

# CANADIAN APPRAISER ÉVALUATEUR CANADIEN

Volume 49, Book 2, 2005

A review  
appraiser's  
comments  
and suggestions

Putting right the  
**DIRECT COMPARISON  
APPROACH**

**Focus on  
BEST PRACTICES**

**INDUSTRIAL  
STRENGTH  
APPRAISAL  
SOFTWARE**

**CRAL**



**800.234.8727**  
[appraiserschoice.com](http://appraiserschoice.com)





## Pocket Zoo

Pocket Zoo has all the power and smarts you need to collect field data.

Pocket Zoo offers forms, photo pages, templates and common responses that can be downloaded from CRAL or created in the field.



### Features

- Quick section navigation
- Smart check boxes
- Point-and-click photo import

## CRAL

### Industrial Strength Appraisal Software

#### Package Includes:

- CRAL
- Sketch Software
- Pocket Zoo
- Digital Signature
- Annual Premier Support and Updates
- Order Tracking
- Photo Imaging
- Comps Database

## The Appraiser's Choice



ReportPro is the flagship product of the CRAL Collection and is used by thousands of appraisal companies who continue to help drive CRAL's unrivaled feature set.

CRAL's best-of-breed tracking, forms, digital imaging, comps database, integrated sketch and mobile software provide technology simple enough for a new user but powerful enough for the largest appraisal companies and financial institutions in Canada.

Whether you're mouse or keyboard oriented, CRAL provides unrivaled form filling power with templates, cloning, and common responses that work across all forms—we've got it all.

- Extensive forms library
- English and French Forms
- Common Responses
- Drag and Drop photos directly into your reports
- Sketch integration for both Apex and WinSketch
- Office Management
- Location Map Integration

## Tools for Easy Navigation



### The Powerbar

The CRAL toolbar is a powerbar with speed buttons that quickly launch location maps, PDF writer, your favorite sketch software, and more!

### Component List

The component list is an index of all the pages in your PAK and enables fast page flipping. There's even an icon to quickly view your addenda. Customize your form PAKs using CRAL's powerful PAK utility.

### Section Tabs

Quickly navigate to any section within the form using the power tabs located at the bottom of the form.

### Free CRAL Reader

Give your clients powerful view and print capabilities with our free, downloadable Appraisal Reader. *An industry exclusive!*



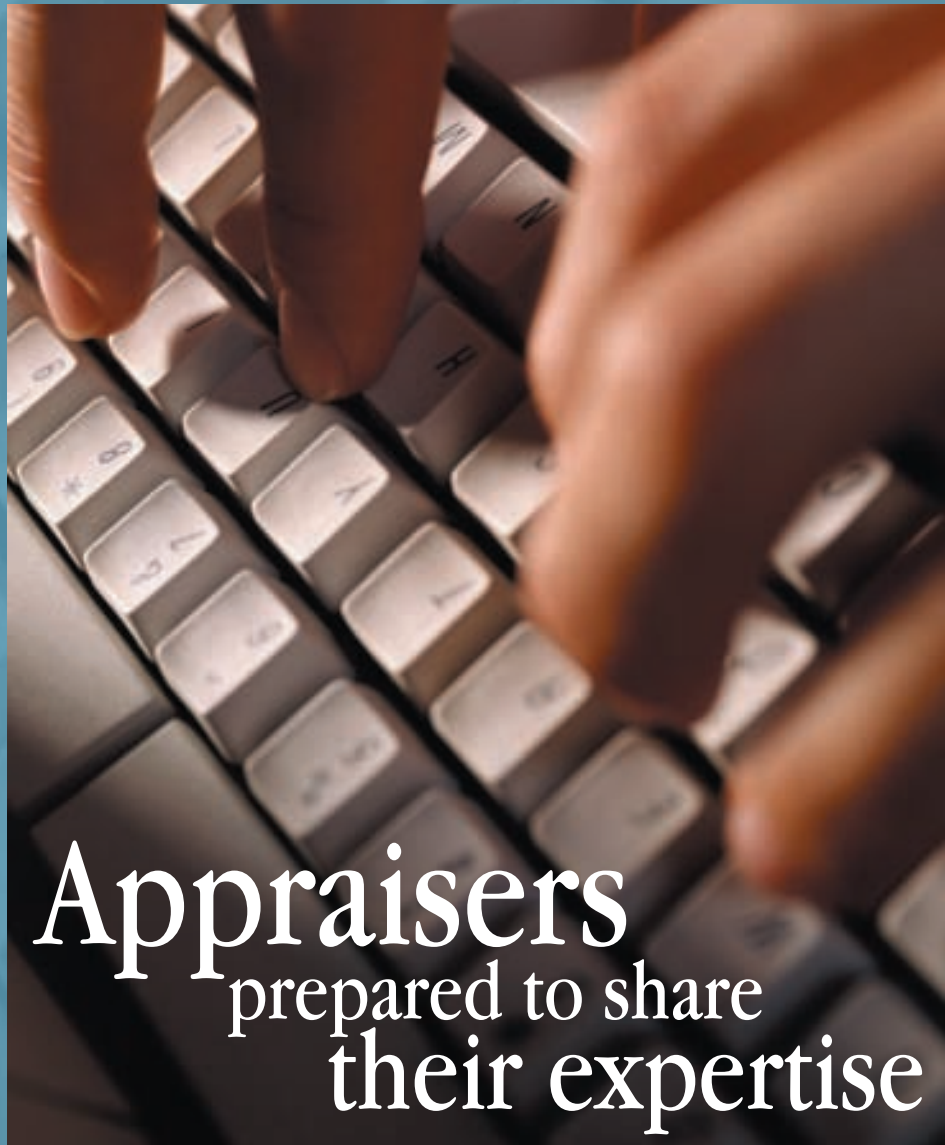
[appraiserschoice.com](http://appraiserschoice.com)

**CALL TODAY**  
**800.234.8727**

**\$595**

*\* Discount available for additional users*

# WANTED



## Appraisers prepared to share their expertise

*Canadian Appraiser* magazine is one of the Appraisal Institute of Canada's most effective tools for communication with and between members. Every issue is distributed Canada-wide to the Institute's entire membership of AACIs, CRAs and Candidates. An expanded distribution and subscription list extends the reach of this magazine to Institute members' clients, affiliate organizations and libraries.

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)





**Appraisal Institute of Canada  
Institut canadien des évaluateurs**

203-150 Isabella Street,  
Ottawa, ON K1S 1V7  
Phone: (613) 234-6533 Fax: (613) 234-7197  
Web site: [www.aicanada.ca](http://www.aicanada.ca)  
Contact us at: [info@aicanada.ca](mailto:info@aicanada.ca)

**Board of Directors  
Conseil d'administration**

**President – Président**  
Brian Duncan, AACI, P.App, *Ontario*

**President Elect – Président désigné**  
David Highfield, AACI, P.App, *British Columbia*

**Immediate Past-president –  
Président sortant**  
Brad Wagar, AACI, P.App, *Alberta*

**Vice-Presidents – Vice-présidents**  
Paul Olscamp, AACI, P.App,  
*Prince Edward Island*  
Gord Tomiuk, AACI, P.App,  
*Manitoba*

**Directors – Directeurs**  
Laurent Brosseau, AACI, P.App, *Quebec*  
Beverley Girvan, AACI, P.App, *Nova Scotia*  
Keith Goodwin, AACI, P.App, *British Columbia*  
Gerry Hupp, AACI, P.App, *Saskatchewan*  
George Maurice, AACI, P.App, *Ontario*  
Roland Mayr, AACI, P.App, *Ontario*  
Gerald McCoombs, AACI, P.App, *New Brunswick*  
Bob Tipple, AACI, P.App, *Newfoundland & Labrador*

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

**Director of Communications**  
Joanne Charlebois, *Ottawa*

**Managing Editor –  
Rédacteur administratif**  
Craig Kelman, *Winnipeg*

**Assistant Editor –  
Rédacteur en chef adjoint**  
Kathleen Hodgson, *Winnipeg*

The articles printed in this issue represent authors' opinions only and are not necessarily endorsed by the APPRAISAL INSTITUTE OF CANADA. Copyright 2005 by the APPRAISAL INSTITUTE OF CANADA. All rights reserved. Reproduction in whole or in part without written permission is strictly prohibited. Subscription, \$40.00 per year. Printed in Canada. Les articles imprimés dans ce numéro ne représentent que l'opinion de leur auteur respectif, mais ne sont pas nécessairement endossés par L'INSTITUT CANADIEN DES ÉVALUATEURS. Tous droits réservés 2004 par L'INSTITUT CANADIEN DES ÉVALUATEURS. La reproduction totale ou partielle sous quelque forme que se soit sans autorisation écrite est absolument interdite. Abonnement \$40.00 par année. Imprimé au Canada.

Indexed in the Canadian Business Index and available online in the Canadian Business & Current Affairs database.

ISSN 0827-2697

Publication Mails Agreement #40008249.  
Return undeliverable Canadian addresses to:  
Appraisal Institute of Canada, 203-150 Isabella St.,  
Ottawa, ON K1S 1V7. Email: [info@aicanada.ca](mailto:info@aicanada.ca)

Publication management,  
design and production by:

**Craig Kelman**  
ASSOCIATES

3rd Floor – 2020 Portage Avenue  
Winnipeg, MB R3J 0K4  
Phone: 866-985-9780  
Fax: 866-985-9799  
E-mail: [info@kelman.ca](mailto:info@kelman.ca)  
Web: [www.kelman.ca](http://www.kelman.ca)

Design/Layout: Dana Jensen  
Advertising Manager: Kristy Gagne

# CANADIAN APPRAISER ÉVALUATEUR CANADIEN

## TABLE OF CONTENTS

- 6** **PRESIDENT'S MESSAGE/MESSAGE DU PRÉSIDENT**  
Accomplishing our goals/ Atteindre nos objectifs
- 10** **CEO REPORT/RAPPORT DU CHEF DE LA DIRECTION**  
The New Horizons professional/Le professionnel face aux Nouveaux Horizons
- 16** **CONFERENCE 2005 SPONSORS & EXHIBITORS**
- 17** **NEW DESIGNATIONS/CANDIDATES**
- 18** **A NEW INTRODUCTORY WORKSHOP .... WE VALUE CANADA**
- 20** **SUCCESSFUL MEMBERS FOCUS ON BEST PRACTICES**
- 23** **AIC PROGRAM INITIATIVES**
- 23** COMMUNICATIONS  
**26** STANDARDS/NORMES  
**28** PQCC/QPC  
**30** PROFESSIONAL PRACTICE  
**32** PROFESSIONAL LIABILITY INSURANCE  
**33** TECHNOLOGY FOCUS
- 34** **GUEST COLUMNS**
- 34** LEGALLY SPEAKING  
**36** MANAGEMENT
- 43** **FEATURE ARTICLE**
- 38** A REVIEW APPRAISER'S COMMENTS AND SUGGESTIONS TO FEE APPRAISERS (PART 1)  
**42** PUTTING IT RIGHT WITH THE DIRECT COMPARISON APPROACH





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

## Accomplishing our goals

**I**t is difficult to believe that a year has gone by and my term as president is drawing to a close. I have to say it surpassed my expectations with respect to both the level of activity involved and the satisfaction that the office brings. At the outset of my presidency, I set a few goals for myself. First, I set out to continue the good work of my predecessors in executing the Strategic Plan and its ambitious goals of restructuring the profession and the Appraisal Institute of Canada (AIC). Second, I strived to raise the level of professionalism of the AIC and its members by working closely with the many volunteers who have contributed to making the AIC and its policies and programs as successful as they are.

With respect to the first goal, I had the pleasure of having been closely involved in the New Horizons initiative almost from the start. But, during my term, the project moved from the developmental stage to the implementation stage, as the ideas about professionalism crystallized into new policy directions, programs and outcomes.

By now, you know that New Horizons is a major project that aims to do nothing less than redefine appraisers' scope of practice, expanding their business horizons in the process, and giving them the tools to ensure that they can compete successfully in the rapidly changing marketplace for real estate valuation and related services, while building rich and rewarding careers.

An important part of New Horizons is the consultative process with the members and volunteers who make up this organization, in order to inform them of the objectives of the initiative and get valuable feedback on the proposed policies. During my visits to annual meetings of members across the country, I was privileged to discuss the New Horizons initiative and other important issues with many of you. I am pleased to report that New Horizons has received overwhelming support coast to coast – a strong signal of the membership's desire to be recognized as a first-tier profession and the pre-eminent experts in the field of real estate valuation and related areas of consulting.

In the process, I have learned a lot about our profession, our Institute, and the strong spirit of volunteerism and cooperation that is evident by all the activity taking place at member meetings, on boards and in committees. Volunteerism is the lifeblood of our organization and I am proud to say that it is alive and well at the AIC.

In this respect, I would like to take this opportunity to express my sincere thanks to a variety of people. First, to my colleagues on the AIC Board of Directors, the Executive Committee, and all the standing committees. Also, to the tireless volunteers serving on provincial and chapter boards. And finally, to the AIC office staff that has provided the volunteers with the vital support needed to make all of our achievements possible.

“Volunteerism is the lifeblood of our organization and I am proud to say that it is alive and well at the AIC.”

“ We aim to enhance the value of the AIC’s professional designations significantly and work to make them an essential requirement for all real property valuation and related work. ”

After a year as your president, I feel more confident than ever about our profession and the direction it is headed. When someone asks what has the AIC done for me, I can answer very simply: it has given me a profession that is highly respected, affords me a good living, and an interesting career. What has volunteerism done? It has enriched that profession in manifold ways and given me a better appreciation of its value and the value of belonging to a national professional body of the stature of the Appraisal Institute of Canada.

In the days ahead, we have much work to do in realizing the vision of our Strategic Plan. New Horizons is well underway and it will redefine the

scope of professional practice and the profile of the highly qualified, multidisciplinary professional valuer of the future.

The Strategic Plan called for a re-branding of the AIC and its members. This work is also underway and good progress has been made on the first phase – conducting the branding research. In the course of the year, we will develop our branding strategy and prepare to launch a major re-branding of the profession starting in 2006 or earlier.

The re-branding initiative will go a long way to raise the profile of AIC members and will inform stakeholders about the many value-added services that AIC members can provide. In the process, we aim to

enhance the value of the AIC’s professional designations significantly and work to make them an essential requirement for all real property valuation and related work, whether fee, or non-fee.

In the end, I am certain that both members of the AIC and the public will benefit as the standards of professional appraisal practice and the qualifications of its practitioners are increased in step with the level and value of the services provided to the public. This is a win-win for the public and the profession. That is what it is all about, and that is why I am proud to have had a chance to play a part in it. Thank you one and all for making this year the highlight of my career as a member of the AIC. 🍷

## It's time your insurance got Personal

### Isn't it time your insurance company recognized you?

- Preferred rates – because you're a member of your organization
- These are on top of the savings you're already enjoying as a good driver
- And because we're a direct writer – there's no broker or middleman to pay
- You speak directly to our licensed insurance professionals when you call
- Convenient hours from 8 a.m. to 8 p.m. Monday to Friday and 8 a.m. to 4 p.m. Saturdays
- No charge monthly payments
- 24/7 emergency claims assistance
- You don't have to worry about our financial stability and strength – we have over 1,000,000 policies in force

### Isn't it time your insurance got Personal?

For a Home or Auto Insurance quote call

**1 888 476-8737**

or visit us at [www.thepersonal.com/easyliving](http://www.thepersonal.com/easyliving)

You could Win!

**\$52,000**

Just for calling for an insurance quote!



Appraisal Institute of Canada  
Institut canadien des évaluateurs



**thePersonal**  
Home and Auto Group Insurance

Auto insurance not available in Manitoba, Saskatchewan or British Columbia due to government-run plans.



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

# Atteindre nos objectifs

**I**l est difficile de croire qu'une autre année a passé et que mon mandat à titre de Président tire déjà à sa fin. Je dois avouer que l'année a dépassé mes attentes en ce qui touche le nombre d'activités auxquelles j'ai participé et la satisfaction d'occuper ce poste. Au début de ma présidence, je m'étais fixé quelques objectifs. D'abord, poursuivre l'excellent travail amorcé par mes prédécesseurs dans l'exécution du plan stratégique et les objectifs ambitieux de restructurer la profession et l'Institut. Ensuite, je me suis efforcé de rehausser le niveau de professionnalisme de l'Institut et de ses membres en travaillant en étroite collaboration avec les nombreux bénévoles qui ont contribué au succès de l'ICE et de ses politiques et programmes.

En ce qui touche le premier objectif, j'ai eu le plaisir de participer activement au projet Nouveaux Horizons pratiquement depuis sa création mais dans le cadre de mon mandat, le projet a passé du stade d'élaboration à celui de mise en oeuvre lorsque les idées sur le professionnalisme se sont concrétisées en de nouvelles orientations de politique, des programmes et des résultats innovateurs.

Vous savez déjà maintenant que le projet Nouveaux Horizons en est un d'importance qui vise rien de moins qu'à redéfinir la portée de la pratique des évaluateurs, multiplier leurs occasions

d'affaires et leur donner les outils qui assureront leur compétitivité sur le marché en constante évolution de l'évaluation immobilière et des services connexes, tout en leur offrant une carrière enrichissante.

Une importante partie du projet Nouveaux Horizons a consisté en un processus consultatif auprès des membres et bénévoles qui forment notre organisme, un processus visant à les tenir au courant des objectifs de l'initiative et à obtenir des commentaires d'une valeur inestimable quant aux politiques proposées. Lors de ma participation aux diverses assemblées annuelles des membres à l'échelle du pays, j'ai eu le privilège de discuter l'initiative Nouveaux Horizons et d'autres sujets importants avec bon nombre d'entre-vous. J'ai maintenant le plaisir de vous dire que le projet a reçu un appui sans précédent d'un coin à l'autre du pays, ce qui reflète le désir des membres à être reconnus comme professionnels et spécialistes de premier plan dans le domaine de l'évaluation immobilière et les secteurs connexes de la consultation.

Dans le cadre de cet exercice, j'ai beaucoup appris au sujet de notre profession, de notre association (Institut?), du bénévolat et de la collaboration qui se voient par les activités lors des réunions des membres, au sein de divers conseils et des comités. Le bénévolat est l'une

Le bénévolat est l'une des pierres angulaires de notre organisme et c'est avec fierté que je dis que cette qualité se porte bien au sein de l'Institut.



# « Nous visons à rehausser de façon importante la valeur des désignations professionnelles de l'Institut et d'en faire une exigence essentielle pour tout travail en évaluation immobilière et travaux connexes. »

des pierres angulaires de notre organisme et c'est avec fierté que je dis que cette qualité se porte bien au sein de l'Institut.

Ainsi, je profite de l'occasion pour remercier très sincèrement mes collègues du Conseil d'administration de l'ICE, le Comité exécutif et tous les comités permanents, ainsi que les nombreux bénévoles au service des conseils provinciaux et de chapitres, ainsi que le personnel du bureau de l'ICE qui a fourni aux bénévoles le soutien qui a permis d'accomplir toutes nos réalisations avec succès.

Après une année comme Président, j'ai confiance plus que jamais dans notre profession et l'orientation qu'elle poursuit. Lorsqu'on me demande ce que l'Institut a fait pour moi, je réponds tout simplement : il m'a donné une profession hautement respectée, me permet de bien gagner ma vie et m'offre des occasions de carrière intéressantes. Et, que dire au sujet du bénévolat? Le bénévolat a enrichi cette profession de nombreuses façons et m'a permis de mieux

comprendre sa valeur et le bienfait d'appartenir à un organisme professionnel national tel l'Institut canadien des évaluateurs.

Au cours des prochains jours, nous avons beaucoup de travail à faire en rapport à la réalisation de notre plan stratégique. L'initiative Nouveaux Horizons va bon train et redéfinira la portée de la pratique professionnelle et le profil des évaluateurs professionnels multidisciplinaires et hautement qualifiés dans l'avenir.

Le plan stratégique fait appel à un repositionnement de l'Institut et de ses membres. Ce travail a déjà commencé et des progrès considérables ont été réalisés au niveau de la première phase, soit celle d'une recherche en matière de positionnement. Au cours de l'année, nous prévoyons élaborer notre stratégie de positionnement et amorcerons une importante campagne de repositionnement de la profession dès le début de 2006, voire même avant si possible.

Le projet de repositionnement contribuera énormément à améliorer

le profil des membres de l'Institut et renseignera les intervenants sur les nombreux services à valeur ajoutée que nos membres sont en mesure d'offrir. Du même coup, nous visons à rehausser de façon importante la valeur des désignations professionnelles de l'Institut et d'en faire une exigence essentielle pour tout travail en évaluation immobilière et travaux connexes, qu'ils soient ou non rémunérés.

En terminant, je suis convaincu que les membres de l'Institut et le grand public sauront profiter de l'amélioration des normes de pratique professionnelle en matière d'évaluation et des qualifications de ses praticiens, ainsi que de l'amélioration du niveau et de la valeur des services offerts au public. Il s'agit là d'une situation gagnante à la fois pour la profession et le public en général. C'est cela qui compte et c'est pourquoi je suis fier d'avoir eu l'occasion d'y contribuer. Je vous remercie pour avoir fait en sorte que la dernière année fut l'un des faits saillants de ma carrière comme membre de l'Institut. 🍷



## Your input is vital

As we strive to ensure that the *Canadian Appraiser/Évaluateur Canadien* provides valuable and timely information to enhance your professional development, your ongoing input, contributions and feedback are vital components to making sure we succeed. Whether you like what you read, take issue with it, have some information or knowledge of your own to contribute, or want to comment on some aspect of the magazine or the profession in general, we want to hear from you. From feature articles or guest columns to emails or letters, please take the time to play an active part in this important communication process.

You can reach us at:

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

CANADIAN  
APPRAISER  
ÉVALUATEUR  
CANADIEN



*Georges Lozano, MPA  
AIC Chief Executive Officer*

## The New Horizons professional

**N**ow that the New Horizons initiative has been defined and communicated to Appraisal Institute of Canada (AIC) members, we are entering a new and challenging phase – establishing the programs and policies that will enable the achievement of the New Horizons vision.

Central to the New Horizons vision is the concept first stated in the AIC Strategic Plan, that the Institute will represent a profession and not a trade. New Horizons addresses this and establishes the differences between professional work and technical work.

While AIC members incorporate both professional and technical elements in the course of their daily work, it is the professional aspect of their work that provides the highest value to the client and should be the focus of the relationship between the professional and his or her clients. New Horizons identified professional work as being generally of a higher order than technical work and providing solutions involving analysis and judgement based on mastery of the profession's body of knowledge. In this respect, professional work includes such functions as analyzing, deciding, advising, leading, establishing value, providing assurance, and taking responsibility. Those aspects of work

considered 'technical' require lower order knowledge, skills and attitudes. Technical work includes such activities as measuring, collecting, compiling, reporting, and calculating.

Accordingly, it is expected that professionals have mastered the body of knowledge that defines their profession, and that they have tested that knowledge through years of progressively more senior practical experience under the supervision of a professional. Moreover, professionals must maintain currency through ongoing professional development, and perform their work in an ethical manner and in strict adherence to the standards of professional practice.

As a professional accrediting body, the AIC is interested in assuring itself that the members that it designates have fulfilled all of its educational and professional requirements, and that they can perform in a competent manner and in accordance with the rules, regulations, and standards set out by the Institute. The designation that the AIC confers upon its professional members is equivalent to a postgraduate credential. The individuals who receive the AIC's designation must demonstrate a commitment to professionalism and must understand that their achievement does not mark an endpoint, but rather it

“While AIC members incorporate both professional and technical elements in the course of their daily work, it is the professional aspect of their work that provides the highest value to the client and should be the focus of the relationship between the professional and his or her clients.”

“In the years ahead, the AIC designations will become more prominent and command even greater respect within an expanded client base.”

is a new beginning, the start of their career as a professional.

In addition to defining professional work and establishing of the professionalism of AIC members, the New Horizons initiative describes an expanded scope of professional practice. This expanded scope takes into consideration the core competency and mainstay function of members of the AIC in providing point-in-time appraisal of real property. But, New Horizons significantly broadens that scope to include a wide area of real property valuation, consulting, and advisory services. This broadened scope of practice includes many activities that fall under four general headings: valuation, review, consulting, and management.

Under valuation, the scope of practice includes such assignments as point-in-time appraisals, relocation and expropriation assignments, mass appraisal, insurance cost estimating, resource valuation, and business valuation. Under review, we find such activities as appraisal review, arbitration and mediation, assessment appeals, due diligence assignment, and expert witness work. There are many activities that fall under the category of real property consulting and advisory practice, including the provision of consulting and strategic advice, highest and best use studies, market forecasting, pre-sale and pre-purchase advice, property development, land assembly, site selection advice, and

ecological gifts consulting, to name but a few. In the area of management, the expanded scope of practice includes asset and portfolio management, management of valuation related organizations, property management and lease administration. This expanded scope of practice will provide many additional new business opportunities for appropriately qualified professionals. These multidisciplinary members of the AIC will be able to add to their business practice and expand their client base within this new framework.

*The Standards* currently include and provide guidance on appraisal and consulting work. Further to New Horizons, it is expected that more detailed guidelines will be developed, and practice notes will be added to deal with some of the activities outlined under the expanded scope of practice. Nonetheless, *The Standards* now accommodate a broad range of appraisal practice with the proviso that: “The steps necessary and appropriate to complete an assignment competently include personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.”

Further, the AIC professional liability insurance program currently covers a broad range of professional services such as “real estate appraisal services, including value opinions and/or consulting.” This

broad coverage is in effect only if the services provided by AIC members have been recognized by the AIC as part of the professional scope of practice, and if the members providing the services are: “qualified under the Bylaws and Regulations of the Association to undertake....”

With all of these new professional services opportunities before them, members may well wonder how they should determine whether or not to offer such services to the public. As professionals, members of the AIC are, first of all, guided by their professional ethics and the AIC’s *Code of Ethics* which states: “Members of the Appraisal Institute of Canada shall commit themselves to principles that reflect high standards of professionalism.” and “Members shall provide quality services within their areas of competence, and in compliance with the Standards of the Institute.”

Second, AIC members should consult and rely upon the *Canadian Uniform Standards of Professional Appraisal Practice (The Standards)* which provides direction and guidance on what assignments to undertake and how to undertake them.

Competency to deliver a service is a key consideration for every professional. Before entering a new area of practice, AIC members are well advised to take appropriate training, if required, and to acquire appropriate practical experience under the guidance of fellow members who have expertise in the field before

“Before entering a new area of practice, AIC members are well advised to take appropriate training, if required, and to acquire appropriate practical experience under the guidance of fellow members who have expertise in the field before undertaking these assignments single-handedly.”



undertaking these assignments single-handedly. Maintaining competence is a hallmark of professionalism and that is why the AIC makes it compulsory for members in good standing to fulfill the requirements of the Continuing Professional Development program. In short, before embarking on new areas of practice, make sure that you are well qualified to do the work, remembering that professionalism means taking responsibility for all work to which you affix your signature.

As a professional, there are two things that should stand out above all others in the eyes of your clients. The first is your signature which, as mentioned above, means that you are responsible for the products and services that you provide to your client. Regardless of how many other individuals may have been involved in the preparation of the work product, you are ultimately responsible for it to your client. In this respect, it is interesting to note that *The Standards* state that: "An appraiser may rely on significant professional assistance of an employee, co-worker, independent contractor or assistant if: the appraiser reasonably believes the individual is competent, and the individual's work is credible, and the individual and the significant professional assistance is identified in the certification."

The second hallmark of your professionalism is your designation as a member of the Appraisal Institute of Canada. For almost 70 years, the AIC's professional designations have been recognized and respected by members of the Canadian public as symbols of quality service upon which they can rely. If you are not designated, what are you waiting for? New Horizons has established policies for new Candidates including the requirement that they take a minimum of one university credit course per year on average, and that they obtain their professional designation within a specified period of time. If you are designated, now is the time to train to expand your knowledge and business.

Further to the New Horizons initiative, and the subsequent re-branding of the AIC and its membership in the years ahead, the AIC designations will become more prominent

“Professional appraisers must lead the way in providing their clients with services that exceed their expectations.”

and command even greater respect within an expanded client base.

So, how do you begin to capitalize on the opportunities that New Horizons is opening up for AIC members? Some of you may be satisfied with your practices and careers as they are. In that case, New Horizons will support you by reinforcing the value of the services you provide currently, and communicating the important role that members of the AIC play in providing real property appraisal and related consulting services to the public. However, some of you may wish to expand your practices into new areas, or you may wish to change your practices and move into new specialty areas. In that case, first of all you will need to identify those market niches and develop appropriate expertise. In this respect, the AIC is working to provide members with access to training resources including seminars and other educational tools to ensure that they can confidently enter these new service areas. In addition, the AIC will be working with its educational partners to identify training needs on an ongoing basis in an effort to ensure that the Program of Professional Studies addresses our professional goals and supports the market's needs for professional appraisal and related advisory services.

But, beyond technical competence, you must develop business practices that fully support and enhance your stature as a first-tier professional. This includes the implementation of solid customer relations management practices. In

particular, professionals must work with their clients to provide solutions and advice that go beyond the client's original expectations. No longer satisfied with being order takers, professional appraisers must lead the way in providing their clients with services that exceed their expectations.

In the course of taking on more complex assignments and projects, members should always communicate very clearly with their clients about the scope of the work being undertaken. Letters of engagement should set out precisely the products and services that will be provided, stating limitations and making the expectations of both parties clearly understood.

As professionals, your products and services should be carefully tailored to the needs of your clients. For example, form reports may not always be needed. *The Standards* do not dictate the form, format or style of reporting. They state that: "These are functions of the needs of users and appraisers. The substantive content of a report determines its compliance."

In conclusion, New Horizons is opening the door to a new world of real property appraisal and related advisory services that will allow appropriately qualified members of the AIC to enhance their businesses and their careers as respected professionals. It will be up to members who are interested in these expanded opportunities to go through that door by identifying new practice areas that are viable in their region, by expanding their base of skills and knowledge to be able to offer professional services in those areas, and by developing business models that support their professionalism and the needs of their clients.

We believe that, by taking full advantage of new business opportunities, providing more value-added services, and striving to deliver professional services of the highest order, AIC members will benefit from more interesting and rewarding careers. These careers will be more highly remunerated and more competition proof, while providing members with a greater sense of accomplishment and pride in their profession. 🌟



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

# Le professionnel face aux Nouveaux Horizons

**M**aintenant que l'initiative Nouveaux Horizons a été définie et présentée aux membres de l'ICE, nous amorçons une nouvelle étape coulée de défis, soit celle d'élaborer des programmes et des politiques qui permettront l'atteinte de la vision du projet Nouveaux Horizons.

Un élément critique de la vision Nouveaux Horizons est le concept du plan stratégique de l'ICE qui dit que l'Institut représentera une profession et non un métier. Le projet Nouveaux Horizons attaque de front à ce chapitre et établit les différences entre le travail professionnel et technique.

Bien que les membres de l'ICE incluent des éléments professionnels et techniques dans le cadre de leur travail quotidien, ce sont les caractéristiques professionnelles qui offrent le plus de valeur au client et qui devraient constituer le point de mire de la relation entre le professionnel et ses clients. L'initiative Nouveaux Horizons a identifié le travail professionnel comme appartenant généralement à un ordre plus élevé que le travail technique, offrant des solutions qui font appel à une analyse et à un jugement qui prennent appui sur les connaissances. En ce sens, le travail professionnel inclut des tâches comme l'analyse, la prise de décision, la consul-

tation, la direction, l'établissement de la valeur, l'assurance et la responsabilité. Les caractéristiques du travail considéré comme étant « technique » font appel à des connaissances, des habiletés et des attitudes appartenant à un ordre inférieur. Le travail technique inclut des activités comme l'établissement de mesures, la cueillette de données, leur compilation, la préparation de rapports et le calcul.

En conséquence, on s'attend à ce que les professionnels aient maîtrisé les connaissances qui définissent leur profession et que ces connaissances ont été éprouvées au cours de plusieurs années d'expérience pratique sous la supervision d'un professionnel. Aussi, les professionnels doivent continuer de parfaire leurs connaissances et effectuer leur travail en respectant un code de déontologie et des normes de pratiques professionnelles élevées.

Comme organisme professionnel d'accréditation, l'Institut vise à s'assurer que les membres accrédités ont complété toutes ses exigences professionnelles et d'éducation et qu'ils peuvent effectuer leurs travaux de façon compétente et selon les règles, règlements et normes de l'Institut. La désignation qu'offre l'Institut à ses membres professionnels est équivalente à un titre conféré suite à des études supérieures. Ceux qui reçoivent leur désignation de l'Institut doivent montrer leur engage-

Bien que les membres de l'ICE incluent des éléments professionnels et techniques dans le cadre de leur travail quotidien, ce sont les caractéristiques professionnelles qui offrent le plus de valeur au client et qui devraient constituer le point de mire de la relation entre le professionnel et ses clients.

## Avant de se lancer dans un nouveau secteur de pratique, les membres de l'ICE doivent suivre la formation appropriée s'il y a lieu et acquérir une expérience pratique sous la supervision de collègues qui possèdent de l'expérience dans le domaine.

ment à l'endroit du professionnalisme et doivent comprendre que leur réalisation ne constitue pas une fin mais plutôt un début, le début d'une carrière comme professionnel.

En plus de définir le travail professionnel et d'établir le professionnalisme qui caractérise les membres de l'Institut, le projet Nouveaux Horizons décrit une portée accrue de la pratique professionnelle. Cette portée accrue tient évidemment compte des compétences et fonctions principales des membres de l'Institut en ce qui touche les simples évaluations immobilières. Toutefois, il élargit la portée de façon importante pour inclure une grande variété de services de consultation dans le domaine de l'immobilier. Cette portée accrue de la pratique inclut plusieurs activités qui appartiennent à quatre catégories générales: l'évaluation, la révision, la consultation et la gestion.

En ce qui touche l'évaluation, la portée de la pratique inclut des travaux comme les simples évaluations, la relocalisation et l'expropriation, les évaluations de masse, l'estimation des coûts d'assurance et l'évaluation d'entreprises. Le travail de révision inclut des activités comme les révisions d'évaluations, l'arbitrage et la médiation, les appels, les travaux de diligence raisonnable et les travaux à titre de témoin-expert. De nombreuses activités appartiennent à la catégorie de la consultation, y compris la consultation et les conseils stratégiques, les études de l'utilisation optimale, les prévisions du marché, la consultation avant et après une vente, le développement de propriétés, l'aménagement des terres, le choix de sites et les dons écologiques pour n'en nommer que quelques-unes. En matière de gestion, la portée accrue inclut la gestion d'actifs et de portefeuilles, la gestion d'organismes oeuvrant dans le secteur de l'évaluation, la ges-

tion de propriétés et l'administration de baux. Cette portée accrue de la pratique offrira de nombreuses nouvelles occasions d'affaires pour les professionnels qui possèdent les qualifications appropriées. Ce nouveau cadre de travail permettra aux membres multidisciplinaires de l'Institut d'ajouter ces nouvelles activités à leur pratique quotidienne d'augmenter leur base de clientèle.

Actuellement, les normes servent à guider le travail d'évaluation et de consultation. Suite au projet Nouveaux Horizons, il est prévu que des directives plus détaillées seront mises au point et que des notes relatives à la pratique seront ajoutées pour traiter certaines nouvelles activités découlant de cette portée accrue. Néanmoins, les normes couvrent actuellement une variété de services en évaluation et contiennent une disposition à l'effet que: « Les mesures nécessaires et appropriées pour compléter un travail incluent des études personnelles de la part de l'évaluateur, l'association avec un évaluateur considéré comme possédant les connaissances ou l'expérience nécessaires ou le recours à d'autres parties qui possèdent les connaissances et l'expérience requises.»

Egalement, le programme d'assurance-responsabilité professionnelle de l'ICE couvre une vaste gamme de services professionnels comme « les services en évaluation immobilière, les opinions quant à la valeur et/ou services connexes de consultation.» Cette couverture générale est applicable uniquement si les services offerts par les membres de l'Institut ont été reconnus par l'ICE comme faisant partie de la portée de la pratique professionnelle et si les membres qui offrent lesdits services sont « qualifiés conformément aux statuts et règlement de l'Association pour effectuer...».

Avec tous ces nouveaux services professionnels qui s'offrent à eux,

les membres se demandent possiblement s'ils doivent ou non les offrir au public. Comme professionnels, les membres de l'Institut sont d'abord et avant tout régis par leur code de déontologie qui dit: « Les membres de l'Institut canadien des évaluateurs doivent s'engager à l'endroit des principes qui reflètent des normes élevées de professionnalisme.» et « Les membres offriront des services de qualité dans leur domaine de compétence et conformément aux normes de l'Institut.»

Ensuite, les membres de l'ICE doivent consulter et se fier aux Normes régissant la pratique professionnelle en matière d'évaluation au Canada (les normes) qui offrent à la fois direction et orientation quant aux travaux à effectuer et la façon de le faire.

La compétence nécessaire pour offrir un service quelconque est l'une des principales considérations de tout professionnel. Avant de se lancer dans un nouveau secteur de pratique, les membres de l'ICE doivent suivre la formation appropriée s'il y a lieu et acquérir une expérience pratique sous la supervision de collègues qui possèdent de l'expérience dans le domaine. Le maintien à jour des compétences est un signe de professionnalisme et c'est pourquoi l'Institut oblige ses membres en règle à suivre le programme de perfectionnement professionnel continu. En bref, avant de se lancer dans un nouveau secteur de pratique, vous devez vous assurer d'être qualifié pour effectuer le travail tenant compte du fait que le mot professionnalisme signifie que vous devez être responsable pour tous les travaux qui portent votre signature.

Comme professionnel deux points particuliers retiennent l'attention de vos clients. Le premier est votre signature qui, tel que mentionné ci-dessus, indique que



vous êtes responsable des produits et services que vous offrez. Peu importe le nombre de personnes qui ont participé à la préparation du travail, vous en êtes en bout de ligne responsable à l'endroit du client. À ce chapitre, il mérite de souligner que les normes disent: « Un évaluateur peut avoir recours à une aide professionnelle importante d'un employé, collègue, entrepreneur indépendant ou adjoint si: l'évaluateur est raisonnablement d'avis que la personne est compétente et que son travail est crédible, et la personne et l'aide professionnelle importante sont identifiées dans la certification.»

Le deuxième point important de votre professionnalisme est votre désignation à titre de membre de l'Institut canadien des évaluateurs. Pendant près de 70 ans, les désignations professionnelles de l'ICE ont été reconnues et respectées par les membres du public canadien comme symboles d'un service de qualité sur lequel on peut se fier. Si vous n'avez pas de désignation, qu'attendez-vous? Le projet Nouveaux Horizons a permis d'établir des politiques pour les nouveaux stagiaires, y compris l'exigence à l'effet qu'ils suivent en moyenne un minimum d'un cours universitaire donnant droit à des crédits et qu'ils obtiennent leur désignation professionnelle sur une certaine période de temps. Si vous possédez votre désignation, il est maintenant temps de penser à parfaire vos connaissances et à accroître votre commerce.

Suite au projet Nouveaux Horizons et au repositionnement de l'Institut et de ses membres au cours des années à venir, les désignations de l'ICE deviendront encore plus éminentes et susciteront un respect accru au sein d'une base de clientèle élargie.

Alors comment profiter des nouvelles occasions qui découlent du projet Nouveaux Horizons? Certains d'entre-vous sont possiblement satisfaits de leur pratique et de leur carrière dans leur forme actuelle. Dans ce cas, l'initiative Nouveaux Horizons vous aidera à rehausser la valeur des services que vous offrez actuellement et en faisant valoir le rôle important que jouent les

## Les évaluateurs professionnels devront dorénavant assumer les guides et offrir à leurs clients des services bien au delà de leurs attentes.

membres de l'Institut dans le domaine de l'évaluation immobilière et des services connexes de consultation qu'ils offrent au public. Toutefois, d'autres voudront accroître leur pratique et y ajouter de nouveaux secteurs ou encore, se spécialiser dans de nouveaux domaines. Dans ce cas, vous devrez d'abord identifier ces marchés à créneaux et acquérir la compétence nécessaire. À cette fin, l'Institut vise maintenant à offrir aux membres un accès à des ressources de formation y compris des colloques et autres outils éducatifs qui leur permettront d'accéder avec confiance à ces nouveaux secteurs. L'ICE collaborera avec ses partenaires en matière d'éducation pour identifier les besoins réguliers de formation dans un effort pour assurer que le programme d'études professionnelles réponde à nos objectifs professionnels ainsi qu'aux besoins du marché en matière de services d'évaluation et de consultation immobilières.

Mais en plus de la compétence technique, il est nécessaire de développer les pratiques commerciales requises qui soutiendront et rehausseront votre statut de professionnel de premier plan. Cela inclut l'établissement de solides pratiques de gestion des relations avec la clientèle au sein de votre entreprise. Tout particulièrement, les professionnels doivent collaborer avec leurs clients pour trouver des solutions et les conseiller au delà de leurs attentes originales. Plutôt que de suivre des ordres tout simplement, les

évaluateurs professionnels devront dorénavant assumer les guides et offrir à leurs clients des services bien au delà de leurs attentes.

En assumant des travaux de plus en plus complexes, les membres devront toujours communiquer clairement avec leurs clients au sujet de la portée du travail à effectuer. Les lettres d'engagement devront stipuler de façon précise les produits et services qui seront offerts, les restrictions, et les attentes des deux parties.

Comme professionnels vos produits et services doivent être fonction des besoins de vos clients. Par exemple, les rapports ne sont pas toujours nécessaires. Les normes ne stipulent aucunement la forme, le format ou le style des rapports à présenter. On dit plutôt: « Ils sont fonction des besoins des utilisateurs et des évaluateurs. Le contenu substantif d'un rapport détermine sa conformité.»

En guise de conclusion, qu'il suffise de dire que le projet Nouveaux Horizons a ouvert la porte sur un nouveau monde en évaluation immobilière et services connexes qui permettra aux membres qualifiés de l'Institut de faire croître leur entreprise et leur carrière comme professionnels respectés dans leur domaine. Il relèvera des membres intéressés à profiter de ces occasions de franchir cette porte en identifiant les nouveaux secteurs de pratique qui sont viables dans leur région, d'accroître leurs habiletés et leurs connaissances pour être en mesure d'offrir des services professionnels dans lesdits secteurs et d'élaborer des modèles commerciaux en appui aux besoins de leurs clients et au professionnalisme qui les caractérise.

Nous croyons qu'en profitant pleinement de ces nouvelles occasions d'affaires, qu'en offrant plus de services à valeur ajoutée et qu'en s'efforçant d'offrir des services professionnels de premier plan, les membres de l'ICE sauront profiter de carrières plus intéressantes et enrichissantes. Ces carrières seront davantage rémunérées et protégées contre la concurrence, tout en offrant aux membres un sens accru d'accomplissement et de fierté à l'endroit de leur profession. 🍀

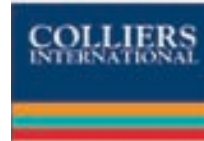


# 2005 Annual Conference of the Appraisal Institute of Canada June 2-4, 2005, Edmonton, Alberta



**Thank you to our sponsors** The AIC acknowledges and recognizes the generous contribution of the following sponsors without whose support our Conference would not be possible:

## GOLD



## SILVER



## BRONZE



## EXHIBITORS



appraiserschoice.com



Your Private Sale Solution



Public Works and Government Services Canada  
Travaux publics et Services gouvernementaux Canada





*Be sure to plan ahead for the Appraisal Institute of Canada's Conference 2006 Charlottetown, PEI May 24-27, 2006*

# AIC designations earned

The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the AIC, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period January 31, 2005 to April 20, 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

John Farmer  
Bruce Gordon  
Brent Kaup  
Andre Michaud  
Graeme Parkes

#### BRITISH COLUMBIA

Ron Arnett  
Fran Berry  
John Castle  
William Dawson

Vanessa Desbiens  
D Godfrey  
John Green  
Terrance Keryluke  
Brad McInnes  
Bryan McPherson  
Rick Sidhu  
Barb Smith  
David Steele  
Doug Walter  
Ryan Wong  
Parry Zielke

#### NEW BRUNSWICK

Terri McGraw-Austin

#### ONTARIO

Susan Hooper  
Brian MacDonnell

## CRA

### Canadian Residential Appraiser

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

#### ALBERTA

Robert Burghardt  
Curtis Pittman  
Katherine Rogers  
Derrick Spracklin

#### BRITISH COLUMBIA

Denise Barker  
Iqbal Sanghera  
Byron Stevenson

#### NEW BRUNSWICK

Norman DeMerchant  
Elizabeth Peddle

#### ONTARIO

Christopher Marchand

# Candidates

AIC welcomes the following new candidate members during the period January 31, 2005 to April 20, 2005:

#### ALBERTA

C. Audet  
Shaunna Craft  
Fraser Dyer  
Barry Flotten  
Chelsi Hofmann  
William Kuhl  
Korianne Levy  
Jody Williamson

#### BRITISH COLUMBIA

Patricia Arnold  
Kari Benum  
Bruce Campbell  
Charoltte Ciok  
Frank Fa  
Sean Faulkes  
Andrea Franz  
Keith Ghidoni  
Kristofer Hansen  
Mark Heilig  
Christine Kitt

Krista Konchak  
Lisa Marken  
Katy Moore  
Charles Passmore  
Jason Pope  
Michael Quon  
Paul Sun  
John Terry  
Tanya Vosberg

#### MANITOBA

Gordon Chappell  
Sheri Crowe  
Tanya Robins  
Terry Ruta  
Ron Suchy

#### NEW BRUNSWICK

Rodney Blakney  
Shawn Dubé  
Michael O'Kane  
Luigino Scichilone

#### NOVA SCOTIA

Darrell Estabrooks  
David Seviour  
Carla Thistle

#### ONTARIO

David Aitken  
Adam Bedford-Goursky  
Sharon Chappell  
Philip Colclough  
Derek Crowell  
Timothy Dickieson  
Sophia Enayat  
Edward Falkovsky  
Craig Ferrie  
Philip Giancos  
Jeff Giles  
Monique Gillespie  
Reagan Haire  
Judy Hill  
Hoc Huynh  
Kathy Jubenville

Adrian Kozak  
Nancy Kretschmann  
Marek Langiewicz  
Francis Lo  
Alison MacIntosh  
Wendy McFadden  
Adriano Pagliarello  
Reynold Retz  
Robert Rivington  
Leo Steinberg  
Ken Stewart  
Kin Wah Tam  
Siu Tang  
Ninoska Villegas  
Loretta Vrzovski  
Joseph Waite  
Ken Wiehe  
Thomas Yuill

#### SASKATCHEWAN

Bill Eastcott  
Wanda Sytre  
Diane Thompson  
Chandra Weselak



# A new introductory workshop

# *We Value Canada*

By Leacy O'Callaghan-O'Brien, Senior Advisor, Professional Development and Member Services

**E**ducation for a new generation of professionals has been a guiding theme for the introduction of changes to Appraisal Institute of Canada (AIC) curriculum and designation requirements since the AIC commenced the implementation of the forward-looking strategic plan approved by the membership in 2001. The launch of *We Value Canada*, a new introductory workshop in the fall of 2005 will be the next evolution in the upgraded program of professional studies for AIC members.

The AIC has traditionally required that all applicants for candidate membership complete its two-day Standards Seminar (or equivalent distance learning format) and accompanying examination prior to joining the Institute. Successful completion of the seminar and examination once every five years is also mandatory for every member of the Institute, candidate and designated member alike.

The Board of Directors, in consultation with the AIC's Standards and Learning Advisory committees, has determined that applicants for membership would be better served by a one-day (seven-hour) introductory workshop at the entry level, followed by completion of the two-day standards workshop at some later date following admission to membership, and then once every five years throughout active membership.

While the primary target audience for this workshop will be new candidates who will complete the workshop as a requirement of acceptance into membership, and existing candidates who will be required to take the workshop within a time frame to be established by the AIC board, registration will also be open to interested designated members. The content is also designed to be appealing to the stakeholder audi-



The Learning Advisory Committee invites Expressions of Interest from AIC members who are interested in serving as instructors for this workshop.

ence, i.e., non-members such as realtors, lenders, lawyers, surveyors and investment advisors who wish to acquire broader understanding of the valuation profession.

The learning objectives for *We Value Canada* have been carefully considered. Participants will come away from the one-day seminar with a basic grounding in the principles of valuation, the work of appraisers, and the standards and ethics that govern them. Aspiring candidates will develop a good understanding of professionalism, the path to accreditation, obligations as a professional and as an AIC member, career opportunities, and how to prepare for a successful career in valuation. Interested parties will gain a better appreciation of the valuation profession, the value of accreditation, and the role of the AIC. They should also have a better understanding of the knowledge and skills that accredited professionals have and the many areas within the real estate industry sector to which they can add value.

The creation of content for the *We Value Canada* workshop has been a highly collaborative venture among the following AIC committees, with support from staff, and the Real Estate Division of the Sauder School of Business at the University of British Columbia. Members of the Standards, Learning Advisory, Communications, and Professional Qualifications and Competency committees have all contributed significant time and expertise to create a comprehensive content package.

This material is now being packaged into a modular workshop by instructional design experts at ACERRA Learning Services for both classroom and distance delivery. Using an approach grounded in current adult education theory, the

workshop will engage and inform participants in an interactive model, delivered in six 'learning cycles' under the broad headings of:

- 1 **Introducing the Valuation Profession and Principles**
- 2 **The Appraisal Institute of Canada**
- 3 **Building a Career in Valuation**
- 4 **Your Path to Accreditation with the Appraisal Institute of Canada**
- 5 **Ethics, Standards and Professionalism as a Professional Appraiser**
- 6 **Action Planning your Future: Where Do You Go From Here?**

Each learning cycle will include:

**An experience:** Something will happen to catch the learners' attention, e.g., a lecture, video, discussion, etc. that will provide them with the facts of this learning point.

**Reflection:** The learners will have a chance to observe and react to the experience, answering the question 'What happened?'

**Generalization:** The learners will interpret the facts and feelings of the reflection, answering the question 'Why did that happen?' and 'How does it apply to me?'

**Application:** The learners will have a chance to apply what was learned through the experience, reflection and generalization. 'Let me try'.

This will complete the learning point, and learners will now be ready to proceed to the next cycle.

*We Value Canada* will be launched in the fall of 2005, with policies regarding requirements for new and existing candidates to be established at the June 2005 Board of Directors' meeting in Edmonton.

The Learning Advisory Committee invites Expressions of Interest from AIC members who are interested in

serving as instructors for this workshop. Designated members in good standing, who share the vision of the New Horizons initiative and have a passion for the profession, along with committee and/or teaching experience can obtain a copy of the Application for Lecturer Certification from Leacy O'Callaghan-O'Brien, Senior Advisor, Professional Development and Member Services by emailing [leacyo@aicanada.ca](mailto:leacyo@aicanada.ca) 🐼

## The Jack Warren Educational Trust

The Jack Warren Educational Trust advances education in the areas of appraisal and valuation by:

- Providing financial assistance by way of scholarships and bursaries to members of the public who wish to undertake a course of studies in the areas of appraisal and valuation.
- Providing financial assistance for research in the areas of appraisal and valuation by way of grants and bursaries.
- Sponsoring or providing financial assistance for courses, seminars and lectures in the areas of appraisal and valuation, all of which would be open to the public.

*Applicants wishing to be considered or anyone wishing to make a tax deductible donation to this trust should contact the BC Association of the Appraisal Institute of Canada at 604-266-8287 or visit the web site at [www.appraisal.bc.ca](http://www.appraisal.bc.ca) under the headings Publications and then Brochures.*

# focus on best practices

*Whether they are developers, lawyers, native bandleaders, farmers or government officials, when individuals see the letters AACI, P. App, behind a name, they expect a high level of professionalism and integrity from the person who bears the designation. The expert opinions and trusted values on which clients and other professionals rely are based on a set of best practices that underlie the work of the appraiser, in all its forms.*

## It all begins with the Letter of Engagement

Jeff Godfrey, AACI, P. App

Credibility is an important issue for appraisers, and presenting an unbiased evidence-based opinion is at the core of best practices. Jeff Godfrey, AACI, P. App also believes that signing a letter of engagement (LOE) with clients is an important tool for removing any question of appraisers amending a finished report to please a client. “I do not like the report, so I am not paying you’ is something we never hear,” says Godfrey. “The LOE protects our objectivity. It allows us to focus on appraisal work and not bill collection.”

Godfrey is owner and manager of a small fee appraisal company in the West Kootenay area of southern British Columbia. Whether assignments involve residential or commercial appraisals or consulting, he and the four appraisers on staff always prepare a LOE.

According to the current *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*, an LOE could contain information such as the purpose of the report, intended use, information required from the

client, and extraordinary assumptions and limiting conditions. For instance, the LOE could document that the final estimate of a property is based on the condition that it not be contaminated and the assumption that it be rezoned.

“We include most of those items, but vary each letter to suit the potential assignment,” notes Godfrey. I sign the letter then ask the client to read it carefully, sign it and fax it back. At that point, we have a contract and the terms are established.”

LOEs provide clarity. It is important to establish any unusual terms as well as the scope of the work to be performed.

Timelines are also included. Says Godfrey: “The last line of our LOE states that ‘if another assignment is accepted prior to your acceptance of these conditions, the inspection and completions dates will likely change.’” This statement both protects the busy appraiser and informs the client. Often, other assignments are accepted after an LOE has been



“Being open and up front about what it is we are going to do and what we expect of the client avoids so much grief.”



sent out. If the first client then submits a signed LOE, Strand and Godfrey Appraisals Ltd. can change the date to suit the firm's schedule.

A signed confirmation of the fee and payment schedule also ensures expectations are clear. "We collect all our non-government and non-bank fees up front," explains Godfrey. "We state this in our LOE. If clients anticipate problems with the schedule, it comes to our attention immediately and other arrangements may be made."

Recently, Godfrey completed an inspection for an assignment.

When he handed over the invoice, the client asked to see the finished product first. Godfrey produced a copy of the LOE and pointed to the client's signature agreeing to the payment terms. "I had the cheque before I left," he says.

The appraiser is surprised to learn that many appraisers do not use LOEs. "Many terms for assignments can be complicated and keeping track of them this way makes our custom-

ers happy and keeps me in business," says Godfrey, adding that each LOE receives a file number so quotes can be tracked back many years. "Being open and up front about what it is we are going to do and what we expect of the client avoids so much grief. I strongly recommend that all fee appraisers use an LOE for any assignment over \$1,000, both commercial and residential. Transparency and documentation will reward you."

To view the complete CUSPAP, please see <http://www.aicanada.ca/e/pdfs/STANDARDS2005.pdf>

## Taking best practices into the courtroom

David Atlin, AACI, P. App

"First and foremost, the appraiser has to provide an objective view," says David Atlin, AACI, P. App. "It might be predicated on legal or planning assumptions, but your opinion has to be independent of the client's. Because of that, you have to be willing to get fired."

A frequent expert witness, Atlin has told clients a number of times that he cannot give evidence on a position they have taken. Sometimes, clients instruct him not to proceed. Conversely, on more than one occasion, Atlin has been appointed by the courts to resolve evaluation issues. "Due to a combination of our work as expert witness and the quality of the general appraisal work that this organization produces, people have confidence in us," says Atlin, a partner at Integris Real Estate Counsellors.

Formed in 2000, Integris is the result of a partnership with roots in one of Canada's oldest appraisal firm, Stewart, Young and Mason, an entity well known in the field of expropriation. In fact, one of the founding members was a lawyer. Atlin joined the firm in 1980 and eventually bought out the partners.

Today, the Toronto firm continues to handle a large volume of dispute work, tackling appraisal issues in litigation, ground rent and arbitration for unusual and valuable real estate. Atlin cites two best practices essential to his work as an expert witness in these areas: an in-depth understanding of valuation principles and their application; and, conscientious due diligence.

Throughout years of working with litigation counsel and reading report evidence, he has honed this analytical approach. Explains Atlin: "As an expert witness, when you get challenged – and you are going to be challenged – the quality of your opinion is only as good as the accuracy of your work and the logic of your approach."

It is essential to have a balanced opinion and to have adequate support for that opinion, he continues. Problems arise when an opinion does not match the evidence available or is skewed inappropriately. "That usually comes back to haunt the appraiser on the stand," says Atlin, adding that a balanced view still allows for differences of opinions predicated on interpretive issues in law, planning and other matters.



The quality of your opinion is only as good as the accuracy of your work and the logic of your approach.

"In litigation, it is often necessary to be able to work with other groups of professionals," he adds.

"A number of other opinions can feed into the appraisal report, including legal opinions, planning opinions, cost opinions, market opinions, statistical analysis, environmental reports, etc. You have to be able to incorporate the work of other professionals, but your report

must never be misleading. When the judge, the chairman of the hearing, or another party reviews the report, they should know the extent of your work and the extent of your reliance on somebody else's expertise."

Because the legal process tends to be adversarial in nature, any challenge to the appraiser's opinion will proceed much more smoothly

with the application of these best practices. Atlin finds that, although the heightened tension of the process can be unpleasant, he derives immense satisfaction from solving the problem. "It is particularly gratifying when your report compels a reasonable settlement or resolution so there is no need for a hearing," he notes. This is the case with much of his work.

# A phased approach to the agricultural market

Bob Thompson, AACI, P. App

In Calgary, Bob Thompson, AACI, P. App also sees more settlements than hearings. In one memorable case, a Hutterite colony was being relocated after their land was being flooded to create a reservoir. The colony and the province jointly retained Thompson's company, AFC Agra Services Ltd., to prepare a report on agricultural damages, appraisals and land-use. Other professionals involved included lawyers, engineers and consultants, each bringing a different perspective.

"We took small steps so that we could explain the information to everybody as we went along," recalls Thompson. Developed when the company became involved in expropriations, this phased approach is one of the best practices the appraiser uses to resolve initially adversarial situations. When working for *both* sides, AFC Agra Services presents a preliminary report, a draft final report and a final report.

"If someone is losing their house and 400 acres and you start by providing final numbers, you are going to lose the co-operation of one side or the other," reflects Thompson, who has taken several courses in arbitration and mediation. "After people see numbers, it is harder to change anything. So, we do it in steps. That way, we try to keep both sides together on the process and we have a higher possibility of a successful resolution."

Both sides can review each phase. Questions or concerns from either party can be addressed before getting to the final valuation stage. "If somebody thinks we missed something or misinterpreted something, then either or both sides can approach us with information they feel is relevant," explains Thompson. "We do not go to the next step until everyone buys into where we are at."

"Lawyers represent their party, whereas an appraiser's role is to give an objective opinion on value," he adds. "It does not really matter which side we are working for. That does not mean we cannot listen to other people's point of view." Taking time to listen is an important best practice for creating respect.

So is an awareness of the particular economic, social and cultural context. Thompson grew up in a small farming community and attended school with residents from the nearby native reservation. His understanding of cultural differences has been helpful for working on native land claims. He found the 'phased approach' to be a good fit. In fact, so did former lawyer Jim Prentice, now the MP for Calgary Centre North, who adopted the process when he co-chaired the Indian Claims Commission in the 1990s.

Meanwhile, Thompson's involvement and background in agriculture lends credibility to appraisals in that



We do not go to the next step until everyone buys into where we are at.

sector. Thompson studied as an agrologist and obtained his appraisal training while completing a Master's thesis entitled *Impact of Easements on Agriculture Land Values in Alberta*. "We only do appraisals of agricultural and agribusiness properties," notes the appraiser. "We try to keep current with price trends and different issues within what we think is our field of expertise. That contributes a measure of credibility to our practice." 🍷

# Branding basics and beyond

**A**ppraisers were once real estate's best-kept secret, but, in the year 2000, members of the Appraisal Institute of Canada (AIC) chose to leave this label behind. In the 2000-2004 Strategic Plan, the membership directed the AIC to establish and implement branding to reflect its future. Responsibility for developing a brand strategy was given to the Communications Committee.

The following member update relates our progress with the branding effort.

Let us first back up for a moment and start with **why?** Why did the AIC members recognize a need to brand and then direct the AIC to do so? The 1990s were a difficult time for the AIC and its members. Rapidly changing client needs plus advancements in technology were threatening to make the AIC and its members the buggy whip of the real estate industry. Yet, our members always knew that there is tremendous potential for our designated AACIs and CRAs. We just needed to find a better way to package ourselves and get our message to the marketplace and new clients.

OK, so the direction we received was the need to brand ourselves, but **how?** The first thing we had to recognize was that appraisers are not experts in branding, which meant that it was time to bring in the professionals. We selected the firm of Hewson Bridge & Smith (HBS) – a company with broad experience in branding professional organizations. HBS recommended a three-phase effort beginning with extensive qualitative market research, which includes in-depth one-on-one interviews with stakeholders, to benchmark and measure our existing brand equity and iden-

tify branding opportunities. Phases II and III are the creative stages, where our future image is created and tested.

So, where are we right now? As of spring 2005, Phase 1 is nearing completion. Preliminary research results at this early stage indicate that the AIC and its designations are well regarded by our stakeholders, with a number of very good opportunities for enhancements, which we are exploring.

Why is this branding project taking so long? Branding a national organization such as the AIC is a huge undertaking and the Communications Committee is absolutely determined to do this right the first time.

When will branding be implemented? Initial research findings will be provided to the AIC Board of Directors at the AIC 2005 June meeting and research highlights will then be presented at the conference. Over the summer, a three-year Strategic Communication Plan will be developed, including a recommended launch program to reposition the AIC. These program options will be presented for review to the Board of Directors at its October meeting in Winnipeg.

Achieving success in this ever-changing business world demands that we embrace change and be forthright in making the right choices along the way. The phrase 'brand or be branded' continues to serve as our mantra in determining and recommending the best course of action for the AIC today and beyond.

So, consider this as an update with much more to follow. Branding is an in-depth process that is being completed with competent consulting advice in small, concise steps. This allows absorption time for our

members without creating delays that impact the outcome. The weeks and months ahead will continue to be busy and demanding. I am confident we are up to the challenge of providing advice to our Board of Directors to support them in guiding us to a bright future – one that will determine our destiny within our fields of appraisal expertise.

As always, your comments and questions are important to us as members of your Communications Committee. Please feel free to contact any one of us with input. In this time of change and prosperity, it is very important to look forward beyond today. Our decisions will help create a bright future for current AIC members as well as incoming students and candidates. ♥

## Communications Committee

Mike Garcelon, AACI, P. App – Chair  
(306) 236-4661  
mgarcelon@sasktel.net

Craig Soderquist, AACI, P. App  
(403) 346-5533  
craig@soderquist.ab.ca

Gord Tomiuk, AACI, P. App  
(204) 942-2121  
gordon.tomiuk@tgk.ca

Ron Duda, AACI, P. App  
(519) 896-3684  
ron.duda@ccra-adrc.gc.ca

Louis Poirier, CRA  
(506) 858-2787  
lpoirier@thealtusgroup.com





Bob Dowdell  
CEO, Marshall & Swift

# “Who’s your data?”

## 10 Reasons Why You Need Accurate Building Cost Data

Building cost data is essential to any successful appraisal operation. Here are the top ten reasons why:

- 1 Perform cost approach appraisals.**

The primary reason most appraisers need Marshall & Swift building cost data is to complete cost approach valuations.
- 2 Many assignments require the cost approach.**

The cost approach is essential when properties are in areas without comparable sales records; when land value is well supported; and when improvements represents the best use of land.
- 3 Appraise manufactured homes.**

In June 2003, Fannie Mae announced that all market-based valuations of manufactured homes must be further supported by the cost approach to ensure appraisal accuracy.
- 4 Figure depreciation and external obsolescence.**

The cost approach is useful in determining depreciation values for physical deterioration, or functional or external obsolescence, as applied to the market approach.
- 5 Account for unique property features.**

Unique building components or yard improvements can be valued using the cost approach and then later added to your market appraisals as estimated adjustments.
- 6 Trend costs forward or back in time.**

Marshall & Swift historical indexes date back to 1901, making it possible to trend costs back in time or forward to a future date.
- 7 Know the current building costs of your area.**

All Marshall & Swift subscriptions include regular updates with the latest cost data and local multipliers so you’ll be able to see what’s hot and what’s not in your local market.
- 8 Project construction costs and add-on values.**

Extensive renovations or special add-ons are common among both residential and commercial structures. Determine the added values of upgrades using the cost approach.
- 9 Prevent appraisal inflation.**

Avoid lender pressure to hit the target price on a sales contract by incorporating the cost approach into your appraisals to confirm your valuations and ensure appraisal integrity.
- 10 Establish a benchmark of value.**

The cost approach has always served a crucial quality control function. Historically, it has been used to verify market-based estimates and to help identify a potential runaway or rapidly declining market.



# 10 Reasons Why Marshall & Swift Should Be Your Data

The leading provider of building cost data, Marshall & Swift offers more than just numbers. Here are the top ten reasons why we should be your data:

- 1 Acclaimed methodology**  
Our acclaimed methodology has set the standard for the cost approach since 1932.
- 2 Time-honored cost manuals**  
The Residential Cost Handbook and Marshall Valuation Service are household names.
- 3 Innovative estimating software**  
Produce unlimited cost approach reports in a fraction of the time with our desktop software.
- 4 Online solutions**  
SwiftEstimator.com and M&Sconnect.com streamline the appraisal process.
- 5 Regular updates with current cost data**  
All subscriptions are updated regularly with the latest cost data and local multipliers.
- 6 Comprehensive online courses**  
Learn the cost approach with our interactive residential and commercial online courses.
- 7 Professional certification**  
Complete one of our online courses and receive Marshall & Swift certification.
- 8 Access to historical pages**  
Our extensive cost data archives feature historical pages from the past four decades.
- 9 Full-time research staff**  
An expert research team constantly monitors local markets to ensure our data is accurate.
- 10 Unlimited free technical support**  
Free technical support is available for all our products from 7am to 4pm PST, M - F.

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

## SAVE 10% TODAY

Save 10% on all new purchases of our entire product suite. Call 800/544-2678 from 6:30 am to 4:30 pm PST, or order online at [www.MarshallSwift.com](http://www.MarshallSwift.com). Use promotion code MAGCAD0405.

Offer expires September 30, 2005.

**MARSHALL & SWIFT**<sup>®</sup>  
THE BUILDING COST PEOPLE

# Review appraisers

A recent industry article has suggested that there are no (or few) 'certified' review appraisers in Canada. It is obvious that the author of the article neglected to recognize that members of the Appraisal Institute of Canada (AIC) have been working under a set of Standards that recognize review appraisal as a discipline in which our members have been engaged for many years.

Although review appraisals have always been a service that our members are asked to conduct, the rules governing the basic tenets of this area of practice were not formalized until 1994. Furthermore, AIC members are required to 'certify' all work that they conduct, at least, to the extent possible.

The certification for all three practice standards (review, appraisal and consulting) contain certain common characteristics that outline the due diligence required of our members. These include a certification to the effect that:

- the facts relied upon are true and correct;
- the opinions and conclusions are unbiased and represent professional analyses, opinions and conclusions;
- the engagement in and compensation for the assignment are not contingent on pre-determined conclusions or results;
- the member has the competency to conduct the assignment;
- there is no bias with respect to the property subject to the report or the parties involved; and
- there is no undisclosed interest in the property or subject matter of the report.

It is because of these basic underpinnings of the professional practice

of our members that Canada's public has placed such a high regard on the qualifications of AIC members to conduct all types of real estate valuation and related services. This applies equally to review appraisal.

Review Standard Rules (see 2005 edition, lines 2000-2073) require that the purpose of the review assignment be disclosed, as well as the intended use of the work, the client, property that was subject to the report under review (if pertinent). The review appraiser must also identify both the report under review and the identity of the individual who prepared the report.

The Standards Rules emphasize the full discussion and disclosure of the scope of work that was conducted in completing the review, including whether the terms of reference include the member reaching his or her own opinion of value (which is optional in a review capacity). To permit expediency, the Standard allows the appraiser to present both the conclusions of the review and the conclusions of his or her own analysis in the same report.

Under the Standard, each review assignment must form an opinion and report the reviewer's opinion on four key elements:

1. on the completeness of the report under review;
2. on the apparent adequacy and relevance of the data in the report under review, as well as the propriety of any adjustments to the data;
3. on the appropriateness of the appraisal methods and techniques used in the report under review; and
4. on whether the opinions and conclusions in the report under review are appropriate and reasonable.

In terms of forming conclusions on the work of another, members cannot simply state their agreement or disagreement, but rather, such statements have to be backed up with the reasons leading to such conclusions.

With due respect to the author of the article mentioned in the introduction, the Review Standard contained in the *Canadian Uniform Standards of Professional Appraisal Practice* reflects the leading edge of appraisal standards on this issue on a global basis. Given the history of our members serving their public, adherence to the AIC Standards will continue to safeguard the public interest, including the conduct of review assignments, both now and into the future. Members are reminded that the full text of the 2005 edition of the Standards can be found in a read-only and/or a downloadable format on the AIC web site. ♥

## Standards Committee

Allan Beatty, AACI, P. App – Chair  
(306) 652-0311  
allan.beatty@suncorp.ca

Wayne Kipp, AACI, P. App  
(403) 259-2249  
wkipp@shaw.ca

Ray Bower, AACI, P. App  
(519) 944-5005  
rbower@bowerappraisal.com

Paul Olscamp, AACI, P. App  
(902) 888-8068  
pjolscamp@gov.pe.ca

Anne Clayton, AACI, P. App  
(250) 782-8515  
Anne.clayton@gems9.gov.bc.ca



# Évaluateurs-examineurs

Un récent article distribué à l'échelle de l'industrie suggère qu'il n'existe que très peu ou pas d'évaluateurs-examineurs « accrédités » au Canada. Il est évident que l'auteur de cet article n'a pas tenu compte du fait que les membres de l'Institut canadien des évaluateurs (ICE) respectent un ensemble de normes qui reconnaissent l'évaluation-révision comme une discipline à la quelle se livrent nos membres depuis plusieurs années.

Bien que ce genre de travail ait toujours consisté en un service que nos membres sont invités à accomplir, les règles régissant les fondements de cette pratique n'ont pas été rendues officielles avant 1994. Aussi, les membres de l'ICE sont tenus, du moins dans la mesure du possible, de « certifier » tous les travaux qu'ils entreprennent.

La certification pour chacun des trois services régis par les normes (révision, évaluation et consultation) contient des caractéristiques communes qui reflètent la diligence raisonnable requise de la part de nos membres. Cela inclut une certification à l'effet :

- que les faits sont justes et véridiques;
- que les opinions et les conclusions sont sans préjugés et qu'elles reflètent des analyses, opinions et conclusions professionnelles;
- que l'engagement et l'indemnisation pour le travail effectué ne sont pas fonction de conclusions ou de résultats prédéterminés;
- que le membre possède les compétences nécessaires pour accomplir le travail;
- qu'il n'existe aucun préjugé relativement à la propriété qui fait l'objet du rapport ou les parties visées;
- qu'il n'y a aucune divulgation

d'intérêts dans la propriété ou du contenu du rapport.

C'est grâce à cette infrastructure de la pratique professionnelle de nos membres que le public canadien considère si hautement les qualifications des membres de l'ICE appelés à effectuer tout genre d'évaluation immobilière et services connexes. Cela s'applique également aux évaluations-révisions.

Les normes régissant la révision (v. l'édition 2005, lignes 2000-2073) requièrent que le but de ladite révision soit révélé, ainsi que l'utilisation prévue des travaux, le client, et la propriété qui a fait l'objet du rapport de révision (s'il y a lieu). L'évaluateur-examineur doit aussi identifier le rapport sujet à révision et l'identité de la personne qui l'a préparé.

Les normes mettent l'accent sur la divulgation de la portée du travail effectué dans le cadre de la révision, y compris si le mandat prévoit que le membre peut tirer sa propre conclusion quant à la valeur (au choix à titre d'examineur). Les normes permettent à l'évaluateur de présenter les conclusions de la révision et les conclusions de sa propre analyse dans le même rapport afin d'accélérer le processus.

Conformément aux normes, chaque travail de révision doit produire une opinion et refléter l'opinion de l'examineur relativement à quatre éléments clés :

1. L'intégralité du rapport sous révision.
2. L'à-propos et la pertinence apparente des données contenues dans le rapport sous révision et le bien-fondé des modifications qui leur sont apportées.
3. L'à-propos des méthodes et techniques d'évaluation utilisées pour produire le rapport sous révision.
4. Si les opinions et les conclu-

sions contenues dans le rapport sous révision sont appropriées et raisonnables.

En ce qui touche la formulation de conclusions relativement au travail des autres, les membres ne peuvent simplement dire s'ils sont d'accord ou non, mais doivent justifier leurs opinions en présentant les raisons qui ont donné lieu auxdites conclusions.

Avec tout le respect que je dois à l'auteur de l'article mentionné dans l'introduction, les normes de révision contenues dans les Règles uniformes de pratique professionnelle en matière d'évaluation au Canada reflètent les normes d'évaluation les plus récentes sur ce point à l'échelle mondiale. À la lumière de l'expérience de nos membres à servir le public, l'application et le respect des normes de l'ICE continueront de protéger l'intérêt public, y compris dans le cadre de travaux de révision à la fois aujourd'hui et demain. On rappelle aux membres que le texte intégral des normes 2005 est disponible en format lecture seulement et(ou) en format de téléchargement sur le site web de l'ICE. 🍷

## Le Comité des normes

Allan Beatty, AACI, P. App – Chair  
(306) 652-0311  
allan.beatty@suncorp.ca

Wayne Kipp, AACI, P. App  
(403) 259-2249  
wkipp@shaw.ca

Ray Bower, AACI, P. App  
(519) 944-5005  
rbower@bowerappraisal.com

Paul Olscamp, AACI, P. App  
(902) 888-8068  
pjolscamp@gov.pe.ca

Anne Clayton, AACI, P. App  
(250) 782-8515  
Anne.clayton@gems9.gov.bc.ca

# Optimizing candidate training

**T**he challenge for the Professional Qualifications and Competency Committee is to achieve a balance between the skills and competencies required for the future and the practical business realities of the present.

Both designated and candidate members have raised concerns that appropriate training for candidates requires that the designated co-signing member allocate sufficient time to train candidates.

To ensure that this concern is being addressed, the committee and others discussed whether it would be appropriate to set a limit on the number of candidates for whom a designated member may co-sign. Another consideration is whether the candidates should be located in the same market area as the designated member.

Discussions concerning these two concepts assumed that they would be incorporated into candidate training as a rule rather than a guideline. Guidelines provide advice. Rules have consequences. The appropriate training of candidates is of sufficient importance to carry the weight of a rule.

Considering the diversity of specialties within the membership of the Appraisal Institute of Canada (AIC), the committee found it difficult to define the maximum number of candidates. Even the composition of our own committee reflects the diversity of the membership within the AIC. We considered the challenges faced by appraisers in rural and urban settings, commercial and residential practices, institutions, governments and private practice.

In addition to setting a limit on the number of candidates, there were a number of alternate solutions to the conundrum. All of the

potential solutions were measured against this criteria: *Was the option practical and enforceable and would it lead to appropriate training of candidates?*

One alternate solution discussed was setting a limit on the number of reports that a designated member may co-sign, rather than limiting the number of candidates. This was deemed unworkable, however, because the workload of a candidate in private practice specializing in non-residential work may be significantly lower than that of a candidate practicing in assessment. As well, the number of reports is not a data element that the AIC collects.

Having agreed that limiting the number of candidates was a reasonable solution, the actual number of candidates still had to be defined.

Setting the limit at two candidates is not practical in most business environments. Setting the limit at six candidates would not achieve the goal of appropriate training. As a result, four was chosen. Information regarding the designated member/candidate relationship is data that can be collected as a part of our insurance program.

In order to transition to the requirement of designated members co-signing for no more than four candidates, and candidates working within the same natural market area, the following issues must still be discussed.

- Grandfathering for a specified period of time. (Currently, there are members who co-sign for more than four candidates. In general, the AIC does not want our members to be unemployed because of a new rule.)
- What is the process when the designated member goes on vacation or is ill? (One idea is

that the four candidates per designated member could be based on a company average.)

- Who defines the natural market area? (Perhaps the provincial board of examiners is the best equipped to make that determination.)

The committee values the feedback we receive from members. We appreciate hearing from you and we hope you continue to email and phone. ☺

## PQCC Committee

Sheila Young, AACI, P. App – Chair  
(403) 297-5723  
sheila.young@gov.ab.ca

Bob Tipple, AACI, P. App  
(709) 726-4059  
rtipple@thealtusgroup.com

Chris Chornohos  
(403) 298-0447  
chris.chornohos@colliers.com

Paul Hare, AACI, P. App  
(902) 426-5032  
paul.hare@ccra-adrc.gc.ca

Anna Meckling, CRA  
(867) 920-4888  
anna@arcticdata.ca

# Optimiser la formation des stagiaires

**L**e défi que doit relever le Comité sur les qualifications professionnelles et les compétences est d'atteindre l'équilibre entre les habiletés et les compétences qui seront requises dans l'avenir et les réalités pratiques du moment présent.

Les membres stagiaires et désignés ont soulevé des préoccupations à l'effet qu'une formation appropriée pour les stagiaires requiert que les membres désignés cosignataires accordent le temps nécessaire à la formation des stagiaires. Pour nous assurer que cette préoccupation soit prise en considération, le comité et d'autres intervenants ont tenu des discussions pour déterminer s'il convient de limiter le nombre de stagiaires pour lesquels un membre désigné peut cosigner. Un autre point à considérer est si les stagiaires doivent être situés dans la même région que celle du membre désigné.

Les discussions entourant ces deux points ont supposé qu'ils seraient inclus dans la formation comme règle plutôt que directive. Les directives servent à conseiller alors que les règles ont des conséquences. La formation appropriée des stagiaires est suffisamment importante pour avoir le poids d'une règle.

Compte tenu de la diversité des spécialisations au sein des membres de l'Institut canadien des évaluateurs, le comité a découvert qu'il est difficile de définir le nombre maximum de stagiaires. Même la composition de notre propre comité reflète cette diversité que l'on retrouve à l'échelle de l'Institut. Nous avons donc considéré les défis qui guettent les évaluateurs dans les régions urbaines et rurales, les secteurs commercial et résidentiel, les institutions, les gouvernements et la pratique privée.

En plus de limiter le nombre de stagiaires, un certain nombre de rechanges étaient disponibles en guise de solution à cet énigme. Tous les rechanges ont été évalués par rapport au critère suivant: *Le rechange est-il pratique et applicable et donne-t-il lieu à une formation appropriée des stagiaires?*

L'un des rechanges discutés consistait à limiter le nombre de rapports qu'un membre désigné peut cosigner plutôt que de limiter le nombre de stagiaires sous sa supervision. Cette solution n'a pas été considérée plus longuement parce que la charge de travail d'un stagiaire en pratique privée qui se spécialise dans des travaux non-résidentiels peut être beaucoup moins importante que celle d'un stagiaire qui travaille en évaluation. Aussi, le nombre de rapports ne constitue pas une donnée recueillie par l'Institut.

Suite à la conclusion que le nombre limité de stagiaires consistait en une solution raisonnable, il fallait encore déterminer ce nombre. Établir la limite à deux stagiaires n'est pas pratique dans la majorité des milieux de travail. Établir la limite à six stagiaires ne permet pas d'atteindre l'objectif d'une formation appropriée. Comme résultat, nous avons arrêté notre choix à quatre. L'information concernant le rapport entre le membre désigné et le stagiaire est une donnée qui peut être recueillie via notre programme d'assurance.

Pour assurer la transition à l'exigence d'un nombre maximum de quatre stagiaires pour lesquels un membre désigné peut cosigner et que les stagiaires se trouvent dans la même région, des discussions devront avoir lieu sur les points suivants :

- Parrainage pendant une période de temps spécifique. (Actuellement, certains membres cosignent pour plus de quatre stagiaires. D'ordre général, l'Institut ne veut pas que ses membres soient sans travail à cause d'une nouvelle règle).
- Quel est le processus à suivre lorsqu'un membre désigné part en vacances ou qu'il est malade? (L'une des idées avancées est que les quatre stagiaires par membre désigné soit fonction d'une moyenne de la compagnie).
- Qui définit la région naturelle de marché? (Peut-être que le Conseil provincial d'examineurs est le plus en mesure de procéder à cette détermination).

Le comité apprécie vivement les commentaires qu'il reçoit des membres. Nous espérons que vous continuerez de communiquer avec nous par téléphone ou par courriel. 📧

## Le Comité des QPC

Sheila Young, AACI, P. App – Chair  
(403) 297-5723  
sheila.young@gov.ab.ca

Bob Tipple, AACI, P. App  
(709) 726-4059  
rtipple@thealtugroup.com

Chris Chornohos  
(403) 298-0447  
chris.chornohos@colliers.com

Paul Hare, AACI, P. App  
(902) 426-5032  
paul.hare@ccra-adrc.gc.ca

Anna Meckling, CRA  
(867) 920-4888  
anna@arcticdata.ca



# Observations from the Professional Practice Group

To remain credible, the Appraisal Institute of Canada (AIC) must provide a valued service to the public. As a corollary, the public must be and feel protected from any negligence on the part of appraisers as well as any appraisal reports the public perceives as inaccurate. To address these issues, AIC's Professional Practice Group of committees deals with complaints from the public.

The National Investigation Committee (NIC) forms a part of this group. The committee's role is to investigate complaints sent to them by the Counsellor of Professional Practice, lay charges where appropriate, and represent the complainant before the National Adjudicating Committee.

In an effort to brief AIC members on recently adjudicated complaints or repetitive issues coming before the NIC, two issues are briefly discussed here.

## **National Investigating Committee authorized to suspend members**

The majority of AIC members are never involved with the complaint process. Those members who do become involved in this way often find that they are under review merely due to a disgruntled client who did not like the value estimate provided in the appraisal report. NIC does not arbitrate value, but rather reviews reports with respect to Standards.

In cases where the NIC determines that there may be some justification for the public complaint,

but requires further information from the AIC member before making a determination in this regard, they approach the member for additional input. Unfortunately, some members are reluctant to respond to such questions. This stance does not work in the member's best interest. Although, historically, it has been difficult to prod the member to respond, regulations in this regard have recently changed. No longer is it necessary for a hearing to take place for the member to be suspended for non-cooperation. The NIC now has the authority to suspend members for non-cooperation or for non-response. Please keep this in mind if NIC should approach you in future. If you have a legitimate reason and require more time to respond to an NIC query, please let the committee know. Do not avoid responding to the Committee's enquiry with the hope that the matter will be dropped.

## **CRAs and their limitations**

This has been issue of concern to the AIC since the CRA designation was introduced. Future articles will address this further. In the meantime, we encourage members to contact the Standards Committee with specific issues or questions.

**Coming in the next issue....** What is the difference between a censure with publication in the *Communiqué* only (sometimes referred to as *internal publication*) and censure with publication in local newspapers (*external publication*)? Can members find themselves in ethical difficulties if they 'protect the public' by advising

them of an internal censure? Watch this space for the answer....

### **Investigating Committee**

Chris Dumfries, AACI, P. App – Chair  
(604) 640-5867  
cdumfries@royallepage.com

Gregory Bennett, AACI, P. App  
(709) 772-5137  
Greg.Bennett@ccra-adrc.gc.ca

Jacob Ellens, AACI, P. App  
(519) 754-0850  
jake@ellens.on.ca

David Gabruch, AACI, P. App  
(306) 933-7682  
dgabruch@agr.gov.sk.ca

Deana Halladay, CRA  
(204) 981-1390  
DeanaH@mts.net

Linda Hastings, AACI, P. App  
(205) 426-6564  
lhastings@cyberlink.bc.ca

Michael Mendela, AACI, P. App  
(905) 683-6273  
m.mendela@sympatico.ca

Jim Dunbar, AACI, P. App  
(250) 652-3755  
dijam@shaw.ca

Wayne McKenzie, AACI, P. App  
(403) 215-1052  
Wayne.mckenzie@outlookrealty.ca

# MEMBERS DISCIPLINED

THE APPRAISAL INSTITUTE OF CANADA advises that **Mr. Marvin D. Desormeau**, CRA of Red Deer, AB has been found in contravention of the Institute's *Code of Ethics and Standards of Professional Practice*. The sections contravened are:

**Regulation No. 1:**  
**E.R. 1.1 (a); E.R. 1.1 (b); E.R. 2.1;**  
**and E.R. 4.1 (a).**

The member admitted and was found in The Court of Queen's Bench of Alberta, Judicial District of Red Deer, to have undertaken a systematic operation to copy and remove copies of master files, appraisal comparables, forms, precedents and other documents from his employer. Immediately after his departure from this employer, these materials were then utilized by the appraiser at a new location.

By the member having taken unauthorized copies of these materials, the member had acted in a manner which prejudiced his status as a professional appraiser as well as the reputation of the Institute. By deliberately concealing the copying of files from his employer, the member acted in a misleading manner.

As a result of this conduct, Mr. Marvin D. Desormeau, CRA has been given the discipline of Censure. Also, pursuant to Regulation No. 9, Part A, Section IV, Subsection II, costs have been levied.

THE APPRAISAL INSTITUTE OF CANADA advises that **Mr. Mark V. Osske**, CRA of Red Deer, AB has been found in contravention of the Institute's *Code of Ethics and Standards of Professional Practice*. The sections contravened are:

**Regulation No. 1:**  
**E.R. 1.1 (a); E.R. 1.1 (b); E.R. 2.1;**  
**and E.R. 4.1 (a).**

The member admitted and was found in The Court of Queen's Bench of Alberta, Judicial District of Red Deer, to have undertaken a systematic operation to copy and remove copies of master files, appraisal comparables, forms, precedents and other documents from his employer. Immediately after his departure from this employer, these materials were then utilized by the appraiser at a new location.

By the member having taken unauthorized copies of these materials, the member had acted in a manner which prejudiced his status as a professional appraiser as well as the reputation of the Institute. By deliberately concealing the copying of files from his employer, the member acted in a misleading manner.

As a result of this conduct, Mr. Mark V. Osske, CRA has been given the discipline of Censure. Also, pursuant to Regulation No. 9, Part A, Section IV, Subsection II, costs have been levied.

THE APPRAISAL INSTITUTE OF CANADA hereby gives notice that, by virtue of a decision of its Adjudicating Committee, dated March 25, 2004, **Mr. Peter D. Polischuk** of Vegreville, AB, a Candidate, was found to have contravened the Institute's *Code of Ethics and Standards of Professional Practice*.

**Regulation No. 1:**  
**E.R. 2.1; E.R. 2.2 (c); E.R. 4.1(a);**  
**and E. R. 6.1.**  
**Regulation No.8 (v)**  
**USAP (1998 Edition): S.R. 1.1(a);**  
**and S.R. 1.4 (b-ii).**

The candidate member was commissioned by a homeowner to complete an appraisal report to aid the owner in establishing a listing price for the purposes of selling the property. Subsequent to the completion of the appraisal, the member revealed the contents of the report to a local real estate agent located within the office where the property was listed.

As well, the appraisal report contained calculations, adjustments, rationale and conclusions that could not be satisfactorily explained by the member and/or substantiated, when requested to do so by the National Investigating Committee. Subsequently, the member refused to co-operate with the National Investigating Committee.

As a result of this conduct, Mr. Peter D. Polischuk has been given the discipline of Censure and educational requirement. Also, pursuant to Regulation No. 9, Part A, Section IV, Subsection II, costs have been levied.

# Moving in a 'captive' direction

In the last edition of the *Canadian Appraiser*, members were presented with an article written by John Sheldrake, Chairperson of the Professional Liability Insurance Plan, making reference to the potential for the establishment of a captive insurance company. It referred to the evolution that had occurred within the Liability Insurance Plan and the necessity to move in that direction.

The article casually made reference to investigations that had already taken place. In actual fact, those investigations have been extensive and have taken approximately two years to complete. Aside from some obvious reasons to go in the captive direction, a subject this article will expound upon, there were some issues of liability that needed to be addressed.

We can all remember the poor performance years that saw an ever-increasing deficit in the Insurance Plan. Fortunately, with some good management, the deficit was eliminated and a stabilization fund was established. The problem that faced members in the deficit years was that, if the losses continued and the Plan had to be wound down, the ensuing liabilities became those of the Appraisal Institute of Canada

(AIC) and its members. The Board of Directors issued a mandate to PLIP to find a way to eliminate this exposure and to safeguard the assets of the AIC. Legal counsel was engaged to work with the brokers, claims managers, actuaries and PLIP committee members. The goal was to find a vehicle that would segregate the liabilities of the AIC from the insurance plan without abandoning its control of the insurance product itself. After extensive research, the only possible way to achieve that goal was the establishment a captive insurance company owned by the AIC. The name 'First Liability Insurance Company' has been reserved for such a captive.

A captive is a 'closely held insurance company' whose insurance business is primarily supplied by and controlled by its owners, and in which the original insureds are the principal beneficiaries. A captive severs the AIC's liability from any PLIP losses in excess of assets. Several jurisdictions for the establishment of a captive were investigated and Barbados emerged as the best option. This was due to the tax status it offered, an enhanced return on investment not available in Canada, and the opportunity to access foreign and domestic re-insurers.

Some of the ultimate goals in forming this captive are to allow the AIC to reduce insurance costs, heighten available insurance, protect the surplus and incorporate opportunities for rebates for good performance. Some legal issues need to be addressed going forward. There will be a requirement to revise the bylaws followed by an incorporation in Barbados with AIC as sole shareholder. AIC members will have no personal liability for transferring the PLIP operations to the captive and PLIP will still be involved in directing the captive through an advisory board. Much of the groundwork has been completed and a decision by the membership at the next Annual General Meeting is now required.

In consultation with PLIP and our insurance advisors, AIC's Board of Directors has endorsed a resolution to proceed with a bylaw amendment. In the best interest of the insurance program, the AIC Board is now seeking the membership's approval to go forward with this plan. 🍀

The ultimate goals in forming this captive are to allow the AIC to reduce insurance costs, heighten available insurance, protect the surplus and incorporate opportunities for rebates for good performance.

## **Professional Liability Insurance Program**

John Sheldrake, AACI, P. App – Chair  
(250) 388-9151  
jsheldrake@shaw.ca

Bill Balsom, AACI, P. App  
(709) 738-1000  
bbalsom@kba.ca

Brian Varner, AACI, P. App  
(905) 305-5988  
bvarner@markham.ca

Bob Thompson, AACI, P. App  
(403) 216-2108  
bob.afc@shawcable.com

Gerry McCoombs, AACI, P. App  
(506) 458-9533  
gwm@faa.nb.ca



# Are your documents secure?

**F**or the appraisal profession, information technologies are not only useful, they are increasingly essential to achieving business success and maintaining a competitive edge. Today's user-friendly software makes it easy for appraisers to improve productivity and efficiency, but it is important to remember that all technologies offering increased possibilities also present evolving challenges.

The security, integrity and confidentiality of documents produced in your office should be a prime concern for appraisers operating in

today's electronic marketplace. A reflection of this fact is that, increasingly, lending institutions, insurers and government agencies insist on receiving appraisals electronically and many will accept only Portable Document Format (PDF) files. PDF files, created with the click of a button using Adobe® Acrobat® 7.0 Professional software keep your documents secure.

This easy-to-use software permits you to sign documents electronically with a digital signature, and protect your reports through the use of passwords and other access controls that define

who has permission to read, edit or print your documents and to what extent they can do any of these operations. The security features that Adobe® Acrobat® 7.0 Professional offer you are just some of the reasons that this software is a valuable tool in today's busy appraisal office.

To read about some of the other time and cost-saving features of this software go to <http://www.adobe.com/products/acrobatpro/main.html> where you can download a free 30-day trial version of Adobe® Acrobat® 7.0 Professional. 🐼



# Negligence and professional standards

## Disciplinary procedures

The enforcement of standards is clearly an element of loss prevention. There are two direct connections between professional standards and legal liability. One concerns establishing the standard of care. The second arises when there is a conflict between the disciplinary procedure process and the civil litigation process. In addition to understanding these connections, it is also necessary for each appraiser to understand the legal principles that govern disciplinary proceedings. With those in mind, the appraiser can better understand the process and protect his or her interests when an alleged error introduces not only the prospect of civil litigation, but also a complaint investigation by the Appraisal Institute of Canada (AIC) itself.

It has been established that the rules of natural justice govern the disciplinary procedures of the AIC: *Chvz v Appraisal Institute of Canada*, (1985), 44 Sask. R. 165 (Sask. C.A.) and *Jellis v Appraisal Institute of Canada* (1986), 73 A. R. 322 (Alta. Q. B.).

The rules of natural justice flow from two basic principles:

- 1) The right to a fair hearing; and
- 2) The rule against bias and interest.

If the rules of natural justice are not followed, or where procedures are conducted in such a way as to give the appearance that the rules are not being followed, there is a risk that the discipline imposed on a member will be overturned by our Courts. While an appeal as of right to our Courts of Justice is not ordi-

narily available from a decision of a disciplinary body of an association like the AIC, those decisions can be reviewed by the Court if they fail to follow the rules of natural justice.

Several years ago, the Regulations of the AIC which governed disciplinary proceedings were rewritten to comply with the rules of natural justice. The objective was to introduce four reforms:

- 1) Separate the investigating and prosecuting functions.
- 2) Simplify appeals.
- 3) Introduce the concept of conditional guilty pleas.
- 4) Encourage greater disclosure.

Previously, the National Professional Practice Committee (NPPC) would appoint a subcommittee to investigate any complaint referred to the AIC. The Committee would then hear a report from the Investigating Subcommittee and decide whether or not to lay a charge. If a charge were laid, then a hearing would be scheduled and conducted by the same Committee.

Now, the investigating function is carried on by a separate committee. If a decision to lay charges is made, then a member of that Investigating Subcommittee acts as prosecutor in putting those charges before an entirely separate body, the Adjudicating Committee. The members of the Adjudicating Committee will not have heard anything about the matter prior to a hearing being conducted. They will start with a 'fresh slate,' hearing first the evidence of the prosecutor from the Complaints Investigating Committee and next

the evidence from the member against whom charges are brought, without any preconception as to the evidence or whether the charges are appropriate. Thus, all risk that the adjudicators would appear biased by their previous involvement in the file is removed.

Without suggesting that any of the proceedings of the AIC in the past have, in fact, fallen short of the standards of natural justice, it seems to me that the new Regulations give a greater appearance of natural justice.

The second reform attempted by the new Regulations is to simplify the appeal process. Now, there is just one appeal to the Appeal Board, rather than there being an appeal to the Board of Appeal and then a second right of appeal to the Governing Council. Second, the nature of the appeal has been changed. In the past, the Board of Appeal would hear the case fresh, hearing the evidence that had been heard by the NPPC and any other evidence the parties wished to call. Under the new procedure, the Appeal Board will simply look at the record of evidence prepared by the Adjudicating Committee. In this way, both the prosecutor from the Investigating Committee and the member charged will know that they ought to marshal all of their evidence for the hearing before the Adjudicating Committee. There will be no benefit or advantage in dragging out the proceedings, putting only part of the case forward the first time around and saving other evidence for the second stage of the process.






A third reform is introduced by the concept of the conditional guilty plea. In the past, I had the impression that some hearings were brought on when all concerned understood that an error had been committed and that a relatively minor penalty was appropriate. No one is perfect. All professionals make mistakes. When an error in his work product is drawn to his attention, a true professional readily admits the error and looks for ways to ensure that a similar error will not be made in the future. However, once formal disciplinary procedures are in place, members of a profession may be reluctant to admit an error outright without knowing what penalty will flow from their admission. This is sensible. The conditional guilty plea provides a mechanism to permit members to

admit their errors on the basis that it is understood what discipline will be imposed. To ensure that plea bargaining is done in appropriate cases with appropriate results, these pleas must be reviewed and approved by the Adjudicating Committee pursuant to the Rules. In negotiating a conditional guilty plea, it is expected that the members of the Investigating Committee will consider, among other things:

- i) whether the appraiser has a positive, repentant attitude;
- ii) whether the appraiser has a history of past violations; and
- iii) the cost savings.

A fourth reform highlighted by the new Regulations is disclosure. The member complained against is entitled to know who his accuser is and the case against him, before he

attends for the adjudication of the charge against him. Documents that will be relied upon by the Investigating Committee in proving a case to the Adjudicating Committee will be disclosed to the member complained against. There should be no surprises, no trial by ambush, but rather, a rational form of peer review.

The intent of the changes made to the Regulations has been to simplify procedures and save time and expense. There is evidence that this intent has been realized in practice. 

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.



# Seven reasons to say “NO” to new business

If your company is dependent on larger sales from fewer customers, then you could put yourself at financial risk by taking on the wrong customer. One of the most common mistakes business owners make is to accept money from anyone who is willing to pay for their product or service – even if the customer is not the ideal fit for their business. Whether you are a startup or a large corporation, taking on a new customer who does not match your ideal customer profile can be a big mistake. Here are seven situations that indicate you should say **no** to new business. If you do not heed this advice on when you should turn down new business, you will be in serious danger of having a database of customers that can take your business into bankruptcy.

## **#1: Your gut instinct says no.**

This reason is at the top of the list. Your *gut instinct* or intuition is the most powerful weapon you own that is always correct...even if it is not always a logical thought. You should never ignore a nagging feeling that something is not right. When you hear that little voice inside telling you to turn away the new business, you should follow it or you could regret your decision later. Here is a common scenario that raises the *gut instinct* red flag. You are sitting in a new business meeting and everything on the surface seems to be going well, but you cannot ignore a sinking feeling in the pit of your stomach. You cannot put your finger on it, but you know something just isn't right and you feel you are not seeing the whole truth. Then your



head gets in the way. Your rational voice talks you out of those feelings and, instead, you dismiss your instincts as ridiculous so you take on the new customer. Ultimately, that customer does not pay their bills or makes unreasonable demands that take away any profits you could make on the deal. You then realize you should have listened to your original *gut instinct*.

Sometimes there does not have to even be a logical explanation why you do not trust the situation. Just remember that, if you get that inner message, do not let financial greed talk you out of your first impression. Your *gut instinct* is the best resource you have. Listen to it at all times.

**#2: The customer does not appreciate the value of what you offer.**

While some people make decisions based upon price, the most profitable business for your company will be from customers who appreciate the *value* of what you offer. *Value* could include your expertise, credibility, service, knowledge, reliability, and guarantee. Anybody who selects your company based on price alone views you as a commodity, not a valued service. A disloyal customer who is more concerned with price rather than *value* will switch very readily to any competitor who will undercut your price. Your chances are greatly diminished for repeat business from a customer who does not appreciate the *value* of your products or services.

**#3: The customer expects you to invest time and resources into pursuing their business without any financial commitment on their end.**

Anyone who is just shopping around and is looking for free advice is not going to be a good customer. You should determine how much time and energy you are willing to spend for free before you ask the prospect to make a commitment. Giving away products or services for free before the prospect makes any

financial commitment diminishes the value of your company. It also raises the level of what they expect you to deliver beyond what you would normally offer for a specific price, because they have already received something from you for free.

**#4: The customer does not treat you in a courteous or professional manner.**

Profitable business is based on strong relationships between you and your customer. This does not mean your customer has to be your best friend, but, in essence, your best customers will be those who respect and value your professionalism. Anybody who constantly questions your recommendations, nit-picks at your pricing, or questions your credibility or judgement, is not interested in developing a long-term relationship with your business. There is no opportunity for trust here. Your business is being viewed as a commodity and the customer is clearly showing that they do not value your business or want to establish a long-term relationship.

**#5: The customer asks for services you do not provide.**

There are times when someone will approach your business for services you already provide and will also request additional services you do not already provide. They value your relationship and ask you if you would be willing to venture out into new opportunities. If this new opportunity is a stretch on your capital resources or your existing operational structure, or it is not congruent with the mission of your company, it is best to decline this business. Before you instantly accept a new challenge and opportunity, make sure it will not stretch your resources and develop into more headaches than successes for your company.

**#6: The customer's requests are too large for your operation.**

If a company approaches you to provide something that stretches beyond your current capabilities,

consider the cost to expand your operations versus the profit potential. Take into account any capital expenditures, additional employees, training expenses, and the opportunity costs of other business lost while you are meeting the needs of this new customer. Controlled growth for your company is more manageable and typically more profitable than a large increase in business within a short time frame, if you are not currently set up to manage that quick growth.

**#7: The customer does not share the same values as you.**

The right customer for you is someone who shares your values. It will be very apparent by the manner in which the customer treats you if you share common values. Do not lose sight of your company's mission and values even if it means turning down potential business. When you compromise your values to pick up new business, it will not result in profitable business for your company in the long run. 🍷

© Source Communications 2004

*Debbie Bermont is president of Source Communications, a marketing consulting firm in San Diego, CA, and author of Outrageous Business Growth™ – The Fast Track To Explosive Sales In Any Economy. Debbie is a leading expert on helping businesses reduce their marketing costs and accelerate their sales growth. For more information go to [www.outrageousbusinessgrowth.com](http://www.outrageousbusinessgrowth.com), email us at [info@outrageousbusinessgrowth.com](mailto:info@outrageousbusinessgrowth.com) or call (619) 291-6951.*

**How can appraisers improve their product?**

# A review appraiser's comments and suggestions to fee appraisers (part I)

By Keith Anderson, AACI, P. App



Appraisers are typically busy people, trying to juggle several assignments at once. During the many years spent as a fee appraiser, I occasionally had the opportunity to do an appraisal review. Then came six years working for a municipality as an appraiser doing appraisals and contracting fee appraisal work. However, it was not until my more recent experience as an appraiser with the federal government that I began spending considerably more time reviewing appraisal reports. Those reports were written by a diverse mix of appraisers, covered a wide geographic area (the province of Ontario), and involved a variety of property types.

There are many excellent appraisers currently providing value opinions and market advice. As a result of reviewing many appraisal reports, I was exposed to good, mediocre and below average quality reports. It was often a pleasure to be enlightened by the new ideas, approaches to solving problems, and different formats utilized to communicate the valuation analyses, although I also became aware of areas in many reports that were lacking, inconsistent and vague. Consequently, I decided to write an article for the *Canadian Appraiser* to share my observations and opinions, to assist fellow appraisers, and to encourage dialogue on some of these issues.

As there is not enough room in this article to cover everything, only the direct comparison approach of the typical appraisal report will be discussed.

### **Direct comparison approach**

When selecting comparables, some appraisers will throw in all the sales of that land use/property type they can find. The reason may be to demonstrate that they are thorough and that their research has covered the market, but unless the information is properly presented and explained

by the appraiser, it makes the reader of the report confused. That is not to say that additional sales are not helpful. In fact, often they are, if they are being used to justify price adjustments to comparables. However, if a property is not comparable, then do not call it a comparable. Either narrow the selection of sales to only those that are truly comparable, or divide the sales data to create a group of comparable sales and a group of additional sales or secondary market value indicators. If the latter route is chosen, then explain why the second set of sales data is being included and state that those sales are not *directly* comparable or representative of the subject property.

When analyzing comparables, some appraisers discuss each sale separately, going through the adjustments for all the elements of comparison. Other appraisers discuss each element of comparison separately (i.e., location) and comment on the adjustments to all the comparable sales for that element of comparison. Either method is acceptable, although, by using the former approach, it is easier for the reader to grasp the rationale of the adjustment process.

When appraising income properties, some appraisers include an element of comparison referred to as economic characteristics or operating performance. This accounts for attributes that affect the net income of the property and, hence, the value. Differences in net income from property to property are the result of many things, such as time of sale, location and building quality and condition. As these factors are already being adjusted for in the valuation analysis, the degree to which they affect net income should not be adjusted, as that would be double counting. However, the net income is often affected by other attributes that are not accounted for in the traditional direct comparison

analysis. These include tenant mix, quality of tenants, projected trend in rental income due to anticipated lease turnovers and renewals, rent concessions, quality of management and lease provisions with respect to expense recovery and renewal options.

If an appraiser is commenting on adjustments to a particular sale, it is not sufficient to merely state that the comparable's building condition is inferior and, therefore, its price should be adjusted upward, or that the comparable's location is superior and, therefore, its price should be adjusted downward.

First, there should be some idea of magnitude, either expressed qualitatively (words like small, slight, modest, marginally vs. large, material, significant, substantial) or quantitatively (using a percentage or dollar figure). Actually, it is good to use qualitative descriptors for each element of comparison and then, when describing the total net adjustment to price, use a quantitative expression.

For example, after describing in qualitative terms the price adjustments for each attribute, one might say that, overall, the net adjustment to price for a particular comparable is upward from \$32 per square foot to \$41 per square foot. Or, to be less precise, one may say upward to a price level in the order of \$40 per square foot. This is helpful because it gives the reader a concrete idea of the net adjusted price level/conclusion for that comparable.

After discussing the price adjustments to all the comparables, it is then easy to conclude, for example, that the range of adjusted unit prices is from \$26 to \$40 per square foot, the median is \$33, and the mean is \$34. Once this has been affirmed, a few comments about the better comparables, with its fewer and smaller price adjustments required, and a concluding statement of the appraiser's opinion of the final value



it. This should pick up spelling and grammatical errors, inconsistencies, important omissions and mathematical mistakes. It is surprising how often mathematical errors are found on the index data pages, or inconsistencies are noted between the numbers on the index data page and the corresponding numbers on the table summarizing the comparable sales.

### Other suggestions

- Use graphs to illustrate important concepts. For example, when examining a set of comparable residential development land sales, there is usually a strong relationship between price per acre and density or yield. This can be effectively shown on a graph.

Remember to relate the comments on the adjustment process to the graph. For example, for those data points that are well above or below the line of best fit, there may be an obvious reason such as one property having a very superior location or, conversely, another data point may be a site without sanitary sewers available at this time. Instead of only graphing the unadjusted prices of the comparables, produce another graph after the adjustments have been applied, because this illustrates to both you and your client the appropriateness of your adjustments (it should also result in the refinement of the trend line).

The real estate market is imperfect, as it involves participants with varying degrees of knowledge and levels of risk tolerance. Hence, one cannot reasonably expect a group of adjusted prices of comparables to simply fall into line on a graph. Nevertheless, the use of graphs is beneficial as it effectively portrays relationships.

- When there are many comparable properties, some appraisers group similar properties in their comparative analysis group. If appropriate, it is a good idea to discuss the price adjustments pertaining to a group

is needed. This is preferable to the appraiser describing the adjustments to each comparable in vague terms, almost as if afraid to put a number to the page, and then, at the end of the direct comparison approach section, jumping to a value conclusion with little or no rational discussion of how that particular estimate was determined. In other words, it is much clearer and most convincing to the reader if the appraiser has drawn the reader through a price funnel discussion, starting from the broad range of unadjusted prices, to a narrower range of adjusted prices, and then to a value conclusion.

### Consistency

In the direct comparison approach, I have noticed confusion between

the terms 'site coverage' and floor area ratio (FAR). Often, these terms are used interchangeably and incorrectly. Site coverage is the proportion of the land area of the lot that is covered by buildings. If the building is multi-storey, only the ground floor area is used in the calculation. Dividing the ground floor area by the site area, multiplied by 100, gives the site coverage percentage. Floor area ratio is the ratio of the total building area to the site area. Thus, a four-storey, 6,000 square metre building on a 4,000 square metre site has a site coverage of 37.5% (assuming the ground floor is 1,500 sq. m) and has a floor area ratio of 1.50.

Make sure to carefully review and edit the draft report and, if possible, have an assistant proof read

of sales based on physical and locational similarities, as opposed to discussing each sale individually because it provides a shorter, less repetitive and usually better understood discussion of the valuation analysis.

- In the table that summarizes the details of the comparable properties, it is helpful to the reader to insert a row or column that describes the characteristics of the subject property.
- Some appraisers will provide a section in the report where they state the positive and negative investment characteristics of a property or itemized pros and cons. This is also helpful, as it quickly portrays the relative good and bad points of the subject property. It may be worthwhile mentioning this at the end of the valuation approaches right after the discussion of comparable properties, or in the reconciliation and final estimate of value, to quickly put the subject's attributes in perspective.

- Often, a subject building is in below average condition and monies must be spent for improvements to bring the physical state of the property in line with the condition of the comparable properties and to support the market rent assumed in the income approach analysis. If this is the case, the amount of the anticipated capital expenditures has to be deducted from the value estimate. This should reflect the expenditures that would be required for improvements by a typical and rational purchaser.

Often, building condition studies will identify a wide range of deficiencies and attach a total cost to correct them, however, most investors would be selective in identifying the items that most need replacement or repair and would not invest in all items identified in the study. The tricky part is that, while the subject's condition may be inferior to the comparables



before the capital expenditures, after the work is completed, it may be in superior condition. So, the appraiser has to be careful with the comparability assumptions made in the income and direct comparison valuation analyses.

### Conclusion

The foregoing is an excerpt from a longer article that was written based on a collection of thoughts and observations over time that occurred during my experience in the role of a review appraiser. The opportunity to review a wide range of reports from many appraisers provided several examples of excellent reports and highlighted some areas where appraisers, in general, could improve. In the end, it is not the format or writing style that matters

as much as the appraiser's ability to clearly communicate an analysis to the client in a professional and convincing manner.

In the next issue of the *Canadian Appraiser*, part II of this article will examine the site plan, services, land use regulations, and highest and best use sections of the typical appraisal report, in addition to the introduction to the valuation section. The entire article may be referenced by going to the AIC's web site at [www.aicanada.ca](http://www.aicanada.ca) 🍷

*Keith Anderson, AACI, P. App Is an appraiser/analyst with Public Works & Government Services Canada in Hamilton, Ontario.*





# Putting it right with the direct comparison approach

By George Canning, AACI, P. App

**T**he direct comparison approach (DCA) is misunderstood by all appraisers and tends to be one of the more poorly presented valuation techniques found in today's reports.

## Historical perspective

Stan Laurel always said to Oliver Hardy, "That is another fine mess you got ourselves into!" Although

that line made Laurel and Hardy a great comic team, it is also appropriately applied to the historical aspects of the DCA, with the exception that it is no laughing matter.

Our appraisers' lack of understanding about the DCA has a long history. When searching through 70 years of DCA archive material, it was found that no significant changes have occurred in all these years. In

1931, James D. Henderson wrote an article called *Real Estate Appraising* in which he says, "In the final analysis, the appraising of the single home rests on the experience of the appraiser and his ability to make sufficiently exhaustive study of location, the adaptability of the building to the lot and to its surrounds, its architectural style, character of people in the neighborhood, its

original cost with relation to present reproduction cost, its completion of equipment and intelligence of interior planning.”

From this article, one would get the impression that numerous factors are being taken into consideration for the purposes of valuing a single-family house. He then concludes his article by stating, “After a full consideration of all the elements of value of the single house which we have been reviewing, let us adopt the concept of value presented in Chapter II of the Course of Lecturers on Real Estate Appraising issued in 1927 by the Department of Education and Research of the National Association of Real Estate Boards. The value of a house and lot will be equal to the cost of the lot plus the original cost or replacement cost of the house corrected by reasonable addition or deductions as indicated by prevailing conditions.”

Obviously, the cost approach was used in the 1930s to determine the DCA. Interestingly, as of the writing of this article, the abstract method of adjustment (which is fundamentally rooted in the cost approach) is trying to surface again.

As we leave the 1930s (the recognized start of the appraisal industry in both the US and Canada), we find that things did not progress very far. The DCA was shown in the textbooks with ‘picture perfect’ adjustments and no explanation for the appraiser as to how to adjust for the differences between the sales and the subject property. Some examples were given, but they were taken from a ‘utopian’ database.

The learning aspect of appraising from a student’s perspective was generally left to a seasoned appraiser. In most cases, the seasoned appraiser never had formal training in data analysis, but used clever words or phrases such as ‘in my opinion’ or ‘based upon 25 years of practical experience, the value of the subject property is’ to solve the most inquisitive and detailed questions of any budding student appraiser.

Over the decades, this ‘ad hoc’ generation-to-generation method of learning and teaching about the DCA survived quite well. After all, there was no other organization around to question the word of a real estate

professional. As well, between 1930 and the 1980s, technology for practicing appraisers was limited to a typewriter. There was also no sharing of information and discovery between academics (who have examined the DCA quite thoroughly over the decades) and the appraisal community (which has done nothing but repeat the same redundant DCA teachings over and over again).

### Leaving the old-world behind

Appraisers have to realize that the DCA has to change to keep up with changes in the marketplace. It needs to grow and evolve, because the perception of value has changed. A good example is the following graph of average house prices in the US from 1940 to 2000 that was taken from the US Census Bureau. Included in the graph is the change of housing styles, as a result of more modern construction methods and materials, as well as the change in DCA methodology.

The scoring of the median home values was completed incrementally, with the base price 1940 home scored as 1. The changing house styles were adopted from *America House Styles* by John Milnes Baker, AIA, with the basic style of the 1940 house scored as a 1. The DCA methods were compiled personally by the author from 1930 to 2000. In the year 1940, the base DCA method was scored as a 1, with any noticeable changes to this method given between the years 1940 and 2000. This scoring does not include the use of regression analysis, but is

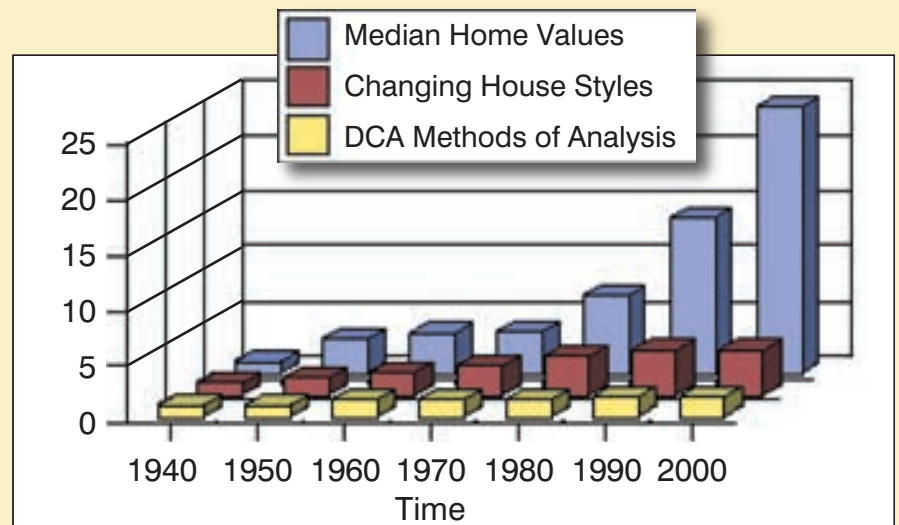
strictly based upon the use of small data sets (comparables between three to eight sales) in a grid format.

The graph below illustrates the point that, between 1940 and 2000, for example, property values had changed dramatically. Housing styles remained fairly constant, with the only notable difference being construction differences and the introduction to a style of architecture known as ‘modernism.’ The DCA made no significant change as far as the appraisal industry was concerned.

One could argue that, based on longevity, the ‘ad hoc’ method of teaching and implementing the DCA must be working. Unfortunately, that is not the case. Appraisers today have great difficulty valuing houses that do not fit the stock housing profile. That is because housing, disposable income, building materials, and environmental awareness have changed the rules by which buyers and sellers interact. Appraisers are trying to solve new-world real estate issues with old-world technology and it is not working. The use of automatic valuation models, the use of MPAC values, and the acceptance of MLS house selling prices under \$300,000 without an appraisal, are all signs of cracks in the armor of appraisal buyers regarding reliability and confidence.

### Removing worn out weapons from the DCA arsenal

In modern times, the appraiser needs to stop dredging up old, worn out tools and find out how buyers





and sellers are truly interacting in the marketplace. When buyers and sellers interact, they do not talk in terms of dollars or percentages. The wife does not say to her husband that, because House A does not have a deck like House B, she would deduct \$3,500 or give a -10% adjustment.

How do buyers talk? They talk in terms of emotions. They use words such as 'good,' 'super,' 'crummy,' or 'very nice.' Why are appraisers not using this language as the basis of adjustments?

We can extend the use of words such as 'similar,' 'better' and 'inferior,' which are found in more modern appraisal textbooks. However, it is not good enough to use these words as comparative explanatory differences between comparable properties. Without converting them into a composite utility score that can explain and reduce variability, these words mean nothing to both the appraiser and the reader of the report.

Another worn out DCA tool is that adjustments can only be made using paired sales. There is no such thing as paired sales. Appraisers still believe in the myth of paired sales. Many appraisers say, "I use paired sales in my analysis all the time." Not true. What they have are sales that are similar, but not identical to one another. After studying this phenomenon of paired sales analysis for many years, the only true definition of a paired sale is as follows: *"Two perfectly matched sale comparables with the exception of one characteristic under study."*

One can repeatedly come across this gospel of the paired sales in real estate appraising literature. A good example is the definition of paired sales in the *Dictionary of Real Estate Appraising* which says, *"Sales or rental data on nearly identical properties are analyzed to isolate a single characteristic's effect on value or rent."*

What this latter definition is really saying is that, *"The sales are not identical because there are no identical paired sales, so just use two nearly identical properties to do your adjustments."*

The words 'nearly' and 'analyzed' are the two key words in this definition telling you that true paired sales

do not exist. No appraiser should use two sales with nearly identical properties and try to extract some meaningful inference about a specific characteristic. That means that more than one characteristic of these sales is different. In order to extract the value of the characteristic the appraiser wants, a 'mental adjustment' for the non-critical characteristic is made. The remainder is the characteristic that you want to measure. This is not paired sales analysis. This is using a bias to inject pre-conceived values of real estate characteristics into an equation to get the desired results. This method has no place in appraisal theory and practice.

### **Measuring variability**

Without variability of price in the marketplace, there would be no need for appraisers. Variability in the real estate world causes someone to pick up a phone and order an appraisal. Therefore, appraisers must understand variability and, more importantly, how to measure it.

Measuring variability accurately cannot be achieved by the paired sales analysis. This assumes that single-family residential real estate, for example, can be broken down into all sorts of mini-values that represent the whole. Variability cannot be measured by experience alone. It cannot be measured by making plus or minus dollar and percentage adjustments, if the market does not communicate in that language.

Variability is also known as spread or dispersion of one sale price to another. More importantly, it is best to think of variability as a measure from a common source. The three best measurements of variability are the range of selling prices, the standard deviation (distance from the mean) of the scores, and variance.

Before variability can be included in a DCA, it is important to discuss the DCA's function and role as a model.

### **The direct comparison approach as a model**

The DCA should not be called an approach. It is a model. What is the difference? The word 'approach' means 'similar to' or 'approximate.' These words can be substituted as the direct comparison similar to or the direct comparison approximate.

Approximate or similar to what? That is not what the direct comparison does. The act of finding sales 'similar to' or 'approximate' does not explain anything about process, comparability, differences, or measuring and testing. The word 'model' means 'a system of things and relations satisfying a set of axioms, so that the axioms can be interpreted as true statements about the system.' An axiom is 'a proposition which is assumed without proof for the sake of studying the consequences that follow from it.' If we substitute the word approach and say the direct comparison model (system of things and relations interpret as true statements about the system) flows a lot better and brings into focus the 'truths about the system.' The system that is referenced is the real world.

There is nothing wrong with the underlying premise of the DCA that is shown in appraisal textbooks. The foundation upon which the DCA is based is strong. It is the internal mechanism by which variability is measured that is all wrong. From here on, the DCA will be called the direct comparison model (DCM).

### **Function of the DCM**

The sole purpose of the DCM is to determine a value of a given property. The end result of the DCM is a realistic value for a given property. Long before the result, a good DCM has three specific duties to perform:

- (1) Explain the variability in the selling prices of the comparables.
- (2) Reduce the variability in the selling prices of the comparables.
- (3) 'Test' the underlying comparative process.

These are the three laws of the DCM. If your DCM does not match the criteria of the three laws, then you do not have a DCM. You have uneducated guesswork that has no room in the future of the appraisal industry. Technology coupled with experience is the key in aiding the appraiser to achieve good results from a DCM.

### **The role of technology and experience**

Appraisers think that they can analyze every sale in the world because they have experience. Experience



SALE PRICE PER ACRE	LOT SIZE
\$5,000	50 acres
\$5,600	61.2 acres
\$3,000	125 acres
\$7,000	31.9 acres

is an integral part of the DCM, but, without using modern technology or higher mathematics, experience is not enough. The use of measuring variability in a data set of sales by standard deviation is a good example of the use of higher mathematics. A small solver or optimizer program found in every spreadsheet is a good technological tool to reduce variability in small data sets.

A prime example of how an appraiser's experience versus technology would view a similar data set is shown above. The following array is of sales data of vacant land properties.

The experienced appraiser would comment as follows on the data set: *"Obviously, there is a size adjustment warranted because the smallest site at 31.9 acres is selling higher on a per acre basis than the site of 125 acres."*

Technology may tell you the following: *"There are a number of characteristics that could be causing the variance in the selling prices of the comparables other than size. It could be location, land use, soil type, soil drainage and productivity. Size might be a factor but it may not be the sole defining variable that drives this particular data set."*

Truisms about experience and technology can be summarized as follows:

1. Do not be so quick to rely on experience as your only guide.
2. Technology is available to aid the appraiser in explaining and reducing variation in the selling prices of small data sets.
3. Experience coupled with technology opens more analytical doors for the appraiser than experience and ad hoc methods alone.

### The role of data in the DCA

Data is noise. It is nothing more than the interaction of buyers and sellers talking on the phone for illustrative purposes. Appraisers need to

listen in on the phone conversations and decipher their own pattern, as opposed to one from the local MLS 'average' pricing index, or compiled statistics from a government organization. The problem with listening in on telephone conversations is that, while you have jumped in on one or more conversations, there is no understanding what the parties are talking about. Therefore, you need to break the pattern down into smaller bits of information and then somehow 'string' the pieces of information together to form a pattern. Unfortunately, many appraisers are not listening to the conversation and as a result have lost the ability to identify patterns.

All appraisers will agree that, more often than not, data has a tendency to be thin. It would be nice to have 50 to 100 sales for every property under appraisal, but that is not reality. Your four to seven sales database then becomes the population, not a sample. It is the universe in which you are required to analyze and make observations about the marketplace, plus determine an accurate value of the subject property. That is a tough job when you are relying on paired sales that are full of bias and an adjustment process that uses plus or minus dollar and percentage adjustments when the buyers and sellers do not talk in those terms.

### Searching for a workable DCM

To this point, we can say that the DCM is a good tool for reducing the variation in the selling prices of comparables. Since the marketplace talks in terms of words, not percentages or dollar adjustments, then the DCM should incorporate some method of expressing those words. Paired sales analysis cannot help because they do not exist. We have also said that we need technology and the use of higher mathematics

to solve these variability problems between sales. We also acknowledged that experience is an integral part of the DCM. The author has laid down the 'law' regarding the expectations of the DCM.

Unfortunately, the location of a good DCM cannot be found in any appraisal textbook in North America. Bits and pieces of dealings with variability seemed to be touched upon throughout the decades in textbooks, but it went no further than that. The search for a more robust model eventually led to people such as Richard Ratcliff, James Graaskamp, Gene Dilmore and Michael Robbins. These are the real giants of the DCM and only one was not a PhD (Gene Dilmore). Interestingly enough, it was Gene Dilmore who tackled the problem head-on and contributed significantly to the problem of solving variability with small data sets. The rest are academics who spent years studying the problem of small databases and developing qualitatively and quantitatively data processes that greatly enhanced our understanding of the workings of the DCM.

Unfortunately, most appraisers in Canada know nothing of these men. That is the direct result of the appraisal industry and the academics not speaking or sharing information over the last many decades. This is the primary reason why the DCM never rose past Grade 5 mathematics.

Richard Ratcliff, while he was Director of the Urban Land Economics Centre at the University of British Columbia, wrote a fascinating paper in 1972 entitled *Getting More From Comparables by Rating and Regression*. This paper was written in conjunction with Dennis G. Swan. When Dr. Ratcliff was working in the US, he was approached by the State Assessment Department regarding the problem of impromptu adjustments on single-family dwellings. His work with the assessors contributed significantly to what has become quality point (QP). A suggested read is a paper called *Contemporary Techniques in the Market Data Approach to Value* written in 1991 by Gene Dilmore, who actually coined the phrase 'quality point.' That paper is readily available in Acrobat Reader format from the author.

It became quite clear that QP was the DCM that made the most sense in terms of small database analysis. It is not the only one, but, overall, it yielded the most promise for using a technologically advanced method of real estate analysis in every common appraisal report. However, it was not altogether user friendly and needed to be rebuilt in order to make it more compatible to the general real estate appraiser. Considerable work has been done with this particular type of DCM by the author and Charles Abromaitis, AACI, City of London Realty Division.

### Putting QP on the table

QP is a DCM that leaves alone the underlying assumptions of the DCM. As a matter of fact, if you compare a QP spreadsheet to the layout of a grid adjustment-type spreadsheet in any given textbook, you would not see much difference.

QP gets around this problem of adjustments by assigning an ordinal scale rating to differences between the comparables and the subject. In other words, it substitutes numbers for buyers' feelings such as fair, good, very good, and excellent. This assignment is nothing more than placing that specific variable in a membership frame in order to clearly identify a notable difference between the sales data. QP is not interested in the dollar difference of minute items such as garages or basement finishing, but indicates that differences do exist between sale properties.

One of the most difficult adjustments to make in appraising is a size adjustment that may involve either a building or land (a brief example was given earlier). QP has a built-in feature that deals with size adjustments while monitoring the changes (standard deviation) of the sales comparables. The size adjustment incorporated in QP is the same one used at the University of St. Thomas in the Real Estate MBA program.

QP is set up (on the new version) to handle any type of unit of comparison from the selling price per square foot of a building to overall capitalization rates and gross income multipliers. Overall capitalization rates are another unit of measure and any appraiser can use

QP to extract an overall capitalization rate from a data set of comparables to the subject plaza or shopping mall under appraisal. These units of comparison are in a drop-down menu format.

QP's four biggest attributes are as follows:

#### (A) Residual test

In order to determine if your DCA model is working correctly, QP predicts the value of the comparables. Dr. Whipple, who teaches out of Curtin University in Australia, said it best about the residual analysis of the QP model.

*"Finally, residual analysis is a most important component of the technique. The assumption underlying the sales comparison approach is that recent buyer behaviour toward comparable sold properties will be the same as for the subject property. Residual analysis shows how well the model replicates the prices fetched for the comparable. If the replication is good, then the expectation is that it will produce an acceptable prediction of price for the subject property if the analogy has been validly constructed. Few valuers test the logic they adopt on actual transactions-this method allows them to do so and is a most desirable feature. The ultimate test of any method is the extent to which it produces results consistent with reality." - Property Valuation and Analysis, The Law Book Company Limited, 1995.*

#### (B) QP is adaptable to any database

QP has been used on vacant land, campgrounds, mobile home parks, car washes, apartments, water lots, retail plazas, industrial properties, commercial properties and large, special built truck sales depots. It works especially well in data thin markets. However, it does not work miracles. Poor sales means poor results in any DCA format.—

#### (C) It runs on a simple Excel spreadsheet

#### (D) It is free

QP is not without its problems. No model is perfect. It forces the appraisers to think about the data selected. It can be merciless in

terms of finding the right variables or characteristics. It seems to love ratios such as site-to-building ratios and frontage-to-depth ratios, in which appraisers do not have a lot of experience. It requires a balance between the number of sales and the number of characteristics. It can be too accurate in returning only a single point estimate of value instead of a range.

Despite some of its problems, a DCM using QP in an appraisal report is a nice thing to have when preparing for testimony. The courts seem to understand basic scoring such as 1-3-5 that represent words as opposed to making a dollar adjustment for a variety of characteristics that may be superfluous and unsubstantiated. It is professional looking in a report and incorporates an 'adjustment' grid, for lack of a better word. It demonstrates to the buyer of the report that serious consideration has been given to the best available data.

### The future of our industry

The best way to deal with change is to be part of change. Using technology to your advantage is a learned art that has tremendous rewards. The price for this new knowledge is letting slide some of the old ideas and rebuilding a much stronger skill set towards the valuation of real estate. This means taking a look at the grass roots of everything that you do as an appraiser. What better place to start than the DCM?

If you are finding that doing the DCM is becoming a daunting task, it might be time to look for alternative methods of analysis. If you are doing a lot of court work, expropriations, special use properties or significant income properties, then you should consider QP as a means to help solidify your end result market value. It is time to stop using Grade 5 mathematics to solve data-related and variability problems. After all, it is your professionalism that is at stake, not mine, nor the competing appraiser located in your community. 🍀

*George Canning, AACI, P. App owns and operates Canning Consultants Inc. in London, Ontario.*

# Calendar of events

**AIC 2005 Annual Conference of the Appraisal Institute of Canada**  
June 2-4, 2005, Fantasyland Hotel, Edmonton, AB

**Board of Directors Meeting**  
June 1, 2005 – 8:30 a.m.,  
Fantasyland Hotel, Edmonton, AB

**Annual General Meeting**  
June 3, 2005 – 8:00 a.m.  
Fantasyland Hotel, Edmonton, AB

**Board of Directors Meeting**  
October 22, 2005  
Victoria Inn, Winnipeg, MB

**2006 Annual Conference of the Appraisal Institute of Canada**  
May 24-27, 2006  
Delta Prince Edward Hotel  
Charlottetown, Prince Edward Island

For further information contact [info@aicanada.ca](mailto:info@aicanada.ca)

**BC British Columbia Association AIC Standards Seminars**  
June 17 & 18, 2005 - Coquitlam  
September 21 & 22 - Nelson  
November 4 & 5 - Lower Mainland  
For further details contact [kathy@appraisal.bc.ca](mailto:kathy@appraisal.bc.ca)

**Annual General Meeting**  
September 22, 2005  
Prestige Lakeside Resort & Convention Centre  
Nelson, BC

**MB Manitoba Association AIC Annual General Meeting**  
October 20, 2005 – 5:30 p.m.  
Victoria Inn, Winnipeg, MB  
This year's Annual General Meeting is being held in conjunction with the Institute's Board of Directors Meeting commencing October 21 through to October 23, 2005.  
The Annual General Meeting will be followed by a Reception @ 7:30 p.m. with the Executive of the Institute. Please join us.

**Standards Seminar**  
September 30 & October 1, 2005  
Victoria Inn, Winnipeg, MB  
For further information contact Lynne Smith Dark at [mbaic@mts.net](mailto:mbaic@mts.net)

**ON Ontario Association AIC Standards Seminar**

May 27 & 28	Toronto
July 22 & 23	Peterborough
September 23 & 24	Toronto
September 30 & October 1	North Bay
October 28 & 29	North Bay
November 25 & 26	Toronto
December 16 & 17	Toronto

**BUSI 330 – FOUNDATIONS OF REAL ESTATE APPRAISAL**  
July 25 – 29, 2005  
University of Western Ontario – London

**BUSI 400 – RESIDENTIAL PROPERTY ANALYSIS**  
July 25 – 29, 2005  
University of Western Ontario – London

For further information contact [info@oaaaic.on.ca](mailto:info@oaaaic.on.ca)

**NS The Nova Scotia Real Estate Appraisers Association** will host the first Atlantic Appraisers Conference in Halifax, Nova Scotia, September 30 - October 2, 2005. The proposed agenda includes a Friday evening reception, concurrent educational sessions for all day Saturday and Sunday morning, and a Saturday evening social event. The conference will be held at the Westin Nova Scotian Hotel on Halifax's historic waterfront.  
Registration information will be available by mid-June. Contact Davida Mackay at the NSREAA office for details, ph: 902-422-4077  
E-mail: [nsreea@nsappraisal.ns.ca](mailto:nsreea@nsappraisal.ns.ca)

## Our advertisers

The following companies/organizations have chosen the pages of *Canadian Appraiser* in which to promote their products and/or services. While this does not constitute endorsement by the Appraisal Institute of Canada, we thank them for their participation and encourage our readers to consider their support.

COMPANY	PAGE
ACI ( <a href="http://www.appraiserschoice.com">www.appraiserschoice.com</a> )	2, 3, 48
Personal Insurance Company	7
Marshall & Swift	24, 25



**Introducing CRAL Version 8.6.1!**

**CRAL**

**\$595**

*\* Discount available for additional users*

**Includes:**

- ✓ **CRAL**
- ✓ **Sketch**
- ✓ **Pocket Zoo**
- ✓ **Digital Signature**
- ✓ **Annual Premier Support and Updates**

**INDUSTRIAL STRENGTH APPRAISAL SOFTWARE**

**CALL TODAY!**  
**800.234.8727**

[appraiserschoice.com](http://appraiserschoice.com)