



Appraisal Institute of Canada  
Institut canadien des évaluateurs

WORTH KNOWING

# **CANADIAN UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE**

**Effective May 1, 2016**

**Appraisal Institute of Canada  
403 ~ 200 Catherine Street  
Ottawa, Ontario K2P 2K9**

Canadian Uniform Standards of Professional Appraisal Practice  
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## 1 INTRODUCTION

This 2016 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (“The Standards,” or CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada (“AIC” or “the Institute”). The Standards endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation.

With the advent of International Financial Reporting Standards (IFRS) and the transition within Canada to International Accounting Standards (IAS) in 2011, the Board of Directors of the AIC has recognized the need for valuation standards that address emerging valuation requirements for International Financial Reporting Standards (IFRS) and diversification of the scope of work available to AIC Members.

The Standards contained in this edition are compliant with the International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC).

Members of the Appraisal Institute of Canada accepting assignments under the International Financial Reporting Standards (IFRS) must, in addition to CUSPAP, obtain and be familiar with the current edition of the International Valuation Standards – specifically the General Standards (IVS 101, 102 and 103) and applicable Asset Standards (IVS 220 – Plant and Equipment, IVS 230 – Real Property Interests and IVS 233 – Investment Property under Construction). Additionally, Members must obtain and be familiar with the Valuation Applications sections for specific valuation situations, specifically IVS 300 – Valuations for Financial Reporting and IVS 310 – Valuations of Real Property Interests for Secured Lending.

Definitions [\[see section 2\]](#) form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

CUSPAP encompasses Six Standards, each containing compulsory Rules and Comments and, where relevant, non-compulsory Practice Notes (section 16) and Professional Excellence Bulletins (section 17) where applicable:

- Ethics Standard [\[see section 4 \(Rules\) and section 5 \(Comments\)\]](#)
- Real Property Appraisal Standard [\[see section 6 \(Rules\) and section 7 \(Comments\)\]](#)
- Review Standard [\[see section 8 \(Rules\) and section 9 \(Comments\)\]](#)
- Consulting Standard [\[see section 10 \(Rules\) and section 11 Comments\]](#)

## 1. Introduction

- Reserve Fund Planning Standard [see section 12 (Rules) and section 13 (Comments)]
- Machinery and Equipment Appraisal Standard [see section 14 (Rules) and section 15 (Comments)]

The Member is required to comply with the applicable legislative and/or licensing requirements for all types of professional services assignments. In some jurisdictions, legislation may limit or expand the qualifications of the practitioner and legislation supersedes CUSPAP.

The Member who is qualified under more than one valuation organization and whose work is required to comply to more than one standard of practice must ensure that adherence is to the highest minimum standard.

Where two standards conflict, Members must comply with CUSPAP - it is the Member's responsibility to determine their obligations to comply with any other standard.

For any questions related to CUSPAP, Members may consult with AIC's Director, Professional Practice at [directorprofessionalpractice@aicanada.ca](mailto:directorprofessionalpractice@aicanada.ca) or toll free at (866) 726-5996.

## 2 DEFINITIONS

Definitions form an integral part of the Standards and for the purpose of these Standards, their application is compulsory:

### 2.1 AACI:

Accredited Appraiser Canadian Institute designation. [see 2.22.1, 5.1.2, 5.1.3, 5.5.5,]

### 2.2 AIC:

Appraisal Institute of Canada

### 2.3 ACCRUED DEPRECIATION:

The difference between an improvement's cost new and its value as of any given date. [see 7.15.5.iii, 15.13.5.ii, 16.65.1.viii]

**Note:** For Reserve Fund Studies – Accrued Depreciation: The estimated difference between a components replacement cost new and the fraction of life utilized to date. Calculated as Replacement Cost x Effective Age / Useful Life.

### 2.4 APPRAISAL:

A formal opinion of value, either written or oral, prepared as a result of a retainer, intended for reliance by identified parties, and for which the signing appraiser assumes responsibility. [see 6.2.24]

**Note:** A formal opinion of value is not an appraisal if it is not the result of a retainer, if it is not intended to be relied upon, and if it is one for which the Member would not be expected to accept responsibility.

**Note:** APPRAISAL is also defined as the act or process of developing an opinion of value.

### 2.5 APPRAISAL PRACTICE:

Generic term to describe the work or services performed by Members, defined by the five activities in these standards: real property appraisal, review, consulting, reserve fund planning and machinery and equipment appraisal.

**Note 1:** These five activities are intentionally generic, and not mutually exclusive. For example, an estimate of real property value may be required as part of a review, consulting, reserve fund and machinery and equipment valuation service.

**Note 2:** The use of other nomenclature by the Member (e.g. analysis, counselling, evaluation, study, submission, valuation) does not exempt the Member from

## 2. Definitions

adherence to these standards. To avoid any confusion in the event of a claim, it is recommended that CUSPAP terminology be used for consistency of practice.

### 2.6 ASSOCIATE MEMBER:

Shall be a person admitted to the Institute and enrolled on the register of the Institute as an Associate, and who is not eligible for any other Membership category in the Institute. [\[see 16.1.5\]](#)

### 2.7 ASSEMBLAGE:

The merging of adjacent properties into one common ownership or use. [\[see 6.2.18\]](#)

### 2.8 ASSIGNMENT:

A professional service provided as a result of a retainer or agreement between a Member and client.

### 2.9 ASSUMPTION:

That which is taken to be true. [\[see 6.2.9, 8.2.7, 10.2.8, 12.2.9, 16.28\]](#)

### 2.10 BIAS:

A preference or inclination not reasonably supported either used in the development or communication of a real property appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal assignment that precludes a Member's impartiality, or favoring or promoting the cause or interest of the client, the Member or another party. [\[see 7.24, 9.8, 11.1, 11.10, 16.7.9, 16.9\]](#)

### 2.11 CANDIDATE MEMBER:

An AIC fee or non-fee Candidate Member shall be a person admitted to the Institute who is of legal age and has not completed the requirements for any designation; a CRA-designated Member working toward the achievement of the AACI designation is not considered a Candidate. A Candidate Member (fee or non-fee) whose work is co-signed must be properly registered by their co-signing designated Member(s) in AIC's Candidate Co-signing Registry. [\[see 2.17, 5.1, 5.4\]](#)

### 2.12 CHATTEL:

A tangible and movable item that is not a fixture may be personal property, and may be included with the realty. [\[see 7.8.1.iv\]](#)

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### 2.13 **CLIENT:**

The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. [see 6.2.1, 8.2.1, 10.2.1, 12.2.1, 16.12]

### 2.14 **COMPETENCE:**

Having sufficient knowledge, skill and experience required to perform a specific assignment. [see 4.3.7, 16.8]

### 2.15 **CONFIDENTIAL INFORMATION:**

Information, not otherwise publicly available, provided in the trust that the recipient will not disclose it to a third party. [see 5.10.4, 16.7.6.ii]

### 2.16 **CONSULTING:**

The act or process of analysis of data and provision of recommendations or conclusions on diverse questions or problems involving real estate, and/or machinery and equipment; the scope of this type of professional service differs from appraisal or review assignments. [see 10, 11, 12, 13]

### 2.17 **CONTINGENT FEE:**

Compensation that is dependent on the result or outcome.

### 2.18 **CO-SIGNATURE:**

Personalized evidence indicating authentication of the work performed by the Members as joint authors, where each is responsible for the content, analyses, and conclusions in the report. A designated Member cannot co-sign a report with a student or non-Member. [see 2.11, 5.4, 5.8, 7.25, 9.9.1, 9.9.5, 12.2.20, 16.38]

**Note:** A signature can be represented by a handwritten mark, a digitized image controlled by a personalized identification number, or other media, where the Member has sole control of affixing the signature or has delegated the affixing of their signature to a third party (e.g., staff, another designated Member). Where delegation occurs, written confirmation of the delegation must be kept in the workfile.

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### 2.19 COUNCIL:

The Board of Directors of the Appraisal Institute of Canada.

### 2.20 CRA:

Canadian Residential Appraiser designation granted by the AIC to a Member who has fulfilled all requirements of the designation. A CRA-designated Member working toward the achievement of the AACI designation is not required to be registered in AIC's Candidate Co-signing Registry. [see 2.11, 2.17, 2.22, 5.1.3, 5.5.3, 5.5.4, 5.5.5, 16.1.1]

### 2.21 DEPRECIATION:

A loss in property value from any cause.

**Note: Reserve Fund Study Depreciation-** Depreciation relates to the component and its replacement cost only and does not have a relationship with the property value.

### 2.22 DESIGNATED MEMBER:

Shall be a person admitted to the Institute and enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has complied with the requirements for their use:

2.22.1 Accredited Appraiser Canadian Institute (AACI) [see 2.1]

2.22.2 Professional Appraiser (P. App) [see 2.51]

2.22.3 Canadian Residential Appraiser (CRA) [see 2.20]

2.22.4 Professional Valuator (P. Val.)

### 2.23 EFFECTIVE DATE:

The date at which the analyses, opinions and conclusions in an assignment apply. The effective date may be different from the inspection date and/or the report date. [see 6.2.6, 7.6, 8.2.4, 10.2.5, 12.2.6, 15.6]

### 2.24 EXPOSURE TIME:

Is referred to in most market value definitions. In an appraisal, the term means the estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the effective date of the appraisal.



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A retrospective estimate based upon an analysis of past events assuming a competitive and open market. It is always presumed to have preceded the effective date of the appraisal. It may be expressed as a range, and should appear in that section of the report that presents the discussion and analysis of market conditions, and with the final value conclusion.

Exposure time is different for various types of real estate and under various market conditions. Rather than appear as an isolated estimate of time, it must refer to the property appraised, at the value estimated. The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort. The distinction between exposure time (i.e., past) and marketing time (i.e., future) must be made clear if both are referred to in the report.

**Note:** Marketing time is defined as the estimated length of time the property interest would have to be offered on the market before actual consummation of a sale at the estimated value after the effective date of the appraisal.

### 2.25 EXTERNAL VALUER:

An Appraiser who is an agent acting on behalf of the client and has no material link with the client or the subject of the assignment. [\[see 2.39\]](#)

**Note:** This is a term referred to in IVS and used in valuation for financial reporting. There is no relation to AIC fee and non-fee appraisal categories, or reference to appraisal of any purpose other than financial reporting to indicate that the person writing the report is at arm's length to the Client.

### 2.26 EXTRAORDINARY ASSUMPTION:

An assumption, directly related to a specific assignment, which, if found to be false, could materially alter the Member's opinions or conclusions. [\[see 7.9.1, 7.9.2, 7.10.4, 9.5.4, 13.9, 13.10, 16.28\]](#)

### 2.27 EXTRAORDINARY LIMITING CONDITION:

A necessary modification or exclusion of a Standard Rule which may diminish the reliability of the report. [\[see 7.9.2, 13.9.3, 16.19.2, 16.27.6, 16.30\]](#)

### 2.28 FEASIBILITY ANALYSIS:

A study to assess whether a project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives. [\[see 11.9, 16.45\]](#)

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### 2.29 **FEE APPRAISER:**

A fee appraiser is a Member who provides any professional real property appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal services in Canada on a fee-for-service basis (whether the fee is paid to the Member or to the Member's employer), and/or where the product of the service may be provided to any party other than the Member's employer, firm, partnership or corporation. [see 2.4, 2.16, 2.53, 2.61, 2.63, 5.8]

**Note:** The AIC Professional Liability Insurance policy specifically defines the term as:

A Member who renders Professional Services on a fee-for-services basis in Canada; or is an employee who provides Professional Services on behalf of his/her employer or contracting partnership or corporation or sole proprietorship for which a fee is paid to the employer or contracting partnership or corporation and/or employee.

### 2.30 **FIXTURE:**

An improvement or personal property that is attached to the land or building in a permanent manner, is essential to the real estate and is an integral part of the building. A Member must have the competence to ascertain whether the fixture is an improvement, personal property, or a trade fixture and the contributory value of the fixture, if any.

### 2.31 **FORCED SALE VALUE:**

A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value. [see 16.14]

**Note:** Some valuation standards do not allow the use of the term "Forced Sale Value" or similar; in these instances, the higher minimum Standard prevails. [see 1 Introduction]

### 2.32 **HAZARDOUS SUBSTANCE:**

Any material within, around, or near the property in question that has sufficient form or quantity and exhibits any hazardous characteristics that can create a negative impact on value. Such substances shall include, but are not limited to, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapour, soot, fumes, acids, alkalis, chemicals, or waste materials.

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### 2.33 HIGHEST AND BEST USE:

The reasonably probable use of real property, that is physically possible, legally permissible, financially feasible and maximally productive, and that results in the highest value. [see 6.2.13, 16.27.1 16.31, 16.32]

### 2.34 HYPOTHETICAL CONDITION:

That which is contrary to what exists, but is supposed to exist for the purpose of analysis. A Hypothetical Condition requires there to be an Extraordinary Assumption in the report. [see 6.2.10, 10.2.9, 12.2.10, 16.29, 16.30, 16.57]

### 2.35 INSTITUTE:

The Appraisal Institute of Canada and its authorized Committees.

### 2.36 INTANGIBLE PROPERTY (INTANGIBLE ASSETS):

Non-physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

### 2.37 INTENDED USE:

The use of a Member's professional services, as identified by the Member based on communication with the client. [see 6.2.2, 8.2.2, 10.2.2, 12.2.2, 16.13]

### 2.38 INTENDED USER:

The client and any other party, as identified by name, as a user of the professional services of the Member, based on communication between the Member and the client. [see 6.2.1, 8.2.1, 10.2.1, 12.2.1, 16.12]

### 2.39 INTERNAL VALUER:

An appraiser who is in the employ of either the entity that owns the assets or the accounting firm responsible for the preparing the entity's financial records and/or reports. Members who are internal valuers are also referred to the IVS. [see 2.24]

**Note:** A term referred to in the IVS and used in valuation for financial reporting. There is no relation to AIC fee and non-fee appraisal categories, or reference to appraisal of any purpose other than financial reporting.

### 2.40 INVESTMENT ANALYSIS:

A study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment. [see 11.8, 16.44]

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### 2.41 INVESTMENT ANALYSIS - RESERVE FUND STUDY:

For reserve fund studies, an investment analysis consists of analyzing the rate of return previously achieved by the client with their reserve fund, along with determining an estimated rate of return that might be achieved in the future in accordance with legislation (if legislation is applicable). The investment analysis must be conveyed in such a manner so as not to be construed as the Member providing “investment advice”.

### 2.42 JURISDICTIONAL EXCEPTION:

An assignment condition that permits the Member to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part shall be void and of no force or effect in that jurisdiction. [see 5.4.16, 7.10.6, 15.10.5, 16.10.6, 16.38.8, 16.48.2, 16.53]

Jurisdiction relates to the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government. In the report the Member must identify the part or parts of CUSPAP disregarded as well as the law, regulation or legal authority that precludes compliance to CUSPAP.

In every case, it is ultimately the responsibility of the Member, not the client or other intended users, to determine whether the use of Jurisdictional Exception is appropriate. It is unethical for a Member to complete an assignment that a Reasonable Appraiser could not support.

### 2.43 LEASE:

A legal agreement which grants right to use, occupy, or control all or part of a property, to another party, for a stated period of time based on the terms and covenants of the lease including, among other things, the rental rate. [see 6.2.17, 16.29.2.ii, 16.30.5, 16.30.5.i]

### 2.44 LIMITING CONDITION:

A statement in the report identifying conditions that impact the conclusion. [see 6.2.9, 7.9, 8.2.7, 10.2.8, 12.2.9, 16.28, 16.30.2]

### 2.45 MACHINERY & EQUIPMENT DEFINITIONS

**Note: Machinery and Equipment:** A term that describes the physical facilities available for production, including the installation and service facilities, together with all other equipment designed or necessary for manufacturing purposes, regardless of the method of installation. It also includes those items of furniture and fixtures necessary for the administration and proper operation of the enterprise. [see 14]

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**Note: Equipment:** includes all machinery and other apparatuses or implements used in an operation or activity (all machinery is equipment, but all equipment is not necessarily machinery). [\[see 14\]](#)

**Note: Equipment Classes:** typical equipment classes are production machinery; support equipment; motor control centers and switchgear; power wiring; process piping; foundations and structural supports; material handling and storage equipment; general plant equipment; plant and motor vehicles; laboratory and test equipment; office furniture, fixtures, and equipment; computer equipment; tools; special tooling; patterns and templates; construction in progress; special classes; and inventory. [\[see 14\]](#)

**Note: Furniture:** a particular type of equipment utilized in ancillary functions of an operation. It is designed to provide a convenient and efficient work location for personnel or necessary storage facilities. [\[see 14\]](#)

**Note: Machinery:** the term encompassing man-made mechanical devices, usually electrically powered, that are designed to create a product or in some manner alter the state of a material or partial product. [\[see 14\]](#)

**Note: Trade Fixtures:** Fixtures utilized for the purpose of carrying on a trade or business. In a retail operation, they are sometimes considered specialized furniture or fixtures designed to display products. [\[see 14\]](#)

### 2.46 MARKET ANALYSIS:

A study of real estate market conditions for a specific type of property. [\[see 11.7, 11.9, 16.43, 16.45\]](#)

### 2.47 MASS APPRAISAL:

The process valuing a universe of properties as of a given date utilizing standard methodology, employing common data, and allowing for statistical testing.

### 2.48 MEMBER:

A term used throughout CUSPAP and shall refer to a Designated Member or Candidate Member.

### 2.49 NON-FEE APPRAISER:

A non-fee appraiser is a Member who provides any professional services exclusively for the internal use of his/her employer and whose real property appraisal, review, consulting, reserve fund study and/or machinery and equipment appraisal (professional services) reports are kept in-house and are not provided to an outside party, although a fee may be paid by that outside party to cover the cost of the preparation of the report. Notwithstanding the above, government and crown corporation employees may register as non-fee appraisers, (including those who are employed by one government

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department but provide professional services to other governments, government departments or government-owned corporations), whether or not a fee is paid for the services provided. [\[see 2.4, 2.16, 2.53, 2.61, 2.63, 5.8, 16.38.6\]](#)

**Note 1:** Notwithstanding that the AIC Professional Liability Insurance Policy specifically defines non-fee appraiser as noted above, a Member who is temporarily unemployed or holding employment that does not relate to professional services may register as a non-fee appraiser for the period during which he/she is not providing any professional services.

**Note 2:** The AIC Professional Liability Insurance Policy specifically defines Non-Fee Appraiser as a Member who renders Professional Services exclusively for the internal use of his or her Employer.

### 2.50 **OCCUPANT:**

The occupant is described as the person who has the right to occupy a unit or space (e.g. rental apartment, condominium unit, residential dwelling, office space).

### 2.51 **P. App:**

Professional Appraiser Designation. [\[see 2.22\]](#) This designation can only be used by AACI designated Members in conjunction with the AACI designation.

### 2.52 **PERSONAL PROPERTY:**

Identifiable portable, tangible or intangible objects considered or defined as being "personal". Examples of classes of personal property include, but are not limited to: furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property, tangible and intangible, that are not classified as real property. [\[see 6.2.20\]](#)

### 2.53 **PROFESSIONAL ASSISTANCE:**

Professional assistance involves support to the Member that has a direct and significant bearing on the outcome of his or her assignment. A Member may rely on significant professional, appraisal, review, consulting or reserve fund planning assistance of an employee. Such assistance would generally be provided by insured Members of the Institute or other professionals. Inspection of a property is professional assistance as it forms part of the analysis leading to an opinion. [\[see 16.15\]](#)

### 2.54 **PROFESSIONAL SERVICES:**

Means real property appraisal, review, consulting, reserve fund planning, and machinery and equipment appraisal services which were rendered, or which should have been rendered, by a Member, and for which such Member was, at the time of

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providing said services, qualified, competent and authorized under the Rules, By-laws, Regulations and CUSPAP to undertake

### 2.55 **PURPOSE:**

The purpose of the assignment as it relates to the client's intended use of the report.

### 2.56 **REAL ESTATE:**

Land, buildings, and other affixed improvements, as a tangible entity. [see 10.2.4]

### 2.57 **REAL PROPERTY:**

The interests, benefits, and rights inherent in the ownership of real estate. [see 7.8, 10.1, 10.2.4]

**Note:** In some jurisdictions, the terms real estate and real property have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

### 2.58 **REASONABLE APPRAISER:**

A Member providing professional services within an acceptable standard of skill and expertise, and based on rational assumptions. [see, 7.1.2, 7.14.2, 7.15, 9.1.2, 11.2.2, 13.1.2, 16.15, 16.38.1]

**Note:** For the purposes of CUSPAP and the Professional Liability Insurance Program, the term appraiser, when employed or referenced outside of the Real Property Appraisal Standard and Machinery & Equipment Appraisal Standard, is deemed to be generic and synonymous to "AIC Member", "the Member", "the practitioner", "the reviewer" (under the Review Standard), "the Consultant" (under the Consulting Standard), "the reserve fund planner" (under the Reserve Fund Standard").

### 2.59 **RECERTIFICATION OF VALUE:**

An inspection performed to confirm whether or not the hypothetical conditions in the appraisal have been met. [see 7.10.3]

### 2.60 **REPORT:**

Any communication, written or oral, of a professional service that is transmitted to the client as a result of an assignment. [see 7.1, 9.1, 11.2, 13.1, 16.10, 16.12]

**Note 1:** Most reports are written and most clients mandate written reports. Oral report requirements are included to cover court testimony and other oral communications of a real property appraisal, machinery & equipment appraisal, review, consulting, or reserve fund planning service.

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**Note 2:** These Standards do not dictate the format or style of reports. The substantive content of a report determines its compliance with CUSPAP.

**Note 3:** Report types may include form reports, concise short narrative reports or, comprehensive and detailed reports in complete or draft formats. Letters of opinion are not acceptable report types.

### 2.61 **RESERVE FUND STUDY:**

A budget planning tool which identifies the current status of the Reserve Fund and a Funding Plan to offset the anticipated expenditures for the major repairs and replacement of components, elements or assets, for which the corporation or association is responsible. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis Reserve Fund Study, Depreciation Study, Depreciation Reports, Contingency Reserves (“Reserve Fund Study”) are synonyms for the purpose of this standard. [see 12, 13]. The output of a reserve fund study is not a “value” as defined in Definition 2.69 (Value).

### 2.62 **RETAINER:**

A term used throughout CUSPAP and shall refer to the engagement of a Member by a client to produce a formal report for an intended use.

### 2.63 **REVIEW:**

The act or process of developing and communicating an opinion about all or part of a real property appraisal, machinery & equipment appraisal, review, consulting or reserve fund report. [see, 9.1.8, 9.5, 16.42.1.ii, 16.47]

**Note:** The subject of a review assignment may be all or part of a report, the work-file or a combination thereof.

### 2.64 **SCOPE OF WORK:**

The type and extent of an inspection, research and analysis required, any limitations or other terms to fulfill the intended use of an assignment. The scope of work for an assignment is driven by the client’s terms of reference and the Member’s compliance to CUSPAP. [see 6.2.1, 6.2.4, 7.2, 8.1.1, 8.2.5, 8.2.8, 10.2.7, 12.2.8, 16.15, 16.54, 16.55.4]

### 2.65 **SIGNATURE:**

Personalized evidence indicating authentication of the work performed by the Member, where the Member is responsible for content, analyses, and the conclusions in the report. [see 2.17, 7.25, 9.9, 11.11, 13.19, 15.20]

**Note:** A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the Member



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has sole personalized control of affixing the signature or has delegated the affixing of the signature to a third party. Where delegation occurs, written confirmation of the delegation should be kept in the workfile. Delegation must be on an assignment basis only and not a blanket delegation.

### 2.66 **STUDENT MEMBER:**

A Student Member shall be a person admitted to the Institute and enrolled on the register of the Institute as a Student who, at the time of their application, is of legal age, is enrolled as a full or part-time student in a recognized course of study, and who is not eligible for any other Membership category in the Institute. A Student Member is a Restricted Member. [\[see 16.1.4\]](#)

### 2.67 **TECHNICAL ASSISTANCE:**

Technical assistance involves support to the Member in the preparation of a report but does not include any assistance that would be properly classified as Professional Assistance, i.e. assistance that requires a Member to be properly insured under the Professional Liability Insurance Program. Technical assistance does not extend to inspection, selection of market data or assistance that leads to the analyses, opinions and conclusions in the report. A Member may rely on technical assistance from a non-Member. Ultimately, the responsibility for the finished product rests with the Member signing the report. Examples of technical assistance include, among others: data collection; collating reports; preparing appendices, maps and sketches; spelling and grammar checking. [\[see 2.17, 2.65, 7.25.1\]](#)

### 2.68 **UNIT OF MEASUREMENT:**

A unit of measurement is defined as a feature of a property that can be measured, for purposes of comparison, with the same common element or component of another property. For example, a selling price per “unit” could express a figure on a per square foot basis, per acre basis, per suite basis, or per room basis.

### 2.69 **VALUE:**

The monetary relationship between properties and those who buy, sell or use those properties. [\[see 5.13.1.iii, 6.1.1, 6.2.3, 6.2.5, 6.2.14, 6.2.16, 6.2.17, 6.2.19, 6.2.20, 6.2.22, 6.2.23, 6.2.24, 7.4.2, 7.15.8.iii, 7.17, 7.18.1, 7.19.2, 7.22, 16.14\]](#). The Member must provide the basis for the value, that being a statement of the fundamental

## 2. Definitions

measurement assumptions of a valuation<sup>1</sup> as well as the timeframe of the value opinion. [\[see 7.6\]](#).

**Note:** Value expresses an economic concept. As such, it is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified, e.g., market value [\[see 16.15\]](#), liquidation value, investment value, rental value, or other.

### 2.70 **WORK-FILE:**

Documentation necessary to support a Member's analyses, opinions and conclusions. [\[see 4.3.9, 5.9.1, 5.9.3, 5.9.4, 5.9.7, 9.1.7, 11.2.5, 13.1.5, 16.11\]](#)

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<sup>1</sup> IVS Framework: Basis of Value, International Valuation Standards, 1 July 2013.

### 3 FOREWORD

Authority for interpretation and application of these Standards is found in the AIC Consolidated Regulations and terms of reference of appropriate Committees and Sub-Committees of the Institute. (Hereinafter referred to as “Committees”.)

#### 3.1 How To Use This Document

- 3.1.1 The Standards are set up in four tiers or levels – Definitions, Rules, Comments and Practice Notes that apply to the six Standards: Ethics, Real Property Appraisal, Review, Consulting, Reserve Fund Planning and Machinery and Equipment Appraisal.
- 3.1.2 Each section and subsection of the Standards is numbered. References to other sections of the document are noted in the format #.#.#.i. In the soft copy of the document (PDF) the numbering is in bold blue and the cross-references can be accessed by clicking the numbered reference.
- 3.1.3 If further explanation of a Rule is required, links are provided to the Comments or third tier. The numbers in brackets at the end of a section refer to the line number at the beginning of the appropriate Comment.
- 3.1.4 The fourth tier of reference is the Practice Notes. When there is a Practice Note linked to a Rule, the line number reference will also be shown in the right column. Note that a link is referenced not only at the Rule level but also at the Comments level, when applicable. This minimizes the need to navigate back and forth through the pages of the document in order to retrieve the full text of Comments and Practice Notes that are linked to a particular Rule. While Comments follow immediately after the Rules for each Standard, Practice Notes form a single section. A Practice Note may be linked to Rules under more than one Standard.
- 3.1.5 A comprehensive Index provides back-up features for quick access to linked Definitions, Rules, Comments and Practice Notes.

#### 3.2 Rules

- 3.2.1 The Rules are based upon accepted principles that incorporate the minimum compulsory content of principles for real property appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal assignments necessary to provide a credible result. It is not anticipated that the fundamental concepts incorporated in these rules will change significantly over time; nonetheless, they will be amended by the Appraisal Institute of Canada, through the Standards Sub-Committee, as required.

### 3. Foreword

Rules provide minimum performance Standards: For ethics [see section 4], real property appraisal [see section 6], review [see section 8], consulting [see section 10] reserve fund planning [see section 12] and, machinery and equipment appraisal [see section 14] assignments; for the purpose of these Standards, their application is compulsory.

#### 3.3 Comments

3.3.1 Comments are provided to expand upon the interpretation and application of Rules. They are an integral part of these Standards and must be viewed as extensions of the Rules having the same force and effect. It may be anticipated that Comments will be added or changed more frequently than Rules to respond to those industry issues that develop over time. Amendments to Comments will be made only if critical to the implementation of the Rules.

Comments clarify, interpret, explain and elaborate on the Rules. For ethics [see section 5], real property appraisal [see section 7], review [see section 9], consulting [see section 11], reserve fund planning [see section 13] and, machinery and equipment appraisal [see section 15] assignments for the purpose of these Standards, their application is compulsory.

#### 3.4 Practice Notes

3.4.1 Practice Notes [see section 16] supplement the general discipline of applying Standards that a Member learns through a combination of education and experience. Although Practice Notes are not compulsory or binding, they do provide guidance in meeting the reasonable appraiser standard. They are intended to provide a convenient resource for everyday application, giving examples for application of Rules for real property appraisal, review, consulting, reserve fund planning and machinery and equipment appraisal assignments. As new issues emerge that require practical examples for implementation, Practice Notes will be developed and expanded to promote discussion and provide leadership to Members in understanding how to comply with Standards.

#### 3.5 Professional Excellence Bulletins

3.5.1 Professional Excellence Bulletins [see section 17] offer supplementary practical advice on key issues; their application is not compulsory but the Definitions, Rules and Comments that they address are compulsory.

## **4 ETHICS STANDARD - RULES**

### **4.1 Preamble**

- 4.1.1 Members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or the real property appraisal profession. Members' relationships with other Members and the Institute shall portray courtesy and good faith and show respect for the Institute and its procedures. [\[see 4.3.2, 5.2\]](#)

### **4.2 Requirements of Members**

- 4.2.1 The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice by establishing requirements for real property appraisal, review, consulting, reserve fund planning and machinery and equipment valuation assignments. These Standards begin with the Ethics Standard which sets out the requirements for integrity, impartiality, objectivity, independent judgment and ethical conduct. The Standards apply to all activities of any Member involving an analysis, opinion or conclusion relating to the nature, quality, utility or value of a specified interest in – or aspects of – identified real estate.
- 4.2.2 A Member of the Appraisal Institute of Canada must develop and communicate his/her analysis, opinions and advice in a manner that is meaningful to the client, not be misleading in the marketplace and in compliance with these Standards.
- 4.2.3 A Member must not render professional services in a careless or negligent manner. This requires a Member to use due diligence and due care. The fact that the carelessness or negligence of a Member has not caused an error that significantly affects his or her opinions or conclusions, and thereby does not seriously harm an intended user, does not excuse such carelessness or negligence.

## 4. Ethics Standard - Rules

### 4.3 Rules

It is unethical for a Member [\[see 2.58, 5.1\]](#):

- 4.3.1 to knowingly fail to comply with Bylaws, Regulations, Standards and the Professional Liability Insurance Program of the Institute; [\[see 5.8, 16.4\]](#)
- 4.3.2 to knowingly engage in conduct that would prejudice his/her professional status, the reputation of the Institute, the appraisal profession, or any other Member; [\[see 5.2\]](#)
- 4.3.3 to knowingly act in a manner that is misleading; [\[see 5.3, 16.2.1\]](#)
- 4.3.4 to act in a manner that is fraudulent; [\[see 5.2.4, 16.2.1\]](#)
- 4.3.5 to knowingly complete an assignment a reasonable appraiser could not support; [\[see 2.58\]](#)
- 4.3.6 to claim qualifications and Continuing Professional Development credits, improperly; [\[see 5.4.19, 5.7, 16.3\]](#)
- 4.3.7 to undertake an assignment lacking the necessary competence; [\[see 5.11.4, 16.8\]](#)
- 4.3.8 to refuse to co-operate with the Institute; [\[see 5.6, 16.2.1\]](#)
- 4.3.9 to fail to create a work-file for each assignment; [\[see 5.6, 5.9, 16.5, 16.11\]](#)
- 4.3.10 to disclose results of an assignment to anyone but the client, except with the client's permission; [\[see 5.10, 16.6\]](#)
- 4.3.11 to fail to reveal any known conflict of interest; [\[see 5.11, 16.7\]](#)
- 4.3.12 to accept an appraisal assignment that is contingent on the result. [\[see 5.13, 11.1, 16.9\]](#)

## **5 ETHICS STANDARD – COMMENTS**

### **5.1 Member [see 5.4, 16.1]**

- 5.1.1 Member as used herein is defined in the Institute’s Bylaws, Article 1.1(f). Institute as used herein refers to the Appraisal Institute of Canada and to any authorized National, Provincial or Chapter committee.
- 5.1.2 Only Members holding the AACI designation are entitled to use of the term “accredited appraiser.”
- 5.1.3 Only Members holding AACI or CRA designations (or P. App or P. Val. if AACI) are entitled to use the term “Designated Member.”
- 5.1.4 A Candidate Member may identify themselves as an AIC Candidate Member or any other reasonable title, as set out by an employer or by legislation. They may not hold themselves out as an “accredited appraiser”, a “Designated appraiser”, CRA (or AACI) Candidate or Candidate CRA (or AACI). [\[see 2.22\]](#)

### **5.2 Conduct [see 4.3.2]**

- 5.2.1 Members must perform assignments ethically, objectively and competently in a meaningful manner in accordance with these Standards.
- 5.2.2 Members must not engage in activities within a group or organization that these Standards would preclude them from doing as an individual.
- 5.2.3 Members cannot avoid their ethical responsibilities and obligations by doing indirectly what they cannot do directly.
- 5.2.4 Conduct by a Member that results in criminal charges may be subject to sanctions in accordance with AIC Consolidated Regulations.

### **5.3 Misleading report [see 4.3.3, 4.3.4, 16.2.1]**

- 5.3.1 It is unethical for a Member to develop, use or permit others to use, for any purpose any report which the Member knows, or ought to know, is defective, erroneous and/or misleading.
- 5.3.2 A Member must not submit false or misleading information to an authorized committee of the Institute.
- 5.3.3 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.

## 5. Ethics Standard - Comments

### 5.4 Misleading Advertising [see 4.3.3]

- 5.4.1 Members must observe only the highest standards of objectivity and impartiality when using advertising media, including but not limited to, an advertisement, leaflet, pamphlet, brochure, electronic media, or other material used for promotional or solicitation purposes (“advertising media”), including corporate, business and personal web sites (e.g., LinkedIn, Facebook, Twitter, Instagram).
- 5.4.2 Members may use advertising media in the solicitation of clients and business in a manner that does not offend the interests of the public and the profession.
- 5.4.3 Members may use advertising media to:
  - 5.4.3.i. inform prospective clients and the public of the availability of their professional services; and,
  - 5.4.3.ii. advise such parties as to the range, nature and cost of such professional services.
- 5.4.4 Members must avoid advertising media which is:
  - 5.4.4.i. false,
  - 5.4.4.ii. misleading,
  - 5.4.4.iii. exaggerated,
  - 5.4.4.iv. uses laudatory statements or superlatives to describe their services,
  - 5.4.4.v. contrary to the public interest.
- 5.4.5 AIC Members must identify their designation or Membership status (AACI, CRA or AIC Candidate Member) in any advertising media for professional services. [\[see 5.4\]](#)
- 5.4.6 A Member may advertise competence to perform, either directly or indirectly, in any report or advertising media. A Member may use a University degree or other professional designations.
- 5.4.7 A Member may not refer to or make use of the name of the Appraisal Institute of Canada or its professional designations and trademarks in a misleading or deceptive manner.
- 5.4.8 A Member’s business entity that is wholly or partially owned or controlled by such Member must not solicit professional services in a manner that is misleading or otherwise contrary to the public interest and/or the Standards.
- 5.4.9 The name of the Institute or its designations may be used to refer to a Member’s affiliation with the Institute.



## 5. Ethics Standard - Comments

- 5.4.10 The name of the Institute or its designations may not be used in a manner that suggests that a business organization is a Member of the Institute and/or holds any designation.
- 5.4.11 Any reference to the Institute, its designations or trademarks in advertising media must be dignified and in keeping with the highest of professional standards.
- 5.4.12 The use of the Institute logos is determined by the Board of Directors.
- 5.4.13 AIC Candidate Members must not:
- 5.4.13.i. use other initials or abbreviations that might be interpreted as a valuation designation. [\[see 5.1.4\]](#)
  - 5.4.13.ii. promote the Candidate Membership category in such a way that it might be perceived as a designation (e.g., CRA (or AACI) Candidate or Candidate CRA (or AACI) or any combination or variation thereof).
- 5.4.14 A Candidate Member may use a University degree or other professional designations after their name.
- 5.4.15 AIC Candidates may identify themselves as:
- 5.4.15.i. “Candidate Member of the Appraisal Institute of Canada”;
  - 5.4.15.ii. or “Candidate Member of the AIC”;
  - 5.4.15.iii. or “AIC Candidate Member”. [\[see 2.53, 4.3.6, 4.3.7\]](#)
- 5.4.16 A jurisdictional exception may require an AIC Candidate Member to identify him/herself in an alternative manner (e.g., in Alberta).
- 5.4.17 In any report or advertising media (excluding signature blocks only) an AIC Candidate Member must identify:
- 5.4.17.i. that they are working under the supervision of a Designated Member of the AIC;
  - 5.4.17.ii. the name of the supervisor and his/her designation. [\[see 2.11, 2.22, 2.29, 2.47\]](#)
- 5.4.18 AIC Members may advertise jointly.
- 5.4.19 Any matter related to misleading advertising that is brought to the attention of the Counsellor, Professional Practice may be reviewed by the Counsellor for compliance with the Standards, without the registration of a formal complaint to the AIC by a Member of the public or of the AIC. The Counsellor may initiate a

## 5. Ethics Standard - Comments

complaint in order to investigate CUSPAP breaches that could not be resolved through an informal review.

### 5.5 Qualifications [see 4.3.6, 5.4.15, 7.24, 11.10]

- 5.5.1 Members must identify their designation or Membership status (AACI, CRA or AIC Candidate Member) with the Institute in a report and all related correspondence (e.g., letter of transmittal, letter of engagement, reliance letter, progress report, email correspondence). [see 2.11, 2.22, 9.9, 11.11, 13.19, 15.20]
- 5.5.2 Associate, Retired, Honorary AACI<sup>2</sup>, Student Member, as well as a Member who has resigned from, been suspended or expelled by the Institute shall not hold themselves out in any way as a practicing Member of the Institute. Resigned, suspended or expelled Members are not authorized to affix the designation or Member status they held prior to their change in Member status.
- 5.5.3 CRA Members must use that designation in connection with the appraisal, review or consulting on individual undeveloped residential dwelling sites and of dwellings containing not more than four (4) self-contained family housing units. For clarity, CRA Members must include their designation wherever their name appears in any appraisal, consulting or review report and related correspondence.
- 5.5.3.i. An exception is made for reserve fund planning assignments whereby competent CRA Members can use the CRA designation to undertake reserve fund planning assignments on any building size or type. Limitations may be imposed by Provincial Legislation. [see 12.2.6, 16.19.3]
- 5.5.3.ii. An exception is made for the valuation of machinery and equipment where only the personal property and not the real property is appraised. Competent CRA Members can use the CRA designation to undertake standalone machinery & equipment appraisal assignments on any property size or type only if the real property is not being appraised.

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<sup>2</sup>This designation is bestowed by the Board to identify individuals deemed to be ethically above reproach, and who are publicly recognized as leaders in business, law, academia, and other professions, and who contribute to the Institute's advancement of the profile, respect, body of knowledge, and advocacy of the valuation profession. This honorary designation is with distinction. It comes with the expectation that these honoured and prominent individuals will play an important advisory role within the Institute and its committees, providing leadership and visibility that will assist in advancing our profession.

## 5. Ethics Standard - Comments

5.5.4 Where a CRA Member signs a report beyond the scope set out in [5.5.3](#), it must be co-signed by an AACI Member of the AIC. The highest and best use - actual or assumed - of the property that is the subject of the assignment will determine whether an assignment falls within the scope of practice for a CRA Member. [\[see 2.17, 7.10, 7.25.2, 9.9, 11.11, 13.19, 15.20, 16.32\]](#)

5.5.5 An AACI or CRA Member cannot co-sign a report with a:

5.5.5.i. Student Member;

5.5.5.ii. Associate Member;

5.5.5.iii. Retired Member (retired status)

5.5.5.iv. Honorary AACI;

5.5.5.v. AIC Candidate Member with whom the Designated Member is not properly registered in the Candidate Registry;

5.5.6 An AACI or CRA Member registered in the non-fee category may not co-sign with a Member in the fee category.

5.5.7 An AACI or CRA Member registered in the fee category may co-sign a real property appraisal, machinery & equipment appraisal, consulting, review or reserve fund planning report completed by a non-fee Member.

### 5.6 Co-operate [\[see 4.3.8, 16.2.1\]](#)

5.6.1 A Member must not fail or refuse to provide, or must not unreasonably delay the submission of: a written report, work-file or other material that is or should be in his/her possession or control Member if requested by the Institute.

5.6.2 A Member having custody of a work-file must allow authorized committees of the Institute with obligations related to the assignment appropriate access and retrieval. [\[see 5.10.2.ii 5.10.2.iii\]](#)

### 5.7 Continuing Professional Development [\[see 16.3\]](#)

5.7.1 Members must comply with the Continuing Professional Development (CPD) Policy and Guideline and not claim CPD credit improperly.

### 5.8 Liability Insurance [\[see 16.4\]](#)

5.8.1 Members must be properly registered in the Professional Liability Insurance Program of the Institute.

5.8.1.i. AIC Candidate Members must be properly registered in the Candidate Co-signing Registry by their designated co-signer prior to jointly co-signing reports. [\[see 2.17\]](#)

## 5. Ethics Standard - Comments

5.8.2 It is unethical for a Member to claim or suggest there is insurance coverage when there is not.

5.8.2.i. If the conditions surrounding an assignment result in it not being covered by the AIC insurance program, prior to accepting the assignment, the Member must make it clear to the client in writing that no recourse to the program exists for that assignment.

5.8.2.ii. If the assignment is such that insurance coverage does not exist, the Certification and Letter of Transmittal (if applicable) must contain an Extraordinary Limiting Condition to that effect.

5.8.2.iii. An AIC Member cannot co-sign with a non-AIC Member.

### 5.9 Records [see 5.6, 16.5, 16.11]

5.9.1 A Member must prepare a work-file in hard copy and/or electronically, for each assignment. The work-file must include, but not be limited to:

5.9.1.i. the name of the client

5.9.1.ii. the identity, by name, of any intended user(s);

5.9.1.iii. true copies of any written reports, documented on any type of media;

5.9.1.iv. summaries of any oral reports (or court transcripts) sufficient to meet the requirements of the applicable Standard and the “Reasonable Appraiser” test;

5.9.1.v. the appraiser’s signed and dated certification;

5.9.1.vi. all other data, information and documentation necessary to support the Member’s opinions, analysis and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation.

5.9.2 A Member must (subject to **5.9.4**) retain the work-file and have custody of the work-file, or make appropriate work-file retention, access and retrieval arrangements with the party having custody of the work-file for a period of at least, whichever period expires last:

5.9.2.i. seven (7) years after preparation or

5.9.2.ii. two (2) years after final disposition of any judicial proceeding in which testimony was given or any professional liability insurance proceeding

5.9.3 If a Member is unable to retain a copy of the work-file, whether by reason of an employer’s internal rules or by change of employer, all reasonable steps must be

## 5. Ethics Standard - Comments

taken by the Member to ensure the availability of such reports and work-files when requested.

- 5.9.4 Members should obtain written commitment from employers that reports and work-files will be made available when required.
  - 5.9.5 A photocopy or an electronic copy of the entire written professional services sent or delivered to a client satisfies the requirement of a true copy. Industry standard medium for electronic storage would be a PDF or equivalent and not within office or on-line appraisal software.
  - 5.9.6 Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the Member throughout the prescribed record retention period.
  - 5.9.7 A work-file must be in existence prior to and contemporaneous with the issuance of a written or oral report. If a work-file cannot be provided prior to providing an oral report, a written summary of the oral report must be added to the work-file within a reasonable time after the issuance of the oral report.
- 5.10 **Disclosure [see 4.3.10, 16.6]**
- 5.10.1 Members pledge to uphold the confidential nature of the Member/client relationship.
  - 5.10.2 A Member must not disclose the analyses, opinions or conclusions in an assignment to anyone other than:
    - 5.10.2.i. the client and those parties specifically authorized by the Member and client to receive such information;
    - 5.10.2.ii. third parties, when the Member is legally required to do so by due process of law (e.g. the Courts); or
    - 5.10.2.iii. an authorized Committee of the Institute.
  - 5.10.3 A Member must not disclose information provided by a client on a confidential basis to anyone other than:
    - 5.10.3.i. those parties specifically authorized by the client to receive such data;
    - 5.10.3.ii. third parties, when the Member is required to do so by due process of law; or
    - 5.10.3.iii. an authorized Committee of the Institute.
  - 5.10.4 When serving the Institute in any capacity, a Member must not disclose or use confidential information obtained in connection with such service.

## 5. Ethics Standard - Comments

5.10.5 If the performance of a prior assignment is to be kept confidential, a Member must decline a new assignment on the same property, where a condition requires disclosure of any prior assignment.

5.10.6 The Member must obtain an occupant's (e.g. tenant, property owner if occupant, occupant of office space, etc.) permission to photograph their personal area of occupancy and notify them that photographs may be included in the report. The Member should have limiting conditions to the effect that s/he is not responsible for the misuse of the photographs by third parties.

### 5.11 Conflict [see 4.3.11, 16.7]

5.11.1 Members pledge to develop, support and communicate each analysis, opinion and conclusion without regard to:

5.11.1.i. any personal interest in the subject matter,

5.11.1.ii. any party related to the assignment, or

5.11.1.iii. the outcome of the assignment.

5.11.2 It is unethical for a Member to accept an assignment if the Member has any direct or indirect, current or contemplated, personal interest in the subject matter or the outcome of the assignment, unless such personal interest:

5.11.2.i. is revealed to the client in writing and acknowledged by the client in writing prior to acceptance of the assignment, or as soon as the conflict is revealed or perceived [see 16.7.8]; and

5.11.2.ii. is fully and accurately revealed in the report. [see 16.7.8]

5.11.3 The payment and/or receipt of concealed fees, commission or things of value or of non-value in connection with the procurement of any professional service assignment is unethical. [see 16.7.9]

5.11.4 Members must take all steps necessary to ensure that they are not in conflict when they have previously completed an appraisal on a property and are requested to reappraise the property – known as “successive representation”. [see 16.7.6]

### 5.12 Competence [see 4.3.7, 16.8]

5.12.1 Prior to accepting an assignment or entering into an agreement to perform any assignment, the Member must properly identify the problem to be addressed and have the knowledge and/or experience to complete the assignment competently or alternatively:

5.12.1.i. disclose the lack of knowledge and/or experience to the client before

## 5. Ethics Standard - Comments

accepting the assignment; and

- 5.12.1.ii. take all steps necessary or appropriate to complete the assignment competently; and
- 5.12.1.iii. if the Member lacks experience and/or knowledge to undertake an assignment, the Member must describe in the report, the steps taken to complete the assignment competently.

### 5.13 Contingent [see 4.3.12, 11.1, 16.9]

5.13.1 It is unethical for a Member to accept a real property appraisal, machinery & equipment appraisal, review or reserve fund study assignment if compensation for the assignment is contingent upon:

- 5.13.1.i. reporting a predetermined value;
- 5.13.1.ii. a direction in value that favours the client as a result of bias;
- 5.13.1.iii. the amount of the value opinion (i.e. ad valorem);
- 5.13.1.iv. the attainment of a stipulated result; or
- 5.13.1.v. the occurrence of a subsequent event directly related to the value opinion.

5.13.2 When an assignment requires that both an appraisal and a consulting assignment be performed, compensation for the consultation may be on a contingent fee basis. The Member must:

- 5.13.2.i. make arrangements with the client such that the Member's compensation for developing the real property appraisal is on a basis that complies with this Ethics Rule; or
- 5.13.2.ii. retain (or suggest that the client retain) another appraiser to perform the real property appraisal under compensation arrangements that do not violate this Ethics Rule; and
- 5.13.2.iii. properly certify the real property consulting report, including therein a clear disclosure of the separate compensation arrangements for the appraisal portion and the real property consulting portion of the assignment.

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

## 5. Ethics Standard - Comments

with real property assessment appeal). Members must also be mindful of the legislation in their jurisdiction around advocacy and work done on a contingency basis.

- 5.13.4 If no report (as defined) is prepared, a Member acting as a broker, sales agent or listing agent, in determining a listing price for a client, is not deemed to be providing a formal appraisal of market value. This must be made clear to the client. [\[see 5.13.5\]](#)
- 5.13.5 A Member acting as a broker or sales/listing agent shall not be covered by the Professional Liability Insurance Program of the Institute for claims arising from expressions of value prepared for sale/listing purposes.
- 5.13.6 In summary:
- 5.13.6.i. an appraisal assignment shall not be on a contingent fee basis;
  - 5.13.6.ii. expert testimony based on the Member's appraisal report shall not be on a contingent fee basis;
  - 5.13.6.iii. a consulting assignment may be on a contingent fee basis;
  - 5.13.6.iv. a Member may be an appraiser and consultant on the same assignment.



## **6 REAL PROPERTY APPRAISAL STANDARD RULES**

### **6.1 Preamble**

- 6.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value for real property [6.2] and incorporates the minimum content necessary to produce a credible report that will not be misleading.

### **6.2 Rules**

In the report [see 2.60, 7.1, 16.10] the Member must:

- 6.2.1 identify the client by name and intended user by name; [see 7.2, 16.12]
- 6.2.2 identify the intended use of the Member's opinions and conclusions; [see 7.3, 16.13]
- 6.2.3 identify the purpose of the assignment, including a relevant definition of value; [see 7.4, 16.41]
- 6.2.4 define the scope of work necessary to complete the assignment; [see 7.5, 7.9.2, 7.26, 16.15]
- 6.2.5 provide an analysis of reasonable exposure time linked to a market value opinion; [see 7.6, 16.18]
- 6.2.6 identify the effective date of the opinions and conclusions; [see 7.6]
- 6.2.7 identify the date of the report; [see 7.7]
- 6.2.8 identify the interest appraised and the location, and describe the characteristics of the property; [see 7.8, 16.19, 16.25, 16.27]
- 6.2.9 identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions); [see 7.9, 16.28, 16.29, 16.30]
- 6.2.10 identify any hypothetical conditions; [see 7.10]
- 6.2.11 identify and analyze land use controls; [see 7.11]
- 6.2.12 state the existing use and the use reflected in the appraisal; [see 7.12]
- 6.2.13 define, analyze and resolve the highest and best use; [see 2.33, 7.13, 16.27.1, 16.32]
- 6.2.14 describe and analyze all data relevant to the assignment; [see 7.14, 16.27]

## 6. Real Property Appraisal Standard - Rules

- 6.2.15 describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [\[see 7.15\]](#)
- 6.2.16 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [\[see 7.16\]](#)
- 6.2.17 analyze the effect on value, if any, of the terms and conditions of the lease(s) when developing an opinion of the value of a leased fee, leasehold estate; [\[see 7.17\]](#)
- 6.2.18 analyze the effect on value of an assemblage; [\[see 2.7, 7.18\]](#)
- 6.2.19 analyze the effect on value of anticipated public or private improvements; [\[see 7.19\]](#)
- 6.2.20 analyze the effect on value of any personal property; [\[see 2.52, 7.20\]](#)
- 6.2.21 analyze and comment on
  - 6.2.21.i. all Agreement for Sale, Option, or Listing of the property, subject to [7.21](#), and
  - 6.2.21.ii. all prior sales of the property, subject to [7.21](#).[\[see 7.21, 16.37\]](#)
- 6.2.22 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [\[see 7.22\]](#)
- 6.2.23 report the final value estimate; [\[see 7.23\]](#)
- 6.2.24 include a signed certification of value; [\[see 7.24\]](#)

**Note:** A Member who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [\[see 7.1, 7.25\]](#)

## **7 REAL PROPERTY APPRAISAL STANDARD – COMMENTS**

### **7.1 Report [see 2.60, 16.10]**

- 7.1.1 A report transmitted through any medium must comply with this Standard.
- 7.1.2 Members must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically. [\[see 5\]](#)
- 7.1.3 To the extent that it is both possible and appropriate, each oral real property appraisal report, including expert testimony that addresses value, must comply with the Real Property Appraisal Standard Rules. [\[see 16.11.2\]](#)

### **7.2 Client And Intended User [see 6.2.1, 16.12]**

- 7.2.1 The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. It does not matter who pays for the work.
- 7.2.2 The client/Member relationship lasts at least until the completion of the intended use of the original appraisal, or release from client.
  - 7.2.1.i A party receiving a copy of an appraisal report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.

### **7.3 Intended Use [see 6.2.2, 16.13]**

- 7.3.1 Before accepting the assignment, a Member must, by communicating with the client, identify and consider the client's intended use in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The intended use of the opinions and conclusions, as established with the client, must be stated in an appraisal report.

### **7.4 Purpose [see 6.2.3, 16.41]**

- 7.4.1 Liability to the client may depend on the Member’s understanding of the client’s objective (intended use). The purpose of the appraisal states what value is being estimated, in response to the client's intended use or objective.
- 7.4.2 Value definition(s) must be included in the report together with the source of the definition. [\[see 2.69, 16.14\]](#)

## 7. Real Property Appraisal Standard - Comments

### 7.5 Scope of Work [see 2.64, 6.2.4, 7.26, 7.9.4, 16.15]

- 7.5.1 Scope of work refers to the amount and type of information researched and the analysis applied. Scope of work includes, but is not limited to, the extent of:
- 7.5.1.i. inspection (inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition) [see 16.27, 16.28.2, 16.30]
  - 7.5.1.ii. research into physical, legal, social, political, economic or other factors that could affect the property [see 7.14]
  - 7.5.1.iii. data research and verification, inspection of comparable data [see 7.14.3]
  - 7.5.1.iv. analysis applied
  - 7.5.1.v. any limitations to the assignment arising from the terms of the assignment, per the client's instructions. An extraordinary assumption or extraordinary limiting condition may be required to accommodate a client's instructions.
- 7.5.2 The scope of work applied must be sufficient to result in analyses, opinions and conclusions that are credible in the context of the intended use of the appraisal. The Member has the burden of proof to support the scope of work decision and the level of information included in a report.

### 7.6 Effective Date [see 6.2.6]

- 7.6.1 Establishes the context for the value opinion; the date of value.
- 7.6.2 Current Value Opinion refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed. A Reliance Letter relating to a Current Value Opinion must not be issued if there has been a significant and material change to the subject property.
- 7.6.3 Retrospective Value Opinion [see 16.16, 16.27.2] refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (i.e. past tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the retrospective effective date. Data subsequent to the effective date may be considered as confirmation of trends evident at that date. Extraordinary Assumptions and/or Extraordinary Limiting Conditions must be clearly stated in the report citing the conditions from which the retrospective value opinion was developed.

## 7. Real Property Appraisal Standard - Comments

7.6.4 Prospective Value Opinion [see 16.29] is a forecast and refers to an effective date beyond the date of the report. The use of clear language and consistent terminology in a prospective report (i.e. future tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the prospective effective date. A prospective value opinion is intended to provide an opinion of value occurring on a future date, based upon current market perceptions of future market conditions. This opinion should be based on the market data for the forecasts when made, not whether in hindsight they in fact occurred.

An Extraordinary Assumption must be clearly stated in the report citing the market conditions from which the prospective value opinion was developed, and absolving the Member from responsibility for unforeseeable events that alter market conditions prior to the effective date.

7.6.5 Updated Value Opinion [see 16.17] refers to an extension of an original appraisal, changing the effective date. In the update, any changes in the status of the subject, in market conditions or in any respect affecting the analysis, opinions and conclusion since the prior appraisal must be reported, with analyses of these changes in developing an updated opinion. The updated report must clearly show that it can only be relied upon by a reader familiar with the original. The update report must reference the effective date, date of report and the estimated value in the original report. The update report must reference that it is to be read only in conjunction with the original appraisal report or be attached to the original.

### 7.7 Date of Report [see 6.2.7]

7.7.1 The date of the report refers to the date of completion of the report. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates.

Compliance is required with the Standards in effect as at the date of the report.

### 7.8 Characteristics of the Property [see 6.2.8, 16.19, 16.27]

7.8.1 Relevant to the purpose and intended use of the report, characteristics of the property must be adequately described, analyzed and included in the report:

- 7.8.1.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property with certainty;

## 7. Real Property Appraisal Standard - Comments

- 7.8.1.ii. the real property interest to be valued;
- 7.8.1.iii. physical, legal and economic attributes;
- 7.8.1.iv. any personal property, chattel, trade fixtures or intangible items that are not real property but are included in the appraisal;
- 7.8.1.v. any known or apparent title restrictions, easements, encumbrances, leases, reservations, covenants, contracts, judgments, special assessments, liens, or other items of a similar nature; [\[see 16.19.2\]](#)
- 7.8.1.vi. consideration of known detrimental conditions; [\[see 2.32, 16.20, 16.21\]](#).
- 7.8.1.vii. whether the subject property is a fractional interest, physical segment or partial holding; [\[see 16.25\]](#)
- 7.8.1.viii. the extent of inspection of the subject property [\[see 16.27\]](#)
- 7.8.1.ix. Inspection of the subject property is mandatory, subject to any assumptions and Extraordinary Limiting Condition [\[see 2.25, 16.30\]](#)

### **7.9 Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions) [\[see 6.2.9, 16.28\]](#)**

- 7.9.1 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could materially alter the Member's opinions and conclusions. [\[see 2.5, 2.34, 16.29\]](#)
- 7.9.2 Wherever an opinion or conclusion is stated within a report, the extraordinary assumption must be either stated in its entirety or reference provided to its exact location within the report.
- 7.9.3 When referencing the subject matter of the extraordinary assumption within the body of a report, it must be clearly indicated that the subject matter is based on the extraordinary assumption.
- 7.9.4 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule which may diminish the reliability of the report. The burden is on the Member to explain and justify such necessity in the report, and to conclude, before accepting an assignment and invoking an Extraordinary Limiting Condition, that the scope of work applied will result in analyses, opinions and conclusions that are credible and not misleading. [\[see 2.27, 16.30\]](#)
- 7.9.5 Extraordinary Assumptions and Extraordinary Limiting Conditions do not require a Hypothetical Condition. [\[see 7.10.4\]](#)

## 7. Real Property Appraisal Standard - Comments

### 7.10 Hypothetical Conditions [see 2.34, 6.2.10, 16.29.2.ii]

- 7.10.1 Hypothetical Conditions may be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include, among others, proposed improvements, prospective appraisals and contaminated properties.
- 7.10.2 With respect to proposed improvements, the Member shall examine and have available for future examination:
- 7.10.2.i. plans, specifications, and/or other documents sufficient to identify the scope and character of the proposed improvements;
  - 7.10.2.ii. evidence indicating the probable time of completion of the proposed improvements; and
  - 7.10.2.iii. reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.
- 7.10.3 A recertification of value does not change the effective date of the appraisal. [\[see 2.59\]](#)
- 7.10.4 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [\[see 7.9.1\]](#)
- 7.10.5 Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. The Member must avoid making unsupported assumptions. It must be clear to the reader that:
- 7.10.5.i. the property condition does not in fact exist as at the effective date;
  - 7.10.5.ii. the analysis performed to develop the opinion of value is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;
  - 7.10.5.iii. certain events need to occur, as disclosed in the report, before the property condition will in fact exist;
  - 7.10.5.iv. the appraisal does not consider unforeseeable events that could alter the value conclusion;
  - 7.10.5.v. a different value conclusion would likely result in the absence of the hypothesis.
- 7.10.6 Appraisals for expropriation can incur Hypothetical Conditions, and may require the Member to invoke the Jurisdictional Exception protocol. [\[see 2.42\]](#)

## 7. Real Property Appraisal Standard - Comments

7.10.7 The Hypothetical Condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.

7.10.8 An analysis based on a Hypothetical Condition must result in a credible analysis and must not result in a report that is misleading. [\[see 6.2.11, 16.31\]](#)

### 7.11 Land Use Controls [\[see 6.2.11, 16.31\]](#)

7.11.1 Land Use Controls, including zoning, must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of such regulations in light of economic demand, the physical adaptability of the real estate, and market area trends.

7.11.2 In the context of properties where the highest and best use is for land use change (e.g. rezoning or redevelopment), the Member must reasonably support the imminence or probability of the land use change.

### 7.12 Use [\[see 6.2.12\]](#)

7.12.1 The existing use of the real estate as of the effective date of the appraisal must be included to distinguish the use from the highest and best use.

7.12.2 If the subject property is a non-conforming use, the Member must discuss and analyze the implications of this use.

### 7.13 Highest And Best Use [\[see 2.33, 6.2.13, 16.27.1, 16.32\]](#)

7.13.1 The report must contain the Member's opinion as to the highest and best use of the real estate; unless an opinion as to highest and best use is irrelevant.

7.13.2 If the purpose of the assignment is market value, the Member's support and rationale for the opinion of highest and best use is required.

7.13.3 The Member's analysis of the highest and best use (as if vacant and as improved) and reasoning in support of the opinion and conclusion must be provided with the level of depth and detail required in relation with its significance to the appraisal, and based on the relevant legal, physical and economic factors. [\[see 7.13.4\]](#)

7.13.4 As land is usually appraised as though vacant and available for development to its highest and best use, opinions are required both as to:

7.13.4.i. the land, as if vacant, and;

7.13.4.ii. the property, as improved.



## 7. Real Property Appraisal Standard - Comments

### 7.14 Describe and Analyze All Data Relevant to the Assignment [see 6.2.14, 16.27]

- 7.14.1 The Member 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.
- 7.14.2 In the process of collecting and verifying relevant information the Member must perform this function in a manner consistent with the “Reasonable Appraiser” standard.
- 7.14.3 All three approaches to value require the collection of comparable data. The decision to inspect the comparable data and the extent of verification of data will be determined by the scope of the assignment, but in all cases the Member must conform to the “Reasonable Appraiser” standard. [see 7.5]

### 7.15 Appraisal Procedures [see 6.2.15]

- 7.15.1 Excluding any of the three traditional approaches to value that would be considered pertinent under the “Reasonable Appraiser” standard, constitutes an Extraordinary Limiting Condition [see 2.27] that requires disclosure with reasoning.
- 7.15.2 The exclusion of any of the three traditional approaches to value that are not considered pertinent, or applicable, under the “Reasonable Appraiser” standard must be explained in the report but does not require an Extraordinary Limiting Condition.
- 7.15.3 The exclusion of an approach must not result in a report that is misleading. [see 4.3.3]
- 7.15.4 When a Direct Comparison Approach is applicable, the Member must analyze such comparable data as are available to indicate a reasonable value conclusion. [see 16.33]
- 7.15.5 When a Cost Approach is applicable, a Member must:
  - 7.15.5.i. develop an opinion of site value by an appropriate appraisal method or technique;
  - 7.15.5.ii. analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and
  - 7.15.5.iii. analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation).

## 7. Real Property Appraisal Standard - Comments

7.15.6 When an Income Approach is applicable, a Member must:

- 7.15.6.i. analyze trends, forecasts and such comparable rental data as are available to estimate the market rental of the property;
- 7.15.6.ii. analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
- 7.15.6.iii. analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
- 7.15.6.iv. base projections of future rent and expenses on reasonably clear and appropriate evidence.

7.15.7 When a Discounted Cash Flow Analysis is applicable, the Member must: [\[see 16.35\]](#)

- 7.15.7.i. analyze such data as are available from the real estate and capital markets and from surveys of investor opinions;
- 7.15.7.ii. ensure that input data is specific to the type of property being appraised;
- 7.15.7.iii. clearly display all relevant data, cash flow projections and assumptions on which the analyses are based; and
- 7.15.7.iv. identify and describe any computer software used in the analyses.

7.15.8 When an Automated Valuation Model (AVM) is applicable, a Member must: [\[see 16.36\]](#)

- 7.15.8.i. have a basic understanding of how the AVM operates;
- 7.15.8.ii. determine if use of the AVM is appropriate for the assignment;
- 7.15.8.iii. ensure that the AVM does not exclude relevant data necessary for a credible result and disclose or invoke relevant assumptions and limiting conditions. [\[see 6.2.9, 7.9, 16.28\]](#)

### 7.16 Reasoning [\[see 2.58, 6.2.16\]](#)

7.16.1 Reasoning requires the logical review, analyses and interpretation of data in a manner that will support the value conclusion, not be misleading to a reader, and be to a level consistent with the “Reasonable Appraiser” standard.

### 7.17 Leased Fee/Leasehold Estate [\[see 6.2.17\]](#)

7.17.1 A Leased Fee/Leasehold Estate may be less than, equal to, or greater than the value of all interests in the property.

## 7. Real Property Appraisal Standard - Comments

### 7.18 **Assemblage** [see 2.7, 6.2.18]

7.18.1 The value of the whole may be less than, equal to, or more than the sum of the components of the various estates or parcels. Assemblage establishes the effect, if any, on value of the “larger parcel”.

7.18.2 Assemblage may be omitted when not relevant to the assignment.

### 7.19 **Anticipated Improvements** [see 6.2.19]

7.19.1 Anticipated improvements, whether located on or off the site must be considered and analyzed as to their effect, if any, on value.

7.19.2 Anticipated improvements may be omitted when not relevant to the assignment.

### 7.20 **Personal Property** [see 6.2.20]

7.20.1 Personal property must be disclosed in the report but may be omitted when not relevant to the assignment.

7.20.2 Competency in personal property appraisal is required when it is necessary to allocate the overall value. [see 2.52, 2.69]

### 7.21 **Agreement for Sale/Option/Listing** [see 6.2.21, 16.37]

7.21.1 Any agreement for sale, option, lease, if applicable, or listing of the subject property that occurred within one year prior to the effective date of the appraisal, including any pending/current Contract of Purchase and Sale or lease must be analyzed and reported if such information is available to the Member in the normal course of business.

7.21.2 Any sale of the subject property that occurred within three years prior to the effective date of the appraisal must be analyzed and reported if such information is available as at the date of valuation to the Member in the normal course of business.

7.21.3 Any impact on the price paid for the subject property or any effect on value under known undue stimulus must be reported.

### 7.22 **Review and Reconcile** [see 6.2.22]

7.22.1 The Member must review and in the report reconcile the quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the assignment.

### 7.23 **Final Value** [see 6.2.23]

7.23.1 May be a single point value, a range of values, or an indication of value, for example, “not less than” or “not greater than” a specified amount.

## 7. Real Property Appraisal Standard - Comments

### 7.24 Certification [see 6.2.24, 16.7]

7.24.1 Each written real property appraisal report must contain a signed certification that is substantially similar to that in Box 7.24.1.

Box 7.24.1 ~ Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the subject matter, the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I am not in a conflict of interest to undertake this assignment.
- I have no bias with respect to the subject matter, the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge, skills and experience to complete the assignment competently.
- No one provided professional assistance or third party professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing professional assistance and the extent of that assistance must be stated.).
- As of the date of this report, the undersigned has (have) fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- I did not (did) personally inspect the subject property of the report (on *DATE*).
- Based upon the data, analyses and conclusions contained herein, the (current, retrospective, prospective or update) market value of the interest in the property described, as at (insert date), is estimated at (insert value).
- Included a statement with the effective date, inspection date (if applicable), report date and conclusion.

Signature and date of certification. [see 5.4.19]

(Note: If more than one person signs, the certification must clearly specify the level of professional assistance provided by the individuals, including who did and did not make a personal inspection of the appraised property.) [see 5.4.19]

## 7. Real Property Appraisal Standard - Comments

### 7.25 Responsibility [see 2.17, 6.2.23, 16.38]

- 7.25.1 A Member signing a report assumes responsibility for the entire report including professional assistance or any technical assistance.
- 7.25.2 Members providing Professional Assistance must be individually mentioned in the certification while individuals providing Technical Assistance do not.
- 7.25.3 A Member must disclose any Professional Assistance within the report.
- 7.25.4 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report. A Member may only cosign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program. [see, 16.28.2.ii]
- 7.25.5 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction. Delegation must be on an assignment basis only and not a blanket delegation; and must be provided in writing.

### 7.26 Scope of Work for Valuation for Financial Reporting [see 7.5]

- 7.26.1 Members must understand the applicable standard and ensure their work is in compliance.
- 7.26.2 In order not to mislead an intended user of an external appraisal for financial reporting, all four items listed below must be conducted independently by an external valuer. If all four items are not carried out, the resultant opinions cannot be regarded as an external appraisal:
  - 7.26.2.i. An inspection of the subject property sufficient enough to estimate its highest and best use, adequately describe the real estate and make meaningful comparisons.
  - 7.26.2.ii. A test of a reasonable sample of major tenant lease documents to ensure rental terms match the landlord's rent roll and to check for renewal options, termination options, etc. [see 16.40.1]
  - 7.26.2.iii. The utilization of independent market-based assumptions in the development of cash flow, not simply accept the management cash flow and the implicit assumptions therein. [see 7.15.7, 16.35.2]
  - 7.26.2.iv. The reliance on market data/yields that have been independently developed in a manner that is consistent with the development of the subject property cash flow. Meaningful comparisons are critical for consistency, accuracy and transparency. [see 7.15.6]

## 8 REVIEW STANDARD - RULES

### [see 2.63]

#### 8.1 Preamble

- 8.1.1 In performing a review assignment, a Member must develop and report a credible opinion as to the quality of the work of another appraiser, reviewer, consultant, or reserve fund planner and must clearly disclose the scope of work performed in the review assignment.
- 8.1.2 This Standard deals with the methodology for developing and communicating a review of a professional service done by a third party, who may or may not be an AIC Member. This Standard outlines the minimum content necessary to produce a credible review report that is not misleading. The Review may be done to determine compliance with the applicable Standard, that being the Standard with which the author of the reviewed report was required to comply (i.e. USPAP, Red Book, les Normes, IVS, etc.).
- 8.1.3 There is a distinction between the terms “technical review” and “administrative review”.
- 8.1.3.i. A technical review is work performed by an independent third party Member in accordance with this Review Standard, of a report prepared by a third party for the purpose of forming an opinion as to whether the analysis, opinions and conclusions in the report under review are appropriate and reasonable. The reviewer does not sign/co-sign the report that is under review. Members determine if an assignment entails a technical review at the time of accepting an assignment through communication with the client. [\[see 16.39\]](#)
- 8.1.3.ii. An administrative review is work performed by clients and users of professional services as a due diligence function in the context of making a business decision. An administrative review is generally completed for internal purposes, although an external reviewer might undertake it. Administrative reviews are generally undertaken to ensure professional services comply with client or intended user requirements. The scope is typically less than a technical review and may entail requirements that are not standards-related, such as the age of comparable properties, the length of time between the comparable sale date, or the effective date. An administrative review might be of clerical nature and not require appraisal training.

## 8. Review Standard - Rules

8.1.4 This Standard is not applicable to:

- 8.1.4.i. Administrative Review;
- 8.1.4.ii. Supervisory co-signing;
- 8.1.4.iii. Professional Practice Peer Review

## 8. Review Standard - Rules

### 8.2 Rules

In the report [see 2.60, 9.1], the reviewer must:

- 8.2.1 identify the client and other intended user, by name; [see 9.2, 16.12]
- 8.2.2 identify the intended use of the reviewer's opinions and conclusions; [see 9.3, 16.13]
- 8.2.3 identify the purpose of the review assignment; [see 9.4, 16.41]
- 8.2.4 identify the report under review, the author(s) of the report under review, the real estate and real property interest involved, and the effective date of the opinion in the report under review;
- 8.2.5 identify the date of the review; [see 9.10]
- 8.2.6 identify the scope of work that was undertaken to complete the review; [see 9.5, 16.15]
- 8.2.7 identify all assumptions and limiting conditions for the review that was undertaken; [see 2.9, 2.44, 9.5, 16.28]
- 8.2.8 provide an opinion as to whether the scope of work employed in the report under review is appropriate for the intended use, intended user and the property under study, and whether the scope of work employed has been met; [see 9.1.5, 9.5.6, 16.15]
- 8.2.9 provide an opinion as to the adequacy and relevance of the data and the propriety of any adjustments to the data; [see 8.2.8, 9.7, 16.15]
- 8.2.10 provide an opinion as to the appropriateness and proper application of the methodologies (valuation or other) and techniques used; [see 9.5]
- 8.2.11 provide an opinion as to whether the analyses, opinions and conclusions in the report under review are appropriate, reasonable and suitable for reliance by the intended user for the intended use; [see 9.1.3]
- 8.2.12 provide reasons for any disagreement or agreement with the report being reviewed; [see 16.42]
- 8.2.13 include a signed certification; [see 4.3.11, 9.9 ]

**Note:** A reviewer who signs or co-signs a certification accepts responsibility for the review and the contents of the review report.



## **9 REVIEW STANDARD – COMMENTS**

### **9.1 Review [see 8.2, 16.10]**

- 9.1.1 A review report transmitted through any medium (written and/or oral) must comply with the Standard.
- 9.1.2 The function of conducting a review requires the preparation of a separate report by a competent reviewer, setting forth the results of the review. Reviewers must take steps to meet the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.
- 9.1.3 The review report is a critique intended for use in conjunction with the report under review; it is a critique of the report, not the author, and the reviewer must develop a review using tone and language that is professional and not an attack on the author. [\[see 16.11\]](#)
- 9.1.4 A review is performed by an independent and competent AIC Member, in accordance with CUSPAP, of a report prepared by another appraiser for the purpose of forming an opinion as to whether the analysis, opinions and conclusion of the report under review are appropriate and reasonable.
- 9.1.5 The reviewer does not sign/co-sign the appraisal report that is under review.
- 9.1.6 The reviewer goes beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report.
- 9.1.7 A work-file must be prepared for each assignment and include a true copy of any written report, documented on any type of media. [\[see 16.11\]](#)
- 9.1.8 To the extent that it is both possible and appropriate, each oral appraisal review report, including expert testimony that addresses the appraisal review, must comply with the Review Standard Rule.
- 9.1.9 A work-file must be in existence prior to and contemporaneous with the issuance of a written or oral review report. A written summary of such oral report must be added to the work-file within a reasonable time after the issuance of the oral report.

### **9.2 Client and Intended Users [see 8.2.1, 16.12]**

- 9.2.1 The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. It does not matter who pays for the work.

## 9. Review Standard - Comments

9.2.2 The client/Member relationship lasts at least until the completion of the intended use of the review, or release from the client.

9.2.2.i A party receiving a copy of a review assignment does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.

### 9.3 Intended Use [see 8.2.2, 16.13]

9.3.1 Before accepting the assignment, a Member must, by communicating with the client, identify and consider the client's intended use in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The intended use of the opinions and conclusions, as established with the client, must be stated in a review report.

### 9.4 Purpose [see 8.2.3, 16.41]

9.4.1 A Review appraiser must ascertain whether the purpose of the assignment includes:

9.4.1.i a compliance review [see 9.4.5] and/or

9.4.1.ii a review without an opinion of value of the subject property of the report under review or

9.4.1.iii a review with the development of an opinion of value of the subject property of the report under review. [see 9.4.2]

9.4.2 If the client's objective in the assignment includes the reviewer developing an opinion of value of the subject property in the report under review, that opinion is an appraisal assignment that must comply with the Real Property Appraisal Standard. Therefore, the reviewer is required to complete their review in accordance with this Review Standards and to develop their opinion of value in accordance with the Real Property Appraisal Standard; in this instance, two Standards apply for the same assignment. [see 16.47]

9.4.3 Pursuant to 9.4.2 above, the reviewer must identify and state any new information relied upon, the reasoning and basis for the opinion of value and all assumptions and limiting conditions (if different from or in addition to those in the report under review) connected with the opinion of value.

9.4.4 Those items in the report under review that the reviewer concludes are in compliance with CUSPAP can be used in the reviewer's development process. Those items not deemed to be in compliance must be replaced with information or analysis developed in accordance with the Real Property Appraisal Standard in order to produce a credible value opinion.

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9.4.5 A compliance review is a review of the report under study to determine its conformity with the standards in effect as at its effective date. In this instance the reviewer may be required to reference two different versions of the Standards those being: the version applicable as at the date of the report under review and the version to be complied with, by the reviewer, for the writing of the review, that being the version of the day (i.e., CUSPAP 2016).

9.4.5.i. For example, your client hires you today to complete a compliance review of a report with an effective date of September 9, 2009. The report was done by an AIC Member. The CUSPAP version in effect at the time was CUSPAP 2008. The compliance assessment must be done in parallel with CUSPAP 2008 yet the reviewer must complete their review report in accordance with the Review Rules and Comments in effect today, that being CUSPAP 2016.

**Note 1:** From 2001 to 2008, CUSPAP was published annually. Since 2008 CUSPAP has been published biennially with an effective date of January 1; exception is CUSPAP 2014 that came into effect April 1, 2014, and CUSPAP 2016 that came into effect May 1, 2016.

**Note 2:** AIC Members can complete compliance reviews of reports done by non-Members whose work is required to comply to standards of practice other than CUSPAP provided that AIC Members are competent in the standard(s) of practice for which the review report is subject to.

### 9.5 Scope of Work [see 8.2.6, 16.15]

9.5.1 A reviewer must define the scope of the work and indicate the extent of the review process.

9.5.2 Scope of work refers to the amount and type of information reviewed and researched, and the analysis applied. The scope of work applied must be sufficient to result in opinions and/or conclusions that are credible in the context of the intended use of the review. Scope of work in a review assignment may include one or more of the following

9.5.2.i. inspection - in a review assignment, an inspection of the property under review is not mandatory; it is subject to the terms and intended use of the assignment as well as reliance on third party information, any Hypothetical Conditions, Extraordinary Assumptions and/or Extraordinary Limiting Condition, [see 16.16, 16.27, 16.28.2, 16.30]

9.5.2.ii. the research into physical, legal, social, political, economic or other

## 9. Review Standard - Comments

- factors that could affect the property
- 9.5.2.iii. data research and verification, inspection of comparable data
  - 9.5.2.iv. analysis applied (e.g. application of the valuation methodologies, validation of the arithmetic
  - 9.5.2.v. any limitations to the assignment arising from the terms of the assignment, per the client's instructions or other
  - 9.5.2.vi. completing a compliance review or
  - 9.5.2.vii. completing a review with no opinion of value and/or
  - 9.5.2.viii. completing a review with an opinion of value.
- 9.5.3 The scope of work applied must be sufficient to result in analyses, opinions and conclusions that are credible in the context of the intended use of the report. The reviewer has the burden of proof to support the scope of work decision and the level of information included in a report.
- 9.5.4 A reviewer must identify any Hypothetical Conditions, Extraordinary Assumptions and/or Extraordinary Limiting Conditions necessary in the review assignment.
- 9.5.4.i. An Extraordinary Assumption may be used in a review assignment only if it is required to properly develop credible opinions and conclusions; the reviewer has a reasonable basis for the Extraordinary Assumption; and, use of the Extraordinary Assumption results in a credible analysis. [\[see 16.29\]](#)
  - 9.5.4.ii. The reviewer is not required to replicate the steps completed by the original author. Those items in the report under review that the reviewer concludes are credible (i.e., where the reviewer is in agreement with) and in compliance with CUSPAP can be extended to the reviewer's value opinion development process on the basis of an extraordinary assumption by the reviewer, without being replicated in the review report.
  - 9.5.4.iii. Those items deemed to be not in compliance (i.e., where the reviewer disagrees with) must be replaced in the reviewer's report with information or analysis developed in conformance with the Real Property Appraisal Standard to produce a credible value opinion.
  - 9.5.4.iv. When the purpose of a review includes the reviewer developing an opinion of value, in addition to developing an opinion as to the quality of the report under review, the reviewer's scope of work must

## 9. Review Standard - Comments

be in compliance with the requirements of this standard.

9.5.5 When the purpose of a review includes the reviewer developing an opinion of value, the reviewer may use additional information, either locally, regionally or nationally, that was not available to the original appraiser in the development of the value opinion in the report under review. The reviewer may conclude that their opinion:

9.5.5.i. concurs with the opinion of value in the report under review;

9.5.5.ii. differs from the opinion of value in the report under review:

It is not necessary that the reviewer's value opinion be set forth in a separate report; however, that value opinion must be prepared and reported in accordance with CUSPAP.

9.5.6 For the purposes of financial reporting, an "internal" report may be supported by an "external review", which under the Review Standard is a Technical Review. The function of an "external review" is not to appraise the subject property but to examine the contents of the Management (internal) valuation and form opinions as to its adequacy and appropriateness, and that it is suitable for its intended use and user. An "external review" judges the reasoning and logic of the original report but the reviewer does not substitute his or her own judgment. An "external review" does not lead to an alternate value conclusion. Given the function of an "external review" an "internal" valuation supported by an "external review" must still be considered an internal report.

### **9.6 Completeness of the Report Under Review [see 8.2.8]**

9.6.1 The reviewer must form an opinion as to the completeness of the report under review. This requires the reviewer to determine whether or not the report under study met the requirements set by its stated purpose and scope of work. (e.g.: Does the report meet the "Reasonable Appraiser" test under CUSPAP and the relevant standard? Have the relevant Rules and Comments been addressed?)

### **9.7 Adequacy and Relevancy of the Data [see 6.2.3, 7.6.3, 8.2.9, 16.17, 16.28.2]**

9.7.1 The review must be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

9.7.2 Data that could not have been available to the author of the report under review on the date of that report must not be used by a reviewer in the development of a review, but may be used when the purpose of the review includes the requirement to develop an opinion of value [\[9.5.5\]](#).

## 9. Review Standard - Comments

### 9.8 Certification Without Opinion of Value [see 8.2.13, 16.7]

- 9.8.1 Each written compliance review report or review report without an opinion of value must contain a signed certification that is substantially similar in content to that in Box 9.8.1. A review report that includes an opinion of value must also contain a signed certification of value that is substantially similar in content to that in Box 7.24.1.

#### Box 9.8.1 ~ Certification Without An Opinion

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The facts and data reported in the review process are true and correct;
- The analyses, opinions and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have no (or the specified) present or prospective interest in the subject matter, the property that is the subject of this review report, and I have no (or the specified) personal interest with respect to the parties involved;
- I am not in a conflict of interest to undertake this assignment;
- I have no bias with respect to the subject matter, the property that is the subject of this review report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation is not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this review report;
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge, skills and experience to complete the assignment competently,
- I did not (did) personally inspect the subject property of the report under review (on *DATE*); (if reviewer did personally inspect the property, state the date of inspection)
- No one provided professional assistance or third party professional assistance to the person signing this review report; (if there are exceptions, the name of each individual providing professional assistance or third party professional assistance and the extent of the assistance must be stated.)
- As at the date of this review the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- Included a statement with the effective date, inspection date (if applicable), report date and conclusion.

Signature and date of certification [see 5.4.19]

### 9.9 Responsibility [see 2.17, 16.38]

- 9.9.1 A Member signing a report assumes responsibility for the entire report including professional assistance or any technical assistance.
- 9.9.2 Members providing Professional Assistance must be individually mentioned in

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the certification while individuals providing Technical Assistance do not.

9.9.3 A Member must disclose any Professional Assistance within the report

9.9.4 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report. A Member may only cosign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program. [\[see 2.17, 2.65\]](#)

9.9.5 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction. [\[see 2.42, 16.29.2.ii\]](#)

### 9.10 **Date of the Review**

9.10.1 Compliance is required with the Standards in effect as at the date of the review.

## 10 CONSULTING STANDARD - RULES

### 10.1 Preamble

10.1.1 This Standard deals with the procedures for the development and communication of a real property consulting assignment and incorporates the minimum content necessary to produce a credible result that is not misleading. [\[see 11.1\]](#)

### 10.2 Rules

In the report [\[see 11.2\]](#) the consultant must:

- 10.2.1 identify the client and other intended user, by name; [\[see 11.3, 16.12\]](#)
- 10.2.2 identify the intended use of the opinions and conclusions; [\[see 11.3, 16.13\]](#)
- 10.2.3 identify the purpose of the consultation; [\[see 11.4, 16.41\]](#)
- 10.2.4 identify the real estate/property under consideration, if any; [\[see 11.6\]](#)
- 10.2.5 identify the effective date of the consulting service; [\[see 2.23\]](#)
- 10.2.6 identify the date of the report; [\[see 11.12\]](#)
- 10.2.7 define the scope of work and the extent of the data collection process; [\[see 16.15\]](#)
- 10.2.8 identify all assumptions and limiting conditions; [\[see 11.5, 16.28\]](#)
- 10.2.9 identify any hypothetical conditions (including extraordinary assumptions); [\[see 16.29.2.ii\]](#)
- 10.2.10 collect, verify, reconcile, and report all pertinent data as may be required to complete the consulting service; [\[see 16.27\]](#)
- 10.2.11 describe and apply the consulting procedures relevant to the assignment; [\[see 11.6\]](#)
- 10.2.12 detail the reasoning that supports the analyses, opinions, and conclusions;
- 10.2.13 report the Member's final conclusions/recommendations (if any);
- 10.2.14 include a signed certification [\[see 4.3.11, 11.10\]](#)

**Note:** A consultant who signs a certification accepts responsibility for the consultation and the contents of the consultation report.



## **11 CONSULTING STANDARD – COMMENTS**

### **11.1 Consulting [see 10.1.1]**

- 11.1.1 Is a broad term that is applied to studies of real estate other than estimating value (not necessarily market value or market rent). Land utilization studies, highest and best use analysis, marketability, feasibility, investment studies, assessment appeals, expropriation, awarding compensation or other research-related assignments are examples of real property consulting. The consultant must have the ability to understand and correctly implement those recognized methods in an objective and unbiased manner.
- 11.1.2 If a formal opinion of value (including a value of market rent) on an identifiable property is required within the consulting assignment, that portion of the consulting report must be developed in compliance with the Real Property Appraisal Standard. The report must disclose that this component is completed within the Real Property Appraisal Standard. The Member must explain logically and convincingly the reasoning that leads to their conclusions. Those topics most critical to the consulting conclusion should receive the most detailed emphasis. [\[see 10.2.10\]](#)

### **11.2 Report [see 2.60, 16.10]**

- 11.2.1 A report transmitted through any medium (written or oral) must comply with this Standard.
- 11.2.2 Members must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.
- 11.2.3 Any software program used to transfer a report electronically must provide, at a minimum, a digital signature security feature for all Members signing a report.
- 11.2.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report. [\[see 16.11\]](#)
- 11.2.5 A work-file must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [\[see 16.11\]](#)
- 11.2.6 To the extent that it is both possible and appropriate, each oral real property consulting report, including expert testimony that addresses value, must comply with the Consulting Standard Rules. A written summary of such oral report must be added to the work-file within a reasonable time after the issuance of the oral report. [\[see 10.2.1\]](#)

## 11. Consulting Standard - Comments

### 11.3 Client and Intended Users [see 10.2.1, 16.12, 16.13]

11.3.1 The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. It does not matter who pays for the work.

Before accepting the assignment, a Member must, by communicating with the client, identify and consider the client's intended use in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The intended use of the opinions and conclusions, as established with the client, must be stated in a consulting report.

11.3.2 The client/Member relationship lasts at least until the completion of the intended use of the consulting assignment, or release from client.

11.3.3 A party receiving a copy of a consulting assignment does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.

### 11.4 Purpose [see 10.2.3, 16.41]

11.4.1 The consulting service should clearly identify the client's objective and define the problem to be considered.

### 11.5 Assumptions and Limiting Conditions [see 10.2.8, 16.28]

11.5.1 A consulting report must be sufficiently comprehensive so that the client can visualize the problem and follow the reasoning through each step of the analytical process. It is essential that the data, analysis, assumptions and conclusions are logical and adequately supported throughout the report. Basic analytical and statistical principles, logical reasoning, and sound professional judgment are essential ingredients of the report.

### 11.6 Real Property Consulting [see 2.55, 2.57, 10.1.1, 11.1.2]

11.6.1 In performing a consulting assignment involving real estate or real property services, a Member must:

- 11.6.1.i. identify and analyze alternative courses of action to achieve the client's objective, and analyze their implications;
- 11.6.1.ii. identify both known and anticipated constraints to each alternative and consider their probable impact;
- 11.6.1.iii. identify the resources actually or expected to be available to each alternative and consider their probable impact;

## 11. Consulting Standard - Comments

- 11.6.1.iv. reconcile the data and identify the optimum course of action to achieve the client's objective.

### 11.7 Market Analysis [see 11.1.2, 16.43]

11.7.1 In performing a market analysis, a Member must:

- 11.7.1.i. define and delineate the market area;
- 11.7.1.ii. identify and analyze the current supply and demand conditions that make up the specific real estate market;
- 11.7.1.iii. identify, measure and forecast the effect of anticipated development or other changes and future supply;
- 11.7.1.iv. identify, measure, and forecast the effect of anticipated economic or other changes and future demand;
- 11.7.1.v. reconcile the data into a final recommendation, opinion and/or conclusion.

### 11.8 Cash Flow/Investment Analysis [see 11.1.2, 16.44]

11.8.1 In developing a cash flow and/or investment analysis, a Member must:

- 11.8.1.i. analyze the quantity and quality of the income stream;
- 11.8.1.ii. analyze the history of expenses and reserves;
- 11.8.1.iii. analyze financing availability and terms;
- 11.8.1.iv. select and support the appropriate method of processing the income stream;
- 11.8.1.v. analyze the cash flow return(s) and reversion(s) to the specified investment position over a projected time period(s).

### 11.9 Feasibility Analysis [see 11.7, 16.45]

11.9.1 In developing a feasibility analysis, a consultant must:

- 11.9.1.i. prepare a complete market analysis; [see 11.7]
- 11.9.1.ii. apply the results of the market analysis to alternative courses of action to achieve the client's objective;
- 11.9.1.iii. consider and analyze the probable costs of each alternative;
- 11.9.1.iv. consider and analyze the probability of altering any constraints to each alternative;
- 11.9.1.v. consider and analyse the probable outcome of each alternative;

## 11. Consulting Standard - Comments

11.9.1.vi. reconcile the data into a final recommendation, opinion and/or conclusion.

### 11.10 Certification [see 10.2.14, 16.7]

11.10.1 Each written consulting report must contain a signed certification that is similar in content to the form outlined in Box 11.10.1. A review report that includes an opinion of value must also contain a signed certification of value that is similar in content to that in Box 7.24.1.

Box 11.10.1 ~ Certification

Re: (Subject Matter Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the subject matter and the issue that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I am not in a conflict of interest to undertake this assignment.
- I have no bias with respect to the subject matter, the issue that is the subject matter of this report or to the parties involved with this assignment.
- My engagement in and compensation for this assignment is not (or is) contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge, skills and experience to complete the assignment competently.
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report on *DATE*.
- No one provided professional assistance or third party professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing professional assistance or third party professional assistance and the extent of the assistance provided must be stated.)
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- Included a statement with the effective date, inspection date (if applicable), report date and conclusion.

Signature and date of certification [see 5.4.19]

### 11.11 Responsibility [see 2.17, 16.38]

11.11.1 A Member signing a report assumes responsibility for the entire report including professional assistance or any technical assistance.

11.11.2 Members providing Professional Assistance must be individually

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mentioned in the certification while individuals providing Technical Assistance do not.

11.11.3 A Member must disclose any Professional Assistance within the report.

11.11.4 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report. A Member may only cosign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program.

11.11.5 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction.

### 11.12 **Date of the Report [see 10.2.6]**

11.12.1 Compliance is required with the Standards in effect as at the date of the report.

## **12 RESERVE FUND PLANNING STANDARD - RULES**

### **12.1 Preamble**

12.1.1 This Standard deals with the procedures for the development and communication of a Reserve Fund Study and incorporates the minimum content necessary to produce a credible result. [\[See 2.60\]](#)

### **12.2 Rules**

In the report, [\[see 2.60, 13.1\]](#) the Member must:

- 12.2.1 identify the client and other intended user, by name; [\[see 13.2, 16.12, 16.13\]](#)
- 12.2.2 identify the intended use of the opinions and conclusions; [\[see 13.3, 16.52\]](#)
- 12.2.3 identify the purpose of the study; [\[see 13.4, 16.49\]](#)
- 12.2.4 identify the characteristics of the property; [\[see 16.19.3\]](#)
- 12.2.5 identify the effective date of the study; [\[see 2.23, 13.5, 16.52\]](#)
- 12.2.6 identify the date of completion of the study;
- 12.2.7 identify the legislation that applies to the assignment; [\[see 13.6, 16.53\]](#)
- 12.2.8 identify the scope of work and the extent of the data collection process; [\[see 13.7, 13.8, 16.54, 16.55.4, 16.61\]](#)
- 12.2.9 identify all assumptions and limiting conditions; [\[see 13.9\]](#)
- 12.2.10 identify any hypothetical conditions; [\[see 13.10, 16.29.2.ii, 16.57\]](#)
- 12.2.11 describe and analyze all relevant data to complete the reserve fund study; [\[see 13.11\]](#)
- 12.2.12 define and delineate the pertinent components the reserve fund study is to cover; [\[see 13.12\]](#)
- 12.2.13 provide a benchmark analysis; [\[see 13.13, 16.58\]](#)
- 12.2.14 provide at least one cash flow projection; [\[see 13.14, 16.59\]](#)

## 12. Reserve Fund Planning Standard- Rules

- 12.2.15 provide an opinion on the adequacy of reserve fund contributions; [\[see 13.15, 16.60\]](#)
- 12.2.16 provide at least one reserve fund model; [\[see 13.16\]](#)
- 12.2.17 detail the reasoning that supports the analyses, opinions, and conclusions; [\[see 13.16, 16.50\]](#)
- 12.2.18 report the final conclusions/recommendations; [\[see 13.17\]](#)
- 12.2.19 identify whether the report is an update; [\[see. 13.8, 16.55\]](#) and
- 12.2.20 include a signed certification. [\[see 2.17, 2.65, 4.3, 13.18, 16.38\]](#)

## **13 RESERVE FUND PLANNING STANDARD - COMMENTS**

### **13.1 Report [see 2.60, 12.2.2]**

- 13.1.1 A report transmitted through any medium must comply with this Standard.
- 13.1.2 Reserve fund planners must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature electronically.
- 13.1.3 Any software program used to transfer a report electronically must provide, at a minimum, a digital signature security feature for all reserve fund planners signing a report.
- 13.1.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report. [\[see 16.10\]](#)
- 13.1.5 A work file must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [\[see 16.10\]](#)
- 13.1.6 To the extent that it is both possible and appropriate, each oral report of a real property reserve fund study, including expert testimony, must comply with the Reserve Fund Planning Standard Rules. A written summary of such oral report must be added to the work-file within a reasonable time after the issuance of the oral report. [\[see 10.2.1\]](#)
- 13.1.7 The higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of reserve fund studies/Depreciation Reports or CUSPAP.

### **13.2 Client and Intended User [see 12.2.2, 16.12, 16.13]**

- 13.2.1 The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. It does not matter who pays for the work. [\[see 2.14\]](#)
- 13.2.2 The client/Member relationship lasts at least until the completion of the intended use of the original Reserve Fund Study Report / Depreciation Report, or release from client
  - 13.2.2.i. A party receiving a copy of a Reserve Fund Study Report / Depreciation Report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.



## 13. Reserve Fund Planning - Comments

### 13.3 **Intended Use [see 12.2.2]**

13.3.1 Before accepting the assignment, a Member must, by communicating with the client, identify and consider the client's intended use in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The intended use of the opinions and conclusions, as established with the client, must be stated in the reserve fund study report or depreciation report.

### 13.4 **Purpose [see 12.2.3, 16.49]**

13.4.1 The purpose of a Reserve Fund Study is to provide cost estimates for the required period of various reserve components for which major repairs and/or replacement are required over the lifetime of the subject of the reserve fund study, and to estimate the funding required for such major repairs and replacement.

### 13.5 **Effective date of the study [see 2.23, 12.2.5, 16.52]**

13.5.1 Establishes the chronological context for the conclusions and/or recommendations made in the study.

13.5.2 Compliance is required with the Standards in effect as at the report date.

### 13.6 **Legislation [see 12.2.9, 16.53]**

13.6.1 Legislation that applies to reserve fund studies exists in a number of provinces. The Member is required to be familiar with and comply with the requirements of applicable legislation for such studies [see 16.47], including the qualification criteria set out in such legislation.

### 13.7 **Scope of Work and Extent of Data Collection Process [see 12.2.8, 16.54, 16.55]**

13.7.1 Refers to the amount and type of information researched and analysis applied. Scope includes, but is not limited to, the extent of:

13.7.1.i. Inspection (inspection of the subject property is mandatory, subject to legislation and any Extraordinary Limiting Condition); [see 16.30, 16.53]

13.7.1.ii. data research, verification, and analysis applied.

13.7.2 The scope of work applied must be sufficient to result in opinions and/or conclusions that are credible in the context of the intended use of the study. The reserve fund planner has the burden of proof to support the scope of work

## 13. Reserve Fund Planning - Comments

decision and the level of information included in a report.

### 13.8 Update [see 12.2.19, 16.54, 16.55]

13.8.1 Refers to an extension of an original study, changing the effective date. In the update, any changes in the status of the subject property, construction cost, expected inflation rates, available investment rates or in any respect affecting conclusions and/or recommendations since the prior study, must be reported with analyses of these changes in developing an update. The updated report must clearly show that it can only be relied upon by a reader familiar with the original study.

### 13.9 Assumptions and Limiting Conditions [see 16.47]

13.9.1 Ordinary Assumptions and Limiting Conditions should be grouped together and disclosed in an identified section of the report.

13.9.2 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could alter the reserve fund planner's opinions and conclusions. Full disclosure of any Extraordinary Assumption must accompany statements of opinion and/or conclusion so affected (see also Hypothetical Conditions). [see 16.29, 16.56]

13.9.3 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule. The burden is on the reserve fund planner to explain and justify such necessity in the report, and to conclude before accepting an assignment and invoking an Extraordinary Limiting Condition that the scope of work applied will result in opinions and/or conclusions that are credible. [see 16.30]

### 13.10 Hypothetical Conditions [see 12.2.10, 16.57]

13.10.1 May be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include proposed improvements and prospective recommendations and conclusions. When analyzing proposed improvements, examine and have available for future examination:

- 13.10.1.i. plans, specifications, or other documents sufficient to identify the scope and character of the proposed improvements;
- 13.10.1.ii. evidence indicating the probable time of completion of the proposed improvements; and
- 13.10.1.iii. reasonably clear and appropriate evidence supporting development

### 13. Reserve Fund Planning - Comments

costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.

13.10.2 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [see 16.29]

13.10.3 Hypothetical conditions can apply when preparing a reserve fund study and it must be clear to the reader that:

13.10.3.i. the property condition does not in fact exist as at the effective date;

13.10.3.ii. the analysis performed to develop the conclusions and/or recommendations is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;

13.10.3.iii. certain events need to occur, as disclosed in the report, before the property condition will, in fact, exist;

13.10.3.iv. the recommendations and/or conclusions do not consider unforeseeable events that could alter the value conclusion;

13.10.3.v. a different conclusion and/or recommendation would likely result but for the hypothesis.

13.10.4 The hypothetical condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.

13.10.5 An analysis based on a hypothetical condition must not result in a report that is misleading.

#### 13.11 Describe and Analyze all Relevant Data [see 16.47]

13.11.1 The reserve fund planner must take reasonable steps to ensure that the information and analyses provided are sufficient for the client and intended user to adequately understand the rationale for the opinion and conclusions.

13.11.2 In the process of collecting and verifying relevant information, the reserve fund planner must perform this function in a manner consistent with “Reasonable Appraiser” standards.

#### 13.12 Components the Reserve Fund Study [see 12.2.12, 13.13, 13.14, 13.15, 13.16]

13.12.1 Benchmark analysis, cash flow projections, an analysis of the adequacy of the reserve fund contributions and preparing a reserve fund model are compulsory components of a reserve fund planning assignment.

## 13. Reserve Fund Planning - Comments

### 13.13 **Benchmark Analysis [see 12.2.13, 16.58]**

13.13.1 A benchmark analysis usually contains summary information about the age and expected life of a component and an estimate of the amount that should be set aside in order to accumulate the appropriate amount at the time that major repair or replacement of the component will be required.

### 13.14 **Cash Flow Projection [see 12.2.14, 16.59]**

13.14.1 The period of time for cash flow projections must be a minimum 25 years, unless legislated otherwise, in order for a majority of the reserve components to be scheduled for at least one repair or replacement event.

### 13.15 **Adequacy Analysis of the Reserve Fund Contributions [see 12.2.15, 16.60]**

13.15.1 The contingency reserve and the recommended annual contributions are inter-related and must be discussed in terms of their adequacy, as well as the recommended actions required to achieve the recommended level of funding.

### 13.16 **Preparing a Reserve Fund Model [see 12.2.16, 16.61]**

13.16.1 The reserve fund model must clearly state the objectives under which it is prepared. Options include: fully funded models, special levies or other options to make up shortfalls between the existing fund balance and what is considered to be prudent.

### 13.17 **Review, Reconciliation and Final Conclusions/Recommendations [see 12.2.18]**

13.17.1 The report must discuss the quality and quantity of data available and analyzed, along with the applicability and reliability of the data in context of the scope of the assignment.

## 13. Reserve Fund Planning - Comments

### 13.18 Certification [see 12.2.20, 16.38]

13.18.1 Each written report must contain a signed certification that is similar in content to the form outlined in Box 13.18.1.

Box 13.18.1 Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the subject matter or the issue that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I am not in a conflict of interest to undertake this assignment.
- I have no bias with respect to the subject matter, property or issue that is the subject matter of this report or to the parties involved with this assignment.
- My compensation is not (or is) contingent on an action or event resulting from the analyses, opinion, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge, skills and experience to complete the assignment competently.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report on *DATE*.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- No one provided professional assistance or third party professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing professional assistance or third party professional assistance and the extent of the assistance provided must be stated.)
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- Included a statement with the effective date, inspection date (if applicable), report date and value.

Signature and date of certification [see 5.4.19]

### 13.19 Responsibility [see 2.17, 16.38]

13.19.1 A Member signing a report assumes responsibility for the entire report including professional assistance or any technical assistance.

13.19.2 Members providing Professional Assistance must be individually mentioned in the certification while individuals providing Technical Assistance do not.

### 13. Reserve Fund Planning - Comments

- 13.19.3 A Member must disclose any Professional Assistance within the report.
- 13.19.4 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report. A Member may only cosign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program.
- 13.19.5 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction.

## **14 MACHINERY AND EQUIPMENT APPRAISAL STANDARD - RULES**

### **14.1 Preamble**

14.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value for machinery & equipment [2.45] (a category of personal property) and incorporates the minimum content necessary to produce a credible report that will not be misleading.

### **14.2 Rules**

In the report [see 2.60, 15.1, 16.10] the Member must:

- 14.2.1 identify the client by name and intended user by name; [see 15.2, 16.12]
- 14.2.2 identify the intended use of the Member's opinions and conclusions; [see 15.3, 16.13]
- 14.2.3 identify the purpose of the assignment, including a relevant definition of value in precisely defined terms; [see 15.4, 16.41]
- 14.2.4 define the scope of work necessary to complete the assignment; [see 15.5, 7.26, 16.15]
- 14.2.5 provide an analysis of reasonable exposure time linked to a market value opinion; [see 15.6, 16.18]
- 14.2.6 identify the effective date of the opinions and conclusions; [see 15.6]
- 14.2.7 identify the date of the report; [see 15.7]
- 14.2.8 identify the property type and classification, and describe the characteristics of the property including applicable component parts, that are relevant to the type of machinery & equipment (personal property) and the ownership interest to be valued; [see 15.8, 16.19, 16.25, 16.27]
- 14.2.9 identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions); [see 15.9, 16.28, 16.29, 16.30]
- 14.2.10 identify any hypothetical conditions; [see 15.10]
- 14.2.11 define and analyze the property's current use and alternative uses, as relevant to the type and definition of value; [see 15.11]
- 14.2.12 define and analyze the appropriate market consistent with the type and definition of value;

## 14. Machinery & Equipment Appraisal Standard – Rules

- 14.2.13 describe and analyze all data relevant to the assignment, including the relevant economic conditions that exist on the effective date of the valuation, including market acceptability of the property and supply, demand, scarcity or rarity; [\[see 15.12, 16.27\]](#)
- 14.2.14 describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [\[see 15.13\]](#)
- 14.2.15 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [\[see 15.14\]](#)
- 14.2.16 analyze the effect on value, if any, of the terms and conditions of the lease(s) or encumbrances; [\[see 15.8.1.v\]](#)
- 14.2.17 analyze the significance of the value of individual assets to the assignment results when appraising multiple objects. Those objects which are more significant to the assignment results should be the focus of the analysis and analyzed in appropriate detail; [\[see 2.7\]](#)
- 14.2.18 analyze the effect on value, if any, of an assemblage of various component parts of a property. The Member must refrain from valuing the whole solely by adding together the individual values of the various component parts; [\[see 2.7, 15.15\]](#)
- 14.2.19 analyze the effect on value, if any, of any anticipated modifications of the property, to the extent they are reflected in market actions;
- 14.2.20 analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings, as well as all prior sales of the property within a reasonable and applicable time period given the intended use of the appraisal and property type; [\[see 15.16, 16.37\]](#)
- 14.2.21 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [\[see 15.17\]](#)
- 14.2.22 report the final value estimate; [\[see 15.18\]](#)
- 14.2.23 include a signed certification of value. [\[see 15.19\]](#)

**Note:** A Member who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [\[see 15.1, 15.20\]](#)



## **15 MACHINERY & EQUIPMENT APPRAISAL STANDARD – COMMENTS**

### **15.1 Report [see 2.60, 16.10]**

- 15.1.1 A report transmitted through any medium must comply with this Standard.
- 15.1.2 Members must take steps meeting the “Reasonable Appraiser” test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.
- 15.1.3 To the extent that it is both possible and appropriate, each oral real property appraisal report, including expert testimony that addresses value, must comply with the Machinery & Equipment Appraisal Standard Rules. [\[see 16.11.2\]](#)

### **15.2 Client And Intended User [see 14.2.1, 16.12]**

- 15.2.1 The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment. It does not matter who pays for the work.
- 15.2.2 The client/Member relationship lasts at least until the completion of the intended use of the original appraisal, or release from client.
  - 15.2.2.i A party receiving a copy of an appraisal report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.

### **15.3 Intended Use [see 14.2.2, 16.13]**

- 15.3.1 Before accepting the assignment, a Member must, by communicating with the client, identify and consider the client's intended use in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The intended use of the opinions and conclusions, as established with the client, must be stated in an appraisal report.

### **15.4 Purpose [see 14.2.3, 16.41]**

- 15.4.1 Liability to the client may depend on the Member’s understanding of the client’s objective (intended use). The purpose of the appraisal states what value is being estimated, in precisely defined terms, in response to the client's intended use or objective. Value definition(s) must be included in the report together with the source of the definition. [\[see 2.69, 16.14\]](#)

## 15. Machinery & Equipment Appraisal Standard – Comments

### 15.5 Scope of Work [see 2.64, 14.2.4, 16.15, 7.26]

- 15.5.1 Scope of work refers to the amount and type of information researched and the analysis applied. Scope of work includes, but is not limited to, the extent of:
- 15.5.1.i. inspection (inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition) [see 16.27, 16.28.2, 16.30]
  - 15.5.1.ii. research into physical, legal, social, political, economic or other factors that could affect the property [see 15.12]
  - 15.5.1.iii. data research and verification, inspection of comparable data [see 15.12]
  - 15.5.1.iv. analysis applied
  - 15.5.1.v. any limitations to the assignment arising from the terms of the assignment, per the client's instructions. An extraordinary assumption or extraordinary limiting condition may be required to accommodate a client's instructions.
- 15.5.2 The scope of work applied must be sufficient to result in analyses, opinions and conclusions that are credible in the context of the intended use of the appraisal. The Member has the burden of proof to support the scope of work decision and the level of information included in a report.

### 15.6 Effective Date [see 2.23, 14.2.6]

- 15.6.1 Establishes the context for the value opinion; the date of value.
- 15.6.2 Current Value Opinion refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed.
- 15.6.3 Retrospective Value Opinion [see 16.16, 16.27.2] refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (i.e. past tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the retrospective effective date. Data subsequent to the effective date may be considered as confirmation of trends evident at that date.

Extraordinary Assumptions and/or Extraordinary Limiting Conditions must be clearly stated in the report citing the conditions from which the retrospective value opinion was developed.

## 15. Machinery & Equipment Appraisal Standard – Comments

15.6.4 Prospective Value Opinion [see 16.29] is a forecast and refers to an effective date beyond the date of the report. The use of clear language and consistent terminology in a prospective report (i.e. future tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the prospective effective date. A prospective value opinion is intended to provide an opinion of value occurring on a future date, based upon current market perceptions of future market conditions. This opinion should be based on the market data for the forecasts when made, not whether in hindsight they in fact occurred.

An Extraordinary Assumption must be clearly stated in the report citing the market conditions from which the prospective value opinion was developed, and absolving the Member from responsibility for unforeseeable events that alter market conditions prior to the effective date.

15.6.5 Updated Value Opinion [see 16.17] refers to an extension of an original appraisal, changing the effective date. In the update, any changes in the status of the subject, in market conditions or in any respect affecting the analysis, opinions and conclusion since the prior appraisal must be reported, with analyses of these changes in developing an updated opinion. The updated report must clearly show that it can only be relied upon by a reader familiar with the original. The update report must reference the effective date, date of report and the estimated value in the original report. The update report must reference that it is to be read only in conjunction with the original appraisal report or be attached to the original.

### 15.7 **Date of Report** [see 14.2.7]

15.7.1 The date of the report refers to the date of completion of the report. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates.

Compliance is required with the Standards in effect as at the date of the report.

### 15.8 **Characteristics of the Property** [see 14.2.8, 16.19, 16.27]

15.8.1 Relevant to the purpose and intended use of the report, characteristics of the property must be described, analyzed and included in the report:

- 15.8.1.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property with certainty;

## 15. Machinery & Equipment Appraisal Standard – Comments

- 15.8.1.ii. the property identification by serial number or other specific identifying features;
  - 15.8.1.iii. the ownership interest to be valued;
  - 15.8.1.iv. physical, legal and economic attributes including condition, style, size, quality, manufacture, author, materials, origin, age, providence, alterations, restorations, and obsolescence;
  - 15.8.1.v. any known restrictions, encumbrances, leases, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature, if relevant to the assignment, and any real property or intangible items that are not personal property, but which are included in the appraisal; [\[see 16.19.2\]](#)
  - 15.8.1.vi. consideration of known detrimental conditions; [\[see 2.32, 16.20, 16.21\]](#)
  - 15.8.1.vii. the extent of inspection of the subject property; and the information used to identify the personal property characteristics must be from sources the Member reasonably believes are reliable. The Member is permitted to use a combination of a property inspection and documents or other resources to identify the relevant characteristics of the subject property.
  - 15.8.1.viii. When appraising proposed modifications to the property, the Member must examine and have available for future examination, documentation sufficient to identify the extent and character of the proposed modifications. [\[see 16.27\]](#)
- 15.8.2 Inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition. [\[see 2.27, 16.30\]](#)
- 15.9 Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions) [\[see 14.2.9\]](#)**
- 15.9.1 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could materially alter the Member's opinions and conclusions. [\[see 2.5, 2.34, 16.29\]](#)
  - 15.9.2 Wherever an opinion or conclusion is stated within a report, the extraordinary assumption must be either stated in its entirety or reference provided to its exact location within the report.
  - 15.9.3 When referencing the subject matter of the extraordinary assumption with the body of a report, it must be clearly indicated that the subject matter is based on

## 15. Machinery & Equipment Appraisal Standard – Comments

the extraordinary assumption.

15.9.4 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule which may diminish the reliability of the report. The burden is on the Member to explain and justify such necessity in the report, and to conclude, before accepting an assignment and invoking an Extraordinary Limiting Condition, that the scope of work applied will result in analyses, opinions and conclusions that are credible and not misleading. [see 2.27, 16.30]

15.9.5 Extraordinary Assumptions and Extraordinary Limiting Conditions do not require a Hypothetical Condition. [see 15.10.3]

### 15.10 Hypothetical Conditions [see 2.34, 14.2.10, 16.29.2.ii]

15.10.1 Hypothetical Conditions may be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include, among others, proposed improvements and prospective appraisals.

With respect to proposed improvements, the Member shall examine and have available for future examination:

15.10.1.i. plans, specifications, and/or other documents sufficient to identify the scope and character of the proposed improvements;

15.10.1.ii. evidence indicating the probable time of completion of the proposed improvements.

15.10.2 A recertification of value does not change the effective date of the appraisal. [see 2.59]

15.10.3 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [see 15.9.1]

15.10.4 Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. The Member must avoid making unsupported assumptions. It must be clear to the reader that:

15.10.4.i. the property condition does not in fact exist as at the effective date;

15.10.4.ii. the analysis performed to develop the opinion of value is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;

15.10.4.iii. certain events need to occur, as disclosed in the report, before the property condition will in fact exist;

## 15. Machinery & Equipment Appraisal Standard – Comments

- 15.10.4.iv. the appraisal does not consider unforeseeable events that could alter the value conclusion;
- 15.10.4.v. a different value conclusion would likely result in the absence of the hypothesis.
- 15.10.5 Appraisals for expropriation can incur Hypothetical Conditions, and may require the Member to invoke the Jurisdictional Exception protocol. [\[see 2.42\]](#)
- 15.10.6 The Hypothetical Condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.
- 15.10.7 An analysis based on a Hypothetical Condition must result in a credible analysis and must not result in a report that is misleading. [\[see 14.2.10, 16.31\]](#)
- 15.11 **Use** [\[see 14.2.11\]](#)
  - 15.11.1 The value is a function of the choice of the appropriate market for, in some cases, market level, or the type of property item, the type and definition of value, and the intended use of the appraisal. The Member must consider the various uses of the property when viable alternative uses exist and when those alternative uses may result in a different value.
- 15.12 **Describe and Analyze All Data Relevant to the Assignment** [\[see 6.2.14, 16.27\]](#)
  - 15.12.1 The Member 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.
  - 15.12.2 In the process of collecting and verifying relevant information the Member must perform this function in a manner consistent with the “Reasonable Appraiser” standard.
  - 15.12.3 All three approaches to value require the collection of comparable data. The decision to inspect the comparable data and the extent of verification of data will be determined by the scope of the assignment, but in all cases the Member must conform to the “Reasonable Appraiser” standard. [\[see 15.5\]](#)
- 15.13 **Appraisal Procedures** [\[see 14.2.14\]](#)
  - 15.13.1 Excluding any of the three traditional approaches to value that would be considered pertinent under the “Reasonable Appraiser” standard, constitutes an Extraordinary Limiting Condition [\[see 2.27\]](#) that requires disclosure with reasoning.

## 15. Machinery & Equipment Appraisal Standard – Comments

- 15.13.2 The exclusion of any of the three traditional approaches to value that are not considered pertinent, or applicable, under the “Reasonable Appraiser” standard must be explained in the report and does not require an Extraordinary Limiting Condition.
- 15.13.3 The exclusion of an approach must not result in a report that is misleading. [\[see 4.3.3\]](#).
- 15.13.4 When a Direct Comparison Approach is applicable, a Member must analyze such comparable data as are available to indicate a reasonable value conclusion.
- 15.13.5 When a Cost Approach is applicable, a Member must:
- 15.13.5.i analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and
  - 15.13.5.ii analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation).
- 15.13.6 When an Income Approach is applicable, a Member must:
- 15.13.6.i analyze trends, forecasts and such comparable rental data as are available to estimate the market rental of the property;
  - 15.13.6.ii analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
  - 15.13.6.iii analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
  - 15.13.6.iv base projections of future rent and expenses on reasonably clear and appropriate evidence.
- 15.13.7 When a Discounted Cash Flow Analysis is applicable, a Member must: [\[see 16.35\]](#)
- 15.13.7.i analyze such data as are available from the real estate and capital markets and from surveys of investor opinions;
  - 15.13.7.ii ensure that input data is specific to the type of property being appraised;
  - 15.13.7.iii clearly display all relevant data, cash flow projections and assumptions on which the analyses are based; and
  - 15.13.7.iv identify and describe any computer software used in the analyses.

## 15. Machinery & Equipment Appraisal Standard – Comments

### 15.14 Reasoning [see 2.58, 14.2.15]

- 15.14.1 Reasoning requires the logical review, analyses and interpretation of data in a manner that will support the value conclusion, not be misleading to a reader, and be to a level consistent with the “Reasonable Appraiser” standard.

### 15.15 Assemblage [see 2.7, 14.2.18]

- 15.15.1 When appraising multiple objects, those objects that are more significant to the assignment results should be subject to a greater and appropriate depth of analysis.
- 15.15.2 Where applicable, the value of the whole of an assembled facility must be tested by reference to appropriate data and supported by an appropriate analysis of such data. A similar procedure must be followed when the value of the whole has been established and the Member seeks to value a part. The value of any such part must be tested by reference to appropriate data, and supported by an appropriate analysis of such data.

### 15.16 Agreement for Sale/Option/Listing [see 6.2.21, 16.37]

- 15.16.1 Any agreement for sale, option, lease, if applicable, or listing of the subject property that occurred within three years prior to the effective date of the appraisal, including any pending/current Contract of Purchase and Sale or lease must be analyzed and reported if such information is available to the Member in the normal course of business.
- 15.16.2 Any impact on the price paid for the subject property, or any effect on value under known undue stimulus must be reported.

### 15.17 Review and Reconcile [see 14.2.21]

- 15.17.1 The Member must review and in the report reconcile the quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the assignment.

### 15.18 Final Value [see 14.2.22]

- 15.18.1 May be a single point value, a range of values, or an indication of value, for example, “not less than” or “not greater than” a specified amount.



## 15. Machinery & Equipment Appraisal Standard – Comments

### 15.19 Certification [see 14.2.23, 16.7]

15.19.1 Each written real property appraisal report must contain a signed certification that is substantially similar in content with no exclusions of any of the 13 points contained in Box 15.19.1.

Box 15.19.1 ~ Certification

Re: (Machinery & Equipment Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the subject matter, the machinery and equipment that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I am not in a conflict of interest to undertake this assignment.
- I have no bias with respect to the subject matter, the machinery and equipment that is the subject of this report or to the parties involved with this assignment.
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client.
- My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge and experience to complete the assignment competently.
- No one provided professional assistance or third party professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing professional assistance and the extent of that assistance must be stated.).
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.
- I did not (did) personally inspect the subject machinery and equipment of the report (on *DATE*).
- Based upon the data, analyses and conclusions contained herein, the (current, retrospective, prospective or update) market value of the interest in the machinery and equipment described, as at (insert date), is estimated at (insert value).
- Included a statement with the effective date, inspection date (if applicable), report date and conclusion.

Signature and date of certification [see 5.4.19]

(Note: If more than one person signs, the certification must clearly specify the level of professional assistance provided by the individuals, including who did and did not make a personal inspection of the appraised machinery and equipment.) [see 5.4.19]

## 15. Machinery & Equipment Appraisal Standard – Comments

### 15.20 Responsibility [see 2.17, 14.2.23, 16.38]

- 15.20.1 A Member signing a report assumes responsibility for the entire report including professional assistance or any technical assistance.
- 15.20.2 Members providing Professional Assistance must be individually mentioned in the certification while individuals providing Technical Assistance do not.
- 15.20.3 A Member must disclose any Professional Assistance within the report.
- 15.20.4 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report. A Member may only cosign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program.
- 15.20.5 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction.

### 15.21 Scope of Work for Valuation for Financial Reporting [see 15.5]

- 15.21.1 Members must understand the applicable standard and ensure their work is in compliance.
- 15.21.2 In order not to mislead an intended user of an external appraisal for financial reporting, all four items listed below must be conducted independently by an external valuer. If all four items are not carried out, the resultant opinions cannot be regarded as an external appraisal:
  - 15.21.2.i. An inspection of the subject property sufficient enough to estimate its highest and best use, adequately describe the real estate and make meaningful comparisons.
  - 15.21.2.ii. A test of a reasonable sample of major tenant lease documents to ensure rental terms match the landlord's rent roll and to check for renewal options, termination options, etc. [see 16.40.1]
  - 15.21.2.iii. The utilization of independent market-based assumptions in the development of cash flow, not simply accept the management cash flow and the implicit assumptions therein. [see 15.13.7, 16.35.2]
  - 15.21.2.iv. The reliance on market data/yields that have been independently developed in a manner that is consistent with the development of the subject property cash flow. Meaningful comparisons are critical for consistency, accuracy and transparency. [see 15.13.6]

## **16 PRACTICE NOTES**

### **16.1 Member Categories (in accordance with AIC Bylaws and Consolidated Regulations)**

#### 16.1.1 Include:

- 16.1.1.i. Accredited Appraiser Canadian Institute (AACI)
- 16.1.1.ii. Canadian Residential Appraiser (CRA)
- 16.1.1.iii. AIC Candidate Member
- 16.1.1.iv. Student Member
- 16.1.1.v. Associate Member
- 16.1.1.vi. Honorary AACI
- 16.1.1.vii. Retired Member

16.1.2 Designated Member: An AIC fee or non-fee Designated Member shall be a person admitted to the Institute and enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has complied with the requirements for their use:

- 16.1.2.i. Accredited Appraiser Canadian Institute (AACI)
- 16.1.2.ii. Canadian Residential Appraiser (CRA)

16.1.3 AIC Candidate Member: An AIC fee or non-fee Candidate Member shall be a person admitted to the Institute and is properly registered in the Candidate Co-signing Registry, who is of legal age and has not completed the requirements for any designation.

16.1.4 Student Member: Shall be a person admitted to the Institute and enrolled on the register of the Institute as a Student who, at the time of their application, is of legal age, is enrolled as a full or part-time student in a recognized course of study, and who is not eligible for any other Membership category in the Institute.

16.1.5 Associate Member: Shall be a person enrolled on the register of the Institute as an Associate, and who is not eligible for any other Membership category in the Institute.

### **16.2 Conduct [see 4.3.2]**

16.2.1 Members pledge to assist the Institute in carrying out its responsibilities to the public and to users of its services.

### **16.3 Continuing Professional Development [see 4.3.6]**

16.3.1 Complete details of the AIC Continuing Professional Development Guidelines can be found on the AIC website at [www.AICCanada.ca](http://www.AICCanada.ca) .

## 16. Practice Notes

### 16.4 Liability Insurance [see 4.3.1]

- 16.4.1 The Institute insures competent Members for professional services as defined under CUSPAP. [see 2.53].
- 16.4.2 A Member is not insured for assignments completed during periods of Membership suspension, expulsion, retirement, resignation or when not registered and/or licensed in a jurisdiction where licensing is required
- 16.4.3 Associates [see 2.66, 16.1.4, 16.1.5], students and non-Members are ineligible for coverage; professional assistance in an assignment by an associate, student or non-Member will void the Member's insurance coverage through the Liability Insurance Program of the Institute. Student Members may provide technical assistance in an assignment as defined in section 2.67.
- 16.4.4 Office staff may assist in functions such as typing, title searches and general data collection without affecting the insurance coverage of the Member. However, these support services may not extend to responsibilities such as contributing to the writing of the report, interpreting sales or reconciliation of data or conclusions. [see 2.67]
- 16.4.5 The foregoing is a summary of conditions that is neither definitive nor exhaustive; refer to the Institute for full details.

### 16.5 Records [see 4.3.9]

- 16.5.1 The period for which a Member must retain or have access to records may exceed seven years due to:
  - 16.5.1.i. Legislation, which may vary across Canada for differing types of assignments;
  - 16.5.1.ii. The commencement date for retention, which can run from the time the Member discovers (or could by the exercise of reasonable care have discovered) a possible cause of action (e.g. under the “Limitations Act”).
- 16.5.2 Documentation for a mass appraisal for ad valorem taxation may be in the form of 1) property records, 2) sales ratio and other statistical studies, 3) appraisal manuals and documentation, 4) market studies, 5) model building documentation, 6) regulations, 7) statutes, and 8) other acceptable forms.
- 16.5.3 Members are advised to maintain as much relevant information as possible for future reference. For example, a Member may save the zoning bylaw excerpt related to their subject property and not the supporting and relevant sections (e.g. definitions, general requirements, etc.) which may result in incomplete data for which the Member would not have access should they need to refer to the file at a later date (e.g. for litigation purposes)..

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### 16.6 Disclosure [see 4.3.10]

- 16.6.1 In the normal course of business within an office, files may be open for review by other Member and by support staff. The burden is on the Member responsible for the assignment to ensure that no confidences are breached.
- 16.6.2 In particularly sensitive assignments, a client may require a confidentiality agreement, in which case all files may have to remain sealed. [see 5.10]
- 16.6.3 A duty of confidentiality can arise even when no retainer exists.
- 16.6.4 The Personal Information Protection and Electronic Documents Act (PIPEDA) stipulates that the occupant's consent is required for the taking of interior photographs of their personal space (e.g., housing unit, office space). Additionally, taking photographs of units without the occupant's consent is, under the Professional Liability Insurance Policy, a “violation of any statute or regulation”, and as such may result in denial of insurance coverage in the event of a claim.
- 16.6.5 The report should document that consent was obtained and if the form is signed, keep a copy in the workfile.
- 16.6.6 If written consent cannot be obtained, verbal consent can be obtained with an explanation in the report as to how consent was obtained, i.e.:
  - 16.6.6.i. verbal over the phone;
  - 16.6.6.ii. verbal on site.
- 16.6.7 If consent cannot be obtained, the report should disclose that all efforts were made to obtain consent but consent could not be obtained and provide an explanation, i.e.:
  - 16.6.7.i. occupant or, one of multiple occupants, refused;
  - 16.6.7.ii. occupant could not be reached, (i.e., out of town, out of the country);
  - 16.6.7.iii. house is vacant, occupant was not present at the inspection (Member has lock box or key access, etc.);
  - 16.6.7.iv. language barrier where the occupant does not understand enough to consent.
  - 16.6.7.v. The occupant at the time of the inspection was not of legal age.
- 16.6.8 In these or similar instances, as outlined in 16.6.7, no interior photos can be taken since no consent was obtained.
- 16.6.9 The report should note that all efforts have been made to ensure the protection of the occupant’s personal information and that the report complies with PIPEDA.
- 16.6.10 Under PIPEDA, personal information is defined as information about an identifiable individual and includes records such as photographs, regardless of

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physical form or characteristics.

16.6.10.i. This can include but is not limited to: photographs of occupants and people, personal value items, diplomas.

16.6.10.ii. Key areas where an occupant's personal information may be more obvious include: living room, dining room, family room, bedrooms, office space.

16.6.11 While taking photos, Members must be mindful of what is being captured in photographs to ensure that personal valuable items, personal photographs of occupants and people are not included.

16.6.12 A Member is strongly cautioned on the use of confidential information and must obtain consent from the source to use and/or disclose it for any use other than the original intended use.

### 16.7 Conflict [see 4.3.11]

16.7.1 A conflict of interest arises when the perception or potential for the ability of the practitioner to exercise the required professional judgment is undermined.

16.7.2 Recognizing a conflict does not eliminate it.

16.7.3 Declaration to the client may not resolve the conflict; circumstances may require withdrawal from the assignment.

16.7.4 Conflicts of interest fall into two categories: a "conflict of obligation", where the Members cannot satisfy one obligation without sacrificing another; and a "conflicting interest", where the self-interest of the Members, or some other party to whom the Members is obligated, cannot be satisfied without failing to satisfy the client's interest.

16.7.5 In dealing with a "conflict of obligation", the most obvious problem is when a Member has two or more clients whose interests at first glance appear to be in harmony, but upon subsequent events or a closer analysis prove to be in conflict. This has been termed "simultaneous representation".

16.7.5.i. Such events may include joint instructions from parties involved in a matrimonial dispute that commences in a civilized manner, but subsequently escalates. In this instance, Members can find themselves not only attracting criticism from both partners, but find themselves the centre of attention as a dispute over the matrimonial assets assumes an ever-increasing profile. The end result is at least one of the parties has a very poor opinion of the Members and the profession in general.

16.7.5.ii. In such instances, the only defense is a preventive one, with the Members advising the parties to get separate appraisals and, failing this, the Members should consider declining the instructions.

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- 16.7.5.iii. This is one of the least complicated of “conflicts of obligation”; others can be far more complicated.
- 16.7.6 A continual problem for Members is a second appraisal instruction on the same property, but from a different client. A circumstance may arise when a Member, who had previously completed an appraisal for an owner contemplating a sale, is requested to appraise the property for the purchaser or the purchaser’s financial institution. This instance can be termed “successive representation” but can also be termed a “no-win” situation for the Member.
- 16.7.6.i. It is obvious that, under such circumstances, the Member is under great pressure to at least re-affirm the original value. To do otherwise would be to cast doubt on the original appraisal, which would hardly enhance the Member’s standing in the eyes of the owner; but to ignore the actual sale value could do a disservice to the new client.
- 16.7.6.ii. Even if this situation is not a problem, the owner may have previously provided confidential information that the owner may not want divulged to the new owner. Failure to include that information in the second report, if material, would lead to a breach of the Standards, whereas including the information would betray the confidentiality promised to the original client, again a breach of the Standards. This situation is best resolved by declining the second set of instructions if you are privy to confidential information. In any event, the consent of the first client must be obtained before proceeding with the second appraisal.
- 16.7.7 A conflicting interest can arise, for example, if the Member proceeds, during the period that commences at the time the Member is contacted concerning an assignment and expires a reasonable length of time after the completion of such assignment, to deliberately acquire property or assume a position that could possibly affect the Member’s professional judgment or violate the fiduciary duty to the client unless, prior to such acquisition or change of position:
- 16.7.7.i. the Member carefully considers the facts and reasonably concludes that the proposed acquisition or change of position will not affect professional judgment or violate any fiduciary duty to the client; and
- 16.7.7.ii. the Member makes full disclosure to the client and obtains from the client a written statement consenting to or approving such acquisition or change of position; and
- 16.7.7.iii. at the time of such disclosure, the Member gives the client the right to terminate the appraisal assignment without payment of any fee or other charge; and

## 16. Practice Notes

16.7.7.iv. the facts concerning such acquisition or change of position are completely and accurately described in each written and oral appraisal report resulting from the appraisal assignment.

16.7.8 As a general rule, in all circumstances where a Member proceeds subsequent to a declaration of conflict, such a conflict must be first confirmed in writing as well as referred to in any reports.

16.7.9 In order to avoid the perception of bias or conflict of interest it is recommended that a Member disclose to the client any professional services relative to the subject property if appropriate.

16.7.10 Disclosure of fees, commissions or things of value connected to the procurement of an assignment must appear in the certification of the written report and in any transmittal letter in which conclusions are stated.

### 16.8 Competence [see 2.14, 4.3.7]

16.8.1 The steps necessary and appropriate to complete an assignment competently include personal study by the Member, reviewer, consultant or reserve fund planner, association with an appraiser, consultant or reserve fund planner reasonably believed to have the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.

16.8.2 The concept of competency also extends to Members required to travel to geographic areas where they lack the required knowledge and experience. An understanding of local market conditions goes beyond hard data such as demographics, costs, sales and rentals. If a practitioner cannot spend the time necessary in a market area to gain this understanding, affiliation with a local qualified Member or third party expert could ensure competence. Geographical competency applies equally to co-signing and mentoring. [\[see 2.17\]](#)

### 16.9 Contingent [see 4.3.12]

16.9.1 Objectivity is of fundamental importance in appraisal, review, consulting and reserve fund planning assignments. Competency, rather than financial incentives, should be the primary basis for awarding and accepting an assignment. [\[see 4.3.7\]](#)

16.9.2 A Member may be consulted by a client to attempt to negotiate a lower assessment for taxation purposes, or higher compensation for a taking by an expropriation authority, for example. Members are reminded that they must comply with the legislative requirements in their jurisdiction, namely as it relates to scope of practice and accepted qualifications. [\[see 11.1.1\]](#)



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- 16.9.2.i. The first issue is how the Member can address value in a consulting assignment without being required to meet the Real Property Appraisal Standard.
- 16.9.2.ii. An answer lies in the definition of an appraisal.
- 16.9.2.iii. If the Member has not been retained specifically to produce a formal appraisal, if the opinions expressed are not intended to be relied upon, and if the Member would not be expected to assume responsibility for the opinions expressed, then no appraisal has been undertaken and the Real Property Appraisal Standard does not have to be met.
- 16.9.2.iv. The second issue goes to the question of contingent fees. If no formal opinion of value has been undertaken, then a contingency fee arrangement may be proper, subject to disclosure in any written report. If a formal opinion of value has been undertaken that generates a subsequent opportunity for a contingency fee arrangement (such as in consulting for brokerage or settlement negotiations) disclosure is required in any written report. (see illustration in Box 16.9.2.iv)

### Box 16.9.2.iv ~ Contingent Fees

#### Illustration

**Q.1:** Is a Member obligated to disclose contingent fee arrangements when discussing, negotiating, addressing or promoting an expression of value in a consulting assignment?

**Response:** Ethics Standard requires disclosure of contingent compensation only in written reports.

- 16.9.3 Member-Broker Disclosures must be handled appropriately so that intended users are not confused about the role the Member is taking when acting in a real estate or mortgage broker capacity, as opposed to providing a value opinion or recommendations in the case of a consulting service.
  - 16.9.3.i. An agency relationship implies that the individual will maximize the position of their client. Appraisal, review and consulting services and reserve fund studies are provided on an objective, unbiased and impartial basis, when the individual is acting as an appraiser, consultant or reserve fund planner.
  - 16.9.3.ii. Care must be taken to ensure the client understands this difference, in order to properly understand the opinion or advice offered.
  - 16.9.3.iii. When appropriate, such disclosures shall be made in writing, and Members shall observe their obligation to ensure the client is aware that insurance coverage under the AIC program is not applicable to their activities as a broker.

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### 16.10 Report [see 2.60, 6.2, 8.2, 10.2, 12.2, 14.2]

- 16.10.1 These Standards do not dictate the form, format or style of reporting. These are functions of the needs of users and Members. The substantive content of a report determines its compliance.
- 16.10.2 Members should be protective of their digital signature, in whatever format it is stored, including PDF, jpeg or securitized digital signature. The signature should be password protected and should never be shared without the Member's consent, regardless of the urgency. The Institute is aware that some Members may have been asked to provide their digital signature and password to clients, appraisal management companies or employers; it does not endorse this practice. If the Member is obligated to give third parties access to their signature, they should have a written agreement which outlines the situations where their signature may be used and those situations where the original work product may be changed.
- 16.10.3 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report.

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### Box 16.10.3: Suggested Assumptions and Limiting Conditions (re: Digital Signature)

- This report is prepared at the request of the client and for the specific use referred to herein. It is not reasonable for any other party to rely on this appraisal ***without first obtaining written authorization from the client, the author and any supervisory appraiser***. Liability is expressly denied to any party other than the client and those who obtain written consent and, accordingly, no responsibility is accepted for any damage suffered by any such party as a result of decisions made or actions based on this report. Diligence by all intended users is assumed.
- The contents of this report are confidential and will not be disclosed by the author to any party except as provided for by the provisions of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The appraiser acknowledges that the information collected herein is personal and confidential and shall not use or disclose the contents of this report except as provided for in the provisions of CUSPAP and in accordance with the appraiser's privacy policy. ***The client agrees that in accepting this report, it shall maintain the confidentiality and privacy of any personal information contained herein and shall comply in all material respects with the contents of the appraiser's privacy policy and in accordance with the Personal Information Protection and Electronic Documents Act (PIPEDA).***
- Written consent from the author and supervisory appraiser, if applicable, must be obtained before any part of the appraisal report can be used for any purpose by anyone except the client and other intended users identified in the report. Where the client is the mortgagee and the loan is insured, liability is extended to the mortgage insurer. Liability to any other party or for any other use is expressly denied regardless of who pays the appraisal fee. **Written consent and approval from the author(s) of the report must also be obtained before the appraisal (or any part of it) can be altered or conveyed to other parties, including mortgagees (other than the client) and the public through prospectus, offering memoranda, advertising, public relations, news, sales or other media.**
- (If using the AIC form report) This form report is the property of the Appraisal Institute of Canada (AIC) and for use only by AIC Members in good standing. Use by any other party is a violation of AIC copyright.
- (For all report formats) This appraisal report and its content, and all attachments/addendums and their content are the property of the author who has signed the report (“the author”). The client and the intended users of the appraisal or the data, directly or indirectly, are specifically forbidden to rely on the report except with prior written consent of the author. The appraisal report and all attachments/addendums are not to be modified or altered in any respect, merged with other data or published in any form, in whole or in part. Prohibited uses include screen scraping, database scraping, exploitation of, copying of, reproduction of, decompile of and any other activity intended to collect, store, reorganize or manipulate the appraisal and its content.
- If transmitted electronically, this report will have been digitally signed and secured with personal passwords to lock the appraisal file. Due to the possibility of digital modification, only originally signed reports and those reports sent directly by the appraiser, can be relied upon without fault.

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- 16.10.4 Reports may be in either imperial or metric measurements (or both), whichever is commonly used in the subject market.
- 16.10.5 A Letter of Engagement (see Box 16.10.5 for an example), as a contract between a Member and client, could contain:
- 16.10.5.i. Name of client;
  - 16.10.5.ii. Property Identification;
  - 16.10.5.iii. Purpose of report;
  - 16.10.5.iv. Intended use;
  - 16.10.5.v. Intended user;
  - 16.10.5.vi. Interests considered;
  - 16.10.5.vii. Date of Valuation;
  - 16.10.5.viii. Real Property Appraisal, Review, Consulting, Reserve Fund Planning or Machinery and Equipment procedures;
  - 16.10.5.ix. Type of Report;
  - 16.10.5.x. Extraordinary Assumptions and Limiting Conditions;
  - 16.10.5.xi. Client supplied data;
  - 16.10.5.xii. Access to Property;
  - 16.10.5.xiii. Fee/Retainer;
  - 16.10.5.xiv. Number of copies of report;
  - 16.10.5.xv. Time for acceptance;
  - 16.10.5.xvi. Time for data provision;
  - 16.10.5.xvii. Time for delivery of report;
  - 16.10.5.xviii. Provisions for contract amendments;
  - 16.10.5.xix. Acceptance of contract;
  - 16.10.5.xx. Additional Terms of Reference;
  - 16.10.5.xxi. Written or oral consent from the occupant(s) of the space under review for the taking of interior photographs and personal information.

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Box 16.10.5

Member address (if no letterhead)

Date

Client Coordinates

**RE:** LETTER OF ENGAGEMENT FOR THE PROPERTY IDENTIFIED AS: Property

Further to your request on (date) to hire (Member name) to complete (describe service) of the above-referenced property, this letter of engagement is intended to outline the terms of the assignment.

**CLIENT:** Identify client by name

**PURPOSE OF REPORT:** To estimate (type of value, current, retrospective, prospective, update) market value

**INTENDED USE:** The report can be relied upon for (state intended use).

**INTENDED USER:** Identify the intended user by name if different than client; if the same, identify the intended by name along with the client above.

**TERMS OF REFERENCE OF THE ASSIGNMENT:** Describe the terms.

**INTERESTS CONSIDERED:** Define interests appraised.

**DATE OF VALUATION:** The effective date of the appraisal will be (date).

**ACCESS TO PROPERTY:** Describe if there are any limitations.

**HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS:** Define any specific conditions, assumptions and limitations driven by the terms of the assignment. .

**CLIENT RESPONSIBILITIES:** Outline client responsibilities. For example, the client is to provide the author with the following data, provide access to the property, etc.

**SCOPE OF THE ASSIGNMENT:** The Scope of the appraisal encompasses the due diligence by the author (consistent with the terms of reference from the client, the purpose and intended use of the report) and the necessary research and analysis to prepare a report in accordance with the Canadian Uniform Standards of Professional Practice of the Appraisal Institute of Canada. The following describe the extent of the process of collecting, confirming and reporting data and its analysis, describe relevant procedures and reasoning details supporting the analysis, and provide the reason for the exclusion of any valuation procedures. (Describe the scope).

**FEE/RETAINER:** The fee for this report is \$X plus (applicable taxes). Add any terms such as for example "Due to the scope of the work involved for this assignment, X% of the fee (that being \$XX plus applicable taxes) is payable on signing this letter, the balance due before final report is released (or as defined)."

**TIME FOR DELIVERY OF REPORT:** (State time frame) from receiving this signed Letter of Engagement

\_\_\_\_\_ Date: \_\_\_\_\_

Member name and designation

\_\_\_\_\_ Date: \_\_\_\_\_

Client name

- 16.10.6 Use of the AIC forms is encouraged as they represent an industry accepted norm, providing the minimum required data necessary to permit a client to make a decision. This remains a Member's preference. It remains a professional obligation to ensure that whatever form or report format Members use that the

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reports are fully compliant with CUSPAP.

- 16.10.7 Use of Draft reports is permitted however, the Member shall not sign a draft report since a signature is personalized evidence indicating authentication of the work performed by the Member, where the Member is responsible for the content, analyses and conclusions in the report. Under the **Responsibility** provisions of CUSPAP, by signing a report, a Member takes responsibility for the entire report.

What follows are suggested best practices when preparing and distributing Draft reports:

- 16.10.7.i. Include a limiting condition with wording regarding the report being valid only with an original signature, thus suggesting that an unsigned report is not a valid report. [\[see 2.60, 16.29.2.ii\]](#)
  - 16.10.7.ii. Include a letter of engagement with the assignment outlining the terms of the assignment (i.e. number and frequency of draft reports, invoicing schedule, terms of the draft and its distribution, etc.)
  - 16.10.7.iii. Insert a DRAFT watermark across every page or in the header.
  - 16.10.7.iv. Insert a header or footer with the date and the version of the draft (e.g., Draft #X effective Month/Day/Year) on every page to indicate to any user, intended or potential, that the report is a draft but also to identify the draft version in case there are subsequent ones.
  - 16.10.7.v. Include a transmittal letter with every draft report outlining the terms of reference and the client's instructions to provide a draft report and for what purpose – the same should be noted in the scope of work of each draft report.
  - 16.10.7.vi. Wherever the value and signature should appear (i.e. conclusion, certification page), a draft notation should be inserted to alert any reader of the report's draft status.
  - 16.10.7.vii. Note: Inserting “draft” on signature lines will help prevent fraud and a third party affixing a signature that is not the Member's original signature.
  - 16.10.7.viii. The Member should include in the final report a summary of changes from the last draft to the final report, if appropriate.
  - 16.10.7.ix. Reliance letters to third parties must outline the terms of reference of the draft and the limitations.
- 16.10.8 A progress report, prepared to determine percentage complete without reference to value, as part of an original appraisal report, is considered to be an extension of the original report. [\[see 16.10.9\]](#)

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- 16.10.9 A standalone progress report, prepared to determine percentage complete without reference to value, and without an original appraisal report, is considered to be a consulting assignment. [\[see 16.10.10\]](#)
- 16.10.10 A “Cost to Complete” is not a progress inspection report.
- 16.10.11 The “Cost to Complete” should align with the estimated cost of the remaining improvements, as detailed in the Cost Approach of the original report. This does not provide a reference to value but is a confirmation of the data itemized in the Cost Approach of the original report.
- 16.10.12 The cost-to-complete can only be determined as at the effective date of the estimate of value in the original report. In order to provide the estimated cost-to-complete post-effective date, the Member will be required to reassess the estimate of value, which becomes a second assignment and may be an update assignment. Construction costs are not static and, in heated markets or where there is shortage of skills, construction costs (i.e., material, labour charges, delays) can increase significantly and in a short period of time. As a result, the cost-to-complete estimated with the original report could change as the work progresses.
- 16.10.13 It is misleading to state a value for a partially completed improvement by simply deducting the cost to complete (or percentage) from the value as if complete. [\[see 2.69\]](#)
- 16.10.14 A progress report is subject to specific assumptions and conditions. [\[see 16.28, 16.29, 16.30\]](#)
- 16.10.15 Respecting the Review Standard, negative comments are acceptable in a review; however, the reviewer must be mindful of the tone and language. What follows are examples of negative yet constructive feedback; the reviewer is reminded that every opinion, disagreement or criticism must be followed by supporting data.
- 16.10.15.i. “The comparables are dated yet current sales exist.”
- 16.10.15.ii. “The time adjustment is incorrectly calculated and applied.”
- 16.10.15.iii. “The body of knowledge or teachings suggest that typical operating expenses for the property under review include heat, hydro, water and management fee yet the report fails to include them in the Income Approach.”
- 16.10.15.iv. “Under CUSPAP, the appraiser must define and resolve the highest and best use; however, the report fails to provide the supporting analysis and rationale for the concluded highest and best use of subdividing the subject residential site into 3 residential lots.”

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- 16.10.15.v. The report says the sale required a 5% adjustment yet no reason or rationale is given.
- 16.10.15.vi. In her report Ms. Smith .... The appraiser, Jane Smith, fails to note that...
- 16.10.15.vii. The value analysis is poorly supported and contains numerous inconsistencies and is deemed to be misleading.
- 16.10.15.viii. Based on the teachings and common practice in the industry, it is reasonable to assume that the Income Approach would be a reliable valuation methodology. The appraiser fails to provide a rationale for excluding it.
- 16.10.15.ix. The property description is inadequate for a narrative report and does not meet the reasonable appraiser standard.
- 16.10.15.x. The appraiser concluded with a capitalization rate of 8.25% however, based on a revision of the analysis and the data, and based on additional data that I provided, the capitalization rate appears to be too low.
- 16.10.15.xi. Comments (or any conduct) that could prejudice the reputation of the author are not acceptable. Character assassination or the use of inflammatory language is inappropriate, prejudicial and unprofessional, and creates the appearance of bias; a reviewer can be subject to disciplinary sanctions in the event of a professional practice complaint. Ending an argument with a question without a supporting opinion is also unacceptable. The following are unacceptable comments:
  - 16.10.15.xii. “The appraiser is incompetent.”
  - 16.10.15.xiii. “I wouldn’t rely on the work of this appraisal firm.”
  - 16.10.15.xiv. “The analysis is flawed.”
  - 16.10.15.xv. Jane didn’t include the heating and electricity expenses in the analysis.
  - 16.10.15.xvi. This makes no sense to me.
  - 16.10.15.xvii. The cap. rate is concluded to be 8.25%. Based on the comparable data used in the report, does this make sense?
  - 16.10.15.xviii. There are two concluded HBU. Which is it?
- 16.10.16 Narrative Report Outline: See Box 16.10.16 for an example of report outline for a narrative report. The content of each section is driven by the Rules and Comments under each Standard.



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Box 16.10.16 ~ Narrative Report Outline - An example of an outline for a narrative report

### Title Page

#### Part One - Introduction

1.1 Letter of Transmittal

1.2 Table of Contents

1.3 Executive Summary (should contain the salient facts and important conclusions together with a concise narrative description of the assignment and its results.

#### Part Two - Basis of the Appraisal

2.1 Identification of Client and Intended User(s)

2.2 Intended Use of the Report

2.3 Purpose of the Assignment

2.4 Property Rights Appraised

2.5 Definition of Value, including whether current, retrospective, prospective or an update

2.6 Effective Date of Value

2.7 Scope of Work

2.8 Assumptions and Limiting Conditions, including Hypothetical Conditions, Extraordinary Assumptions, Extraordinary Limiting Conditions and Jurisdictional Exceptions, if applicable

#### Part Three - Factual Information

3.1 Identification of the Property, including title information

3.2 Area, City and Neighbourhood Data

3.3 Characteristics of the Site

3.4 Characteristics of the Building and Other Improvements

3.5 Existing Use of the Property

3.6 Assessments and Taxes

3.7 Sales and Listing History of the Subject Property

3.8 Land Use Controls

#### Part Four - Analyses and Conclusions

4.1 Characteristics of the market

4.2 Highest and Best Use of the Land as if Vacant

4.3 Highest and Best Use of the Property as Improved

4.4 Valuation Methodologies and any exclusions

4.5 Land Value Analysis

4.6 Cost Approach and Analysis

4.7 Income Approach and Analysis

4.8 Direct Comparison Approach and Analysis

4.9 Reconciliation

4.10 Final Value Estimate and Exposure Time Analysis

4.11 Certification with and/or without Value depending on assignment

#### Addenda

Appendix A Appropriate Plans and Maps

Appendix B Relevant Documents including Letter of Engagement

Appendix C Title Search

Appendix D Photographs

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### 16.11 Work-file [see 4.3.9, 9.1.7, 11.2.5]

- 16.11.1 A workfile preserves evidence of the Member's consideration of all applicable data as may be required to support the findings and conclusions of the Member. Care should be exercised in the selection of the form, style and type of medium for written records, which may be hand-written and informal, to ensure they are retrievable by the Member throughout the prescribed record retention period as set by the AIC and/or pertinent legislation.
- 16.11.2 A work-file should be in existence prior to and contemporaneous with the issuance of a written or oral report.
- 16.11.3 The workfile should include, but not be limited to:
- 16.11.3.i. the name of the client and the intended user
  - 16.11.3.ii. a copy of the service request by the client; alternatively, a note on file from the Member summarizing the service request with the date and time of the request;
  - 16.11.3.iii. a copy of the invoice to the party paying for the professional service
  - 16.11.3.iv. notes from all oral conversations with the client and all parties with whom the Member exchanges for the assignment; notes should have the date and time of the conversation as well as the names of the parties present;
  - 16.11.3.v. true copies of all written reports (including drafts) on any type of media (e.g., hard or soft copy)
  - 16.11.3.vi. summaries of all oral reports or testimony, or a transcript of a testimony
  - 16.11.3.vii. all other data and documentation necessary to support the Member's analysis, opinion(s) and conclusion(s).
- 16.11.4 When the oral report is provided on a standalone basis, a written summary of the oral presentation/report should be prepared and placed in the workfile within a reasonable time after the issuance of the oral report.

### 16.12 Client and Intended User [see 6.2.1, 8.2.1, 10.2.1, 12.2.1, 14.2.1]

- 16.12.1 A statement similar to the following may be appropriate:
- 16.12.1.i. "This report is intended for use only by (identify client name) and (identify any other intended users as acknowledged and confirmed by the client, by name).

The intended user shall be identified by name, which can include an identifiable entity. Examples of acceptable intended user names:

- "Lender ABC";

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- “Solicitor D”
  - “Condominium Corporation E”
  - “Strata Corporation F”
  - Agency (Name)
  - City of (Name)
  - Corporation (Name)
  - “This report is intended for the use of those specifically identified and all other use is strictly unauthorized. The appraiser is not liable for any unauthorized use of this report.”.
- 16.12.1.ii. Where the assignment is ordered by an Appraisal Management Company / Mortgage Broker, the report may identify the parties ordering the report in the “Requested By” section of the report to make it clear to the reader that the Appraisal Management Company / Mortgage Broker is neither the client nor the intended user. The client shall be identified as Lending Institution, etc. Name and the Intended User shall be identified as Lending Institution Name, and no other intended user.
- 16.12.1.iii. Types of intended users such as “To be determined”, “To be confirmed”, “John Doe and his lenders” or other similar references are not acceptable types of intended users. The member is cautioned that the use of vague or undefined intended user names or types is not permitted. This is not intended to preclude loan securitization or institutional underwriting; however, these users must be clearly identified by name.
- 16.12.1.iv. The Member is cautioned that the use of vague or undefined intended user names or types are not permitted.
- 16.12.2 Prior to accepting the assignment, a Member must identify the client and intended user, using care not to violate confidentiality requirements.
- 16.12.3 The client/Member relationship lasts at least until the completion of the intended use of the original appraisal or release from the original client. Prior to accepting the assignment from a second client, the Member must confirm that the intended use of the original appraisal has been completed.
- 16.12.3.i. The steps taken to ascertain that a conflict of interest does not exist must be outlined in the Certification.
- 16.12.4 Members are frequently asked to authorize the use of a report by an unintended third party, i.e., a party other than the one(s) intended for the original report.

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- 16.12.4.i. This most often takes the form of a lender requesting authorization to use the appraisal for underwriting purposes, when the report had originally been prepared for the owner and/or a different lender.
- 16.12.5 A report transferred to a third party continues to carry with it the pre-existing ability to attract a claim. By formally acknowledging the right of a third party to rely on the report, you will be extending the right to make a claim as a result of reliance on the report as well as opening up additional possibilities for a claim from the original client, such as a breach of confidentiality.
- 16.12.6 In general terms, the Member can permit the use of a report by an unintended third party, however, it is important to ensure that this new party is made aware of the dates associated with the original report to ensure that the value, opinion or conclusion only applies as of the effective date, any special considerations and assumptions, client terms of reference, etc., that entered into the value conclusion. A good practice would be to also note them in the reliance letter.
- 16.12.7 The older the date of the report, the less relevant the report can be to a third party. It is not unreasonable for the Member to judge the relevancy of the report, considering the passage of time and based on the circumstances at hand, and to decline authorization. It should be clear to the prospective user that there may have been significant changes to the:
- 16.12.7.i. property,
  - 16.12.7.ii. market conditions
  - 16.12.7.iii. or other since the time of report that would have a material impact on the conclusion.
- 16.12.8 When faced with a request to assist the third party, the Member has the choice of writing a reliance letter, completing a new report for the new intended user (provided the Member is not in a conflict of interest), or declining to authorize reliance by a third party.
- 16.12.9 Providing a Reliance Letter is at the sole and absolute discretion of the Member and they may choose not to issue one or, if they do issue one, make it subject to a number of additional caveats and, possibly, subject to the payment of an additional fee. The Member should be aware of the implications of providing a reliance letter including, among other things, the additional liability being accepted. Additionally, the Member is strongly advised to confirm whether the assumptions and facts of the report (e.g. building condition, tenant profile, vacancies, rents being achieved, etc.) has not materially changed as it could be misleading and open the Member to potential liability.

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Box 16.12.9 – Reliance Letter

[Name of new intended user]

Attention: *[Name]*

RE: Appraisal Report [Project #[FILE#] ]  
Property identification: [ADDRESS] (the “Property”)  
Effective date of the appraisal report:

We, the undersigned, understand that *[NEW INTENDED USER NAME]* proposes to rely on this report to provide financing to *[BORROWER]* (the “Borrower”).

*[APPRAISER]* prepared an appraisal of the above-referenced property as at *[DATE]* , for [state the intended use] for [original client name] which estimated the market value of the Property to be \$*[VALUE]* . We have been requested by *[CLIENT AND/OR ORIGINAL INTENDED USER]* to provide a reliance letter, authorizing *[NEW INTENDED USER NAME]* to rely on the appraisal report, for *[1<sup>ST</sup> OR 2<sup>ND</sup> MORTGAGE OR SPECIFY PURPOSES]*. We have received consent from *[ORIGINAL CLIENT NAME]*, the borrower, to provide a reliance letter for the stated use.

The contents of this report are confidential and will not be disclosed by the author to any party except as provided for by the provisions of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and/or when properly entered into evidence of a duly qualified judicial or quasi-judicial body. The appraiser acknowledges that the information collected herein is personal and confidential and shall not use or disclose the contents of this report except as provided for in the provisions of the Canadian Uniform Standards of Professional Appraisal Practice and in accordance with the appraiser's privacy policy. *[NEW INTENDED USER NAME]* agree that in accepting this report they shall maintain the confidentiality and privacy of any personal information contained herein and shall comply in all material respects with the contents of the appraiser's privacy policy and in accordance with the *Personal Information Protection and Electronic Documents Act (PIPEDA)*.

The appraiser has agreed to enter into the assignment as requested by the client named in the report for the use specified by the client and intended user(s) stated in the report. The client has agreed that the performance of this appraisal and the report format are appropriate for the intended use.

Written consent from the author and supervisory appraiser, if applicable, must be obtained before any part of the appraisal report can be used for any purpose by anyone except the client and other intended users identified in the report, and *[NEW INTENDED USER NAME]*.

Where the client is the mortgagee and the loan is insured, liability is extended to the mortgage insurer. Liability to any other party or for any other use is expressly denied regardless of who pays the appraisal fee.

Written consent and approval must also be obtained before the appraisal (or any part of it) can be altered or conveyed to other parties, including mortgagees (other than the client) and the public through prospectus, offering memoranda, advertising, public relations, news, sales or other media.

This appraisal report, its content and all attachments/addendums and their content are the property of the author who has signed this report. The client and *[NEW INTENDED USER NAME]* and any appraisal facilitator are strictly forbidden, and no permission is expressly or implicitly granted or deemed to be granted, to modify, alter, merge, publish (in whole or in part) screen scrape, database scrape, exploit, reproduce, decompile, reassemble or participate in any other activity intended to separate, collect, store, reorganize, scan, copy, manipulate electronically, digitally, manually or by any other means whatsoever this appraisal report, addendum, all attachments and the data contained within for any commercial, or other, use.

Subject to the above, I, (we,) the undersigned, hereby authorize (New Intended User Name) to rely on the report for the referenced subject matter.

Yours sincerely,

Cc: [ORIGINAL CLIENT]

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### 16.13 Intended Use [see 6.2.2, 8.2.2, 10.2.2, 12.2.2, 14.2.2]

- 16.13.1 A statement similar to the following may be appropriate: This report is intended for use only by (identify the client) and (identify any other intended user by name). Examples of acceptable intended user names: “Lender ABC”, “Condominium Corporation No. XXXX”. Use of this report by others is not intended by the Member, and any liability in this respect is strictly denied”.
- 16.13.2 Some provinces require condominium boards to make the Reserve Fund Study available to potential purchasers of units in the property. The Member should consider and make appropriate comments regarding such additional intended users, so that any limitations place on reliance of the findings of the assignment are properly understood by the reader of the report.
- 16.13.3 Reserve fund studies and depreciation reports are typically prepared for condominium or strata corporations in accordance with applicable provincial legislation.
- 16.13.4 Other potential clients for reserve fund studies may be individuals or organizations including municipalities or other authorities having ownership or control of: community centres, recreation facilities, co-operatives, schools, religious facilities, senior’s residences, extended care facilities, etc.
- 16.13.5 Due in part to Privacy Issues very rarely would an owner or potential purchaser of an individual condominium unit have the ability to commission a reserve fund study of the common property within a condominium or strata corporation.
- 16.13.6 In some provinces, legislation requires that the condominium or strata corporation make the study available to others who are not the client, such as unit owners, realtors and potential purchasers. Although legislative requirements prevail over these Standards, a party receiving a copy of a Reserve Fund Study Report / Depreciation Report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.
- 16.13.7 In quasi-judicial or judicial situations, each party may commission an appraisal report on the property under review and hire their appraiser to complete a review of the report done by other party.
- 16.13.7.i Intended uses of review reports may include, but be not limited to:
- Assisting a lawyer in preparing for cross-examination, framing questions, etc.
  - Advising on professional practice Standards issues.
  - A party commissioning another appraiser to review their own report.
  - As part of providing oral expert evidence.

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### 16.14 Value [see 2.69, 6.2.3]

16.14.1 Members performing appraisal services that may be subject to litigation are cautioned to seek the exact legal definition of value in the jurisdiction in which the services are being performed.

16.14.1.i. Market value may be different from investment value, going concern value and value in use.

16.14.2 An appraisal assignment for an estimate of value other than market value could be misleading if prepared in isolation without reference to market value.

16.14.3 Acceptable definitions of “Market Value”:

16.14.3.i. “The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.<sup>3</sup>

16.14.3.ii. “The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

16.14.3.iii. The definition may be expanded by adding:

16.14.3.iv. Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;

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<sup>3</sup>The Appraisal of Real Estate, Third Canadian Edition. Sauder School of Business, British Columbia: 2010. ; p. 2.8

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- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”<sup>4</sup>

16.14.3.v. “Market value is the estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”<sup>5</sup>

16.14.4 Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

16.14.4.i. The exact legal definition of value in the jurisdiction in which the services are being performed as market value may be different from investment value, going concern value and value in use.

16.14.4.ii. When a Member completes an appraisal on a property which is in a distressed situation, the Member must be careful not to value the property any less, merely because of the situation. If the lender requires a value for a prompt sale, the Member should clearly identify the difference between current market value if sold under normal market conditions, and the value arrived at noting any consideration given to accommodate an expedient sale.

### 16.15 Scope of Work [see 6.2.4, 8.2.6, 10.2.7, 12.2.8, 14.2.4]

16.15.1 Refers to the due diligence undertaken by the Member including the terms of reference from the client (see Box [16.15.1](#)).

**NOTE:** The Scope Section of the report should reflect the circumstances of each particular assignment. A Member must have sound reasons to support the scope of work decisions, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user or the “Reasonable Appraiser”. [\[see 2.52\]](#)

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<sup>4</sup> [Ibid.](#); p. 2.10

<sup>5</sup> IVS Framework: Market Value paragraph 29 of the *International Valuation Standards 2013*



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### Box 16.15.1 ~ Scope of Work Example

**Inspection:** We inspected the interior and exterior of the property on (date), accompanied by (Name). Our identification of the property also involved a review of mapping prepared by the local municipality, and our earlier files on the property. The photographs appended were taken (date).

**Type of Analysis** (The following example relates to an update assignment): The approaches as applied to our previous report of (insert date) were investigated as to their relevance to this assignment, including a review of market data necessary to properly apply these approaches. In this regard the (Direct Comparison, Income and/or Cost Approaches - as appropriate) have been applied and later reconciled to a final estimate of value.

**Data Research:** We received our instructions from (name), who provided information on the property and on changes to it since our (date) appraisal. Publications produced by the (local authority) provided information on applicable land use controls. Sources of market evidence included, as appropriate, the local real estate board, Land Title Office transactions – including those reported by Data Systems and local assessors, and real estate agents, vendors and purchasers active in the market. The (name) service provided information on the state of title.

**Audits and Technical Investigations:** We did not complete technical investigations such as:

- Detailed inspections or engineering review of the structure, roof or mechanical systems;
- An environmental review of the property;
- A site or building survey;
- Investigations into the bearing qualities of the soils; or
- Audits of financial and legal arrangements reported by (name) concerning the leases.

**Verification of Third Party Information:** The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client-supplied information, which we believed to be correct. The mandate for the appraisal did not require a report prepared to the standard appropriate for court purposes or for arbitration, so we did not fully document or confirm by reference to primary sources all information herein.

16.15.2 The scope of work is a fundamental aspect of a review assignment since it determines the nature and depth of the research, analyses, opinions and conclusions. There is no standard scope of work for a review due to the varying requirements of users. It is necessary to agree with the client on the scope of the assignment prior to undertaking the work.

16.15.2.i. Oral reports are a common requirement for litigation purposes and sometimes as the initial step in a potentially multistep assignment. When providing an oral report, care must be taken to ensure the client, intended user and/or Panel (judge) understands the scope of the review. Best practice is to discuss the scope at the beginning of the report (oral or written).

### 16.16 Retrospective Value Opinion [see 7.6]

16.16.1 A retrospective appraisal is complicated by the fact that the Member already knows what occurred in the market after the effective date. Use of direct excerpts from reports prepared at the retrospective effective date can help the Member and the reader better understand market conditions as of the retrospective effective date.

16.16.2 Competence is required as at the date of the report, but not necessarily at the retrospective effective date.

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### 16.17 Update [see 7.6]

- 16.17.1 A recommended practice is to bind the original appraisal with the update for the client.
- 16.17.2 Three conditions should be met before an update assignment is accepted:
- 16.17.2.i. The original appraiser or firm and client are involved;
  - 16.17.2.ii. The real estate has undergone no significant change since the original appraisal; and
  - 16.17.2.iii. The time between the effective date of the original appraisal and the update is not unreasonably long for the type of real estate involved. All approaches to value developed in the original appraisal should be updated with new data.
- 16.17.3 A Member should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment. [see 7.9.1]
- 16.17.4 The scope of an assignment will determine the extent of an inspection (and required limiting conditions) or whether a new inspection is required.

### 16.18 Exposure Time [see 6.2.5]

- 16.18.1 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:
- 16.18.1.i. statistical information about days on market;
  - 16.18.1.ii. information gathered through sales verification;
  - 16.18.1.iii. interviews of market participants.
- 16.18.2 Related information gathered through this process may include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms.
- 16.18.3 The reasonable exposure period is a function of price, time and use, not an isolated opinion of time alone.
- 16.18.3.i. As an example, an office building could have been on the market for two years at a price of \$2,000,000, which informed market participants considered unreasonable.
  - 16.18.3.ii. Then, the owner lowers the price to \$1,600,000 and starts to receive offers, culminating in a transaction at \$1,400,000 six months later. Although the actual exposure time was 2.5 years, the exposure time at a value range of

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\$1,400,000 to \$1,600,000 would be six months.

16.18.3.iii. The answer to the question “What is reasonable exposure time?” should always incorporate the answers to the question “For what kind of real estate at what value range?” rather than appear as a statement of an isolated time period.

16.18.4 Problems can arise when clients attempt to make business decisions or account for assets without understanding the difference between exposure time and marketing time.

16.18.5 Marketing time is an opinion of the amount of time it might take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of an appraisal.

16.18.6 Related information includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms. Marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds not an isolated opinion of time alone. Marketing decisions rest with the client.

### 16.19 Characteristics of the Property [See 5.5.3.i, 6.2.8, 12.2.4, 14.2.8]

16.19.1 The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs or the like.

16.19.1.i. The information can include a property sketch and photographs in addition to written comments about the legal, physical and economic attributes of the real estate, including assessment and property tax data relevant to the purpose and intended use of the appraisal.

16.19.1.ii. Any unusual aspect and contrasts between the subject property and adjoining uses should be highlighted.

16.19.1.iii. Any assumptions as to ownership should be specified.

16.19.2 A title search will normally be required to reveal the legal attributes and restrictions that may affect property value (see Extraordinary Limiting Conditions). For litigation support purposes, title searches should also be conducted on properties used as comparables. A search is not intended to result in an expression of opinion as to the state of title itself. [see 7.8, 16.30]

16.19.3 A reserve fund study must specify the type of property under review (e.g., condominium townhouse, condominium apartment, dockominium, float home, parking stall, vacant land condominium, common element condominium, and

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recreation condominium). If a reserve fund study is for something other than a condominium or strata, the report should describe the real estate accordingly (e.g., co-operative, office structure, institutional facility, municipal infrastructure and improvements, not-for-profit, etc.).

### 16.20 Detrimental Conditions [see 7.8.1.vi]

- 16.20.1 When qualified specialists have documented the existence of detrimental conditions and estimated the costs of remediation or compliance, a Member may be in a position to develop an opinion of “as is” value and should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible appraisal.
- 16.20.2 The value of an interest in impacted (e.g., contaminated) real estate may not be measurable simply by deducting the remediation or compliance cost estimate from the opinion of value as if unaffected. Other factors may influence value, including any positive or negative impact on marketability (stigma) and the possibility of change in highest and best use.
- 16.20.3 Members are often called upon to provide professional services for contaminated property under a variety of circumstances:
  - 16.20.3.i. Value “AS IS”: in its contaminated state, where the contamination is known and revealed to the Member. There may or may not be a report from a third party qualified or licensed professional detailing the contamination and or the remediation that is required and the costs to cure.
  - 16.20.3.ii. Value “AS IF CURED”: where there may or may not be a third party professional setting out the remediation costs. This may or may not also include ongoing monitoring if required.
  - 16.20.3.iii. Value “AS IS” where the contamination is unknown or apparent to the Member. This is the most common situation.
  - 16.20.3.iv. Consulting Services: In preparing reports to estimate property value diminution, a Member should always include the specific sections of CUSPAP so that the reader of the report knows what the Member can do and cannot do. As for reliance on the report of the qualified environmental professional, the Member should always include an extraordinary limiting condition that they have relied upon the report of the qualified environmental professional and the opinion of property value diminution for cost effects is the estimate provided by the qualified environmental professional. Further, in the event the opinion of the qualified environmental professional is found to be subject to change or found to be in error, the estimate of property value diminution is invalid.

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16.20.4 Stand-alone environmental consulting services are not defined as professional services in CUSPAP and under the AIC's Professional Liability Insurance Program. [\[see 2.53, 5.8, 16.4.1\]](#)

### 16.21 **Recognition of Detrimental Conditions** [\[see 7.8.1.vi\]](#)

16.21.1 A Member is a trained and experienced observer of real estate; however, recognizing, detecting or measuring detrimental conditions is often beyond the scope of the Member's expertise. If the Member becomes aware of detrimental conditions through disclosure by the client and/or known facts prior to the acceptance of an assignment, this should be recorded as an observation in the report. In completing a checklist as part of the process, the Member should respond only to those questions that can be answered competently by the Member within the limits of his or her particular expertise in this area. Failure to address known detrimental conditions in a report could result in a misleading report.

### 16.22 **Remediation and Compliance Cost Estimation** [\[see 7.8.1.vi\]](#)

16.22.1 Remediation and compliance cost estimation involves knowledge and experience beyond that of most Members. These estimates are typically provided by consulting specialists who are properly versed in federal and local requirements and are qualified to assess and measure the materials and/or methods appropriate for remediation or compliance. Other professionals who deal with legal liabilities and business operations may also be involved in the cost estimate process. A Member may reasonably rely on the findings and opinions of qualified specialists in remediation and compliance cost estimation.

### 16.23 **Value Opinions of Interests in Impacted Real Estate** [\[see 7.8.1.vi\]](#)

16.23.1 Many clients employ experts in various disciplines separately and simultaneously, and make business decisions based on comparing the results of findings from the various experts. These clients may request a Member to appraise real estate that is, or is believed to be, influenced by detrimental conditions under a hypothetical condition that it is not impacted. A Member may invoke this extraordinary assumption when (1) the resulting appraisal is not misleading, (2) the client has been advised of the assumption, and (3) the hypothetical condition has been disclosed in compliance with these Standards. [\[see 6.2.10\]](#)

### 16.24 **Mould** [\[see 7.8.1.vi\]](#)

16.24.1 Mould is a growth of microscopic organisms caused by dampness. Within structures, it is the result of building system or component failure. Causes can include: roof, window or cladding leakage (seals, frames, caulking); air leakage (design, construction, ducting issues); plumbing leakage (building services, individual units); poor ventilation, vapour diffusion, HVAC condensate

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(collection/drainage systems); and/or thermal bridges (discontinuous insulation); etc.

### 16.25 Fractional Interest [see 6.2.8]

- 16.25.1 A Member does not generally have to value the whole of a property (or the larger parcel) when the subject of an appraisal is a small component. The burden of proof is on the Member to determine if the assignment would tend to mislead or confuse without a valuation of the whole.
- 16.25.2 Valuation of a partial taking through expropriation may require consideration of the “larger parcel” and injurious affection (loss in value to the remainder). [see 7.10.6]

### 16.26 Legal Attributes [see 7.8.1.iii]

- 16.26.1 Members must be aware of the duty to investigate the legal attributes of certain property types. Condominium values, for example, can be affected by specific condominium bylaws that apply in some projects. The status of the reserve fund, special assessments for units in the complex and restrictions on common property can also influence values. While selecting sales from within the same complex can mitigate some of these concerns, particular care should be taken when it becomes necessary to rely on sales from outside of the complex.

### 16.27 Inspection of Subject Property [see 6.2.8, 7.8, 7.9.1]

- 16.27.1 A Member’s inspection should, at the minimum, be thorough enough to:
- 16.27.1.i. adequately describe the property in the appraisal report;
  - 16.27.1.ii. develop an opinion of highest and best use, when such an opinion is necessary and appropriate; and,
  - 16.27.1.iii. make meaningful comparisons in the valuation of the property.
- 16.27.2 There are situations where interior and/or exterior inspections are not possible as of the effective date of the appraisal. For example, inspections are not physically possible:
- 16.27.2.i. where improvements have been destroyed, removed, or not yet built,
  - 16.27.2.ii. or if performing a retrospective or prospective appraisal;
  - 16.27.2.iii. access is being denied for specific reasons.
- 16.27.3 Inspections are not legally or contractually possible if the Member is denied access by the property owner. [see 6.2.10, 16.30.1]
- 16.27.4 A Member cannot rationally develop a real property appraisal, review or consulting assignment, reserve fund study or machinery and equipment appraisal

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if adequate information on the subject is not available. Consequently, where physical characteristics information is not available through an opportunity for an inspection (e.g., snow conditions, scope of work, client instructions) or from reliable third-party sources, a Member has the duty to obtain the necessary information to develop the real property appraisal, review, consulting assignment, reserve fund study or machinery and equipment appraisal before continuing or to withdraw from the assignment.

16.27.5 The same sources that are used to research and verify comparable data can be used to obtain information about the subject property. An appraisal developed without the benefit of an interior and complete exterior inspection by the Member is subject to the same standards that would apply if the Member had made a complete personal inspection.

16.27.6 The examples cited in **16.30** are illustrations of the wording of an Extraordinary Limiting Condition in an appraisal report for a client that requested a drive-by inspection or where an inspection is not possible.

### 16.28 Assumptions and Limiting Conditions [see 6.2.9, 8.2.7, 10.2.8, 12.2.9, 14.2.9]

16.28.1 Ordinary Assumptions and Limiting Conditions are typically grouped together in a specific section of the report. While they may apply to most assignments, the practitioner is cautioned against the practice of copying and pasting and using boilerplate statements without any customization to the assignment at hand. Examples of ordinary assumptions and limiting conditions:

#### 16.28.2.i. Ordinary Assumptions

- reliability of data sources;
- compliance with government regulations;
- normal financing;
- marketable title;
- no defects in the improvements;
- bearing capacity of soil;
- no encroachments;
- diligence by intended user.

#### 16.28.2.ii. Limiting Conditions:

- denial of liability to non-intended users and for any non-intended use;
- conclusions may be valid only at the date of valuation;
- responsibility denied for legal factors;

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- fees for attendance at legal proceedings to be agreed;
- report must not be used partially;
- possession of report does not permit publication;
- disclosure for peer review may be required;
- cost estimates are not valid for insurance purposes;
- value conclusion is in Canadian dollars;
- denial of responsibility for any unauthorized alteration to a report;
- validity requires original signature.

### 16.29 Extraordinary Assumptions [see 6.2.9]

16.29.1 Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or updated value opinion. When invoking hypothetical conditions, it must be clear to the reader that the property condition does not in fact exist as at the date of appraisal, and the analysis performed to develop the opinion of value is based on a hypothesis (e.g., the 5 acre question whereby the property is assumed to be a dwelling on 5 acres when in fact, it is not). For every Hypothetical Condition, an Extraordinary Assumption is required in the report.

16.29.2 Examples of extraordinary assumptions and hypothetical conditions:

16.29.2.i. Extraordinary Assumptions:

- an absence of contamination where such contamination is probable;
- the presence of municipal sanitary sewer where unknown or uncertain;
- assumed zoning where the zoning is unknown or uncertain;
- assumed condition where an interior and/or exterior inspection is not possible. [see 16.27]

16.29.2.ii. Extraordinary Assumptions (Hypothetical Conditions):

- repairs or improvements have been completed;
- execution of pending lease;
- rezoning has been achieved;
- an expropriation scheme is disregarded;
- a prospective appraisal; [see 7.6]
- municipal sanitary sewer when none is available;



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- aggregate (retail) or bulk (wholesale) marketing of units.
- 16.29.3 Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property, or about conditions external to the subject property such as market conditions or trends, or the integrity of data used in an analysis. Extraordinary Assumptions (Hypothetical Conditions) presume as fact simulated but untrue information about physical, legal or economic characteristics of the subject property or external conditions.
- 16.29.4 It is strongly advised that the Member provide the entirety of any extraordinary assumption or extraordinary limiting condition below the opinion(s) or conclusion(s) within the report, apart from in the certification. This, however, may not be practical when there are significant numbers of extraordinary assumptions or extraordinary limiting conditions (e.g. three extraordinary assumptions in a report with all three value approaches would lead to quoting the extraordinary assumption a potential total of 18 times – the letter of transmittal, each of the three approaches conclusions, the reconciliation and the certification); in such a case, it may be more appropriate to provide a reference under the opinion(s) and conclusion(s) to where any extraordinary assumption or extraordinary limiting condition can be found in the report; this is the preferable option with respect to the certification.
- 16.29.4.i. An example of referencing the subject matter within a report include:
- When discussing soil conditions, if it is an extraordinary assumption of the report that the soils can support the intended development, simply stating in the “Soil Conditions” section of a report that “the soils can support the intended development” without an extraordinary assumption can be misleading. Therefore, it would be more appropriate to say “it is an extraordinary assumption of this report that the soils can support the intended development”.
- 16.29.5 Theoretically, all assumptions, if found to be false, would alter a Member’s opinions and conclusions. Therefore, in determining whether an assumption is material and requires an extraordinary assumption, a Member should view the issue in the context of a market value transaction between a hypothetical vendor and a hypothetical purchaser. That is, in undertaking their due diligence, would the assumption you are making fundamentally change the conditions of the purchase such that the deal needs to start anew or would it simply require a minor amendment? If the former is the case, an extraordinary assumption should be made.
- 16.29.5.i. Examples of these differences would include:

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- Tax records indicate that the area of a single family dwelling is 5,000 sq.ft. but during the inspection you measure the dwelling to be 5,050 sq.ft. This may require some adjustment to the price but likely not fundamentally alter the transaction. However, if you measure the property to be 7,000 sq.ft. it likely will require a complete revision of the agreement; in this situation it would be prudent to invoke an extraordinary assumption as to what size is being adopted in the report.
- You are aware that the subject property, a vacant and unimproved industrial property, is located in an area where soils require extensive site preparation work. If your comparable properties are located in the area, an assumption that the subject has soil characteristics similar to those in the surrounding area would generally suffice as the soil conditions are likely to be accounted for in the purchase price of the comparables. If you are informed that your soil conditions may be especially poor in comparison to the surrounding area, though there is no definitive information, it would be more appropriate to make the extraordinary assumption.

### 16.30 Extraordinary Limiting Conditions [see 6.2.9]

16.30.1 Examples of extraordinary limiting conditions:

16.30.1.i. Extraordinary Limiting Conditions:

- exclusion of a relevant valuation approach; [see 6.2.15]
- no interior inspection of the subject improvements; [see 16.27.2]
- no title search; [see 7.8.1.v]
- no liability insurance coverage. [see 4.3.1, 5.8]

16.30.1.ii. Certain conditions are unacceptable in any assignment where they:

- compromise a Member's impartiality, objectivity or independence;
- limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the intended use of the results;
- limit the contents of a report that results in the report being misleading.

16.30.2 Assignment limitations affect the level of risk accepted by each party to an assignment. In some assignments, it might be reasonable to apply an Extraordinary Limiting Condition to recognize assignment restrictions, whereas in other assignments, the use of the same limiting condition may not be acceptable.

16.30.3 [see 7.8.1.v] The practice of appraisal requires a rudimentary ability to interpret

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legal documents (e.g. title) pertinent to real property. The Member is most likely not legally qualified, and should therefore withhold comment on legal matters beyond those typically required in the appraisal process.

- 16.30.4 It should be clear in the report that the Member is not providing a report on title but only describing the interest appraised.
- 16.30.5 Nonetheless, legal aspects such as the effect of existing leases can directly impact property value and need to be considered.
- 16.30.5.i. In this respect, if a lease is to be disregarded and the assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption (Hypothetical Condition) is required.
- 16.30.5.ii. If a lease is to be considered, the tenant is described as holding a leasehold interest whereas the landlord has a leased fee interest. Reports that take existing leases into account should, for clarity, identify their conclusions as representing the value of the leased fee, not simply the market value of the property.

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### Box 16.30 ~ Examples of Wording for Specific Extraordinary Limiting Conditions

#### Drive-By Appraisal Report

The appraiser has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building.

The physical characteristics used to develop this appraisal are based on an inspection the appraiser made three years ago when the property was appraised for estate purposes. For the purpose of this appraisal it is assumed that the interior condition of the subject property has not materially changed during the past three years. The subject property was observed from the public street as of the effective date of the appraisal. This exterior inspection revealed that the outside of the building has been repainted and the roof has been replaced.

The physical characteristics used to develop this appraisal are also based on the assessment records of (cite jurisdiction) and on the multiple listing service information of (cite source). On the basis of the observed conditions, the assessment records and multiple listing service information appears to be accurate.

For the purposes of this appraisal it is also assumed that the interior condition of the subject property is consistent with the exterior conditions as observed and that the information concerning the interior condition as provided by the assessor's records and the multiple listing service is accurate.

#### Unknown Detrimental Conditions

Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property (including, but not limited to, its soils, physical structure, mechanical or other operating systems, its foundation, etc.) or adverse environmental conditions (on it or a neighbouring property, including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable. It has been assumed that there are no such conditions unless they were observed at the time of inspection or became apparent during the normal research involved in completing the appraisal.

This report should not be construed as an environmental audit or detailed property condition report, as such reporting is beyond the scope of this report and/or the qualifications of the appraiser. The author makes no guarantees or warranties, express or implied, regarding the condition of the property, and will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. The bearing capacity of the soil is assumed to be adequate.

The appraiser is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. The author(s) of this report expressly deny any legal liability relating to the effect of environmental issues on the market value of the subject property.

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### 16.31 Land Use Controls [see 6.2.11]

- 16.31.1 Should be considered under all levels of legislation, such as Provincial Regulations, official community plans, zoning, subdivision control, by-laws, parking, environmental, flood plain and water course set-backs.
- 16.31.2 An illegal use should be valued in accordance with the definition of Highest and Best Use employed in the report, which typically refers to (or assumes) a legally permissible use. The only basis for valuation under the existing illegal use would be where a variance to the by-law could reasonably be expected, thereby resulting in either a conforming or legal non-conforming use.

If the Member disregards the illegal improvements, the appraisal will have to be premised on the hypothetical condition that the illegal improvements do not exist when in fact they do. To value a property with illegal improvements in its “as is” state, the appraisal must reflect the cost to remedy the illegality—i.e., to either remove the illegal improvements or obtain legal permissibility. Obtaining legal permissibility might include upgrading the improvements so they conform to building codes and the payment of fees or fines. If a market exists for the illegal use, the prices paid do not necessarily represent market value because market value is based on the highest and best use of a property and the highest and best use is based on a legal use. [emphasis added]

Any Extraordinary Assumptions in this regard should be clearly stated in the report, in any location referring to a final value estimate, as well as in the Land Use discussion and Highest and Best Use analysis.

- 16.31.3 In the context of land use change, if the societal (e.g. neighbourhood opposition or advocacy groups) or political (e.g. requirement for financial contributions) elements are so imposing that a change in the land use controls is not practical, it would be misleading for a Member to conclude such land use change as the highest and best use. That being said, all of these pressures may bear upon a property but, ultimately, comparable properties have received land use changes it would be considered reasonable to assume the same for the subject property, subject to caveats regarding the uncertainties and their impact on value.

### 16.32 Highest and Best Use [see 6.2.13]

16.32.1 The highest and best use of a property is an economic concept that measures the interaction of four criteria:

- 16.32.1.i. legal permissibility,
- 16.32.1.ii. physical possibility,
- 16.32.1.iii. financial feasibility,

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- 16.32.1.iv. and maximum profitability.
- 16.32.2 Estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and Members select comparable market information.
- 16.32.3 A Member considers highest and best use of the property “as if vacant separately from the highest and best use of the property “as improved”. This is because the highest and best use of the site as if vacant and available for development determines the value of the land, even if the property’s existing improvement does not represent the highest and best use of the site.
- 16.32.4 Highest and best use of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.
- 16.32.5 If for valid reason, as explained in the report (e.g., rent review, value in use, insurance coverage,) a highest and best use is irrelevant; no Extraordinary Limiting Condition is required.
- 16.32.6 One of the most common issues brought before an Adjudicating Hearing Panel are complaints against CRA Members who complete appraisal, review or consulting assignments on assignments beyond the scope of their CRA designation. In determining the scope of practice for a CRA Member undertaking an assignment, the test lies in the highest and best use (HBU) - *actual or assumed* - of the property being appraised. [\[see 5.4.19\]](#)
- 16.32.7 In the context of a professional practice complaint, ethical violations are subject to investigation and sanctions under the AIC disciplinary process and in accordance with AIC Consolidated Regulations.
- 16.32.8 Holding a designation from another professional organization **DOES NOT** allow Members to complete assignments that are not permitted under CUSPAP, nor does it allow Members to drop their AIC designation to complete such assignments. [\[see 5.5\]](#)
- 16.32.9 What follows are key questions for the Member to reflect on as part of assessing the HBU – *actual or assumed* – of the property being appraised.

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Working Your Way Through CUSPAP	In Layman's Terms
What is the purpose of the appraisal?	Defining the value. What value is being estimated?
What are the terms of reference and the required scope of work?	What is your client asking you to do?
What is the site's zoning? What are the permitted uses and land use controls?	Analyzing the immediate and surrounding areas. <ul style="list-style-type: none"> <li>▪ What is happening in the area? What are the trends?</li> <li>▪ What are the surrounding land uses? Are they similar to the subject <i>actual or assumed</i> Highest and Best Use (HBU)?</li> <li>▪ Who are the buyers?</li> <li>▪ What are the supply and the demand for properties with similar <i>actual or assumed</i> HBUs?</li> </ul>
Based on the above, what is the <i>actual or assumed</i> HBU?	<ul style="list-style-type: none"> <li>▪ Is the <i>actual or assumed</i> HBU legally permissible, financially possible? Will it generate the highest net return?</li> <li>▪ Is it reasonable to <i>assume</i> the HBU based on the market conditions, zoning and permitted uses?</li> <li>▪ Is it possible for the HBU to be something other than the <i>actual or assumed</i> HBU?</li> <li>▪ Is it possible that what your client is asking you to provide may not be a permissible or possible <i>assumed</i> HBU?</li> </ul>
Does the Member have the qualifications to complete the assignment?	Does the report have to be co-signed by a competent AACI?
What ordinary assumptions, limiting conditions, hypothetical conditions, extraordinary assumptions and/or extraordinary limiting conditions need to be invoked?	In the report, the Member must identify the value being provided, whether current, retrospective, prospective, or an update. <a href="#">[see 7.6]</a> Depending on the value, the Member may need to make certain assumptions.
What are the data and appraisal procedures relevant to the assignment?	The data used in the analysis must be comparable to the property being appraised. <ul style="list-style-type: none"> <li>▪ Actual HBU ("as is" value) will require sales with similar improvements, zoning and permitted uses, etc. (e.g. property as a whole with 50 acres, income-producing farm, dwelling, garage and outbuildings).</li> <li>▪ Assumed HBU ("as if" value) will require data with comparable acreage, improvements, assumed zoning and permitted uses, etc. (e.g., 5 acres, dwelling and garage).</li> </ul>

**16.33 Use of Designation or Identification of Member Status [see 5.4.19]**

16.33.1 A Member's AIC designation or their status as an AIC Candidate Member shall be included wherever a Member's name appears in:

- 16.33.1.i. letters of transmittal (see box 16.33.1),
- 16.33.1.ii. a report,
- 16.33.1.iii. a certification,
- 16.33.1.iv. reliance letters,
- 16.33.1.v. and any correspondence (soft or hard copy) pertaining to the Member's scope of professional appraisal, review and consulting services.

Box 16.33.1 – Number of signature limited on system-generated letters of transmittal

Where the letter of transmittal generated by the form only provides for one signature, the following wording is suggested:

“Due to system limitations by the client's form or by the software provider, the candidate and co-signor's signatures do not appear in the transmittal letter. Since only one signature appears in the letter of transmittal, the reader is referred to the Certification page of this report for the validation of the signatures on this report”.

16.33.2 For those Members with multiple appraisal-related designations, the intent of Ethics Standard Comment 5.4.19 is that the Member use his/her AIC designation pertaining to the Member's scope of professional services.

**16.34 Direct Comparison Approach [see 6.2.15, 6.2.16]**

16.34.1 A contract sale price of the subject property can be a good indicator of its market value, and it may be logical and reasonable for the Member to conclude that they are the same. However, this is not always the case. In some situations, the subject contract price may exceed or be less than what is typical in a market. A contract sale price, while a significant piece of market data, must not become a target in an assignment.

16.34.2 Care should be exercised in analyzing sales of new properties to ensure both consistency and disclosure regarding the impact, if any, of transaction taxes (e.g., GST/HST) on prices paid. (GST/HST may already be included in the model of basic cost multipliers provided by valuation costing services.)

16.34.2.i. CUSPAP does not dictate whether GST, HST or similar taxes should or shouldn't be included; however, it is part of the Member's due diligence to assess market practices (i.e. whether the tax(es) are included or



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not). What follows are different scenarios on the application of taxes.

- The subject property is a new construction in a residential subdivision. Sale prices include GST. Comparable sales are neighboring properties in the subdivision and all are new sales for which the sale prices include GST therefore, no adjustments for taxes are required. All sales and the subject are being compared on the same basis, inclusive of GST. In the final market value conclusion, the Member should disclose that the market value is \$X and **inclusive of GST**.
- The subject property is a new construction (in-fill) in an older neighborhood. The subject sale price includes GST. Due to the lack of new comparable properties in the neighborhood, the Member retains comparable properties that are newer (resale properties) but for which the resale prices are not inclusive of any taxes. The purpose of the Direct Comparison Approach is to demonstrate what purchasers are willing to pay for comparable properties in the subject area. Adjustments for age/condition would be applied to the sales to make them comparable to and reflect the new condition/age of the subject, but tax adjustments would not be applied since the competing sales were not subject to GST at the time of the recent sale. In the final market value conclusion, the Member would disclose that the market value is \$X and **exclusive of GST**.

16.34.2.ii. Key elements are that (1) the analysis and adjustment must be consistent throughout and (2) the Member must disclose if the market value is inclusive or exclusive of taxes – and this is driven by the market.

16.34.2.iii. It is possible that the value by the Direct Comparison Approach (and any other valuation methodology) could be less than the actual total cost paid to build the property. The same rationale applies for the Cost Approach and the applicability of the taxes.

16.34.3 Fixing the date of sale of a comparable is necessary to establish relevance and accuracy, and to determine the precise period for which a time adjustment is to be made. This adjustment period begins on the date of sale and ends on the effective date of the appraisal.

16.34.4 The date of sale could be taken as the acceptance of an offer to purchase if there is a meeting of the minds.

16.34.5 Practical considerations may determine which date is to be used. Dates of record reflecting completed transactions provide certainty and in most

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jurisdictions are readily available. Weeks or months could have elapsed since the initial agreement as to price and confirming the date of this initial agreement requires that the parties be available and willing to divulge details.

- 16.34.6 In a period where the market is rising or falling at a substantial percentage each month, it may be necessary to reflect whether the sale occurred near the beginning, in the middle, or at the end of the month.
- 16.34.7 In selecting the date of sale, consistency is the preferred approach. Rather than attempting to speculate as to the length of the interval between agreement and closure, less weight can be given to those sales dates that are inconsistent with the model selected. A copy of the agreements for sale can be included in report to ensure that the document being relied upon is clear.
- 16.34.8 In summary, while it may be argued that no sale has occurred until the transfer is registered; there may be a long delay in registration. The basic answer to the question - “what is the date of sale” - is the date the price was finally agreed upon. Researching that date for all of the comparables may be impractical. Where consistency is not possible, any variation should be explained.
- 16.34.9 Sales occurring after the effective date of valuation may be useful in the analysis but are subject to appropriate weight.

### 16.35 Discounted Cash Flow Analysis [see 11.8]

- 16.35.1 Discounted Cash Flow (DCF) methodology is based on the principle of anticipation (i.e., value is created by the anticipation of future benefits). DCF analysis reflects investment value and market value appraisals, and may also be used for other purposes such as sensitivity tests.
- 16.35.2 DCF analysis is an additional tool available to the Member and is best applied when developing value opinions in the context of one or more of the other approaches to value.
- 16.35.3 To avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an opinion of market value, it is the responsibility of the Member to ensure that the controlling input is consistent with market evidence and prevailing market attitudes. Market value DCF analyses should be supported by market-derived data and the assumptions should be both market and property specific. Market value DCF analyses are intended to reflect the expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. A report that includes the results of DCF analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data

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used in the analysis.

- 16.35.4 DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract and market rents, specific escalations, operating expenses, pass-through provisions, market-derived or specific concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth or decline rate assumptions are premised upon analysis of supply/demand factors and other economic conditions and trends within the market area of the subject. Operating expense change rates should reflect both overall expense trends and the specific trend of significant expense items.
- 16.35.5 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate selection process, but only when the type of and market for the real estate being appraised is consistent with the type of and market for the real estate typically acquired by the investors interviewed in the survey. Considerations used in the selection of rates are: risk, inflation, and real rates of return.
- 16.35.6 When reversion capitalization rates are used, they should reflect investor expectations considering the real estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable and should be set out on the basis of the facts and circumstances of each analysis.
- 16.35.7 The results of DCF analyses should be tested and checked for errors and reasonableness. Because of the compounding effects in the projection of income and expenses, even slight input errors can be magnified and can produce unreasonable results. For example, it is good practice to test whether cash flows are changing at reasonable rates, and to compare the reversion capitalization rate with the implied entrance capitalization rate to see if the relationship between these rates is reasonable and explainable.

### 16.36 Automated Valuation Model [see 6.2.15]

- 16.36.1 An Automated Valuation Model (AVM) is a computer program that analyses data using an automated process. For example, AVMs may use regression, adaptive estimation, neural network, expert reasoning, and/or artificial intelligence programs.
- 16.36.2 Note that an AVM's output is not, by itself, a valuation, and communication of an AVM's output is not, in itself, a report.

**16.37 Agreement for Sale/Option/Listing/Prior Sales [see 6.2.21]**

- 16.37.1 The 3 year sales history is a mandatory requirement under CUSPAP and other internationally recognized standards of practice, and the scope of work of an assignment cannot be limited due to accessibility to data.
- 16.37.2 Agreements for Sale/Option/Listing and Prior Sales, must be analyzed and reported if available to the Member in the normal course of business.
- 16.37.2.i. It is important to note that what defines the “normal course of business” is not for individual interpretation. CUSPAP, other standards of practice and Canadian and international case law recognize and define the spirit and intent of “normal (or ordinary) course of business”. The basic premise of “normal course of business” aligns with the concepts of Member due diligence and the “Reasonable Appraiser”.
- 16.37.2.ii. “The normal course of business is controlled to a large degree by the scope of work in a specific assignment. The ‘normal course of business’ is determined by the actions of a Member’s peers and by the expectations of parties who are regularly intended users for similar assignments; **it is not any one Member’s practices or any one Member firm’s policies**. In developing a[n]... appraisal, a Member must not commit a substantial error of omission or commission that significantly affects an appraisal. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.”<sup>6</sup>
- 16.37.3 Agreements for Sale can be obtained from a realtor or financial institution. Lenders as matter of course obtain Agreements for Sale to assist in their due diligence as part of underwriting a loan. Where Members are unable to obtain information directly from a realtor, they should contact their client, and/or the AMC who has commissioned the appraisal on behalf of their client, advise them of the situation, and make a request for them to coordinate with their client to obtain the required information.
- 16.37.4 If the data or information is unobtainable (i.e. for confidentiality or privacy reasons), the report should include a commentary on the efforts taken by the Member to obtain the information (Member due diligence). However, where

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<sup>6</sup> Advisory Opinion 24, Normal Course of Business (Appraisal Institute, USPAP 2014-15)

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information is available to and accessible by the Member as part of the normal course of business, to make a business decision not to purchase or access the data would not fall under the “normal course of business”.

- 16.37.5 Box 16.37 speaks to the extent of a title search. Member due diligence in the research and analysis of the sales and listing history of the subject property is an important part of the valuation process and can go a long way in fraud detection and prevention. Although access to data is becoming more and more decentralized and can be costly, Members must be mindful of their obligations arising out of the “normal course of business”.

### Box 16.37 ~ Sample Entries

In the analysis of the sales history of the subject property, a Member must exercise due diligence, but this need not necessarily include a search of the public record. The necessity for a search of the public record will depend on the nature and scope of the assignment, according to the reasonable appraiser standard. For example, for residential form appraisals for mortgage purposes it may not be necessary to search public records where the sales history for the subject is available elsewhere. For the purpose of this Practice Note, Public Record means Land Title Office/Register of Deeds.

The owner reports that the subject property was not under a current agreement or option and was not offered for sale on the open market at the effective date. According to public records, the subject property had not changed hands during the three years prior to the effective date.

The property being appraised is known to be the subject of a pending purchase and sale agreement, but the appraiser was unable to obtain the terms of the agreement. The current owner confirmed that the property is under agreement, but declined to disclose the terms of the agreement or to discuss the nature of the agreement.

The subject property is currently offered for sale at a listing price of \$XXX,XXX. A copy of the listing agreement with March Smith, real estate broker, is included in the addendum to this report.

The appraiser should consider the relevance of sales which occurred subsequent to the effective date in a retrospective appraisal.

The subject property was sold by John Jones to the current owner on June 1, 20xx, for a reported price of \$XXX,XXX. The parties to the transaction have affirmed that the seller received all cash and that the reported price was unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This sale is analyzed in the Direct Comparison Approach section of the appraisal report.

According to the public records, there have been no other transfers of the subject property within the past three years.

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The subject property was sold by John Jones to the current owner on June 1, 20xx, for an unknown price. The appraiser attempted to obtain the purchase price and other terms of the transaction without success. The parties to the transaction declined to discuss the terms or conditions of the sale.

### 16.38 Responsibility [see 2.53, 2.67, 6.2.24, 8.2.13, 10.2.14, 12.2.20, 14.2.23]

- 16.38.1 Significant participation and professional assistance are terms that are best delineated through the “Reasonable Appraiser” test.
- 16.38.2 A Member may rely on professional assistance of an employee, co-worker, independent contractor or assistant if:
- 16.38.2.i. the Member reasonably believes the individual is competent; and
  - 16.38.2.ii. the individual’s work is credible; and
  - 16.38.2.iii. the individual and the significant professional assistance are identified in the certification.
- 16.38.3 As proficiency is demonstrated by an assistant, it is appropriate for the principal author to place greater reliance on the work of that assistant. In the context of a real property appraisal assignment, an assistant who has meaningful appraisal education and extensive work experience may well be competent to inspect the real estate and prepare the appraisal report alone, subject to an appropriate final reconciliation by the principal author who will be signing or co-signing the report. In this situation, the assistant’s contribution is both significant and professional. Members are cautioned that the use of an assistant who is not properly registered in the Appraisal Institute of Canada Professional Liability Insurance Program may be placing their insurance coverage at risk.
- 16.38.4 If a Member signs the certification alone, the contribution of any professional assistance must be acknowledged, and the specific tasks performed by the assistant should be clearly stated.
- 16.38.5 Joint preparation of a report required in litigation can provide opposing counsel with opportunities to test whether the evidence is credible, probative and even admissible. For example, did both authors conclude exactly the same final value independently, or did one prevail over the other?
- 16.38.6 Members in the employ of a public institution are required to comply with CUSPAP in preparing “in-house” appraisal, review or consulting reports or reserve fund studies if these reports are subject to public review. [see 2.42, 2.47, 2.53, 6.2.1]
- 16.38.7 Where reports are provided “in-house” and not subject to public review, it is generally accepted that such reports can be prepared according to the procedural and policy requirements of that particular institution. However, if these

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conclusions are to or may be presented in a public forum such as before Boards of Assessment Appeal or Courts, then CUSPAP shall apply.

- 16.38.8 When reports are not prepared for or presented in a public forum but may be required by due process of law (such as a Freedom of Information request) to be released to the public then the provisions of a Jurisdictional Exception may apply. [see 2.42]
- 16.38.9 If relying on professional assistance, it is recommended that liability be limited by identifying in the certification whose information was relied upon, and stating what verification, if any, of that information was undertaken. Under this circumstance, a Member should consider whether an Extraordinary Assumption is required. [see 7.24, 16.29]
- 16.38.10 Where a Member is provided with a copy of an expert report, it is reasonable to rely on that report but the Member should not accept any responsibility by including a Limiting Condition. [see 16.28.2.ii] If a copy of an expert report is included as an Addendum, it should be with the consent of the author of the expert report.
- 16.38.11 When providing a draft report to a client and/or intended user, Members should apply the following suggested practices:
- 16.38.11.i. insert a DRAFT watermark across every page;
  - 16.38.11.ii. insert a header or footer with the date and the version of the draft (e.g., Draft #X effective Month/Day/Year) on every page to indicate to any user, intended or potential, that the report is a draft and to identify the draft version in case there are subsequent drafts;
  - 16.38.11.iii. include a transmittal letter with every draft report, clearly outlining the terms of reference and the client's instructions to provide a draft report and for the purpose of the draft report;
  - 16.38.11.iv. note the client's instructions to provide a draft report and for what purpose in the scope of work of each draft report;
  - 16.38.11.v. insert a draft notation wherever the value and signature should appear (i.e. conclusion, certification page;  
  
**(Note:** Inserting "draft" on signature lines will help prevent fraud and a third party affixing a signature that is not the Member's original signature.)
  - 16.38.11.vi. include in the final report a summary of changes from the last draft to

the final report.

**16.39 Technical Review [see 8.1.3.i]**

16.39.1 In a technical review, the reviewer goes beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report. The reviewer may or may not have first-hand knowledge of the subject property or of data in the report.

**16.40 International Financial Reporting Standards (IFRS) Scope of Work**

16.40.1 The external valuer [see 2.24] should determine among other things if the major tenants fully utilize their leased premises and whether there is any new competitive construction underway or proposed nearby.

16.40.2 The external valuer [see 2.24] should complete such other investigations as might be reasonably required to satisfy the scope of the appraisal and to reasonably address the requirements of the intended use.

**16.41 Purpose [see 6.2.3, 8.2.3, 10.2.3, 14.2.3, 15.4]**

The reasonableness of assumptions is a function of both the purpose and intended use of the report. For example, many appraisal assignments are based on the fee simple market value of a property free and clear of financial encumbrances and making such an assumption is likely straightforward. That said, for the appraisal of a major downtown office building, there may be a significant number of encumbrances related to, among other things, servicing; again, it may be appropriate in this context to assume they have no material impact on market value. It may, however, be unreasonable to ignore encumbrances for vacant land where such encumbrances could dramatically impact the property's market value. It is incumbent on the Member to ensure that in making assumptions regarding encumbrances that they meet the "Reasonable Appraiser" test.

**16.42 Disagreement/Agreement [see 8.2.12]**

16.42.1 When a reviewer develops an opinion of value, the reviewer may:

16.42.1.i use additional information that was not available to the original appraiser in the development of the appraisal under review;

16.42.1.ii include the appraisal component in the appraisal review report;

16.42.1.iii adopt those items in the appraisal under review with which the reviewer concurs without repeating them in the review report.

16.42.2 For those items where the reviewer's opinion differs from those in the appraisal under review, replacement information or analysis development must be provided by the reviewer in accordance with the Real Property Appraisal



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Standard.

### 16.43 Market Analysis [see 11.7, 10.2.11]

- 16.43.1 The consultant should carefully define and delineate the pertinent market area for the analysis. Supportive reasoning for the selection of the boundaries must be stated. The consultant should identify the specific class(es) of the real estate or machinery and equipment under consideration and analyze the forces that are likely to affect supply/demand relationships.
- 16.43.2 The consultant is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from inventory) may affect the subject property.
- 16.43.3 The consultant is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market. The capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.
- 16.43.4 An assignment from a lender requesting comparable data to support a pre-determined loan amount is considered to be research within a consulting service, provided that no appraisal and opinion of value, as defined, is completed.

### 16.44 Cash Flow/Investment Analysis [see 10.2.11, 11.8]

- 16.44.1 Since real estate investment decisions are predicated on financial implications, the consulting service should define the client's investment criteria, consider major variables in the real estate and financial markets, and forecast the anticipated results.
- 16.44.2 Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included.

### 16.45 Feasibility Analysis [see 11.9]

- 16.45.1 The consultant should compare the following criteria from the client's project to the results of the market analysis:
  - 16.45.1.i the project budget (all construction costs, fees, carrying costs, and

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ongoing property operating expenses);

16.45.1.ii. the time sequence of activities (planning, construction and marketing);

16.45.1.iii. the type and cost of financing obtainable;

16.45.1.iv. cash flow forecasts over the development and/or holding period;

16.45.1.v. and yield expectations.

16.45.2 The consultant should have enough data to estimate whether the project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives.

### 16.46 Reserve Fund Study [see 2.61, 12]

16.46.1 Since Reserve Fund Studies are completed to provide financial planning advice, the reserve fund planning service should:

16.46.1.i. consider the stated policies defining those components to be covered by the study

16.46.1.ii. and incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs and future reserve fund accumulations.

16.46.2 The Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.

### 16.47 Value Opinions in Appraisal Review Assignments [see 9.4.2]

16.47.1 The Review Standard provides for a reviewer to address all or part of the appraisal being reviewed. This includes addressing its completeness, relevance, appropriateness and reasonableness within the context of the Real Property Appraisal Standard under which the appraisal was prepared.

16.47.2 It is essential to develop a well-defined scope of work with the client to ensure a clear understanding of what steps are and are not necessary in an assignment. Key elements are the purpose of the assignment and the intended use of the report. [see 8.2.2, 8.2.3, 8.2.6]

16.47.3 When the review is for the purpose of determining compliance only, the reviewer should use extreme care to ensure the review report does not include language that implies the reviewer developed an opinion of value concerning the subject property of the appraisal under review.

16.47.3.i. When the reviewer uses language to signify concurrence with the value or a different value opinion, the reviewer has additional appraisal

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development and reporting obligations.

16.47.4 The reviewer may develop and report an opinion as to the quality of the report under review and:

- 16.47.4.i. state only the corrective action to be taken by the original author with regard to curing any deficiency, leaving the client to decide whether to interact with the original appraiser to accomplish the correction; or,
- 16.47.4.ii. act on behalf of the client to interact with the original author to ensure any deficiency is appropriately corrected by that author.

16.47.5 The reviewer may develop and report an opinion on the final estimate of value without including his/her own estimate of value.

16.47.6 Examples of the language that might be used under these circumstances include:

- 16.47.6.i. the value conclusion stated in the appraisal report is (or is not) supported;
- 16.47.6.ii. the value conclusion is (or is not) appropriate and reasonable given the data and analyses presented;
- 16.47.6.iii. the value conclusion stated in the report was (or was not) developed in compliance with applicable standards and requirements;
- 16.47.6.iv. the content, analyses and conclusions stated in the report under review are (or are not) in compliance with applicable standards and requirements;
- 16.47.6.v. I reject the value conclusion as being unreliable due to the errors and/or inconsistencies found;
- 16.47.6.vi. I accept (or approve) the appraisal report for use by the client.

16.47.7 The reviewer may develop and report an opinion on the final estimate of value and include his/her own estimate of value.

16.47.8 Examples of the language that might be used under these circumstances include:

- 16.47.8.i. I concur (or do not concur) with the value;
- 16.47.8.ii. I agree (or do not) with the value;
- 16.47.8.iii. In my opinion, the value is \$X (or the same);
- 16.47.8.iv. In my opinion the value is incorrect and should be \$X;
- 16.47.8.v. In my opinion the value is too high (or too low).

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- 16.47.9 The reviewer may develop and report an opinion as to the quality of the appraisal under review and:
- 16.47.9.i. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, which is to be developed within the same scope of work as was applicable in the appraisal under review; or
  - 16.47.9.ii. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, but develop that opinion using a different scope of work than was applicable in the appraisal under review; or
  - 16.47.9.iii. regardless of the review result, develop his/her own opinion of value, using the same scope of work as was in the appraisal under review; or
  - 16.47.9.iv. regardless of the review result, develop his or her own opinion of value, using a different scope of work than was applicable in the appraisal under review.
- 16.47.10 It is important that this language be consistent with the scope of work described in the review report.
- 16.47.11 Note that if a reviewer rejects the value, he/she should use care in how the result is stated. If the language of such rejection is based on errors or inconsistencies in the appraisal under review and does not include any qualifiers that would relate to a direction in value, then it does not imply an appraisal by the reviewer.
- 16.47.12 However, if such rejection is stated in relation to a value or value range, such as indicating a direction in value (i.e., more than, less than), or to an established benchmark, that language indicates the reviewer has bridged over into the appraisal stage. This is an important distinction which must be kept in mind by the reviewer when composing any language regarding the original author's opinions or conclusions. Whichever category such language may fall under, it must also be consistent with the purpose, scope and intended use of the appraisal review assignment results.
- 16.48 Assessment [see 2.42]**
- 16.48.1 In developing a mass appraisal, a Member must be aware of, understand, and correctly apply those recognized methods and techniques necessary to produce and communicate credible results.
- 16.48.2 The Jurisdictional Exception may apply to sections of CUSPAP; an assessment administration is subject to provincial/territorial laws and assessment case law. [\[see 2.42\]](#)

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- 16.48.3 Members working in assessment may claim a Jurisdictional Exception where:
- 16.48.3.i. legislation overrides the Standards rules or,
  - 16.48.3.ii. assessment jurisdiction policy or the evidentiary procedures of the assessment appeal process will not allow assessors to provide any or all of the information required by CUSPAP.
- 16.48.4 Members working in assessment should be able to explain why a Jurisdictional Exception was claimed.
- 16.48.5 The assessment appeal process varies in Canada according to local practice, jurisdiction and the governing legislation. Depending on location, the value defended process, or a value which is based on appraisal principles by the assessor may be one that is determined through the mass appraisal individual properties.
- 16.48.6 At the administrative tribunal or panel level, an oral report may be acceptable.
- 16.49 Purpose of the Reserve Fund Study [see 12.2.3, 13.14]**
- 16.49.1 The purpose of a reserve fund study is common to most assignments.
- 16.49.2 Due to the number of technical issues, the reserve fund planner should consider including a section of defined terms, as they are applied in the study. A definitions section in the report would aid the client and intended user in understanding how the conclusions in the report were reached.
- 16.49.3 For example, many clients relying on the report may not be familiar with terms common to Reserve Fund Studies such as:
- 16.49.3.i. Future Reserve Requirement,
  - 16.49.3.ii. Future Reserve Fund Accumulation,
  - 16.49.3.iii. Remaining Life.
- 16.49.4 The terminology may also vary between provinces or be determined by legislation. The definition of these terms could vary somewhat between one reserve fund planner and another.

## **16.50 Reasoning [see 12.2.17]**

- 16.50.1 Various models, which can affect the basis of calculation in the benchmark analysis as well as the cash flow projections are available for the reserve fund planner's consideration. Reasoning should be included in the report to explain the basis of calculations and how they relate to the recommendations.

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### 16.51 Certification [see 12.2.20, 13.8, 16.38]

16.51.1 Each written report must contain a signed certification that is similar in content to the form outlined in Box 16.51.1.

#### Box 16.51.1 Certification

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no (or the specified) present or prospective interest in the subject matter and the issue that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the subject matter, property or issue that is the subject matter of this report or to the parties involved with this assignment.
- I am not in a conflict of interest to undertake this assignment.
- My compensation is not (or is) contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- I have the knowledge and experience to complete the assignment competently.
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- As of the date of this report, the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for Members.
- The undersigned is (are all) Members in good standing of the Appraisal Institute of Canada.

Signature and date of certification [see 5.4.19]

### 16.52 Effective Date [see 12.2.5, 13.5]

16.52.1 The reserve fund planner must be aware of circumstances where the effective date of the report and the date upon which the recommended actions can be implemented can differ. In some jurisdictions, condominium owners vote on a budget that includes a contribution to the reserve fund, usually at an Annual General Meeting. In others, the implementation of the Plan can be done by the

## 16. Practice Notes

Board of Directors without unit owner approval.

16.52.2 For example, a condominium development usually operates on an annual budget, with fees set at the beginning of the year, supported by a resolution at an Annual General Meeting.

16.52.3 Unless a Special General Meeting is held, the first opportunity for a condominium board to implement the recommendations of the study is the start of the next fiscal year. In such cases, the reserve fund planner should discuss this type of timing difference in the recommendations section of the report.

### 16.53 Legislation [see 12.2.9, 13.6]

16.53.1 Since reserve fund planners complete Reserve Fund Studies to provide financial planning advice, the study should consider applicable legislation and policies defining those components the study is to cover, and incorporate a comprehensive benchmark analysis including, as a minimum:

16.53.1.i. life cycle analysis,

16.53.1.ii. current and future replacement costs,

16.53.1.iii. the current reserve balance,

16.53.1.iv. and estimated future reserve fund accumulations.

16.53.2 The Study should comment on any apparent deficiency in the reserve fund account or in estimated future reserve fund accumulation, along with a cash flow model covering an appropriate period.

16.53.3 Reserve fund planners need to be familiar with the legislation governing reserve fund studies in the jurisdiction within which they work, along with any consequential regulations and policies.

### 16.54 Scope [see 12.2.8, 13.7]

16.54.1 Subject to the “Reasonable Appraiser” test, the scope of work underlying a reserve fund study must be sufficient to understand the nature of construction, the effective age, and remaining economic life of each component class, to undertake the analysis and to describe the improvements adequately.

### 16.55 Update [see 12.2.19, 13.8]

16.55.1 A recommended practice is to bind the original report with the update for the client.

16.55.2 Three conditions should be met before an update assignment is accepted:

16.55.2.i. The original reserve fund planner or firm and client are involved;

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- 16.55.2.ii. The component has undergone no significant change since the original report;
- 16.55.2.iii. The time between the effective date of the original report and the update is not unreasonably long for the type of real estate involved. All approaches developed in the original report should be updated with new data.
- 16.55.3 A reserve fund planner should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment. [\[see 16.56\]](#)
- 16.55.4 The scope of work involved in an update study might be different from that for an original study. It is the responsibility of the reserve fund planner to ensure the scope of work is sufficient to provide meaningful and valid results. In the absence of written consent from the client and an extraordinary limiting condition, re-inspection is mandatory.
- 16.55.5 An update that is not self-contained can comply with these standards if it makes clear that it:
  - 16.55.5.i. is an update of the specified original report,
  - 16.55.5.ii. details changes to the property and analysis since the original report,
  - 16.55.5.iii. and clearly states that a proper understanding of the update requires reading of the original report, a copy of which is either attached to the update or available to the intended user on request.
- 16.55.6 A reserve fund planner may update an earlier reserve fund study if the original file, analyses, and report are available to the reserve fund planner provided the data is adequate to complete a report that is not misleading.

### **16.56 Assumptions and Limiting Conditions [see 12.2.9, 13.9]**

- 16.56.1 Extraordinary Assumptions may be required for work in progress or planned near the effective date. Any assumptions adopted regarding such work should be discussed in the report, such as the date of completion and quality of the work to be completed.

### **16.57 Hypothetical Conditions [see 12.2.10, 13.10]**

- 16.57.1 Hypothetical Conditions may include completion of planned improvements between the date of the study and the implementation date of the recommendations.
  - 16.57.1.i. For example, if a roof replacement is planned after the effective date but before the start of the next fiscal year (i.e., when the recommendations



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will be implemented), the report must make it clear that this hypothetical condition was incorporated in the analysis.

### 16.58 **Benchmark Analysis [see 12.2.13, 13.13]**

- 16.58.1 Provision should be made for inflation or deflation in costs between the date of the reserve fund study and the time at which repairs and replacements are expected.
- 16.58.2 A benchmark analysis entails estimating expected life and remaining life; for various components as well as:
  - 16.58.2.i. total cost of replacement or repair,
  - 16.58.2.ii. current replacement cost estimates,
  - 16.58.2.iii. reserve fund requirements,
  - 16.58.2.iv. future replacement cost estimates,
  - 16.58.2.v. reserve fund accumulations,
  - 16.58.2.vi. reserve fund requirements,
  - 16.58.2.vii. and annual reserve fund contributions.

### 16.59 **Cash Flow Projection [see 12.2.14, 13.14]**

- 16.59.1 The reserve fund planner should also consider the state of the fund relative to repair and replacements that will happen in the period immediately following the term chosen for the cash flow projection.
  - 16.59.1.i. For example, a study could prescribe cash flows which will result in a balance near zero at the end of the projection period. This is not prudent if a large expense is expected within a few years of the end of the cash flow projection, as the fund will not be adequate to deal with such an expense.
- 16.59.2 A cash flow projection and reserve fund model are intertwined. The reserve fund planner specifies the funding model(s) that forms the basis for the cash flow projection.

### 16.60 **Adequacy Analysis of the Reserve Fund Contributions [see 13.15]**

- 16.60.1 The cash flow projection should identify whether the existing fund balance and recommended funding level are sufficient to meet most of the repair and replacement obligations. If deficiencies are evident, they should be identified and incorporated in the recommendations.

**16.61 Preparing a Reserve Fund Model [see 12.2.16, 13.16]**

16.61.1 The reserve fund model should make one or more recommendations to ensure a prudent level of funding is provided in the contingency reserve. Options should be discussed within the report. The Member should ensure that options provided are prudent, and incorporate the minimum requirements in this Standard and any applicable provincial legislation.

**16.62 Exclusions**

16.62.1 A client might request that the study exclude certain short-lived items. The study needs to identify exclusions clearly. While such exclusions are permitted, the reserve fund planner must ensure that the resulting study is not capable of misleading the reader. It is the reserve fund planner's responsibility to ensure that the assignment meets the "Reasonable Appraiser" Test, if exclusions are made. [see 2.58]

**16.63 Liability insurance [see 2.14, 4.3.7, 5.8, 16.4]**

16.63.1 Courses of study have been developed and are widely regarded as options for Members to gain the knowledge and experience to complete reserve fund planning assignments competently.

**16.64 Reserve Fund Study [see 2.60, 12.1]**

16.64.1 The Study should incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs, and future reserve fund accumulations.

16.64.2 The Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.

**16.65 Personal Property – Machinery and Equipment [see 2.60]**

16.65.1 Machinery and Equipment Values: the machinery & equipment value definitions provide fundamental concepts as contracts may dictate a somewhat different notion. Therefore, these definitions may be expanded or redefined as the purpose and function of the appraisal may dictate as long as the fundamental concept is not altered.

16.65.1.i. *Fair market value* is the estimated amount, expressed in terms of money that may be reasonably expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant

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facts, as of a specific date.

- 16.65.1.ii. **Fair market value in continued use** is the estimated amount, expressed in terms of money, that may reasonably be expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date, and assuming that the earnings support the value reported. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.
- 16.65.1.iii. **Fair market value—installed** is the estimated amount, expressed in terms of money, that may reasonably be expected for an installed property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.
- 16.65.1.iv. **Fair market value—removal** is the estimated amount, expressed in terms of money, that may reasonably be expected for a property between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date, considering that property will be moved to another location.
- 16.65.1.v. **Forced liquidation value** is the estimated gross amount, expressed in terms of money, that could be typically realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis, as of a specific date.
- 16.65.1.vi. **Insurance replacement cost** is the replacement cost new as defined in the insurance policy less the replacement cost new of the items specifically excluded in the policy, if any, as of a specific date.
- 16.65.1.vii. **Insurance value depreciated** is the insurance replacement cost new less accrued depreciation considered for insurance purposes as defined in the insurance policy or other agreements, as of a specific date.
- 16.65.1.viii. **Liquidation value in place** is the estimated gross amount, expressed in terms of money that could typically be realized from a failed facility, assuming that the entire facility would be sold intact within a limited

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time to complete the sale, as of a specific date.

- 16.65.1.ix. **Orderly liquidation value** is the estimated gross amount, expressed in terms of money, that could be typically realized from a liquidation sale, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an “as is, where is” basis, as of a specific date.
- 16.65.1.x. **Reproduction cost new** is the current cost of reproducing a new replica of a property with the same or closely similar materials.
- 16.65.1.xi. **Replacement cost new** is the current cost new of a similar new property having the nearest equivalent utility as the property being appraised.
- 16.65.1.xii. **Scrap value** is the estimated amount, expressed in terms of money that could be realized for a property if it were sold for its material content, not for a productive use, as of a specific date.
- 16.65.1.xiii. **Salvage value** is the estimated amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere, as of a specific date.

### 16.65.2 Machinery and Equipment

- 16.65.2.i. The type of property, the type and definition of value, and the intended use of the appraisal determines which characteristics have a material effect on value.

## 17 PROFESSIONAL EXCELLENCE BULLETINS

Professional Excellence Bulletins are meant to:

- raise awareness on areas of potential professional liability and exposure in ordinary day-to-day practice;
- suggest best practices that can help prevent liability insurance claims and/or professional practice complaints; and,
- demonstrate the application of the compulsory definitions, standard rules and comments through different scenarios.

They are not intended to set out all professional/ethical responsibilities or regulatory requirements, nor to identify all valuation or theoretical aspects of the subject matter.

Most bulletins make reference to appraisal assignments and reports; however, Members are reminded that similar provisions may apply for other professional services (review, consulting, reserve fund planning) as defined under CUSPAP. Please refer to the relevant Standard to ensure compliance.

The following Professional Excellence Bulletins are available in the Members Section of the AIC website under Professional Liability Insurance at:

<http://www.aicanada.ca/professional-liability/professional-excellence-bulletins/>

- As if Complete Appraisals
- Claims Prevention Case Studies
- Condominiums (Residential)
- Conflict of Interest
- Cosignature
- Data Verification
- Foreclosure
- Generic Appraisal Reports
- Home Inspections
- Impaired and Contaminated Properties
- Information Sources
- Letters of Engagement
- Made a Mistake
- Measurement Practices
- Non-Residential Condominium Valuations
- Partially Completed Buildings
- PIPEDA
- Public Securities
- Reducing the Risk of Litigation
- Reliance Letters
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- Scope and Limiting Conditions
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- Verifying Subject Property
- Zoning

## 18 APPENDIX A - INDEX

Each entry in the index includes a reference code. The codes refer to the corresponding sections of the Standards. Each item in the index references the section(s) where they appear.

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## 19 APPENDIX B - CHANGES TO CUSPAP FROM 2014 EDITION

The following table highlights the changes implemented by the Appraisal Institute of Canada for the 2016 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP).

### Definitions

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- 2.3 Accrued Depreciation:** Included definition for Reserve Fund Studies.
- 2.4 Appraisal:** included written or oral as types of formal opinions.
- 2.5 Appraisal Practice:** Amended to identify it as a generic term, and to include the five AIC appraisal activities. Note amended into Notes 1 & 2.
- 2.10 Bias:** definition amended and clarified.
- 2.11 Candidate Member:** Amended to clarify CRA Members working to achieve AACI designation; requirement for proper co-signing registration.
- 2.13 Client:** eliminates ambiguity and clarifies that an AIC client is an individual or organization for whom the Member renders professional services, and typically is the intended user.
- 2.14 Competence:** eliminates ambiguity and clearly establishes requirement for sufficient knowledge, skill and experience required to perform a specific assignment.
- 2.15 Confidential Information:** deletes “another” and replaces it with “a third party”.
- 2.16 Consulting:** amends “real estate data” to “data” and includes five professional services.
- 2.17 Co-Signature:** Note amended to include delegation requirements.
- 2.20 CRA:** expanded and clarified definition of CRA designation.
- 2.21.1 Reserve Fund Study Depreciation:** added for clarification
- 2.23 Effective Date:** clarified to distinguish from inspection and/or report date.
- 2.24 Exposure Time:** Included in CUSPAP 2016.
- 2.25 External Valuer:** Amended and clarified definition with note included.
- 2.26 Extraordinary Assumption:** Clarified “alter” to “materially alter” to better describe context of the assumption.

## Appendix B: Changes to CUSPAP from 2014 Edition

- 2.27 Extraordinary Limiting Condition:** Remains in CUSPAP 2016 and definition combined into one clear sentence. Avoids any potential for misleading interpretation of the definition.
- 2.31 Forced Sale Value:** Note added to advise that a higher minimum standard may apply in some instances.
- 2.32 Hazardous Substance:** removed legislation references.
- 2.33 Highest and Best Use:** clarified definition applies to real property.
- 2.37 Intended Use:** clarifies the use of professional service is established by the Member based on his/her communication with the client.
- 2.38 Intended User:** removes “type” as an identifier of a user and leaves by Name only. Clarifies the requirement of AIC Members that blanket authority for users of AIC reports is not permitted.
- 2.39 Internal Valuer:** Clarification for Members who are internal valuers.
- 2.41 Reserve Fund Study Investment Analysis:** included in CUSPAP 2016.
- 2.43 Jurisdictional Exception:** Definition expanded to clarify the legal authority requirement and Member responsibility.
- 2.44 Lease:** Identifies “terms and covenants” as important elements to be considered.
- 2.46 Machinery & Equipment** definitions included in CUSPAP 2016.
- 2.67 Mass Appraisal:** definition added.
- 2.48 Member:** Identified in CUSPAP for ease of reader understanding and clarity.
- 2.50 Occupant:** definition added in CUSPAP 2016.
- 2.54 Professional Services:** removed “sponsoring entity”.
- 2.58 Reasonable Appraiser:** amends “appraiser” to “Member”, and includes professional services all for consistency.
- 2.60 Report:** Note 3 expanded to reference draft formats, and that letters of opinions are not acceptable.
- 2.61 Reserve Fund Study:** amended and corrected
- 2.62 Retainer:** Amended to clarify use of term within CUSPAP.
- 2.63 Review:** amended to incorporate professional services.
- 2.64 Scope of Work:** Clarified to include type of inspection, limitations or other terms to fulfill the intended use of an assignment. Identifies the importance of the client’s terms of reference and Member’s compliance with CUSPAP.

**2.67 Technical Assistance:** Correctly defines this type of support for Members.

### **Ethics Standard**

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**5.4.4 Misleading Advertising:** description of activities Members must avoid.

### **Real Property Appraisal Standard**

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Renamed from Appraisal Standard (CUSPAP 2014)

**6.2.1** Amended to reflect requirement to identify client by name and intended user by name.

**6.2.11** Amended to include requirement to identify and analyze land use controls

**6.2.13** Amended to include analysis requirement of HBU.

**6.2.21** Amended to include requirement to analyze and comment on all Agreement for Sale, Option or Listing of the property, and all prior sales of the property.

**7.2** Clarification on Client and Intended User requirements.

**7.3** Clarification of Intended Use requirements.

**7.5** Scope of Work amended to include terms of assignment limitations, as per client's instructions.

**7.6** Effective Date – clarification of Current Value Opinion, Retrospective Value Opinion, and Updated Value Opinion.

**7.9** Assumptions and Limiting Conditions: clarification on referencing and clearly stating an extraordinary assumption.

**7.11** Land Use Controls: Addresses requirement to support imminence or probability of land use change.

**7.12** Use: Includes requirement for discussion and analysis of legally non-conforming uses.

**7.13** Highest and Best Use: explains context of the need to support opinion and conclusion in relation to its significance in the appraisal.

**7.15.2** This requirement has been added for the Member to explain reasoning for the exclusion of an approach to value not considered pertinent or applicable under the “Reasonable Appraiser” standard.

**7.24.1 Certification:** Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.

## Appendix B: Changes to CUSPAP from 2014 Edition

**7.25.2** Clarifies Professional Assistance requirement for Members to be individually mentioned in the certification, and that individuals providing Technical Assistance are not required for mentioning in the certification.

**7.25.4** Confirms that a Member may only cosign a report with and AIC member who is in good standing and properly insured under the Professional Liability Insurance Program.

### **Review Standard**

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**8.1.2** has been expanded to provide clarification on the review process and guidance on which version(s) of CUSPAP to use when complete review assignments.

**9.8.1 Certification:** Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.

### **Consulting Standard**

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**11.3** Client and Intended Users

**11.10.1 Certification:** Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.

**11.11** - Responsibility

### **Reserve Fund Planning Standard**

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**12.2.14** Rule corrected to “provide at least one cash flow projection”.

**12.2.16** Rule corrected to “provide at least one reserve fund model”

**13.1.6** The following sentence is added “a written summary of such oral report must be added to the workfile within a reasonable time after the issuance of the oral report”

**13.1.7** Amended as follows “the higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of reserve fund studies/depreciation reports or CUSPAP”

**13.2** Client and Intended User

**13.3** Amended and corrected.

**13.4** Purpose has been corrected and clarified in detail

**13.5** Effective Date of the study identifies the requirement to establish the chronological context for the conclusions and/or recommendations made in the study and that compliance is required with the Standards in effect as at the report date.

## Appendix B: Changes to CUSPAP from 2014 Edition

**13.15** Adequacy Analysis clarified.

**13.18 Certification:** Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.

**13.19** Responsibility now clarified

**Machinery and Equipment Appraisal Standard – added.**

### Practice Notes

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**16.7.9 Disclosure** time limitation removed. - It is recommended that a Member disclose to the client any professional services relative to the subject property if appropriate.

**16.10 Letter of Engagement** Example

**16.10.7 Progress Reports** to clarify that both a progress report with an original appraisal report and a standalone progress report are recognized reports and are covered under the AIC's professional liability insurance program as professional services.

**16.11 Workfile** amended and expanded in detail

**16.12 Client and Intended User** Clarifies Member requirements.

**16.13 Intended Use** Clarified Member requirements to identify the intended use.

**16.13 Client and Intended User** includes examples of acceptable and unacceptable intended user types and a sample reliance letter.

**16.14 Intended Use** includes example of statement appropriate for following the Standard.

**16.14.4 Value** Includes Forced Sale Value discussion.

**16.15.2 Scope of Work** includes review work and oral reports.

**16.20 Detrimental Conditions** identifies a variety of circumstances and direction provided regarding extraordinary limiting conditions.

**16.29.4 and 16.29.5 Extraordinary Assumptions** provided for clarity

**16.31.3 Land Use Controls** context for a land use change

**16.34.2 Direct Comparison Approach** discussion of transaction taxes expanded for clarity.

**16.37.3 and 16.37.4 Agreement for Sale/Option/Listings/Prior Sales** these paragraphs replace the first two paragraphs on page #74 of CUSPAP 2014 and

## Appendix B: Changes to CUSPAP from 2014 Edition

discuss where agreements for sale can be obtained and explains course of action where members are unable to obtain information directly from a realtor. Also describes process for member when information or data is unobtainable.

- 16.38.11 Responsibility** draft reports and suggested practices
- 16.41 Purpose** suggested practices pertaining to encumbrances
- 16.47 Value Opinions in Appraisal Review Assignments** discussed in further detail for clarity purposes - which version(s) of CUSPAP.
- 16.49 Purpose of the Reserve Fund Study** amended and corrected.
- 16.56 Certification:** Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.
- 16.63 Preparing a Reserve Fund Model** amended and corrected
- 16.66 M&E Practice Notes** definitions provided and context of characteristics identified