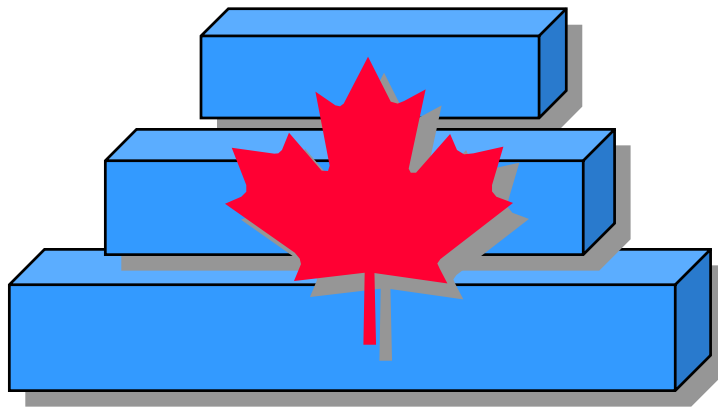


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# **CANADIAN UNIFORM STANDARDS**

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**of  
PROFESSIONAL  
APPRAISAL  
PRACTICE**



**The Standards Committee,  
Appraisal Institute of Canada  
National Office  
203 – 150 Isabella Street  
Ottawa, Ontario  
K1V 1S7**

**Effective 01/01/2005**

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

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## INTRODUCTION

This 2005 edition of the Canadian Uniform Standards of Professional Appraisal Practice (“The Standards”, or CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada. The Standards meet the sponsor criteria of the Appraisal Foundation in their international membership category, and endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation. Four Standards have been developed:

- Ethics Standard
- Appraisal Standard
- Review Standard
- Consulting Standard

**Rules** provide minimum performance Standards for ethics, appraisal, review and consulting assignments.

**Comments** clarify, interpret, explain and elaborate on the Rules, and form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

**Practice Notes** (*shown in italics*) offer advice, examples and resolution; their application is not compulsory.

**Definitions** form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

Finding material is made easy whether by hard copy or electronic retrieval through a system of simple line number references as depicted below:

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- Comments to Appraisal Standard	(Lines 1300 - 1999)
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## FOREWORD

1 The intent of these Standards is to promote and maintain a high level of public trust in  
2 professional appraisal practice by establishing requirements for appraisal, review and consulting  
3 assignments. These Standards begin with the Ethics Standard which sets out the requirements  
4 for integrity, impartiality, objectivity, independent judgement and ethical conduct.  
5 The Standards apply to all activities of any member involving an analysis, opinion or conclusion  
6 relating to the nature, quality, utility or value of a specified interest in - or aspects of - identified  
7 real estate.

8  
9 A Member of the Appraisal Institute of Canada must develop and communicate his/her analysis,  
10 opinions and advice in a manner that will be meaningful to the client, that will not be misleading  
11 in the market place, and that will be in compliance with these Standards.

12  
13 A member must not render Appraisal, Review or Consulting services in a careless or negligent  
14 manner. This requires a member to use due diligence and due care. The fact that the  
15 carelessness or negligence of a member has not caused an error that significantly affects his or  
16 her opinions or conclusions and thereby seriously harms an intended user does not excuse such  
17 carelessness or negligence.

18  
19 Authority for interpretation and application of these Standards is found in the terms of reference  
20 of appropriate Committees of the Institute.

### 21 22 **RULES**

23  
24 The Rules are based upon accepted appraisal teaching that incorporates the minimum  
25 compulsory content of principles for appraising, reviewing or consulting assignments necessary  
26 to provide a credible result. It is not anticipated that the fundamental concepts incorporated in  
27 these rules will change significantly over time; nonetheless, they will be amended by the  
28 Standards Committee as required.

### 29 30 **COMMENTS**

31  
32 Comments are provided to expand upon the interpretation and application of Rules. They are an  
33 integral part of these Standards and must be viewed as extensions of the Rules having the same  
34 force and effect. It may be anticipated that comments will be added or changed more frequently  
35 than Rules to respond to those industry issues that develop over time. Amendments to  
36 Comments will be made only if critical to the implementation of the Rules.

### 37 38 **PRACTICE NOTES**

39  
40 Practice notes supplement the general discipline of applying Standards which an appraiser learns  
41 through a combination of education and experience. These practice notes are not binding on the  
42 member. They are intended to provide a convenient resource for everyday application, giving  
43 examples for application of Rules for appraisal, review and consulting. As new issues emerge  
44 that require practical examples for implementation, Practice Notes will be developed to promote  
45 discussion and provide leadership to members in understanding how to comply with Standards.

## 46 **HOW TO USE THIS DOCUMENT**

47  
48 These Standards are set up in three tiers or levels.

49  
50 The three tiers: Rules, Comments and Practice Notes, apply to three Standards for the common  
51 appraisal activities: Appraisals, Review and Consulting.

52  
53 Tier one for each Standard is an expression of the Rules for that Standard. In the majority of  
54 assignments, reference need only be made to the Rules which are written to be as concise as  
55 possible.

56  
57 Note that each line of text is numbered (the line numbers at the left margin) and the numbering  
58 for each section is as indicated in the Table of Contents (Page 1).

59  
60 If further explanation of a Rule is required, links are provided to the Comments or second tier.  
61 The numbers in the right column (the “Go To” column) refer to the line number at the beginning  
62 of the appropriate Comment.

63  
64 The third tier of reference is the Practice Notes. When there is a Practice Note linked to a Rule,  
65 the line number reference will also be shown in the right column. Note that a link is referenced  
66 not only at the Rule level but also at the Comments level, when applicable. This minimizes the  
67 need to navigate back and forth through the pages of the document in order to retrieve the full  
68 text of Comments and Practice Notes that are linked to a particular Rule. While Comments  
69 follow immediately after the Rules for each Standard, Practice Notes form a single section. A  
70 Practice Note may be linked to Rules under more than one Standard.

71  
72 A comprehensive Index provides back-up features for quick access to linked Rules, Comments  
73 and Practice Notes.

## 74 75 76 77 78 79 80 **JURISDICTIONAL EXCEPTION**

81  
82 An assignment condition that voids the force of a part or parts of The Standards,  
83 when compliance would be contrary to law or public policy applicable to the assignment.

84  
85 Jurisdiction relates to the legal authority to legislate, apply or interpret law at either the federal,  
86 provincial or local levels of government. It is misleading not to identify the part or parts  
87 disregarded and the legal authority justifying this action. In every case, it is ultimately  
88 the responsibility of the appraiser under the “Reasonable Appraiser” test, and not the client  
89 or other intended users, to determine whether the use of the Jurisdictional Exception  
90 is appropriate.

Go To:

100 **ETHICS STANDARD - RULES**

101

102 **Preamble**

103 Members of the Institute pledge to conduct themselves in a manner that is not detrimental  
 104 to the public, the Institute, or the real property appraisal profession. Members' relationships  
 105 with other members and the Institute shall portray courtesy and good faith and show  
 106 respect for the Institute and its procedures.

107

108 **Rules**

109

110 It is unethical for a **member**:

402

111

112 1. to engage in **conduct** that will prejudice his/her professional status, the reputation  
 113 of the Institute, the appraisal profession, or any other member;

413

114

115 2. to act in a manner that is **misleading** or **fraudulent**;

426, 5074

116

117 3. to complete an assignment that **reasonable appraisers** could not support;

481

118

119 4. to claim **qualifications**, including Continuing Professional Development credits,  
 120 improperly;

491,525

121

122 5. to fail to **comply** with Bylaws, Regulations and Standards, and the Professional  
 123 Liability Insurance Program, of the Institute;

539

124

125 6. to refuse to **co-operate** with the Institute;

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126

127 7. not to have access to **records**;

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128

129 8. to **disclose** results of an assignment to anyone but the client, except with the client's  
 130 permission;

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131

132 9. to fail to reveal any **conflict** of interest;

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133

134 10. to undertake an assignment lacking the necessary **competence**;

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135

136 11. to accept an appraisal assignment that is **contingent** on the result.

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400 **ETHICS STANDARD - COMMENTS**

401

402 **Member**

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- 403 - member as used herein is that as defined in the Institute’s Bylaws, Article VII-3.
- 404 - Institute as used herein refers to the Appraisal Institute of Canada and to any
- 405 authorized National, Provincial and Chapter committee.
- 406 - only members holding the grade or rank of AACI are entitled to use of the term
- 407 “Accredited Appraiser”.
- 408 - only members holding AACI, P.App, CRA or P.Val. designations are entitled to
- 409 use the term “designated member”.

410

411

412

413 **Conduct**

5058

- 414 - members must perform assignments ethically, objectively and competently in a
- 415 meaningful manner in accordance with these Standards.
- 416 - members must not engage in activities within a group or organization that these
- 417 Standards would preclude them from doing as an individual.
- 418 - members cannot avoid their ethical responsibilities and obligations by doing indirectly
- 419 what they cannot do directly.
- 420 - conduct by a member that results in violation of any criminal or civil code is unethical.

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425

426 **Misleading**

115

- 427 - it is unethical for a member to develop, use or permit others to use, for any purpose any
- 428 report which the member knows, or ought to know, is misleading.
- 429
- 430 - members pledge to avoid advertising or solicitation which is false, misleading,
- 431 exaggerated or otherwise contrary to the public interest.
- 432
- 433 - to serve the public effectively, members must properly and accurately inform the
- 434 public as to the functions of the profession and the qualifications and credentials of its
- 435 members. This will enable the public requiring such professional services to select a
- 436 member of the profession upon the basis of an individual’s reputation for professional
- 437 competence or the confidence that the public has come to place in a professional
- 438 designation. The public interest is not served by the distribution or use of misleading or
- 439 deceptive advertising material, or by practices which impair the confidence of the
- 440 public in the profession. Members of the Institute may use advertising media not
- 441 only to inform prospective clients and the public that their professional services are
- 442 available, but also to advise such parties as to the range, nature and cost of such
- 443 professional services. Members must ensure however, that such advertising is not
- 444 misleading or calculated to create unrealistic expectations. In promoting an appraisal
- 445 practice, members are required to take particular care that they observe only the highest

446 standards of objectivity and impartiality. The Institute recognizes the right of its  
 447 members to engage in the personal solicitation of clients and business in any manner  
 448 that does not offend the legitimate interests of the public and the profession. Hence,  
 449 these Standards prohibit personal solicitation only when it violates the standards set for  
 450 advertising in general, or when such solicitation implies that the impartiality and  
 451 objectivity of the member in performing appraisal services will be compromised by the  
 452 member to accommodate the desires of the client.

453  
 454 - the use of a corporation, partnership or other business entity (or multiple entities) will  
 455 not shield a member from the ethical requirements of the Institute. Even if the name  
 456 of the member is not mentioned directly, it is unethical for a member to knowingly  
 457 permit a business entity that is wholly or partially owned or controlled by such member  
 458 to solicit appraisal business in a manner that is misleading or otherwise contrary to the  
 459 public interest.

460  
 461 - a member must not submit false or misleading information to an authorized committee  
 462 of the Institute.

463  
 464 - no one may refer to or use of the name of the Appraisal Institute of Canada or its  
 465 professional designations and trademarks in a misleading or deceptive manner. For  
 466 example, the name of the Institute or its designations may be used to refer factually  
 467 and accurately to an individual appraiser's membership, but such usage must never  
 468 suggest that a business organization is a member. These designations and their  
 469 trademarks are awarded only to an individual member and must never be used to give  
 470 the impression that a business organization holds any designation. Further, any  
 471 advertisement, leaflet, pamphlet, brochure or other material used for promotional or  
 472 solicitation purposes which refers to the Institute or to the Institute's professional  
 473 designations or trademarks must be dignified, conservative and in keeping with  
 474 the highest professional standards. The use of the Institute logos will be determined  
 475 by the Board of Directors.

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**Reasonable Appraiser**

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 482 - one who maintains a level of performance that would be acceptable to the Professional  
 483 Practice Peer Group.

484 - if reasonable appraisers conclude that there is no rational foundation for an analysis  
 485 or opinion, then such analysis or opinion would not be justified.

486  
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- 491 **Qualifications**
- 492 - it is unethical for members to fail to identify their status with the Institute in a report,
- 493 except as provided for below.
- 494
- 495 - it is unethical for candidate members to identify themselves as such unless
- 496 accompanied by a listing of their true educational standing with the Institute;
- 497
- 498 - it is unethical for CRA members to use that designation except in connection with
- 499 the appraisal, review or consulting on individual undeveloped residential dwelling sites
- 500 and of dwellings containing not more than four (4) self-contained family housing units;
- 501
- 502 - it is unethical for CRA members to sign appraisal, review or consulting reports on
- 503 properties other than those referred to above, unless the report is co-signed by an AACI
- 504 and issued without reference to the CRA designation;
- 505
- 506 - it is unethical for candidate members to sign any appraisal, review or consulting report
- 507 unless the report is co-signed by an appropriately designated member;
- 508
- 509 - it is unethical for affiliate or student members to hold themselves out in any way as a
- 510 practising member of the Institute.

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**Co-operate**

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- 517 - a member must not fail or refuse to provide, or unreasonably delay the submission of,
- 518 a written report, workfile or other material that is or that should be in the possession or
- 519 control of such member upon the request of the Institute.

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**Continuing Professional Development**

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- 526 - failure to obtain the required credits, including attendance at any mandatory course and/
- 527 or seminar, by the end of a cycle will result in the suspension of use of a designation.
- 528 Reinstatement requires obtaining the outstanding credits and attendance at any
- 529 mandatory course and/or seminar, completion of the log book/CPD web page
- 530 and verification and posting by the Institute.
- 531 - any appeal is to the Appeal Committee.
- 532 - members who are retired are not required to recertify.

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Go To:

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**Liability Insurance**

- members must be properly registered in the Professional Liability Insurance Program (PLIP) of the Institute.
- it is unethical for a member to claim or suggest there is insurance coverage when there is not.
- if the conditions surrounding an assignment result in it not being covered by the insurance program, the member must make it clear to the client prior to accepting the assignment that no recourse to the program exists for that assignment.
- if the assignment is such that insurance coverage does not exist, the Certification and Letter of Transmittal (if applicable) must contain an Extraordinary Limiting Condition to that effect.

5118

**Records**

- a member must prepare a workfile for each assignment. The workfile must include the name of the client and the identity, by name or type, of any other intended users; true copies of any written reports, documented on any type of media; summaries of any oral reports or testimony, or a transcript of testimony; the appraiser’s signed and dated certification; all other data, information, and documentation necessary to support the appraiser’s opinions and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation.
- a member must retain the workfile for a period of at least seven (7) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given or any PLIP proceeding, whichever period expires last and have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.

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- if a member is unable to retain a copy of each appraisal, whether by reason of an employer’s internal rules or by change of employer, all reasonable steps must be taken by the member to ensure the availability of such appraisals when requested. For example, members should obtain written commitment from employers that appraisal will be made available when required.
- a photocopy or an electronic copy of the entire actual written appraisal, review, or consulting report sent or delivered to a client satisfies the requirement of a true copy.
- care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period.
- a workfile must be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

**Disclosure**

- members pledge to uphold the confidential nature of the appraiser/client relationship.
- a member must not disclose the analyses, opinions, or conclusions in an assignment to anyone other than:
  - the client and those persons specifically authorized by the client to receive such information;
  - third parties, when the member is legally required to do so by due process of law; or
  - an authorized Committee of the Institute.
- a member must not disclose information provided by a client on a confidential basis to anyone other than:
  - those persons specifically authorized by the client to receive such data;
  - third parties, when required to do so by due process of law; or
  - an authorized Committee of the Institute.
- when serving the Institute in any capacity, a member must not disclose or use confidential information obtained in connection with such service.

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Go To:

- 625 **Conflict**
- 626 - members pledge to develop, support and communicate each analysis, opinion and
- 627 conclusion without regard to any personal interest.
- 628
- 629 - it is unethical for a member to accept an assignment if the member has any direct or
- 630 indirect, current or contemplated, personal interest in the subject matter or the
- 631 outcome of the assignment unless such personal interest:
- 632 - is revealed to the client in writing prior to acceptance of the assignment; and
- 633 - is fully and accurately revealed in each report.
- 634
- 635 - the payment of concealed fees, commission or things of value in connection with the
- 636 procurement of appraisal, review or consulting assignments is unethical.

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- 637
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- 640
- 641 **Competence**
- 642 - prior to accepting an assignment or entering into an agreement to perform any
- 643 assignment, an appraiser must properly identify the problem to be addressed and have
- 644 the knowledge and experience to complete the assignment competently; or
- 645 alternatively:
- 646 - disclose the lack of knowledge and/or experience to the client before accepting
- 647 the assignment; and
- 648 - take all steps necessary or appropriate to complete the assignment competently;
- 649 and
- 650 - describe the lack of knowledge and/or experience and the steps taken to
- 651 complete the assignment competently in the report.

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- 657 **Contingent**
- 658 - it is unethical for a member to accept an appraisal assignment if compensation for the
- 659 assignment is contingent upon:
- 660 - reporting a predetermined value;
- 661 - a direction in value that favours the client;
- 662 - the amount of the value opinion (i.e. ad valorem);
- 663 - the attainment of a stipulated result; or
- 664 - the occurrence of a subsequent event directly related to the value opinion.

5312

- 665  
666 - when both an appraisal and a consulting assignment are performed by an appraiser,  
667 compensation for the consultation may be on a contingent fee basis. The appraiser  
668 must:  
669 - make arrangements with the client such that the consulting appraiser's  
670 compensation for developing the real property appraisal is on a basis that complies  
671 with this Ethics Rule; or  
672 - retain (or suggest that the client retain) another appraiser to perform the real  
673 property appraisal under compensation arrangements that do not violate this  
674 Ethics Rule; and  
675 - properly certify the real property consulting report, including therein a clear  
676 disclosure of the separate compensation arrangements for the appraisal portion  
677 and the real property consulting portion of the assignment.  
678  
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- 681  
682 - the purpose of this rule is to ensure that appraisers properly understand how they  
683 may comply with this Ethics Standard when performing a real property consulting  
684 assignment in which a real property appraisal is necessary and compensation for  
685 performing the assignment is contingent on the attainment of a stipulated result or the  
686 occurrence of a subsequent event (such as in connection with real property assessment  
687 appeal).  
688

- 689 - if no report (as defined) is prepared, a member acting as a broker, sales agent or listing  
690 agent, in determining a listing price for a client, is not deemed to be providing a formal  
691 appraisal of market value. This must be made clear to the client.  
692  
693

694 A member acting as a broker or sales/listing agent may not be covered by the insurance  
695 program of the Institute for claims arising from expressions of value prepared for  
696 listing purposes.  
697

- 698 - in summary:  
699 - appraisal must not be on a contingent fee basis;  
700 - expert testimony based on his/her appraisal report must not be on a contingent  
701 fee basis;  
702 - consulting may be on a contingent fee basis;  
703 - a member may be an appraiser and consultant on the same assignment.  
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1000	<b>APPRAISAL STANDARD - RULES</b>	Go to:
1001		
1002	<b>Preamble</b>	
1003	This Standard deals with the procedures for the development and communication of a	
1004	formal opinion of value, and incorporates the minimum content necessary to produce a	
1005	credible report that will not be misleading.	
1006		
1007	<b>Rules</b>	
1008		
1009	In the <b>report</b> the appraiser must identify:	1302
1010		
1011	1. the <b>client</b> and other intended users, by name;	1320
1012		
1013	2. the <b>intended use</b> of the appraiser's opinions and conclusions;	1334
1014		
1015	3. the <b>purpose</b> of the assignment, including a relevant definition of value;	1342
1016		
1017	4. the <b>scope of work</b> necessary to complete the assignment;	1351
1018		
1019	5. whether the appraisal is <b>current, retrospective, prospective</b> , or an <b>up-date</b> ;	1368
1020		
1021	6. an analysis of reasonable <b>exposure time</b> linked to a market value opinion;	1428
1022		
1023	7. the <b>effective date</b> of the appraiser's opinions and conclusions;	1449
1024		
1025	8. the <b>date of the report</b> ;	1456
1026		
1027	9. the <b>location and characteristics of the property and the interest appraised</b> ;	1468
1028		
1029	10. all <b>assumptions and limiting conditions</b> ;	1491
1030		
1031	11. any <b>hypothetical conditions</b> (including proposed improvements);	1508
1032		
1033	12. <b>land use controls</b> ;	1551
1034		
1035	In the report the appraiser must:	
1036		
1037	13. state the existing <b>use</b> and the use reflected in the appraisal;	1560
1038		
1039	14. define and resolve the <b>highest and best use</b> ;	1568
1040		
1041	15. <b>describe and analyze</b> all data relevant to the assignment;	1585
1042		
1043	16. describe and apply the <b>appraisal procedures</b> relevant to the assignment;	1601
1044		
1045	17. support the reason for the <b>exclusion</b> of any of the usual valuation procedures;	1644
1046		
1047	18. detail the <b>reasoning</b> supporting the analyses, opinions and conclusions of each	1654
1048	valuation approach;	

Go To:

1049		
1050	19. when developing an opinion of the value of a <b><u>leased fee</u></b> or a <b><u>leasehold estate</u></b> ,	1663
1051	analyze the effect on value, if any, of the terms and conditions of the lease(s);	
1052		
1053	20. analyze the effect on value of an <b><u>assemblage</u></b> ;	1670
1054		
1055	21. analyze the effect on value of <b><u>anticipated public or private improvements</u></b> ;	1678
1056		
1057	22. analyze the effect on value of any <b><u>personal property</u></b> ;	1685
1058		
1059	23. analyze any <b><u>Agreement for Sale</u></b> , <b><u>option</u></b> , or <b><u>listing of the property</u></b> ;	1695
1060		
1061	24. analyze any <b><u>prior sales</u></b> of the property;	1703
1062		
1063	25. <b><u>review and reconcile</u></b> the data, analyses and conclusions of each valuation	1711
1064	approach into a final value estimate;	
1065		
1066	26. report the <b><u>final value</u></b> estimate;	1720
1067		
1068	27. include a signed <b><u>certification</u></b> of value;	1727
1069	Note: An appraiser who <b><u>signs</u></b> a certification of value accepts <b><u>responsibility</u></b> for	1768.1304
1070	the appraisal and the contents of the appraisal report.	
1071		

1300	<b>APPRAISAL STANDARD - COMMENTS</b>	Go To
1301		
1302	<b>Report</b>	6001
1303	- a report transmitted through any medium must comply with this Standard.	
1304	- appraisers must take steps meeting the “Reasonable Appraiser” test to protect the	481
1305	integrity of transmitted reports, including a digital signature security feature for	1069
1306	reports transmitted electronically.	
1307	- a <u>workfile</u> must be prepared for each assignment, and include a true copy of any	6090
1308	written report, documented on any type of media.	
1309	- to the extent that it is both possible and appropriate, each <u>oral</u> real property	6098
1310	appraisal report, including expert testimony that addresses value, must comply	
1311	with the Appraisal Standard Rules.	
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1320	<b>Client</b>	6111
1321	- the client is generally the party or parties ordering the appraisal report. It does not	6902
1322	matter who pays for the work. (see also Jurisdictional Exception)	82
1323	- the client/appraiser relationship lasts at least until the completion of the intended	
1324	use of the original appraisal or release from client.	
1325	- a party receiving a report copy from the client does not, as a consequence,	
1326	become a party to the client relationship.	
1327	- intended users must be identified by the appraiser on the basis of communication	
1328	with the client. If identification by name is not appropriate or practical the appraiser	
1329	may identify an intended user by type.	
1330		
1331		
1332		
1333		
1334	<b>Intended Use</b>	6128
1335	- necessary for the appraiser and the client to determine the appropriate scope of	
1336	work to be undertaken, and the level of information to be included in the report.	
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1342	<b>Purpose</b>	6942
1343	- liability to the client depends on the appraiser’s understanding of the client’s	
1344	purpose in ordering the appraisal.	
1345	- a definition of the <u>value</u> found is required together with the source of the definition.	6142
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**1351 Scope of Work**

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1352 - the amount and type of information researched and analysis applied. Scope includes,  
1353 but is not limited to, the extent of:

1354 - inspection

1355 - research into physical and economic factors that could  
1356 affect the property

1357 - data research, verification, and inspection of comparables

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1358 - analysis applied

1359 The scope of work applied must be sufficient to result in opinions/conclusions that are  
1360 credible in the context of the intended use of the appraisal. The appraiser has the  
1361 burden of proof to support the scope of work decision and the level of information  
1362 included in a report.

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**1368 Current Value Opinion**

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1369 - refers to an effective date contemporaneous with the date of the report, at the time of  
1370 inspection or at some other date within a reasonably short period from the date of  
1371 inspection when market conditions have not or are not expected to have changed.

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**1377 Retrospective Value Opinion**

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1378 - refers to an effective date prior to the date of the report. The use of clear language  
1379 and consistent terminology in a retrospective report (e.g. past tense throughout) is  
1380 necessary for the reader not to be misled and to understand market conditions as  
1381 of the retrospective effective date.

1382

1383 Data subsequent to the effective date may be considered as confirmation of trends  
1384 evident at that date. It is up to the appraiser to determine an appropriate cut-off  
1385 date. In the absence of such data, the effective date is the cut-off date.

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**1391 Prospective Value Opinion**

1392 - refers to an effective date following the date of the report; it is a forecast. The use  
1393 of clear language and consistent terminology in a prospective report (e.g. future  
1394 tense throughout) is necessary for the reader not to be misled and to understand  
1395 market conditions as of the prospective effective date. Prospective value



1396 opinions are intended to reflect the current perceptions of market participants as  
 1397 to the future. These opinions should be judged on the market support for the  
 1398 forecasts when made, not whether in hindsight they in fact occurred. An  
 1399 Extraordinary Assumption must be clearly portrayed in the report citing the  
 1400 market conditions from which the prospective value opinion was developed, and  
 1401 absolving the appraiser from responsibility for unforeseeable events that alter  
 1402 market conditions prior to the effective date.

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#### 1408 Updated Value Opinion

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1409 - refers to an extension of an original appraisal, changing the effective date. In the  
 1410 update any changes in the status of the subject, in market conditions or in any  
 1411 respect affecting value since the prior appraisal must be reported, with analyses  
 1412 of these changes in developing an updated opinion. The updated  
 1413 report must clearly show that it can only be relied upon by a reader familiar with  
 1414 the original.

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#### 1428 Exposure Time

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1429 - is referred to in most market value definitions. In an appraisal, the term means the  
 1430 estimated length of time the property interest being appraised would have been offered  
 1431 on the market before the hypothetical consummation of a sale at market value on the  
 1432 effective date of the appraisal; a retrospective estimate based upon an analysis of  
 1433 past events assuming a competitive and open market. It is always presumed to  
 1434 have preceded the effective date of the appraisal. It may be expressed as a range,  
 1435 and should appear in that section of the report that presents the discussion and  
 1436 analysis of market conditions, and with the final value conclusion. Exposure time  
 1437 is different for various types of real estate and under various market conditions.  
 1438 Rather than appear as an isolated estimate of time, it must refer to the property  
 1439 appraised, at the value estimated. The overall concept of reasonable exposure  
 1440 time encompasses not only adequate, sufficient and reasonable time, but also  
 1441 adequate, sufficient and reasonable marketing effort. The distinction between  
 1442 exposure time (i.e. past) and marketing time (i.e. future) must be made clear if  
 1443 both are referred to in the report.

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1449	<b>Effective Date</b>	1368
1450	- establishes the context for the value opinion; the date of value.	
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1456	<b>Date of Report</b>	1025
1457	- being the date of its completion as identified on the Letter of Transmittal, indicates	
1458	whether the perspective of the appraiser on the market or property use conditions as	
1459	of the effective date of the appraisal was retrospective, current or prospective. Where	
1460	retrospective or prospective, the date of the report and the effective date of the	
1461	appraisal must be included in tandem throughout, to provide the reader with a clear	
1462	understanding of any distinction in conditions between the two dates.	
1463	Compliance is required with the Standards in effect as at the date of the report.	
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1468	<b>Characteristics of the Property</b>	6320
1469	- relevant to the purpose and intended use of the report, strengths and weaknesses must	
1470	be analysed and included in the report:	
1471	- the property <b>identification</b> by civic address and/or legal description or other such	
1472	specific reference to describe the location of the property with certainty;	
1473	- the real property <b>interest</b> to be valued;	
1474	- <b>physical, legal</b> and <b>economic</b> attributes;	6382
1475	- any <b>personal property</b> , trade fixtures or intangible items that are	
1476	not real property but are included in the appraisal;	
1477	- any known or apparent <b>title</b> restrictions, easements, encumbrances, leases,	6329,6544
1478	reservations, covenants, contracts, judgements,	
1479	special assessments, liens, or other items of a similar nature;	
1480	- consideration of known <b>detrimental conditions</b> ;	6335
1481	- whether the subject property is a <b>fractional interest</b> , physical segment, or	6394
1482	partial holding;	
1483	- the extent of <b>inspection</b> of the subject property;	6410
1484	(Note: inspection of the subject property is mandatory, subject to any	
1485	<u>Extraordinary Limiting Condition</u> )	6526
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1491	<b>Assumptions and Limiting Conditions</b>	6468
1492	- Ordinary Assumptions and Limiting Conditions should be grouped together and	
1493	disclosed in an identified section of the report.	
1494	- <b><u>Extraordinary Assumption</u></b> refers to a hypothesis - either supposed or unconfirmed	6500
1495	- which, if not true, could alter the appraiser's opinions and conclusions. Full	
1496	disclosure of any Extraordinary Assumption must accompany statements of each	
1497	opinion/conclusion so affected (see also Hypothetical Conditions)	
1498	- <b><u>Extraordinary Limiting Condition</u></b> refers to a necessary modification or exclusion	6526
1499	of a Standard Rule. The burden is on the appraiser to explain and justify such	
1500	necessity in the report, and to conclude before accepting an assignment and invoking	
1501	an Extraordinary Limiting Condition that the scope of work applied will result in	
1502	opinions/conclusions that are credible.	
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1508	<b>Hypothetical Conditions</b>	1031
1509	- may be used when they are required for legal purposes, for purposes of reasonable	
1510	analysis, or for purposes of comparison. Common hypothetical conditions include	6508
1511	proposed improvements and prospective appraisals. When appraising <u>proposed</u>	
1512	<u>improvements</u> , examine and have available for future examination:	
1513	- plans, specifications, or other documents sufficient to identify the scope and	
1514	character of the proposed improvements;	
1515	- evidence indicating the probable time of completion of the proposed	
1516	improvements; and	
1517	- reasonably clear and appropriate evidence supporting development costs,	
1518	anticipated earnings, occupancy projections, and the anticipated competition at	
1519	the time of completion.	
1520	- (a recertification of value does not change the effective date of the appraisal.)	
1521		
1522	For every <u>Hypothetical Condition</u> , an <u>Extraordinary Assumption</u> is required in the	1494
1523	report.	
1524		
1525	Hypothetical conditions can apply whether the assignment is for the purpose of	
1526	developing a <u>retrospective</u> , <u>current</u> , <u>prospective</u> or <u>update</u> value opinion.	
1527	It must be clear to the reader that:	
1528	1. the property condition does not in fact exist as at the date of appraisal;	
1529	2. the analysis performed to develop the opinion of value is based on a	
1530	hypothesis, specifically that the property condition is assumed to exist	
1531	when, in fact, it does not;	
1532	3. certain events need to occur, as disclosed in the report, before the property	
1533	condition will, in fact, exist;	
1534	4. the appraisal does not consider unforeseeable events that could alter the	
1535	value conclusion;	
1536	5. a different value conclusion would likely result but for the hypothesis.	
1537		
1538	Appraisals for <u>expropriation</u> can incur hypothetical conditions, and may require	6399
1539	the appraiser to invoke the <u>Jurisdictional Exception</u> protocol.	82

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1541	The hypothetical condition must be clearly disclosed in the report, with a	
1542	description of the hypothesis, the rationale for its use and its effect on the result of	
1543	the assignment. An analysis based on a hypothetical condition must not result in	
1544	an appraisal report that is misleading.	
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1551	<b>Land Use Controls</b>	6617
1552	- must be identified and their effect on use and value analyzed, together with any	
1553	reasonably probable modifications of such regulations in light of economic	
1554	demand, the physical adaptability of the real estate, and market area trends.	
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1560	<b>Use</b>	1037
1561	- the use of the real estate existing as of the effective date of the appraisal must be	
1562	included to distinguish the use from the highest and best use.	
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1568	<b>Highest and Best Use</b>	6639
1569	- the report must contain the appraiser's opinion as to the highest and best use of the	
1570	real estate, unless an opinion as to highest and best use is irrelevant. If the purpose	
1571	of the assignment is market value, the appraiser's support and rationale for the	
1572	opinion of highest and best use is required. The appraiser's reasoning in support of	
1573	the opinion must be provided in the depth and detail required by its significance to	
1574	the appraisal, based on the relevant legal, physical and economic factors. As land is	
1575	usually appraised as though vacant and available for development to its highest and	
1576	best use, opinions are required both as to:	
1577	1. the land, as if vacant, and;	
1578	2. the property, if improved.	
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1585	<b>Describe and Analyze</b>	1041
1586	- the appraiser must take reasonable steps to ensure that the information and analyses	
1587	provided are sufficient for the client and intended users to adequately understand the	
1588	rationale for the opinion and conclusions.	

1589			Go To:
1590	In the process of collecting and verifying relevant information the appraiser must		
1591	perform this function in a manner consistent with “ <u>Reasonable Appraiser</u> ” standards.	481	
1592	All three approaches require the collection of comparable data. The decision	1354	
1593	to inspect comparables and the extent of verification of data will be determined by		
1594	the scope of the assignment, but in all cases the appraiser must conform to		
1595	“Reasonable Appraiser” standards.		
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1600	<b>Appraisal Procedures</b>		
1601	- when a <b><u>direct comparison</u></b> approach is applicable, an appraiser must analyze such	6672	
1602	comparable data as are available to indicate a value conclusion.		
1603			
1604	- when a <b><u>cost approach</u></b> is applicable , an appraiser must:		
1605	- develop an opinion of site value by an appropriate appraisal method or		
1606	technique;		
1607	- analyze such comparable cost data as are available to estimate the cost new	6682	
1608	of the improvements (if any); and		
1609	- analyze such comparable data as are available to estimate the difference		
1610	between cost new and the present worth of the improvements (accrued		
1611	depreciation).		
1612			
1613	- when an <b><u>income approach</u></b> is applicable, an appraiser must:		
1614	- analyze trends, forecasts and such comparable rental data as are available to		
1615	estimate the market rental of the property;		
1616	- analyze such comparable operating expense data as are available to estimate		
1617	the operating expenses of the property;		
1618	- analyze such comparable data as are available to estimate rates of		
1619	capitalization and/or rates of discount; and		
1620	- base projections of future rent and expenses on reasonably clear and		
1621	appropriate evidence.		
1622			
1623	- when a <b><u>discounted cash flow analysis</u></b> is applicable, an appraiser must:	6734	
1624	- analyze such data as are available from the real estate and capital markets		
1625	and from surveys of investor opinions;		
1626	- ensure that input data is specific to the type of property being appraised;		
1627	- clearly display all relevant data, cash flow projections and assumptions on		
1628	which the analyses are based; and		
1629	- identify and describe any computer software used in the analyses.		
1630			
1631	- when an <b><u>automated valuation model</u></b> is applicable, an appraiser must:	6797	
1632	- have a basic understanding of how the AVM operates;		
1633	- determine if use of the AVM is appropriate for the assignment;		
1634	- ensure that the AVM does not exclude relevant data necessary for a credible		
1635	result; and		
1636	- when developing opinions or conclusions in an appraisal, respond to these		
1637	Standards.		Go To
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**Exclusions**

- excluding any of the three traditional approaches to value that would be considered pertinent under the “Reasonable Appraiser” standard, constitutes an **Extraordinary Limiting Condition** that requires disclosure with reasoning. The exclusion of a relevant approach must not result in a report that is misleading.

**Reasoning**

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

**Leased Fee/Leasehold Estate**

- may be less than, equal to or greater than the value of all interests in the property.

**Assemblage**

- the value of the whole may be less than, equal to or more than the sum of the components of the various estates or parcels. Establishes the effect on value, if any, of the “larger parcel”. May be omitted when not relevant to the assignment.

**Anticipated Improvements**

- whether located on or off the site must be considered and analyzed as to their effect on value, if any. May be omitted when not relevant to the assignment.

1685 **Personal Property**

- 1686 - including trade fixtures or intangible items that are not real property but that are  
 1687 included in the appraisal. May be omitted when not relevant to the assignment,  
 1688 otherwise competency in personal property appraisal is required when it is necessary  
 1689 to allocate the overall value.

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1695 **Agreement for Sale/Option/Listing**

- 1696 - must be analyzed and reported if any agreement for sale, option or listing of the  
 1697 subject property occurred within one year prior to the date of valuation, if such  
 1698 information is available to the appraiser in the normal course of business.

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1703 **Prior Sales**

- 1704 - must be analyzed and reported if any sale of the subject property occurred  
 1705 within three years prior to the effective date of the appraisal, if such information is  
 1706 available as at the date of valuation to the appraiser in the normal course of  
 1707 business  
 1708 -any impact on the price paid under known undue stimulus must be reported.

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1711 **Review and Reconcile**

- 1712 - the quality and quantity of data available and analyzed within the approaches used,  
 1713 and the applicability and reliability of those approaches in the context of the scope  
 1714 of the assignment.

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1720 **Final Value**

- 1721 - may be a single point value, a range of values or an indication of value, for example,  
 1722 “not less than” or “not greater than” a specified amount.

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1727 **Certification**

- 1728 - each written real property appraisal report must contain a signed certification that is  
 1729 similar in content to the following form:

1730 Re: (Property Identification)

1731 I certify to the best of my knowledge and belief that:

- 1732 - the statements of fact contained in this report are true and correct;

- 1733 - the reported analyses, opinions, and conclusions are limited only by the reported

1734 assumptions and limiting conditions, and are my personal impartial, and

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- 1735 unbiased professional analyses, opinions, and conclusions;
- 1736 - I have no (or the specified) present or prospective interest in the property that
- 1737 is the subject of this report, and no (or the specified) personal interest with
- 1738 respect to the parties involved;
- 1739 - I have no bias with respect to the property that is the subject of this report or
- 1740 to the parties involved with this assignment;
- 1741 - my engagement in and compensation for this assignment were not contingent upon
- 1742 developing or reporting predetermined results, the amount of the value estimate, or a
- 1743 conclusion favouring the client;
- 1744 - my analyses, opinions, and conclusions were developed, and this report has been
- 1745 prepared, in conformity with the Canadian Uniform Standards;
- 1746 - I have the knowledge and experience to complete the assignment competently;
- 1747 - no one provided significant professional assistance to the person(s) signing this
- 1748 report. (If there are exceptions, the name of each individual providing significant
- 1749 professional assistance and the extent of that assistance must be stated.);
- 1750 - as of the date of this report the undersigned has fulfilled the requirements of The
- 1751 Appraisal Institute of Canada Continuing Professional Development Program
- 1752 for designated members and candidate members;
- 1753 - the undersigned personally inspected the subject property on (specify date property
- 1754 was personally inspected);
- 1755 - or, the undersigned did not inspect the property;
- 1756 - based upon the data, analyses and conclusions contained herein, the market value
- 1757 of the interest in the property described, as at (insert date), is estimated at (insert
- 1758 value);
- 1759 - signature and date of certification.
- 1760 - (if more than one person signs, this certification must clearly specify which
- 1761 individuals did and which individuals did not make a personal inspection of the
- 1762 appraised property.)
- 1763
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- 1768 **Responsibility**
- 1769 - at least one appraiser must be responsible for the entire report.
- 1770
- 1771 - if the certification of value bears only one signature, then that individual is
- 1772 responsible for the entire report;
- 1773
- 1774 - appraisers must disclose in the certification, any significant professional assistance in
- 1775 the preparation of a report;
- 1776
- 1777 - appraisers must disclose in the certification, and accept responsibility for, any
- 1778 significant valuation assistance in the preparation of a report;
- 1779
- 1780 - in no circumstances is it appropriate for an appraiser to merely sign an appraisal
- 1781 report prepared by an assistant;



Go To:

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1784	- if the certification of value bears the signature of the appraiser and employer/	
1785	supervisor/prime contractor, then both individuals are responsible for the entire report;	
1786		
1787	- if the certification of value bears the signature of two or more appraisers as joint	
1788	authors, then each is responsible for the entire report;	
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1790	- another person with authorization may sign the certifying appraiser's name, unless	6489
1791	contrary to the law of the relevant jurisdiction.	82
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2000 **REVIEW STANDARD - RULES**

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2002 **Preamble**

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2004 In performing an appraisal review assignment, an appraiser acting as a reviewer must  
 2005 develop and report a credible opinion as to the quality of another appraiser's work and  
 2006 must clearly disclose the scope of work performed in the review assignment.

2007

2008 This Standard deals with the procedures for the development and communication of a  
 2009 real property appraisal review, and incorporates the minimum content necessary to  
 2010 produce a credible review report that is not misleading. The Appraisal Review  
 2011 determines compliance with the Appraisal Standard. This Standard does not dictate the  
 2012 form, format or style of appraisal review reports which are functions of the needs of  
 2013 users and appraisers. The substantive content of the appraisal review report determines  
 2014 its compliance.

2015

2016 There is a distinction between the terms "technical review" and "administrative review".

2017

2018 A technical review is work performed by an independent third party appraiser in  
 2019 accordance with this Review Standard, of an appraisal report prepared by another  
 2020 appraiser for the purpose of forming an opinion as to whether the analysis, opinions and  
 2021 conclusions in the report under review are appropriate and reasonable. The review  
 2022 appraiser does not sign/co-sign the appraisal report that is under review.

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2023

2024 An administrative review is work performed by clients and users of appraisal services as  
 2025 a due diligence function in the context of making a business decision.

2026

2027 This Standard is not applicable to:

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- Administrative Review;

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- Supervisory co-signing;

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- Professional Practice Peer Review

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2033 **Rules**

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2035 In the **report**, the review appraiser must identify:

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2037 1. the **client** and other intended users, by name;

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2039 2. the **intended use** of the review appraiser's opinions and conclusions;

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2040

2041 3. the **purpose** of the appraisal review assignment;

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2042

2043 4. the **report** under review, the appraiser(s) that completed the report  
 2044 under review, the **real estate** and **real property interest** appraised, and  
 2045 the **effective date** of the opinion in the report under review;

2046

2047 5. the **date of the review**;

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2049		Go To:
2050	6. the <b><u>scope of work</u></b> of the review process that was conducted;	2370
2051		
2052	7. all <b><u>assumptions and limiting conditions</u></b> ;	
2053		
2054	In the report, the review appraiser must:	
2055		
2056	8. provide an opinion as to the <b><u>completeness</u></b> of the report under review within the	2411
2057	scope of work applicable in the review assignment;	
2058		
2059	9. provide an opinion as to the apparent adequacy and relevance of the <b><u>data</u></b> and the	2420
2060	propriety of any <b><u>adjustments</u></b> to the data;	
2061		
2062	10. provide an opinion as to the appropriateness and proper application of the	
2063	<b><u>appraisal methods and techniques</u></b> used;	
2064		
2065	11. provide an opinion as to whether the analyses, opinions and conclusions in the	
2066	report under review are <b><u>appropriate and reasonable</u></b> ;	
2067		
2068	12. provide the reasons developed for any <b><u>disagreement or agreement</u></b> with the	6955
2069	appraisal report being reviewed;	
2070		
2071	13. include all known <b><u>pertinent information</u></b> ; and,	
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2073	14. include a signed <b><u>certification</u></b> ;	2430
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2300	<b>REVIEW STANDARD - COMMENTS</b>	Go To:
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2302	<b>Report</b>	6001
2303	- a review report transmitted through any medium must comply with this Standard.	
2304	- the function of reviewing an appraisal requires the preparation of a separate review	
2305	report by an appraiser performing the review, setting forth the results of the review	
2306	process. Appraisers must take steps meeting the “Reasonable Appraiser” test to	
2307	protect the integrity of transmitted reports, including a digital signature security feature	
2308	for reports transmitted electronically.	
2309	- the review report is a supplementary critique intended for use in conjunction with the	
2310	report under review.	
2311	- a workfile must be prepared for each assignment, and include a true copy of any	6090
2312	written report, documented on any type of media.	
2313	- to the extent that it is both possible and appropriate, each oral appraisal review report,	
2314	including expert testimony that addresses the appraisal review, must comply with the	
2315	Review Standard Rule.	
2316	- a workfile must be in existence prior to and contemporaneous with the issuance of a	
2317	written or oral review report. A written summary of such oral report must be added to	
2318	the workfile within a reasonable time after the issuance of the oral report.	
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2320		
2321	<b>Client and Intended Users</b>	6111
2322	- a review appraiser must identify the client and, to the extent practical, other intended	
2323	users as part of the process of identifying the client’s intended use of the review	
2324	report by communication with the client prior to accepting the assignment.	
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2330	<b>Intended Use</b>	6128
2331	- a review appraiser must identify and consider the client’s intended use of the review	
2332	appraiser’s reported opinions and conclusions in order to properly define the problem	
2333	under study and to understand the development and reporting responsibilities	
2334	in a review assignment. The client’s intended use of the opinions and conclusions	
2335	must be stated in an appraisal review report.	
2336	- the intended use of a review appraiser’s reported conclusions and opinions is	
2337	established by the client. A review appraiser identifies the client’s intended use by	
2338	communicating with the client before accepting the assignment.	
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2343	<b>Purpose</b>	6942
2344	- a review appraiser must ascertain whether the purpose of the assignment includes the	
2345	development of an opinion of value of the subject property of the appraisal under	
2346	review.	
2347	- if the purpose of the assignment includes the review appraiser developing an opinion	7041
2348	of value of the subject property in the appraisal under review, that opinion is an	

- 2349 appraisal whether:
- 2350 a) it concurs with the opinion of value in the appraisal under review;
- 2351 1) at the same date of the value in that appraisal or;
- 2352 2) as of a different date; or
- 2353 b) it differs from the opinion of value in the appraisal under review;
- 2354 1) at the same date of the value in that appraisal or;
- 2355 2) as of a different date.
- 2356 - pursuant to either a) or b) above, the review appraiser must identify and state any new
- 2357 information relied upon, the reasoning and basis for the opinion of value and all
- 2358 assumptions and limiting conditions (if different from or in addition to those in the
- 2359 appraisal report under review) connected with the opinion of value.
- 2360
- 2361 - those items in the report under review that the review appraiser concludes are in
- 2362 compliance with the Appraisal Standard can be used in the review appraiser's
- 2363 development process. Those items not deemed to be in compliance must be replaced
- 2364 with information or analysis developed in accordance with the Appraisal Standard in
- 2365 order to produce a credible value opinion.
- 2366
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- 2370 **Scope of Work**
- 2371 - a review appraiser must indicate the extent of the review process.
- 2372
- 2373 - a review appraiser must identify any Extraordinary Assumptions necessary in the
- 2374 review assignment. An Extraordinary Assumption may be used in an appraisal review
- 2375 assignment only if it is required to properly develop credible opinions and conclusions;
- 2376 the review appraiser has a reasonable basis for the Extraordinary Assumption; and, use
- 2377 of the Extraordinary Assumption results in a credible analysis.
- 2378
- 2379 - a review appraiser must ascertain whether the scope of the assignment includes the
- 2380 development of an opinion of value on the subject property. The review
- 2381 appraiser is not required to replicate the steps completed by the original appraiser.
- 2382 Those items in the appraisal under review that the review appraiser concludes are
- 2383 credible and in compliance with the appraisal standard can be extended to the review
- 2384 appraiser's value opinion development process on the basis of an extraordinary
- 2385 assumption by the review appraiser. Those items not deemed to be in compliance
- 2386 must be replaced with information or analysis by the review appraiser, developed in
- 2387 conformance with the appraisal standard to produce a credible value opinion. When
- 2388 the purpose of an appraisal review includes the review appraiser developing an opinion
- 2389 of value, in addition to developing an opinion as to the quality of the appraisal under
- 2390 review, the review appraiser's scope of work must be in compliance with the
- 2391 requirements of this standard in developing the opinion as to the quality of the
- 2392 appraisal under review and, the appraisal standard involved in the appraisal under
- 2393 review. When the purpose of an appraisal review includes the review appraiser
- 2394 developing an opinion of value, the review appraiser may use additional information
- 2395 either locally, regionally, or nationally - that was not available to the original appraiser
- 2396 in the development of the value opinion in the report under review.

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Go To:

- 2398 - it is not necessary that the review appraiser's value opinion be set forth in a separate  
 2399 appraisal report. The reviewer's opinion of value can be set forth within the appraisal  
 2400 review report however, that value opinion must be prepared and reported in accordance  
 2401 with the Appraisal Standard.

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### 2411 **Completeness**

- 2412 - the review appraiser must form an opinion as to the completeness of the appraisal  
 2413 under review. This requires review of the appraisal to determine whether or not it met  
 2414 the requirements set by its stated purpose and scope of work.

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### 2420 **Data**

- 2421 - the review must be conducted in the context of market conditions as of the effective  
 2422 date of the opinion in the report being reviewed.  
 2423 - data that could not have been available to the appraiser on the date of the report being  
 2424 reviewed must not be used by a review appraiser in the development of a review.

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### 2430 **Certification**

- 2431 - each written real property appraisal review report must contain a signed certification  
 2432 that is similar in content to the following:  
 2433 Re: (Property Identification)  
 2434 I certify to the best of my knowledge and belief that:  
 2435 - the facts and data reported in the review process are true and  
 2436 correct.  
 2437 - the analyses, opinions, and conclusions in this review report are limited only by the  
 2438 assumptions and limiting conditions stated in this review report, and are my  
 2439 personal, unbiased professional analyses, opinions, and conclusions.  
 2440 - I have no (or the specified) present or prospective interest in the property that  
 2441 is the subject of this review report, and I have no (or the specified) personal interest  
 2442 with respect to the parties involved.  
 2443 - I have no bias with respect to the property that is the subject of this review report or  
 2444 to the parties involved with this assignment.

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- 2445 - my engagement in this assignment was not contingent upon developing or  
 2446 reporting predetermined results.  
 2447 - my compensation is not contingent on any action or event resulting from the  
 2448 analyses, opinions, or conclusions in, or the use of, this review report.  
 2449 - my analyses, opinions, and conclusions were developed and this review report was  
 2450 prepared in conformity with the Canadian Uniform Standards.  
 2451 - I have the knowledge and experience to complete the assignment competently.  
 2452 - I did not (did) personally inspect the subject property of the report under review.  
 2453 (if review appraiser did personally inspect the property, state the date of inspection.)  
 2454 - no one provided significant professional assistance to the person signing this review  
 2455 report. (If there are exceptions, the name of each individual providing significant  
 2456 professional assistance must be stated.)  
 2457 - as at the date of this review the undersigned has fulfilled the requirements of The  
 2458 Appraisal Institute of Canada Continuing Professional Development Program for  
 2459 designated members and candidate members.  
 2460 - signature and date of certification  
 2461 - (if more than one person signs, this certification must clearly specify which  
 2462 individuals did and which individuals did not make a personal inspection of the  
 2463 appraised property.)  
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**2468 Responsibility**  
 2469 - at least one review appraiser must be responsible for the entire appraisal review  
 2470 report;  
 2471  
 2472 - if the certification bears only one signature, then that individual is responsible  
 2473 for the entire report;  
 2474  
 2475 - review appraisers must disclose in the certification, any significant professional  
 2476 assistance in the preparation of the report;  
 2477  
 2478 - review appraisers must disclose in the certification, and take responsibility for,  
 2479 any significant appraisal review assistance in the preparation of the report;  
 2480  
 2481 - in no circumstance is it appropriate for an appraisal reviewer to sign a  
 2482 certification to an appraisal review report prepared by an assistant;  
 2483  
 2484 - if the certification bears the signature of the review appraiser and employer/  
 2485 supervisor/prime contractor, then both individuals are responsible for the entire  
 2486 report;  
 2487  
 2488 - if the certification bears the signature of two or more appraisal reviewers as  
 2489 joint authors, then each is responsible for the entire report;  
 2490  
 2491 - another person with authorization may sign the certifying review appraiser's name,  
 2492 unless contrary to the law of the relevant jurisdiction.  
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	Go To:
3000 <b>CONSULTING STANDARD - RULES</b>	
3001	
3002 <b>Preamble</b>	
3003	
3004 This Standard deals with the procedures for the development and communication of a	3302
3005 real property consulting service and incorporates the minimum content necessary to	
3006 produce a credible result that is not misleading.	
3007	
3008 <b>Rules</b>	
3009	
3010 In the <b><u>report</u></b> , the consultant must identify:	3319
3011	
3012 1. the <b><u>client</u></b> and other intended users, by name;	6111
3013	
3014 2. the <b><u>intended use</u></b> of the opinions and conclusions;	3337
3015	
3016 3. the <b><u>purpose</u></b> of the consultation;	3361
3017	
3018 4. the <b><u>real estate/property</u></b> under consideration, if any;	
3019	
3020 5. the <b><u>effective date</u></b> of the consulting service;	
3021	
3022 6. the <b><u>date of the report</u></b> ;	
3023	
3024 7. the <b><u>scope of work</u></b> and the extent of the data collection process;	6181
3025	
3026 8. all <b><u>assumptions and limiting conditions</u></b> ;	3350
3027	
3028 9. any <b><u>hypothetical conditions</u></b> (including proposed improvements);	
3029	
3030 In the report, the consultant must:	
3031	
3032 10. collect, verify, reconcile and report all pertinent <b><u>data</u></b> as may be required to	3369
3033 complete the consulting service.	
3034	
3035 11. describe and apply the consulting <b><u>procedures</u></b> relevant to the assignment;	3377
3036	
3037 12. detail the <b><u>reasoning</u></b> that supports the analyzes, opinions, and conclusions;	
3038	
3039 13. report the consultant's final <b><u>conclusions/recommendations</u></b> (if any);	
3040	
3041 14. include a signed <b><u>certification</u></b>	3432
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3300 **CONSULTING STANDARD - COMMENTS**

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3302 **Consulting**

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3303 - is a broad term that is applied to studies of real estate other than estimating value. Land  
 3304 utilization studies, highest and best use analysis, marketability, feasibility, investment  
 3305 studies or other research related assignments are examples of real property consulting.  
 3306 The consultant must have the ability to understand and implement correctly those  
 3307 recognized methods in an objective and unbiased manner. The standard developed for  
 3308 consulting services does not provide for real property appraisal. If an appraisal is  
 3309 required within the consulting assignment, it must be developed under the Appraisal  
 3310 Standard. Appraisers must explain logically and convincingly the reasoning that leads  
 3311 to their conclusions. The flow of information should be orderly and progressive,  
 3312 leading from the broadest to the most specific level of analysis possible. Those topics  
 3313 most critical to the consulting conclusion should receive the most detailed emphasis.

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3319 **Report**

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3320 - a report transmitted through any medium must comply with this Standard.

3321 - appraisers must take steps meeting the “Reasonable Appraiser” test to protect the  
 3322 integrity of transmitted reports, including a digital signature security feature for  
 3323 reports transmitted electronically.

3324 - any software program used to transfer a report electronically must provide, at a  
 3325 minimum, a digital signature security feature for all appraisers signing a report.

3326 - electronically affixing a signature to a report carries the same level of authenticity  
 3327 and responsibility as an ink signature on a paper copy report.

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3328 - a workfile must be prepared for each assignment, and include a true copy of any  
 3329 written report, documented on any type of media.

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3330 - to the extent that it is both possible and appropriate, each oral real property  
 3331 consulting report, including expert testimony that addresses value, must comply  
 3332 with the Consulting Standard Rules.

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3338 **Intended Use**

3339 - an appraiser must identify the client and to the extent possible other intended users by  
 3340 communication with the client prior to accepting the assignment using care not to violate  
 3341 confidentiality requirements. The client establishes the obligations to the client and  
 3342 other intended users when accepting the assignment. Identification of the client’s  
 3343 intended use of the report is one of the essential steps in defining the consulting problem  
 3344 to ensure the use of the report is not misleading.

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**3350 Assumptions**

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- 3351 - a consulting report must be sufficiently comprehensive so that the client can visualize  
 3352 the problem and follow the reasoning through each step of the analytical process. It is  
 3353 essential that throughout the report the data, analysis, assumptions and conclusions are  
 3354 logical and adequately supported. Basic analytical and statistical principles, logical  
 3355 reasoning and sound professional judgement are essential ingredients of the report.

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**3361 Purpose**

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- 3362 - the consulting service should clearly identify the client's objective and define the  
 3363 problem to be considered.

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**3369 Data**

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- 3370 - if market value is required within the consulting assignment then the appraisal must  
 3371 conform with the Appraisal Standard.

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**3377 Real Property Consulting**

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- 3378 - in performing real estate or real property consulting services, a consultant must:  
 3379 - identify alternative courses of action to achieve the client's objective,  
 3380 and analyze their implications;  
 3381 - identify both known and anticipated constraints to each alternative and  
 3382 consider their probable impact;  
 3383 - identify the resources actually or expected to be available to each alternative  
 3384 and consider their probable impact;  
 3385 - identify the optimum course of action to achieve the client's objective.

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**3391 Market Analysis**

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3392 -in performing a market analysis, a consultant must:

- 3393 - define and delineate the market area;  
 3394 - identify and analyze the current supply and demand conditions that make up  
 3395 the specific real estate market;  
 3396 - identify, measure, and forecast the effect of anticipated development or  
 3397 other changes and future supply;

- 3398 - identify, measure, and forecast the effect of anticipated economic or other  
3399 changes and future demand.

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**3401 Cash Flow/Investment Analysis**

- 3402 - in developing a cash flow and/or investment analysis, a consultant must:  
3403 - analyze the quantity and quality of the income stream;  
3404 - analyze the history of expenses and reserves;  
3405 - analyze financing availability and terms;  
3406 - select and support the appropriate method of processing the income stream;  
3407 - analyze the cash flow return(s) and reversion(s) to the specified  
3408 investment position over a projected time period(s).

3409

**3410 Feasibility Analysis**

- 3411 - in developing a feasibility analysis, a consultant must:  
3412 - prepare a complete market analysis;  
3413 - apply the results of the market analysis to alternative courses of action to  
3414 achieve the client's objective;  
3415 - consider and analyze the probable costs of each alternative;  
3416 - consider and analyze the probability of altering any constraints to each  
3417 alternative;  
3418 - consider and analyse the probable outcome of each alternative.

3419

**3420 Reserve Fund Study**

- 3421 - in performing a reserve fund study, a consultant must:  
3422 - define and delineate the pertinent components to be covered by the Reserve Fund  
3423 Study;  
3424 - prepare a benchmark analysis;  
3425 - prepare a cashflow projection;  
3426 - consider and report on any apparent deficiency in reserve fund contributions;  
3427 - prepare a reserve fund model.

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**3432 Certification**

- 3433 - each written consulting report must contain a signed certification that is similar in content 3041  
3434 to the following form:  
3435 Re: (Property Identification)  
3436 I certify to the best of my knowledge and belief that:  
3437 - the statements of fact contained in this report are true and correct.  
3438 - the reported analyses, opinions, and conclusions are limited only by the  
3439 reported assumptions and limiting conditions, and are my personal,  
3440 impartial, and unbiased professional analyses, opinions, and conclusions.  
3441 - I have no (or the specified) present or prospective interest in the issue that  
3442 is the subject of this report, and no (or the specified) personal interest with  
3443 respect to the parties involved.  
3444 - I have no bias with respect to the issue that is the subject matter of this report or  
3445 to the parties involved with this assignment.  
3446 - my compensation is not (or is) contingent on an action or event resulting from

- 3447 the analyses, opinions, or conclusions in, or the use of, this report. (If the  
 3448 compensation is contingent, the basis of such contingency must be disclosed  
 3449 in this certification and in any letter of transmittal and executive summary.)  
 3450 - my analyses, opinions, and conclusions were developed, and this report has  
 3451 be prepared, in conformity with the Canadian Uniform Standards.  
 3452 - I have the knowledge and experience to complete the assignment competently.  
 3453 - I have (or have not) made a personal inspection of the property (if any) that is  
 3454 the subject of this report.  
 3455 - if more than one person signs the report, this certification must clearly specify which  
 3456 individuals did and which individuals did not make a personal inspection of the  
 3457 property.  
 3458 - no one provided significant professional assistance to the person signing this  
 3459 report. (If there are exceptions, the name of each individual providing  
 3460 significant professional assistance must be stated.)  
 3461 - as of the date of this report the undersigned has fulfilled the requirements of The  
 3462 Appraisal Institute of Canada Continuing Professional Development Program  
 3463 for designated members and candidate members.  
 3464 - signature and date of certification  
 3465 - (if more than one person signs, this certification must clearly specify which  
 3466 individuals did and which individuals did not make a personal inspection of the  
 3467 subject property.)  
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 3471  
 3472 **Responsibility**  
 3473 - at least one appraiser must be responsible for the entire report.  
 3474  
 3475 - if the certification bears only one signature, then that individual is responsible for  
 3476 the entire report;  
 3477  
 3478 - appraisers must disclose in the certification, any significant appraisal consulting  
 3479 assistance in the preparation of the report;  
 3480  
 3481 - in no circumstances is it appropriate for an appraiser to merely sign a consulting  
 3482 report prepared by an assistant;  
 3483  
 3484 - if the certification bears the signature of the appraiser and employer/  
 3485 supervisor/prime contractor, then both individuals are responsible for the entire report;  
 3486  
 3487 - if the certification bears the signature of two or more appraisers as joint  
 3488 authors, then each is responsible for the entire report;  
 3489  
 3490 - another person with authorization may sign the certifying appraiser's name, unless  
 3491 contrary to the law of the relevant jurisdiction.  
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5000 **PRACTICE NOTES**

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5002 **Member**5003 *Bylaw Article VII-3*5004 *Membership Categories*

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5006 **Designated Member:** *A Designated Member shall be a person admitted to the*  
 5007 *Institute and enrolled on the register of the Institute as holding one of the following*  
 5008 *grades or ranks, as conferred by the Board of Directors upon any person who has*  
 5009 *complied with*

5010 *the requirements for their use:*

5011 - *Accredited Appraiser Canadian Institute (AACI)*

5012 - *Professional Appraiser (P.App)*

5013 - *Canadian Residential Appraiser (CRA)*

5014 - *Professional Valuator (P.Val.)*

5015

5016 **Candidate Member:** *A Candidate Member shall be a person admitted to the Institute*  
 5017 *and enrolled on the register of the Institute as a Candidate, who is of legal age and*  
 5018 *has not completed the requirements for any designation.*

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5021 **Student Member:** *A Student Member shall be a person admitted to the Institute and*  
 5022 *enrolled on the register of the Institute as a Student who, at the time of their application,*  
 5023 *is of legal age, is enrolled as a full or part-time student in a recognized course of study,*  
 5024 *and who is not eligible for any other membership category in the Institute.*

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5027 **Associate Member:** *An Associate member shall be a person enrolled on the register of*  
 5028 *the Institute as an Associate, and who is not eligible for any other membership category*  
 5029 *in the Institute.*

5030

5031 **Affiliate Member:** *An Affiliate Member shall be a corporation or organization enrolled*  
 5032 *on the register of the Institute as an Affiliate.*

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5035 - *The foregoing is a summary: for full details refer to the Institute*

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5058 **Conduct**

- 5059 - Users of valuation, review and consulting services rely on the experience,  
5060 knowledge and integrity of the members. Without these cornerstones, the credibility  
5061 of the profession will suffer.  
5062 - Members pledge to assist the Institute in carrying out its responsibilities to the public  
5063 and to users of its services.

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5074 **Fraudulent**

- 5075 - fraud generally involves an intentional act to encourage someone such as a client to  
5076 rely on an intentionally defective and/or misleading position. e.g: a defective/  
5077 misleading appraisal.

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5087 **Continuing Professional Development**

- 5088 - In 1991, members voted to adopt a mandatory recertification program, renamed  
5089 Continuing Professional Development in 2002. Under this program, designated  
5090 members and candidates must recertify use of their designation every five years. This is  
5091 an ongoing requirement throughout the professional life of the member. The first five  
5092 year cycle commenced July 1 1992; the current reporting cycle is from October 1 2002

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5093 to September 30 2007. During each cycle, AACI, CRA and Candidate members are  
 5094 required to accumulate 60 professional development credits . A Professional  
 5095 Development credit is defined as one (1) hour of organized learning on a subject that  
 5096 advances the knowledge or skills of professionals working with the principles of  
 5097 related to real property. Pre-approval is not required. Members may carry 20 credits  
 5098 forward to the next cycle.

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5100 The foregoing is a summary of conditions that is neither definitive nor exhaustive; for  
 5101 full details, refer to the Institute.

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#### 5118 **Liability Insurance**

5119 - For the purposes of liability insurance coverage:

5120 - a fee appraiser is a member who provides any appraisal or valuation-related  
 5121 consulting or counselling services in Canada on a fee-for-service basis  
 5122 (whether the fee is paid to the member or to the employer), and/or where the  
 5123 product of the service may be provided to any party other than the member's  
 5124 employer, firm, partnership or corporation.

5125 - a non-fee appraiser is a member who provides appraisal services exclusively  
 5126 for the internal use of his/her employer and whose appraisal reports are kept  
 5127 in-house and are not provided to an outside party, although a fee may be paid  
 5128 by that outside party to cover the cost of the preparation of the report.

5129 Notwithstanding the above, government and crown corporation employees may

5130 register as non-fee appraisers, (including those who are employed by one

5131 government department but provide appraisal services to other governments,

5132 government departments or government-owned corporations), whether or not

5133 a fee is paid for the services provided. A member who is temporarily unemployed

5134 or holding employment which does not relate to appraising may register as a

5135 non-fee appraiser for the period during which he/she is not providing any

5136 appraisal services.

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- 5137 - *The Institute insures members for activities for which the Institute has qualified them.*  
 5138 *These activities are appraisals, consulting and related services required as part of the*  
 5139 *assignment.*  
 5140  
 5141 - *The Institute does not insure members for the conduct of services for which the*  
 5142 *Institute has not qualified them.*  
 5143  
 5144 - *Affiliate members and non-members are ineligible for coverage.*  
 5145  
 5146 - *A member is not insured for assignments completed during periods of suspension*  
 5147 *or retirement.*  
 5148  
 5149 - *The policy excludes coverage for insured members involved in an appraisal service*  
 5150 *where there was participation in the rendition of that appraisal by a non-fee member,*  
 5151 *a student or affiliated member , or a non-member. Office staff may assist in functions*  
 5152 *such as typing, title searches and general data collection without affecting insurance*  
 5153 *coverage of the appraiser. However, these support services may not extend to such*  
 5154 *items as contributing to the writing of the report, selecting sales, interpreting sales*  
 5155 *or reconciliation of data or conclusions.*  
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 5157 - *The foregoing is a summary of conditions that is neither definitive nor exhaustive;*  
 5158 *refer to the Institute for full details.*

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#### 5167 **Records**

- 5168 - *The period for which a member must retain or have access to records may exceed*  
 5169 *seven years due to:*  
 5170 - *Legislation which may vary across Canada for differing types of assignments;*  
 5171 - *The commencement date for retention, which can run from the time the member*  
 5172 *discovers (or could by the exercise of reasonable care have discovered) a*  
 5173 *possible cause of action (for example, under the "Limitations Act").*  
 5174  
 5175 - *Documentation for a mass appraisal for ad valorem taxation may be in the form of*  
 5176 *1) property records, 2) sales ratio and other statistical studies, 3) appraisal manuals*  
 5177 *and documentation , 4) market studies, 5) model building documentation, 6) regulations*  
 5178 *7) statutes, and 8) other acceptable forms.*

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5184	<b>Disclosure</b>	129
5185	- In the normal course of business within an office, files may be open for review by	
5186	other appraisers and by support staff. The burden is on the appraiser	
5187	responsible for the assignment to ensure that no confidences are breached.	
5188	- In particularly sensitive assignments, a client may require a confidentiality	
5189	agreement in which case all files may have to remain sealed.	604
5190	- A duty of confidentiality can arise even when no retainer exists.	
5191	- If the performance of a prior appraisal is to be kept confidential, a member must	
5192	decline a new assignment on the same property, where a condition requires disclosure	
5193	of any prior appraisal.	
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5200	<b>Conflict</b>	132
5201	- A conflict of interest arises when the perception or potential for the ability of the	
5202	appraiser to exercise the required professional judgement is undermined.	
5203		
5204	- Recognizing a conflict does not eliminate it.	
5205		
5206	- Declaration to the client may not resolve the conflict; circumstances may require	
5207	withdrawal from the assignment.	
5208		
5209	- Conflicts of interest fall into two categories - a "conflict of obligation", where	
5210	the appraiser cannot satisfy one obligation without sacrificing another, and a	
5211	"conflicting interest", where the self-interest of the appraiser, or some other	
5212	person to whom the appraiser is obligated, cannot be satisfied without failing to	
5213	satisfy the client's interest.	
5214		
5215	<i>In dealing with a "conflict of obligation", the most obvious problem is when an</i>	
5216	<i>appraiser has two or more clients whose interests at first glance appear to be in</i>	
5217	<i>harmony, but subsequent events or a closer analysis prove to be in conflict. This has</i>	
5218	<i>been termed "simultaneous representation".</i>	
5219		
5220	<i>Such events may include joint instructions from parties involved in a matrimonial</i>	
5221	<i>dispute that commences in a civilised manner, but subsequently escalates.</i>	
5222	<i>In this instance, appraisers can find themselves not only attracting criticism</i>	
5223	<i>from both partners, but find themselves the centre of attention as a dispute over the</i>	
5224	<i>matrimonial assets assumes an ever-increasing profile. The end result is at least</i>	
5225	<i>one of the parties has a very poor opinion of the appraiser and the profession in</i>	
5226	<i>general.</i>	
5227		
5228	<i>In such instances, the only defence is a preventive one, with the appraiser advising</i>	

Go To:

- 5229 *the parties to get separate appraisals and, failing this, the appraiser should*  
 5230 *consider declining the instructions.*  
 5231  
 5232 *This is one of the least complicated of “conflicts of obligation”; others can be far*  
 5233 *more complicated.*  
 5234  
 5235 *A continual problem for appraisers is a second appraisal instruction on the same*  
 5236 *property, but from a different client. A circumstance may arise when an appraiser,*  
 5237 *who had previously completed an appraisal for an owner contemplating a sale, is*  
 5238 *requested to appraise the property for the purchaser or the purchaser’s financial*  
 5239 *institution. This instance can be termed “successive representation” but can also be*  
 5240 *termed a “no-win” situation for the appraiser.*  
 5241  
 5242 *It is obvious that, under such circumstances,, the appraiser is under great pressure to*  
 5243 *at least re-affirm the original value. To do otherwise would be to cast doubt on the*  
 5244 *original appraisal, which would hardly enhance the appraiser’s standing in the eyes*  
 5245 *of the owner; but to ignore the actual sale value could do a disservice to the new*  
 5246 *client.*  
 5247  
 5248 *Even if this situation is not a problem, the owner may have previously provided*  
 5249 *confidential information that the owner may not want divulged to the new owner.*  
 5250 *Failure to include that information in the second report, if material, would lead to a*  
 5251 *breach of the Standards, whereas including the information would betray the*  
 5252 *confidentiality promised to the original client, again a breach of the Standards. This*  
 5253 *situation is best resolved by declining the second set of instructions if you are privy to*  
 5254 *confidential information. In any event, the consent of the first client should be obtained*  
 5255 *before proceeding with the second appraisal.*  
 5256  
 5257 - *A conflicting interest can arise, for example, if the member proceeds, during the*  
 5258 *period that commences at the time the member is contacted concerning an*  
 5259 *assignment and expires a reasonable length of time after the completion of such*  
 5260 *assignment, to deliberately acquire property or assume a position that could*  
 5261 *possibly affect the member’s professional judgement or violate the fiduciary duty*  
 5262 *to the client unless, prior to such acquisition or change of position:*  
 5263 *- the member carefully considers the facts and reasonably concludes that the*  
 5264 *proposed acquisition or change of position will not affect professional*  
 5265 *judgement or violate any fiduciary duty to the client; and*  
 5266  
 5267 *- the member makes full disclosure to the client and obtains from the client*  
 5268 *a written statement consenting to or approving such acquisition or change of*  
 5269 *position; and*  
 5270  
 5271 *- at the time of such disclosure, the member gives the client the right to terminate*  
 5272 *the appraisal assignment without payment of any fee or other charge; and*  
 5273

Go To:

5274 - *the facts concerning such acquisition or change of position are completely and*  
 5275 *accurately described in each written and oral appraisal report resulting from*  
 5276 *the appraisal assignment.;*

5277

5278 *As a general rule, in all circumstances where an appraiser proceeds subsequent*  
 5279 *to a declaration of conflict, such a conflict must be first confirmed in writing*  
 5280 *as well as referred to in any reports.*

5281

5282 *Disclosure of fees, commissions or things of value connected to the procurement of*  
 5283 *an assignment must appear in the certification of the written report and in any*  
 5284 *transmittal letter in which conclusions are stated.*

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### 5291 **Competence**

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5292 - *The steps necessary and appropriate to complete an assignment competently include*  
 5293 *personal study by the appraiser, association with an appraiser reasonably believed*  
 5294 *to have the necessary knowledge or experience, or retention of others who possess*  
 5295 *the required knowledge and experience.*

5296 - *The concept of competency also extends to appraisers required to travel to*  
 5297 *geographic areas where they lack the required knowledge and experience. An*  
 5298 *understanding of local market conditions goes beyond hard data such as*  
 5299 *demographics, costs, sales and rentals. If an appraiser cannot spend the time*  
 5300 *necessary in a market area to gain this understanding, affiliation with a local*  
 5301 *qualified appraiser could ensure competence.*

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### 5312 **Contingent**

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5313 - *Objectivity is of fundamental importance in appraisal, review and consulting*  
 5314 *assignments. Competency, rather than financial incentives, should be the primary*  
 5315 *basis for awarding and accepting an assignment.*

5316

5317 - *An appraiser may be consulted by a client to attempt to negotiate a lower assessment*  
 5318 *for taxation purposes, or higher compensation for a taking by an expropriation*  
 5319 *authority, for example.*

Go To:

- 5320 *The first issue is how the appraiser can address value in a consulting assignment*  
5321 *without being required to meet the Appraisal Standard.*  
5322  
5323 *An answer lies in the definition of an appraisal.*  
5324  
5325 *If the appraiser has not been retained specifically to produce a formal appraisal, if*  
5326 *the opinions expressed are not intended to be relied upon, and if the appraiser would*  
5327 *not be expected to assume responsibility for the opinions expressed, then no appraisal*  
5328 *has been undertaken and the Appraisal Standard does not have to be met.*  
5329  
5330 *The second issue goes to the question of contingent fees. If no formal appraisal*  
5331 *has been undertaken, then a contingency fee arrangement is proper, subject to*  
5332 *disclosure in any written report. If a formal opinion of value has been undertaken*  
5333 *which generates a subsequent opportunity for a contingency fee arrangement (such as*  
5334 *in consulting for brokerage or settlement negotiations) disclosure is required in any*  
5335 *written report.*  
5336  
5337 *Illustrations*  
5338 *Q.1: Is an appraiser obligated to disclose contingent fee arrangements when*  
5339 *discussing, negotiating, addressing or promoting an expression of value in*  
5340 *a consulting assignment?*  
5341  
5342 *Response: Ethics Standard requires disclosure of contingent compensation only*  
5343 *in written reports.*  
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6001 **Report**

- 6002 - *These Standards do not dictate the form, format or style of reporting. These*  
 6003 *are functions of the needs of users and appraisers. The substantive content of a*  
 6004 *report determines its compliance. (Refer to definitions of "Appraisal Report")*  
 6005 - *Electronically affixing a signature to a report carries the same level of authenticity*  
 6006 *and responsibility as an ink signature on a paper copy report.*  
 6007 - *Reports may be in either imperial or metric measurements (or both), whichever is*  
 6008 *commonly in use in the subject market.*

6009

- 6010 - *A Letter of Engagement, as a contract between an appraiser and client, could*  
 6011 *contain:*

- 6012 1) *Name of client;*  
 6013 2) *Property Identification;*  
 6014 3) *Purpose of report;*  
 6015 4) *Intended use;*  
 6016 5) *Interests considered;*  
 6017 6) *Date of Valuation;*  
 6018 7) *Appraisal, Review or Consulting procedures;*  
 6019 8) *Type of Report;*  
 6020 9) *Extraordinary Assumptions and Limiting Conditions;*  
 6021 10) *Client supplied data;*  
 6022 11) *Access to Property;*  
 6023 12) *Fee/Retainer*  
 6024 13) *Number of copies of report;*  
 6025 14) *Time for acceptance;*  
 6026 15) *Time for data provision;*  
 6027 16) *Time for delivery of report;*  
 6028 17) *Provisions for contract amendments;*  
 6029 18) *Acceptance of contract;*  
 6030 19) *Additional Terms of Reference*

6031

- 6032 - *an example of a Narrative Appraisal format:*

- 6033 - *Title Page;*  
 6034 - **Part One - Introduction;**  
 6035 - *Letter of Transmittal*  
 6036 - *Table of Contents*  
 6037 - *Executive Summary*

6038

- 6039 - **Part Two - Basis of the Appraisal**

- 6040 - *Intended Use of the Report*  
 6041 - *Purpose of the Assignment*  
 6042 - *Property Rights Appraised*  
 6043 - *Definition of Value*  
 6044 - *Effective Date of Value*  
 6045 - *Scope of Work*  
 6046 - *Assumptions and Limiting Conditions*

Go To:

6047		
6048	-	<b>Part Three - Factual Information</b>
6049	-	<i>Identification of the Property, including title information</i>
6050	-	<i>Area, City and Neighbourhood Data</i>
6051	-	<i>The Site</i>
6052	-	<i>The Building</i>
6053	-	<i>Existing Use</i>
6054	-	<i>Assessments and Taxes</i>
6055	-	<i>Sales History</i>
6056	-	<i>Land Use Controls</i>
6057		
6058	-	<b>Part Four - Analyses and Conclusions</b>
6059	-	<i>Characteristics of the market</i>
6060	-	<i>Highest and Best Use of the Land as if Vacant</i>
6061	-	<i>Highest and Best Use of the Property as Improved</i>
6062	-	<i>Appraisal Procedures</i>
6063	-	<i>Land Value</i>
6064	-	<i>Cost Analysis</i>
6065	-	<i>Income Analysis</i>
6066	-	<i>Direct Comparison Analysis</i>
6067	-	<i>Reconciliation</i>
6068	-	<i>Final Value Estimate and Exposure Time Analysis</i>
6069	-	<i>Certification</i>
6070		
6071	-	<b>Addenda</b>
6072	-	<i>Appropriate Plans and Maps</i>
6073	-	<i>Relevant Documents including Letter of Engagement</i>
6074	-	<i>Title Search</i>
6075	-	<i>Photographs</i>
6076		
6077		<i>Note: The Executive Summary should contain the salient facts and important</i>
6078		<i>conclusions together with a concise narrative description of the assignment</i>
6079		<i>and its results.</i>
6080		
6081		
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6084		
6085		<b>Progress Reports</b>
6086	-	<i>A progress report, prepared to portray percentage complete without reference to</i>
6087		<i>value, is considered to be an extension of the original report.</i>
6088		
6089		
6090		<b>Workfile</b>
6091	-	<i>preserves evidence of the appraisers consideration of all applicable data as may be</i>
6092		<i>required to support the findings and conclusions of the appraiser. Care should be</i>
6093		<i>exercised in the selection of the form, style, and type of medium for written records,</i>
6094		<i>which may be hand-written and informal, to ensure they are retrievable by the</i>

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6095	<i>appraiser throughout the prescribed record retention period as set by the Appraisal</i>	<i>Go To:</i>
6096	<i>Institute of Canada and/or pertinent legislation.</i>	
6097		
6098	<i>A workfile should be in existence prior to and contemporaneous with the issuance</i>	<i>1312</i>
6099	<i>of a written or oral report. A written summary of an oral report must be added to</i>	<i>2314</i>
6100	<i>the workfile within a reasonable time after the issuance of the oral report.</i>	<i>3329</i>
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6111	<b>Client</b>	<i>1011</i>
6112	- <i>a statement similar to the following may be appropriate:</i>	<i>2037</i>
6113	<i>“This report is intended for use only by (identify the</i>	<i>3012</i>
6114	<i>client) and (identify any other intended users by name</i>	
6115	<i>and type). Use of this report by others is not intended</i>	
6116	<i>by the appraiser, and any liability in this respect is</i>	
6117	<i>strictly denied”.</i>	
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6128	<b>Intended Use</b>	<i>1013</i>
6129	- <i>a statement similar to the following may be appropriate:</i>	<i>2039</i>
6130	<i>“This report is intended only for use in (describe the use), and</i>	<i>3014</i>
6131	<i>for no other use”.</i>	
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**6142 Value**6143 - *One definition of market value is:*

6144 *“The most probable price which a property should bring in a competitive and open*  
 6145 *market as of the specified date under all conditions requisite to a fair sale, the buyer*  
 6146 *and seller each acting prudently and knowledgeably, and assuming the price is not*  
 6147 *affected by undue stimulus.”*

6148

6149 *The definition may be expanded by adding:*

6150

6151 *Implicit in this definition is the consummation of a sale as of the specified date and*  
 6152 *the passing of title from seller to buyer under conditions whereby:*

- 6153 *1. buyer and seller are typically motivated;*
- 6154 *2. both parties are well informed or well advised, and acting in what they consider*  
6155 *their best interests;*
- 6156 *3. a reasonable time is allowed for exposure in the open market;*
- 6157 *4. payment is made in terms of cash in Canadian dollars or in terms of financial*  
6158 *arrangements comparable thereto;*
- 6159 *5. the price represents the normal consideration for the property sold unaffected*  
6160 *by special or creative financing or sales concessions granted by anyone*  
6161 *associated with the sale.*

6162

6163 *Market value as defined by International Valuation Standards:*

6164 *“Market value is the estimated amount for which a property should exchange*  
 6165 *on the date of valuation between a willing buyer and a willing seller in an*  
 6166 *arms-length transaction after proper marketing wherein the parties had each*  
 6167 *acted knowledgeably, prudently and without compulsion.”*

6168

6169 *Members performing appraisal services that may be subject to litigation are*  
 6170 *cautioned to seek the exact legal definition of value in the jurisdiction in which*  
 6171 *the services are being performed.*

6172

6173 *Market value may be different from investment value, going concern value and*  
 6174 *value in use.*

6175

6176 *An appraisal assignment for an estimate of value other than market value could be*  
 6177 *misleading if prepared in isolation without reference to market value.*

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**6181 Scope of Work**

6182 - *refers to the due diligence undertaken by the appraiser including the terms of*  
 6183 *reference from the client;*

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6185 - *Example:*6186 *Inspection:*6187 *We inspected the interior and exterior of the property on (date), accompanied*



6188 by (Name). Our identification of the property also involved a review of  
 6189 mapping prepared by the local municipality, and our earlier files on the  
 6190 property. The photographs appended were taken (date).

6191

6192

*Type of Analysis:*

6193

*This current appraisal complies with the Standards of the Appraisal Institute of Canada. We are competent in this type of appraisal analysis and have*

6194

*appraised this type of property previously.*

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*Data Research:*

6198

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

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*Audits and Technical Investigations:*

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*We did not complete technical investigations such as:*

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*- Detailed inspections or engineering review of the structure, roof or mechanical systems;*

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*- An environmental review of the property;*

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6212

*- A site or building survey;*

6213

*- Investigations into the bearing qualities of the soils; or*

6214

*- Audits of financial and legal arrangements reported by (name) concerning the leases.*

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6217

*Verification of Third Party Information:*

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

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*(NOTE: The Scope Section of the report should reflect the circumstances of each particular appraisal. An appraiser must have sound reasons to support the scope of work decisions, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user or the "reasonable appraiser".)*

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6235		Go To:
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6241	<b>Retrospective Value Opinion</b>	
6242	- <i>A retrospective appraisal is complicated by the fact that the appraiser already</i>	1019
6243	<i>knows what occurred in the market after the effective date. Use of direct excerpts</i>	
6244	<i>from reports prepared at the retrospective effective date can help the appraiser and</i>	
6245	<i>the reader better understand market conditions as of the retrospective effective</i>	
6246	<i>date. Competence is required as at the date of the report, but not necessarily at</i>	
6247	<i>the retrospective effective date.</i>	
6248		
6249		
6250	<b>Update</b>	
6251	- <i>A recommended practice is to bind the original appraisal with the up-date for the</i>	1019
6252	<i>client.</i>	
6253	<i>Three conditions should be met before an update assignment is accepted:</i>	
6254	1. <i>The original appraiser or firm and client are involved;</i>	
6255	2. <i>The real estate has undergone no significant change since the original</i>	
6256	<i>appraisal;</i>	
6257	3. <i>The time between the effective date of the original appraisal and the up-date is</i>	
6258	<i>not unreasonably long for the type of real estate involved.</i>	
6259	<i>All approaches to value developed in the original appraisal should be updated with</i>	
6260	<i>new data.</i>	
6261	- <i>An appraiser should consider whether an Extraordinary Assumption is required</i>	
6262	<i>in order to adopt the results of the original assignment.</i>	1494
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6271		
6272	<b>Exposure Time</b>	
6273	- <i>The opinion of the time period for reasonable exposure is not intended to be a</i>	1021
6274	<i>prediction of a date of sale or a one-line statement. Instead, it is an integral part</i>	
6275	<i>of the analyses conducted during the appraisal assignment. The opinion may be</i>	
6276	<i>expressed as a range and can be based on one or more of the following:</i>	
6277	- <i>statistical information about days on market;</i>	
6278	- <i>information gathered through sales verification; and</i>	
6279	- <i>interviews of market participants.</i>	
6280		
6281	<i>Related information gathered through this process may include the identification of</i>	
6282	<i>typical buyers and sellers for the type of real estate involved and typical equity</i>	

6283 investment levels and/or financing terms .

6284

6285 *The reasonable exposure period is a function of price, time, and use, not an isolated*  
 6286 *opinion of time alone. As an example, an office building could have been on the*  
 6287 *market for two years at a price of \$2,000,000, which informed market participants*  
 6288 *considered unreasonable. Then, the owner lowers the price to \$1,600,000 and*  
 6289 *starts to receive offers, culminating in a transaction at \$1,400,000 six months later.*  
 6290 *Although the actual exposure time was 2.5 years, the exposure time at a value range*  
 6291 *of \$1,400,000 to \$1,600,000 would be six months. The answer to the question "what*  
 6292 *is reasonable exposure time?" should always incorporate the answers to the question*  
 6293 *"for what kind of real estate at what value range?" rather than appear as a statement*  
 6294 *of an isolated time period.*

6295

6296 *Problems can arise when clients attempt to make business decisions or account for*  
 6297 *assets without understanding the difference between exposure time and marketing time.*

6298

6299 *Marketing time is an opinion of the amount of time it might take to sell a property*  
 6300 *interest in real estate at the concluded market value level during the period*  
 6301 *immediately after the effective date of an appraisal.*

6302

6303 *Related information includes other market conditions that may affect marketing time,*  
 6304 *such as the identification of typical buyers and sellers for the type of property*  
 6305 *involved and typical equity investment levels and/or financing terms. Marketing*  
 6306 *time is a function of price, time, use, and anticipated market conditions such as*  
 6307 *changes in the cost and availability of funds - not an isolated opinion of time alone.*  
 6308 *Marketing decisions rest with the client.*

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### 6320 **Characteristics of the Property**

6321 - *The real estate involved in the appraisal can be specified, for example, by a legal*  
 6322 *description, address, map reference, copy of a survey or map, property sketch and/*  
 6323 *or photographs or the like. The information can include a property sketch and*  
 6324 *photographs in addition to written comments about the legal, physical, and*  
 6325 *economic attributes of the real estate including assessment and property tax data*  
 6326 *relevant to the purpose and intended use of the appraisal. Any unusual aspect and*  
 6327 *any contrasts between the subject property and adjoining uses should be highlighted.*  
 6328 *Any assumptions as to ownership should be specified.*

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6329	<i>A title search will normally be required to reveal the legal attributes and</i>	1477
6330	<i>restrictions that may affect property value. (See Extraordinary Limiting Conditions)</i>	6530
6331	<i>For litigation support purposes, title searches should also be conducted on</i>	
6332	<i>properties used as comparables. A search is not intended to result in an expression</i>	
6333	<i>of opinion as to the state of title itself.</i>	
6334		
6335	<i>Detrimental Conditions</i>	1480
6336	- <i>When qualified specialists have documented the existence of detrimental</i>	
6337	<i>conditions and estimated the costs of remediation or compliance, an appraiser</i>	
6338	<i>may be in a position to develop an opinion of "as is" value and should be aware</i>	
6339	<i>of, understand, and correctly employ those recognized methods and techniques</i>	
6340	<i>necessary to produce a credible appraisal. The value of an interest in impacted</i>	
6341	<i>(e.g. contaminated) real estate may not be measurable simply by deducting the</i>	
6342	<i>remediation or compliance cost estimate from the opinion of value as if</i>	
6343	<i>unaffected. Other factors may influence value, including any positive or negative</i>	
6344	<i>impact on marketability (stigma) and the possibility of change in highest and best</i>	
6345	<i>use.</i>	
6346		
6347	<i>Recognition of Detrimental Conditions</i>	
6348	- <i>An appraiser is a trained and experienced observer of real estate, but</i>	
6349	<i>recognizing, detecting, or measuring detrimental conditions is often beyond</i>	
6350	<i>the scope of the appraiser's expertise. The appraiser becomes aware of</i>	
6351	<i>detrimental conditions through disclosure by the client and/or known facts</i>	
6352	<i>prior to the acceptance of an appraisal assignment, or through the normal</i>	
6353	<i>observation and research conducted during an appraisal assignment. In</i>	
6354	<i>completing a checklist as part of the process, the appraiser should respond</i>	
6355	<i>only to those questions that can be answered competently by the appraiser</i>	
6356	<i>within the limits of his or her particular expertise in this area. Failure to</i>	
6357	<i>address known detrimental conditions in an appraisal could result in a</i>	
6358	<i>misleading report.</i>	
6359		
6360	<i>Remediation and Compliance Cost Estimation</i>	
6361	- <i>Remediation and compliance cost estimation involves knowledge and</i>	
6362	<i>experience beyond that of most appraisers. These estimates are typically</i>	
6363	<i>provided by consulting specialists who are properly versed in federal and</i>	
6364	<i>local requirements and are qualified to assess and measure the materials</i>	
6365	<i>and/or methods appropriate for remediation or compliance. Other</i>	
6366	<i>professionals who deal with legal liabilities and business operations may</i>	
6367	<i>also be involved in the cost estimate process. An appraiser may reasonably</i>	
6368	<i>rely on the findings and opinions of qualified specialists in remediation and</i>	
6369	<i>compliance cost estimation.</i>	
6370		
6371	<i>Value Opinions of Interests in Impacted Real Estate</i>	
6372	- <i>Many clients employ experts in various disciplines separately and</i>	
6373	<i>simultaneously, and make business decisions based on comparing the results</i>	
6374	<i>of findings from the various experts. These clients may request an appraiser</i>	
6375	<i>to appraise real estate that is, or is believed to be, influenced by detrimental</i>	

6376	<i>conditions under a <u>hypothetical</u> condition that it is not impacted. An appraiser</i>	Go To
6377	<i>may invoke this extraordinary assumption when (1) the resulting appraisal is</i>	1031
6378	<i>not misleading, (2) the client has been advised of the assumption, and (3) the</i>	
6379	<i>hypothetical condition has been disclosed in compliance with these Standards.</i>	
6380		
6381	<b>Mould</b>	1480
6382	- <i>Mould is a growth of microscopic organisms caused by dampness. Within</i>	
6383	<i>structures, it is the result of building system or component failure. Causes can</i>	
6384	<i>include: roof, window or cladding leakage (seals, frames ,caulking), air</i>	
6385	<i>leakage ( design, construction, ducting issues), plumbing leakage (building</i>	
6386	<i>services, individual units), poor ventilation, vapour diffusion, HVAC condensate</i>	
6387	<i>( collection/drainage systems), thermal bridges ( discontinuous insulation) etc.</i>	
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6394	<b>Fractional Interest</b>	1027
6395	- <i>an appraiser does not generally have to value the whole of a property (or the</i>	
6396	<i>larger parcel) when the subject of an appraisal is a small component. The burden</i>	
6397	<i>of proof is on the appraiser to determine if the assignment would tend to mislead or</i>	
6398	<i>confuse without a valuation of the whole.</i>	
6399	- <i>appraisal of a partial taking through expropriation may require consideration of</i>	1538
6400	<i>the “larger parcel” and injurious affection (loss in value to the remainder)</i>	
6401		
6402	<b>Legal Attributes</b>	1474
6403	- <i>Members must be aware of the duty to investigate the legal attributes of certain</i>	
6404	<i>property types .Condominium values, for example, can be affected by specific</i>	
6405	<i>condominium bylaws that apply in some projects. The status of the reserve fund,</i>	
6406	<i>special assessments for units in the complex and restrictions on common property can</i>	
6407	<i>also influence values. While selecting sales from within the same complex can mitigate</i>	
6408	<i>some of these concerns, particular care should be taken when it becomes necessary to</i>	
6409	<i>rely on sales from outside of the complex.</i>	
6410	<b>Inspection of Subject Property</b>	1027
6411	- <i>An appraiser’s inspection should, at the minimum, be thorough enough to (a)</i>	
6412	<i>adequately describe the real estate in the appraisal report, (b) develop an opinion</i>	
6413	<i>of highest and best use, when such an opinion is necessary and appropriate, and</i>	
6414	<i>(c) make meaningful comparisons in the valuation of the property.</i>	
6415		
6416	- <i>There are situations where interior and exterior inspections are not possible as of</i>	
6417	<i>the effective date of the appraisal. For example, inspections are not physically</i>	
6418	<i>possible where improvements have been destroyed, removed, or not yet built.</i>	
6419	<i>Inspections are not legally or contractually possible if the appraiser is denied</i>	
6420	<i>access by the property owner.</i>	
6421	<i>An appraiser cannot rationally develop an appraisal if adequate information on the</i>	
6422	<i>subject real estate is not available. Consequently, where physical characteristics</i>	
6423	<i>information is not available through an opportunity for an inspection (e.g. snow</i>	
6424	<i>conditions) or from reliable third-party sources, an appraiser has the duty to obtain</i>	
6425	<i>the necessary information to develop the appraisal before continuing or to withdraw</i>	

6426 *from the assignment.*  
 6427 *The same sources that are used to research and verify comparable data can be used*  
 6428 *to obtain information about the subject property. An appraisal developed without*  
 6429 *the benefit of an interior and complete exterior inspection by the appraiser is*  
 6430 *subject to the same standards that would apply if the appraiser had made a*  
 6431 *complete personal inspection.*

6432  
 6433 *The examples cited below are illustrations of the wording of an Extraordinary* 1498  
 6434 *Limiting Condition in an appraisal report for a client that requested a drive-by*  
 6435 *inspection or where an inspection is not possible.*

6436  
 6437 - *The appraiser has been requested to perform a drive-by inspection and not to*  
 6438 *disturb the occupants by entering the building. The physical characteristics used to*  
 6439 *develop this appraisal are based on an inspection that the appraiser made three*  
 6440 *years ago when the property was appraised for estate tax purposes. For the*  
 6441 *purpose of this appraisal it is assumed that the interior condition of the subject*  
 6442 *property has not materially changed during the past three years. The subject*  
 6443 *property was observed from the public street as of the effective date of the*  
 6444 *appraisal. This exterior inspection revealed that the outside of the building has*  
 6445 *been repainted and the roof has been replaced.*

6446 *or*  
 6447 - *The appraiser has been requested to perform a drive-by inspection and not to disturb*  
 6448 *the occupants by entering the building. The physical characteristics used to develop*  
 6449 *this appraisal are based on the assessment records of (cite jurisdiction) and on the*  
 6450 *multiple listing service information of (cite source). The subject property was*  
 6451 *observed from the public street as of the effective date of the appraisal. On the*  
 6452 *basis of the observed conditions, the assessment records and multiple listing service*  
 6453 *information appears to be accurate. For the purposes of this appraisal it is assumed*  
 6454 *that the interior condition of the subject property is consistent with the exterior*  
 6455 *conditions as observed and that the information concerning the interior condition*  
 6456 *as provided by the assessor's records and the multiple listing service is accurate.*

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 6468 **Assumptions and Limiting Conditions** 1029

6469 *Ordinary assumptions and limiting conditions. Examples:* 2052

6470 *Assumptions:* 3026

- 6471 - *reliability of data sources;*
- 6472 - *compliance with government regulations;*
- 6473 - *normal financing;*

6474	- marketable title;	
6475	- no defects in the improvements;	
6476	- bearing capacity of soil;	
6477	- no encroachments;	
6478	- diligence by intended users.	
6479		
6480	<i>Limiting Conditions:</i>	
6481	- denial of liability to non-intended users and for any non-intended use;	
6482	- conclusions may be valid only at the date of valuation;	
6483	- responsibility denied for legal factors;	
6484	- fees for attendance at legal proceedings to be agreed;	
6485	- report must not be used partially;	
6486	- possession of report does not permit publication;	
6487	- disclosure for peer review may be required;	
6488	- cost estimates are not valid for insurance purposes;	
6489	- value conclusion is in Canadian dollars;	
6490	- denial of responsibility for any unauthorized alteration to a report;	
6491	- validity requires original signature.	
6492		
6493	- (See "Handbook of Disclosure Guidelines, AIC 1996" for a full inventory	
6494	of clauses)	
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6500	<b>Extraordinary Assumptions</b>	1029
6501	<i>Examples:</i>	
6502	- an absence of contamination where such contamination is	6335
6503	probable;	
6504	- the presence of municipal sanitary sewer where unknown or	
6505	uncertain;	
6506	- assumed zoning where the zoning is unknown or uncertain;	
6507	- assumed condition where an interior inspection is not possible.	6435
6508		
6509	<i>Extraordinary Assumptions (Hypothetical Conditions)</i>	
6510	- repairs or improvements have been completed;	
6511	- execution of pending lease;	
6512	- rezoning has been achieved;	
6513	- an expropriation scheme is disregarded;	
6514	- a prospective appraisal;	1019
6515	- municipal sanitary sewer when none is available;	
6516	- aggregate (retail) or bulk (wholesale) marketing of units.	
6517		
6518	<i>Extraordinary Assumptions presume as fact otherwise uncertain information about</i>	
6519	<i>physical, legal or economic characteristics of the subject property, or about</i>	
6520	<i>conditions external to the subject property such as market conditions or trends, or</i>	

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6570 “ We made no investigations into the title of the property , other than to obtain the  
6571 appended title search.”  
6572  
6573 *Illustration of a clause requiring an Extraordinary Limiting Condition regarding title:*  
6574 “ As instructed, no title search has been undertaken for this assignment. Title is  
6575 assumed to be good and marketable. However, the absence of a search increases the  
6576 level of risk inherent in the analysis and conclusions to be found in this report.”  
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6617 **Land Use Controls**

- 6618 - should be considered under all levels, such as Provincial Regulations, official  
6619 community plans, zoning, subdivision control, by-laws, parking, environmental,  
6620 flood plain and water course set-backs.
- 6621 - an illegal use should be valued in accordance with the definition of Highest and  
6622 Best Use employed in the report, which typically refers to (or assumes) a legally  
6623 permissible use. The only basis for valuation under the existing illegal use would  
6624 be where a variance to the by-law could reasonably be expected, thereby resulting  
6625 in either a conforming or legal non-conforming use. Any Extraordinary Assumptions  
6626 in this regard should be clearly stated in the report, in any location referring to a  
6627 final value estimate, as well as in the land use discussion and Highest and Best Use  
6628 analysis.

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6639 **Highest and Best Use**

- 6640 - may be defined as:

6641 "That reasonably probable and legal use of vacant land or an improved  
6642 property which is physically possible, appropriately supported, financially  
6643 feasible, and that results in the highest value."

6644

6645 The highest and best use of a property is an economic concept that measures the  
6646 interaction of four criteria: legal permissibility, physical possibility, financial  
6647 feasibility, and maximum profitability.

6648

6649 Estimating the highest and best use of a property is a critical appraisal component  
6650 that provides the valuation context within which market participants and appraisers  
6651 select comparable market information.

6652 An appraiser considers highest and best use of the property as if vacant separately  
6653 from the highest and best use of the property as improved. This is because the  
6654 highest and best use of the site as if vacant and available for development  
6655 determines the value of the land, even if the property's existing improvement does  
6656 not represent the highest and best use of the site.

6657

6658 Highest and Best use of land or a site is the use among all reasonable alternative  
6659 uses that yields the highest present land value, after payment for labour, capital  
6660 and co-ordination. The conclusion assumes that the parcel of land is vacant or can  
6661 be made vacant by demolishing any improvements.

6662 - *if for valid reason, as explained in the report (e.g. rent review, value in use,*  
 6663 *insurance coverage,) a highest and best use is irrelevant, no Extraordinary*  
 6664 *Limiting Condition is required.*

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6666 **CRA**

6667 *In determining limits placed on a CRA member in undertaking an assignment, the*  
 6668 *test lies in the highest and best use- actual or assumed- of the property being appraised.*

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6672 **Direct Comparison**

6673 - *A contract sale price of the subject property can be a good indicator of its market*  
 6674 *value, and it may be logical and reasonable for the appraiser to conclude that*  
 6675 *they are the same. However, this is not always the case. In some situations, the*  
 6676 *subject contract price may exceed or be less than what is typical in a market. A*  
 6677 *contract sale price, while a significant piece of market data, must not become a*  
 6678 *target in an appraisal assignment.*

6679

6680 - *care should be exercised in analysing sales of new properties to ensure both*  
 6681 *consistency and disclosure regarding the impact if any of transaction taxes*  
 6682 *(e.g. GST) on prices paid.*  
 6683 *(GST may already be included in the model of basic cost multipliers provided by*  
 6684 *valuation costing services.)*

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6691 **Date of Sale**

6692 - *Fixing the date of sale of a comparable is necessary to establish relevance and*  
 6693 *accuracy, and to determine the precise period for which a time adjustment is to be*  
 6694 *made. This adjustment period begins on the date of sale and ends on the effective*  
 6695 *date of the appraisal.*

6696

6697 *The date of sale could be taken as:*

- 6698 - *the time of the meeting of the minds*
- 6699 - *the execution of an interim agreement*
- 6700 - *the removal of subject to clauses*
- 6701 - *acceptance of an offer to purchase*
- 6702 - *multiple listing record*
- 6703 - *execution of title transfer by the vendor*
- 6704 - *registration in the land title office*

6705

6706 *Practical considerations may determine which date is to be used. Dates of*  
 6707 *record reflecting completed transactions provide certainty, and - in most*  
 6708 *jurisdictions - are readily available. But weeks, or months could have elapsed*  
 6709 *since the initial agreement as to price. And confirming the date of this initial*  
 6710 *agreement requires that the parties be available - and willing - to divulge details.*

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- 6711 *In a period where the market is rising or falling at a substantial percentage each*  
 6712 *month, it may be necessary to reflect whether the sale occurred near the*  
 6713 *beginning, in the middle, or at the end of the month.*  
 6714  
 6715 *In selecting the date of sale, consistency is the preferred approach. Rather than*  
 6716 *attempting to speculate as to the length of the interval between agreement and*  
 6717 *closure, less weight can be given to those sales dates that are inconsistent with the*  
 6718 *model selected.*  
 6719  
 6720 *In summary, while it may be argued that no sale has occurred until the transfer is*  
 6721 *registered, there may be a long delay in registration. The basic answer to the*  
 6722 *question - "what is the date of sale" - is the date the price was finally agreed upon.*  
 6723 *Researching that date for all of the comparables may be impractical. Where*  
 6724 *consistency is not possible, any variation should be explained.*  
 6725  
 6726 - *Sales occurring after the effective date of valuation may be useful in the analysis*  
 6727 *but are subject to appropriate weight.*  
 6728  
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 6734 **Discounted Cash Flow Analysis**  
 6735 - *Discounted Cash Flow (DCF) methodology is based on the principle of anticipation*  
 6736 *i.e., value is created by the anticipation of future benefits. DCF analysis reflects*  
 6737 *investment value and market value appraisals, as well as for other purposes such*  
 6738 *as sensitivity tests.*  
 6739  
 6740 - *DCF analysis is an additional tool available to the appraiser and is best applied*  
 6741 *when developing value opinions in the context of one or more other approaches.*  
 6742  
 6743 - *To avoid misuse or misunderstanding when DCF analysis is used in an appraisal*  
 6744 *assignment to develop an opinion of market value, it is the responsibility of the*  
 6745 *appraiser to ensure that the controlling input is consistent with market evidence and*  
 6746 *prevailing market attitudes. Market-value DCF analyses should be supported by*  
 6747 *market-derived data, and the assumptions should be both market and property*  
 6748 *specific. Market-value DCF analyses are intended to reflect the expectations and*  
 6749 *perceptions of market participants along with available factual data. They should*  
 6750 *be judged on the market support for the forecasts when made, not whether specific*  
 6751 *items in the forecasts are realized. An appraisal report that includes the results of*  
 6752 *DCF analysis must clearly state the assumptions on which the analysis is based and*  
 6753 *must set forth the relevant data used in the analysis.*  
 6754  
 6755 - *DCF accounts for and reflects those items and forces that affect the revenue,*  
 6756 *expenses, and ultimate earning capacity of real estate and represents a forecast of*  
 6757 *events that would be considered likely within a specific market. For example, in the*  
 6758 *appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract*

6759 *and market rents, specific escalations, operating expenses, pass-through provisions*  
 6760 *market-derived or specific concessions, capital expenditures, and any other*  
 6761 *measurable specific provisions applicable. Revenue growth rate or decline rate*  
 6762 *assumptions are premised upon analysis or supply/demand factors and other*  
 6763 *economic conditions and trends within the market area of the subject. Operating*  
 6764 *expense change rates should reflect both overall expense trends and the specific*  
 6765 *trend of significant expense items.*

6766

6767 - *Discount rates applied to cash flows and estimates of reversion should be derived*  
 6768 *from data and information in the real estate and capital markets. Surveys of*  
 6769 *investor opinion and yield indices are also useful in the rate selections process,*  
 6770 *but only when the type of and market for the real estate being appraised is*  
 6771 *consistent with the type of and market for the real estate typically acquired by the*  
 6772 *investors interviewed in the survey. Considerations used in the selection of rates*  
 6773 *are risk, inflation, and real rates of return.*

6774

6775 - *When reversion capitalization rates are used, they should reflect investor*  
 6776 *expectations considering the real estate type, age and condition, cash flow*  
 6777 *characteristics, and related factors. The projection period is a variable and should*  
 6778 *be set out on the basis of the facts and circumstances of each analysis.*

6779

6780 - *The results of DCF analyses should be tested and checked for errors and*  
 6781 *reasonableness. Because of the compounding effects in the projection of income*  
 6782 *and expenses, even slight input errors can be magnified and can produce*  
 6783 *unreasonable results. For example, it is good practice to test whether cash flows*  
 6784 *are changing at reasonable rates, and to compare the reversion capitalization rate*  
 6785 *with the inferred entrance capitalization rate to see if the relationship between*  
 6786 *these rates is reasonable and explainable.*

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### 6797 **Automated Valuation Model**

6798 - *An Automated Valuation Model (AVM) is a computer program that analyses data*  
 6799 *using an automated process. For example, AVM's may use regression, adaptive*  
 6800 *estimation, neural network, expert reasoning and artificial intelligence programs.*

6801

6802 - *Five critical questions for an appraiser proposing to use an AVM in an appraisal,*  
 6803 *review or consulting assignment are:*

6804 1. *Does the appraiser have a basic understanding of how the AVM works?*

6805 2. *Can the appraiser use the AVM properly?*

- 6806 3. *Are the AVM and the data it uses appropriate given the intended use of*  
 6807 *assignment results?*  
 6808 4. *Is the AVM output credible?*  
 6809 5. *Is the AVM output sufficiently reliable for use in the assignment?*  
 6810 - *Note that an AVM's output is not, by itself, an appraisal, and communication*  
 6811 *of an AVM's output is not, in itself, an appraisal report.*  
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 6822 **Agreement for Sale/Option/Listing/Prior Sales**  
 6823 - **Sample Entries:**  
 6824 - *In the analysis of the sales history of the subject property, a member must exercise*  
 6825 *due diligence, but this need not necessarily include a search of the public record.*  
 6826 *The necessity for a search of the public record will depend on the nature and*  
 6827 *scope of the assignment, according to the reasonable appraiser standard. For*  
 6828 *example, for residential form appraisals for mortgage purposes it may not be*  
 6829 *necessary to search public records where the sales history for the subject is*  
 6830 *available elsewhere. For the purpose of this Practice Note, Public Record means*  
 6831 *Land Title Office/Register of Deeds.*  
 6832  
 6833 - *The owner reports that the subject property is not under current agreement or*  
 6834 *option and is not offered for sale on the open market. According to public records,*  
 6835 *the subject property has not changed hands during the past three years.*  
 6836  
 6837 - *The property being appraised is known to be the subject of a pending purchase and*  
 6838 *sale agreement, but the appraiser was unable to obtain the terms of the agreement.*  
 6839 *The current owner confirmed that the property is under agreement, but declined*  
 6840 *to disclose the terms of the agreement or to discuss the nature of the agreement.*  
 6841  
 6842 - *The subject property is currently offered for sale at a listing price of \$XXX,XXX. A*  
 6843 *copy of the listing agreement with March Smith, real estate broker, is included in*  
 6844 *the addendum to this report.*  
 6845  
 6846 - *The subject property was sold by John Jones to the current owner on June 1, 20xx,*  
 6847 *for a reported price of \$XXX,XXX. The parties to the transaction have affirmed*  
 6848 *that the seller received all cash and that the reported price was unaffected by*  
 6849 *special or creative financing or sales concessions granted by anyone associated*  
 6850 *with the sale. This sale is analyzed in the Direct Comparison Approach section of*  
 6851 *the appraisal report.*  
 6852  
 6853 - *According to the public records, there have been no other transfers of the subject*  
 6854 *property within the past three years.*

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6856 - *The subject property was sold by John Jones to the current owner on June 1, 20xx,*  
 6857 *for an unknown price. The appraiser attempted to obtain the purchase price and*  
 6858 *other terms of the transaction without success. The parties to the transaction*  
 6859 *declined to discuss the terms or conditions of the sale.*

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6870 **Responsibility**

6871 - *Significant participation and significant professional assistance are terms that are*  
 6872 *best delineated through the "reasonable appraiser" test.*

6873

6874 - *an appraiser may rely on significant professional assistance of an employee, co-*  
 6875 *worker, independent contractor or assistant if:*

6876 - *the appraiser reasonably believes the individual is competent, and*

6877 - *the individual's work is credible, and*

6878 - *the individual and the significant professional assistance is identified in the*  
 6879 *certification.*

6880

6881 *As proficiency is demonstrated by an assistant, it is appropriate for the principal*  
 6882 *appraiser to place greater reliance on the work of that assistant. In the context of a*  
 6883 *real property appraisal assignment, an assistant who has meaningful appraisal*  
 6884 *education and extensive work experience may well be competent to inspect the real*  
 6885 *estate and prepare the appraisal report alone, subject to an appropriate final*  
 6886 *reconciliation by the principal appraiser who will be signing or co-signing the*  
 6887 *report. In this situation, the assistant's contribution is both significant and*  
 6888 *professional. The appropriate final reconciliation should include a discussion of all*  
 6889 *aspects of the appraisal process between the assistant and the principal appraiser.*

6890

6891 *If the principal appraiser signs the certification alone, the contribution of any*  
 6892 *significant professional assistance must be acknowledged, and the specific tasks*  
 6893 *performed by the assistant should be clearly stated. If both the assistant and the*  
 6894 *principal appraiser sign the report, the principal accepts full responsibility for all*  
 6895 *aspects of the appraisal process as evidenced by the contents of the report.*

6896

6897 *Joint preparation of a report required in litigation can provide opposing counsel*  
 6898 *with opportunities to test whether the evidence is credible, probative and even*  
 6899 *admissible. For example, how did both appraisers conclude exactly the same final*  
 6900 *value independently, or did one prevail over the other?*

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6902	<i>Appraisers in the employ of a public institution are required to comply with the <u>Rules</u></i>	Go To:
6903	<i>in preparing "in-house" appraisal, review or consulting reports if these reports are</i>	1011
6904	<i>subject to public review.</i>	
6905		
6906	<i>-where these reports are provided "in-house" and not subject to public review, it</i>	
6907	<i>is generally accepted that such reports can be prepared according to the</i>	
6908	<i>procedural and policy requirements of that particular institution. However, if</i>	
6909	<i>these conclusions are to or may be presented in a public forum such as before Boards</i>	
6910	<i>of Assessment Appeal or Courts, then the appraisal, review or consulting standards</i>	
6911	<i>will apply.</i>	
6912		
6913	<i>-when these reports are not prepared for or presented in a public forum but may be</i>	
6914	<i>required by due process of law (such as a Freedom of Information request) to be</i>	
6915	<i>released to the public then the provisions of a Jurisdictional Exception may apply.</i>	
6916		
6917	<i>-if relying on significant professional assistance, it is recommended that liability be</i>	1774
6918	<i>limited by identifying in the certification, whose information was relied upon,</i>	
6919	<i>and stating what verification, if any, of that information was undertaken.</i>	
6920	<i>Under this circumstance, an appraiser should consider whether an Extraordinary</i>	
6921	<i>Assumption is required.</i>	
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6927	<b>Technical Review</b>	2018
6928	<i>- in a technical review, the review appraiser goes beyond checking for a level of</i>	
6929	<i>completeness and consistency in the report under review by providing comment</i>	
6930	<i>on the content and conclusions of the report. The review appraiser may or may</i>	
6931	<i>not have first-hand knowledge of the subject property or of data in the report.</i>	
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6942	<b>Purpose</b>	1015
6943	<i>- the appraiser's objective (e.g.: market value, compliance, feasibility) differs from</i>	2041
6944	<i>intended use, which is the client's objective.</i>	3016
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6955 **Disagreement/Agreement**6956 - *when a review appraiser develops an opinion of value, the review appraiser may:*6957 - *use additional information that was not available to the original appraiser  
in the development of the appraisal under review;*6959 - *include the appraisal component in the appraisal review report;*6960 - *adopt those items in the appraisal under review with which the review appraiser  
concurs without repeating them in the review report.*6962 - *it is only with respect to those items where the review appraiser's opinion differs  
from those in the appraisal under review where there must be replacement*6964 *information or analysis development in accordance with the Appraisal Standard.*

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6975 **Market Analysis**6976 - *the consultant should carefully define and delineate the pertinent market area for  
the analysis. Supportive reasoning for the selection of the boundaries must be  
stated. The consultant should identify the specific class(es) of the real estate under  
consideration and analyze the forces that are likely to affect supply/demand  
relationships.*

6981

6982 - *the consultant is expected to provide a comprehensive physical and economic  
description of the existing supply of space for the specific use within the defined  
market area, an explanation of the competitive position of the subject, and a  
forecast of how anticipated changes in future supply (additions to or deletions from  
inventory) may affect the subject property.*

6987

6988 - *the consultant is expected to project the quantity and price or rent level of space  
that will be demanded within the particular sub-market. The capture or penetration  
rates of competitive projects should be examined in sufficient detail to lead to a  
reasoned conclusion as to the forecasted price or rent levels at which the market is  
likely to accept the subject space and the estimated absorption or rent-up time  
period.*

6994

6995 - *an assignment from a lender requesting comparables to support a pre-determined  
loan amount is considered to be research within a consulting service provided no  
appraisal, as defined, is completed.*

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**6999 Cash Flow/Investment Analysis**

7000 - since real estate investment decisions are predicated on financial implications, the  
 7001 consulting service should define the client's investment criteria, consider major  
 7002 variables in the real estate and financial markets, and forecast the anticipated  
 7003 results. Definitions of the financial indices used (such as internal rate of return)  
 7004 and explanations of the financial analysis techniques and computer programs  
 7005 employed should be included.

7006

**7007 Feasibility Analysis**

7008 - the consultant should compare the following criteria from the client's project to the  
 7009 results of the market analysis: the project budget (all construction costs, fees,  
 7010 carrying costs, and ongoing property operating expenses); the time sequence of  
 7011 activities (planning, construction and marketing); the type and cost of financing  
 7012 obtainable; cash flow forecasts over the development and/or holding period;  
 7013 and yield expectations. The consultant should have enough data to estimate  
 7014 whether the project will develop according to the expectations of the client and is  
 7015 economically feasible in accordance with the client's explicitly defined financial  
 7016 objectives.

7017

**7018 Reserve Fund Study**

7019 - Since Reserve Fund Studies are completed to provide financial planning advice,  
 7020 the consulting service should consider the stated policies in the condominium  
 7021 corporation defining those components to be covered by the study and incorporate a  
 7022 comprehensive benchmark analysis including life cycle analysis, current and future  
 7023 replacement costs and future reserve fund accumulations. The Study should provide  
 7024 comments on any apparent deficiency in the reserve fund account or in future reserve  
 7025 fund accumulation, along with a cash flow model covering an appropriate time frame.

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**7030 Value Opinions in Appraisal Review Assignments**

7031 - the Review Standard provides for a review appraiser to address all or part of the  
 7032 appraisal being reviewed. This includes addressing its completeness, relevance,  
 7033 appropriateness and reasonableness within the context of the Appraisal Standard  
 7034 under which the appraisal was prepared. An appraisal review assignment may or  
 7035 may not include the development and reporting by the review appraiser of his or her  
 7036 own estimate of value. When a separate estimate of value is to be included, the  
 7037 assignment becomes a two-stage assignment - an appraisal review plus a value  
 7038 estimate by the review appraiser.

7039

7040 - it is essential to develop a well-defined scope of work with the client to ensure a clear  
 7041 understanding of what steps are and are not necessary in an assignment. Key  
 7042 elements are the purpose of the assignment and the intended use of the report.

7043

7044 - when the appraisal review is only for the purpose of determining compliance, the  
 7045 review appraiser should use extreme care to ensure the appraisal review report does  
 7046 not include language that implies the review appraiser developed an opinion of

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- 7047 value concerning the subject property of the appraisal under review. When the  
 7048 review appraiser uses language to signify concurrence with the value or a different  
 7049 value opinion, the review appraiser has additional appraisal development and  
 7050 reporting obligations.
- 7051
- 7052 - the following are examples (without limitation) of intended use and language used  
 7053 in a review where the review appraiser DOES NOT include his or her own  
 7054 estimate of value:
- 7055
- 7056 - the review appraiser may develop and report an opinion as to the quality of the  
 7057 appraisal under review and:
- 7058 1) only state the corrective action to be taken by the original appraiser with  
 7059 regard to curing any deficiency, leaving the client to decide whether to  
 7060 interact with the original appraiser to accomplish the correction; or,  
 7061 2) act on behalf of the client to interact with the original appraiser to ensure  
 7062 any deficiency is appropriately corrected by that appraiser.
- 7063
- 7064 - examples of the language that might be used:
- 7065 - the value conclusion stated in the appraisal report is (or is not) supported;
- 7066 - the value conclusion is (or is not) appropriate and reasonable given the data  
 7067 and analyses presented;
- 7068 - the value conclusion stated in the report was (or was not) developed in  
 7069 compliance with applicable standards and requirements;
- 7070 - the content, analyses and conclusions stated in the report under review are  
 7071 (or are not) in compliance with applicable standards and requirements;
- 7072 - I reject the value conclusion as being unreliable due to the errors and/or  
 7073 inconsistencies found;
- 7074 - I accept (or approve) the appraisal report for use by the client.
- 7075
- 7076 - the following are examples (without limitation) of intended use and language  
 7077 used in an appraisal review where the review appraiser DOES include his or  
 7078 her own estimate of value:
- 7079
- 7080 - the review appraiser may develop and report an opinion as to the quality of  
 7081 the appraisal under review and:
- 7082 1) make corrections to cure a deficiency, expressing the result as the  
 7083 appraisal reviewer's own opinion of value, which is to be developed within  
 7084 the same scope of work as was applicable in the appraisal under review; or  
 7085 make corrections to cure a deficiency, expressing the result as the review  
 7086 appraiser's own opinion of value, but develop that opinion using a different  
 7087 scope of work than was applicable in the appraisal under review; or
- 7088 3) regardless of the appraisal review result, develop his or her own opinion  
 7089 of value, using the same scope of work as was in the appraisal under  
 7090 review; or
- 7091 4) regardless of the appraisal review result, develop his or her own opinion  
 7092 of value, using a different scope of work than was applicable in the appraisal  
 7093 under review.
- 7094
- 7095 - examples of the language that might be used:

- 7096 - I concur (or do not concur) with the value;- I agree (or do not) with  
 7097 the value;  
 7098 - in my opinion, the value is \$X (or the same);  
 7099 - in my opinion the value is incorrect and should be \$X;  
 7100 - in my opinion the value is too high (or too low).  
 7101 Such language, or language with similar meaning to the intended users of the  
 7102 report, represents that the review appraiser has completed the steps required  
 7103 to develop his or her own value opinion. Such language indicates that the  
 7104 review appraiser has either concurred with the appraiser's value opinion as  
 7105 his or her own, or has developed a different opinion of value. It is important  
 7106 that this language be consistent with the scope of work described in the  
 7107 appraisal review report.  
 7108  
 7109 - note that if a review appraiser rejects the value, he or she should use care  
 7110 in how the result is stated. If the language of such rejection is based on  
 7111 errors or inconsistencies in the appraisal under review and does not  
 7112 include any qualifiers that would relate to a direction in value, then it does  
 7113 not infer an appraisal by the review appraiser.  
 7114  
 7115 - however, if such rejection is stated in relation to a value or value range,  
 7116 such as indicating a direction in value (i.e., more than, less than), or to an  
 7117 established benchmark, then that language indicates the review appraiser  
 7118 has clearly bridged over into the appraisal stage. This is an important  
 7119 distinction which must be kept in mind by the review appraiser when  
 7120 composing any language regarding the original appraiser's opinions  
 7121 or conclusions. In addition, whichever category such language may fall  
 7122 under, it must also be consistent with the purpose, scope and intended use  
 7123 of the appraisal review assignment results.  
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Go To:

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7147	<b>Assessment</b>	6902
7148	<i>In developing a mass appraisal, a member must be aware of, understand and correctly</i>	
7149	<i>apply those recognized methods and techniques necessary to produce and</i>	
7150	<i>communicate credible results.</i>	
7151	<i>The Jurisdictional Exception may apply to sections of The Standards , as</i>	80
7152	<i>assessment administration is subject to provincial/territorial laws and assessment case</i>	
7153	<i>law.</i>	
7154	<i>Members working in assessment may claim a Jurisdictional Exception where:</i>	
7155	<i>- legislation overrides the Standards rules or,</i>	
7156	<i>- where assessment jurisdiction policy or the evidentiary procedures of the assessment</i>	
7157	<i>appeal process will not allow assessors to provide any or all of the information</i>	
7158	<i>required by the Standards.</i>	
7159	<i>Members working in assessment should be able to explain why a Jurisdictional</i>	
7160	<i>Exception was claimed.</i>	
7161		
7162	<i>The assessment appeal process varies in Canada according to local practice,</i>	
7163	<i>jurisdiction and the governing legislation. Depending on location, an appeal</i>	
7164	<i>could proceed through one or more levels of "quasi judicial" administrative</i>	
7165	<i>tribunals and panels, and the court system. Again, depending on location, the</i>	
7166	<i>value defended by the assessor may be one that is determined through the</i>	
7167	<i>the mass appraisal process, or alternatively, a value which is based on</i>	
7168	<i>appraisal principles for individual properties.</i>	
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7170	<i>At the administrative tribunal or panel level, an oral report may be acceptable.</i>	
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## DEFINITIONS

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

**AACI:** Accredited Appraiser Canadian Institute designation.

**A.I.C.:** Appraisal Institute of Canada

**ACCEPTED APPRAISAL STANDARDS:** this is a level of professional practice qualifications that affect current appraisal teachings, experience and work performance that reasonable appraisers would believe to be justified.

**ACCRUED DEPRECIATION:** The difference between an improvement's cost new and its value as of any given date.

**AD VALOREM FEE:** A fee levied in proportion to the value of the property being appraised.

**APPRAISAL:** A formal opinion of value:

1. prepared as a result of a retainer;
2. intended for reliance by identified parties, and;
3. for which the appraiser assumes responsibility

Comment: An expression of value is not an appraisal if it is not the result of a retainer, if it is not intended to be relied upon, and if it is one for which the appraiser would not be expected to accept responsibility.

**APPRAISAL PRACTICE:** the work or services performed by appraisers, defined by three terms in these standards: appraisal, review, and consulting.

Comment: These three terms are intentionally generic, and not mutually exclusive. For example, an estimate of value may be required as part of a review or consulting service. The use of other nomenclature by an appraiser (e.g. analysis, counselling, evaluation, study, submission, valuation) does not exempt an appraiser from adherence to these standards.

**APPRAISAL REPORT:** types include:

- Narrative - comprehensive and detailed;
- Short Narrative - concise and briefly descriptive.
- Form - a standardized format combining check-off boxes and narrative comments.

**APPRAISAL REVIEW:** the act or process of developing and communicating an opinion about all or part of an appraisal.

Comment: The subject of an appraisal review assignment may be all or part of an appraisal report, the work file, or a combination of these.

**ASSEMBLAGE:** the merging of adjacent properties into one common ownership or use.

**ASSIGNMENT:** an appraisal, consulting or review service provided as a consequence of an agreement between an appraiser and client.

**ASSUMPTION:** that which is taken to be true.

**BIAS:** a preference or inclination used in the development or communication of an appraisal, review, or consulting assignment that precludes an appraiser's impartiality.

**CRA:** Canadian Residential Appraiser designation.

**CLIENT:** the party or parties who engages an appraiser (by employment or contract) in a specific assignment.

Comment: The client identified by the appraiser in an appraisal, consulting, or review report (or in the assignment work file) is the party or parties with whom the appraiser has an appraiser-client relationship in the related assignment, and may be an individual, group, or entity.

**COMPETENCE:** having the required or adequate ability or qualities to perform the specific assignment.

**CONFIDENTIAL INFORMATION:** information, not otherwise publicly available, provided in the trust that the recipient will not disclose it to another.

**CONSULTING:** the act or process of providing information, analysis of real estate data, and recommendations or conclusions on diversified problems in real estate, other than an appraisal.

**CONTINGENT FEE:** compensation that is dependent on the result.

**COUNCIL:** the National Governing Council of the Institute.

**DEPRECIATION:** a loss in property value from any cause.

**EFFECTIVE DATE:** the date at which the analyses, opinions and advice in an appraisal, review or consulting service apply.

**EXTRAORDINARY ASSUMPTION:** an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

**EXTRAORDINARY LIMITING CONDITION:** a necessary modification or exclusion of a Standard Rule. May diminish the reliability of the report.

**FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavour.

**HAZARDOUS SUBSTANCE:** any material within, around or near the property in question that has sufficient form, quantity and bio-availability to create a negative impact on value.

**HIGHEST AND BEST USE:** the reasonably probable and legal use of property, that is physically possible, appropriately supported, and financially feasible, and that results in the highest value.

**HYPOTHETICAL CONDITION:** that which is contrary to what exists, but is supposed for the purpose of analysis.

**INSTITUTE:** the Appraisal Institute of Canada and its authorized Committees.

**INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** non physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

**INTENDED USE:** the use or uses of an appraiser's reported appraisal, consulting, or review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

**INTENDED USER:** the client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment.

**INVESTMENT ANALYSIS:** a study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment.

**JURISDICTIONAL EXCEPTION:** permits the appraiser to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction and only that part shall be void and of no force or effect in that jurisdiction.

**LARGER PARCEL:** the subject property when considered together with contiguous or nearby property, the value of which is impacted by common ownership.

**LEASE:** a legal agreement which grants to another the right to use, occupy, or control all or part of a property for a stated period of time at a stated rental.

**LIMITING CONDITION:** a statement in the appraisal identifying conditions that impact the value conclusion.

**MARKET ANALYSIS:** a study of real estate market conditions for a specific type of property.

**P.App:** Professional Appraiser designation

**PERSONAL PROPERTY:** identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate.

**PROFESSIONAL PRACTICE PEER GROUP:** committees authorized under the by-laws of the Institute to administer Canadian Uniform Standards.

**REAL ESTATE:** land, buildings, and other affixed improvements, as a tangible entity.



**REAL PROPERTY:** the interests, benefits, and rights inherent in the ownership of real estate.

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

**REASONABLE APPRAISER:** one who maintains a level of performance that would be acceptable to the professional practice peer group.

**RECERTIFICATION OF VALUE:** an inspection performed to confirm whether or not the hypothetical conditions in the appraisal have been met.

**REPORT:** any communication, written or oral, of an appraisal, review, or consulting service that is transmitted to the client upon completion of an assignment.

Comment: Most reports are written and most clients mandate written reports. Oral report requirements are included to cover court testimony and other oral communications of an appraisal, review or consulting service.

**RETAINER:** engagement by a client of an appraiser to produce a formal report for an intended use.

**SCOPE OF WORK:** the amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

**SIGNATURE:** personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report.

Comment: A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the appraiser has sole personalized control of affixing the signature.

**VALUE:** the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: Value expresses an economic concept. As such, it is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified, e.g., market value, liquidation value, investment value, rental value.

**WORKFILE:** documentation necessary to support an appraiser's analyses, opinions and conclusions.

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