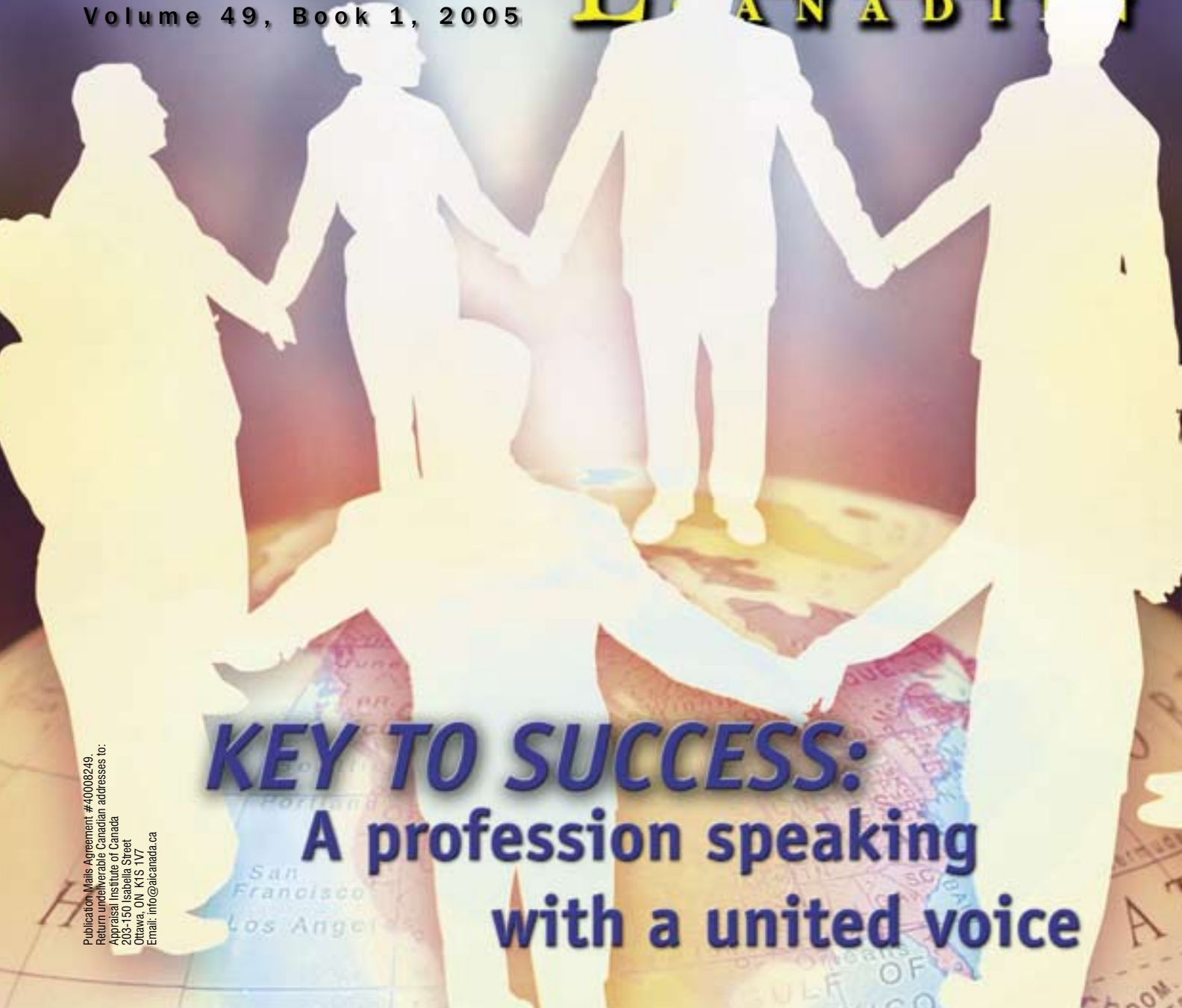


# CANADIAN APPRAISER ÉVALUATEUR CANADIAN

Volume 49, Book 1, 2005



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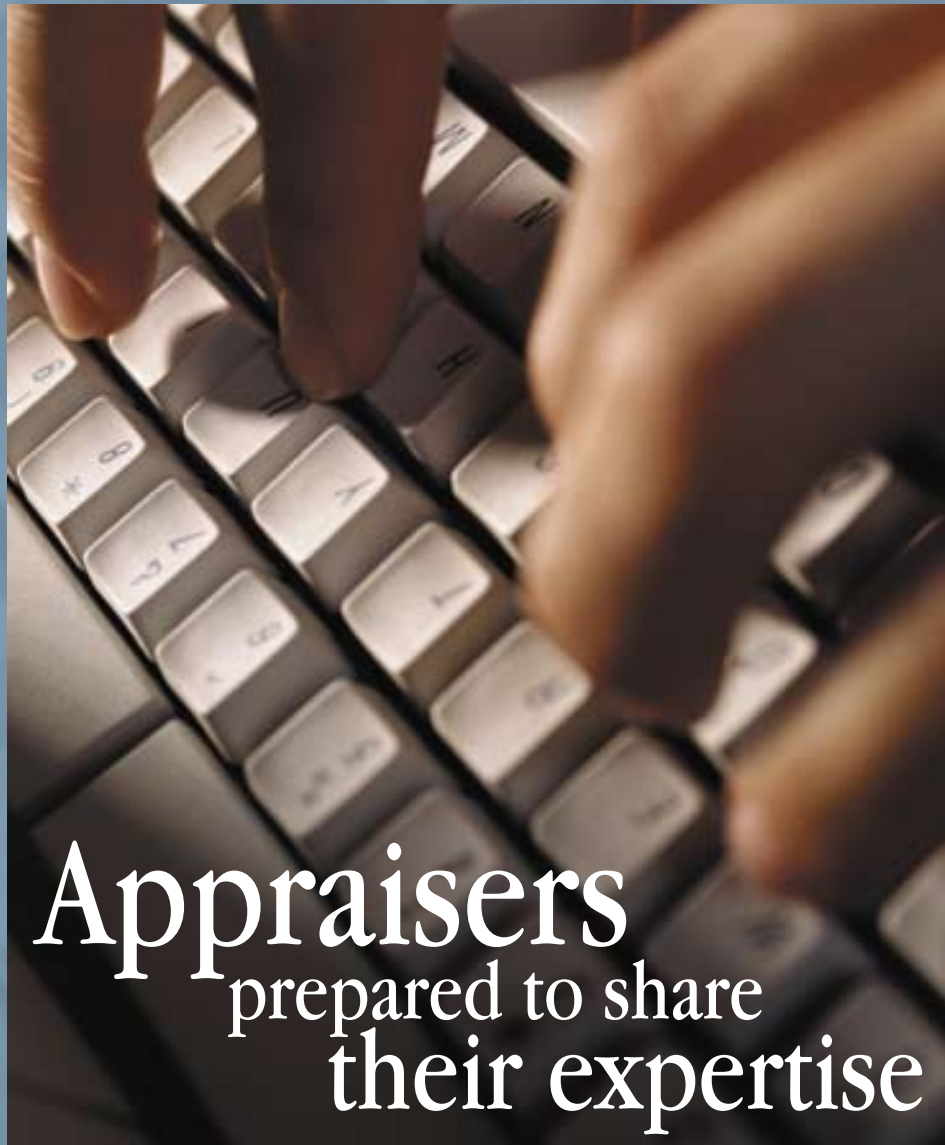
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In addition to regular features dealing with such significant initiatives as continuing professional development, standards, liability insurance, communications and professional practice, each issue also provides a venue for members to share their knowledge, expertise and experience by contributing articles they have written on timely and informative appraisal-related topics.

The CPD Program allows for members to earn a maximum of 40 credits for authoring articles throughout the 5-year cycle. Credits should be reported on the basis of one credit per hour required to author the articles.

If you have authored an article, or are interested in doing so, please contact Joanne Charlebois, AIC's Director of Communications at (613) 234-6533 ext. 224 or [joannec@aicanada.ca](mailto:joannec@aicanada.ca)



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24



# Appraisal Institute of Canada AGM 2005

**Fantasyland Hotel, Edmonton, Alberta**

**Friday, June 3, 2005 • 8:30 a.m.**

## Agenda

1. To confirm the Minutes of the June 24, 2004 AGM.
2. To receive the President's Report.
3. To receive AIC Committee Reports.
4. To consider AIC By-law revisions as presented by the Board of Directors.
5. To declare the newly elected members of the Board of Directors.
6. To receive audited financial statements for the past year and appoint auditors for the forthcoming year.
7. To consider resolutions submitted in accordance with the By-laws.
8. To consider all other business as may properly come before the meeting.

Note: Designated members have the right to vote by proxy. Such proxy may be obtained on the AIC web site at [www.aicanada.ca](http://www.aicanada.ca) under About AIC/Events/Conferences/2005 and emailed to [agm2005@aicanada.ca](mailto:agm2005@aicanada.ca) prior to May 20, 2005.

# Institut canadien des évaluateurs, AGA 2005

**Hôtel Fantasyland, Edmonton, Alberta**

**Vendredi, le 3 juin 2005 • à compter de 08 h 30**

## Ordre du jour

1. Approbation du procès-verbal de l'AGA du 24 juin 2004.
2. Présentation du rapport du Président.
3. Présentation des rapports des comités de l'ICE.
4. Examen des modifications aux règlements de l'ICE, telles que présentées par le Conseil d'administration national (CAN).
5. Présentation des nouveaux membres élus du Conseil d'administration.
6. Présentation des états financiers vérifiés du dernier exercice et nomination des vérificateurs pour le prochain exercice.
7. Examen des résolutions présentées conformément aux règlements.
8. Étude de tous les autres points dûment présentés à l'Assemblée.

Nota : les membres accrédités ont le droit de voter par procuration. Le formulaire de procuration est disponible à même le site web de l'ICE à l'adresse [www.aicanada.ca](http://www.aicanada.ca) sous la rubrique « Qui sommes-nous?/ Événements/Conférences/2005 ». Une fois complété, il doit être retourné par courriel à l'adresse [agm2005@aicanada.ca](mailto:agm2005@aicanada.ca) avant le 20 mai 2005.



*Learn from the Past, Act in the Present, Plan for the Future!*

## **2005 Annual Conference of the Appraisal Institute of Canada**

**June 2 - 4, 2005 • Edmonton, Alberta, Canada**

### **Edmonton 2005 AIC Conference**

[www.aicanada.ca](http://www.aicanada.ca)

Date: June 2 – 4, 2005

Place: Edmonton, Alberta Canada

Hotel: Fantasyland Hotel at West Edmonton Mall /

[www.fantasylandhotel.com](http://www.fantasylandhotel.com)

For additional Conference information, please contact:

Andy Chopko, AACI, P.App/Conference Chair  
(780) 432-0616 / [achopko@telus.net](mailto:achopko@telus.net)

Come early and **profit** from our June 1 Pre-conference workshop featuring Marshall and Swift/Boeckh-Canada **Costing Training Session \$125.00 plus GST**

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[http://www.aicanada.ca/e/aboutaic\\_events\\_con2005-registration.cfm](http://www.aicanada.ca/e/aboutaic_events_con2005-registration.cfm)

Early Bird: \$575.00 if registered by April 15, 2005

Regular Fee: \$625.00 after April 15

Can't attend the entire Conference – then plan to attend for one day. The registration fee will be included on the registration form.

Guest Early Bird: \$325.00 if registered by April 15

Regular Fee: \$375.00 after April 15

### **Attend our CPD Sessions:**

- Marketing your services in the 21<sup>st</sup> Century
- Professional Practice Issues
- RENOVA
- Mortgage Fund
- Expropriation – Injurious Affection Case Study
- Eco Gifting and Conservation Easements

*As Conference Chair, I would personally like to invite you to attend our annual AIC Conference to be held at Fantasyland Hotel at West Edmonton Mall in Edmonton, June 2 - 4, 2005. This conference will provide excellent presenters for continuing professional development credits that will give you an advantage in an ever-changing real estate environment. Mark your calendar and plan to take a few extra days with your family and enjoy some of Alberta's Centennial celebrations!*

*Andy Chopko, AACI, P. App  
2005 AIC Conference Chair  
(780) 432-0616*

*[achopko@telus.net](mailto:achopko@telus.net)*

*[conference2005@aicanada.ca](mailto:conference2005@aicanada.ca)*



**Brian Duncan**, AACI, P. App  
AIC President

## NEW HORIZONS

# Achieving consensus

**O**n October 31, 2004, the AIC Board of Directors, Committee chairs, and AIC provincial association presidents met in Ottawa to discuss the issues identified through the New Horizons (NH) initiative and reach consensus on the policies flowing there from. As you are probably aware by now, New Horizons is the culmination of a process that began several years ago with the membership's approval of a new Strategic Plan.

The Strategic Plan envisions that: "The members of our Institute will be *professionals* who are recognized as having expertise and integrity to:

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

The Plan establishes a series of goals aimed at achieving the stated vision including: "*new methodologies and practices* will be developed, supported by *innovative core education* and continuing education programs, involving the principles of value in real estate and related property."

As an outgrowth of the Strategic Plan, the New Horizons initiative had as its main objectives to:

1. Define the professional scope of practice of real estate valuers with the understanding that it is changing and

becoming broader than the traditional point in time appraisal work

2. Define the work of the professional and contrast it to technical work
3. Determine what qualifications a professional real estate valuer must have in order to perform competently

During the October 31 New Horizons planning session, the participants addressed these three issues and reached consensus on a number of related policies.

### Professional scope

Our Institute's standards of professional appraisal practice – 'The Standards' as they are referred to, define the scope of practice of AIC members. Currently, they include standards of practice in the areas of real estate appraisal, appraisal review and related consulting. The New Horizons survey confirmed that AIC members do this type of work, but it also provided detailed information about the wide scope of activities in which AIC members are involved. These activities can be classified into four categories of work: valuation, management, review, and consulting that define the scope of work of AIC members. Under these four headings, a great number of activities were identified.

At the New Horizons planning meeting, consensus was reached on the notion that the scope of practice of professional real estate valuers extends far beyond point-in-time appraisal and includes some 32 activities that comprise the

The scope of practice of professional real estate valuers extends far beyond point-in-time appraisal and includes some 32 activities.



Designated members of the Institute must demonstrate a commitment to professionalism and life-long learning.

expanded scope of practice of professional real estate valuers (see sidebar).

### **Professional work**

Professional work is the application of skills and knowledge to provide stakeholders with value-added solutions. The New Horizons survey identified, and the New Horizons planning session confirmed, that professional work requires higher order cognitive abilities, skills and attitudes and includes such functions as analyzing, deciding, advising, leading, establishing value, providing assurance, and taking responsibility. Technical work requires lower order knowledge, skills and attitudes (i.e., data collection), and includes such activities as measuring, collecting, compiling, reporting, and calculating.

In accordance with the Strategic Plan, the Institute is working to ensure that all of its designated members are professionals. As professionals, they must have the breadth and depth of education, and practical experience, to ensure that they can perform competently within an expanded scope of practice. Further, designated members of the Institute must demonstrate a commitment to professionalism and life-long learning. In this respect, the Institute's leadership at the New Horizons planning meeting reached consensus on a number of policies that support the Strategic Plan's professionalism objectives.

### **Designation requirements**

The educational requirements for AACIs, and for most major professional designations worldwide, already include an undergraduate degree. The New Horizons planning session validated this, and agreed that, on a go forward basis, an undergraduate degree should be a

requirement for all designations.

An important aspect of professionalism is the experience component. The practical experience leading to professional designation must be progressive, with increasingly more complex assignments being introduced to the Candidate. The New Horizons planning session participants concurred that, with an expanded scope of practice, the amount of work experience prior to designation must be increased from current levels.

The admissions process is the final step leading to recognition as a professional and a designated member of the Institute. The objectives of the admissions process are to ensure the professional competence of the member, and to do so in a manner that is uniform, fair, and transparent. As such, consensus was reached by the New Horizons planning meeting participants that a written component should be added to, and should complement the existing oral exam.

The Institute's membership structure should reflect the professional nature of the organization. As non-designated members, Candidates must be supervised, and co-signed by designated members. Nonetheless, Candidates provide professional services to the public and, as such, should have adequate knowledge, skills, and experience to do so. The New Horizons planning meeting participants reached consensus on a number of revisions to the policies that govern Candidate members of the Institute. One of these revisions is that designated members may co-sign for only a specified number of Candidates.

Candidates should be regarded as members in the final stages prior to becoming designated. They should have completed at least BUSI 330

## **Administrative functions related to real property**

Asset/ portfolio management  
Management of valuation related organization(s)  
Property management/lease administration  
Appraisal review  
Arbitration/ mediation  
Assessment review/appeal  
Due diligence assignment  
Expert witness  
Business valuation  
Expropriation  
Insurance cost estimating  
Mass appraisal  
Point in time appraisals  
Resource valuation  
Consulting/strategic advice  
Contaminated properties/ environmental issues  
Ecological gifts  
Highest and Best Use Studies  
With land surveying/  
accounting/engineering/law  
Market forecasting  
Native land claims  
Negotiation (toward a business arrangement)  
Property development/land assembly/site selection  
Property sales (pre-sale marketing)  
Pre-purchase advice  
Research support  
Valuation education  
Valuation technology design

“ All AIC members will benefit with the achievement of the Strategic Plan objectives.”

and the Appraisal Standards Seminar in addition to a specified number of other courses. The group agreed that Candidates should be expected to complete one course of the professional program every year and achieve professional designation within a specified period of time, or forfeit Candidate status.

### Next steps

Although consensus was reached on a number of important issues affecting the Institute and its members, much work must be done to flesh out the policies and their implementation. In this respect, the New Horizons planning meeting participants are being asked to share the information coming out of the New Horizons planning session, and solicit input on the implementation of the new policy directions. The Institute's standing committees now have the task of further researching the impact of the adopted policies in their respective areas of responsibility. Policies and programs must be adjusted in such areas as standards, education, and professional practice, to name but three. Finally, the AIC Board of Directors will need to review the results of this work, and give its approval before the policies are implemented.

During this process, we will strive to keep you informed through this publication, and *New Horizon Communiqués*. In the end, we sincerely believe that all AIC members will benefit with the achievement of the Strategic Plan objectives and the enhanced recognition of our Institute members as the pre-eminent real estate valuation professionals in Canada. 🍀

# Calendar of events

## **AIC Appraisal Institute of Canada Annual General Meeting**

June 3, 2005, 8:30 am  
Fantasyland Hotel, Edmonton, Alberta

## **AB Alberta Association Appraisal Institute of Canada Standards Seminars**

Calgary - May 13-14, 2005  
For further details contact Suzanne Teal at [abaaic@telusplanet.net](mailto:abaaic@telusplanet.net)

## **Alberta Association Appraisal Institute of Canada Standards Seminars**

Edmonton - April 22-23, 2005  
For further details contact Suzanne Teal at [abaaic@telusplanet.net](mailto:abaaic@telusplanet.net)

## **Alberta Association Appraisal Institute of Canada Discounted Cash Flow Approach, Everyday Applications for the Appraisal Professional**

Half Day Seminar,  
Edmonton - Thursday, April 14, 1 to 4:30 pm  
Calgary - Friday, April 15, 1 to 4:30 pm  
For further details contact Suzanne Teal at [abaaic@telusplanet.net](mailto:abaaic@telusplanet.net)

## **BC British Columbia Association Appraisal Institute of Canada Standards Seminars**

Kelowna - April 22-23, 2005  
Lower Mainland - June 17-18, 2005  
Nelson - September 21-22 - Nelson  
Lower Mainland - November 4-5  
For further details contact [kathy@appraisal.bc.ca](mailto:kathy@appraisal.bc.ca)

## **MB Manitoba Association Appraisal Institute of Canada Septic Fields/Tanks: An Update on Regulations and their Affect on Value**

Tim Ness, Co-ordinator, Onsite Wastewater Management, Manitoba Conservation  
March 16, 2005 - 11:30 am to 1:00 pm  
Winnipeg Real Estate Board Classroom, 1240 Portage Avenue, Winnipeg  
Cost: \$35 per person plus GST (Includes Working lunch)  
1.5 CPD Credits (Space limited to 30 persons)  
For further information contact Lynne Smith Dark at [mbaic@mts.net](mailto:mbaic@mts.net)

## **Manitoba Association Appraisal Institute of Canada The Standards Seminar**

Instructor: Allan Beatty, AACI, P.App  
April 15-16, 2005 - 9:00 am to 4:00 pm, Victoria Inn, Winnipeg  
Cost: \$325 plus GST  
14 Guaranteed CPD Credits  
For further information contact Lynne Smith Dark at [mbaic@mts.net](mailto:mbaic@mts.net)

## **NB New Brunswick Association of Real Estate Appraisers Association des évaluateurs immobiliers du Nouveau-Brunswick**

**10th Year Anniversary Celebration AGM & Annual Conference**  
April 21 and 22, 2005, Delta Fredericton, Fredericton  
For further details, view our web site at [www.nbarea.org](http://www.nbarea.org)

## **ON Ontario Association Appraisal Institute of Canada Annual General Meeting**

April 2, 2005, Ottawa  
For further information contact [info@oaaaic.on.ca](mailto:info@oaaaic.on.ca)

## **PEI PEI Association Appraisal Institute of Canada Annual General Meeting**

April 20, 2005, Rodd Signature Hotel, Charlottetown  
For further information contact Suzanne Pater at [peiaic@allstream.net](mailto:peiaic@allstream.net)

## **SK Saskatchewan Association Appraisal Institute of Canada Annual General Meeting and Professional Development Conference**

April 8-9, 2005, Radisson Hotel, Saskatoon, SK  
For further information contact Marilyn Steranka at [skaic@sasktel.net](mailto:skaic@sasktel.net)

## Why Use the Cost Approach?

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### **Value unique property features**

Often times, the physical characteristics or building components of comparable properties differ significantly. In such instances, the value of these unique property features can best be identified using the cost approach and later added to your sales comparison or income totals as estimate adjustments.

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**Brian Duncan, AAI, P. App**  
Président de l'ICE

## NOUVEAUX HORIZONS

# L'atteinte d'un consensus

**L**e 31 octobre 2004, le Conseil d'administration de l'ICE, les présidents de comités et les présidents des associations provinciales de l'ICE se sont réunis à Ottawa pour discuter les questions découlant du projet Nouveaux Horizons (NH) et atteindre un consensus sur les politiques en découlant. Comme vous le savez probablement déjà, le projet Nouveaux Horizons est le point culminant d'un processus amorcé il y a plusieurs années avec l'approbation du plan stratégique par les membres.

Le plan stratégique stipule que : « Les membres de l'Institut seront des *professionnels* reconnus comme ayant la compétence et l'intégrité pour :

- offrir une vaste gamme de services liés aux principes de la valeur dans le secteur de l'immobilier;
- diriger des projets, des initiatives et des entreprises dans le secteur de l'immobilier; et
- offrir soutien, conseils stratégiques et prendre des décisions averties au sujet de l'immobilier et des propriétés connexes.»

Le plan prescrit une série d'objectifs visant la réalisation de la vision, y compris : « l'élaboration de nouvelles méthodologies et pratiques, appuyées par des programmes clés innovateurs dans les domaines de l'éducation et du perfectionnement professionnel visant les principes de la valeur immobilière et

des propriétés connexes.»

Découlant du plan stratégique, les principaux objectifs du projet Nouveaux Horizons sont :

1. la définition de la portée de la pratique professionnelle chez les évaluateurs immobiliers compte tenu qu'il s'agit d'un secteur en pleine évolution faisant appel à des tâches autres que les simples évaluations traditionnelles;
2. la définition du travail professionnel versus le travail technique;
3. la détermination des qualifications que doit posséder un évaluateur immobilier professionnel pour s'acquitter efficacement de son travail.

Lors de la séance de planification sur les Nouveaux Horizons tenue le 31 octobre, les participants se sont penchés sur chacun de ces trois points et ont atteint un consensus sur un certain nombre de politiques connexes.

### Portée de la pratique professionnelle

Les normes de l'Institut régissant la pratique professionnelle dans le domaine de l'évaluation, soit les « Normes » comme on les appelle, définissent la portée de la pratique des membres de l'ICE. Actuellement, elles couvrent la pratique dans les secteurs de l'évaluation immobilière, les révisions d'évaluations et les services connexes de

La portée de la pratique des évaluateurs  
immobiliers professionnels va bien au delà des  
simples évaluations et qu'elle inclut environ  
trente-deux activités

## Les membres accrédités de l'Institut doivent faire preuve de professionnalisme et s'engager à l'endroit d'un perfectionnement professionnel continu.

consultation. Le sondage Nouveaux Horizons a confirmé que les membres de l'ICE se livrent effectivement à ce travail mais a aussi offert de l'information sur une vaste gamme d'autres travaux que les évaluateurs sont appelés à effectuer. Ces activités peuvent être classées en quatre catégories de travail : l'évaluation, la gestion, la révision et la consultation. Sous ces quatre titres généraux, on retrouve également un grand nombre d'activités.

Durant la séance de planification sur les Nouveaux Horizons, le consensus fut atteint sur la notion voulant que la portée de la pratique des évaluateurs immobiliers professionnels va bien au delà des simples évaluations et qu'elle inclut environ trente-deux activités (v. en médaillon).

### Travail professionnel

Le travail professionnel consiste en l'application d'aptitudes et de connaissances visant à offrir aux intervenants des solutions à valeur ajoutée. Le sondage Nouveaux Horizons a identifié et la séance de planification a confirmé que le travail professionnel requiert un ordre plus élevé d'habiletés cognitives, d'aptitudes et d'attitudes et comprend des fonctions telles l'analyse, la prise de décisions, la consultation, la direction, l'établissement de la valeur, l'offre d'une assurance et la prise de responsabilités. Par ailleurs, le travail technique requiert un ordre moins élevé de connaissances, d'aptitudes et d'attitudes (par exemple, la cueillette de données) et comprend des activités comme l'évaluation, la perception et la compilation de données, la préparation de rapports et le calcul.

Conformément au plan stratégique, l'Institut s'efforce d'assurer que tous ses membres accrédités

soient des professionnels reconnus. À titre de professionnels ils doivent posséder une éducation et une expérience pratique approfondies afin de pouvoir s'acquitter efficacement de leurs fonctions dans le cadre d'une portée de pratique accrue. Aussi, les membres accrédités de l'Institut doivent faire preuve de professionnalisme et s'engager à l'endroit d'un perfectionnement professionnel continu. À ce chapitre, la direction de l'Institut a, lors de la séance de planification sur les Nouveaux Horizons, atteint un consensus sur un certain nombre de politiques en appui aux objectifs du plan stratégique en matière de professionnalisme.

### Exigences d'accréditation

Les exigences éducatives pour les AACI et pour la plupart des désignations professionnelles importantes à l'échelle du monde incluent un diplôme de premier cycle. La séance de planification sur les Nouveaux Horizons a confirmé ce fait et les participants ont convenu que dorénavant, le diplôme de premier cycle serait une exigence pour toutes les désignations.

Un élément important du professionnalisme consiste en l'expérience. En effet, l'expérience pratique menant à l'accréditation professionnelle doit être progressive, le stagiaire étant introduit à des travaux de plus en plus complexes. Les participants à la séance de planification sur les Nouveaux Horizons convenaient qu'avec une portée accrue de pratique, la quantité d'expérience de travail devait aussi augmenter par rapport aux niveaux actuels.

Le processus d'admission est la dernière étape menant à la reconnaissance à titre de professionnel et de membre accrédité de l'Institut. Les objectifs du proces-

## Fonctions administratives liées à l'immobilier

Gestion des actifs/portefolios  
Gestion d'organismes oeuvrant dans l'immobilier  
Gestion immobilière/  
Administration de baux  
Révision d'évaluations  
Arbitrage/Médiation  
Examens d'évaluations/Appels  
Travaux de diligence raisonnable  
Témoin expert  
Évaluation d'entreprises  
Expropriation  
Estimation des coûts d'assurance  
Évaluations de masse  
Simple évaluations  
Évaluation des ressources  
Conseils/Consultation stratégique  
Propriétés contaminées/  
Questions écologiques  
Dons écologiques  
Études sur l'utilisation optimale  
Arpentage/Comptabilité/  
Ingénierie/Droit  
Prévisions du marché  
Réclamations territoriales  
Négociation (en vue d'une entente commerciale)  
Développements résidentiels/  
Regroupement des terres/  
Choix des sites  
Ventes de propriétés (marketing pré-vente)  
Conseils avant l'achat  
Soutien à la recherche  
Éducation dans le domaine de l'évaluation  
Conception des technologies d'évaluation

« Nous croyons sincèrement que tous les membres de l'ICE auront à profiter de la réalisation des objectifs énumérés dans le plan stratégique. »

sus d'admission sont de confirmer la compétence professionnelle du membre et de le faire de façon juste, cohérente et transparente. Les participants à la séance de planification sur les Nouveaux Horizons ont donc atteint un consensus à l'effet qu'un examen écrit soit ajouté comme complément à l'examen oral.

La structure des membres de l'Institut devrait refléter la nature professionnelle de l'organisme. Comme membres non accrédités, les stagiaires doivent faire l'objet d'une surveillance et leurs rapports doivent être cosignés par un membre accrédité. Néanmoins, les stagiaires offrent des services professionnels au public et, à ce titre, doivent posséder les connaissances, les aptitudes et l'expérience pour ce faire. Les participants à la séance de planification sur les Nouveaux Horizons ont, encore une fois, atteint le consensus sur un certain nombre de modifications aux politiques régissant les membres stagiaires de l'Institut. L'une de ces modifications veut que les membres

accrédités puissent cosigner uniquement pour un nombre spécifique de stagiaires.

Les stagiaires devraient être considérés comme membres vers la fin de leur stage, tout juste avant d'obtenir leur accréditation. Au minimum, ils doivent avoir complété le cours BUSI 330 et le Séminaire sur les normes de l'Institut, en plus d'un certain nombre d'autres cours. Le groupe a convenu que les stagiaires doivent compléter un cours du programme professionnel par année et obtenir leur accréditation dans une période de temps donnée à défaut de quoi ils perdront leur statut de stagiaire.

#### **Prochaines étapes**

Bien que le consensus ait été atteint sur un certain nombre de points importants affectant l'Institut et ses membres, il reste encore beaucoup à faire pour élaborer les politiques et le processus connexe de mise en oeuvre. À la lumière de la situation, les participants à la séance de planification sur les Nouveaux Horizons ont été invités à partager

l'information découlant de ladite séance et à solliciter des commentaires sur la mise en oeuvre des nouvelles politiques. Les Comités permanents de l'Institut ont maintenu le devoir de documenter l'impact des politiques adoptées sur leur secteur respectif de responsabilité. Les politiques et les programmes devront être adaptés au niveau des normes, de l'éducation et de la pratique professionnelle pour n'en nommer que quelques-uns. Enfin, le Conseil d'administration de l'ICE devra revoir les résultats de ce travail et approuver lesdites politiques avant leur entrée en vigueur.

Tout au cours du processus, nous vous tiendrons au courant via cette publication et les Communiqués sur les Nouveaux Horizons. En bout de ligne, nous croyons sincèrement que tous les membres de l'ICE auront à profiter de la réalisation des objectifs énumérés dans le plan stratégique et d'une reconnaissance accrue des membres de l'Institut comme professionnels de choix dans le domaine de l'évaluation immobilière au Canada. 🍀

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**Georges Lozano, MPA**  
AIC Chief Executive Officer

## Taking stock

The start of the New Year is a good time to take stock of the progress made by the Appraisal Institute of Canada (AIC) and its members towards the achievement of its objectives as stated in the Strategic Plan. In the midst of so much change, and the challenges that it presents, it is often easy to overlook our significant achievements.

The Strategic Plan calls for the AIC to work to ensure that its members are recognized as professionals who are able to provide a broad range of valuation and related services. The Plan calls for the development of new methodologies and practices and innovative core education and continuing education programs. During the past year, a number of initiatives were undertaken to heighten the professionalism of AIC and its members.

First of all, the New Horizons initiative was undertaken with the objective of achieving the stated professionalism goals by redefining the scope of practice of professional real estate valuers in light of the rapidly changing marketplace, determining what is professional work in comparison to technical work, and identifying the qualifications that designated members of the AIC must have in order to perform competently as multidisciplinary professionals.

The leadership of the AIC came together in the fall to discuss the findings

and reach a consensus on a number of important policies that, going forward, will help to achieve AIC strategic objectives to the benefit of its members. The policies and their implementation will be the topic of discussion by provincial associations and their members as the AIC seeks their feedback prior to applying them. The policies will also be reviewed by the pertinent committees of the AIC with respect to their implementation and, further to their recommendations and the input received from provincial associations, the Board of Directors will give final approval.

The visibility of the profession was increased through the AIC's representational efforts and its communications activities. In an effort to raise the profile of the AIC and its members, meetings were held with a number of related organizations. Among them, the Canadian Institute of Chartered Business Valuators (CICBV), Canada Mortgage and Housing, the Canadian Real Estate Association, and the Canadian Institute of Quantity Surveyors to update them on the Institute's latest activities.

In the area of communications, the *2004 Directory of Designated Members* was printed and distributed to members. In November, in time for the CIMBL conference, a companion CD-ROM was also produced.

In advance of the much-anticipated branding initiative, an advertorial was

During the past year, a number of initiatives were undertaken to heighten the professionalism of AIC and its members.



produced and inserted in the *National Post's Business Magazine* with a readership of 1.3 million. The glossy insert promoted the profession extensively and raised awareness of the broad range of professional services offered by AIC members. The home renovation survey of members was enhanced and an interactive web tool named RENOVA was developed. The purpose of the tool is to inform consumers about home improvements and their contribution to the value of a property. More importantly, RENOVA works as a marketing channel by informing end-users about the value of a professional appraisal while directing them to the member directory on the web site.

The branding initiative began in earnest towards the end of the year when the firm of Hewson Bridge & Smith was hired to develop a branding strategy. The first phase of the project involves the undertaking of a survey of stakeholders. The survey is aimed at getting a better understanding of the current brand equity in preparation for the development of a branding campaign. The campaign will be launched once the New Horizons outcomes are adopted for implementation by the AIC Board of Directors.

In the area of member services, a new affinity service was introduced to members in the form of The Personal Home and Auto Insurance. The program offers members a choice of home and auto insurance at competitive prices.

In the area of education deliv-

“Significant progress is being made towards achievement of the AIC’s goals.”

ery, Athabasca University, a leader in distance education in Canada, reached an agreement with AIC and its education partner, UBC, through which it will recognize AIC/UBC courses, and will embed them in its Bachelor of Commerce, and Bachelor of Management degrees. The agreement will provide an attractive option for members wishing to obtain their designation, which requires an undergraduate degree from a recognized university.

Discussions were held with the Schulich School of Business at York University, with the aim of reaching a similar agreement to offer classroom delivery of the AIC program of professional studies in the Toronto area. These discussions have been promising and are continuing with the encouragement of the University of British Columbia.

With respect to the UBC program, during the course of the year, UBC introduced several online professional development workshops including Business Enterprise Valuation, Valuation of Property

Impairments and Contamination, Hotel Valuation, and Agricultural Valuation. As well, a new course entitled *Critical Analysis and Forecasting in Real Estate (BUSI 460)* is being developed and will be made available to students and members this year.

In the area of member recruitment, 2004 was very promising with the number of new Candidates exceeding those for 2003 by 53. In 2004, the Institute received 321 new Candidates.

The Professional Liability Insurance Program continued to perform well as a result of good management of the program and a low claims history. As a result, the 2005 insurance premium remained the same as in 2004. In addition, members received a Fund Contribution Rebate in the range of 20%, due to the fact that the rate stabilization fund levels recommended by the program’s actuary were achieved.

All in all, significant progress is being made towards achievement of the AIC’s goals in raising the profile of the membership as highly qualified professionals and preeminent practitioners in the field of real estate valuation and related areas. This is being achieved as we take steps to ensure that designated members are well prepared to successfully meet the challenges of the expanding market for real estate valuation and consulting services. As AIC members rise to meet this challenge, their clients benefit and members continue to build richer and more rewarding careers. 🍀

“As AIC members rise to meet this challenge, their clients benefit and members continue to build richer and more rewarding careers.”



**Georges Lozano, MPA**  
*Chef de la direction de l'ICE*

## Faire le point

**L**e début d'une nouvelle année est toujours un bon moment pour faire le point sur le progrès accompli par l'Institut et ses membres dans l'atteinte des objectifs stipulés dans le plan stratégique. Compte tenu de la quantité de changements qui planent dans l'air et des défis qu'ils représentent, il est souvent facile d'oublier nos accomplissements.

Le plan stratégique précise que l'Institut doit veiller à ce que ses membres soient reconnus comme professionnels en mesure d'offrir une vaste gamme de services dans le domaine de l'évaluation et les secteurs connexes. Le plan fait appel à l'élaboration de nouvelles méthodes et pratiques, prévoit des programmes clés et innovateurs en matière d'éducation, ainsi que des programmes améliorés d'éducation permanente. Au cours de la dernière année, un certain nombre d'initiatives ont été amorcées pour rehausser le professionnalisme de l'ICE et de ses membres.

D'abord, le projet Nouveaux Horizons a été amorcé avec, comme objectif, d'atteindre les objectifs liés au professionnalisme en redéfinissant la portée de la pratique professionnelle des évaluateurs immobiliers à la lumière du marché en constante évolution, en établissant une comparaison entre le travail professionnel et technique et en identifiant les qualifica-

tions que doivent posséder les membres accrédités de l'Institut pour être considérés comme professionnels multidisciplinaires.

Les dirigeants de l'Institut aux paliers national et provincial se sont réunis à l'automne pour discuter les conclusions et atteindre un consensus sur un certain nombre de politiques importantes qui, dans l'avenir, faciliteront l'atteinte des objectifs stratégiques de l'ICE à l'avantage de tous ses membres. Les politiques et leur mise en oeuvre feront l'objet de discussions par les associations provinciales et leurs membres lorsque l'ICE sollicitera leurs commentaires avant de procéder à la mise en application. Les politiques feront aussi l'objet d'un examen par les comités pertinents de l'Institut, en particulier en rapport à leur mise en oeuvre, et suite aux recommandations formulées et aux commentaires des associations provinciales, recevront l'approbation finale du Conseil d'administration.

La visibilité de la profession a été améliorée via les efforts de représentation et les activités de l'Institut en matière de communication. Dans un effort pour rehausser le profil de l'Institut et de ses membres, des réunions ont eu lieu avec un certain nombre d'organismes du milieu, soit l'Institut canadien des experts en évaluation d'entreprises (ICEEE), la Société canadienne d'hypothèques et de logement, l'Association canadienne de l'immeuble et l'Institut canadien des

Au cours de la dernière année, un certain nombre d'initiatives ont été amorcées pour rehausser le professionnalisme de l'ICE et de ses membres.

économistes en construction afin de les tenir au courant des plus récentes activités de l'ICE.

Dans le cadre des efforts de communication, nous avons imprimé et distribué le Répertoire 2004 des membres accrédités. En novembre, tout juste en temps pour la conférence de la ICCPH, nous avons également produit un DC-ROM.

Avant l'initiative tant attendue de reconnaissance, une publicité a été produite, publiée dans la Revue Affaires du National Post et distribuée à 1,3 million de lecteurs. Cet encart au fini glacé faisait une promotion exhaustive de la profession et a permis de sensibiliser les lecteurs à la variété de services offerts par les membres de l'Institut. Le sondage sur la rénovation au foyer a été amélioré et un outil interactif pour le web appelé RENOVA a été mis au point. Le but de cet outil est de renseigner le consommateur au sujet des améliorations locatives et leur contribution à la valeur générale de la propriété. Plus important encore, l'outil RENOVA sert de réseau de commercialisation en informant l'utilisateur au sujet des avantages d'une évaluation professionnelle et en le dirigeant au répertoire des membres sur notre site web.

L'initiative de reconnaissance a été amorcée à la hâte vers la fin de l'année lorsque le cabinet Hewson Bridge & Smith a été retenu pour établir une stratégie à cette fin. La première phase du projet consiste en un sondage auprès des intervenants. Cet exercice vise à mieux comprendre la perception actuelle de notre reconnaissance avant d'entreprendre une campagne à ce chapitre. Cette dernière doit être amorcée suite à l'adoption, par le Conseil d'administration de l'ICE, des conclusions du projet Nouveaux Horizons à des fins de mise en oeuvre.

Au niveau de services aux membres, un nouveau service affinité a

## Beaucoup de progrès a été accompli dans l'atteinte des objectifs de l'Institut.

été introduit, soit l'assurance-habitation et l'assurance-automobile. Le programme offre un bon choix d'assurance-habitation et automobile à des prix concurrentiels.

En matière d'éducation, l'Université Athabasca, chef de file dans les programmes d'études à distance au Canada, a conclu une entente avec l'ICE et l'U.C.-B. reconnaissant leurs cours respectifs qui seront dorénavant inclus à ses programmes menant au Baccalauréat en commerce et au Baccalauréat en gestion. L'entente constitue une offre intéressante pour les membres désireux d'obtenir leur accréditation pour laquelle il est nécessaire de détenir un diplôme de premier cycle d'une université reconnue.

Des discussions ont aussi eu lieu avec l'École commerciale Schulich de l'Université York dans le but de conclure une entente similaire pour que le programme d'études professionnelles de l'ICE soit offert en classe dans la région de Toronto. Les discussions se sont révélées prometteuses et se poursuivent avec l'assentiment de l'Université de la Colombie-Britannique.

En ce qui touche le programme de l'U.C.-B., celle-ci a, au cours de l'année, offert plusieurs ateliers sur le perfectionnement professionnel en ligne portant sur des sujets tels l'évaluation d'entreprises

commerciales, l'évaluation de propriétés contaminées et abîmées, l'évaluation d'hôtels et l'évaluation d'installations agricoles. Aussi, un nouveau cours intitulé « Analyse critique et prévisions dans le secteur immobilier (BUSI 460) est en voie de préparation et sera offert cette année aux étudiants ainsi qu'aux membres.

Au niveau du recrutement de membres, l'année s'est révélée très prometteuse, le nombre actuel de nouveaux stagiaires dépassant de plus de 53 celui de la même période en 2003. En 2004, l'Institut a accueilli plus de 321 nouveaux stagiaires.

Le programme d'assurance-responsabilité professionnelle a continué de produire de bons résultats étant donné l'excellente gestion du programme et le peu de réclamations. Ainsi, la prime d'assurance en 2005 restera au même niveau qu'en 2004. Également, les membres recevront un « rabais de contribution au fonds » d'environ 20 % puisque le taux de stabilisation des niveaux du fonds recommandé par l'actuaire a été atteint.

D'ordre général, beaucoup de progrès a été accompli dans l'atteinte des objectifs de l'Institut, en particulier en ce qui touche l'amélioration du profil des membres à titre de professionnels hautement qualifiés et praticiens de choix dans le domaine de l'évaluation immobilière et les secteurs connexes. Cet accomplissement est de plus en plus évident à mesure que nous prenons les mesures pour nous assurer que les membres accrédités soient fins prêts à relever avec succès les défis du marché croissant pour des services d'évaluation et de consultation immobilières. Ensuite, les membres relèveront ces défis à l'avantage des clients, tout en continuant à bâtir des carrières plus intéressantes et enrichissantes. 🍀

Ensuite, les membres relèveront ces défis à l'avantage des clients, tout en continuant à bâtir des carrières plus intéressantes et enrichissantes.

## NEW HORIZONS

# Challenges and opportunities

DAVID HIGHFIELD, AACI, P.App  
CHAIR, NEW HORIZONS COMMITTEE  
AIC PRESIDENT ELECT

**T**he New Horizons initiative has confirmed that our real estate valuation profession is changing in a very significant way. On one hand, technology, coupled with new risk management strategies, is reducing the need by traditional clients such as lenders to order appraisals when conventional properties and straightforward transactions are involved. On the other hand, the increasing sophistication of the real estate market is opening up a vast array of new and lucrative business opportunities for suitably qualified individuals.

The New Horizons initiative has identified these opportunities and included them in a redefined and expanded scope of professional practice. Further, the qualifications needed by professionals to competently deliver services within the expanded scope have been reviewed and revised. As a result, a new profile of the professional real estate valuer has been mapped.

What has emerged is a highly qualified multidisciplinary professional with the breadth of knowledge and depth of skill to handle a wide range of real estate valuation and related advisory services. The increased knowledge required to take on the more complex assignments will have been gained through formal education at the post-sec-

ondary level. In addition, the new professional will be highly skilled, having acquired the increased competencies through years of professional experience, taking on increasingly more complex work. Finally, the new profile of the professional real estate valuer will include areas of specialization.

This is the profile that the Appraisal Institute of Canada (AIC) would like all of its members to have. In order to achieve it, a number of important policy changes are being proposed. These changes will impact the AIC and its members.

Change is disruptive. The AIC is well aware of this and is taking steps to ensure that, as policies are implemented, current members will not be unduly impacted in a negative manner.

Although the education requirements will be increased, and new members will require an undergraduate degree from a recognized university prior to obtaining their designation, grandfathering provisions will be in place for current members seeking designation. Similarly, the increased experience requirements will apply primarily to new members of the AIC.

The requirements for Candidacy will be increased with respect to education and experience, such that it will no longer be possible for indi-

"I think these policies are a move in the right direction and commend the committee members in bringing forward these suggestions."

*Keith Anderson, AACI, P. App*

"I am a Candidate appraiser in Calgary working towards my CRA (three courses down, taking fourth next semester). Exciting times! Change creates opportunity!"

*Randy Stegemann, Candidate*

"I would generally support the majority of changes, as outlined in the AIC communiqué. I do, however, find that some of the proposed changes may adversely affect our existing membership. The undergrad degree should not apply to existing candidate members for the CRA."

*Steve Harman, AACI, P. App*

**AIC NOTE: Existing candidate members will be grandfathered.**

"In the public sector, I increasingly see that an undergraduate degree should be a requirement with the AACI designation. In addition to point-in-time appraisals, members are required to do market analysis, forecasting, budgeting, consulting, advising, etc., which are part of my duties as a senior appraiser and consultant. Also, if you do not have an undergraduate degree, you cannot advance at the supervisory/management level, which is true within my department."

*Surinder Pal, AACI, P. App*

The New Horizons initiative has confirmed that our real estate valuation profession is changing in a very significant way.

“The challenges occasioned by change can be turned into opportunities under the right circumstances.”

viduals to become Candidates and co-sign reports without first having completed a number of courses and obtained some practical experience.

Some proposed changes will have significant impact on current Candidate members. Existing and new Candidates will be advised that they will be required to complete one course per year and limitations will be placed on the time they will have to obtain their designation. Those not wishing to become designated or failing to do so within the prescribed time will forfeit their Candidate status along with its privileges. Designated members will also see limits placed on the number of Candidates they may supervise and co-sign for. These measures should not be unduly restrictive and will help to prevent abuses of signing authority.

In order to become Candidates to AIC designations, new members may apply only after they have successfully completed the introductory Appraisal Foundations course (BUSI 330), plus other essential introductory courses and the Appraisal Standards Seminar. They must also have achieved a minimum amount of supervised work experience prior to becoming Candidates. While Candidates may continue to co-sign reports and obtain professional insurance, they will no longer be allowed to use the title ‘appraiser.’

To help members adapt to and benefit from the proposed changes, the AIC will endeavour to provide new support programs. Resources will be provided for those interested in expanding their knowledge and skills. For example, a new partnership has been established with Athabasca University that will make it possible for members to complete the AIC’s program of studies and obtain an undergraduate degree – all through distance learning.

In order to become designated, new members will need to complete the AIC/UBC program of studies, fulfill the extended practical experience requirements, and have obtained an undergraduate degree from a recognized university. They will also need to satisfy the enhanced professional admissions requirements, which will include an oral interview and written examination.

As mentioned at the outset, the next generation of designated members of the AIC will be highly qualified multidisciplinary professionals with an expanded skill set that will permit them to work in all areas of point-in-time appraisal. Beyond that, they will be uniquely qualified to take on a wide range of challenging and complex assignments in both the residential and commercial fields. In addition to appraisals, they will be qualified to provide advisory and

consulting services in such areas as strategic investment advice, highest and best use studies, due diligence assignments, asset management and project management

Whether working in the private or the public sector, they will be equipped to lead organizations and manage departments that have a stake in real property. This versatility, backed by solid credentials steeped in knowledge and experience will ensure that designated members of the AIC are much sought after by a broad range of industry sectors.

The challenges occasioned by change can be turned into opportunities under the right circumstances. The New Horizons initiative has attempted to do just that. Over time, our willingness to adapt and move the appraisal profession forward that the AIC and its members have shown will conclusively allow the repositioning of appraisers in the marketplace. The challenges faced by the profession will yield to many new interesting and rewarding opportunities – and AIC designated members will be ready to reap the rewards. ♡

“To help members adapt to and benefit from the proposed changes, the AIC will endeavour to provide new support programs.”

« Je crois que ces politiques sont un pas dans la bonne voie et je dois louer les efforts des membres du comité pour avoir formulé ces suggestions.»

**Keith Anderson, AACI, P. App**

« Je suis évaluateur stagiaire à Calgary et je vise actuellement la désignation CRA (j'ai déjà suivi 3 cours et le quatrième est prévu pour le prochain semestre). Ce sont des temps excitants! Le changement crée les occasions!»

**Randy Stegemann, Stagiaire.**

« En général, j'appuie la majorité des modifications décrites dans le Communiqué de l'ICE. Toutefois, je considère que certaines modifications proposées peuvent affecter négativement les membres actuels. Le diplôme de premier cycle ne devrait pas s'appliquer aux membres stagiaires actuels qui visent la désignation CRA.»

**Steve Harman, AACI, P. App**

**Note de l'ICE: les membres stagiaires actuels conserveront leurs droits acquis.**

« J'aimerais dire que cela est particulièrement vrai dans le secteur public. Je constate de plus en plus qu'un diplôme de premier cycle devrait être une exigence menant à la désignation AACI. En plus des simples évaluations, nos membres sont tenus d'effectuer de nombreuses autres tâches comme des analyses de marché, des prévisions, des budgets, de la consultation, etc., des fonctions qui font partie de mes tâches à titre d'évaluateur/consultant principal. Aussi, si l'on ne détient pas de diplôme de premier cycle, il est impossible d'accéder aux paliers de la supervision/direction, ce qui est vrai dans mon ministère.»

**Surinder Pal, AACI, P. App**

## NOUVEAUX HORIZONS

# Défis et occasions

DAVID HIGHFIELD, AACI, P. APP

PRÉSIDENT, COMITÉ DES NOUVEAUX HORIZONS

PRÉSIDENT ÉLU DE L'ICE

**L**e projet Nouveaux Horizons a confirmé que la profession d'évaluateur immobilier évolue de façon significative. D'une part, la technologie et les nouvelles méthodes de gestion des risques réduisent le besoin des clients traditionnels comme les prêteurs à demander des évaluations liées aux propriétés conventionnelles et aux transactions immobilières régulières. D'autre part, la sophistication croissante du marché de l'immobilier ouvre la voie à une grande variété de nouvelles occasions d'affaires lucratives pour les gens adéquatement qualifiés.

Le projet Nouveaux Horizons a permis d'identifier ces occasions et de les inclure dans le cadre d'une portée redéfinie et accrue de la pratique professionnelle. Aussi, les qualifications requises des professionnels du milieu pour s'acquitter efficacement de leurs fonctions ont été revues et modifiées. Comme résultat, un nouveau profil des évaluateurs professionnels a été tracé.

Ainsi, le nouveau profil reflète un professionnel multidisciplinaire hautement qualifié, possédant les connaissances et les aptitudes nécessaires pour offrir une vaste gamme de services d'évaluation et de consultation dans le domaine de l'immobilier. Les connaissances accrues, requises pour effectuer des travaux plus complexes, auront été acquises via une éducation formelle au palier post-secondaire. De plus, le nouveau professionnel sera

hautement compétent, ayant acquis ces connaissances dans le cadre de nombreuses années d'expérience professionnelle et la réalisation de travaux de plus en plus complexes. Enfin, le nouveau profil de l'évaluateur immobilier professionnel visera également divers secteurs de spécialisation.

Il s'agit là du profil idéal pour tous les membres de l'Institut. Pour atteindre cet objectif, un certain nombre de modifications ont été proposées aux politiques. Ces modifications auront des conséquences à la fois pour l'Institut et ses membres.

Certes, tout changement se veut perturbateur. L'Institut est conscient de ce fait et prendra les mesures pour assurer qu'à mesure que les politiques seront appliquées, les membres ne subiront pas de conséquences négatives.

Bien que les exigences éducatives seront accrues et que les nouveaux membres devront détenir un diplôme universitaire reconnu de premier cycle avant d'obtenir leur accréditation, des dispositions de droits acquis seront en place pour les membres actuels sur le point d'obtenir leur accréditation. Semblablement, les exigences visant une expérience accrue s'appliqueront principalement aux nouveaux membres de l'Institut.

Les exigences relatives aux stagiaires seront plus élevées en matière d'éducation et d'expérience de sorte qu'il ne sera plus possible pour eux de devenir stagiaires et de

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cosigner des rapports sans avoir, au préalable, complété un certain nombre de cours et acquis une certaine expérience pratique.

Quelques-unes des modifications proposées auront des conséquences importantes sur les stagiaires actuels. Les stagiaires actuels et futurs devront compléter un cours par année et une période de temps spécifique sera établie pour l'obtention de leur désignation. Ceux qui ne visent pas de désignation ou qui ne l'obtiennent pas dans la période de temps stipulée renonceront à leur statut de stagiaire et aux privilèges correspondants. Les membres accrédités seront aussi limités quant au nombre de stagiaires sous leur supervision et pour lesquels ils peuvent cosigner. Ces mesures ne devraient pas être indûment restrictives et aideront à prévenir les abus d'autorité de signature.

Pour devenir stagiaire aux désignations de l'Institut, les nouveaux membres pourront présenter leur demande uniquement après avoir réussi le cours de base en évaluation (BUSI 330), d'autres cours préparatoires et le séminaire sur les normes de l'Institut. Ils devront aussi avoir acquis une certaine expérience pratique avant d'être acceptés comme stagiaires. Bien qu'ils pourront continuer à cosigner les rapports et qu'ils pourront toujours obtenir une assurance professionnelle, les stagiaires ne seront plus autorisés à utiliser le titre « d'évaluateur ».

Pour aider les membres à s'adapter et à profiter de ces nouvelles modifications, l'Institut s'efforcera d'offrir de nouveaux programmes de soutien. Des ressources seront en effet à la disposition de ceux qui sont intéressés à accroître leurs connaissances et leurs aptitudes. Par exemple, un nouveau partenariat a été conclu avec l'Université Athabasca dans le cadre de laquelle il sera possible pour les membres de compléter, à distance, le programme d'études de l'Institut et d'obtenir un diplôme de premier cycle.

Pour obtenir leur accréditation, les nouveaux membres devront compléter le programme d'études de l'ICE/U.C.-B., répondre aux exigences accrues d'expérience pratique et posséder un diplôme de premier cycle d'une université reconnue. Ils devront également répondre aux exigences accrues de l'admission professionnelle qui incluent une entrevue orale et un examen écrit.

Tel que mentionné antérieurement, la prochaine génération de membres accrédités de l'Institut seront des professionnels multidisciplinaires hautement qualifiés qui posséderont des connaissances et des aptitudes accrues qui leur permettront d'oeuvrer utilement à tous les paliers des simples évaluations. Aussi, ils seront uniquement qualifiés pour effectuer une vaste gamme de travaux complexes dans les secteurs résidentiel et commercial. En plus des évaluations, ils pourront

offrir des services de consultation dans des domaines tels les investissements stratégiques, les études sur l'utilisation optimale, les travaux de diligence raisonnable, la gestion des actifs et la gestion de projets.

Que leur travail soit dans le secteur privé ou public, ils seront en mesure de diriger des entreprises et des ministères qui ont un intérêt dans l'immobilier. Cette polyvalence, appuyée par de solides attestations et une vaste expérience, fera en sorte que les membres accrédités de l'Institut seront un atout au sein d'une variété de secteurs de l'industrie.

Dans les bonnes circonstances, les défis découlant du changement se transforment en des occasions. C'est ce que le projet Nouveaux Horizons a tenté d'accomplir. Avec le temps, notre désir collectif d'adaptation et de parfaire la profession permettra de repositionner les évaluateurs sur le marché. Les défis auxquels se heurte la profession se traduiront en de nouvelles occasions à la fois intéressantes et enrichissantes, le tout à l'avantage des membres accrédités de l'ICE. 🍀

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# Awards honour excellence

The Appraisal Institute of Canada Awards program is designed to encourage excellence among students undertaking the program of professional studies leading to one of the Institute's designations. Two awards are made available to students of the University of British Columbia, Sauder School of Business, Real Estate Division:

## **The Appraisal Institute of Canada Prize**

A gift in the amount of \$500 is awarded annually to the student receiving the highest standing in BUSI 330, the Foundations of Real Estate Appraisal. This year's winner is **Yen-Mei Li, Toronto, Ontario**.

## **The Appraisal Institute of Canada Bursary**

A bursary of \$1,000 is offered by the Appraisal Institute of Canada to an undergraduate student specializing in the Real Estate Division of the Faculty of Commerce and Business Administration. The recipient of the bursary for the 2004/2005 Winter Session is **Robyn Casey Ziebell, Vancouver, BC**.

One award is made available to students of l'Université de Québec à Montréal (UQAM) Chaire, SITQ en immobilier

A gift in the amount of \$500 was established by the AIC Board of Directors in 2004. It will be presented annually to the student receiving the highest standing in valuation courses at UQAM. The first winner of this new prize is **Mélanie Di Palma of Montreal, Quebec**.

The Institute congratulates the above students on their award winning academic achievements this year.

# Honneur au mérite

Le programme de récompenses de l'Institut canadien des évaluateurs a été conçu pour susciter l'excellence chez les étudiants inscrits à un programme d'études professionnelles menant à l'une des désignations de l'Institut. Deux récompenses sont offertes aux étudiants de l'École de commerce Sauder, Division de l'immobilier à l'Université de la Colombie-Britannique :

## **Le Prix de l'Institut canadien des évaluateurs**

Un montant de 500 \$ est remis chaque année à l'étudiant qui obtient la meilleure note dans le cours BUSI 330 sur les bases de l'évaluation immobilière. Cette année, le récipiendaire est **Yen-Mei Li, de Toronto, Ontario**.

## **La Bourse de l'Institut canadien des évaluateurs**

L'Institut canadien des évaluateurs offre une bourse de 1 000 \$ à un étudiant de premier cycle inscrit à des études spécialisées auprès de la Division de l'immobilier de la Faculté de commerce et d'administration des affaires. Pour la session d'hiver 2004-2005, le récipiendaire est **Robyn Casey Ziebell, de Vancouver, C.-B.**

Un prix est aussi offert aux étudiants de l'Université du Québec à Montréal (UQAM) Chaire, SITQ en immobilier

En 2004, le Conseil d'administration de l'ICE a approuvé un prix de 500 \$ qui sera présenté chaque année à l'étudiant qui obtiendra la meilleure note dans le « cours d'évaluation approfondie » à l'UQAM. La première gagnante de ce nouveau prix est **Mélanie Di Palma de Montréal, Québec**.

L'Institut félicite les lauréats ci-dessus pour leur excellent rendement scolaire cette année.



# AIC designations earned

The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the Institute, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period October 1, 2004 to January 31, 2005:

## AACI, P. App

### Accredited Appraiser Canadian Institute

These members are congratulated on the successful completion of all AACI P. App designation requirements. We welcome these individuals as fully accredited members of the Institute through the granting of their AACI, P. App designation.

#### ALBERTA

Randy Buksa  
Ronald Cullis  
Todd Dalke  
C. Gaudry  
Gurinder Thind

#### MANITOBA

Larry Barthelette  
Sandra Kulchyski  
Gerald Lachance  
Natalie Newman

#### BRITISH COLUMBIA

Peter Alexander  
Nicholas Lonsdale  
Rod Ravenstein  
Russell Reynolds  
Carrie Russell  
Prit Sidhu  
Dave Ziola

#### ONTARIO

Peter Alcamo  
Richard Binsell  
Richard Clermont  
Carole Cowper  
Jeffrey Day  
Dale Litt  
Ross McAneeley

## CRA

### Canadian Residential Appraiser

These members are congratulated on the successful completion of the CRA designation requirements.

#### ALBERTA

Jaclyn Bourgeois  
Jillian Bourgeois  
Lawrence Lee

#### NEW BRUNSWICK

Brad Belyea  
Nancy Hare

#### BRITISH COLUMBIA

Melinda Bell  
Bill Crandall  
Claire Fillion  
Shawn Phillips

#### ONTARIO

Elizabeth Broadfoot  
Loren Knopf  
William McCutcheon  
Janice McMillan  
Brett Puckrin  
Linda Rendall  
Michel Rozon  
Voula Vercillo  
Lora Wylie

#### MANITOBA

Erin MacKenzie  
Joedi Pruden  
Ian Toogood

# Candidates

AIC welcomes the following new candidate members during the period October 1, 2004 to January 31, 2005:

#### ALBERTA

Clifford Caithness  
Rose-Mary Damiani  
Jerry Dubuc  
Ryan Heal  
Dina Hensel  
Travis Home  
Melissa Hutchison  
Shaun Hykaway  
Dwayne Kirk  
Roger Lindstrand  
Dan MacDonell  
Marc McNab  
Arthur Schwentner  
Joshua Sevens  
Robert Stauffer  
Raymond Trainberg  
Christine Van Staden  
Jeremy Wasmuth  
David Weber  
Beth White  
Patrick Woodlock

#### BRITISH COLUMBIA

Carl Bannister  
Sean Bartlett  
Judy Bell  
Laura Chidlow

Daymon Chung  
Michael Conner  
Sean Dukes  
Alan Duncan  
Brad Gelsvik  
Heather Getz  
Sheryl Hopkins  
Andy Huang  
Jamie Humphrey  
Joelle Johnston  
Charles Johnstone  
Jason Kell  
Elaine Lee  
Jojhar Mahanger  
Kavin Samuel  
Lisa Sonnleitner  
Jon Vooyo  
Kristi Yzerman

#### MANITOBA

Robert Buss  
Lindsey Henley

#### NEW BRUNSWICK

Paul Bryan  
Paul Chiasson  
Allan Currie  
Marc Daigle

Thomas Davis  
Daniel DeGrace  
Jean Guy Doiron  
Brian Dorion  
Brian Duff  
Jane Huntjens  
Matthew Johnson  
Mary Ann Kilravey  
Pierre Laforge  
Robert Scott  
Kenneth Stephenson

#### NEWFOUNDLAND

Brian Brewer  
Joanne Hayes  
Sara Highsted

#### NOVA SCOTIA

Ratco Antovic  
Gayle Bilodeau  
Cameron Jacklyn

#### ONTARIO

Boris Abramov  
Frank Baarda  
Shaikh Basit  
Gerry Blake  
Anthony Cheng

Jeffrey Cole  
Bryan Denney  
Ryan Fagan  
Joe Haslip  
Craig Hatt  
Debbie Henderson  
Adele Johnston  
Bruce Jong  
Katrina Juhasz  
Adele Kelly  
Dale Kindrat  
Samuel Lee  
Edward Maher  
Paul Marsh  
Gail Mason  
William Mathews  
Ron McArthur  
David Mossington  
Christopher Nsoedo  
Shirley Padalino  
Eric Passi  
Lindsay Percy  
Ian Peters  
Amedeo Prete  
Raeka Ravindran  
Arthur Scholl

Sukhjeet Sekhon  
Jadwiga Siczek  
Andrew Simpson  
Keith Slater  
Darlene Smith-Didone  
Brian Stanshall  
Suzanne Stroeder  
Adam Taylor  
Syed Waris  
Adrianna Warnica  
David Xu

#### PRINCE EDWARD ISLAND

Blair Arsenault  
Barry Wood

#### SASKATCHEWAN

Todd Adams  
Brent Machuk  
Dean Notschaele  
Mike Schulkowsky  
Jason Stelmaschuk  
Roxanne Wailing  
Wendy Wood  
Rosanne Wood



**Joanne Charlebois,**  
*AIC Director,  
Communications*

# AIC branding process well underway

**I**n a previous issue (Volume 48, Book 3, 2004) of *Canadian Appraiser*, an article outlined the branding initiative upon which the Appraisal Institute of Canada (AIC) was about to embark. In that article, we discussed the meaning of a brand, the importance of branding a not-for-profit professional association, and the results that AIC and the Communications Committee expect to achieve with its branding initiative.

Since then, the Communications Committee has been busy, not only preparing for the branding initiative but also commencing work on it. Progress is well underway in the program's initial phases.

When we embarked on this program as part of our Operational Plan, we determined that AIC was going to go through the right process in order to ensure a successful outcome. As a result, we are working through a branding methodology that follows marketing and communications best practices. Internal assessment, followed by research, comprise the first phases.

The internal session was held in November 2004. Its goal was to determine a detailed set of objectives and direction for the branding program. This session consisted of members of the Communications Committee as well as the agency that will be working with AIC and leading us through this program.

During the session, we reviewed the following:

1) AIC's mission, vision and values.

- 2) The business objectives and issues facing the organization that were driving the need for a branding program.
- 3) Clear and detailed objectives, set to ensure that the outcome of this program can be measured.
- 4) A pre-research internal positioning statement developed to capture what we currently believe is our true competitive differentiator and what we believe provides value to our stakeholders.

Following the internal session, we are now in the process of executing a research methodology. The best practices approach includes testing what we believe against our stakeholders' current perceptions. This will provide us with a solid indication of how far we need to go with either branding or re-branding. It will also either confirm or shed new light on what value our stakeholders believe we are bringing them. This approach will also seek out what stakeholders are really looking for from AIC, which will help us to competitively differentiate the organization.

The research process is essentially as follows:

- 1) Conducting a series of executive interviews among various stakeholders.
- 2) Developing a marketing communications measurement framework that will enable AIC to link the objectives of the program and the data collected in order to measure success.

Look in the next issue of *Canadian Appraiser* to find out the results of the research study. 🍀

“We are working through a branding methodology that follows marketing and communications best practices.”

# A day in the life of an appraiser

*As activities in an appraiser's day become increasingly diverse, the scope of what appraisers do for their clients continues to expand. The following glimpses into typical days of four of our AIC members provide insight into this growing diversity.*



**Glen Power,**  
AACI, P. App

No one knows better about an appraiser's expanding horizons than Glen Power, who has experienced exciting changes over his 14-year career. Despite working in the relatively small market of St. John's, Newfoundland, Glen finds his days populated with a broad range of projects including

valuation work on monasteries, wharves and off-shore oil supply facilities, Supreme Court testimony for a brewery assessment appeal, and a redevelopment study on a military base.

But it is more than the sheer diversity of industries and real estate that have opened Power's practice to expanding possibilities. "I really dislike doing a job where your report gets buried in a file," he explains. "I like to see my client with the report on his desk, looking at the recommendations and acting on them. Our training and experience allow us to recognize areas where there is potential to add or create value. We know what impact a certain course of action will have on value or cash flow. I think that is where our future lies as a profession. We add considerable value if clients can use our expertise to reduce costs, maximize rental income, and make money. Then we are contributing to the process rather than being a cog in the bureaucratic wheel."

While this approach has contributed largely to Power's success, so has the way he structures his workday. Each morning starts with a brief review of clearly defined annual, quarterly and monthly goals. "I like to plan my day with those goals in mind," says Power. "Current billable work projects get top priority, but I make time for strategic issues as well. You have to keep yourself highly marketable and have a clear vision of where you are going."

Using a structured time and project management system that has evolved over time, he designates anything with more than one task as a project, with a plan and clearly stated goals. He usually assigns the morning to one task associated with a billable file and

the afternoon to another. At lunch, he often meets with lenders, account managers or other real estate professionals who are either current or prospective clients, or who help keep his finger on the pulse of various real estate and economic sectors.

When Power first decided to work from home in the early 1990s, he lived in the suburbs. Now, he is the self-employed sole proprietor of a business he runs from his turn-of-the-century home downtown. "I moved to where the action is," says Power.

Working from home allows him the freedom and flexibility to run competitively, hike, swim and close the door to his office at 5:00 p.m. Offered more work than he can accept, he picks and chooses clients, thereby limiting stress and selecting projects that interest him most.

Without the financial commitment and administrative duties of renting commercial space and hiring employees, he can give each project the time it deserves while expanding into areas such as small scale property ownership and development. Other initiatives include delivering PowerPoint market overviews in the boardrooms of clients and prospective clients up to 10 times a year.

Over the past three years, he has also developed productivity and data management software suitable for small to midsize markets similar to St. John's. Most days, he sets aside time to meet with the programmer. The software is a joint project with Kirkland, Balsom and Associates (KBA) where Power is an affiliated partner.

"Through my affiliation with KBA and a regional affiliation with Atlantic Realty Advisors, I have a wide network of experienced colleagues with whom I communicate daily for support and advice," says Power. "Working without contact with fellow appraisers, you run the risk of getting tunnel vision."

This also helps him in providing clients with prescient value maximization strategies rather than reports only.

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where there is potential to add  
or create value.

"Sometimes the valuation is secondary," he points out. "As appraisers, because we deal with historical data, we are sometimes guilty of looking back," he continues. "We need to look forward to where the market is going and stay ahead of the wave crest as opposed to being behind it. This should be part of our each and every day."



**Terry Frounfelker,  
AACI, P. App**

On the other side of the country, Terry Frounfelker is equally convinced that a forward-looking attitude is essential to thriving as an appraiser. "A lot needs to be said about the importance of keeping up with technology," he emphasizes. "The pace of change is so great that the technology you are going to use 10 years from now has yet to be invented."

Over his 20-year career, Frounfelker has seen technology change the way appraisers operate. As the Property Tax Administrator for the Vancouver Port Authority (VPA), he witnessed the transition from paper-based mapping to a GIS system integrated with a database incorporating all tenant information. VPA's corporate record system is now entirely electronic. The 25 major terminals plus the smaller support facilities located on 1,300 acres of federal land along the coastline of Burrard Inlet and Roberts Bank, whether dry-land or submerged property, can be identified at the touch of a button.

Technology enables VPA's real estate department to operate more quickly and efficiently, allowing Frounfelker to devote more time to the expansion efforts of a port that is expecting to triple its container traffic in the next 20 years. "We own most of the waterfront surrounding Burrard Inlet, but what we do not own we are always interested in acquiring," says the appraiser, whose projects include acquisition of new property and land exchanges with adjacent municipalities. "An appraisal is always a starting point because, before you can effectively negotiate, you have to know the market value of the property with which you are dealing."

Other daily tasks may also include developing the terms of reference for a market ground rent appraisal assignment commissioned to assist in lease negotiations or expediting the process of Payments in Lieu of Property Tax for unoccupied property to the seven municipalities that surround the Port of Vancouver. "My day is usually divided between several projects," says Frounfelker. "There are few instances where I see a project through from start to finish uninterrupted. More typically, I move a project along in incremental stages. As a result, my day can be quite varied and not very linear."

At the same time, upgrading his skills to keep up with technological change is a continuous endeavour. He had to work very hard to master new technology in the early 1990s and knows he cannot afford to fall behind. "The

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good news is that, once that expertise is there, it is not difficult to maintain," notes Frounfelker. "But, if you get behind a year or two, it is going to be difficult to catch up."

**Mike Garcelon,  
AACI, P. App**



Incorporating important goals into their daily schedule seems to be a common thread among successful appraisers. For Mike Garcelon, it means being able to fulfill his role as the Chair of the Communications Committee for the Appraisal Institute of Canada (AIC). "I do a lot of volunteer work with the Institute, but I do not find it onerous," he muses. "If you structure your day to bite off little pieces of your volunteer work at a time, you seem to get the job done."

As an independent fee appraiser in Meadow Lake, Saskatchewan, Garcelon starts his day at 7:00 a.m. by checking his e-mails, coffee in hand. He usually has a message or two from Ottawa about creating communication policies and guidelines for the AIC. He also checks for new orders coming in and the list of follow-up items scheduled for the day. Usually, he spends half of his day in the office writing reports and the other half on the road doing inspections.

Although he is located in the centre of the province's northwest corner, two hours north of North Battleford and an hour east of Cold Lake, Alberta, Garcelon must still cover a territory of 100,000 square kilometres. Only 30% of his work is in town.

Organization is critical. If he has three or four projects in a section of his territory, he tries to complete them in one round trip. "That takes a fair bit of coordination," he explains. "On a rainy day, if you are doing an office building before catching a ranch on the way back, you have to take a second to explain why you are wearing rubber boots." In the winters, hours available for inspections become limited as days grow shorter.

Another challenge is size. "Some of these communities have extremely healthy economies, but are particularly small," notes Garcelon, adding that some areas see only one or two sales a year. "This makes valuations challenging because the pool of data is so limited. You really have to dig deep into your appraiser's tool bag to work with this data in order to come up with a reliable value estimate. But, we have the tools to deal with that. It is challenging, but it is also very diverse and interesting."

“When you are part of the solution, you want to get involved.”

One day, the appraiser might be doing a house in town while the following day he is appraising a bison ranch or working on a rent estimate for leasing a logging camp to summer firefighters. He might even be driving 500 km to a fishing resort, finishing the last few kilometres on a snow machine.

Contrary to popular belief, opportunities abound in rural areas. “Canada is mostly a rural and remote country,” Garcelon points out. And circumstances can change overnight, as the appraiser saw recently with the BSE crisis and its fluctuating effect on the value of grazing lands.

As a successful appraiser, his approach has involved adding value to services he provides to clients. For instance, every time he performs an appraisal, he pulls the assessment sheet from the municipal office. Half the time, he spots mistakes on the assessment. If necessary, Garcelon can help clients with appeals or with lease negotiations. “We can act as a resource centre for many of our clients,” he notes. “I like to take on the role of problem-solver.”

“That is one of the reasons I really enjoy volunteering,” he adds. “When you are part of the solution, you want to get involved.” Garcelon first started volunteering with the Saskatchewan Association where he still sits as a director and the chair of Admissions. Finding time for his volunteering fits right into his strategy for managing his daily schedule. By building ‘buffers’ into his day – if he expects an inspection to take an hour, he schedules an hour and a half – Garcelon is prepared for unexpected delays. If nothing comes up, he devotes the time to volunteering or to getting ahead on his projects.



**Fiorenzo Soldera,  
AACI, P. App**

At Sun Life Financial’s Montreal office, Fiorenzo Soldera can be juggling anywhere from 10 to 20 files at the same time, all at different points in the lending process. “Our work is varied and diversified,” explains Soldera. “We are investment underwriters. We assess risk.”

Soldera has been working for lenders for 24 years. He used to do much of the leg-work involved in the process of approving and finalizing loans for developers. Now, he plays a more supervisory role.

The process starts when a new or existing client – for example, a major national developer of big box shopping centres – approaches Sun Life Financial for a loan. When

a request lands on his desk, Soldera must co-ordinate the initial steps of the process such as reviewing information about the borrower and the property. “If we like the deal, we go back to the client and start negotiating,” adds Soldera.

The loan ‘amount’ is only one factor in the negotiations. Other terms of the agreement are equally important. After negotiating the specifics of the loan with the client, Soldera oversees the preparation and signing of the loan application letter. Once it is signed, he works with the team of professionals at Sun Life Financial to package the file for approval purposes.

The package includes the evaluation of the property (sometimes a review of an appraisal provided by another appraiser) and the review of financial statements, leases, environmental audits and building condition reports. The whole package is then summarized in an ‘investment minute’ and provided to those responsible for loan approvals. Due to the complex and detailed nature of the work involved, the process could take anywhere from one to three weeks. Soldera may see the same file repeatedly appearing on his desk and requiring a different action each time.

“Appraising is an integral part of the whole process of analyzing risk, but it is only a small component of the overall review,” says Soldera, who took several university courses in real estate finance as well as obtaining his AACI. P.App.

Once all parties have signed the commitment letter – a binding contract between Sun Life Financial and the client – Soldera works in tandem with external or internal counsel to ensure that the financial and legal details of the mortgage documents are correct. “We are particularly concerned with the accuracy of business terms such as interest rates, payments and taxes,” he explains. “We may have negotiated something particular to this loan that needs to be inserted into the mortgage document.”

Sometimes a client requires approval from the lender concerning additional debt, rights of way or servitudes. Changing conditions in the marketplace could affect these requests. When Soldera arrives at his desk each morning, between 8:00 and 8:15 a.m., he takes a few minutes to review the latest news and financial data.

Besides working in the office, he sometimes has a chance to travel to see the real property involved in the loan request. Sun Life Financial’s Montreal office is responsible for requests from throughout Quebec as well as the Maritimes. Regardless of the geographical location, each file has its own unique features.

“There is lots of variety,” says Soldera. “That is what I like about this job. It is interesting and diversified, not strictly appraisal work. I would not have it any other way.”

“That is what I like about this job. It is very interesting and diversified, not strictly appraisal work.”



# **KEY TO SUCCESS:** **a profession speaking with a united voice**

By Joseph Vella

## The challenges

The challenges facing the valuation profession are many: globalization and increased levels of cross-border economic activity; competition from other professions; the status of the profession; technology; fair value reporting...the list seems endless. And sometimes the response of the international valuation profession seems fractured as professional organizations compete for members and promote their own agendas while struggling to find their own new role in this changing marketplace.

## A success story

Amidst these challenges, the profession has a major success story to celebrate – the International Valuation Standards Committee (IVSC). It is easy to ignore or wrongly dismiss the IVSC as a remote organization setting standards for the few who work for the large global corporations. But, it is much more. The IVSC success in setting international standards is leading to greater recognition of the profession and wider understanding of valuation's importance resulting in a positive impact on every valuer.

Created nearly 25 years ago, IVSC's fundamentals have been in place for a long time – a governance structure; an agreed definition of *market value*; global representation; and perhaps most significantly, considerable trust, goodwill and co-operation amongst key players. Thus, IVSC was well placed to respond to the late 1990s new round of financial reporting changes and the drive towards the development of a global financial language.

From its inception, IVSC recognized the growing importance of the development of International Accounting Standards, now known as International Financial Reporting Standards (IFRS). As the US, Canada and the world at large took bold new steps in the past five years to harmonize accounting and financial reporting standards, IVSC made an important strategic decision. That was to ensure that, whenever an asset was to be measured to fair value under IFRS, the measurement standard to be applied should be the International Valuation Standards (IVS). How right that decision was. By the beginning of 2005, nearly 100 countries are using IFRS directly or aligning national standards with IFRS.

## Recent accounting and reporting movements

In North America, under the IFRS-US GAAP Convergence Project, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have committed to aligned agendas, joint staffing of projects, several short-term convergence projects, and an objective to reach the same answers and to use the same words in accounting standards. As part of these projects, the IASB has commissioned the Canadian Institute of Accountants to prepare a consultation paper on fair value measurement.

An example of this convergence in practice is the recent release by FASB of *Statement No. 153, Exchanges of Non-monetary Assets*. *Statement 153* is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. FASB stated that:

“The profession has a major success story to celebrate – the International Valuation Standards Committee (IVSC).”

*“Statement 153 is the result of a broader effort by the FASB to improve the comparability of cross-border financial reporting by working with the International Accounting Standards Board (IASB) toward development of a single set of high-quality accounting standards... Language similar to that used in International Accounting Standard, IAS 16, Property, Plant and Equipment, was used to promote consistent application of the requirements of those standards”*

## IVSC responds to change

In 2000, the IVSC launched its Standards Project to enhance and further develop a comprehensive set of robust international valuation standards that complemented standards being developed by other international standard setting organizations, most notably the IASB. In five years, the IVSC:

- Raised US\$900,000 in sponsorship monies from valuation institutes and providers and users of valuation services.
- Published four editions of the International Valuation Standards (IVS).
- Posted IVS on the IVSC web site (free of charge).

The IVS are now beginning to have a profound impact on the national valuation standards of many countries. For example:

- Australia, New Zealand, South Africa, Tanzania, Malawi, Romania, and Slovenia are adopting IVS as national standards.
- National standards are being harmonized to the IVS – e.g., Royal Institute of Chartered Surveyors (RICS), *RICS Appraisal and Valuation Standards* – commonly referred to as the Red Book.
- Two regional groups – ASEAN Valuers Association and Union of Pan American Valuers (UPAV) – have adopted IVS.
- IVS has been translated into Arabic, Chinese, Finnish, Italian, Polish, Romanian, Russian, Slovakian, Slovenian, Turkish, and Spanish.

## Success breeds success

Perhaps the most striking illustration of the success of the IVSC is the market endorsement of the IVS by others. For example:

- PricewaterhouseCoopers – Manual of Accounting – IFRS for the UK

The International Valuation Standards Committee (IVSC) is the leading international authority on valuation methods to be adopted in relation to IFRS.

- Deloitte's *International Financial Reporting Standards - Model Financial Statements* recommends the including the following declaration in their model statements: *The valuation conforms to International Valuation Standards.*
- The Chief Operating Officer of ING Real Estate Investment Management that manages over Euro 490 billion in assets worldwide, when talking of the need for one consistent approach, referred to IVS as recommended by Deloitte in its *IFRS Model Financial Statements* and made the point that *"Fair Value as defined by IFRS is only as uniform as the valuation standards applied."*
- The European Public Real Estate Association (EPRA) published its *Best Practices Policy Recommendations* in 2004. EPRA's recommendations provide specific guidance for real estate companies within the IFRS framework and encourage uniform performance reporting and presentation between real estate companies. EPRA recommends that the valuation of investment property held by real estate companies should be at *"market value, assessed in accordance with International Valuation Standards (IVS), as set out by the IVSC."*

Other developments abound. The IASB recommended to the US National Association of Real Estate Investment Trusts (NAREIT) that they liaise with the IVSC. A Big 4 accounting firm is working towards publishing the IVS on its internal web site. *The World Finance*, an influential global magazine, has sought IVSC help in preparing an article on the valuation of real estate.

It has been a busy few years for the IVSC but 'success breeds success.' The IVSC is looking for further rapid development. A new business plan is being developed and all valuers are invited to contribute. A short questionnaire has been developed and is available on the IVSC site – [www.ivsc.org](http://www.ivsc.org)

### IVSC and the valuation profession

A key strategic objective for the next two years is to consolidate the IVSC position as a global standard setter. Two issues to be discussed are the scope and extent of the *International Valuation Standards* and the changing relationship with national standard setters.

Like all healthy organizations, IVSC has evolved from its beginnings. The historical background of the IVSC was the valuation of fixed assets for financial reporting. The make-

up of the IVSC and the *International Valuation Standards* reflect this. Over recent years, the *Standards* have been expanded to include guidance on business valuation, plant and machinery, valuation of intangible assets, personal property, and extractive industries. As IVSC develops its business plan, questions to be answered include:

- Just how far should the IVSC go in developing its standards?
  - Should IVS cover all assets, including for example financial assets?
  - How will decisions impact the governance structure and particularly membership?
  - As the international standards have become more influential, so the position of national standards and the role of national standard setters have changed. Has our profession recognized this?
- The valuation profession in some areas, notably the big trading blocs, could be accused of sending out a confused message. Examples include:
- The RICS *Red Book* includes what it calls International Practice Statements in addition to guidance on the application of IVS.
  - A 2005 edition of *European Valuation Standards* is proposed even though the EU has adopted IFRS being in January 2005.
  - There is no convergence project with US or *Canadian Uniform Standards of Professional Appraisal Practice (USPAP)*.

### Directions for the valuation profession

The profile and presentation of the valuation profession to the general public, to users of valuation services and to clients is critically important. Success and acceptance can be achieved only by presentation of an unambiguous understanding of standards and ethics and how these translate into practical applications. The valuation profession should:

- Promote a better understanding of the role and importance of the profession to the wider business community;
- Advance valuers as members of a highly qualified and multidisciplinary profession;
- Present a common set of standards that are supported by all;
- Speak with a common and consistent voice on matters concerning valuation;
- Develop global valuation capacity.

### Strategy to achieve objectives

For the profession to attain these objectives, international agreements to a hierarchy of standards must be developed and accepted. These include:

“The benefits to the valuation profession when it presents a clear structure and a coherent message can be enormous.”



- 1. **International standards** – these necessarily must be broad and generic, but specific where there is agreement.
- 2. **National standards** – these must be designed as ‘supplemental standards’ and used only to the extent that local legislation causes or requires a variation from the international standards.

All existing standards setters must participate in IVSC standard setting, ‘buy-in’, and fully support the international/national standards described above. It should be recognized and accepted that standard setting should NOT be competitive, but rather a collaborative process. International standards were developed from the ‘best of the best’ and should be seen as ‘belonging’ to everyone, and by the national institutes as ‘their’ standards to which they contribute and provide support.

With all the challenges facing the valuation profession, valuers can no longer present themselves as a fractured profession with little or no synergy between the different valuation practices. The market place requires a unified, highly qualified, and multidisciplinary profession and if valuers do not fill this market need others will.

As a profession we must develop and increase our global valuation capacity. Common qualification, development of common curricula, and other requirements for valuers should not be the purview of standard setters. IVSC limits its development of training material to IVS related issues. National institutes are best positioned to provide and co-ordinate:

- Education for the national valuation profession.
- The development of valuation methodology and application.

- The enforcement of the standards.
- Valuer qualifications.
- Development and management of Valuer licensing/certification/designation.
- The delivery of valuation services to the end user.

## Conclusion

The benefits to the valuation profession when it presents a clear structure and a coherent message that speaks with one voice to the public, regulators, standard setters and other professions can be enormous. IVSC must continue to lead in international standard setting and encourage better integration with national standard setters to provide clear, non-competing support for its standard setting role.

National standard setters and institutes/societies must also provide a clear and unambiguous position in relation to standards including full recognition and support by and for IVSC. This provides the foundation and a clear field for them to pursue the development of the global valuation capacity.

Communications and interactions with the accounting and financial reporting world must be continued, expanded and formalized.

In the end, achieving these goals not only makes our profession more respected and recognized, but we fulfil our main objectives – meeting public needs and maintaining the public trust. 🐾

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# Standards revisions

It is that time of year again, and hard to believe that another year has gone by. Members are reminded that the *Canadian Uniform Standards of Appraisal Practice* are reviewed on an annual basis. The 2005 edition became official on January 1, and is now in effect.

By now, all members have received at least three notifications about this year's edition. The first was in November, indicating that an Exposure Draft was prepared, summarizing the proposed change for this year, and inviting member input. A member notification was sent out at the end of the year indicating that a summary of the changes was posted on the Appraisal Institute of Canada (AIC) web site and that a full text version was being made available in a down-loadable format. For both the summary and full version, members can refer to the Document Library tab after logging in to the Members section of the site.

While space will not permit a full

review of all the changes, the following are the highlights. There are approximately 50 edits to this year's edition, but many of those are minor in nature and deal with clarification issues, adding 'Go-To' references and re-spacing existing sections to accommodate additions and deletions.

Of particular interest is the change to the report types. After member feedback over the past two years, the distinction between 'Full' Narrative reports and 'Narrative' reports has been dropped. This required a change to the Definitions section. The rationale is that the two labels caused confusion among members and clients. A 'Narrative' report is comprehensive and detailed and will be so whether an Extraordinary Limiting Condition is attached to the work or not. The onus to disclose and justify the use of an Extraordinary Limiting Condition is not diminished in the 2005 edition, but it is hoped that this change will eliminate any potential confusion.

The provisions for transmitting reports with a digital signature have been modified slightly. It was found that these provisions were covered differently in the three standards that specify reporting requirements (i.e., Appraisal, Consulting and Review). They are now consistent in coverage and wording. Multiple line references are contained in the Summary of Changes.

Reserve Fund studies have been added to the list of types of Consulting assignments, along with the key elements that must be considered in performing such a service (see Comments line 3421 and Practice Notes line 7018). This is now recognized as a service that some AIC members perform, and the content of the insertion to the 2005 edition

has been patterned after similar commentary on Market Analysis, Feasibility Studies and Cash Flow/Investment Analysis.

Mould has been added as an example to the Detrimental Conditions section of the Practice Notes (see Practice Notes line 6382).

That sums up the important changes for the 2005 edition. The Standards Committee continues to get positive feedback from both internal and external sources on the ease of navigation that is offered by our *Standards*. The document has proven to be very stable from the standpoint that major changes have not been required on a year-to-year basis. Notwithstanding this, members are reminded and encouraged to continue to provide comments on those parts of the *Standards* that are either causing problems, or are subject to misinterpretation. It is only through such a dialogue that the future improvements to the rules that govern our everyday practice can be ensured. ♥

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## Normes révisées

**C**e moment de l'année est encore venu et il est difficile de croire qu'une autre année vient de s'écouler! Nous profitons de l'occasion pour rappeler aux membres que les Règles normalisées régissant la pratique professionnelle en matière d'évaluation au Canada font l'objet d'une révision annuelle. L'édition 2005 est maintenant officielle et entrain en vigueur le 1<sup>er</sup> janvier.

Tous les membres ont sans doute déjà reçu trois avis au sujet de l'édition de cette année. Le premier fut donné en novembre et précisait qu'un exposé-sondage était en voie de préparation résumant les modifications de cette année et sollicitant les commentaires des membres. Un autre a été adressé en fin d'année indiquant qu'un résumé des modifications était affiché sur le site web de l'ICE et que la version intégrale pouvait être téléchargée. En ce qui touche le résumé et la version intégrale, les membres peuvent consulter la rubrique « Bibliothèque » après s'être branchés à la section des membres du site web de l'ICE.

Faute d'espace, il est impossible de visionner toutes les modifications mais dans les lignes qui suivent, vous en trouverez les faits saillants. L'édition de cette année comporte près de 50 modifications mais plusieurs sont mineures et de nature à clarifier le libellé. Nous avons ajouté à la section « se reporter à » et avons remanié le format actuel des sections pour accommoder les ajouts et les retraits.

L'une des principales modifications vise la catégorie des rapports. Suite aux commentaires formulés par les membres au cours des deux dernières années,

la distinction entre les rapports narratifs « exhaustifs » et les rapports « narratifs » a été éliminée. Pour ce faire, il fut nécessaire de modifier la section des définitions. La modification s'explique par le fait que les deux appellations semaient la confusion à la fois chez les membres et les clients. Un rapport « narratif » est général et détaillé et le sera même si le travail fait l'objet d'une clause dérogatoire ou non. La responsabilité de révéler et de justifier le recours à une clause dérogatoire n'est pas réduite dans l'édition 2005, mais il est souhaité que cette modification dissipe toute confusion potentielle.

Les dispositions visant la transmission de rapports portant une signature numérique a légèrement été modifiée. Il a été souligné que ces dispositions étaient traitées différemment dans les trois normes qui prescrivent les exigences relatives à la présentation des rapports (évaluation, consultation et révision). Elles sont maintenant cohérentes dans leur champ d'application et leur libellé. Des références à des lignes multiples sont contenues dans le résumé des modifications.

Les études sur les fonds de réserve ont été ajoutées à la catégorie des travaux de consultation, ainsi que les éléments clés à considérer dans l'exécution d'un tel service (v. la ligne 3421 dans les commentaires et la ligne 7018 dans les notes sur la pratique). Ces études sont maintenant reconnues comme faisant partie des travaux effectués par certains membres de l'ICE et le contenu de la modification à l'édition 2005 prend appui sur des commentaires similaires touchant les analyses de marché, les études de faisabilité et

les analyses des rentrées de fonds/ investissements.

Les moisissures ont été ajoutées comme exemple des « conditions nuisibles » dans la section des notes relatives à la pratique (v. ligne 6382).

Voilà qui résume les modifications importantes dans l'édition 2005. Le comité reçoit toujours des commentaires positifs de sources internes et externes sur la facilité de consulter nos normes. Le document s'est révélé plutôt stable, aucune modification majeure n'étant requise au fil des ans. Nonobstant ce qui précède, nous rappelons aux membres et les encourageons à commenter les sections des normes qui semblent problématiques ou dont l'interprétation manque de clarté. Ce n'est que par un tel dialogue que nous serons en mesure de continuer à améliorer les normes qui régissent notre pratique quotidienne. 🍷

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## Who is my client?

**A**t first blush, the process of identifying your client would seem to be a basic and simple matter. However, as anyone who has worked in the fee sector knows, it is not always that straightforward. With the advent of mortgage brokers and (more recently) appraisal management firms, this has become an increasing concern, and in some instances a serious problem.

The *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP) provide our direction in this regard. The basic concept of client/appraiser confidentiality is reinforced within the Ethics Standard Rules, where it is stated that it is unethical for a member “to **disclose** results of an assignment to anyone but the client, except with the client’s permission.”

The Ethics Standard Comments elaborate on this requirement and clarify that you may disclose the analyses, opinions, or conclusions in an assignment to “third parties, when the member is legally required to do so by due process of law; or an authorized Committee of the Institute.”

Who is this client to whom we owe this duty? There is a maxim that states “*he who pays the piper calls the tune*” and it has been suggested it therefore follows that “*who pays for the appraisal owns the report.*” We have to ask if our *Standards* contradict this ‘principle’ in that *CUSPAP* defines the client as “generally the party or parties ordering the appraisal report” and adds emphasis to this apparent contradiction by stating that “it does not matter who pays for the work” (line 1321).

Most of us who do mortgage appraisals have dealt with upset homeowners who cannot understand



“The process of identifying your client would seem to be a basic and simple matter. However, it is not always that straightforward.”

why they are not entitled to a copy of the report unless the lender authorizes its release. It is easy to understand their frustration, especially if they had to fork over the cash to the appraiser as a condition of the report being completed or submitted.

My research has led me to the conclusion that the ‘calls the tune’ concept implies that the person who

hires (i.e., makes the arrangements with) another, determines the services to be rendered. If you search the expression on the internet, you will get thousands of hits, almost all of which centre around the relationship between money and politics and the suggestion that some political systems have long been, and are still, more accountable to those who

have money than to the public as a whole. Stated more directly, “*He Who Has the Gold Rules.*”

Notwithstanding the fact that this has become a prevalent ideology in our society, we must always be cognizant of the requirements of our *Standards*. At the same time, we must be aware of the legal precepts that must be observed in carrying out professional appraisal practices.

I have considered some typical situations that have been put to me in my position of Counsellor Professional Practice. Since the queries almost always involve appraisals for mortgage purposes, the scenarios I have chosen are taken from that area of practice.

#### **Scenario No. 1 – The applicant orders the report**

This is probably the least common of the scenarios, and (not surprisingly) the easiest to define. If the party who orders the appraisal is also the applicant (owner or potential purchaser), he or she is the client, even though they may require that you to address the report to a bank or mortgage company. In this circumstance, the lender would be identified as the ‘intended user,’ but, technically, the applicant owns the report.

#### **Scenario No. 2 – The lender orders the report**

This is (or used to be) the most common way mortgage apprais-

“Parties other than the client may be owed a duty of care.”

als were ordered. Typically, the lender contacts your office, orders the appraisal and tells you to collect the fee from the applicant. The *Standards* are clear in this instance. The lender is the client. This is the one that is so difficult to explain to the applicant. The best practice is to inform the applicant, before the assignment is commenced, that the report will be addressed to the lender and is confidential between that party and you.

#### **Scenario No. 3 – A mortgage broker orders the appraisal**

This is a little more convoluted. Typically, the broker will call with a request that you to complete an appraisal for ‘ABC Bank.’ I believe it can be reasonably argued that, in this situation, the broker is ordering the appraisal ‘on behalf of’ the lender. That is to say, the broker is acting in an agency capacity for the lender. The report will be addressed to ABC Bank and the broker is simply facilitating the transaction.

#### **Re-addressing appraisals**

Occasionally, the broker or applicant will come back to you and ask

that you re-address the report to a second lender (XYZ Bank). You are in a position to fulfill that request **only** if you have the authorization of your original client (ABC Bank). If at all possible, get this permission in writing and keep a copy in the file. Be aware that re-addressing a report to a party that was not part of the original appraiser-client relationship is, in effect, extending your liability to this ‘third’ party. If permission is not forthcoming, you simply cannot comply with the request.

#### **Duty of Care**

Having endeavoured to sort out who your client is under various circumstances, it must be pointed out that parties other than the client may be owed a duty of care. Being aware that the appraisal is to be used for mortgage financing, you must be sensitive to this intended use and employ a scope of work that is responsive to it. In the scenarios discussed, therefore, while your ‘primary’ duty of care will be to the client, there could well be a ‘secondary’ duty to other parties, including the applicant and the broker.

Finally, I repeat my advice offered earlier. Make sure that the applicant has a good understanding of his or her position from the get go. It is much easier to explain that the applicant will not be getting a copy of the appraisal before the work is done than some time down the road. ☛

“While your ‘primary’ duty of care will be to the client, there could well be a ‘secondary’ duty to other parties, including the applicant and the broker.”

## The insurance evolution

**W**hat has been happening in the professional liability insurance marketplace since the Appraisal Institute of Canada (AIC) decided to form its own program?

One of the infamous hard markets reared its head around 1988. Professionals were hard pressed to find insurance coverage and, if it was available, the cost was very high. Consumers of insurance products began to look at alternatives to traditional insurance. Many groups examined self insurance or some form of self insured retentions. There was an exodus from the traditional way of insuring risk. The AIC embarked upon a plan that would guarantee its members the availability of insurance coverage and provide more control over the cost of insurance premiums. With great fanfare, the Professional Liability Insurance Plan (PLIP) kicked off in 1988.

Two years later the real estate market crashed, resulting in many claims against professionals dealing in real estate related matters. That included appraisers, lawyers, mortgage brokers, real estate sales people and so on. The result was a spiraling upward of insurance costs for the previously mentioned groups and for all professionals.

PLIP and the Board of Directors made the difficult decision of increasing premiums and establishing a levy stabilization fund. Its actuaries recommended certain levels that needed to be achieved to pay out current claims and capitalize that fund. Over time, Program deficits were erased and the stabilization fund began to grow. Around the year 2000, the premiums for AIC members began to stabilize, while the insurance costs for other professionals generally continued to rise.

Then 9/11 and Enron sent the insurance marketplace into a tailspin that persists today. Premiums began

to rise as never before. Traditional purchasers of insurance products were seeing exorbitant increases, even when their insurance programs were achieving good results. PLIP examined different structures that would allow the members to control their own destiny more effectively. A program of greater risk retention was implemented. Those changes resulted in holding back large increases for members while still allowing for the build up of a stabilization fund. Member insurance costs rose only 5% during these uncertain times. PLIP's actuary, who is heavily involved in rate setting for insurance companies, stated, "increases of 40% annually are common and they can be as high as 200% in some cases. The ability of PLIP and the Board of Directors to stabilize rates over the last few years was a real aberration."

In 2004, the goal of fully capitalizing the stabilization fund was achieved. The result was a rebate to all AIC members for that one year. Will this trend continue? Time will tell.

Difficult and uncertain times remain in the wake of 9/11 and Enron. The re-insurance market still controls what goes on in the insurance world. What they demand from front line insurance companies still determines the cycles of soft and hard marketplaces. There is a movement afoot by many organizations to progress to the next level of control. This is driven by a desire to remove many of the friction costs that exist when dealing with the traditional insurance marketplace. Many groups are forming captive insurance schemes so that they have direct access to the re-insurers and are better able to negotiate lower premiums and retain a larger amount of capital. There has been an explosion in the formation of captives and it is likely to continue.

The Professional Liability Insurance Plan has been re-examining

its position and has undertaken studies on the benefits of forming a captive insurance scheme. This process is being dovetailed with the AIC's Strategic Plan aimed at broadening the scope of professional practice and providing appraisers with the required skills demanded by consumers of appraisal services. So that the AIC can offer insurance products to backstop these expanding services, the formation of a captive insurance company is a necessity, especially to protect the assets of the existing program.

A captive can be structured in a way that enables it to underwrite a broadening scope of activities without risking the current state of affairs within PLIP. In other words, the stable position that the Plan finds itself in does not have to change in order for the captive to be able to underwrite different risks. Accordingly, studies have now been completed and the recommendation to the Board of Directors is that PLIP continue moving forward to complete its goal of forming a captive insurance scheme. This matter will be brought forward to the membership at the AGM in Edmonton in June 2005. 🍷

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# We are listening

**T**he Communications Committee has been listening. Have you? In September, I was fortunate to represent the Communications Committee at the AIC Advisory Council. It was a real eye-opener for me. I was impressed with the level of respect accorded the AIC and its members by all participants at the forum. The discussions were frank and open. Much was said about what our members do right – but, more importantly, what we do less well or not at all. By listening to these stakeholders, who included senior managers from the public and private sectors, it became evident what some of our shortcomings were.

As AIC president Brian Duncan explained in his message in this magazine last fall, these shortcomings can and should be transformed into new opportunities for all AIC members. He identified consulting, risk management, due diligence, investment advice, and site selection, to name but a few areas of opportunity for appraisers.

Are you prepared to seize these new opportunities and to take on these fresh challenges? Not all of our members will need or want to enhance their career opportunities. Point in time appraisals will always be a significant part of the appraiser's workload. However, for those wanting to expand the scope of their work, the time is right. The marketplace now demands more than just point in time appraisals from our members. Find your niche. The time is right!

Recognizing that our members are looking for ways to meet the evolving needs of the marketplace, one of our first communiqués of 2005 invited members to take advantage of two marketing tools developed to promote RENOVA. We urge you to take advantage of this new market-



ing opportunity. But, it is important to be prepared. Take the time to familiarize yourself with RENOVA. It is meant to be used as a tool by the consumers to give them a better idea of the return on investment for home improvements with a recommendation that a designated AIC member should be consulted for specific renovations on any given property. Professional advice should be based on expert analysis and sound reasoning and judgement. It is crucial to be prepared.

The Communications Committee has been working closely with our consultant in formulating a branding strategy to target key stakeholders and to devise a series of questions to identify their perceptions of appraisers, the AIC, who we are, and what we do. The major employers and consumers of our services will be interviewed and the results should help to define the AIC's position in the marketplace. We are moving forward with this initiative as part of the branding strategy in accordance with AIC's Strategic Plan. This is a ground up endeavour. Provincial associations, and individual members are invited to share their opinions with us. You have read it here before – communication is a two way street. The new Appraisers Forum is an excellent place for discussion and exchange of

ideas on this and a host of appraisal and AIC issues.

Let us know what you think. Write us at [communications@aicanada.ca](mailto:communications@aicanada.ca).

Rest assured, AIC's roots and traditions will not be forgotten. But, in a changing and increasingly competitive marketplace, a dynamic organization and its members must adapt to change. Under the guidance of the Board of Directors, the Communications Committee is responding to the challenges that lie ahead. We are listening. 🗣️

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# Your business checkup: Ten steps to success in 2005

**J**ust as doctors encourage you to have an annual checkup, your business, no matter how large or small, should also undergo a checkup each year. How can you gauge the effectiveness of a marketing campaign or changes in your service, billing, etc. without analyzing the benefits and bottom line. Here are 10 questions to get you started.

**1. How do your year-to-date sales compare to the last couple of years?**

Do not breathe a sigh of relief

if you managed to match them. If sales have stayed the same, you have achieved zero growth. With inflation, this flat growth is a warning sign for more serious ailments down the road.

**2. What percentage of your business comes from repeat customers?**

If you are not sure, find out. This is an important figure to know. If it is low, it needs to be improved. Experts estimate the cost of getting a new customer versus retaining an existing one can be

as much as five to one in terms of dollars spent. It is easy to see how this could be the case when you consider the rising costs of advertising and promotion. Therefore, the argument can be made that keeping current customers is more important and cost effective than constantly seeking new ones.

**3. How long has it been since you introduced a new product or service?**

Loyal customers like to see you changing and progressing with the





times. If you are stuck for an idea, ask customers what they need.

**4. Do you consider marketing and advertising expenses or investments?**

How you look at the money you spend in these areas affects your willingness to spend money at all. Would you look at prescriptions as a complete waste of time and money? Marketing is really investing in you, your vision and your company. The old adage that you have to spend money to make money is true. However, you must spend it wisely. Are your ads pulling responses? If not, then perhaps it is time to change publications, designs or wording.

**5. Do you know what PR is and how to use it to positively position your company in the media?**

I will bet that at least one of your competitors does. Nearly every mention of companies in newspapers and magazines is a direct or indirect result of publicity efforts. Being quoted or featured in an article speaks volumes to readers (your potential customers) about your expertise and credibility. A good PR consultant can do that for you and show you ways to extend the shelf life of that article beyond today's newspaper or this month's magazine.

**6. Are you listed in the Yellow Pages?**

Along with your line listing, consider including a small ad if you can at all afford it. It will pay dividends throughout the year.

**7. Do you treat your regular customers even better than your one-timers?**

You should. If your customers do not feel special about coming to you for products or services, why

should they remain loyal to you? Have a customer appreciation day or a special invitation-only for your regulars. Create a mailing list of your best customers and stay in touch with them on a regular basis.

**8. How long has it been since you really talked to one of your customers?**

Just as you appreciate when your doctor takes time to learn about how you have been feeling in recent months, you should make an effort every week to learn more about your customers and their needs. If you have a service business, call or have lunch with clients on a regular basis (even if they contact you only a couple of times a year for projects). The personal touch in an impersonal world will be remembered.

**9. How are you faring in comparison to your competition?**

Every company, no matter what size or line of business, has competition – even home-based businesses. Who is your competition? Is their business growing or downsizing? Is their service or pricing better than yours? If so, what can you tell potential customers about that price difference? Maybe your products or services cost a little more, but you offer a money-back guarantee, more personalized attention or faster delivery. How can you improve your service to meet or exceed your customers' expectations?

**10. Are your employees happy?**

You do not need to ask them directly to find out. Watch, listen and learn. Employees who like their jobs do not watch the clock for quitting time, are not habitually late, do not have poor body language, do not spend too much

time on personal telephone calls, and do not look like they have never smiled. Observe how they interact with customers. Not everyone is a good match for client contact with the public. Make sure that you do not have an employee who is actually driving business away. Show your employees that you care and have respect for them. Ask for their feedback. Be uniform in enforcing your company's policies. Share successes with your team.

After considering these 10 points, how would you rate your business on a scale of 1 to 10? Do not take time to think about it. Trust your gut instinct. The first number that pops into your mind is probably the correct one. Anything below an eight or nine means there is definite room for improvement.

Now ask both employees and customers that same question. What would they like to see your company do differently? Why? These people offer an alternate, more objective perspective. Consider a brief, written survey if you feel uncomfortable doing this directly.

Then follow up and follow through with suggestions to show that you are serious about your business, about keeping current customers and attracting additional customers in the future. Happy customers mean a healthy bottom line.

Here's to your health! 🍀

TC McClenning runs a PR/marketing consulting business in Atlanta, Georgia., where most of her clients are in the real estate or home building fields. She can be reached at [tc@topcatcreative.com](mailto:tc@topcatcreative.com) or visit [www.topcatcreative.com](http://www.topcatcreative.com) for more information.

# Your role in expropriation

**T**he role of an appraiser in an expropriation setting can be critical in determining the level of compensation a landowner is entitled to as a result of a government body expropriating a property. Appraisers with experience in expropriation will take into consideration factors such as enterprise values, business goodwill, and natural resource damage. In any expropriation, there is an assumption that compensation will be paid. It is at this point that the expertise of a qualified appraiser is usually required.

The Supreme Court of Canada has stated “the expropriation of property is one of the ultimate exercises of governmental authority. To take all or part of a person’s property constitutes a severe loss and a very significant interference with a citizen’s private property rights. It follows that the power of an expropriating authority should be strictly construed in favour of those whose rights have been affected.”<sup>1</sup>

Most provinces have laws that allow for provincial authorities to expropriate land. Often, this legislation is titled *Expropriation Act* (or something similar). The Supreme Court of Canada noted that *Expropriation Acts* must be given a broad and liberal interpretation consistent with their purpose. Substance, not form, is the governing factor. The Newfoundland and Labrador Court of Appeal has adopted the following as an accurate statement of the law:

“An owner is usually entitled to recover from the authority the reasonable cost incurred in obtaining legal advice and the assistance of appraisers, accountants, planners and other professionals in preparing a claim for compensation and reviewing offers of compensation made by the expropriating authority. Such reasonable costs are the natural and reasonable consequences of the

expropriation or reasonably incurred in asserting a claim for compensation. The Courts have found that, if it is not unreasonable for a party to retain an appraiser to assist them in advancing their argument, then costs of obtaining that expert may be compensable.”<sup>2</sup>

The Saskatchewan Queen’s Bench dealt with a case in which the Plaintiff applied for determination of compensation payable for the expropriation of a portion of his farm by a municipality.<sup>3</sup> The claim related to destroyed crops and shelter trees and, in support of their application, the Plaintiff’s placed in evidence an appraisal of agricultural land.

The Saskatchewan Court offered the following analysis that could be used to determine fair compensation in a given circumstance:

1. Determine what a prudent person would pay rather than be ejected from the expropriated lands. In most cases, this will equal the highest and best use of the land expropriated and the value of any improvements thereon. An exception arises where the value assigned to the land expropriated is based on a highest and best use and that, by its nature, contemplates the destruction of an improvement, e.g., trees. In such case, no additional value is to be assigned to lost improvements or consequential damages to the remaining land if a prudent person would have accepted compensation payable based on the expropriated lands highest and best use.

2. Determine what damages the claimant is entitled to for injury caused to the claimants remaining land even if the claimant received compensation for the land taken based at its highest and best use. The following further question might be considered: would a prudent person have sold the lands taken for the consideration received and

accept the damage resulting to the balance of his or her lands without further compensation?

3. Consider whether the expropriation increased the value of the claimant’s remaining lands.

The Saskatchewan Court found that the appraisal was of little use in the above analysis. It did not address the value of the expropriated land with and without the subject trees or what injury, if any, resulted to the Plaintiffs’ remaining lands following expropriation. The parties recognized the appraisal’s shortcomings and noted that the cost of further appraisals would exceed compensation payable. The Courts found that, while a detailed appraisal would have been desirable, it appreciated the practical view taken by the parties and determined it would make the necessary decision based on evidence before the Court.

If you are retained by a party who needs an appraiser to help with an expropriation issue, make sure you understand the issues that need to be resolved. Also review the appropriate sections of the *Expropriation Act* in any given province. Knowing the facts, the relevant legislation, and the issues will enable you to provide the most accurate and specialized report possible. ♡

## End notes

<sup>1</sup> *Toronto Transit Operating Authority v. Dell Holdings Ltd.* [1997] 1 S.C.R. 32.

<sup>2</sup> *Bartlett v. Corner Brook (City)* [2004] N.J. No. 298.

<sup>3</sup> *Shamon v. Biggar (Rural Municipality No. 347)* [2003] S.J. No. 347.

This column is intended to convey brief, timely but only general information and does not constitute legal advice. Readers are encouraged to speak with legal counsel to understand how the general issues noted in this column apply to their particular circumstances.



# The Canadian real estate investment landscape – will the party end?

By Paul Morassutti, AACI, P. App

Moving into 2005, the Canadian real estate investment market continues to perform beyond virtually all expectations. A potent combination of cheap debt, abundant capital and scarcity of investments has translated into the lowest capitalization rates, the lowest IRRs, the highest unit values and the most buoyant market across all sectors since 1989. It seems that each month brings another benchmark transac-

tion leaving the industry shaking its head in disbelief.

Will the party end? The 'bear' camp would argue that we have reached a cyclical peak (or very close to it). Market values cannot rise in perpetuity, interest rates have nowhere to go but up, and as quickly as capital flowed into the sector (i.e., foreign buyers, REITs) it could leave, as alternative investments or markets become more appealing. Forget

the statistics and charts, they will say. We have seen this before.

The 'bull' camp would respond that there is no basis for all the hand wringing and hysteria. A dispassionate analysis of the investment market will reveal that it is operating in a perfectly disciplined manner, is fundamentally sound and, while pricing is admittedly high, none of the four horsemen of the apocalypse are visible on the horizon.

Will values continue to rise or is a short-term correction inevitable? A closer examination of both schools of thought is provided below.

## Factors suggesting a reduction in values (the bears)

### 1) Eight-year bull run

With the exception of the tech-related slowdown of 2000-2001, the Canadian real estate investment market has been in a bull mode since 1996, as illustrated by the transaction activity at Holland Cross, a Class A office building in Ottawa:

Year Sold	Price
1996	\$18 MM
1999	\$28 MM
2002	\$45 MM
2004	\$59 MM +/-

In a historical context, a nine-year run would be unprecedented. Real estate was a cyclical industry 50 years ago, it is a cyclical industry today, and it will be a cyclical industry 50 years from now, say the bears. Values do not trend straight up.

### 2) Potentially increasing interest rates

Clearly, one of the most significant threats to values is a higher interest rate environment. An increase in interest rates, particularly long term rates, would have a twofold effect:

- place upward pressure on cap rates, as leveraged returns are eroded, and,
- impact REITs ability to buy.

In April 2004, with increasing evidence of inflationary pressure and higher interest rates, capital flows into the REIT sector turned sharply negative, causing unit prices, both in Canada and the US, to plummet. The speed and magnitude of the REIT market decline, which we also saw in the late 1990s, is a reminder of the REIT market's volatility and acute sensitivity to capital flows.

### 3) Potential exit of 'non-traditional' foreign capital

As evidenced by the following chart, foreign buyers have emerged as a dominant buyer profile. By the third quarter of 2004, foreign buyers had accounted for 43% of all transac-



tions over \$50M in Canada, up from 1.26% only four years ago. Primarily German and Israeli in origin, the \$64M question is, what happens if, for whatever reason, this capital seeks greener pastures elsewhere.

When you consider that REITs and foreign buyers together comprised over 60% of the total dollar volume in 2004, one can argue that the market is vulnerable to any reduction in demand from either group. In other words, as quickly as capital has flowed in, it could flow out.

### 4) Stagnant tenant demand

This factor primarily pertains to the office market. Office leasing performance over the past few years has been, for the most part, abysmal. While the leasing market has certainly improved of late, with positive absorption across most markets in Canada, the issue of tenant demand remains a concern.

As illustrated below, GTA office tenant demand has been steadily declining over the past 25 years. The reasons for this are varied and numerous and include factors such as global job trends, economic considerations and space utilization trends.

A specific example can be found with O&Y Properties' 2 Queen Street East, the only office building to be built in Toronto's Financial Core in the past decade. The building has been available for lease for roughly five years. Despite a fairly robust economy, despite excellent quality construction and one of Canada's premier owners, the building stands at approximately 85% occupancy. Put another way, there has been insufficient demand to fill the only building constructed in Toronto in the past 10 years.

While most market observers expect tenant demand to increase over the next few years, there



“We believe the strengths in the market outweigh the potential weaknesses over the next 12 months.”

remains a very real possibility that demand will not recover to historic norms. This factor poses one of the greatest risks to office building values.

**5) Flat/Declining NOI growth**

Given the steady deterioration of office market leasing fundamentals since 2000 (i.e., increased availability of space, lower net effective rents), income at many buildings has actually declined in recent years. To illustrate, a sampling has been conducted of 38 Toronto area office buildings appraised by the Altus Group for the last three years in a row. The buildings represent a cross section of downtown, midtown and suburban locations and a variety of ownership. The aggregate NOI for each year is outlined below:

**Forecast NOI**

2002	\$133,833,081
2003	\$132,375,514
2004	\$129,970,246

Sluggish NOI growth may persist for several more years, as leases that commenced in 1999–2002 begin to roll over at significantly lower rates. It should be noted, however, that this concern is most pronounced in downtown Toronto, where net effective rents have fallen further than other markets. Calgary, for example, is unlikely to experience NOI deterioration since vacancy has tightened considerably and rents are on the rise.

This somewhat disturbing NOI trend has gone largely unnoticed/unreported in the industry. The reason: cap rate compression has masked NOI declines and values have continued to rise (although, in many cases in the office market, value increases have actually been marginal despite public perception). Even if cap rates remain at these historic lows over the next year, it can be argued that value erosion will be inevitable.

**Factors suggesting no decrease in values (the bulls)**

**1) Interest rate paradox, part I**

Higher interest rates are never good for any capital intensive industry, but their potential impact must be viewed within the context of the forces that are causing the rates to rise. If interest rates rise in response to economic growth, thus generating increased demand for space, then the negative effects of the higher rates for real estate should be mitigated to some extent by NOI growth.

With respect to the multi-residential sector, to the extent that an increase in interest rates dissuades renters from home ownership, it would actually, to a certain extent, work in favour of the apartment market.

**2) Interest rate paradox, part II**

While a rise in rates could potentially impact leveraged buyers, the paradox is a higher interest rate environment favours pension fund buyers. Looking again at the aforementioned Purchaser Profile chart, one can see that, after a period of acquiring and digesting operating companies like Cadillac Fairview, Bentall and Oxford, pruning their portfolios and dealing with declining stock portfolios, pension funds are back (26% of dollar volume, including two of the highest profile deals of 2004 – Marche Central and Higgens’ Gateway Business Park).

**3) Abundant capital/broad base of investment demand**

While there tends to an emphasis on the emergence of the foreign buyer, the reality is that there is a very broad, deep pool of potential buyers – pension fund, public, foreign and private - in today’s market. In the unlikely event that, say, foreign buyers were to exit the Canadian market en masse, there are more

than enough buyers to fill the void.

With respect to the foreign buyer category, an exodus does not appear to be in the cards. According to Jacques Gordon, Global Strategist with Chicago-based LaSalle Investment Management Inc., foreign investor attraction to Canadian real estate has become “a permanent shift, not a short-term blip. Canada is attractive on a world stage, in terms of its risk-adjusted returns, economy and fundamentals.”

**4) The office leasing market – the worst is over**

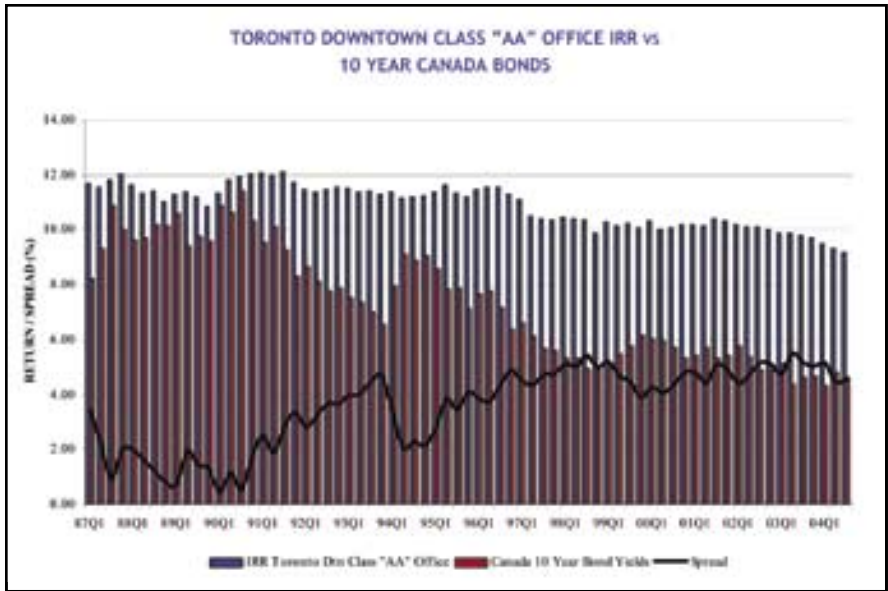
In the office market, we appear to have reached a leasing ‘trough’ and underlying market conditions are improving, albeit slowly. Both absorption and availability levels have improved in most markets across Canada. Additionally, space utilization trends (i.e., tenants requiring less space per employee as a result of more efficient use of space), which arguably cost the GTA market 1.5 million square feet per year over the past 5 – 10 years, must subside at some point.

**5) Lack of meaningful alternative investments**

Numerous stock market pundits are calling for a protracted bear market and the common refrain of potential sellers is, “Sure it’s a good time to sell, but where do I put my money?” Re-deployment of capital will continue to be a major issue going forward.

**6) Limited supply of investment product**

Over the past four years, there have been very strong sources of supply, much of which can be characterized as ‘non ongoing’ in nature (i.e., asset disposition programs, portfolio culling, off balance sheet ‘user’ sales, lifeco dispositions, etc.). Looking forward to 2005, it is much harder to identify where the sales will come from, other than



“If there is going to be any value shakeout in the near future, it will occur first at these downstream, secondary properties.”

the obvious source – profit taking. This factor, together with the capital re-deployment issue noted above, should serve to keep downward pressure on cap rates.

**7) Structural 'risk' changes**

Permanent structural changes in the industry over the past decade have reduced real estate's traditional liquidity risk premium, notably:

- stronger connection of Real Estate to comparatively efficient capital markets, both debt and equity
- pension fund discipline and increased allocations to real estate
- increased sophistication of market participants
- increased transparency and corporate accountability vis a vis other industries

The foregoing have combined to reduce some of the risk and volatility traditionally associated with real estate and, it can argued, should lead to an acceptance of lower overall yields going forward, on a permanent basis.

**8) IRR/cap rate spread analysis**

To provide perspective to the investment market, we prepared the chart above which analyzes the spread between IRRs (in this case, a downtown Class AA office building) and 10-year Canada bonds going back to 1987. We found that current spreads, despite apparently extremely pricing, are essentially wider than they ever been. The difference in the spreads we see today and those exhibited in the late 1980s are remarkable. In our opinion, this implies:

- a) higher values, subject to negative leverage limitations , OR, at the very least,
- b) a cushion against higher long-term interest rates, leasing market disappointment, or any other unknown.

**Conclusion**

While it may feel counter-intuitive to many, we believe the strengths in the market outweigh the potential weaknesses over the next 12 months and that the reasons indicating a continuation of current pricing

are more compelling than those indicating a decline.

Of course, this is a general statement and thus a note of caution is warranted. Until recently, there was a clear bifurcation of the investment market in Canada, whereby secondary, or tier II, product traded at clear discounts to class 'A,' or tier I, properties. Over the past 18 months, both types of properties have experienced cap rate and IRR compression, however, this compression has actually been more pronounced for the secondary assets with the effect being that the cap rate/IRR spread between the two types of properties has diminished.

If a purchaser 'stretches' on price for a quality asset with very secure income, how much downside is there? Arguably, not much. At the very least, value downside is mitigated by the income security.

However, with the prices being paid today for many secondary assets (i.e., properties with significant lease exposure, capex concerns, locational issues, etc.), the downside risk is much greater. In many cases, the return premiums for these properties do not appear to adequately compensate investors for the additional risk. If there is going to be any value shakeout in the near future, it will occur first at these downstream, secondary properties.

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