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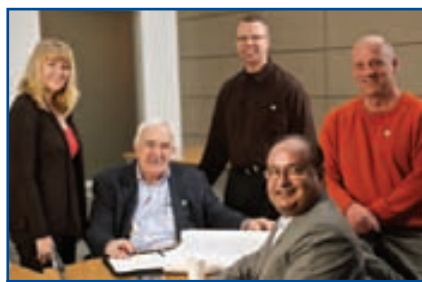


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Winnipeg, MB R3J 0K4
Phone: 866-985-9780 • Fax: 866-985-9799
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Advertising Co-ordinator: Lauren Campbell

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The professionalism of AIC's REAL VALUE EXPERTS



Grant Uba, AACI
AIC President

In 1938, a group of like-minded individuals founded the Appraisal Institute of Canada (AIC). The AIC incorporated in April 1960 with purposes and objectives etched in the Letters Patent. Among others, these included:

- (a) to create and maintain an association of appraisers and, for that purpose, to establish, promote, and advance the standards of appraisal and valuation of property of all kinds; and
- (b) to establish, promote and advance the interests of those engaged in the appraisal and valuation of property of all kinds.

The AIC was incorporated in a simpler time, when the AACI designation was the sole designation, the media for communications were the typewriter and personal meetings, appraisers were assisted by secretaries, and carbon paper was

used to create multiple copies. Since then, the AIC has evolved to include:

- 10 affiliated associations, with an affiliate in each province, and members having membership in the AIC and in the affiliated association for the province in which they reside;
- the 1970 implementation of the CRA as a second designation, which at the time was an interim designation and later became recognized as a permanent designation;
- Candidate members aspiring to earn an AIC designation; and
- a members' insurance program that recognizes the difference between members engaged in fee for service in the private sector and members employed in the public sector.

This evolution of the AIC has been accompanied by unprecedented and continuous technological changes in the media of communications. This has included computerization; decreasing personal contact as a result of voice mail, email and, now, social media; secretaries replaced with appraisers gaining more expertise in word processing software; and print options that include colour peripherals and photocopiers for paper and electronic copies.

Throughout these changes, the purposes and objectives of the AIC have remained constant: to create and maintain an association of appraisers to establish and advance standards of appraisal and to promote and advance the interests of those engaged in appraisal and valuation. As it has always done, the AIC continues to ramp up the promotion of the valuation profession, the

"Success rests on our individual and collective shoulders, as we must BELIEVE that we are indeed the best REAL VALUE EXPERTS, regardless of where we work, and that we can take up the challenge of being a professional."



“Fellow members are peers and colleagues, not competitors, and mentoring is growing the AIC and the profession, not spawning competition.”

professional AACI and CRA designations, and Institute members as REAL VALUE EXPERTS. The AIC has been talking the talk in promoting its REAL VALUE EXPERTS, but it cannot walk the talk because it is the organization of professionals, not the profession. Whether working in the private or public sector, individually or collectively, the members are the working professionals.

In my opinion, a professional has certain values and characteristics. A professional is one who is:

- honest and ethical,
- competent,
- forward thinking,
- prudent and diligent in risk taking,
- able to learn from failure, and
- selective in the work that he or she does.

The appraisal profession that we know is under stress – stress from automated valuation models, appraisal management companies, competing organizations, and non-traditional valuation professions creeping into valuation. In response to these stressors, the AIC can talk the talk in promoting its members as REAL VALUE EXPERTS who are the professionals best able to provide professional valuation and advisory services in Canada. However, success rests on

our individual and collective shoulders, as we must BELIEVE that we are indeed the best REAL VALUE EXPERTS, regardless of where we work, and that we can take up the challenge of being a professional.

Yes, there are stressors in the valuation profession, but only the working valuation professionals can walk the talk in responding to these stressors. To possess the values and characteristics of a professional, AIC’s valuation professionals today and tomorrow need to be forward thinking; prudent and diligent in risk taking; learners from failure; and selective in the work we undertake to manage the stressors facing the profession.

Individually and collectively, we can sit back, do nothing, let the future unfold and suffer the consequences. If we do not BELIEVE that we are indeed REAL VALUE EXPERTS, walking the talk as the professionals best able to provide valuation and advisory services, then other individuals and other valuation organizations will rise to the top. However, if our AIC’s REAL VALUE EXPERTS embrace change, think to the future, take prudent and diligent risks, learn from failure, and be selective in the work we do, we will meet the challenges and enhance our professionalism and

our reputation as Canada’s professionals best able to provide valuation and advisory services.

In the spirit of professionalism, we need to be in this together. I often hear AIC members say that their fellow members are competitors. The Applied Experience Program requires designated members to accept the challenge of mentoring a Candidate in his or her pursuit of an AIC designation. While many designated members accept the challenge, unfortunately, there are members who refuse to mentor Candidates because they believe they are training their future competition.

While the AIC is a different organization today than it was in 1960, we should be mindful of the 1960 purposes and objectives of maintaining an association of members and promoting and advancing the interests of our members. I respectfully submit that fellow members are peers and colleagues, not competitors, and mentoring is growing the AIC and the profession, not spawning competition. I am confident that the AIC’s REAL VALUE EXPERTS, as peers and colleagues working together, can meet the challenges in the marketplace. In so doing, we can advance the AIC and the interests of our members. 🇩🇪



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Le professionnalisme des VÉRITABLES EXPERTS EN ÉVALUATION DE L'ICÉ



Grant Uba, AACI
Président de l'ICÉ

En 1938, un groupe de personnes aux vues similaires ont fondé l'Institut canadien des évaluateurs (ICÉ). En avril 1960, l'organisation fut incorporée en compagnie canadienne. Entre autres choses, les lettres-patentes de l'ICÉ stipulent les buts et objectifs suivants :

- (a) créer, maintenir et soutenir une association d'évaluateurs et, à cette fin, établir, promouvoir et veiller à l'avancement des normes d'évaluation de propriétés de toutes sortes;
- (b) établir, promouvoir et faire valoir les intérêts de ceux qui se livrent à l'évaluation de propriétés de toutes sortes. . . .
(traduction libre)

À l'époque où l'ICÉ fut incorporé, les temps étaient beaucoup plus simples. Le seul titre disponible était celui d'AACI, et les outils de communication étaient limités à une machine à écrire et à des réunions. Les évaluateurs avaient des secrétaires et le papier carbone servait à créer de multiples copies. Depuis, l'ICÉ a évolué pour :

- inclure dix associations affiliées représentant chaque province et dont les membres sont inscrits auprès de l'ICÉ et de l'association affiliée de leur province de résidence;
- adopter un deuxième titre, soit celui de CRA en 1970 et qui, à l'époque, devait servir de titre intérimaire avant d'être reconnu ultérieurement comme titre permanent;

- inclure les membres stagiaires désireux d'obtenir un titre officiel de l'ICÉ;
- inclure un programme d'assurance pour les membres qui reconnaît la différence entre les membres salariés et à honoraires employés dans les secteurs privés et public.

Cette évolution de l'ICÉ a été accompagnée d'une révolution technologique sans précédent dans les outils de communication, passant par l'ordinateur et la réduction des contacts personnels via les boîtes vocales, le courriel et maintenant les médias sociaux. Les secrétaires ont été remplacées par des évaluateurs plus versés dans l'utilisation des logiciels de traitement de texte et les options d'impression incluent des périphériques et

« Je suggère respectueusement que les membres sont nos pairs et nos collègues et non des concurrents et, aussi, que le mentorat contribue à la croissance de l'ICÉ et de la profession et non à la formation de concurrents. »



« Toutefois, le succès repose sur nos épaules individuelles et collectives puisque nous devons CROIRE que nous sommes effectivement des EXPERTS EN ÉVALUATION, peu importe le travail que nous faisons, et que nous sommes en mesure de relever le défi associé au fait d'être un travailleur professionnel. »

photocopieuses couleur pour les copies papier et les copies électroniques.

En dépit de tous ces changements, les buts et objectifs de l'ICÉ, soit de créer, maintenir et soutenir une association d'évaluateurs pour établir et parfaire les normes d'évaluation et promouvoir et faire valoir les intérêts de ceux qui se livrent à des travaux d'évaluation sont demeurés constants. L'ICÉ a toujours déployé tous les efforts pour promouvoir la profession d'évaluateurs, les titres AACI et CRA et ses membres comme VÉRITABLES EXPERTS EN ÉVALUATION, et continue de le faire. L'ICÉ a beaucoup prêché au moment de faire la promotion de ses VÉRITABLES EXPERTS EN ÉVALUATION mais ne peut prêcher par l'exemple puisque l'ICÉ est une organisation de professionnels et non la profession en tant que telle. Les membres, qu'ils travaillent dans les secteurs privé ou public, individuellement ou collectivement, sont des travailleurs professionnels.

Je suis d'avis qu'un professionnel possède certaines valeurs et caractéristiques. Un professionnel est une personne qui :


- est honnête et fait preuve d'éthique;
- est compétente;
- fait preuve de réflexion prospective;
- est prudente et fait preuve de diligence raisonnable dans les risques qu'elle prend;
- apprend de ses échecs;
- est sélective dans le travail qu'elle accomplit.

La profession d'évaluateur telle que nous la connaissons subit un stress certain — un stress des modèles automatisés d'évaluation, des

compagnies de gestion en évaluation, des organisations concurrentes, et de la profession non traditionnelle d'estimateur. En réponse à ces sources de stress, l'ICÉ peut faire la promotion de ses membres comme VÉRITABLES EXPERTS EN ÉVALUATION comme étant les professionnels les plus en mesure de fournir des services en évaluation et en consultation au Canada. Toutefois, le succès repose sur nos épaules individuelles et collectives puisque nous devons CROIRE que nous sommes effectivement des EXPERTS EN ÉVALUATION, peu importe le travail que nous faisons, et que nous sommes en mesure de relever le défi associé au fait d'être un travailleur professionnel.

Effectivement, il existe des facteurs de stress dans la profession d'évaluateur, mais seuls les professionnels de l'évaluation peuvent y réagir en prêchant par l'exemple. Puisant à même les valeurs et les caractéristiques d'un professionnel, les professionnels de l'évaluation d'aujourd'hui et de demain réagiront au stress en faisant preuve de réflexion prospective, de prudence et de diligence lorsqu'ils prennent des risques, apprendront par l'échec et prendront le temps d'être sélectifs dans le travail qu'ils accomplissent. Individuellement et collectivement, il est possible de ne rien faire et de nous retrouver tout simplement à la merci de l'avenir et d'en subir les conséquences. Si nous ne CROYONS pas que nous sommes des VÉRITABLES EXPERTS EN ÉVALUATION qui prêchent par l'exemple en offrant les meilleurs services d'évaluation et de consultation, d'autres professionnels et d'autres organismes qui œuvrent dans le domaine le feront à notre

place. Cependant, si les VÉRITABLES EXPERTS EN ÉVALUATION de l'ICÉ s'adaptent au changement, pensent de façon prospective, prennent des risques de façon prudente et diligente, apprennent par l'échec et qu'ils sont sélectifs dans le travail qu'ils accomplissent, ils seront en mesure de relever les défis, d'améliorer leur professionnalisme et leur réputation comme étant les professionnels canadiens le plus aptes à offrir des services d'évaluation et de consultation.

Dans l'esprit du professionnalisme, la collaboration est importante. Souvent, j'entends les membres de l'ICÉ dire que leurs collègues sont des concurrents. Le programme d'expérience appliquée requiert que les membres accrédités acceptent le défi du mentorat et qu'ils aident les stagiaires dans l'atteinte d'un titre professionnel de l'ICÉ. Bien que plusieurs membres accrédités relèvent ce défi, d'autres refusent parce qu'ils sont d'avis qu'ils contribuent à former de futurs compétiteurs. Alors que l'ICÉ a évolué depuis 1960, nous devons nous rappeler les buts et objectifs de maintenir une association de membres et de promouvoir et de faire valoir leurs intérêts. Je suggère respectueusement que les membres sont nos pairs et nos collègues et non des compétiteurs et, aussi, que le mentorat contribue à la croissance de l'ICÉ et de la profession et non à la formation de compétiteurs. J'ai confiance que la collaboration entre les VÉRITABLES EXPERTS EN ÉVALUATION DE L'ICÉ permettra de relever les défis sur le marché et ce faisant, contribuera à faire valoir les intérêts à la fois de l'ICÉ et de ses membres. 



Georges Lozano, MPA
AIC Chief Executive Officer

Re-structuring is in the air

Springtime is a time of rebirth, renewal and rebuilding. Change is in the air all around. At the time of writing, Canadians are getting ready to elect a new government and, with it, the promise of further change. Associations too are facing a constantly changing environment that challenges both volunteers and staff to

regularly assess the impact of these changes and develop appropriate responses to ensure that their organizations and members are well positioned to adapt and thrive. Planning is more important than ever if organizations are to cope with all of the turbulence occasioned by the rapid change without losing site of their goals and objectives.

Professional associations are facing daunting challenges in the years ahead, as they try to maintain relevancy and re-position themselves to the changing needs of the marketplace for professional services. In particular, the real estate market has seen significant changes in recent years that are driven by information technology, but also by competitive pressures that are transforming the way in which professional services are being delivered. As a result, professional real estate organizations everywhere are engaging in comprehensive planning exercises and resetting their compasses to new directions and futures.

Recently, I attended a strategic planning session of the Canadian Real Estate Association at which some 450 members deliberated on the future of their profession using an approach known as scenario planning. This involves looking five or 10 years out into the future and envisioning possible outcomes. Planners then decide on which outcome will benefit the organization best and then work to develop a roadmap to get there.

Real estate agency is changing rapidly and realtors are finding that they need to re-examine the value added they bring to the consumer. Years ago, the data that realtors had access to were a key part of the value added. Today, this is not enough. Information about properties is widely available to buyers and sellers, and realtors need to provide different and enhanced services to meet client needs.

Does this sound familiar? It should, as data used to figure largely in the value proposition that appraisers brought to clients. What has changed? Data are ubiquitous and a commodity. Moreover, appraisers face a



“Professional real estate organizations everywhere are engaging in comprehensive planning exercises and resetting their compasses to new directions and futures.”

number of competing services including AVMs and other risk management tools that substitute for appraisal work.

There is consolidation in the industry and appraisal management companies loom large around the world. In some European countries, virtually all residential appraisal is handled by AMCs or related firms that employ appraisers. To judge by what is happening in other parts of the world, it may be that the days of the individual residential appraiser working alone are disappearing.

Changes are happening in the real estate market south of the border too and, as a result, the Appraisal Institute has been conducting its own strategic planning with the view of restructuring itself and its membership. President Grant Uba and I had the opportunity to attend and speak at one of their meetings a few months ago and it became clear that the issues that challenge the profession in Canada are not very different than those impacting our USA colleagues.

The Appraisal Institute's new strategic direction has been set and they have made it clear that, in order to succeed in the future, the AI brand must distinguish itself from other appraisal designations by its high quality standards. Being recognized as a professional association rather than a trade association is one of the main goals that the Appraisal Institute has identified. Further, they have embraced core competencies that will be the cornerstone of their designations.

The Appraisal Institute of Canada has not been idle with respect to planning for the future. Starting at the beginning of this millennium, the Institute implemented a restructuring program driven by a bold new strategic plan which stated that:

"The members of our Institute will be professionals who are recognized as having expertise and integrity to: provide a broad range of services related to the principles of value in real estate; and lead projects, initiatives and organizations related to property; and provide

"It is more important than ever for AIC members to voice their views on the future of the profession and their expectations of the Institute."

support, strategic advice and decisions regarding real estate and related property."

This plan has been the Institute's roadmap over the past 10 years and the strategic initiatives that were undertaken during the period derive from this plan. A major thrust took place in 2004 with the launch of New Horizons, which established a process to move towards achievement of the objectives stated in the strategic plan. As a result, the Institute focused on increasing the professionalism of its members by raising its quality standards with more rigorous admission requirements, a triple E (education, experience, and examination) designation process, an enhanced professional practice process, and an expanded continuing professional development program.

Strategic planning of one form or another has been an important part of the AIC Board's activities on an annual basis and has helped AIC to stay focused on its goals and make the changes necessary to achieve them. This process is ongoing. Currently, the AIC's Strategic Planning Committee is reviewing and revising the Appraisal Institute of Canada Strategic Plan to ensure that it is current and meets not only today's needs, but tomorrow's as well.

Where do we need to go you might ask? I would suggest that the AIC needs to finish the job that it started over 10 years ago. The repositioning of the Institute and its membership as first-tier, highly qualified, multidisciplinary real property professionals is a work in progress that should not be abandoned.

The Institute needs to take a good, hard look at where the market for professional valuation services is going, not only in Canada, but worldwide, and ensure that Appraisal Institute of Canada members will be ready to fully meet the needs of the marketplace for real property valuation and related advisory services. The Institute must act as the eyes and ears of the profession and advise its members as to how they can best protect themselves from the negative impacts and capitalize on many new opportunities as they present themselves.

The AIC must also ensure that its structure is sound and that it is sufficiently agile to deal with rapid change in a timely manner. In this respect, the governance of the Institute needs to be taken into consideration, as it is critically important to the smooth functioning of AIC. Now would be a good time to begin this exercise, given that the proclamation of the new non-profit legislation (the *Canada Not-for-profit Corporations Act*) will require that all non-profit associations revise and file new bylaws in the very near future. It is a good time to begin thinking outside the box and looking at innovative ways of doing things to ensure that the AIC will maintain its leadership position long into the future and notwithstanding the many challenges that it will face in the years ahead.

In this respect, it is more important than ever for AIC members to voice their views on the future of the profession and their expectations of the Institute. The AIC leadership needs to hear from all members – designated and Candidates, fee and non-fee, from both the private public sectors. Member feedback is vitally important to the Institute's directors in order for them to obtain a balanced assessment of the issues, problems, and solutions identified. Only by engaging in an open, constructive debate will the Institute and its membership arrive at enlightened realizations, and sound decisions. It is said that there is no time like the present to get things done. Springtime makes this aphorism especially appropriate. 🌈



La restructuration est dans l'air



Georges Lozano, MPA
Chef de la direction

Le printemps est un temps de renaissance, de renouveau et de reconstruction. Tout, autour de nous, respire le changement. Au moment où j'écris ces lignes, les Canadiens se préparent à élire un nouveau gouvernement, et, avec cette élection, vient la promesse d'autres changements. Les associations également doivent faire face à un environnement en constante évolution qui met tant les bénévoles que les membres du personnel au défi de devoir évaluer régulièrement les répercussions des changements et d'y réagir de façon appropriée pour assurer que leurs organisations et leurs membres sont en mesure de s'y adapter et de poursuivre leur travail. La planification est plus importante que jamais si les organisations veulent réagir à la fébrilité générée par ce changement continu sans perdre de vue leurs buts et leurs objectifs.

Au cours des prochaines années, les associations professionnelles devront relever de sérieux défis pour rester viables et se repositionner au regard des besoins changeants du marché en ce qui a trait aux services professionnels. Le marché immobilier, entre autres, a vécu des changements profonds au cours des dernières années, changements amenés par la technologie de l'information d'une part, mais aussi par les pressions de la compétitivité, qui transforment le mode de prestation des services professionnels.

C'est pourquoi toutes les organisations professionnelles du domaine de l'immobilier entreprennent d'importantes démarches de planification et orientent leurs boussoles vers d'autres directions et d'autres avenues.

J'ai assisté récemment à une séance de planification stratégique de l'Association canadienne de l'immeuble lors de laquelle quelque 450 membres ont discuté de l'avenir de leur profession, dans le cadre d'une démarche connue sous le nom de planification par scénario. Cette démarche fait appel à l'élaboration de projections de cinq à dix ans dans le futur et à la détermination de résultats potentiels. Les planificateurs décident ensuite du résultat qui profiterait le plus à l'organisation, puis ils établissent la marche à suivre pour y parvenir.

Le monde des agences immobilières est en pleine mutation et les courtiers immobiliers s'aperçoivent qu'ils doivent redéfinir la valeur ajoutée qu'ils apportent au consommateur. Auparavant, les données auxquelles les courtiers immobiliers avaient accès formaient les ingrédients clés de la valeur ajoutée. Aujourd'hui, ce n'est plus assez. Les acheteurs et les vendeurs peuvent facilement avoir accès à toute l'information sur les propriétés, et les courtiers immobiliers doivent pouvoir offrir des services différents et améliorés pour répondre aux besoins du client.

Est-ce que c'est une question qui vous préoccupe? Elle le devrait, car les données formaient l'essentiel de la valeur ajoutée que les évaluateurs apportaient aux clients. Qu'est-ce qui a changé? Les données sont omniprésentes et pratiques. De plus, les évaluateurs doivent composer avec la compétition de certains services, dont les modèles automatisés d'évaluation et d'autres outils de gestion du risque qui tiennent lieu d'évaluation.

L'industrie vit une consolidation et les compagnies de gestion en évaluation prennent de plus en plus de place sur l'échiquier mondial. Dans certains pays d'Europe, presque toute l'évaluation résidentielle est menée par des compagnies de gestion en évaluation ou par des entreprises du même type qui emploient des évaluateurs. À en juger par ce qui se passe dans d'autres parties du monde, il se pourrait que les jours où l'évaluateur résidentiel faisait cavalier seul soient comptés.

Le marché immobilier américain est également en pleine mutation et c'est pourquoi l'Institut des évaluateurs a entrepris sa propre planification stratégique dans l'optique d'une restructuration de l'Institut comme tel et du rôle de ses membres. Il y a quelques mois, le président Grant Uba et moi-même avons eu le privilège de participer à l'une de leurs rencontres et d'y prendre la parole; il nous est apparu évident que les défis que doit relever la profession au Canada ne sont pas très différents de ceux auxquels doivent faire face nos collègues américains.

L'Institut des évaluateurs s'est donné une nouvelle direction stratégique et a clairement indiqué qu'afin de maintenir sa prospérité, il doit se démarquer des autres alternatives de

« Les organisations professionnelles du domaine de l'immobilier entreprennent d'importantes démarches de planification et orientent leurs boussoles vers d'autres directions et d'autres avenues. »

services d'évaluation par des normes de qualité élevées. Le fait d'être reconnu comme une association professionnelle plutôt que comme un corps de métier est l'un des principaux objectifs visé par l'Institut des évaluateurs. De plus, l'Institut a adopté des compétences de base qui seront la pierre angulaire des titres professionnels.

L'Institut canadien des évaluateurs ne s'est pas non plus croisé les bras en ce qui a trait à la planification pour l'avenir. Dès l'aube du présent millénaire, l'Institut a mis en œuvre un programme de restructuration issu d'un nouveau plan stratégique audacieux dans lequel on retrouve l'énoncé suivant :

« Les membres de l'Institut canadien des évaluateurs seront des professionnels reconnus pour leur expertise et leur intégrité qui seront en mesure : d'offrir un large éventail de services liés aux principes de valeur dans le domaine de l'immobilier; et de mener des projets, des initiatives et des organisations liés à la propriété; et d'offrir du soutien, des conseils et des décisions stratégiques en ce qui a trait à l'immobilier et aux propriétés. »

Ce plan constitue la carte routière de l'Institut depuis 10 ans et les initiatives stratégiques entreprises pendant cette période sont issues de ce plan. Une initiative importante a eu lieu en 2004 avec l'inauguration du programme Nouveaux horizons dans le cadre duquel on a établi une procédure pour favoriser l'atteinte des objectifs énoncés dans le plan stratégique. Depuis l'inauguration de ce programme, l'Institut a mis l'accent sur l'amélioration du professionnalisme de ses membres en élevant ses normes de qualité par des critères d'admission plus rigoureux, un processus d'attribution des titres professionnels trois E (éducation, expérience et examen), une procédure de pratique professionnelle améliorée et un programme de perfectionnement professionnel plus vaste et permanent.

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l'Institut. »**

Sur une base annuelle, la planification stratégique, quelle que soit la forme qu'elle revêt, est une partie importante des activités du Conseil d'administration de l'ICÉ et elle aide l'ICÉ à rester concentré sur les objectifs qu'il s'est fixés et à apporter les changements nécessaires à l'atteinte de ces objectifs. C'est un processus continu. À l'heure actuelle, le Comité de planification stratégique de l'Institut canadien des évaluateurs procède à l'examen et à la révision de son plan stratégique afin d'assurer qu'il est actuel et qu'il répond aux besoins non seulement d'aujourd'hui, mais aussi de demain.

Vous vous demandez peut-être quelle est la voie à suivre? Je suggérerais à l'Institut de terminer le travail qu'il a entrepris il y a plus de 10 ans. Le repositionnement de l'Institut et de ses membres en tant que professionnels de l'immobilier de premier niveau, multidisciplinaires et dotés d'excellentes qualifications est un travail de longue haleine qui ne devrait pas être mis de côté.

L'Institut doit poser un regard lucide sur l'avenir du marché des services d'évaluation professionnelle, et ce, non seulement au Canada, mais dans le monde entier, et veiller à ce que les membres de l'Institut canadien des évaluateurs soient prêts à répondre pleinement aux besoins du marché de l'évaluation immobilière et des services conseils connexes. L'Institut doit être les

yeux et les oreilles de la profession et conseiller ses membres sur la meilleure façon de se protéger des effets négatifs et de tirer le meilleur profit possible de la multitude de nouvelles avenues qui s'offrent à eux.

L'Institut doit également veiller à ce que sa structure soit solide et assez souple pour s'adapter à la rapidité des changements de façon ponctuelle. À ce sujet, la gouvernance de l'Institut doit être examinée, car elle est essentielle au bon fonctionnement de l'ICÉ. Ce serait le moment idéal pour entreprendre cet exercice puisque l'entrée en vigueur de la nouvelle législation pour les organisations à but non lucratif (Loi canadienne sur les Organisations à but non lucratif) obligera ces dernières, dans un avenir très rapproché, à réviser et à déposer de nouveaux règlements. L'heure est venue de sortir des sentiers battus et d'envisager des façons de faire innovatrices pour permettre à l'Institut des évaluateurs de conserver sa position de leadership pendant longtemps encore, et ce, en dépit des nombreux défis qu'il devra relever au cours des prochaines années.

C'est pourquoi il est plus important que jamais pour les membres de l'ICÉ de formuler leurs opinions sur l'avenir de la profession et leurs attentes envers l'Institut. Les dirigeants de l'ICÉ ont besoin d'entendre les commentaires de tous les membres – membres accrédités et stagiaires, rémunérés ou non, du secteur privé et du secteur public. Les rétroactions des membres sont essentielles aux dirigeants de l'Institut, car ces derniers doivent obtenir une évaluation équilibrée de toutes les questions, de tous les problèmes et de toutes les solutions énoncés. Ce n'est qu'en amorçant une discussion ouverte et constructive que l'Institut et ses membres parviendront à des réalisations éclairées et prendront les décisions qui s'imposent. On dit qu'il n'y a pas de meilleur moment que le moment présent pour agir. Le printemps rend cet adage particulièrement pertinent. 🌈

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Peer reviewers find the experience a win-win for all



Anne Clayton, AACI



Glendon Todd, AACI



Keith Anderson, AACI



Ken Hollett, AACI



Mario Musso, AACI



Stan Katchen, AACI

Appraisers volunteering for the Appraisal Institute of Canada (AIC) Peer Review Pilot Project are finding that the process benefits not only the membership as a whole, but also their own professional development. First launched in January 2009 as an opportunity for both Candidates and accredited appraisers to obtain a constructive critique of their residential valuations, the project expanded a year later to encompass commercial reports as well.

"I think it is a very good program," says Anne Clayton, AACI, an appraisal consultant with Aspen Grove Property Services. "Here is an opportunity, without your incurring any costs, to have someone look at your report and see if you are on the right track and measuring up to standards." Based in Pouce Coupe, British Columbia, Clayton has reviewed a half dozen appraisal reports as a volunteer for the project.

She notes that, unlike a disciplinary situation when the review of a report may result in a censure or suspension, a peer review is a positive process, the goal being to make suggestions for improvement. "When a complaint is lodged against an appraiser, the process is long, arduous and stressful," concurs Stanley Katchen, AACI, of Toronto's Katchen Appraisals Inc. "An appraiser can prevent that from happening by anticipating problems that may occur and addressing them."

Another peer reviewer, Keith Anderson AACI, stresses that the program is meant to be educational, not judgemental. The AIC ensures that peer reviewers have no prior connection to the appraiser whose report they are reviewing, and under no circumstances can a report that has been peer reviewed be referred to the Professional Practice Committee for investigation.

"The peer review process allows an experienced appraiser and trained peer reviewer to make honest, frank and constructive comments about a report," says Anderson, Appraiser Coordinator for the City of Hamilton's Real Estate Section. "Any appraiser can benefit from this program. It is always beneficial to have someone else proofread a report."

An appraisal can always be improved upon agrees Ken Hollett, AACI, Regional Manager of Real Property for Suncorp Valuations in

Vancouver. "If possible, whether or not they are participating in a formal peer review process, which can take time to complete, appraisers should have their report reviewed by a colleague for suggestions before it is released to a client."

Appraisers who work in groups regularly consult with one another. For sole practitioners, peer review can fill the gap. "In most cases, we are seeing reports from people who are one-person operations," says Mario Musso, AACI, President of Musso Appraisals and Consulting, a six-appraiser firm in Kitchener, Ontario.

The peer review process can also be helpful to appraisers tackling an unusual type of property they may not have previously encountered in their practice. "If you submit the report for peer review, you get the opportunity to have input from someone who may have expertise in this type of property," notes Clayton. Requests are sent out to all reviewers,

"Under no circumstances can a report that has been peer reviewed be referred to the Professional Practice Committee for investigation."

who then take on a report based on their availability, interest and expertise.

She points out that, when going through the reports, reviewers also benefit from being exposed to properties with which they might have limited experience. "If it is a different kind of property than I have ever worked on, it gives me an opportunity to look up the market and see if it really makes sense," she says. "It gets me thinking about what should be explained in a report." Clayton adds that being in a northern community – Pouce Coupe is 10 km from Dawson Creek in northeastern BC – she has few opportunities to take Continuing Professional Development (CPD) courses, and appreciates the CPD credits she earns as a peer reviewer.

"Being a peer reviewer is beneficial for me because it keeps me looking at the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*," she says. "While I am evaluating their work, I am also evaluating my own."

The value of the process, says Musso, is that it helps all appraisers be more consistent in compliance, format, reasonableness and thought process. "The benefit gained is not only for the reviewee, but the reviewer as well," he explains. "It gives you another perspective from which we all benefit."

Anderson finds reading appraisal reports to be of great benefit because their content exposes him to interesting commentary, unique sources of information and innovative methodologies. "You also have some aspects of appraisals that are wanting, but that is educational too," he says. "In either case, it makes you think about how you write your own appraisal reports and how they can be improved."

Glendon Todd, AACI, finds the process valuable because it reinforces what his quality assurance review work at the Canada Revenue Agency (CRA) already does. "Now, when I look at the work products of some of our own people at CRA," says the Senior Appraisal Consultant, "I have been noticing some of the same issues and I have become more adept at pointing these out to our own appraisers."

Todd has been involved with the AIC as a volunteer for many years. He served on the

"When going through the reports, reviewers also benefit from being exposed to properties with which they might have limited experience."

executive of the Appraisal Institute of Canada – Newfoundland & Labrador (AIC-NL) and was a part-time instructor in the College of the North Atlantic's Appraisal Assessment Technology Program before becoming a director of the Ontario Association. Today, he serves on the AIC Advisory Council that helps the Institute focus on what industry clients need from the AIC and its members. Because of his volunteer experience and the nature of his work at CRA, Todd's decision to become a peer reviewer seemed a natural fit.

Like Todd, Katchen has been involved with the Institute both locally and provincially for more than 20 years and decided that participating in the pilot project would be a fitting extension of that involvement. Musso also sees his work as a reviewer as complementing what he already does. "I am a heavy promoter of mentoring," he explains, adding that the review process can be another useful tool for both Candidates and new appraisers. "I decided to participate in peer review to give back to the industry. I want to be part of an organization where the reporting requirements are standardized, informative, consistent and compliant to *CUSPAP*."

Hollett points out that the standards are minimum requirements. "The appraiser should

always endeavour to do more than is required," he notes. It is an approach he applies broadly, going beyond private practice to serve on the BC Board of Examiners since 1998, reviewing the work product of Candidates applying for accreditation.

"I wanted to continue to offer my services to the AIC in helping members become better appraisers and, consequently, elevate the appraisal profession in the eyes of the public," says Hollett, adding that he applied to volunteer as a commercial peer reviewer in June 2009.

Clayton and Anderson – veterans of the profession for almost 30 years – also chose to become peer reviewers because they wanted to give back to the industry.

To become a peer reviewer, a member initially has to submit a one-page memo outlining his or her reasons for volunteering, along with a sample of work product and Curriculum Vitae. Short-listed applicants then had to fill out a Peer Review application form and take (or confirm they had taken) the continuing development course on appraisal review from the University of British Columbia. After being accepted as a peer reviewer, the final step was a mandatory one-day peer review training session in Ottawa.

"I initially attended a training session in Ottawa and took *CPD115* from UBC," says Hollett. "I was already interested in taking the course for my own personal development prior to volunteering to serve on this committee." He adds that his company encourages staff to continue to learn and improve through ongoing professional development. So far, Hollett has only received one report for peer review, but he looks forward to reviewing many more.

Anderson has only received a few reports to review as well, but those he has completed to date have each involved between five and 10 hours of work, depending on their

"While I am evaluating their work, I am also evaluating my own."

“It makes you think about how you write your own appraisal reports and how they can be improved.”

complexity. Says Anderson: “Reviewers try to provide additional constructive criticism beyond strict compliance with CUSPAP, which, for example, could be related to more effective communications, report template, presentation or consistency throughout the report, and reasonableness of the analysis and conclusions from a ‘reasonable appraiser’ perspective.”

All six reviewers interviewed for this article confirmed that they allot time on evenings and weekends to perform the peer reviews. The process generally involves at least one complete reading of the report without interruption, followed by a second or third reading during which they make notes and write responses to the checklist provided by the Institute.

“This is not the sort of work you can pick up for an hour and then put down,” notes Todd, adding that the review often involves getting familiar with a particular property or market. “Once you start, you want to look at it closely from start to finish. You want to ensure consistency of thought right through.”

Katchen points out that going through the entire report two or three times gives the reviewer time to reflect in between sittings. He also found that, while he spent from 10 to 12 hours on first reports he reviewed, the process now often takes only four to five hours. Because of his experience in both residential and commercial appraisals, he reviews both types of reports. Like Clayton, he attended the training sessions both in 2008 (residential) and 2009 (commercial).

Generally, Clayton finds that the residential reports take less time than the commercial variety. She finds that the process for both types of reports is smoother since the reviewers met by conference call and streamlined the checklist. During the call, they discussed their progress and

shared their experiences thus far.

Reviewers not only review the appraisal reports, they also review the critique prepared by other reviewers. For instance, it is important that all comments refer to the report, not the appraiser who prepared it. The critique should focus on improvements that could be made, while keeping the tone constructive. “When the end user sees the report once the peer review is completed, we are hoping there is plenty of information the member can use,” says Musso.

In fact, the entire process is geared to supporting those who submit their reports for review. At the end of the critique, reviewers include their name and contact information so that those who generated the initial report can contact them to discuss any of the comments.

“We do have a membership of good appraisers. I generally found the reports I reviewed to be complete and compliant,” notes Musso, adding that he noticed good reporting skills and a well prepared format. “Upon reading the appraisal documents, you could follow the train of thought from beginning to end.” The most common weakness, he noted, was the lack of explanation in certain areas of the report.

His fellow reviewers agree. “The danger we have when we write reports,” explains Clayton, “is that we know the subject really well, but we do not always make ourselves clear.”

Hollett concurs. “Often, the thought process of the appraiser does not get fully detailed in the report,” he says. “Consequently, it is not always easy for the reader to follow the logic of how the appraiser arrived at the conclusion from the data and analysis provided.”

Katchen elaborates: “If you cannot explain to me what you did, how can you explain it to the client?”

Anderson suggests that appraisers try to place themselves in the shoes of the client and

reader of the report. “They should take time to think, what does this sound like to a lay person reading it for the first time?” he says. “Is the report clearly conveying what is intended? Adding one or a few extra paragraphs to explain the appraiser’s rationale may not seem like much, but it can greatly improve the understanding and credibility of the appraisal.”

“One thing that stands out,” he continues, adding that it is something he has also seen in the appraisals he reviews at work, “is the need to improve the valuation analysis, or at least the communication of the analysis in the appraisal report.” For example, an appraiser might select and present good market data (comparable sales, cap rates, lease rates, etc.), but fall short in presenting how the analysis of the data leads to a logical value conclusion.

In other words, a ‘reasonable appraiser’ reading the report and assessing the market data might arrive at an entirely different impression of the market value. This is why it is essential that reports include a rational discussion of the valuation analysis that leads an appraiser to a particular conclusion. “This exercise is not only for the benefit of the client,” explains Anderson, “it also reaffirms to the appraiser that his or her analysis is sound.”

On the other hand, says Katchen, sometimes the underlying problem is that appraisers preparing reports did not initially communicate with the client as much as they should have. In a few cases, Clayton found that members were not measuring the reports

“Reviewers try to provide additional constructive criticism beyond strict compliance with CUSPAP.”

“At the end of the critique, reviewers include their name and contact information so that those who generated the initial report can contact them to discuss any of the comments.”

against *CUSPAP* to see if they complied with standards. If they took a few minutes to do that, she says, a lot of the mistakes she sees would never be made.

For instance, she has seen many instances where only one approach to value was used in the report. “While, in some cases, it might not be incorrect to use only direct comparison, for example,” she says, “it is still necessary to justify why no other approach was used.”

Sometimes, the mistake is as simple as a Candidate forgetting to ask an accredited appraiser to sign off on the report. In other cases — particularly with residential appraisals — some reports have given her the impression that the appraiser might be trying to arrive at the answer the lender wanted to hear.

Todd has encountered an entirely different issue in the residential appraisals he has reviewed. “Often, residential work involves using a form,” he explains. “It almost seems as if some of our appraisers believe

they have completed their due diligence by simply filling the space on the form and then moving on. What they should be doing is determining the purpose and function of the appraisal report, or how they can best lay out the analysis to lead the reader to the same final opinion of value. Often, the forms do not do a very good job addressing that. You have to go beyond the form.”

Another problem, as identified by Musso, is that some appraisers are using older versions of the forms from online subscriptions they have never updated. As a result, their reports may be using outdated terminology. For instance, the forms might reference *USPAP*, when current reporting is now governed by *CUSPAP*.

In the end, all these details are part of a reviewer’s most important function: determining if the valuation is logical, reasonable and credible. “Even if an appraiser whose report has been reviewed does not agree with all the reviewer’s opinions, there is usually something to be gained and

nothing to be lost,” says Anderson. “Peer review is an excellent way to assist appraisers in improving their product and professional livelihood.”

His colleague in Ottawa agrees wholeheartedly. “In my appraisal career, I have had many helping hands along the way,” says Todd. “I think we each need to do that in one way or another. If there are ways we can help each other, it is the right thing to do.”

“The critique should focus on improvements that could be made, while keeping the tone constructive.”

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Listening nourishes success

Everything old is new again. Is it that simple? Should we be so bold in this era of revolutionary communication devices to simply look to the past? Reduce ourselves to the fundamentals? In an age where the telephone is reportedly on the way out, and Twitter, texting and Facebook have become the basis for communicating, perhaps we should realize there might be an element of communication that we have overlooked.

Over time, how often have we recognized 'such a good listener' as a strong character trait? If it is so admired, why don't more of us practice it? How hard can it be? In fact, it may very well be the easiest form of communication we can adopt. Or is it so easy? Perhaps we need to retrain ourselves from the communication style of needing to continually impart information and opinions. In the endeavor to learn and gain wisdom, hearing the sound of only our own voice may not be as enlightening as we thought.

When we are not listening, we are talking. We interrupt, we judge, we criticize, we diagnose, we analyze. Is this a good form of communication? Not always. Listening is not a passive activity; we have to actually hear. Being effective as a listener is actually hearing what is being said. Letting your audience know that you are with them, both listening and hearing, introduces another communication form that is also non-verbal – body language. How do you listen? Be attentive to your posture, your eye contact, your physical movements, and your focus.

If you are to gain the confidence of the person speaking, they need to know they have your attention. And while verbal interaction to encourage the speaker is recommended, comments and questions should be used sparingly. Nodding and uttering "a-ha's" will prompt continued dialogue



"Whoever validates their client by listening to their client, owns their client."

without committal on your part to agreement. Unless requested, there is no need to let loose on how you would handle a similar situation. This is their story, not yours. In the event of an anxious client or employer, let the speaker have his say. Listen carefully until they are finished before you launch your explanation. Giving this respect to the speaker can go a long way to defusing what may be an explosive situation. It is not always what you say, but when you say it that matters most.

Reducing outside distractions, like turning off your smart phone, and perhaps leaning physically into the speaker, lets them know they have your ear. Be on a passion-to-passion level. You will be creating empathy in displaying a willingness to view from another perspective. This creates

validation. Whoever validates their client by listening to their client, owns their client.

Listening nourishes our social and professional success. It is beneficial to be emotionally available. It is then that you really learn. 🌈

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To contact this committee, email:

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Blurring the line between contractors and employees

Changes to the employment insurance (EI) system have blurred the traditional line separating independent contractors from employees. A review of recent decisions in other forums suggests there is an ongoing trend towards treating these two groups as one.

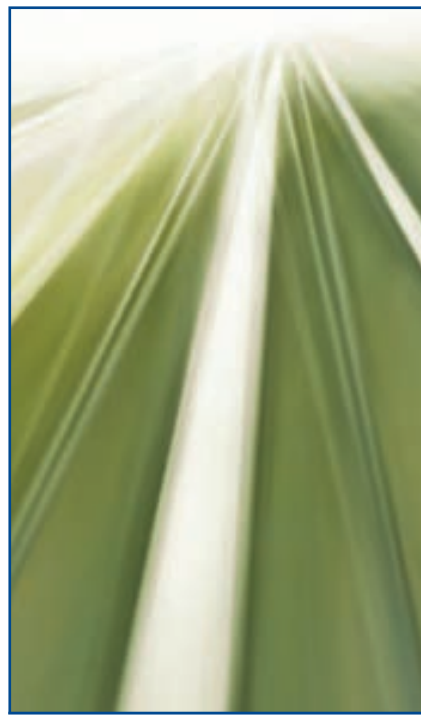
In the EI world, previously, only true employees were eligible for coverage. Not having that aspect of our social security net to fall back on was one of the risks of being self-employed and operating as an independent contractor.

In late 2009, the federal *Fairness for the Self-Employed Act* was passed. It permits self-employed persons to opt into the EI program to receive certain special benefits. The EI coverage for which the self-employed are now eligible includes maternity, parental, sickness, and compassionate care benefits.

In the labour relations realm, a decision out of Alberta suggests that independent contractors may be treated as employees for the purpose of determining whether they can unionize. The Alberta Labour Relations Board reviewed the circumstances of taxi drivers, including those who are owner-operators of their taxis or who lease them from other owner-operators. Represented by the Teamsters union, the taxi drivers were engaged by Access Taxi.

The Board addressed their application to unionize by applying a 'purposive' approach to the definition of 'employee' found in the Alberta *Labour Relations Code*. The Board determined that, even if the drivers were in some sense self-employed, the taxi company exercised a sufficient degree of control and supervision that they should be treated as employees and be allowed to unionize.

The Ontario Court of Appeal recently determined that the definition of 'employed' in that province's *Occupational Health and Safety Act* must be interpreted broadly enough to encompass independent contractors. That decision arose out of a worksite accident involving



“These various developments seem to amount to four clear blows to the integrity of the legal status of independent contractors.”

a truck driver – an independent contractor – providing services to United Independent Operators Limited. The Ontario Ministry of Labour laid charges against United for failing to comply with the requirements of the *Act*.

Although the Workplace Safety and Insurance Board, Revenue Canada, the Employment Standards Branch, and the lower courts had all determined that United's truck drivers were independent contractors, the Court of Appeal unanimously held that the truck drivers were “regularly employed” for the purposes of the *Act*. This is a decision that seems destined for a final word from the Supreme Court of Canada.

In British Columbia, the Human Rights Tribunal recently determined that an equity partner at the law firm of Fasken Martineau Dumoulin LLP could be considered employed for the purposes of the *Human Rights Code*. Fasken's had attempted to force equity partner John McCormick to retire from the practice of law, at age 65, in accordance with the firm's partnership agreement. McCormick filed a complaint of discrimination pursuant to the *Code*.

Fasken's argued that the Tribunal had no jurisdiction because McCormick was not in a relationship of “employment” with the firm. The Tribunal disagreed, gave a broad, liberal, and purposive interpretation to the *Code*, and held that McCormick was employed by Fasken's in the context of how that term is used in the *Code*.

These various developments seem to amount to four clear blows to the integrity of the legal status of independent contractors. Where I come from, that amounts to a trend, but where it will go next is anybody's guess. 🇩🇪

The Professional Liability Insurance Program (Part III)

Part I of this article was published in *Canadian Property Valuation*, Book 4, 2010, and Part II in Book 1, 2011

The Appraisal Institute of Canada (AIC) Professional Liability Insurance Program (PLIP) was established in 1988 to provide AIC members with protection against claims for errors and omissions made in the rendering of professional services. The Program, which is mandatory for all members, currently provides insurance coverage of up to \$2 million per claim and in the aggregate annually. The policy has an annual member aggregate claim limit of \$20.5 million and protects members and the public against errors and omissions made in the course of delivering appraisal and related consulting services. A major objective of the Program is to promote high quality practice standards and implement effective claims prevention and management strategies to keep member insurance costs as low as possible.

Insurance premiums are actuarially determined and reflect historical and forecast claims and other risk factors by member type (AACI, CRA or Candidate) and by category (fee or non-fee). For insurance purposes, 'fee appraisers' are members who render 'Professional Services' on a fee-for-service basis, whether directly to a client or indirectly on behalf of an employer or a contractor to whom a fee is paid. Non-fee appraisers

"A major objective of the Program is to promote high quality practice standards and implement effective claims prevention and management strategies to keep member insurance costs as low as possible."

are members who are salaried employees of public or private sector organizations and who provide 'Professional Services' to an employer for the internal use of the organization only.

The insurance policy defines 'Professional Services' as real estate appraisal services including opinions and/or counselling rendered by a member of the AIC who, at the time of providing the services, was qualified and authorized to do so under the by-laws and regulations of the Institute.

"The AIC's Professional Liability Insurance Program is a true member program that guarantees availability of coverage to all AACIs, CRAs and Candidates in good standing."

Members who are providing and taking responsibility for 'Professional Services' as described above, whether in the public or private sector, full-time or part-time, directly or indirectly on a 'fee' basis, must be registered as 'fee' members with respect to the AIC Professional Liability Insurance Program and pay the appropriate insurance premiums.

Unlike other liability insurance in the marketplace, the AIC's Professional Liability Insurance Program is a true member program that guarantees availability of coverage to all AACIs, CRAs and Candidates in good standing. Upon retirement, members in good standing can purchase insurance that offers perpetual protection for prior acts.

The AIC can provide this reliable liability insurance at a reasonable cost to the member because it owns the insurance company that reinsures a portion of the program risk.

The First Professional Liability Insurance Company Limited (FPLICL) is a corporation wholly owned by the Institute. While AIC is the sole shareholder of FPLICL, the insurance subsidiary is independent from the Institute and is overseen by its own Board of Directors whose members are elected by the Institute and are accountable to the shareholder – the Appraisal Institute of Canada.

It was established in 2006 to:

- segregate the assets and liabilities of the professional association from those of the insurance program (this protects the AIC from any liabilities that accrue to the insurance program and its operation);
- remove Institute directors from any insurance related liability;

“The AIC can provide this reliable liability insurance at a reasonable cost to the member because it owns the insurance company that reinsures a portion of the program risk.”

- expand the program’s access to insurers from around the world to achieve enhanced coverage at low cost;
- provide additional insurance coverage to address expanding range of appraisal services; and
- enhance the insurance fund’s investment potential to achieve higher returns.

FPLICL is domiciled in Barbados and is not licensed to directly provide insurance in Canada. It reinsures a portion of the risk covered by the insurance policy issued by Travelers Guarantee Company of Canada, the AIC program’s insurer.

FPLICL is managed on a day to day basis by Amphora Captive Insurance Managers, a professional insurance management company in Barbados. FPLICL maintains a fund that supports the reinsurance that it provides to the program. All investments pertaining to the First Professional Liability Insurance Company Limited are managed by the Board of Directors of the First Professional Liability Insurance Company. In accordance with Barbadian law, the FPLIC Board consists of three Barbadians, and two Canadian directors who are designated members of the Institute.

As at this time, the funds are invested with the Royal Bank of Canada (Caribbean) in fixed income securities, including bonds and cash.

The fund’s positive performance is one of the reasons that overall premiums have increased an average of just 2% year over year during the period 2003 through 2011. Nonetheless, the economic

downturn of recent years has resulted in an increase in both the number and severity of claims. It is expected that this increase will abate as the economy turns around, but, in the short run, the negative impact will likely result in an increase in premiums.

Claims prevention is one of the best ways to help keep premiums reasonable. Over the years, AIC has issued claims prevention bulletins and addressed the issue through the insurance segment of the AIC Professional Practice Seminar. Now, a new program has been established to enhance claims prevention. The Professional Excellence Program will focus on providing

members with timely information, best practices, and practical advice aimed at enhancing the quality of appraisal work and reducing claims. This will be achieved through a section of the AIC website dedicated to professional excellence.

The AIC insurance program continues to evolve and guiding it is an Insurance Advisory Committee established in January 2011 that is comprised of fee appraisers who will be reviewing the program with the aim of enhancing policy benefits and working to ensure that the AIC professional liability insurance program meets the growing needs of all AIC members. 🇩🇪



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Ad hoc committee focuses on Candidates

The Ad Hoc Candidacy Committee was established by the Board of Directors in November 2010 and is comprised of volunteers from all of the Appraisal Institute of Canada (AIC) standing committees including Learning Advisory, Professional Competency and Qualifications, Applied Experience, Insurance Advisory, Marketing and Communications, Professional Affairs Coordinating, and Forms Sub-committee. The committee also has representation from provincial and national staff and is chaired by AIC Vice-President Dan Wilson.

This ad hoc committee's mandate is to investigate all issues of Candidate co-signing identified in the 2009 PQCC Focus Group Report, correspondence received from provincial affiliates on co-signing and candidacy matters, as well as further input that they obtain from members and affiliates on candidacy and mentoring issues.

The terms of reference for the committee were approved by the AIC Board of Directors in February 2011 and are as follows:

Mandate:

To undertake a process review of the of the Candidate experience, from recruitment to successful achievement of the designation, including the stages of the process, the impact of AIC policies on that process, and the environment in which the Candidate may function. Conduct a SWOT analysis of the processes to identify any challenges that Candidates may face in order to identify improvements and make recommendations to the Board.

"The desired outcome is to create a positive environment that contributes to the recruitment, education and experience of Candidates."

Activities:

- Define the Candidate process (life-cycle) from recruitment to designation, including mentoring.
- Articulate the policies that have an impact on the process and how they impact the process.
- Define the challenges created for Candidates, both within and external to the candidate's control.
- Define the committee and administrative roles in the process and identify areas of overlap or deficiency.
- Define the impact of the current environment in which Candidates function on their ability to be successful.
- Develop recommendations for improvement where required.
- Identify external environmental factors that affect Candidate members of AIC, and that may limit AIC's ability to change. (For example, given the other appraisal associations, do our policies and procedures drive members out of the AIC into other

associations, and what impact does the interprovincial mobility on trade have on the AIC and our relations with licensed provinces and the National Occupation Standards?)

Desired outcome:

To create a positive environment that contributes to the recruitment, education and experience of Candidates in providing them with a congenial environment of training and experience as they move through the professional development cycle to designation and, ultimately, where they can excel as designated members and enjoy a rewarding career as a professional appraiser and member of AIC.

The Board will receive the committee's final report at their November 2011 meeting.

Members are encouraged to share their thoughts, concerns and input on the entire candidacy process from recruitment to designation. Please submit your comments via email to the committee at candidacy@aicanada.ca.

Ad Hoc Candidacy Process Committee

- Dan Wilson, AACI – Chair
 - Brad Brewster, AACI
 - April Green, AACI
 - Clifford Smirl, AACI
 - Gordon Brewer, AACI
 - William Gossett, AACI
 - Laura Kemp, Candidate
 - Ed Saxe, CRA
 - Signe Holstein
- To contact this committee, email: candidacy@aicanada.ca

What is the AIC candidacy process?

Although the present policy pertaining to Appraisal Institute of Canada (AIC) Candidates has been in place since January 1, 2007, there still seems to be some confusion regarding exactly what the requirements for candidacy are.

- Since 2007, AIC Candidates joining the Institute are required to either hold a university degree; OR have 10 or fewer remaining requirements for the AACI designation (university degree and AIC courses).
- They also have to successfully complete the *We*

Value Canada online workshop as well as *BUSI 330* or approved equivalent.

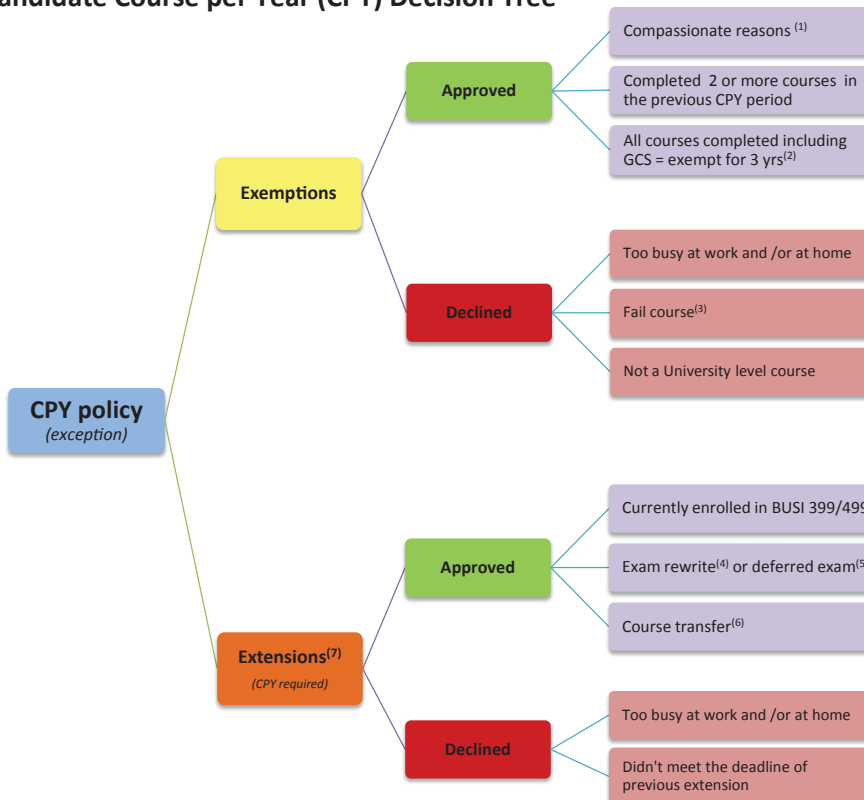
- New Candidates must also complete the Professional Practice (Standards) seminar within 24 months of being admitted as a Candidate.
- Further, Candidates who joined the Institute since January 1, 2006 have 10 years from their admission date to complete all education, curriculum, and applied experience requirements to obtain their designation of choice. Candidates who joined prior to January 1, 2006 must complete all education, curriculum and applied experience requirements before January 1, 2018.

In addition, all Candidates are required to successfully complete one university credit course (CPY) towards designation each year in order to retain Candidate status. In rare circumstances, upon written request, an exception to this requirement may be made. Decisions are made in accordance with the CPY Decision Tree below.

Candidates who have completed all course requirements, including the guided case study, are CPY exempt for a period of three years from September 30 of the year they complete those requirements to obtain their designation.

Candidate who otherwise fail to comply with

Candidate Course per Year (CPY) Decision Tree



⁽¹⁾ Compassionate reasons: Due to medical reason (a doctor's note may be required) or serious family matters, bereavement leave, maternity or parental leave.

⁽²⁾ Candidates who have completed all course requirement including the Guide Case Study (GCS) have 3 yrs from Sep 30 of the year they complete those requirements to obtain their designation. Failure to obtain their designation within that time frame will result in a renewal of the CPY requirement.

⁽³⁾ Fail a course and didn't take any measure to comply with the CPY policy.

⁽⁴⁾ Exam rewrite: Candidates must write on the next available exam date.

⁽⁵⁾ Deferred exam: Candidates may defer an examination once but must write the exam on the next available exam date; if unsuccessful, the Candidate is subject to exam rewrite policy in (4) above.

⁽⁶⁾ Course transfer: Candidates may transfer only once beyond the current CPY period (Oct 1 to Sep 30) to a course that has an official start date prior to Dec 31 (a maximum extension of three months); Candidates who transfer are ineligible for exam deferral in (5) above; if Candidate is unsuccessful in writing the exam, the Candidate is eligible for exam rewrite as per (4) above.

⁽⁷⁾ In all cases of extensions, the Candidate is required to complete the prior year's CPY requirement PLUS the current year's CPY as well.

Revised: April 18, 2011



“In all cases of extensions, the Candidate is required to complete the prior year’s CPY requirement PLUS the current year’s CPY as well.”

the CPY policy are subject to a \$500.00 fine and suspension of their candidacy status until they report successful completion of the requirements and pay the fine. The mandatory Professional Practice (Standards) Seminar must also be completed once in every five-year cycle and failure to do so will also result in suspension of the Candidate’s status and a \$500.00 fine until he or she has successfully completed the seminar and its exam and paid the fine.

It is important to note that:

- 1) reports prepared by suspended Candidates will have no insurance coverage, even if co-signed by a designated member in good standing;
- 2) suspended Candidates have no insurance coverage as long as they remain suspended;
- 3) suspended Candidates will be removed from the Co-signing Registry and a notification will be sent to responsible designated members; and
- 4) suspended Candidates remain members of the AIC and must pay their annual dues and insurance premium.

Further, as part of the Applied Experience

Program (AEP):

- Candidates seeking the CRA designation must successfully complete a minimum of one year of mentored applied experience; and
- members seeking the AACI designation must successfully complete a minimum of two years of mentored applied experience.

The (AEP) was put in place to ensure that all newly designated members have obtained relevant experience in the application of ‘First Principles of Value’ in a professional setting and have acquired and developed the AIC required professional competencies (market analysis, integrity, critical thinking, relationship building and communication, and self-development) and professionalism expected by clients and AIC.

The mentoring process ensures that Candidates are guided in their development and in application of the principles of value and professional competencies. Candidate and mentor must enter into a mentorship agreement demonstrating how, together, they plan to work through the first principles of value and competencies in a way that will ensure that


the Candidate will be able to successfully complete the applied experience written exam and the professional competency interview leading to obtaining the designation sought.

Should a Candidate choose to sign reports a co-signer is required. In many cases, a Candidate co-signer also acts as a mentor, however, this is not necessary. The roles of mentoring and co-signing are unique and distinct from each other, and the terms should not be used synonymously.

According to *Wikipedia*, the mentor’s primary functions are to teach, give advice, and share his or her experience (breadth and depth) so that a Candidate may advance within his or her chosen career; the co-signer’s primary function is to act as a ‘guarantor.’ It is said that the legal act of co-signing is also called a guaranty (also known as a surety).

Recently, an ad-hoc committee was established by AIC’s Board to investigate the issues surrounding candidacy. Some of the issues this committee will be looking at include the present co-signing policy, the co-signing registry, and geographical matters. As well, concerns of professional nature have been expressed relative to leading a client or potential client to perhaps get the impression that a Candidate is a qualified professional. Other concerns are more administrative, such as the difficulties around administering and monitoring the Candidate registry, while others are more related to the business practices of Candidates, such as Candidates working as sole practitioners.

These are only a few of the issues that have been identified. If you have specific concerns, the ad-hoc committee welcomes input by contacting them candidacy@aicanada.ca.




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Professional Qualifications and Competency Committee

Charles Johnstone, AACI – Chair

Brad Brewster, AACI

Roland Mayr, AACI

Jeff Godfrey, AACI

Alfred Mullally, AACI

Janice O’Brien, ED, AIC – BC

To contact this committee, email:

pqcc@aicanada.ca

Appraisal standards for 24-hour turnarounds

We have all heard it said that “the more things change, the more they stay the same.” For those of us who are longer in the tooth than some, remember when preparing a residential appraisal report meant, among other things, identifying the client and understanding the intended use, inspecting the property, researching and analyzing comparable sales data and hand drafting an appraisal report for typing by the clerical support staff, attaching a location map and exterior photographs, etc. Typically, a lender client would expect to receive the report two or three days after making the request, and, if you were really busy, you would negotiate for a slightly longer delivery date.

Sometimes, a lender might call the appraiser with a genuine ‘rush job’ and even require a 24-hour turnaround. As this might have occurred before the introduction of the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*, there were less stringent professional practice obligations on the part of the appraiser, right? Wrong! Perhaps the standards at the time were less explicit than the current edition of *CUSPAP*, but expectations of professionalism were similar.

Today, many of our residential appraisal clients, including appraisal management companies may insist that all appraisal assignments be completed and delivered within 24 hours. Of course, technological advances such as computers and software, access to internal and external databases, Google, and so forth have all aided the appraiser in the research and preparation of an appraisal report. However, nowhere in the *CUSPAP* 2010 edition will members find relief from the 27 Appraisal Standard Rules and the 27 Appraisal Standard Comments that provide the minimum performance standards and whose



“At no time should the turnaround time take on more significance than the quality of the appraisal report.”

application is compulsory when completing an appraisal report, even when a client insists on a 24-hour turnaround.

The Appraisal Standard Rules are very straightforward and it is often helpful to review the Appraisal Standard Comments that explain and elaborate on the Rules. For example, in providing an appraisal report, the member needs to consider 7.3 Intended Use and 7.4 Purpose, wherein the Comments state that the appraiser must consider the client’s intended use and that liability to the client may depend on the appraiser’s understanding of the client’s intended use. Comment 7.5.2 goes on to say that the scope of

work applied must be sufficient to result in opinions/conclusions that are credible in the context of the intended use of the appraisal and that the burden of proof to support the scope of work rests with the appraiser.

When clients commission appraisals and their intended use is to rely on the report in providing financing to a borrower, for example, it has been shown time and again that it is reasonable for the client to expect that the appraiser performed adequate due diligence and adhered to the minimum appraisal standards prevailing at the time the report was completed. If a member believes that a credible appraisal report cannot be completed within the requested turnaround time, say 24 hours, then it would be prudent to respectfully decline the assignment. At no time should the turnaround time take on more significance than the quality of the appraisal report.

Finally, it is worth remembering that, should appraisers find themselves to be the subject of a subsequent claim from such an assignment, they would have a hollow argument indeed, if they offered that insufficient time was permitted to complete a credible appraisal report. 🇨🇦

Standards Committee

Brian Varner, AACI – Chair
Iain Hyslop, AACI
Chris Perret, AACI
Louis Poirier, AACI – Board Liaison
To contact this committee, email:
standards@aicanada.ca

Professional collaboration

As professionals, we strive for high achievement through constant vigilance and considerable effort. We work hard to develop and refine the effectiveness of our business model that seeks to avoid the integration of errors and strives to incorporate success. Feedback cycling can take many forms, for example, working with the Appraisal Institute of Canada (AIC) Investigating Committee (IC) through a formal complaint process with an open frame of mind may be an opportunity to help you achieve higher levels of success as an accomplished professional.

The *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* provides us with powerful tools for producing reports that are well reasoned and supported with objective substantiation. When complaint files are received from our Counsellor, Professional Practice, the IC reviews the complaint and identifies Standards issues to be discussed with the member under investigation. A culture of candor is one way to deal with the issues that we bring to your attention.

We currently have six matters before IC. Over the past year, we have seen instances of scrambling for self-protection by members under investigation and we work hard to overcome the communication challenges that flow from them. The point to remember is that, as an AIC committee, we stress collaboration, respect and support. When we reach out to you to identify either a report or an event issue, we want to discuss what happened and the circumstances that surrounded it. We do not consider our performance in carrying out our responsibilities outlined in Section 5 of the Consolidated Regulations as a playbook intent on initiating a blaming session. Rather, we want to provide you with an opportunity to explain your side of the story.

When the facts are put on the table, our investigator can talk to you about what went right or wrong and, more importantly, to what degree. This context



is important in the decision-making criteria that the Chair-IC considers with every Investigating Report completed by our investigator.

A portion of a 2010 *Practice Sanction Consent Agreement (PSCA)* is provided below where IC identified two Standard Rule shortcomings with a member who agreed with our balanced findings and reasonable discipline measures.

Performance under pressure can produce varying results and this example shows how the member explained his point of view, accepted responsibility and is now back on course to working within *CUSPAP*.

Standards Rule 6.2.15: *In the report, the appraiser must describe and analyze all data relevant to the assignment; [see 7.16]*

7.16 Describe and Analyze

7.16.1 The appraiser must take reasonable steps to ensure that the information and analyses provided

are sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

7.16.2 In the process of collecting and verifying relevant information, the appraiser must perform this function in a manner consistent with 'Reasonable Appraiser' standards. All three approaches require the collection of comparable data. The decision to inspect comparables and the extent of verification of data will be determined by the scope of the assignment, but, in all cases, the appraiser must conform to 'Reasonable Appraiser' standards.

Investigation facts:

In the report:

- the member established different price ranges that are not supported by the sales statistics,
- the member did not provide sufficient market evidence to show that no adjustments were

- necessary when there were detached sales in the district as well as many other sales available,
- the member did not provide the construction dates of the comparables, and
 - the member was inconsistent in the analysis and application of chronological or effective age adjustments.

Standards Rule 6.2.18: *In the report, the appraiser must detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [see 7.19]*

7.19 Reasoning

7.19.1 Reasoning requires the logical review, analyses and interpretation of the data in a manner that would support the conclusion, not mislead the reader, and be to a level consistent with the 'Reasonable Appraiser' standard.

Investigation facts:

The member:

- did not provide the construction dates of the comparables,
- made an error and was inconsistent in the analysis and application of chronological or effective age adjustments,
- did not provide sufficient information to support the exposure time,
- applied inconsistent adjustments without supporting market information,
- did not provide sufficient information to support the exclusion of sales due to site size and did not consider sold properties nearby, and

“When we reach out to you to identify either a report or an event issue, we want to discuss what happened and the circumstances that surrounded it...”

- did not consider sold properties nearer than three miles of the subject and used assessment values as a basis for disqualifying comparable sales.
- The IC wants to shore up your strengths and respectfully pinpoint where you stepped outside of Standard Rules.

Everyone’s capabilities can be lifted through professional accountability to our clients, collaboration with each other, and confidence in our organization. No one wants to be treated less favorably than others and our investigation process understands this.

If you find your name on one of our files, keep this in mind and work with our investigators.

If the issue that has been investigated is primarily practice oriented, then you will be getting a call from the Chair-IC to discuss the PSCA that will be offered to you.

You might receive a letter from the Chair-IC thanking you for your good co-operation throughout the investigation and advising you that the investigation has been closed with no evidence of

Standard Rules violations. Some helpful advice may accompany this letter.

If the issue is found to be more serious, you will be notified that the matter has been moved from the IC to the Professional Practice Advocate.

The AIC is an extended team, with players stretching from coast to coast. With a commitment to supporting each other, the AIC professional practice system is there to pick up the ball that can drop from time to time. 🇨🇦

Investigating Committee

- Darrell Thorvaldson, AACI – Chair
 - Larry Brewer, AACI
 - Stan Jugovic, AACI
 - Gerry Gehlen, AACI
 - Robert Minielly, AACI
 - Joe Kireta, AACI
 - Deana Halladay, CRA
- To contact this committee, email: investigating@aicanada.ca

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Assuming a role of advocate

Tax appeal hearings are a primary setting for designated members taking on the roll of advocate for their client. Be concerned. Taxing authorities and Assessment Review Boards are taking a tougher stand with appraisers becoming advocates for their clients.

In a recent tax appeal hearing involving a fairly large commercial property that included a retail centre with ancillary development, the Assessment Review Board heard an appeal where the tax agent was an appraiser. At the opening of the tax appeal hearing, the property was identified by the appraiser followed by a self-introduction outlining his or her appraisal experience and how he or she was a designated AIC member, but acting as a tax agent.

During the hearing, the Board heard that there was no formal appraisal of the property completed by the tax agent/appraiser, but rather a summary of different approaches utilized in the valuation of the property, and a selection of rental comparables that was also provided, where much of the data was dated.

As the hearing progressed, the Board heard that a method labeled by the tax agent/appraiser as a "Limited Cost Approach" was utilized to estimate value for the subject property, and later, the Board learned under cross examination that the Limited Cost Approach was prepared excluding the ancillary development on the subject site.

The tax agent/appraiser further supported this Limited Cost Approach by dated rental data in an Income Analysis that excluded the rental income from the ancillary development on site, thereby reflecting value substantially lower than the assessed value of the subject property.

Only through cross-examination of the witness was the omission of the ancillary development noted, in what was referred to as

"Taxing authorities and Assessment Review Boards are taking a tougher stand with appraisers becoming advocates for their clients."

a Limited Cost Approach revealing the glaring oversight, and, by completing this approach, the value of the property was understated. In defending the limited valuation of the subject property, it was evident that the tax agent/appraiser became an advocate trying to influence the Board by referencing appraisal experience.

Not only did the appeal fail, in my opinion, the reputation of the tax agent/appraiser was severely impacted by the choice of becoming an advocate, not to mention the negative reaction that was created in the minds of Board members hearing this appeal.

A member's performance or actions in this situation can expect to be examined under the following provisions of the Standards:

See Ethics Rule:

- 4.2.1: It is unethical for a member to knowingly fail to comply with Bylaws, Regulations and Standards, and the Professional Liability Insurance Program of the Institute.
- 4.2.1: It is unethical for a member to knowingly engage in conduct that will prejudice his/her professional status, the reputation of the Institute, the appraisal profession, or any other member.
- 4.2.3: It is unethical for a member to act in a manner that is misleading.

- 4.2.5: It is unethical for a member to complete an assignment that a reasonable appraiser could not support.
- 4.2.7: It is unethical for a member to undertake an assignment lacking the necessary competence.

5.2 Conduct:

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

5.3 Misleading Report:

- 5.3.1: It is unethical for a member to develop, use or permit to use, for any purpose any report which the member knows, or ought to know, is misleading.
- 5.3.3: Note: A misleading report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a report that is deemed to be misleading.

This commentary is intended to illustrate the potential problems that could arise if members are tempted to act as an advocate. Members are reminded that, when their actions are found to be in contravention of an ethics rule, these actions generally attract a higher level of discipline, when warranted. 🇨🇦

Appeal Committee

Leonard Lee, AACI – Chair

Allan Beatty, AACI, Fellow

John Shevchuk, Associate

Andrew Chopko, AACI

Gordon J. Tomiuk, AACI, Fellow

To contact this committee, email:

appeal@aicanada.ca



Robert Patchett, LL.B.
Counsellor, Professional Practice

Consumer sense and sensibility

I am sure no one would disagree that good customer service is the lifeblood of any business – the customer is always right motto – but have you given some thought to applying those principles in an appraisal office?

If you provide professional appraisal services to lenders, or to a few select clients and users, should you be concerned with good customer service when you interact with the property owner, tenant, or realtor? After all, they are unlikely to be paying your fee, or are unlikely to receive a copy of your report. So why care?

I would suggest that you should take great care concerning what these people think and say about you as well as your professional demeanour and how you comport yourself. Consumers will tell the banking officer and mortgage broker, their family and friends, and anyone else who will listen about all the negative impressions you have created with them. However, if they are convinced, and they are willing and ready to be convinced, that you are a professional who provides a valuable service to them, they will also share these favourable opinions.

How does that look and feel? You arrive at the property, knock on the door, and introduce yourself: "Good day, I am Jayne, I am here from the ACME Appraisal Company, on behalf of The Great Canadian Lender, to conduct an appraisal of your property for them. May I come in?"

Right there you have identified yourself, your firm and the lender that retained you to conduct

the valuation. Next, of course, you should provide them with a business card, or even display your AIC membership card.

You then explain the process and confirm that you have permission to continue: "In order to complete the valuation, I would appreciate it if you could escort me throughout your property, both inside and outside. At this time, I will be taking some notes and photographs that the lender would like to see included in my report and I will take exterior measurements of the building to confirm the size."

At this point, you have asked for and hopefully received permission to take photographs and explained that everything you are doing is part of the valuation process and the gathering of information that the lender has requested.

Here the consumer may ask you some questions and it is very important that you are prepared to respond appropriately. "How soon will your report be completed and submitted to the lender?" "Can you provide me with a copy?" "Can you give me an indication of what you think the value is?"


In this regard, I hear from lenders that this is where they have some reservations about how appraisers have been responding. Ideally, I would suggest something like this: "I will complete my report by the end of the day today or tomorrow at the latest, and it will be submitted to the lender through their appraisal management company. Since this is done via the Internet, the

lender should see the report fairly quickly. The lender has indicated that you may obtain a copy by speaking with your lender representative or by contacting the lender's Privacy Officer. I would not be able to comment on the value until I complete my research, including the tour on which you have so kindly agreed to escort me. If you have any questions, I am sure the lender's representative that you have been dealing with can assist you."

The key here is that you must maintain client confidentiality regarding your opinions and conclusions and point them in the right direction to have their questions answered.

If all goes well, your property tour is smoother, your report is complete, and the consumer is left feeling assured that their lender – The Great Canadian Lender – has retained professional valuers. This they will tell their friends and bridge partners!

Someday in the not too distant future, because you provided your business card, you will get a call from the consumer asking you to provide some professional appraisal services in support of a tax appeal, or other litigation or unique assignment for which your usual and customary fees can be negotiated.

The bottom line is that consumer satisfaction will keep your lender clients happy and more work will indubitably come your way, either by increased volume or word of mouth referrals. 

"Consumer satisfaction will keep your lender clients happy and more work will indubitably come your way, either by increased volume or word of mouth referrals."

Google Earth is an invaluable tool for valuation professionals

Aerial photography and cadastral mapping have made appraisal work more precise and detailed and have improved the quality of analysis. You can locate, select, and investigate right at your desktop, from a variety of sources. More and more, cities, provincial and federal bodies, and private suppliers are producing sophisticated mapping tools with multiple layers that go beyond just orthophotos and cadastre information. But, in our practice, geographic information systems (GIS) data and images are almost always used in conjunction with Google Earth.

There are several versions of Google Earth available to the user. There is the free version, Google Earth Pro and Google Earth Enterprise. For us, the free version did not have all the features we needed, so, a few years ago, we upgraded to Pro. At \$399 US/year, it is not inexpensive, but if you use it every day, it can be a bargain. The Pro version gives you 'fastest' performance, highest image print and save resolution, email support and the very important ability to measure area. But perhaps most critical is the license to reproduce content for external purposes, including 'screen captures from Google Earth in reports and presentations or otherwise creating materials that will be displayed or distributed outside of your organization.' We use many Google Earth images in our reports, from standard overhead aerials with overlays to tilted terrain images and street view photos. So, what is the big deal with Google Earth? Here is a list of the top uses for valuation professionals:

Measure distances. You can use the ruler to measure distance or paths 'as the crow flies.'

Or, drop a place mark (the yellow pin) at the property, another at the second location, right click on one and choose 'directions from here,' right click on the other and choose 'directions to here.' Google Earth will draw the route (by road) and tell you the distance to the tenth of a km. No more guessing or clocking in your car. This is available with the free version.

Measure area. How much of Property A is hillside, cleared, paved, landscaped, fenced, split zoned, or bisected by a road? Measure it using the ruler tools or create a polygon and query the area. How big is that industrial building that sold last year? Measure it to determine if it warrants closer scrutiny as a comparable. This is available only with Google Earth Pro.

Create polygons. This is useful for illustrating the boundaries of a property or any other defined area. In the Pro version, you can see the area of each polygon without using the other measuring tools.

Record a 'video' of any route or navigation within Google Earth. You can tilt, rotate, zoom, move locations and record it all to share with a client.

Overlay images. We overlay subdivision plans, plot plans, zoning maps, engineering drawings, higher resolution aerial photos, etc. If you are lucky enough to have a third party provide such an image or data as a geo-referenced file, all you do is open it with Google Earth and it takes you to the accurately placed overlay. (Only Google Earth Pro can import non-Google Earth format GIS files.)

If you must create your own overlay and are not a GIS expert, you will have to 'rubbersheet' an image by placing and sizing it to your location. Once the overlay is placed, you can add other overlays and fade any to partial transparency so that information for multiple overlays can be seen on one image. Here is a screenshot of a single, rubbersheeted overlay. This is available with both versions with varying functionality.



Analyze sun exposure at a particular location for any hour or day of the year. Do you suspect that direct sunlight on the north side of that valley is limited in the winter? Advanced users can even cast shadows of 3D building mockups.

Street View. They say a picture is worth a thousand words. Are you conducting an appraisal of a regional type of property, but cannot drive hundreds of kms to see if a comparable is suitable or to photograph it? We often rely on trading data with other appraisers in and outside of our region. Many email us very detailed information,

but some are still faxing or do not collect photos for their database. Type in the address of the property and Google Earth takes you there. If they have recorded street view data at that location, you can enter this layer and it is like being there. This is available with both versions.



Display GPS tracks/waypoints and geo-tagged photos. Importing directly from your GPS into Google Earth or using third party software, you can display your GPS inspection tracks. If your camera and GPS are time synched, you can show the location of each photo taken. GPS tracks are helpful for your own reference for keeping track of lengthy inspections on large or multiple properties or to clearly illustrate the scope of your inspection. Geo-tagging photos allows you to display an aerial image key map for a reader to reference the photos in your report. (Note: watch for more on geo-tagging in a future column.)

View historic aerial imagery. Many locations have multiple images available to Google Earth. The image date is displayed and a slider allows you to scroll through time. Here are the former Expo 86 lands in Vancouver in 2000, 2003 and 2010.



Navigate in Google Earth in real time Not too many handheld GPS units allow you to import aerial photos yet. But, if you connect your GPS to a laptop with a cellular connection, you can navigate in

real time, in your car. This is useful if you have loaded polygons or place marks of subject or comparable data you are currently inspecting. When the mobile version of Google Earth has some of the functionality of the PC version, this feature can go portable. What a field tool that will be.

Load and display third party layers. The federal government has an interesting site for Google Earth layers for federal lands. But, BC seems to be at the forefront of Google Earth integration. There are literally dozens of usable layers available at (<http://archive.ilmb.gov.bc.ca/dm/wms/index.html>), including the very important cadastre layer, contour lines and municipal and agricultural land reserve boundaries. Some municipalities (see Nanaimo, BC) have also integrated well with Google Earth and I hope more will follow.

Organize, save and share all your overlays, polygons, place marks, GPS tracks, geo-tagged photos and 3D buildings within Google Earth. Save them to your digital work file or email them to another user. An emailed Google Earth file of any of these types will open automatically in another user's Google Earth.

For us, integration and the ease of viewing, saving and sharing makes Google Earth a platform that is central to geo-spatial information analysis – an increasingly important field for appraisers. With Google's vast economic clout, it is likely that third party services will continue to develop for Google Earth and uses for the software will expand. Every new version of the tool has come with terrific upgrades and I am expecting that to continue. If you do not have it, download the free version or try a free trial of Pro. Write to us at this column (tech@aicanada.ca) and I will send you some actual Google Earth files that I have created and used. 📄

NOTE:

AIC has embraced Jeff Godfrey's offer to write this regular technology column for *CPV* magazine.

AIC appreciates this initiative to help keep members informed about ongoing technology developments and their application in the valuation profession.

Members are invited to contact tech@aicanada.ca with their ideas on this topic or to share their experiences with new technologies.

Candidates – staying on track with a course per year

Self-regulating, professional organizations such as the Appraisal Institute of Canada (AIC) play an important role in helping their members to maintain the most up-to-date education and skills to offer their clients. To this end, policies are commonly used to encourage both Candidates and designated members to continue learning and to engage themselves in the industry and profession through activities such as mentoring, completing courses, and attending conferences, to name a few.

In pursuing either of the CRA or AACI designations, Candidate members of the AIC are to successfully complete a list of education require-

ments in addition to their experience. In October 2005, a policy was approved which requires the completion of at least one university credit course each year, between October 1 and September 30. The minimum requirements to fulfil the **Course Per Year (CPY)** criteria are that the course:

- be offered by a recognized university or college in Canada;
- count toward a four-year bachelor's degree or a master's degree;
- be of a length consistent with a one-semester university course;
- be of sufficient depth, breadth and rigor to meet recognized university or college four-year

undergraduate or masters degree requirements; and

- have a formal assessment mechanism, including proctored mid-term examinations, final examinations or independently completed case studies.

All courses must meet these minimum requirements. Once all education requirements have been fulfilled, including the *BUSI 399/499 Guided Case Study*, the Candidate will be exempt from the CPY requirement on the condition that his or her desired designation is obtained within the following three years.

The Institute continues to effectively communicate the CPY requirement in order that Candidates can more easily understand how to report courses, the types of courses that will satisfy the requirement, and the circumstances that would qualify a Candidate for an exemption for a given reporting period. In the Candidate section of the AIC website, a more detailed description of the CPY Policy is available, as well as an FAQ section. Also online is a decision-tree (see illustration on page 25) which illustrates what is or is not acceptable. Should a course not meet one or more of these requirements, pre-approval can be obtained from the AIC prior to enrolling to ensure that it is eligible for CPY acceptance. Typically, requests for CPY approval must be supported by detailed course outlines showing topics covered, study materials used, and assessment mechanisms.

Courses must be reported prior to September 30 each year and can be reported at any time in the members' section of the AIC website. To facilitate this reporting process, the AIC has developed a web-based tool that allows

Course Per Year backgrounder

In 2004, the AIC launched the New Horizons initiative which aimed to address the Institute's strategic objectives including:

"The members of our Institute will be professionals who are recognized as having expertise and integrity to:

- provide a broad range of services related to the principles of value in real estate; and
- lead projects, initiatives and organizations related to property; and
- provide support, strategic advice and decisions regarding real estate and related property."

An undergraduate degree was established as a requirement for the AACI designation in 1998 and this was extended as a requirement for the CRA designation beginning in 2006. Further, a regulation was created whereby all Candidates who joined the Institute on or after January 1, 2006 would have a maximum of 10 years from the date of admission to candidacy to complete all education, curriculum and experience requirements to obtain their designation.


In 2004, the AIC database showed that 46% of Candidate members had joined the Institute prior to 1998 and were not progressing toward an AIC designation. In order to help ensure that all Candidate members were working towards a professional designation in a steadfast manner and would achieve designation within the required 10 years, a policy was put in place such that Candidates were no longer required to participate in the CPD program. Instead, they would be required to complete at a minimum one university credit course per year in order to remain members in good standing.

Candidates to report their CPY details and upload the required supporting documents. Acceptable supporting documentation includes:

- a copy of student course history, which is comparable to an unofficial transcript, showing the completed courses and grades; or
- a copy of student 'grade letters,' which show the grade in each individual course; or
- a copy of an electronic transcript.

It is important that Candidates understand the importance of reporting course progress and/or completion prior to September 30 of each year, and that failure to comply with the CPY requirement comes with consequences: **a fine**

in the amount of \$500 and suspension of their Candidate status until they report the successful completion of the course per year. Members are randomly audited each year (for verification of courses posted) by the AIC national office. If a member intentionally enters a course on the CPY web-tool without having taken the courses, that member will be referred to Professional Practice for their consideration.

Exception requests should be forwarded to Manager, Professional Affairs at courseaudit@aicanada.ca. Should you have any questions regarding this process, please forward them by email to courseaudit@aicanada.ca. 

Learning Advisory Committee

John Clark, AACI – Chair

Clifford Smirl, AACI

Peter MacLellan, AACI

Erica Giesbrecht, Candidate

John Bridal, UBC

Andre Gravelle, UBC

Signe Holstein, ED, AIC – ON

David Shum, AACI – Board Liaison

To contact this committee, email:

lac@aicanada.ca

Spotlight on Continuing Professional Development

FEED YOUR FUTURE with CPD FRIDAYS



The UBC Real Estate Division continues its series of live online webinars on Friday, June 3, 2011, from 9 am–11 am Pacific time (12 pm–2 pm Eastern time). The webinar is a two-hour presentation by an expert instructor, in an interactive online classroom. By attending the session and completing two hours of pre-reading on your own, you will receive four AIC CPD credit hours. There is no quiz or exam required to receive these credits.

Consider these two upcoming webinars in the UBC Real Estate Division's *CPD Fridays* series.

Feed Your Future!

CPD 106: Multi-Family Property Valuation
Presented June 3, 2011 by April Green, AACI & Michael Oord, AACI of Grover Elliot & Co. Ltd.

You will find this course informative if you are unfamiliar with the appraisal of multi-family residential

properties or want a refresher.

Appraising multi-family residential properties is a common assignment for many commercial real estate appraisers. Varied property types include converted homes, three- and four-plexes, and low-rise and high-rise apartments, and ownership may be fee simple, leasehold, or strata. However, these are all valued with the three common approaches to value: direct comparison, cost, and income.

The highest and best use of a multi-family apartment property determines the nature of the valuation research and analysis program. If the property is an income-producing investment property, the income approach is usually predominant, with the direct comparison approach relied on for corroboration. If highest and best use is subdivision and sale of individual strata units, the primary valuation technique is direct comparison, with the cost approach relied on for corroboration.

For income analysis, the appraiser must estimate market rents and expenses and evaluate management. For smaller properties, where data involving operating expenses is difficult to ascertain and where management practices vary considerably, the appraiser may elect to utilize income multipliers.

The direct comparison approach requires verified data on comparable projects and must use the units of comparison relied on by market participants. For an income-producing building, these are usually price per suite, price per room, and price per square foot or metre of net or gross suite area. Where condominium units are to be sold, the usual units of comparison are price per suite, price per square metre or foot of saleable area, and price per square metre or foot of strata lot.

A cost-based analysis is important to test feasibility for proposed construction. The cost



approach is valid as a test of market value when reliable estimates of land value and construction costs exist and sufficient market evidence exists to permit a reliable estimation of depreciation.

This course also explores location, design, and construction factors that influence multi-family property value. Combining these with market analysis, a series of practical case studies will illustrate the valuation process and how to conclude appropriately supported valuation estimates.

CPD 104: Hotel Valuation

Presented June 3, 2011 by Betsy MacDonald, AACI & Carrie Russell, AACI of HVS International

Hotels, as both real estate investments and on-going businesses, are tricky properties to appraise. A hotel is largely real estate (land and improvements). However, there are also going-concern issues, as well as the furniture, fixtures, and equipment. If a hotel is not furnished, there are no beds to sell, and, therefore, no income. Furthermore, the need to resell


every room on a nightly basis makes hotel properties extremely vulnerable to numerous variables that impact a hotel's ability to generate income. Unlike office buildings, shopping centres, and industrial warehouses, a hotel typically has no long-term leases and, therefore, can be immediately affected by new supply or a down-turn in demand.

The three traditional methods used to value real estate still apply. Hotels are commonly bought and sold on their ability to generate income. Therefore, the majority of hotels and motels are most appropriately valued via the income approach, because they are purchased as income producing investments. Some smaller motels and bed and breakfasts may be more appropriately valued via the direct comparison approach because, due to size, they are relatively uneconomical operations and primarily serve to provide employment for the owner and his or her family.

The truism about appraisal being as much an art as a science is particularly true for hotel valuation. A defensible conclusion requires substantial research

and analysis. However, appraisers must be cautious when analyzing hotel market data. For example, hotel assets may be purchased for motivational reasons that are difficult to quantify, affecting derived capitalization rates. Educated assumptions must be made on occupancy, average room rates and all other revenue and expenses. If an appraiser is overly aggressive on one or more of these assumptions, then a hotel value may be significantly overstated, and the reverse would be true if the appraiser were to be conservative.

This course introduces hotel appraisal, examining the reliability of each of the three approaches to value and the supply and demand factors that affect a hotel's income producing potential. Included is a detailed case study that demonstrates application of the income approach (discounted cash flow) and direct comparison approach.

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



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.
- Our computer-to-plate technology reduces the amount of chemistry required to create plates for the printing process. The resulting chemistry is neutralized to the extent that it can be safely discharged to the drain.
- We use vegetable oil-based inks to print the magazine. This means that we are not using resource-depleting petroleum-based ink products and that the subsequent recycling of the paper in this magazine is much more environment friendly.
- During the printing process, we use a solvent recycling system that separates the water from the recovered solvents and leaves only about 5% residue. This results in reduced solvent usage, handling and hazardous hauling.
- We ensure that an efficient recycling program is used for all printing plates and all waste paper.
- Within the pages of each issue, we actively encourage our readers to REUSE and RECYCLE.

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



UBC Real Estate Division

Professional Development Courses

www.realestate.ubc.ca

Today's successful real estate professional is creative, analytical, adaptable, and committed to lifelong learning. The Real Estate Division at UBC's Sauder School of Business offers a series of short online professional development courses aimed at real estate practitioners' continuing education needs.

All UBC Real Estate Division continuing professional development (CPD) courses are offered through **distance education** in a **self-study** format or as a **live online webinar**. Completion of a CPD course will earn you a UBC award of completion, plus **guaranteed credits** towards the Appraisal Institute of Canada's Continuing Professional Development (AIC CPD) requirements.

Topics offered include:

- Valuing Green Properties: Residential and Commercial
- Financial Reporting: Real Property Appraisal and IFRS
- Requests for Proposals (RFPs) – Winning Strategies
- Exposure & Marketing Time: Valuation Impacts
- Adjustment Support in the Direct Comparison Approach
- Residential Appraisal Basics / Commercial Appraisal Basics
- Valuation of Property Impairments and Contamination
- Speciality Valuation: Agricultural, Multi-Family, Business Enterprise, Submerged Land, Hotel, Office, Seniors Facilities, Machinery and Equipment Valuation
- Creative Critical Thinking
- Decision Analysis
- Highest and Best Use Analysis
- Appraisal Review
- Lease Analysis
- Urban Infrastructure
- Expropriation Valuation

To find out more, visit www.realestate.ubc.ca/cpd



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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 January 22 to April 15 - 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 22 janvier au 15 avril, 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

Colleen M Andrews
Sohaib Ahmed Ansari
Brett L Coley
Lisa Ann Land
William Jeff Thompson

BRITISH COLUMBIA

Ravinder S Aulakh
Joshua JE Kitsul

ONTARIO

Andrew Chan
Anthony Cheng
Bill Norman Deevy
Danny P Lau
Dale R Mitchell
Jason Otto
Tobe J Otvos
David H Robber
Rick A Van Andel
Stacey J Wilks

QUEBEC

Martin Dion

SASKATCHEWAN

Pamela Lory McCaffrey

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

Dan Peter Gagnon
Nathan Lehman
Jacalyn Schultz
John P Simpson

BRITISH COLUMBIA

Anita Zosia Brochocka
Diane M Langley
Elaine Sela

NOVA SCOTIA

John Patrick Nadin

ONTARIO

Jacqueline M Boland
Elizabeth M Marshall
James R Pocock
Karen D Pollock
Lorenzo Presutti
Christine L Rousselle
Leo P St Jean
Dennis Vurinaris

PRINCE EDWARD ISLAND

Blair K Arsenault

SASKATCHEWAN

Cory J Borsa

Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period January 22 to April 15 - 2011:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 22 janvier, au 15 avril, 2011:

ALBERTA

Kelly M Amestica
Stephanie Bird
George Selimos
Chunsen Yang
Kathryn Yorkston

BRITISH COLUMBIA

Sara Cantin
Tomas Hala
John Ly
Isaac Morgan
Saki Murachi
Adeleen Seeto
Katie Snell

MANITOBA

Harpinder (Harvey) Aulakh
Patrick L Dyck
Nancy Flockton
Cherie Langston
Tanya E Sharpe
Rod Slaughter

NOVA SCOTIA

Gary Mailman
Heather Zwicker

ONTARIO

Aruchunan Aravinthan
Stanislav Artynski
Mandeep S Bhatia
Samantsinh Chauhan
Jenny Anne Daly
Paul Dombrow

Jourdain Lee Gadoury
Benjamin John Gilbank
Marcus Peter Kormann
Michael Ryan Lamont
Andy Tsz Chun Lau
Kim E Passmore
Valentina Tchehkonadskaia
Kevin M Villeneuve
Lesley Yule
Candice Lee-Angela
Zimmerman

SASKATCHEWAN

Katie Bartlett
Joanne Kydd

Students / Étudiants

This category of membership serves as the first step on the path to designation for those completing their requirements for Candidate membership. Students considering the appraisal profession as a career option are also welcomed to this category of membership.

Cette catégorie de membre constitue la première étape sur la voie de la désignation pour ceux qui s'affairent à compléter les exigences de la catégorie de membre stagiaire. Les étudiants qui contemplant une carrière comme évaluateur professionnel sont bienvenus à joindre cette catégorie de membre.

ALBERTA

Garett Robert Watson

BRITISH COLUMBIA

Vincent O'Dwyer

MANITOBA

Michael J Taylor

NEWFOUNDLAND & LABRADOR

Tyler A Bennett

ONTARIO

Mandeep Singh Mann
Franco Mezzatesta
Robyn L Vandenberg

Announcing The Homburg Institute Canada and Homburg Academy Switzerland

Dr. Richard Homburg, Executive Chairman of the Homburg Group of Companies, has unveiled plans for an innovative international educational institution in the field of Real Estate. There will be two institutions launched simultaneously: The Homburg Academy Switzerland, based in Zurich, and the Homburg Institute Canada, based in Charlottetown, Prince Edward Island.

The Project Leader, Dr. Jarrod Wiener, said, "Real estate has become international, most visibly in finance, but also in areas like sustainability that are global by nature. Increasingly, there is growing cooperation among national professional associations sharing industry practice, learning from each other, and sometimes even working together on common standards. Our international approach is reflective of this growing trend."

The Homburg Academy Switzerland will offer university-level programs including the Bachelor of Real Estate and a Master of Real Estate. Curriculum development is supported by an International Academic Advisory Board composed of academics in North America and Europe, with expertise in diverse fields, to promote both inter-disciplinary perspec-

tives. The instructional faculty is also international, drawing on academics on both continents.

The Master of Real Estate will include Executive and Professional tracks. As to what is on offer to members of the Appraisal Institute of Canada, Dr. Wiener said, "There are courses that are directly relevant in appraisal and valuation, as well as in finance and other cognate subjects. But, what we found through the Homburg Global Education Project is that people who have specialist knowledge in a particular subject also learn from their peers in other industries. They may be working on the same issues and problems, but approach things differently because they bring different methods and perspectives to the table. That inter-disciplinary approach is very enriching."

All programs will be delivered through an 'eCampus Global' virtual learning environment, including self-paced study and real-time video seminars. This will enable students across Canada and around the world to follow the programs online in a supported learning environment.


For Canadians, the Homburg Institute Canada will host Summer Schools of the Homburg Academy, bringing together leading academics and profes-

"While the geographical, legal, social and political forces affecting property value can change from region to region or country to country, valuation principles, theory and methodology are borderless. This program will present AIC members with an opportunity to advance their core knowledge in courses that will be of interest to appraisers and valuers around the world. The Homburg program may be the stepping stone and network for those AIC members who are contemplating international career opportunities."

– AIC President Grant Uba, AACI

"I'm very pleased that this Masters level educational opportunity for valuation professionals first conceived in 2008 is now a reality for AIC members. Increasing opportunities and providing paths to expand our members' body of knowledge ultimately raises the profile of our profession, locally, nationally and internationally."

– AIC Past President, Paul Olscamp, AACI, Fellow

sionals for intensive short-courses. "People do not have to take an entire program," says Dr. Wiener. "We stress flexibility, so a person can take only an intensive Summer School to obtain the learning that he or she needs, or a person can combine that with online lectures and sit the exam for university credit. It is designed to accommodate individual needs." Students can also accumulate credits over time to apply to the degree programs at a later date. 

A large, high-end swimming pool with a stone cabana and landscaping. The cabana has a thatched roof and a stone chimney. The pool is surrounded by greenery and a golf course in the background.

The CONTRIBUTORY VALUE

of a high-end swimming pool,
cabana and landscaping

By George Canning, AACI, Canning Consultants Inc., London, ON

➤ Overview of the valuation problem

This was a question asked in a civil litigation matter dealing with a significant home that was improved with a very good quality pool, cabana and landscaping. The cost to install the swimming pool, landscaping and the cabana on the property was approximately \$118,000. The pool, landscaping and cabana were installed in 2003 and 2004 and were only 4-5 years old at the date of the valuation.

In traditional real estate appraising, items such as pools, garages, etc. were supposed to be determined by using a paired sales analysis. In this process, the valuer needs to find several sales of the identical home to the one under appraisal, with the exception of the item to be valued. This

method can be effective if identical homes can be found with at least one of them having the targeted physical characteristic.

Since there are no identical sales of houses selling in which a valuer can extract some type of contributory value for the item in question (e.g., pool, garage, etc.), then they would default to the next best set of data. The second set of data would be of sales that are not identical, but are similar to the property under appraisal. The valuer would then apply an adjustment in dollars to these items such as basement finishing, lot size in relation to the subject property, etc. The difference between the dollar adjustments of these items and the sale prices of the comparables would

be the contributory value of the item. This process was repeated several times until there was a dollar difference between the sales that would show what a specific feature of a given house would be.

The problem with this secondary method is determining how the valuer adjusts for differences in lot size, basement finishing, etc., if there are no identical sales to be able to extract these differences from the market place. What really occurred is that the valuer makes a 'judgement' decision. Since these judgements are fraught with bias, it really has no place in proper valuation analysis. Unfortunately, this is a common problem when it comes to the valuation of real estate. Real estate practitioners need to seek



out better vehicles to aid them in determining answers to complex real estate questions.

Suggested solution

One of the ways to analyze differences in real estate data from the market place is through Regression Analysis. Regression Analysis has been in use for well over 100 years and is defined as **“A statistical technique of finding a straight line between many data points.”**

Once the straight line has been determined, one can make predictions about the behaviour of people reacting in the real estate market place. There are two types of Regression Analysis. First, there is a Univariate model where one dependent variable is matched with an independent variable. An example of this is building size matched against sale price. We want to know the relationship between these two variables. Second, there is Multivariate where many variables are used in the model to aid in explaining price differences in properties. It is the latter model that we are dealing with in this article.

With Multivariate Regression Analysis, a large number of sales are put in a spreadsheet with all the variables that might influence price. Thus, each sale would have a selling price, area of house, area of basement finishing, age, lot size, garage, pool, no pool, hot tub, no hot tub, date of sale, cabana, shed, quality of landscaping around the pool area, pool age, location relative to backing onto green space, etc. In this analysis, the sales ranged in sale price from \$400,000 to \$1,000,000.

In the case of the subject property, we need sales that had a pool and sales without a pool. The same applies to the quality of the landscaping around the pool and the type of building by

the pool. Regression Analysis requires a lot of information because it is being asked to determine the differences between data (e.g., with or without pools, landscaping, cabana/shed, etc.).

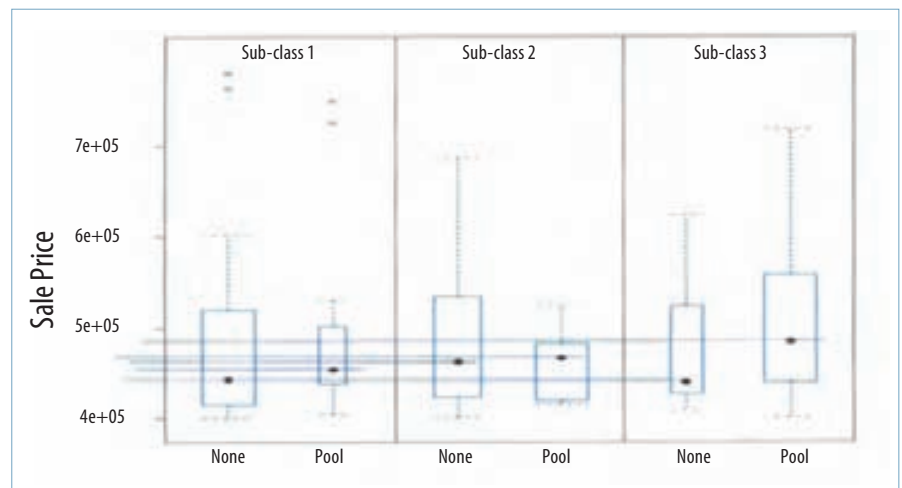
Unfortunately, Regression Analysis is not simply the process of putting data into a spreadsheet and pressing a button. Various relationships of the variables (e.g., house size, lot size, etc.) between the sale price of the houses need to be explored. The variables that do not play a large role in explaining the differences in the sale prices of the comparables are not used in the final analysis. This could be said for some of the variables considered. Since the valuer does not know what they are specifically, each variable needs to be examined on an individual basis. At this stage of the analysis, the valuer is trying to get a good balance between the actual data and the various variables that help to explain differences in price.

When the data is finally at a stage whereby the regression analysis becomes meaningful, then a series of observations can be made. We can first examine relations between houses

with pools and houses without. Since we use a dummy variable (i.e., 1=house with pool and 0=house without a pool), we can graph these simple results to see if there is any difference between these two groups of data. The following is a graph showing a box plot between houses with pools and ones without.

The box plot graph was invented by J. Tukey. The actual box is at the end of the first and third quartile, with the median shown as the black dot. The ‘whiskers’ are the T-lines of the data that are extended 3/2 times the inter-quartile range. The dots above that represent any outlying data points.

This graph shows three sets of data sub-classes. The reason why we did this analysis was to create a common data set within the main data sets of houses with and without pools that closely matched one another. On the left hand side of the box plots is sale price expressed in scientific notation. The $5e + 05$ means 5 with 5 zeros or \$500,000. The dotted blue lines are the expression of the box plot. The lines at the top of the blue lines which are horizontal are called





‘whiskers’ and represent 1.5 times the inter-quartile figure of the data. The blue dots at the top are outlying sale prices

In sub-class 1, you see a black dot in the box which is labelled no pools. This is the median price of the homes. Beside that box is a smaller box of data with the pools. The black dot is shown to be higher. You can see this more clearly when you follow the blue line over to the sale price indicator. This indicates that, for this sub-class of data for houses with pools and ones without, houses with pools tend to sell for a higher price.

In sub-class 2, we see the same pattern. Houses with a pool sold for a higher value than ones that did not have a pool. The only difference between sub-class 2 and sub-class 1 is that the difference in terms of dollars is not as high.

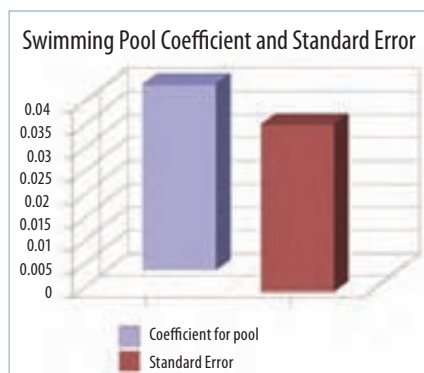
In sub-class 3, we see a very wide dispersion between the median price of houses with pools and ones without.

This data is indicating volatility in the prices of houses with pools as opposed to without. If this were not so, we would see a more consistent price differential between houses with pools and ones without between all three sub-sets. The other factor is that one cannot extend the line of dots over to the sale price indicator and determine the difference in price. This cannot be done because the differences in the median prices of homes with pools and without pools is also due to other factors such as lot size, age, condition, etc.

The box plots are good visual tools that tell us there is a variance between houses with pools and ones without. This is a good indicator that something is going on between the data sets when it comes to pools. To be more exacting, only Regression Analysis can tell us what the final effect a pool has on price.

Multivariate Regression Analysis can be graphed, but because the coefficients produced by the model are so small, it is best to graph the coefficient (answer) to the standard error (how much one missed by). The following is the relationship graph between the

returned coefficient of swimming pools and the standard error.



This graph is of the returned coefficient of houses with swimming pools against the standard error, or how much we missed by. We can see that the standard error is as large as the coefficient answer. This further reiterates that the real estate market is sending a strong mixed signal when it comes to swimming pools in

backyards. Either the buyer wants them or not. There is no other message being sent by the buyer. Love them or leave them.

Regression Analysis produces a coefficient or value for each of the variables that are deemed to best explain price differentials. It also indicates the spread of this coefficient in terms of price. This is known as the standard error. The reason why there would be a spread in the coefficients is that there are always going to be some variances in the data. In the data below, we see the Regression Analysis results.

Regression Analysis has an amazing ability to spew forth a considerable amount of data and analysis. We started by using 94 sales and, in the end, analyzed only 84. Some of the sales were eliminated because they sat outside of the normal distribution of data. In other words, some of the sales were not telling the valuer much

Data set = pools, Name of Fit = L371 cases are missing at least one value.
 Deleted cases are (8 56 74 51 3 95 68)
 Normal Regression Kernel mean function = Identity
 Response = log[SP]
 Terms = (ElapsdMths GarSF Hse_Age SiteSF QC NoFP IGPool Hse_Age^2 FBSmntSF HseSFHseSF^2 Pool_Age*IGPool)

Label	estimate	Std. Error	t-value	p-value
Constant	12.8928	0.206721	62.368	0.0000
ElapsdMths	0.00194094	0.000773972	2.508	0.0144
GarSF	0.000110537	0.000103024	1.073	0.2869
Hse_Age	-0.0124851	0.00399742	-3.123	0.0026
SiteSF	6.393998E-6	3.308006E-6	1.933	0.0572
QC	0.0803828	0.0235853	3.408	0.0011
NoFP	0.0152797	0.0192264	0.795	0.4294
IGPool	0.0404361	0.0362773	1.115	0.2688
Hse_Age^2	0.000291559	0.0000856595	3.404	0.0011
FBSmntSF	0.0000316127	0.0000214225	1.476	0.1445
HseSF	-0.000196538	0.000105068	-1.871	0.0655
HseSF^2	4.490878E-8	1.613675E-8	2.783	0.0069
Pool_Age.IGPool	-0.00148304	0.00198264	-0.748	0.4569

R Squared: 0.596208
 Sigma hat: 0.0923906
 Number of cases: 91
 Number of cases used: 84
 Degrees of freedom: 71

Summary Analysis of Variance Table					
Source	df	SS	MS	F	p-value
Regression	12	0.894859	0.0745716	8.74	0.0000
Residual	71	0.606058	0.00853602		



about the data, so they were eliminated from the set. They are called outliers.

The model's performance was not as one would have hoped for. The reason is that there is too much variability to be explained completely. However, that is the nature of data analysis. We found that the model was sending mixed signals in terms of the valuation of pools, in particular. This is not surprising given the fact that pools are generally real estate improvements that are shown to generate a considerable amount of controversy by buyers. Basically, with pools, either a buyer likes them or not. Many homeowners that have pools tend to fill them in. Other buyers see pools as a good way to entertain children from the ages of 5 to 15, for example.

In houses in the \$400,000-plus range, pools might be an expected item. In other words, the buyer purchasing a \$500,000-\$800,000 house would most likely expect either a pool, attractive landscaping or a site that backs onto a green space. Having all three items, for example, might

interact with one another in a way that some of these attributes play a secondary role in explaining value.

We can say that pools do contribute something to the value of a property according to our data analysis. The attractive landscaping and building that seem to go with a pool do bolster value a bit. It would appear that landscaping and any pool building are integrated in with the pool in the eyes of the buyer. It seems to be the case that, if one was going to install a pool, it is best to have a pool with some added extra features, as opposed to a very plain pool. The time of year the property was sold with a pool was not a factor in terms of added value. It did not make a difference in terms of price.

The contributory value of a pool as taken from the Regression Analysis shows the following.

COEFFICIENT	LOW ERROR	HIGH ERROR
0.040	0.004	0.076

The coefficient of 0.040 can be expressed as a percentage of 4.0%. Thus, the lowest percentage would be 0.4% or a high of 7.6%. This means that the value of the pool could have a value 0.4% x the overall value of the house or 7.6% x the overall value of the house.

Obviously, the overall value of the house is a very important component to the end value of the swimming pool. If it was determined that the value of the house without the pool was \$800,000, for example, then all we would have to do is apply the coefficients to that figures. When we apply our percentage values of the pool from the Regression Analysis, the contributory value of the swimming pool would be from a low of \$3,200 to a high of \$61,000. That is a considerable spread and reflects the volatile nature of this particular real estate asset. This is the same reading valuers have been receiving from buyers over the decades regarding swimming pools. To reiterate, buyers either love them or not. The dollar value of the range of swimming pools by the Regression Analysis is telling us the same thing, except it is expressing the fickle nature of pools in terms of dollars.

In the case of the subject property, the amount of depreciation that is inherent in the subject pool was \$118,000 (cost new) - \$50,000 (determined value) = \$68,000. $\$68,000 / \$118,000 = 57\%$. Since the pool was five years old at the time of the valuation, we could easily say that 7% of the 57% is the result of physical depreciation and 50% for economic obsolescence. However, that is a matter of fine tuning.

As of the writing of this article, the matter is not settled. It is the age old argument when it comes to residential housing, in that most homeowners feel that, whenever large capital improvements are made to the house, the return is going to yield a 100% on the dollar of cost when the property is sold. This means that the other side needs to validate their position and bring to the table hard evidence to support their position that a swimming pool adds significantly to the overall value of the property. The author wishes them the best of luck with their task. 🇨🇦



RECOGNIZING EXCELLENCE

Appraisal Institute of Canada Award – Seneca College

An annual award in the amount of \$500 is presented to a graduating student in the Real Property Administration Program (RPA), who has, in the opinion of a Seneca faculty panel, demonstrated academic excellence in RPA 112 and one or more of the additional AIC curriculum courses at the College, demonstrated an active interest in the field of real property as a career, and made valuable contributions to the classroom environment. The 2011 award winner is **Ian McNeil**.

Solidifi Next Generation Scholarship – Seneca College

Solidifi awards this annual scholarship in the amount of \$1000 to an active AIC member in good standing with the highest grade in RPA 306/AIC 400 over one academic year. This year's recipient is **Robyn Vandenberg, AIC Student Member**



Ian McNeil (L) receives his award from AIC Director, Dan Brewer, AACI.



Robyn Vandenberg receives her award from Solidifi Executive Vice President, John W. Schipper.

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.*

Paul Beckwith, AACI – Victoria, BC
William Carroll, AACI – Calgary, AB
Leroy Coulthard, AACI – London, ON
Robert Dunn, CRA – Winnipeg, MB
Paul Piche, AACI – Kapuskasing, ON
Nam K. Tran, CRA – Vancouver, BC

SOLIDIFI LAUNCHES APPRAISER-DRIVEN CHARITY

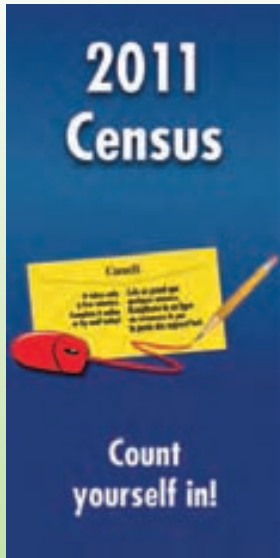
Solidifi has launched the Buck At A Time charitable program at Holland Bloorview Kids Rehabilitation Hospital in Ontario. Through the program, members of Solidifi's appraiser network can donate one dollar to charity from their appraisal fee. Buck At A Time donations will fund local programs and research at Holland Bloorview and expand to include other children's rehabilitation centres across Canada.

According to Solidifi President and CEO, Jason Smith, Buck At A Time's appraiser-driven focus separates it from other industry charity programs. "At its core, Buck At A Time is about unlocking the power of our 3,000-strong Canadian appraiser network," he says. "Imagine the difference they can make simply by donating a dollar or more from each appraisal transaction to benefit the communities in which they live and work. I am thrilled that Solidifi is not only able to strengthen the relationships our appraiser partners have with their communities, but also to launch the first program of its kind in the industry."

Smith initiated Buck At A Time in response to a life changing event. In 2007, his six-year-old son nearly lost his life battling bacterial meningitis. Through Holland Bloorview's rehabilitation programs and services, his son made a complete recovery. As a result, Smith and his family are committed to supporting the work of children's rehabilitation centres. Smith expects 90% of annual donations to fund local children's rehabilitation hospitals in the form of mobility devices, therapy, respite care, home improvements and support for families; 10% of annual donations will fund research of childhood disability at Holland Bloorview, which positively impacts children with disabilities globally.

Michael Kal, President, Cornerstone Property Appraisals and Consulting, was one of the first appraisers to enroll in the program. "I am proud to be associated with Buck At A Time," he says. "On behalf of all appraisers in Ontario, I truly appreciate the opportunity to make a difference in the community."

THE 2011 CENSUS



Canada's most recent census began in May 2011. Early in May, yellow census packages were delivered to every dwelling in Canada, providing residents the information they need to complete the census online or on paper. Census information is important for all communities and is vital for planning services such as schools, daycare, police services and fire protection.

The 2006 Census provides this portrait of Canada:

- In 2006, there were 31,612,897 people in Canada, compared to 30,007,094 in 2001
- Every person, young and old, must be included in the 2011 Census. It's important that all residents are part of Canada's family portrait.

For more information about the 2011 Census, visit www.census2011.gc.ca.

CRITICAL DATES

Mid-August 2011 – Membership dues link to e-invoices emailed to members by AIC. For further information, contact rosmarieb@aicanada.ca

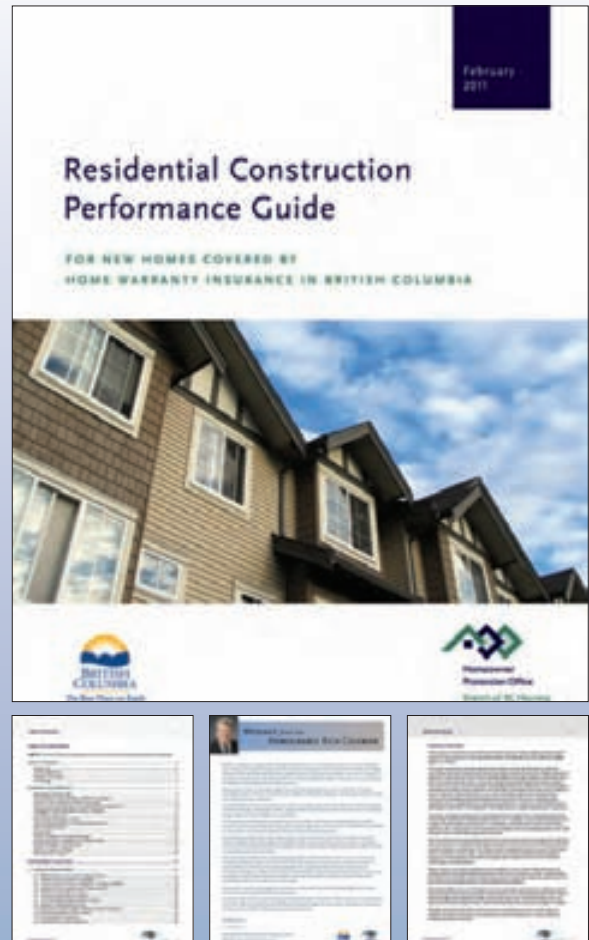
September 30, 2011 – Deadline for posting/recording the Candidate Course per Year for 2011 CPY period (October 1, 2010 to September 30, 2011). For further information, contact dianea@aicanada.ca

Mid-November 2011 – Insurance e-invoices emailed to members. For further information, contact dianea@aicanada.ca

RESIDENTIAL CONSTRUCTION PERFORMANCE GUIDE

It remains true that appraisers are not home inspectors; however, the suite of residential appraisal services does include the provision of progress inspections, final inspections as part of a complete residential valuation, and, of course, valuations sometime after completion of new construction. Appraisers also become involved in litigation as expert witnesses to opine on the impact on value of a residential property that is not built to code or suffers from defects in construction. The home warranty insurance industry in British Columbia has recently published a Residential Construction Performance Guide that may be helpful to any appraiser considering such assignments. The guide should help an appraiser be able to better understand a home inspection report, and, during the appraisal inspection, be better able to recognize what might be a defect, when recommending a more detailed professional inspection by an engineer or home inspector. The guide can be found at:

http://www.hpo.bc.ca/files/download/Res_Guide/Residential_Construction_Performance_Guide.pdf



Calendar of Events

AIC	<p>2011 Annual AIC Conference Changing Tides, Brighter Horizons June 8-11, 2011 Delta Beauséjour, Moncton, New Brunswick</p> <p>Annual General Meeting Friday, June 10, 2011 – 3:15 pm – Moncton, New Brunswick For information contact info@aicanada.ca or http://aic2011.aicanada.ca or 1-888-551-5521</p>	ON	<p>2011 Professional Practice Seminars May 13 & 14 - 9:00 am - 5:00 pm – Ottawa June 17 & 18 - 9:00 am - 5:00 pm – Niagara Falls October 14 & 15 - 9:00 am - 5:00 pm – Toronto October 21 & 22 - 9:00 am - 5:00 pm – Windsor For information or to register please log onto www.aicanada.ca under Provincial Site Click Ontario – Events. Or contact Lorraine Azzopardi at lorraine@oaaic.on.ca (416) 695-9333 Ext 222</p>
BC	<p>Professional Practice Seminars September 29 & 30 – Kelowna October 28 & 29 – Vancouver</p> <p>Provincial Conference September 30 & October 1 Delta Grand Okanagan Resort, Kelowna For information contact info@appraisal.bc.ca or (604) 284-5515 or check www.appraisal.bc.ca</p>	QC	<p>For information contact Ginette St-Jean at aqice@qc.aira.com or (450) 454-0377 or 1-877-454-0377 or check http://quebec.aicanada.ca</p>
AB	<p>Professional Practice Seminars - Spring 2011 May 6-7, 2011 – Edmonton May 27-28, 2011 – Calgary Registration forms are available in the 'Events' section of our website. For information contact AB AIC at aic.alberta@shawlink.ca or (403) 207-7892 or check http://alberta.aicanada.ca</p>	NB	<p>For information contact Rachel Dunleavy at nbarea@nb.aibn.com or check www.nbarea.org</p>
SK	<p>Fall Professional Development Conference October 14, 2011 – Regina For information contact Marilyn Steranka at skaic@sasktel.net or (306) 352-4195 or check http://saskatchewan.aicanada.ca</p>	NS	<p>For information contact Davida Mackay at nsreaa@nsappraisal.ns.ca or (902) 422-4077 or check www.nsappraisal.ns.ca/</p>
MB	<p>For information contact Kelly Tole at mbaic@mts.net or (204) 736-2427 or check http://manitoba.aicanada.ca</p>	PEI	<p>For information contact Suzanne Pater at peiaic@xplornet.com or (902) 368-3355 or check http://pe.aicanada.ca</p>
		NL	<p>For information contact Susan Chipman at naaic@nf.aibn.com or (709) 753-7644 or check http://newfoundland.aicanada.ca</p>

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