



Case Summary: 2023-18

Sanction Consent Agreement Implementation Date: November 8, 2023

General Summary:

File Opened: January 23, 2023

This report was brought to the AIC's attention via a consumer inquiry that did not evolve into a formal complaint. The matter was referred to a Counsellor for review as a potential issue arising from a complaint inquiry in accordance with: AIC Regulation **5.3 Institute Initiated Complaint Arising from an Inquiry.**

The matter concerned an appraisal report completed on a luxury condo unit. The member was an AACI but identified themselves as a Candidate Member in some parts of the report.

The report included different dates of completion. The date is shown as 2021 in one part of the report and as 2022 in another.

The report indicates that the property is "as if complete" however the condo building is more than ten years old. The phrase "Upon 100% Completion" is not included after the estimate of value throughout the report.

The report references two separate real estate firms – which is confusing and potentially misleading.

There is confusion regarding the Intended User and the Client in the report. The Intended User is identified as "J. Doe" with "All other users and/or parties are strictly denied." "J. Doe" is the owner of the property – not an Intended User. The report is addressed to "S. Body" with no reference to their role in the matter. It is unclear who the Client the Intended User are.

The Scope of Work includes reference to a non-member providing the professional assistance of inspection. This non-member had been an AIC Candidate Member in the past but was not an active AIC Member at the time of the report. The Member assumed that the non-member was still a Member in good standing with the AIC but did not confirm it with the non-member. The Member admitted that this was an oversight on their part.

The condo was valued "as if complete" and the report noted 97% completion. The Purpose was noted as "To Estimate Market Value" but there is no additional comment to explain the exact nature of the estimate of value. The report includes two separate dates, stating 2021 in one area and 2022 in another area.

A prospective value must be accompanied by an accurate description of the work that has and has not yet been completed on the property. There is a limited description of this in the report. Further, the report does not include the caveat “as if complete” in every instance where the estimate of value is expressed.

The Exposure Time is identified as “under 90 days” in the report. This is incongruent with the actual exposure times of the comparable sales which ranged from less than ten to approximately 40 days.

The report refers to an addendum for a discussion of the “site” and “neighbourhood” however, it is mostly boiler plate information. There is no description of the condo building which is readily available with a simple internet search. The report does not include any information of the “status of” and “market trends” in the luxury condo market in the city, which is also readily available.

The report explains the Definition of Highest and Best Use but does not resolve it. In the report the HABU section, the “Land Value as if Vacant” field is left blank when the “N/A” box should be checked, indicating a lack of care.

The property history section notes that the condo was listed three times in 202# and sold for an amount lower than the highest listing price.

The report does not include any sales or listings from the condo building and includes sales from other condo buildings with no rationale. The three sales are adjusted and the price per square foot is used as the comparator.

The report includes this statement in the reconciliation section of the report: “Because the subject is a condominium, only the Direct Comparison Approach was used in this analysis.” While this is a valid approach to the assignment, there is no rationale for the exclusion of the Cost Approach and the Income Approach in the report. The report includes a partly-blank Cost Approach Addendum indicating a lack of due diligence and due care in the completion of the report.

The report neither analyzed the sales history of the condo in detail nor explained why the earlier sale price differed from the final value estimate. The report did not include an explanation of the lack of relevance of the earlier sale price to support why no weight was placed on it as an indicator of value.

Report Details:

Property Type: condo undergoing renovations

Purpose: to estimate market value

Use: first mortgage financing only

Certification: signed by: P. App, AACI

Complainant Allegations:

N/A

Issues Arising from the Complaint Review:

1. The Member signed the report both as a Candidate and AACI
2. Different dates of completion are included in the report
3. The value is noted as 'As if' complete, but the condo building has been built for 10+ years
4. Appraisal company is noted in the report as both XYZ Realty and ABC Appraisals
5. Client and Intended User
6. Scope of Work
7. Date of Report, Reporting Market Value as 100% complete.
8. Exposure Time is unsupported
9. Description of "area", "market trends", "building" and "Land" is insufficient.
10. Highest and Best Use.
11. Describe and analyse all data relevant to the assignment
12. Describe Appraisal Procedures
13. Analysis of Past Sales and Listing

Sanction Consent Agreement Terms

Agreed Breaches of CUSPAP 2022:

Ethic Standard Comment 5.3 Misleading Advertising

5.3.7 Candidate Members must not [see 4.2.3, 4.2.4, 4.2.6]:

5.3.7.i identify themselves with any term/title that might be misinterpreted as an AIC designation, (e.g. "accredited appraiser" or a "Designated appraiser");

5.3.7.ii use initials or abbreviations that might be misinterpreted as an AIC designation;
or

5.3.7.iii promote the Candidate Membership in such a way that it might be perceived as a valuation designation (e.g., "CRA [or AACI] Candidate" or "Candidate CRA [or AACI]" or any combination or variation thereof).

Reporting Standard Rules

In a Report the Member must:

- 6.2.1** identify the client by name and intended user by name;
- 6.2.4** define the scope of work necessary to complete the assignment;
- 6.2.5** identify the Effective Date of the Member's analyses, opinions and conclusions, and identify whether the opinion is current, retrospective, prospective, or an update;
- 6.2.6** identify the Date of the Report;

Real Property Appraisal Standard– Preamble

8.1.1 This Standard outlines the procedures for the development and communication of a formal opinion of value for Real Property and in conjunction with the Reporting Standard, incorporates the minimum content necessary to produce a credible Report that is not misleading.

Real Property Appraisal Standard Rules

When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard, and must:

- 8.2.1** provide an analysis of reasonable exposure time linked to a market value opinion;
- 8.2.3** identify the property and describe its location and characteristics;
- 8.2.6** define, analyze and resolve the highest and best use;
- 8.2.7** describe and analyze all data relevant to the assignment;
- 8.2.8** describe and apply the appraisal procedures relevant to the assignment and provide the exclusion of any of the relevant valuation procedures;
- 8.2.14** analyze and comment on
 - 8.2.14.i** all Agreement for Sale, Option, or Listing of the property, subject to 9.13, and
 - 8.2.14.ii** all prior sales of the property, subject to 9.13.

Real Property Appraisal Standard Comment 9.6 Describe and Analyze All Data Relevant to the Assignment

- 9.6.1** The information and analyses provided in a Report must be sufficient to explain and support the rationale for the opinion and conclusions.
- 9.6.2** The processes of collecting and verifying relevant information must be performed in a manner consistent with the "Reasonable Appraiser" test.

9.6.3 All three approaches to value require the collection of comparable data. The decision to inspect the comparable data and the extent of verification of data will be determined by the Scope of the Assignment and must conform to the “Reasonable Appraiser” test.

Agreed Discipline:

1. **Section 5.35.1:** Reprimand: entered into the Institute’s National Professional Practice Record for a period of five (5) years.
2. **Section 5.35.2:** Education: CPD 123, Adjustment Support in the Direct Comparison Approach to be completed successfully at the Member’s expense and must include the successful completion of the final exam not later than 6 months after the date of implementation of the Sanction Consent Agreement.
3. **Section 5.35.3:** Peer Review: Two reports on residential properties (form reports). Both reports must be completed by the Member without the use of a candidate that would require a co-signer. The first must be completed and submitted within four (4) months of Sanction implementation. The second report must be completed and submitted within 3 months after the first report has had a successful review.

Costs (Section 5.38):

Costs in the amount of \$750 were levied.