reasons to maintain one’s professionalism, perhaps there is another, more powerful, reason. When a court or tribunal comments on an appraiser’s lack of professionalism, that becomes a public mark that is difficult, if not impossible, to totally eradicate. Apart from the immediate adverse publicity that will be generated, it is almost certain that the negative comments will be thrust at the appraiser time and again in future expert witness assignments.

Many appraisers are aware of the fact that there are two times when litigators research appraisers’ pasts: 1) when they are retaining appraisers as expert witnesses, and 2) when they are preparing to cross-examine appraisers appearing as expert witnesses. Appraisers have to expect that previous negative statements about their work product or their appearance in the witness stand will be discovered.

In short, each time an appraiser is castigated by a court or a real property tribunal for a lack of professionalism, there is damage done to the profession as a whole and to the individual’s reputation and pocket book.

Traits which help establish the elements of objectivity, credibility and lack of bias include:

- thorough knowledge of the subject matter,
- preparedness,

- even-handed gathering of data,
- even-handed analysis of the data,
- forthright answering of questions,
- adopting the role of supplier of information, and
- avoiding advocating the client’s position.

While courts and other tribunals are not as effusive in their praise of appraisers as some are harsh in their criticism, most recognize that real property appraisal is an endeavour requiring the combination of experience and expertise that professional appraisers can offer. Great weight is put on carefully formulated opinions of value. It is a matter of fulfilling your retainer in keeping with the traits of a professional.

Trite to say, professionals live by their reputations. Good reputations are hard to win and distressingly easy to lose. 🇨🇦

## End notes

<sup>1</sup> *Leighton v. Canada*, [1987] F.C.J. No. 937 (QL)

<sup>2</sup> Francis L. Wellman, *The Art of Cross-Examination*, 4th ed. (New York: Macmillan Publishing Company, 1936) pp. 125-6

<sup>3</sup> *ibid*, at page 94

## Appeal Committee

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

# Professional Excellence Program – Phase I to be launched, spring 2011

The Appraisal Institute of Canada Professional Excellence Program is to be dedicated to all things related to professional excellence including claims prevention, technical and business skills.

This program will not only consolidate existing information on technical issues as they relate to claims prevention, but will provide best practices and new learning resources aimed at enhancing members' ability to perform and apply the five professional competencies required of our profession.

The professional competencies are: **market analysis; integrity; critical thinking; relationship building and communication; and self-development.** These are the very competencies that our Institute has determined are critical for Candidates to demonstrate during their final interview prior to being awarded a designation. Therefore, we believe that a member who demonstrates professional excellence will be highly proficient in these competencies. We further believe that a member who is highly proficient in these competencies will be recognized as a true expert and a well regarded

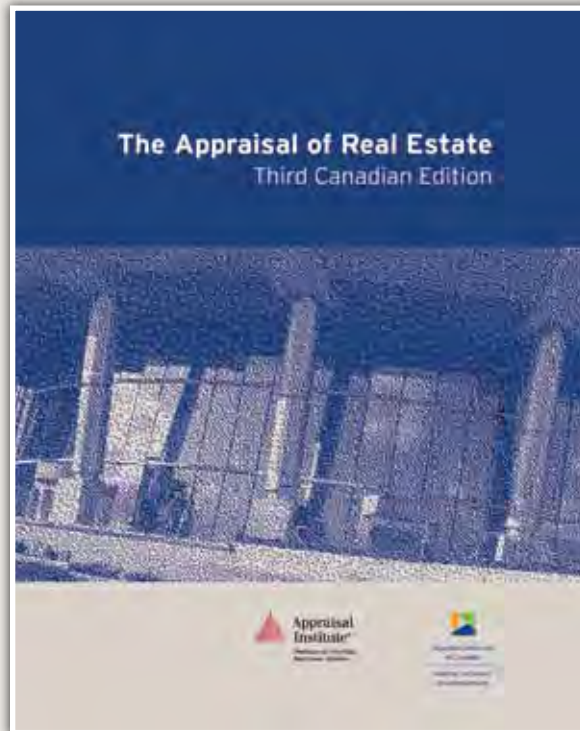
professional. Although there will always be those who challenge our opinions, members who embrace and embody our professional competencies, especially when it is difficult to do so, will be above the suspicions and criticisms noted in the adjoining article.

The Professional Excellence Program is a large, multi-faceted undertaking that will be rolled out in phases over the next three years. Phase I will provide members with search-capable online access to a consolidation of existing resources, including articles, bulletins, presentations, standards, policies and guidelines.

## A must have reference manual for every valuation professional

With the addition of timely, new material relevant to today's demanding and ever-changing real estate marketplace, the **Third Canadian Edition of The Appraisal of Real Estate** demonstrates how to overcome obstacles and perform appraisal assignments with consistency, competency and integrity. Considered to be 'the bible of the valuation profession' in Canada and a repository of the Appraisal Institute of Canada's 'body of knowledge,' this 'must have' reference text for anyone with a professional interest in appraisal or a general interest in real estate value:

- ✓ Provides readers with a solid foundation for understanding real property valuation
- ✓ Includes detailed information on appraisal theory, highest and best use analysis, land value, valuation procedures and preparing appraisal reports
- ✓ Addresses the changing nature of valuation practice and the increasing need to understand and effectively deal with scope of work, globalization, professional collaboration, environmental issues, financial reporting, statistical use...and much, much more.



Visit the UBC website to see the table of contents and a summary of all changes to the **Third Canadian Edition: Appraisal of Real Estate Third Canadian Edition**. [https://secure.sauder.ubc.ca/re\\_creditprogram/bookstore/toc/toc\\_are.cfm](https://secure.sauder.ubc.ca/re_creditprogram/bookstore/toc/toc_are.cfm)  
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# Listen up and understand before you act

**W**e all have to defend our work product. Sometimes, it is our client who has questions or concerns; sometimes, it is their banker; sometimes it is opposing counsel, and sometimes, heaven forbid, it is a professional practice reviewer.

When the day comes that you get a call or letter from the Counsellor, Professional Practice, an investigator or the advocate, one of the most important things you can do is take a breath and listen or read to determine exactly what the issues are. Many of us leap into self defence mode and may even lash back like a cornered kitten. This is rarely the right thing to do.

Some years ago, I sat through an Adjudicating Committee hearing where an accused member defended his work quite admirably, telling the committee about the difficulty finding information and comparables, and how hard he had worked to produce a credible value estimate. He even brought an advisor to the hearing to testify to the quality of the appraiser's work. The trouble was that there was nothing in the charges

that pertained to the comparable evidence or the value estimate. The charges against the appraiser were limited to reporting issues: there was no signed certification and the appraisal did not disclose the listing/sale history of the property as required in *USPAP* at that time.

The appraiser defended himself against charges that were never made, and failed to defend his work against the actual charges. So, the accused appraiser was not only subject to discipline, but also paid the costs of the hearing, including travel costs for the advisor. He really only needed to say, "Yes, all my reports henceforth will have a signed certification and I will always check and disclose the history of the property." By listening to and responding to the specific charges, he could have saved himself all kinds of costs and worry, not to mention saving the Appraisal Institute of Canada (AIC) considerable expense for the hearing.

Similarly, a recent RECA hearing in Alberta concerned a real estate agent who acted for both the seller and the buyer. He failed to disclose some facts

to the buyer, in particular, that there were some unknowns about the property, such as its age. Thus, he was deemed to have breached his duties as a 'dual agent.' He only needed to have said to both clients, "we do not know exactly how old this property is."

Again, when charged with breach of duty, he defended himself vigorously at a hearing about how he should have met with the seller and how he should not have lost his temper when the buyer got angry. At no time did he stop and understand that his breach was a very simple one. Instead, he spent considerable amounts of money in travel time and costs for the hearing, most of which could have been avoided if he had listened, then understood and acknowledged his mistake.

So — listen up. Take the time to understand the issues. Do not defend yourself against charges that are not in place. Do not spend time berating the complainant. Instead, figure out whether you did make the mistake you are accused of making. If not, defend yourself vigorously. If so, learn from the mistake and tell the investigator how you have learned. Do not go to the wall defending yourself against allegations that have not been made. 🚩

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Pat Cooper, AACI  
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To contact this committee, email:  
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# The Professional Liability Insurance Program (Part II)

Part 1 of this article was published in *Canadian Property Valuation*, Book 4, 2010

The Appraisal Institute of Canada (AIC) professional liability insurance provides members with protection against claims resulting from any errors and omissions made in the rendering of professional services.

Professional services as defined in the policy means real estate appraisal services, including opinions and/or counselling which members are qualified and authorized by the Institute to provide. This includes real property appraisals and related consulting services that are defined within the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

This definition is quite broad and affords AIC members with reliable insurance coverage for the increasingly broad range of valuation and related advisory services that they provide. This is in contrast with other competing professional liability insurance programs that are much narrower in scope and coverage.

The insurance policy is provided by Travelers Guarantee Company of Canada and reinsured through First Professional Liability Insurance Company, a wholly owned subsidiary of the Institute.

The policy provides members with up to \$2 million per claim and \$2 million in the aggregate annually and has an annual member aggregate claim limit of \$20.5 million.

The Institute's professional liability insurance program is mandatory for all active members. The mandatory nature of the program makes it cost effective and enables members to benefit from economies of scale.

Moreover, as a true member insurance program, it guarantees coverage for all members in good standing. No member in good standing can be denied insurance as is the case with other types of insurance programs.

*"The program strives to promote high quality practice standards and implement effective claims prevention and management strategies to keep insurance costs low."*

The program strives to promote high quality practice standards and implement effective claims prevention and management strategies to keep insurance costs low.

Over the past 10 years, the program has been very successful in this respect. For a number of years, AIC members received significant rebates on their insurance premium. While this has not been possible in recent years, as a result of changing economic circumstances that have seen claims increase substantially, the structure of the program including the reinsurance portion through AIC's wholly owned subsidiary insurance company will benefit members by mitigating premium increases in challenging times and making it possible to offer members additional benefits as resources become available.

The program insures both fee and non-fee members of the Institute. Fee members make up 65% of the AIC membership and 35% are non-fee members.

The insurance premiums are derived from the program's claims history and determined by the program's actuary. The premiums are allocated by member type including AACIs, CRAs,

Candidates, and non-fee members as a separate class. The very significant difference between the fee and non-fee premiums reflects the number of claims made over time.


The risk exposure for non-fee members is very low and hardly any claims have been made against them. This is reflected in their \$54 annual premium.

Fee members receive the large majority of claims and based on the number and severity, the AACI, CRA and Candidate fee structure is determined.

It is important to note that, except for insurance, all fee and non-fee members pay the same AIC membership dues.

As mentioned before, this is a true member insurance program which ensures that all AIC members in good standing have access to liability insurance. Further, because the program is mandatory and thus fully subscribed, members receive the kind of affordability, and reliability that would be hard to match on an individual basis and particularly in difficult economic times when the likelihood of obtaining this type of insurance is not guaranteed.

Basing premiums according to individual member risk would be administratively more complicated and expensive. Further, while some members would be advantaged, others would find their insurance costs prohibitively expensive. The existing program keeps operating costs down and maintains a good level of premium stability for all members.

The insurance premiums are determined by an actuarial firm that has many years of experience with the Institute's program. The AIC Board, which is comprised of eight fee and six non-fee members, makes policy decisions on many different issues, but, when it comes to insurance matters, it takes counsel from the experts that manage the program. 



Robert Patchett, LL.B.  
Counsellor, Professional Practice

# Contract risks and analysis

There is much ado about various contracts that appraisers are requested to sign, or, in this age of technology, to acknowledge via a series of online click-thru boxes. The challenge that I hear from many is that they do not understand how to read the contract and what to look for. In that regard, the Appraisal Institute of Canada (AIC) has sponsored the development of a contracts seminar, which has been delivered to several provincial and chapter meetings. The seminar is also available on the AIC website, and could be delivered in person or by webinar if there is further interest. <http://www.aicanada.ca/cmsPage.aspx?id=202>

There is also a significant amount of information regarding appraisal management companies (AMCs) and the advice from the AIC on the website. <http://www.aicanada.ca/cmsPage.aspx?id=283> This site continues to be updated regularly, so be sure to bookmark it and check back.


Beyond this, I would encourage members to take the *BUSI 112 Real Estate Law and Ethics* course, as it will give you some insights that will be helpful.

The aim of this article is not only to refresh people's memories about contracts, but to offer advice as to how you should review any contract, whether it is one you prepare or one you are asked to sign. This should not be new to anyone. Appraisers should be familiar with preparing a letter of engagement which will set out the fundamentals of scope of work, report delivery and format, timelines, and fees. Some may also be familiar with the language used in responding to a request for proposal (RFP)

(the University of British Columbia offers a continuing professional development course on this subject) which also uses similar contract language.

In reviewing any contract, the key points to keep uppermost in your mind are: read the contract understand what is intended; know and work within your own qualifications and competency; understand the limits of your professional E&O coverage; understand appropriate use of limiting conditions in contracts and in reports; and obtain your own independent professional advice.

The challenge I remind anyone who asks is to understand the risks inherent in any contracts, and, as a business person, measure the benefits against the risks. The AIC has reviewed many contracts and the advice relates to two matters: compliance with CUSPAP and insurance coverage. Where the AIC has identified concerns in the generic contracts, the AIC staff and Executive Committee contact the business to discuss these concerns in order to effect positive change within those two contract areas. Anything else is a matter of contract performance and the appraisal review metrics conducted by clients. On those, the AIC is not in a position to offer advice nor negotiate terms, since that is about your business model and your business practice, which will likely be different across the land.

In the end, the best advice remains to read the contracts, seek amendments, raise concerns at the signing/negotiation stage, and be prepared to consider the benefits/risks when you enter into any contractual agreements. 



*"Read the contracts, seek amendments, raise concerns at the signing/negotiation stage, and be prepared to consider the benefits/risks."*

# Multiple computer monitors

“It is the framework which changes with each new technology and not the picture within the frame,”

– Marshall McLuhan.

**W**elcome to the first *Canadian Professional Valuation* magazine’s technology column.

We live in an exciting time of tablets and portable PCs, digital photography, GPS/GIS, powerful and specialized software, constant communication and something called social media. While none of these devices and systems can change the picture for us – the need for sound appraisal knowledge, best practises and good judgement – they can change the framework in which we practise and in which we communicate our expertise.

In the coming issues, I hope to discuss the ever-evolving use of many types of technology in valuation practise. I will share some of the tools I use and feature appraisers who have used tech tools and methods to elevate their productivity and product quality.

I am not a computer science grad, I do not write code, design websites or even maintain our network system. I do, however, love useful technology and I am not afraid to try something new. I have found that, with a little experimentation and some investment of time and capital, a new world of information gathering, analysis, presentation and preservation is easy to embrace.

To start this new CPV feature, I want to relate a story about something very simple and surprisingly powerful – multiple computer monitors. I, like many, use a laptop as my principle computer. To increase portability, I recently upgraded to a laptop with a much smaller screen. Because the monitor was harder to see, I decided to move

a larger LCD monitor onto my desk and plug it in – all modern laptops seem to have an external monitor connection.

Thinking I would ignore the smaller screen, I quickly discovered that Windows (XP, Vista and now 7) allows seamless and variable use of both monitors simultaneously. Not only can they duplicate each other so you can show a client sitting across from you the same information you are viewing, they can be set up to work independently. Independent monitors allow, for example, a spreadsheet or Google Earth to be displayed on one screen while your Word document is displayed on the other. You move your mouse left to right, from one screen to another.

Take this a few steps further. With upgrades to your video card(s), you can control three monitors or more. There is third party software available (I use Ultramon) to fine tune multiple displays and add some useful convenience

tools. Some monitors also allow easy rotation to landscape or portrait modes. I have a ‘smart’ Samsung monitor that automatically changes the display properties, depending on its orientation. This allows me to display mapping or web-based images in either mode to suit the shape of the image capture I need for a report.

Having two or more programs open simultaneously is often required. The flexibility that multiple displays can give has made what we commonly call multi-tasking so much easier and enjoyable. Add a second monitor to your system and you will wonder how you worked with only one.

There are many interesting, potential changes to the real value expert’s framework to be explored. This column will try to do that. Write to us with ideas for future topics, to volunteer as a guest columnist, or to suggest an innovative AIC member from whom you think we can learn from. Contact [tech@aicanada.ca](mailto:tech@aicanada.ca). 





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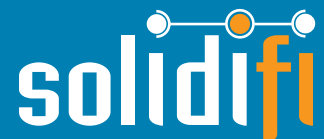
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The logo for Solidifi, featuring the word 'solidifi' in a white, lowercase, sans-serif font. Above the 'i' and 'f' are three small circles connected by a horizontal line, with the 'i' circle being orange and the others white.

## ON THE MOVE

## DOUG RUNDRELL APPOINTED CHAIR OF PILT PANEL



Based on his high professional standing, experience, knowledge and understanding of the fields of real property valuation, Canadian property tax systems and provincial models of assessment and taxation, Doug Rundrell, AACI, Fellow, has been appointed by Public Works and Government Services Canada (PWGSC) to a three-year term as Chairperson of the Payments in Lieu of Taxes Dispute Advisory Panel.

Now retired from the Province, Doug has had a distinguished professional career in the

field of real property assessment and taxation that includes 33 years of service to the Province of British Columbia in various management positions, most notably as Chief Executive Officer and Assessment Commissioner of British Columbia Assessment Agency. The Payments in Lieu of Taxes Dispute Advisory Panel offers advice to the Minister of Public Works and Government Services or heads of Crown corporations on the resolution of disputes involving payments in lieu of taxes on federal properties. The Panel's authority is limited to providing advice on issues respecting property value, property dimension or the effective rate applicable to federal property. The Panel is also authorized to provide advice to the Minister or the

head of a Crown corporation with respect to a claim by a taxing authority that a supplementary payment (in lieu of interest) should be made. The Panel is an impartial advisory body where municipalities and other Canadian taxing authorities can present their concerns regarding payments in lieu of taxes they have received on federal property within their jurisdiction.

In announcing the appointment, the Honourable Rona Ambrose, Minister of PWGSC and Minister for Status of Women stated that, "Mr. Rundrell's appointment to the Panel will allow this government to support its commitment towards accountability and providing taxpayers value for money.

## PILT panel well served by appointment

PWGSC's Payment in Lieu of Taxes (PILT) Dispute Advisory Panel will be well-served by its new chairperson, Doug Rundrell, who comes with a fine pedigree, including more than three decades with BC Assessment and experience on a number of panels and regulatory bodies.

Composed mainly of appraisers and lawyers, the 26-member PILT Dispute Advisory Panel is heavily weighted towards appraisers, all of whom have professional designations. A leader among these peers, Doug not only holds an AACI, but was also awarded the rank of Fellow by the Appraisal Institute of Canada (AIC) for meritorious service to the appraisal profession.

Retired since April 1, 2008, Doug will be drawing on experience gained during his past service as he assumes what he describes as "a challenging position, adjudicating on some of the more difficult properties facing appraisers." Recognized as an expert in the appraisal of many complex property types, he is well-prepared for leading the panel in addressing issues surrounding non-market

real estate such as ports, military bases and national parks. It is the payment related to these kinds of properties that is most commonly challenged by municipalities requesting an impartial review from the panel.

"BC Assessment lived under an umbrella of fairness and equity that governed our work on a daily basis," notes Doug. "As assessment commissioner and CEO, it was my responsibility to ensure these principles prevailed. I am drawing on that aspect of my background in this position."

At the same time, it is important to PWGSC that Doug be capable of managing the work of 26 individuals in the panel process. He is responsible for ensuring consistency in the way they look at issues and the manner in which they give advice to the minister. For this, his former experience managing 700 employees and a \$75 million budget is invaluable.

Equally important is his expertise in government relations, including consulting with stakeholders and understanding their issues from an administrative perspective. "The background that appraisers gain over years of experience covers a wide range of different roles," Doug

points out, "not only in terms of valuation, but also in understanding how a hearing process works, how government programs function at municipal, provincial and national levels, or even how to run a business. Whether you are in the government or private sector, there are many transferable skills."

These skills translate into opportunities to take on various influential positions. Previously, Doug served as vice-president, then president, of Civic Info BC, a co-operative information service for those who work or have an interest in British Columbia's local government sector. Since 1988, he has served on many AIC committees, most recently as the Professional Practice Advocate from 2008 to 2010. He was also AIC's president in 1997-98.

"I feel very fortunate that I became involved with the Institute early on in my career," says Doug. "The training and experience I gained through active involvement at the chapter, provincial and national levels has been very rewarding and helpful throughout my career."

## GOODWIN RECEIVES WAVO AWARD

The Appraisal Institute of Canada (AIC) is a founding member and a strong supporter of the World Association of Valuation Organisations (WAVO). Over several years, AIC past president, Keith Goodwin, AACI, Fellow, has represented AIC and contributed to WAVO's activities and projects. As the First Deputy Chairman of WAVO in the formative years, Keith was instrumental in helping WAVO to grow and develop to its present stage.



WAVO acknowledges that its success relies on the contribution of committed and passionate volunteers such as Keith and, at the recent 5th WAVO Congress held in Singapore, the WAVO Board decided to confer the Inaugural WAVO Honour Award to Keith in recognition of his continuing efforts and immense contributions to the growth and development of WAVO and the valuation profession.

AIC congratulates Keith Goodwin on this award and commends him for all his tremendous efforts in promoting the valuation profession and raising the profile of AIC in the international arena.

## 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.*

**Wayne A. Power, AACI** – Delta, BC  
**Donald Stewart, AACI** – Brockville, ON

### CRITICAL DATES

#### February 28, 2011

Online registration available for the AIC Annual Conference in Moncton, NB

#### May 2, 2011

Deadline for early bird registration for the AIC Annual Conference

#### Mid-August, 2011

Dues e-invoices emailed to members by AIC

#### Mid-November, 2011

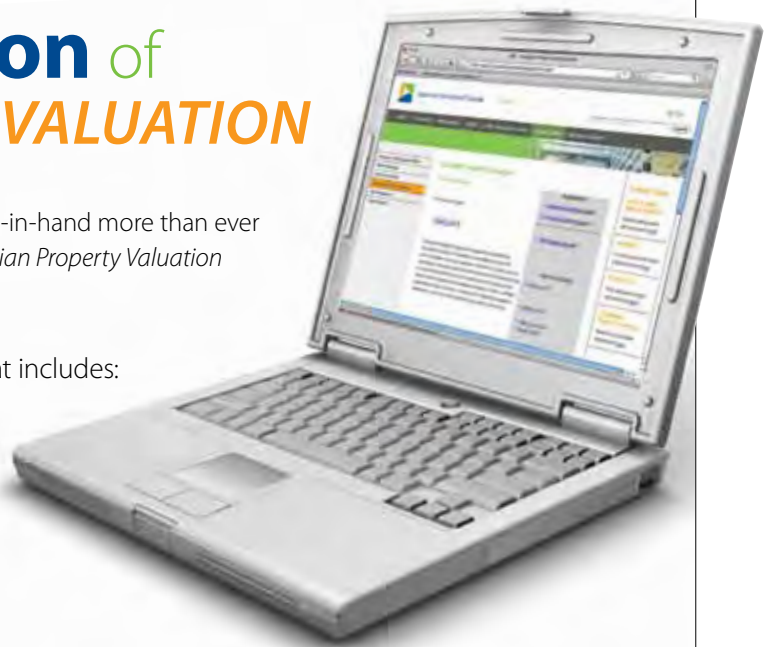
Insurance e-invoices emailed to members by Martin, Merry & Reid

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## AIC designations granted / Désignations obtenues de l'ICE

The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the AIC, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period October 16, 2010 to January 21, 2011:  
*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 16 octobre, 2010 au 21 janvier, 2011:*

### AACI

#### Accredited Appraiser Canadian Institute

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

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

#### ALBERTA

Brad Daviss  
Erika Popovics

#### ONTARIO

John S. Carter  
Howard Sebastian Christie  
Michael Heffernan  
Alastair Kermack  
Agnes Lee  
Janet L. Metherel  
Shelly D. Peeken  
Curtis Alvon Travis  
Oksana Vialykh-Patti

#### QUEBEC

Hugo Levesque

#### SASKATCHEWAN

Darren Bird  
Greg Buchan  
Jana Okrainetz

#### BRITISH COLUMBIA

Dritan Beqo  
L. Rosetta Ferrari  
Adam Lawrenson  
Yohan Lee  
Ardeane M. Maharaj

### 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

Chantelle Haugrud  
David McLennan  
Jeff G. Prediger  
Sherry L. Smalridge  
Scott Stooshinoff

#### NOVA SCOTIA

Shawna J. Best

#### ONTARIO

Felix E. Blair  
Jeff Dickson  
Jeff J. F. Giles  
David M. Pabon  
Iryna Puha  
Frank D. Pulsinelli  
Mark A. Schroeder  
Rick W. Sword  
Rene V. Vermette

Joseph G. Waite  
Darren R. Whimsett  
Jason Yoo

#### PRINCE EDWARD ISLAND

J. Darren Ings  
Allan J. MacDonald

#### BRITISH COLUMBIA

Goran Arevski  
Keith W. Bell  
Josh E. M. Jones  
Muhamed Masic  
Jason S. Tse

## Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period October 16, 2010 to January 21, 2011:

*L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 16 octobre, 2010 au 21 janvier, 2011:*

#### ALBERTA

Selina Ching Siu Chan  
Travis Keel  
Heidi Leduc  
Gary Smith  
Matthew W. Stefura

#### BRITISH COLUMBIA

Matthew A. Burns  
Josh Hadley  
James Liao  
Emad Mirzaei  
Alborz Namazi  
Rob Norton  
Kelly Riley  
Cindy Nicole Schoenauer  
Henry D. Wang  
Defeng Zhang

#### MANITOBA

Samantha Fast  
Kara L. Janzen  
Frederic Pauze  
Debbie Pieterse

#### NEW BRUNSWICK

Guy Chiasson  
Cassandra Inch  
Andrea Y. J. Kilpatrick  
François G. Léger  
Jocelyne Richard

#### NOVA SCOTIA

Catherine How  
Alison Stanton

#### ONTARIO

Almog Avisror  
Robert Biasi  
Luba O. Cargill  
Cole Carpenter  
Anthony Chimonides  
Adam Cipolla  
Deborah M. Dales  
Kou Dou  
Hadley L. Duncan  
Sean Finlay  
Franc Gregorin

Clinton A. Harwood  
Cindy Malani Jokhu  
Nasir Ali Khan  
Jason Lee  
Michael M. McIntosh  
Tony Spencer Morgan  
Patrick Neptune  
Ryan G. Slade  
Sean Ian Smith  
Liran Tal  
Jonathan Wollziefer

## 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.*

#### BRITISH COLUMBIA

Jeremy M. Cutler  
Scott E. Little

Gregory D. Lowe  
Darrell Roger Muzichuk  
Sandra Nicole Paulin

#### ONTARIO

Brenda J. Baun  
Carl W. Burgess

Ryan T. Harnden  
Amanda Jane Ottenbrite

#### QUEBEC

Vincent Bousquet



# Incorporating **HIGHEST** and **BEST USE** into accounting standards expands opportunities for appraisers

(Extracted from an article by L Richard Johnson, PhD, CPA; K. Edward Atwood, PhD, CPA; and Larry Walther, PhD, CPA in the spring 2010 issue of *The Appraisal Journal* and reprinted with permission from the Appraisal Institute. © 2010 Appraisal Institute. All rights reserved.)

**T**he preparation of financial statements is governed by the accounting profession's complex network of principles and rules. Collectively, this network is known as *generally accepted accounting principles*, or simply *GAAP*. In the United States, the Financial Accounting Standards Board (FASB) is the primary private sector body that establishes specific financial accounting rules. Globally, the International Accounting Standards Board (IASB) plays a similar role. Indeed, these two bodies are working diligently toward a single, converged set of standards. In addition to *GAAP*, when an accountant conducts an

audit of financial reports, there is a duty to follow *generally accepted auditing standards (GAAS)*. The *GAAS* comprises systematic guidelines to ensure accuracy, consistency, and verifiability of audit reports.

In 2007, the FASB issued a new financial accounting standard: FASB Statement no. 157, *Fair Value Measurements (FAS 157)*. This standard articulated a highest and best use concept that is familiar to appraisers, but new to many accountants. The fair value accounting ruling opens up new venues of appraisal services, as foretold in a leading accounting journal:

*In some cases, the help of a real estate valuation specialist who has an understanding of highest and best use and its relation to Statement no. 157 may be needed to confirm that a company's real property assets are properly valued, and those valuations comply with the new standard.*

On July 1, 2009, the FASB issued its *Accounting Standards Codification (ASC)*, which became the single source of authoritative non-governmental U.S. *GAAP*. The codification reorganized the thousands of U.S. *GAAP* pronouncements into approximately 90 topics. Under the new codification, FAS 157 is now ASC Topic 820, *Fair Value Measurements and Disclosures*.

## DEFINING CONCEPTS

The FASB defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” For real estate assets, this definition entails an understanding of highest and best use. Specifically, the standard notes that a fair value measurement assumes the highest and best use of the asset by the market participants. While this concept is quite familiar to those engaged in real estate appraisals, it represents an attitudinal shift by the accounting profession. Historically, valuation of real property was based on an entity’s intended use of the property. However, because fair value is a market-based measurement and not an entity specific measurement, under ASC 820 the property should be valued at its highest and best use to a typical market participant.

The measurement process to assess highest and best use to a typical market participant is necessarily tied to a comprehensive assessment of alternative uses for a property, which, in turn, may drive the specific valuation techniques used. Simply stated, this is outside of an accountant’s area of expertise, but solidly within the domain of the work of real estate appraisers.

## GLOBAL INTEREST IN FAIR VALUE ACCOUNTING

The FASB’s interest in fair value accounting is mirrored by the international community and the International Accounting Standards Board (IASB). The IASB issues a monthly activity update wherein tentative conclusions of its recent activities are reported. Recently, it noted as follows:



*“The fair value of an asset should reflect its highest and best use. The highest and best use is the use by market participants that would maximise the value of the asset or of the group of assets in which the asset would be used. It considers uses of the asset that are physically possible, legally permissible and financially feasible at the measurement date”.*

An IASB exposure draft on highest and best use is under development. It is expected to state that an entity does not need to perform an exhaustive search to find other potential uses on which to base the valuation if there is no evidence to suggest that the current use of an asset is not its highest and best use. Further, when an entity uses an asset together with another asset in a use that differs from their highest and best use, the entity may need to split the fair value into a fair value of the asset assuming its current use and a change of use option, reflecting the entity’s ability to switch the asset to its highest and best use.

Although the IASB’s discussion of highest and best use is similar to FASB’s discussion, there are distinct differences. First, the IASB’s requirements for the determination of the highest and best use and resulting fair value measures are much less rigorous than those of FASB’s ASC 820. Second, the splitting of the value into two values is dissimilar.

There is a significant movement to converge domestic and international accounting rules. As such, appraisers will also need to monitor how the respective standards define and apply the concepts of highest and best use as it applies to real property. A consensus on the methodology and requirements for the determination of highest and best use is almost certain.

There are also critical differences between the U.S. GAAP and the *International Financial Reporting Standards (IFRS)* relating to mark-to-market requirements. Under GAAP, non-financial assets (including real property) are required to be measured at fair value only in specific cases, such as business acquisitions, impairment measurements, and so forth. Under the IFRS, however, an entity is allowed

to apply a revaluation model that allows an entity to carry all items of property, plant, and equipment of a class at a revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Due to these differences and the anticipated transition toward a convergence of the standards skewed toward those of the IFRS, the involvement and role of the real estate appraiser in providing information used for financial reporting purposes is expected to expand significantly over the next few years.

## ACCOUNTANTS’ USE OF OUTSIDE EXPERTS

Those entities subject to the new accounting requirements will increasingly need the services of appraisers to help in the identification of the highest and best use of real property and to provide information that satisfies reporting requirements. Furthermore, it is incumbent on those firms’ auditors to provide assurance that the information provided by the appraiser satisfies the new reporting requirements.

The appraiser must realize that audited financial statements are typically intended for financial reporting, and, as such, will be subject to the extensive rules and scrutiny of the financial reporting requirements. The appraiser must clearly indicate that the purpose of the appraisal is to develop an opinion of fair value for use in financial reporting and then needs to state the specific definition of fair value used in the appraisal. The appraiser must understand that the scope of the work performed and the work product must be sufficient to meet the requirements of the financial accounting standards for which the appraisal work is being performed.

The auditor is required to obtain an understanding of the nature of the work performed by a specialist. This understanding should cover the objectives and scope of the specialist’s work, the specialist’s relationship to the client, the methods or assumptions used, a comparison of the methods or assumptions used with those used in the preceding period, and the appro-

priateness of using the specialist's work for the intended purpose.

Given these directives, the real estate appraiser should be prepared to furnish the client and its auditor with the requested materials. In most cases, the information will be provided in the appraisal report. It most certainly should be maintained as part of the appraiser's work papers in the event the auditor needs to make additional inquiries to satisfy their requirements, as required by *USPAP*.

The new accounting developments have created the potential for additional work for real estate appraisers. Appraisers will be challenged to understand and satisfy both financial reporting and *USPAP* requirements in order to capitalize on that potential.

### HIGHEST AND BEST USE – APPRAISAL PERSPECTIVE

The selection of highest and best use is perhaps the most important decision that is made in any appraisal. Highest and best use is the fulcrum of the appraisal process and report. The resultant value of a property is totally dependent on the results of highest and best use analysis. Although the concept of highest and best use is referenced on numerous occasions within *USPAP*, the term is noticeably absent in its list of definitions. Given that *USPAP* has transitioned to be more conceptual in nature and is intended to provide guidance to the appraiser as opposed to establishing a methodological (i.e., rules-based) approach to the valuation process, the absence of a definition is understandable. Yet, appraisers are required to "develop an opinion of the highest and best use of the real estate" in developing the appraisal. Furthermore, regardless of which reporting option is used (i.e., a self-contained (full narrative) appraisal report or a summary report), the appraiser is required to describe the support and rationale for an opinion of highest and best use when it is developed. Those subject to *USPAP* must look beyond its content for developing an understanding of the highest and best use concept for purposes of developing fair value measures.

The current concept of highest and best use as defined by the Appraisal Institute is

viewed as being the best economic fit of the subject property and the market area. A close examination of the concept reveals that there are four criteria that must be met: legal permissibility, physical possibility, financial feasibility, and maximum productivity. An underlying caveat is that only potential uses that are reasonably or highly probable are to be considered. These criteria are often considered sequentially, first eliminating those potential uses that fail to meet the tests of legal permissibility and physical possibility. The remaining potential uses are then tested for financial feasibility, eliminating those that fail the test. The remaining potential uses are then evaluated to determine that use which is maximally productive. The maximally productive test provides that, of the financially feasible uses, the use that produces the highest value of the real estate is the highest and best use. Appraisers have become accustomed to examining and comparing the current and potential alternate uses relative to these criteria in order to establish the highest and best use and its corresponding value in the development of market value appraisals.

### CHALLENGES FOR THE APPRAISER

During initial discussions, the appraiser and client will need to address the purpose and scope of the fair value assignment, the intended use of the appraisal, and the impact of current *GAAP* or *IFRS* reporting requirements on the final work product. Appraisers must remain compliant with the requirements of *USPAP* in providing appraisals for use in financial reporting, but must also understand *GAAP* and/or *IFRS* requirements in order to provide a competent work product and to eliminate any misunderstandings concerning those requirements. *USPAP* Standard Rule 1-2 requires that appraisers (a) identify the client and the intended users, and (b) identify the intended use of the appraiser's opinions and conclusions. Unlike a traditional appraisal, where the results are restricted to use by the client, the appraiser needs to understand that the valuation results will become part of the financial statements that will be publicly



available. All assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment must be clearly and accurately disclosed. The appraiser needs to ascertain that the use of hypothetical or limiting conditions and/or any assumptions are not inconsistent with the financial reporting standards, either *GAAP* or *IFRS*, applicable to the appraisal values provided.

*USPAP* Standard Rule 1-2(c) necessitates that both the appraiser and client develop a clear understanding of the definition of fair value as indicated in ASC 820 and how it might differ from the definition of market value as used in current appraisal practice. Both the client and appraiser must understand the concept of highest and best use as defined by *GAAP* or *IFRS* (which is different from the traditional concept of highest and best use related to market value appraisals) and the impact that definition will have on the appraiser's scope of work, the potential need for appraisers with expertise in areas other than real estate, and the results that will be produced.

### CONCLUSION

Many clients and appraisers will be operating in uncharted waters as appraisers perform valuations for accounting purposes. It is paramount that both become as knowledgeable as possible about the demands that are imposed by the new and evolving financial reporting standards. Communication, knowledge, and a mutual understanding of each party's objectives and requirements will be the keys to a successful voyage. 🌈

# Mortgage Fraud Summit report

The Canadian Association of Accredited Mortgage Professionals (CAAMP) hosted its annual Mortgage Fraud Summit on October 8, 2010 in Vancouver. I attended the conference representing the Appraisal Institute of Canada (AIC), along with AIC President, Grant Uba.

A theme in many speaker presentations was that mortgage fraud is relatively easy to implement. The RCMP has limited resources to tackle fraud and it is difficult for them to make the case to divert funds from solving violent crime.

There are common elements in many mortgage frauds. We learned that:

- generally, fraudsters need someone on the 'inside' who can electronically file land title office documents;
- a 'straw buyer' is generally used to establish property title transfers at inflated values;

- appraisers play a key role in substantiating inflated values;
- some lenders do not report suspicion of fraud, since they do not want adverse publicity; and
- automated value models can be manipulated to produce inflated property values.

A number of speakers shared case studies in mortgage fraud. One case study, provided by Bill Edmunds of Equitable Trust, concerned its 2008 purchase of a 'book' of mortgages in Yarmouth, Nova Scotia. Equitable Trust is an 'Alt-A' or sec-





ondary lender that specializes in borrowers with a good credit history who are self-employed. In this case study, the mortgage book involved about 60 single-family and multi-family properties secured by several lenders. Unknown to the Trust, the loans had been fraudulently originated. The portfolio of properties was purchased by an elderly owner through a purchase and sale agreement at double the market value. The purchasers were involved in the sale of drugs and were laundering their proceeds. The purchasers were careful to include a small number of properties in each mortgage application to keep the level of scrutiny low. They failed to disclose in their loan application that they secured other mortgages from another borrower for similar properties.

The appraiser ensured that properties were valued using sales of other properties purchased at inflated values by the same purchasers. The fraud came to light when the borrowers were arrested by the RCMP for drug dealing and the mortgage payments stopped. An inspection of the properties by the Trust revealed that most of the properties were in very poor condition and, in most cases, were inhabited by drug dealer's clients. The Trust suffered a \$1.5 million loss, but managed to recover this amount from the lender who sold the mortgage portfolio. The interesting aspect of this case, confirmed by the RCMP, was that organized crime is frequently involved in mortgage fraud, either to launder money or as diversification into another criminal activity.

Jeff Holub of the Gowlings national law firm discussed a well-publicized fraud case in Edmonton, Alberta involving condominium conver-

sions. Known as Village on the Park, the project involved six lenders and 20 mortgages in two projects. The straw buyer (borrower) purchased a large number of units and obtained 65% financing. The buyers had put up no money in the deal and, in some cases, were relatives of the developer or others who had agreed to provide their name in exchange for a fee. The borrowers' appraiser used only sales of units within the complexes for valuation. Subsequently, the lenders retained an appraiser to review the valuations and learned that the market value was about 30% of the appraised value, after 12 months.

This fraud was uncovered when one of the straw buyers contacted the bank wondering why his 'fee' had not been paid. One important lesson from this fraud is that, contrary to generally accepted appraisal practice, the best indicators of value may not always be sales within a condo project. It is important to appraisers to test these values with sales and listings from comparable projects.

Roger Brown of the RCMP Commercial Crime Section commented that we still need human oversight for automated systems. The more complex the system, the more susceptible it is to fraud. He expressed his view that automated valuation models (AVMs) are like "building a bomb." Expert overview of AVMs and other mortgage decision making tools are essential.

Jacqueline Ogilvie, responsible for monitoring VanCity Savings Credit Union's mortgage portfolio noted that most of its mortgages are secured by AVM reports. However, VanCity also relies on credit scoring for each loan applicant


and conducts a detailed audit on 10% of all loans. VanCity currently experiences a very low level of mortgage fraud.

The counter point to this argument was offered by Michael Jenkinson, national director of appraisal services for FNF Canada, a national appraisal management company (AMC). Mr. Jenkinson noted that AMCs were embraced by the lending industry because the number one problem with appraisals is undue influence and lender coercion. He sees this problem every day and observed that there are three major ways in which appraisers fall victim to lender pressure:

- appraisers are given the sales contract and encouraged to 'hit the number,'
- appraisers restrict use of comparable evidence and use adjustments to reach predetermined results, and
- appraisers use unsubstantiated assumptions in the interest of reaching a certain number.

In his view, the industry is in denial if it believes appraisal pressure is not common in Canada. AMCs place a 'firewall' between the appraiser and lender who originates the loan.

President Uba, speaking after Mr. Jenkinson, offered the view that AMCs can also produce the same appraisal pressure. President Uba noted that members have confirmed that, when they fail to meet AMC's expectations for value levels, they receive no further work assignments. President Uba also warned mortgage brokers about the potential for fraudulent use of appraisers' signatures to create false valuations submitted electronically. Apparently, the AIC is taking steps to tighten up member use of electronic signatures with services such as Notarius.

A number of speakers touched on the widespread Calgary mortgage fraud and litigation concerning the Bank of Montreal. Due to the complexity of the investigations, it is apparent that it will be a number of years before this case comes to court. 

**“The best indicators of value may not always be sales within a condo project. It is important to appraisers to test these values with sales and listings from comparable projects.”**

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|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AIC</b> | <p><b>2011 Annual AIC Conference</b><br/>Changing Tides, Brighter Horizons<br/>June 8-11, 2011<br/>Delta Beauséjour, Moncton, New Brunswick</p> <p><b>Annual General Meeting</b><br/>Friday, June 10, 2011 – 3:15 pm – Moncton, New Brunswick<br/>For information contact <a href="mailto:info@aicanada.ca">info@aicanada.ca</a><br/>or <a href="http://aic2011.aicanada.ca">http://aic2011.aicanada.ca</a> or 1-888-551-5521</p>                                                                                            | <b>ON</b>  | <p><b>Commercial Inspection Walkthrough</b><br/>March 25, 2011 – 9:00 am – 12:00 pm<br/>Mississauga Valley Community Center (1275 Mississauga Valley Blvd)</p> <p><b>Environmental Site Assessment</b><br/>April 26, 2011 – 10:30 am – 12:30 pm<br/>Eatonville Library (430 Burnhamthorpe Rd, Toronto, ON)</p> <p><b>Intensive BUSI Courses – May 2-6 - Toronto</b></p> <ul style="list-style-type: none"> <li>• BUSI 112 – Canadian Real Property Law and Real Estate Ethics</li> <li>• BUSI 330 – Foundations of Real Estate Appraisal</li> <li>• BUSI 331 – Real Estate Investment Analysis and Advanced Income Appraisal (New in classroom format)</li> <li>• BUSI 344 – Statistical and Computer Applications in Valuation</li> <li>• BUSI 400 – Residential Property Analysis</li> <li>• BUSI 460 – Critical Analysis and Forecasting in Real Estate (New in classroom format)</li> </ul> <p><b>2011 Conference and Annual General Meeting</b><br/>April 15 &amp; 16 – Hamilton<br/>For information or to register please log onto <a href="http://www.aicanada.ca">www.aicanada.ca</a> under Provincial Site Click Ontario – Events. Or contact Lorraine Azzopardi at <a href="mailto:lorraine@oaic.on.ca">lorraine@oaic.on.ca</a> (416) 695-9333 Ext 222</p> |
| <b>BC</b>  | <p><b>Professional Practice Seminars</b><br/>April 15 &amp; 16 – Fraser valley<br/>May 6 &amp; 7 – Terrace<br/>September 29 &amp; 30 – Kelowna<br/>October 28 &amp; 29 – Vancouver</p> <p><b>Provincial Conference</b><br/>September 30 &amp; October 1<br/>Delta Grand Okanagan Resort, Kelowna<br/>For information contact <a href="mailto:info@appraisal.bc.ca">info@appraisal.bc.ca</a><br/>or (604) 266-8287 or check <a href="http://www.appraisal.bc.ca">www.appraisal.bc.ca</a></p>                                  | <b>QC</b>  | <p><b>Annual General Meeting</b><br/>May 4, 2011<br/>For information contact Ginette St-Jean at <a href="mailto:aqice@qc.aira.com">aqice@qc.aira.com</a> or (450) 454-0377 or 1-877-454-0377 or check <a href="http://quebec.aicanada.ca">http://quebec.aicanada.ca</a></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <b>ON</b>  | <p><b>2011 Professional Practice Seminars</b></p> <ul style="list-style-type: none"> <li>• March 18 &amp; 19 – 9:00 am – 5:00 pm – Toronto</li> <li>• May 6 &amp; 7 – 9:00 am – 5:00 pm – Barrie</li> <li>• May 13 &amp; 14 – 9:00 am – 5:00 pm – Ottawa</li> <li>• June 17 &amp; 18 – 9:00 am – 5:00 pm – Niagara Falls</li> <li>• October 14 &amp; 15 – 9:00 am – 5:00 pm – Toronto</li> <li>• October 21 &amp; 22 – 9:00 am – 5:00 pm – Windsor</li> <li>• November 18 &amp; 19 – 9:00 am – 5:00 pm – Hamilton</li> </ul> | <b>NL</b>  | <p><b>Education Seminar &amp; AGM</b><br/>April 8, 2011<br/>For information contact Susan Chipman at <a href="mailto:naaic@nf.aibn.com">naaic@nf.aibn.com</a> or (709) 753-7644 or check <a href="http://newfoundland.aicanada.ca">http://newfoundland.aicanada.ca</a></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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