



Appraisal Institute of Canada

Institut canadien des évaluateurs

CUSPAP

CANADIAN UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

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

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1 INTRODUCTION

The *Canadian Uniform Standards of Professional Appraisal Practice* (“The Standards,” or “CUSPAP”) were first introduced in January 2001.

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

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

A Member of the Appraisal Institute of Canada (the “Institute” or the “AIC”) must comply with the requirements of CUSPAP when completing all types of Professional Services Assignments.

A Member of the Institute accepting Assignments under the International Financial Reporting Standards must, along with compliance with the requirements of CUSPAP, obtain and be familiar with the current edition of the International Valuation Standards.

Compliance with CUSPAP:

Compliance with the requirements of all components of CUSPAP is mandatory for all types of Professional Services Assignments.

Legislation and/or Regulations:

Members are required to comply with the applicable legislative and/or licensing requirements for all types of Professional Services Assignments.

Legislation supersedes CUSPAP.

External Standards and/or Requirements:

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

Where two standards conflict, Members must comply with CUSPAP. It is a Member’s responsibility to determine their obligations to comply with any other standard of practice.

2 ORGANIZATION AND COMPLIANCE

2.1 Organization

2.1.1 The Standards are organized in three levels:

2.1.1.i. Definitions;

2.1.1.ii. Standard Rules; and

2.1.1.iii. Standard Comments.

2.1.1.iv. Cross-references in the format of numbers in square brackets [#.#.#.i] provide links to related Definitions; Rules; and Comments.

2.2 Compliance

2.2.1 Compliance with the Definitions is mandatory.

2.2.2 Compliance with the Standard Rules is mandatory.

2.2.2.i. The Standard Rules are based upon accepted principles regarding the minimum mandatory content necessary to provide a credible result for all Professional Services Assignments.

2.2.3 Compliance with the Standard Comments is mandatory.

2.2.3.i. The Standard Comments clarify, interpret, explain, and elaborate on the Rules.

2.2.4 A report must comply with the Reporting Standard [sections 6 and 7] **and** with the Standard appropriate to the type of Professional Services Assignment being undertaken.

3 DEFINITIONS

3.1 AACI:

Accredited Appraiser Canadian Institute designation. [see 5.4]

3.2 ADMINISTRATIVE REVIEW:

A due diligence function generally completed for internal purposes by on-site or in-house staff for the purpose of making a business decision within an organization. Generally undertaken to ensure Reports comply with Authorized Client or Authorized User requirements. The Administrative Review may entail requirements that are not standards-related, such as the age of comparable properties, the length of time between the comparable sale date, and/or the Effective Date. An administrative review might be simply of a clerical nature.

3.3 AIC:

Appraisal Institute of Canada.

3.4 ANALYZE:

To study or examine something in detail in order to discover or understand more about it.

3.5 APPRAISAL:

A formal opinion of value expressed either in written or oral form that is prepared as a result of a retainer or an agreement and is intended to be relied upon by identified parties; and for which the Member assumes responsibility. [see 6, 8, 16]

3.6 APPRAISAL PRACTICE:

A generic term to describe the work or professional services performed by a Member, defined by the six activities regulated by these Standards: Real Property Appraisal, Review, Consulting, Reserve Fund Study, Machinery and Equipment Appraisal, and Mass Appraisal.

Note 1: These six activities are intentionally generic, and not mutually exclusive. For example: an estimate of Real Property value may be required as part of a Review, Consulting, Reserve Fund Study and/or Machinery and Equipment Professional Service.

Note 2: The use of other terms (e.g., analysis, counselling, evaluation, study, submission, valuation) does not exempt adherence to these Standards. To avoid confusion, terminology included in CUSPAP should be used.

3.7 APPRAISER-ASSISTED AVM:

An automated valuation model (AVM) that requires appraiser judgment in developing and setting parameters for comparable data search and final reconciliation processes. The output of an AVM becomes a value when a Member applies judgment to the output. This may involve accepting

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the AVM output as determined by the AVM or forcing variables into or out of the final model. A common use of Appraiser-Assisted AVMs is in Mass Appraisal (assessment) valuations.

3.8 ASSESSED VALUE:

A value set on real estate and personal property by a government as a basis for levying taxes. Assessed value is a certified value identified on an assessment roll produced by an Assessment Jurisdiction and is typically defined by statutes and regulations in each respective Province.

3.9 ASSESSMENT JURISDICTION:

The prevailing jurisdiction granted authority under the highest level of legislation or policy within a region. In some provinces, the Assessment Jurisdiction can be provincially based whereas in other provinces the Assessment Jurisdiction is based on the local level for each municipality.

3.10 ASSIGNMENT:

A Professional Service provided as a result of a retainer or an agreement between a Member and an Authorized Client.

3.11 ASSUMPTION:

That which is assumed to be true. [see 3.28, 6.2.7, 7.9.1]

3.12 AUTHORIZED CLIENT:

The individual or organization for whom the Member renders or agrees to render Professional Services. [see 6.2.1, 7.2]

3.13 AUTHORIZED USE:

The use of a Member's Professional Services, as identified and authorized by the Member based on communication between the Member and the Authorized Client. [see 6.2.2, 7.3]

3.14 AUTHORIZED USER:

A party identified by name and authorized as a user of the Professional Services of the Member, based on communication between the Member and the Authorized Client. [see 6.2.1, 7.2]

3.15 AUTOMATED VALUATION MODEL (AVM):

A computer program that analyzes data used in an automated process that may include regression, adaptive estimation, neural network, expert reasoning, and/or artificial intelligence programs.

3.16 AVM OUTPUT VALIDATION:

A Real Property Appraisal Assignment or Consulting Assignment where a Member provides Professional Services in association with reviewing AVM data output.

3.17 BIAS:

A preference or inclination that is not reasonably supported and that prevents a Member from impartially developing or communicating the results of an Assignment.

May also mean, favouring or promoting the cause or interest of the Member, or of one party over another party in a transaction. [see 4.2.12, 5.11]

3.18 CLERICAL ASSISTANCE:

Clerical Assistance involves support to the Member in the preparation of a report that would not be properly classified as Professional Assistance and does not include: inspection, selection of market data, or assistance that leads to the analyses, opinions, and conclusions in the report. Examples of Clerical Assistance include: data collection; collating reports; preparing appendices, maps and sketches; and spelling and grammar checking.

3.19 COMPETENCE:

Having sufficient knowledge, skill, and experience required to perform a specific Professional Service Assignment. [see 4.2.7, 5.10]

3.20 CONSULTING:

Acting in an advisory capacity on diverse questions or problems involving Real Estate, and/or Machinery and Equipment. The Scope of this type of Professional Service differs from Real Property Appraisal or Review Assignments. [see 12, 13, 14, 15]

3.21 CRA:

Canadian Residential Appraiser designation. [see 3.22, 5.4]

3.22 DESIGNATED MEMBER:

A person enrolled on the register of the Institute as holding one of the following designations, as conferred by the Board of Directors upon any person who has properly complied with the requirements for their use:

- Accredited Appraiser Canadian Institute (AACI) [see 3.1]
- Canadian Residential Appraiser (CRA) [see 3.21]

3.23 DETRIMENTAL CONDITION:

An issue or condition that may cause a decrease in value including:

- General
- Transactional
- Distress and sociological
- Legal
- External

3. Definitions

- Building and manufacturing
- Site and infrastructure
- Environmental and biomedical
- Conservation; and/or
- Natural and climate

3.24 DISCRIMINATION:

Discrimination is an action or a decision that results in the unfair or negative treatment of a person or group. Reasons a person may experience discrimination include: race, national or ethnic origin, colour, religion, age, sex, sexual orientation, marital status, family status, disability, a conviction for which a pardon has been granted or a record suspension has been ordered.¹

3.25 EFFECTIVE DATE:

The date at which the analyses, opinions, and conclusions in an Assignment apply. The Effective Date may be different from the Inspection date and/or the Report date. [see 6.2.5, 7.7]

3.26 EXPOSURE TIME:

The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the Effective Date of the appraisal.

Exposure time is backward-looking.

3.27 EXTERNAL VALUER:

An Appraiser who is an agent acting on behalf of the Authorized Client and has no material link with the Authorized Client or the subject of the Assignment.

Note: This is a term referred to in the International Valuation Standards (IVS) and used in valuation for financial reporting. It is not related to AIC Fee Appraiser and Non-fee Appraiser categories, or a reference to Appraisal for any purpose other than financial reporting to indicate that the person writing the report is at arm's length to the Authorized Client.

¹ Canadian Human Rights Commission. "Glossary." *Canadian Human Rights Commission*, 27 May 2021, <https://www.chrc-ccdp.gc.ca/en/resources/glossary>

3.28 EXTRAORDINARY ASSUMPTION:

An assumption, directly related to a specific Assignment, which, if were not assumed to be true, could materially alter the opinions or conclusions. [see 6.2.7, 7.9]

Extraordinary Assumptions presume uncertain information about or anticipated changes in: the physical, legal or economic characteristics of the subject property; or about: conditions external to the subject property such as market conditions or trends, or the integrity of data used in an analysis to be fact.

3.29 EXTRAORDINARY LIMITING CONDITION:

A necessary modification to, or exclusion of, a Standard Rule which may diminish the reliability of the report. [see 6.2.7, 7.9]

3.30 FEASIBILITY ANALYSIS:

A study to assess whether a project will develop according to the expectations of the Authorized Client and is economically feasible in accordance with the Authorized Client's explicitly defined and lawful financial objectives. [see 13.5]

3.31 FEE MEMBER APPRAISER:

A Member who renders Professional Services on a fee-for-service basis and/or where the product of the service may be provided to any party external to the Member's employer, firm, partnership, or personal corporation. [see 3.61]

3.32 FIXTURE:

An improvement or Personal Property that is attached to the land or building in a permanent manner, is essential to the property, and/or is an integral part of a structure.

3.33 FORCED SALE VALUE:

A Forced Sale Value occurs in a situation where:

- the seller is under compulsion to sell (and may be an unwilling seller);
- consummation of the sale is within a short period of time; and
- normal Marketing Time is not possible due to a brief Exposure Time.

A forced sale is a description of the situation under which a sale takes place, resulting in a value that does not fully meet the definition of Market Value.

May also be referred to as: "liquidation value", "distress sale" or "power of sale".

3.34 HAZARDOUS SUBSTANCE:

Any material within, around, or near a property that has sufficient form or quantity and exhibits any hazardous characteristics that could create a negative impact on value. Such substances may

include: solids, liquids, gaseous or thermal irritants, contaminants, smoke, vapour, soot, fumes, acids, alkalis, chemicals, or waste materials.

3.35 HIGHEST AND BEST USE:

The reasonably probable use of Real Property, that is physically possible, legally permissible, financially feasible, and maximally productive, and that results in the highest value. [see 8.2.6]

3.36 HYPOTHETICAL CONDITION:

Hypothetical Conditions are a specific type of an Extraordinary Assumption that presumes, as fact, simulated but untrue information about physical, legal, or economic characteristics of the subject property or external conditions, and are imposed for purposes of reasonable analysis. [see 6.2.8, 7.10]

3.37 IDENTIFY:

To establish or indicate who or what (someone or something) is.

3.38 INSPECTION:

A non-invasive visual observation, site visit, walk-through, or viewing of a property.

3.39 INTANGIBLE PROPERTY (INTANGIBLE ASSETS):

Non-physical assets, including: franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

3.40 INTERNAL VALUER:

A Member who is employed by either an entity that owns the assets or the accounting firm responsible for preparing the entity's financial records and/or reports. A Member, who is an internal valuer, may also be required to refer to the International Valuation Standards (IVS).

Note: This is a term referred to in the IVS and used in valuation for financial reporting. It is not related to AIC Fee Appraiser and Non-fee Appraiser categories, or a reference to Appraisal for any purpose other than financial reporting.

3.41 INVESTMENT ANALYSIS:

A study that reflects the relationship between acquisition, price, and anticipated future benefits of a Real Property investment. [see 13.4]

3.42 INVESTMENT ANALYSIS - RESERVE FUND STUDY:

For Reserve Fund Studies, an Investment Analysis consists of analyzing the rate of return previously achieved by the Authorized Client with their Reserve Fund, along with estimating a rate of return that might be achieved in the future in accordance with legislation (if applicable).

3.43 JURISDICTIONAL EXCEPTION:

An Assignment condition that permits the Member to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part or parts shall be disregarded and of no force or effect in that jurisdiction. [see 5.3.9,7.10.6, 19.4.1, 19.8]

Jurisdiction relates to the legal authority to legislate, apply, or interpret law at either the federal, provincial, or local levels of government. A Jurisdictional Exception must flow from legislation (Acts, Bylaws, Procedures authorized and developed from Bylaws, or case law). [see 19.8]

In a Report the Member must identify the part or parts of CUSPAP disregarded as well as provide a reference to the law, regulation or legal authority that precludes compliance and supports the Jurisdictional Exception. [see 19.8.3]

It is the responsibility of the Member, not the Authorized Client or other Authorized User(s), to determine whether the use of a Jurisdictional Exception is appropriate.

3.44 LEASE:

A legal agreement that grants the right to use, occupy, or control all or part of a property for a stated period of time based on the terms and covenants of the Lease including but not limited to: the rental rate. [see 8.2.10]

3.45 LETTER OF RELIANCE (RELIANCE LETTER)

A Reliance Letter is used to authorize an additional or alternate Authorized User to use and rely on a report. A Reliance Letter details who may now rely on the report, for what Authorized Use, and upon what conditions. A Reliance Letter may only be issued with the prior Authorized Client's written authorization to release a copy of the report from the Authorized Client of the report, and the Member's agreement to permit an additional or alternate Authorized User.

3.46 LETTER OF TRANSMITTAL

A cover letter that accompanies an assignment. A Letter of Transmittal typically accompanies the delivery of a completed Report and typically uses past tense grammar (e.g., we have appraised this property; this Report has been prepared). A Letter of Transmittal may also be used to alert the Authorized Client to unusual or Extraordinary Assumptions or Conditions in the report, or to further identify who may rely on the report.

3.47 LIMITING CONDITION:

A statement in an Assignment identifying conditions that impact the conclusion. [see 6.2.7, 7.9]

3.48 MACHINERY AND EQUIPMENT DEFINITIONS:

Machinery and Equipment: A term that describes the physical facilities available for production, including: the installation and service facilities, together with all other equipment designed or necessary for manufacturing purposes, regardless of the method of installation. It also includes

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those items of furniture and fixtures necessary for the administration and proper operation of the enterprise. [see 16]

Equipment: includes all machinery and other apparatuses or implements used in an operation or activity (all machinery is equipment, but all equipment is not necessarily machinery). [see 16]

Equipment Classes: typical equipment classes include: production machinery; support equipment; motor control centres and switchgear; power wiring; process piping; foundations and structural supports; material handling and storage equipment; general plant equipment; plant and motor vehicles; laboratory and test equipment; office furniture, fixtures, and equipment; computer equipment; tools; special tooling; patterns and templates; construction in progress; special classes; and inventory. [see 16]

Furniture: a particular type of equipment utilized in ancillary functions of an operation. It is designed to provide a convenient and efficient work location for personnel or necessary storage facilities. [see 16]

Machinery: the term encompassing man-made mechanical devices that are designed to create a product or in some manner alter the state of a material or partial product. [see 16]

Trade Fixtures: Fixtures utilized for the purpose of carrying on a trade or business. In a retail operation, they sometimes include specialized furniture or fixtures designed to display products. [see 9.3.3.iv, 9.13.2]

3.49 MARKET ANALYSIS:

A study of Real Estate market conditions for a specific type of property. [see 13.3, 13.5.1]

3.50 MARKET VALUE:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and the seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress².

3.51 MARKETING TIME:

Marketing Time is an opinion on the amount of time it might take to sell a property interest in Real Estate at the concluded estimate of Market Value during the period immediately after the Effective Date of an appraisal. Marketing Time is forward-looking and predictive.

² The Appraisal of Real Estate, Fourth Canadian Edition, ed. Dybvig, (University of British Columbia, Real Estate Division, 2023), p. 6.1-.4

3.52 MASS APPRAISAL:

The process of valuing a large group of properties as of a given date utilizing standard methodology, employing common data, and allowing for statistical testing. [see 3.61, 3.64, 18, 19]

3.53 MASS APPRAISAL REPORT:

A Mass Appraisal Report may be in the form of:

- a Report with an opinion of value other than the Assessed Value;
- a Report in defence of an Assessed Value;
- sales ratios and other statistical studies used in the production of Assessed Values; or
- market studies used in the production of the assessment value.

Notices of assessment are not considered Mass Appraisal Reports because they are produced by an assessment jurisdiction, not an individual AIC Member; therefore, notices of assessment are not bound by these Standards.

3.54 NON-FEE MEMBER APPRAISER:

A Member who renders Professional Services exclusively for the internal use of their employer and whose Professional Services Reports are kept in-house and are not provided to an outside party, even though a fee may be paid by an outside party to cover the cost of the preparation of the Report.

Note 1: Notwithstanding the above, government and crown corporation employees may register as Non-Fee Member Appraisers, (including those who are employed by one government department but provide Professional Services to other governments, government departments, or government-owned corporations), whether or not a fee is paid for the services provided. [see 3.5, 3.20, 3.69, 18, 19]

3.55 NORMAL COURSE OF BUSINESS:

Common activities that are necessary and normal for completion of an Assignment. The basic premise of “Normal Course of Business” aligns with concepts of member due diligence and the “Reasonable Appraiser”, and as such is not measured by the actions of an individual Member in their practice, but by the actions of a Member’s peers, the expectations of Authorized Users, and the Scope of Work for the Assignment.

3.56 P. App. and P. Val.:

Professional Appraiser (P. App.) and Professional Valuer (P. Val.) are certification marks.

3.57 PERSONAL INFORMATION:

Information about an identifiable individual where there is a realistic possibility that the individual could be identified through the use of that information, alone or in combination with other information.

Personal information may be captured in drawings, photographs, sound recordings and/or video.

Personal Information can include: photographs of occupants and people, personal value items, diplomas, cannabis plants, etc. Personal Information is most often found in living rooms, dining rooms, family rooms, bedrooms, and office spaces.

3.58 PERSONAL PROPERTY:

Identifiable portable, tangible, or intangible objects considered or defined as being "personal" and that are not classified as Real Property. Examples of classes of Personal Property may include: furnishings, artwork, antiques, gems and jewelry, collectibles, and Machinery and Equipment.

3.59 PROFESSIONAL ASSOCIATION/ORGANIZATION:

A Professional Association/Organization/Order that is generally accepted within Canada as a reputable association and admits individuals on the basis of their academic qualifications, experience and ethical fitness, and that requires compliance with a set of professional standards for competence and ethics established or endorsed by the organization and is approved by the AIC.

3.60 PROFESSIONAL ASSISTANCE:

Support to the Member that has a direct and significant bearing on the outcome of an Assignment including property Inspections, analysis of data, and development of opinions and estimates. [see 3.73, 7.12]

3.61 PROFESSIONAL SERVICES:

Real Property Appraisal, Review, Consulting, Reserve Fund Study, Machinery and Equipment Appraisal, and Mass Appraisal services which are rendered, or which should be rendered, by a qualified, competent Member authorized under the Rules, By-laws, Regulations and CUSPAP.

3.62 REAL ESTATE:

Land, buildings, and other affixed improvements, as a tangible entity.

3.63 REAL PROPERTY:

The interests, benefits, and rights inherent in the ownership of Real Estate. [see 9.3, 12.2.1]

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

3.64 REASONABLE APPRAISER:

A Member providing Professional Services within an acceptable standard of care and based on rational assumptions. [see, 4.2.5, 7.1.2, 9.9]

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

3.65 RECERTIFICATION OF VALUE:

An inspection performed to confirm whether the Hypothetical Conditions applied in a Report have occurred as assumed. [see 7.10.2.iv]

3.66 REPORT:

Any communication, written or oral, of a Professional Service that is transmitted to an Authorized Client or Authorized User as a result of an Assignment. [see 7.1]

Note: Report types may include form reports, concise reports, or comprehensive reports in complete or draft form. A “letter of opinion” is not an acceptable report type. [see 7.5.3]

3.67 RESERVE FUND STUDY:

A budget planning tool that identifies the current status of a Reserve Fund and a Funding Plan to offset the anticipated expenditures for the major repairs and replacement of components, elements, or assets, for which a corporation or association is responsible.

The Reserve Fund Study consists of two parts: The Physical Analysis and the Financial Analysis.

May also be referred to as “Depreciation Study”, “Depreciation Reports”, “Capital Component Report”, and “Contingency Reserves”. [see 14, 15]

3.68 RETAINER:

The engagement of a Member by an Authorized Client to provide Professional Services for an Authorized Use.

3.69 REVIEW:

The act or process of developing and communicating an opinion about all or part of a Report prepared by a Member or non-member. [see 10, 11]

3.70 SALES RATIO:

The ratio of the assessment value to the sale price of a property.

3.71 SCOPE OF PRACTICE:

The extent of work that a Member can complete based on their designation and qualifications [see 5.4]; scope of practice is also limited by competence. [see 3.19]

3.72 SCOPE OF WORK:

The type of Inspection, the type and extent of research and analysis required, any limitations, or other terms to fulfill the Authorized Use of an Assignment. The Scope of Work for an Assignment is determined by the Member's compliance to CUSPAP and applicable legislation. [see 6.2.4, 7.5, 7.6]

3.73 SIGNATURE OR CO-SIGNATURE:

The name of a Member or Members represented by a hand-written mark, a secured digitized image, or other media indicating authentication of the work performed and accepting responsibility for content, analyses, and the conclusions in the Report or Assignment. [see 6.2.9, 7.11, 7.12]

3.74 STATE:

To report with a minimal presentation of information what is clear and obvious to an Authorized Client or Authorized User. [see 7.5.3]

3.75 SUMMARIZE:

To take a large amount of information and create a condensed version that covers the main points. [see 7.5.3]

3.76 WORK-FILE:

Documentation necessary to support a Member's analyses, opinions and conclusions. Documentation may be in paper format, digital records, software programs, or a combination of these formats. [see 4.2.9, 5.7]

4 ETHICS STANDARD - RULES

4.1 Requirements of Members

- 4.1.1 Members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, CUSPAP, or the appraisal profession. A Member's relationships with other Members, the Institute, and the public shall portray courtesy, respect, and good faith. [see 4.2.2]
- 4.1.2 A Member is required to use due diligence and due care and must not render Professional Services in a careless, biased, discriminatory, or negligent manner. The fact that the carelessness, bias, discrimination, or negligence of a Member does not result in an error that significantly affects a Report's opinions or conclusions, and thereby does not cause serious harm, does not excuse such carelessness, bias, discrimination, or negligence.

4.2 Rules

It is unethical for a Member [see 5.1]:

- 4.2.1 to knowingly fail to comply with the Bylaws, Regulations, Standards, policies, and Professional Liability Insurance Program of the Institute;
- 4.2.2 to knowingly engage in conduct that would prejudice their professional status, the reputation of the Institute, CUSPAP, or any other Member; [see 5.1]
- 4.2.3 to knowingly act in a manner that is misleading; [see 5.2, 5.3]
- 4.2.4 to act in a manner that is fraudulent; [see 5.1.5, 5.1.6]
- 4.2.5 to knowingly complete an Assignment a reasonable Member could not support; [see 3.64]
- 4.2.6 to claim qualifications and Continuing Professional Development credits, improperly; [see 5.6]
- 4.2.7 to undertake an Assignment lacking the necessary competence; [see 5.10]
- 4.2.8 to refuse to co-operate with the Institute; [see 5.5]
- 4.2.9 to fail to create a work-file for each Assignment; [see 3.76, 5.7]
- 4.2.10 to disclose results of an Assignment to anyone but the Authorized Client, except with the Authorized Client's permission; [see 5.8]
- 4.2.11 to fail to reveal any known conflict of interest; and [see 5.9]
- 4.2.12 to accept an Assignment that is contingent on the result or outcome. [see 5.11]

5 ETHICS STANDARD – COMMENTS

5.1 Conduct [see 4.2.2]

- 5.1.1 A Member must perform Assignments ethically, objectively, competently, and without bias or discrimination in a meaningful manner in accordance with these Standards.
- 5.1.2 A Member must not engage in activities within a group or organization that these Standards would prohibit them from doing as an individual.
- 5.1.3 A Member must not circumvent CUSPAP by doing indirectly what they cannot do directly.
- 5.1.4 A Member acting as a Co-signer must provide the Member seeking designation with adequate and reasonable supervision and advisory services.
- 5.1.5 Conduct by a Member that results in criminal charges may be subject to sanctions in accordance with AIC Consolidated Regulations.
- 5.1.6 A Member must immediately inform the Institute upon any criminal convictions or indictments.

5.2 Misleading Report [see 4.2.3, 4.2.4]

- 5.2.1 It is unethical for a Member to develop, use or permit others to use, for any purpose, any Report which the Member knows, or ought to know, is defective, erroneous, and/or misleading.
- 5.2.2 A misleading Report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a Report that is deemed to be misleading.

5.3 Misleading Advertising [see 4.2.3]

- 5.3.1 A Member must maintain the highest standards of objectivity and impartiality when advertising their Professional Services or referring to the Institute for promotional or solicitation purposes and using advertising media including: print advertisements, leaflets, pamphlets, brochures; electronic media, and corporate, business, personal web sites, and/or social media. (e.g., LinkedIn, Facebook, Twitter, Instagram)
- 5.3.2 A Member may advertise:
 - 5.3.2.i. to solicit prospective clients and business in a manner that does not offend the interests of the public and the Profession;
 - 5.3.2.ii. to inform prospective clients and the public of the availability of their Professional Services;
 - 5.3.2.iii. to advise as to the range, nature, and cost of their Professional Services;

- 5.3.2.iv. their competence to perform, either directly or indirectly, in any Report or advertising media; and
- 5.3.2.v. jointly with another Member.
- 5.3.3 When advertising a Member may:
- 5.3.3.i. include a University degree or other professional designations; and
- 5.3.3.ii. include their AIC designation and refer to their affiliation with the Institute.
- 5.3.4 A Member must not [see 4.2.3, 4.2.4]:
- 5.3.4.i. advertise in a false, misleading, or exaggerated manner;
- 5.3.4.ii. use laudatory statements or superlatives to describe their services;
- 5.3.4.iii. advertise in a manner that is contrary to the public interest or the Institute;
- 5.3.4.iv. refer to or make use of the name of the Institute or its professional designations and trademarks in a:
- misleading or deceptive manner; or
 - manner that suggests that a business organization is a Member of the Institute and/or holds any professional designation.
- 5.3.4.v. use the Institute logos, trademarks, or identity in contravention of the AIC Logo and Usage Guidelines.
- 5.3.5 A Member must identify their designation (AACI or CRA) or Membership status (AIC Candidate Member) in any advertising for Professional Services.
- 5.3.6 A business entity that is wholly or partially owned or controlled by a Member must not solicit Professional Services in a manner that is misleading or otherwise contrary to the public interest, the Institute, the profession, or the Standards.
- 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).
- 5.3.8 AIC Candidates Members must identify themselves as:
- 5.3.8.i. “Candidate Member of the Appraisal Institute of Canada”; or
- 5.3.8.ii. “Candidate Member of the AIC”; or

- 5.3.8.iii. "AIC Candidate Member". [see 4.2.6]
- 5.3.9 A Jurisdictional Exception may require AIC Candidate Members to identify themselves in an alternative manner.
- 5.3.10 In any Report or advertising media an AIC Candidate Member must identify:
- 5.3.10.i. that they are working under the supervision of a Designated Member of the AIC; and
 - 5.3.10.ii. the name of the supervisor and their designation. [see 3.22]
- 5.4 Qualifications [see 4.2.6, 7.11]**
- 5.4.1 Wherever their name appears in any CUSPAP Professional Service document and related correspondence including Letters of Transmittal, Reliance Letters, Progress Reports, and/or email correspondence. [see 3.22, 5.3.8]
- 5.4.1.i. A Designated Member must identify their AACI or CRA designation.
 - 5.4.1.ii. A Candidate Member must identify their Membership status (AIC Candidate Member).
- 5.4.2 Only a Member holding the AACI designation is entitled to use of the term "accredited appraiser."
- 5.4.3 Only a Member holding the AACI or CRA designation is entitled to use the term "Designated Member" and the P. App. certification mark.
- 5.4.4 An Associate, Retired, Honorary AACI, or Student Member shall not:
- 5.4.4.i. hold themselves out in any way as a practicing Member of the Institute; or
 - 5.4.4.ii. undertake to perform any type of Report associated with the Professional Services defined in CUSPAP.
- 5.4.5 A resigned, suspended, or expelled Member:
- 5.4.5.i. shall not hold themselves out in any way as a practicing Member of the Institute; and
 - 5.4.5.ii. is not authorized to affix the designation or Member status they held prior to their change in Member status to their name in any type of document.
- 5.4.6 A CRA Member must use that designation in connection with the Real Property Appraisal, Review, Consulting, or Mass Appraisal of:
- 5.4.6.i. an individual, undeveloped site for not more than four (4) self-contained family housing units, or
 - 5.4.6.ii. a dwelling or property containing not more than four (4) self-contained family housing units.

- 5.4.7 An exception is made for:
- 5.4.7.i. Reserve Fund Study Assignments whereby a competent CRA Member can use the CRA designation to undertake Reserve Fund Study Assignments on any building size or type. Additional limitations may be imposed by Provincial Legislation;
 - 5.4.7.ii. Machinery and Equipment Appraisal Assignments whereby a competent CRA Member can use the CRA designation to undertake standalone Machinery and Equipment Appraisal Assignments on any property only if the Real Property is not being appraised; and
 - 5.4.7.iii. Where an appropriate provincial license allows, a competent CRA Member can undertake Mass Appraisal Assignments. Where licensing exists in a particular jurisdiction, refer to the specific provincial Act and associated Regulations for details concerning the scope of practice of this licensing for that jurisdiction.
- 5.4.8 Where a CRA Member signs a Report beyond the Scope of Practice set out in 5.4.6 and which does not fall within the exceptions outlined in 5.4.7, the Report must be co-signed by an AACI Member.
- 5.4.8.i. Holding a designation from another valuation organization does not allow a CRA Member to complete an assignment that is beyond the Scope of Practice as set out in 5.4.6 and which does not fall within the exceptions outlined in 5.4.7.
- 5.4.9 The Highest and Best Use of the property that is the subject of the Assignment will determine whether an Assignment falls within the Scope of Practice for a CRA Member. [see 8.2.6, 9.6]
- 5.4.10 An AACI or CRA Member cannot co-sign a Report with a(n):
- 5.4.10.i. Student Member;
 - 5.4.10.ii. Associate Member;
 - 5.4.10.iii. Retired Member; (retired status)
 - 5.4.10.iv. Honorary AACI;
 - 5.4.10.v. Candidate Member unless properly registered in the Candidate Registry; or
 - 5.4.10.vi. non-member unless properly registered in AIC's Quebec Registry.
- 5.4.11 An AACI or CRA Member registered in the Non-Fee category shall not co-sign for any Professional Services completed by a Fee Member.
- 5.4.12 An AACI or CRA Member registered in the Fee category may co-sign a Professional Services Report completed by a Non-Fee Member only if the Report is an internal or in-house Report and is not provided to any outside party.

5.5 Co-operate [see 4.2.8, 5.7]

- 5.5.1 A Member must not fail or refuse to provide and must not unreasonably delay the submission of: a written Report, Work-file or other material that is or should be in their possession or control if requested by the Institute.
- 5.5.2 A Member having custody of a Work-file, must allow authorized committees of the Institute with obligations related to the Assignment, appropriate access, and retrieval. [see 5.8.2.iii]
- 5.5.3 A Member must not submit false or misleading information to the Institute.

5.6 Continuing Professional Development

- 5.6.1 A Member must comply with the Continuing Professional Development (CPD) Policy and must not claim CPD credit improperly.

5.7 Records [see 4.2.9, 5.5]

- 5.7.1 A Work-file must be in existence prior to and contemporaneous with the issuance of a written or oral Report.
 - 5.7.1.i. A written summary of an oral Report must be added to the Work-file within a reasonable time.
- 5.7.2 A Member must prepare a Work-file in hard copy or electronic format, for each Assignment. The Work-file must include:
 - 5.7.2.i. the name of the Authorized Client and Authorized Users;
 - 5.7.2.ii. true copies of any written Reports including drafts in any format;
 - 5.7.2.iii. summaries of any oral Reports (or court transcripts) sufficient to meet the requirements of the Reporting Standard, the assignment-specific Standard and the “Reasonable Appraiser” test;
 - 5.7.2.iv. a signed and dated certification; and
 - 5.7.2.v. all other data, information, and documentation necessary to support the Member’s opinions, analysis, and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation.
- 5.7.3 A photocopy or an electronic copy of the entire written Professional Services sent or delivered to an Authorized Client satisfies the requirement of a true copy.
 - 5.7.3.i. The industry standard medium for electronic storage is a PDF or equivalent stored on a Member’s privately accessible hard-drive or server.
 - 5.7.3.ii. Storage on an online appraisal software platform including report form software providers or AMCs will not satisfy this CUSPAP requirement.

- 5.7.4 Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the Member throughout the prescribed record retention period.
- 5.7.5 A Work-file must be retained for a period of at least:
- 5.7.5.i. seven (7) years after preparation or
 - 5.7.5.ii. two (2) years after final disposition of any judicial proceeding in which testimony was given or any professional liability insurance proceeding has taken place.
 - 5.7.5.iii. Whichever period expires last.
- 5.7.6 A Member must (subject to 5.7.8):
- 5.7.6.i. retain the Work-file and have custody of the Work-file; or
 - 5.7.6.ii. make appropriate arrangements for Work-file retention, access, and retrieval with the party having custody of the Work-file.
- 5.7.7 If a Member is unable to retain a copy of the Work-file, whether by reason of an employer's internal rules or by change of employer, all reasonable steps must be taken by the Member to ensure the availability of such Reports and Work-files when required. [see 5.5, 5.8.2, 5.8.3]
- 5.7.8 A Member should obtain written commitment from employers that Reports and Work-files will be made available when required.
- 5.8 Disclosure [see 4.2.10]**
- 5.8.1 A Member pledges to uphold the confidential nature of the Member/client relationship.
- 5.8.2 A Member must not disclose the analyses, opinions, or conclusions in an Assignment to anyone other than:
- 5.8.2.i. the Authorized Client and those parties specifically authorized by the Member and Authorized Client to receive such information;
 - 5.8.2.ii. third parties, when the Member is legally required to do so by due process of law (i.e., the Courts or Legislation); or
 - 5.8.2.iii. an authorized Committee or Committee member of the Institute.
- 5.8.3 A Member must not disclose information provided by a client on a confidential basis to anyone other than:
- 5.8.3.i. those parties specifically authorized by the Authorized Client to receive such information;
 - 5.8.3.ii. third parties, when the Member is required to do so by due process of law; or
 - 5.8.3.iii. an authorized Committee or Committee member of the Institute.

- 5.8.4 If the conditions of an Assignment require that the performance of that Assignment is to be kept confidential, a Member must decline a new Assignment on the same property, with a condition requiring disclosure of any prior Assignment.
- 5.8.5 The Office of the Privacy Commissioner has determined that taking photographs of an individual's dwelling unit is a collection of personal information and is a violation of statute without the occupant's consent.
- 5.8.6 A Member is strongly cautioned on the use of confidential and/or personal information and must obtain meaningful consent from an occupant (e.g., tenant, property owner if occupant, occupant of office space, etc.) before taking photographs of a property.
- 5.8.6.i. Meaningful consent must state its purposes in such a manner that the occupant can reasonably understand how the information will be used or disclosed.
- 5.8.7 The Member must obtain an occupant's consent to photograph their personal area of occupancy and notify them that photographs may be included in the Report. The Member should include Limiting Conditions to the effect that they are not responsible for the misuse of the photographs by third parties.
- 5.8.8 A copy of any written consent to take and use photographs must be kept in the work-file. A sample Consent Form is found here <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/>.
- 5.8.9 If written consent cannot be obtained, verbal consent may be relied upon; however, a detailed written record of when and how the verbal consent was obtained and from whom must be kept in the work-file.
- 5.8.10 If no form of consent can be obtained, a Member should record that efforts were made to obtain consent, but no form of consent could be obtained and provide an explanation in the report, i.e.:
- 5.8.10.i. an occupant, or one of multiple occupants refused to consent;
- 5.8.10.ii. the occupant was not present at time of inspection or could not be reached (e.g., out of town, out of the country);
- 5.8.10.iii. a language barrier existed where the occupant did not understand a language well enough to provide meaningful consent; or
- 5.8.10.iv. the occupant at the time of the inspection was not of legal age to provide meaningful consent.
- 5.8.11 If no form of consent can be obtained, photos with personal information cannot be taken.
- 5.8.12 Notwithstanding consent, a Member must take reasonable steps to ensure that images of personal information, occupants, and any other person are not captured in photographs.

5.8.13 If a property is vacant and has no identifiable personal information, consent is not required.

5.9 Conflict [see 4.2.11]

5.9.1 A Member pledges to develop, support and communicate each analysis, opinion, and conclusion without regard to:

5.9.1.i. any personal interest in the subject matter;

5.9.1.ii. any party related to the Assignment; or

5.9.1.iii. the outcome of the Assignment.

5.9.2 It is unethical for a Member to accept an Assignment if the Member has any direct, indirect, current, or potential personal interest in the subject or outcome of the Assignment, unless:

5.9.2.i. the personal interest is revealed to a client in writing:

- prior to acceptance of the Assignment, or
- as soon as the conflict is revealed or perceived.

5.9.2.ii. a client acknowledges and accepts the conflict in writing; and

5.9.2.iii. the personal interest is fully and accurately revealed in the Report.

5.9.3 The payment and/or receipt of a concealed fee, a commission, or a thing of value or of non-value in connection with the procurement of any Assignment is unethical.

5.9.4 Disclosure of fees, commissions, or things of value connected to the procurement of an Assignment must appear in the certification of the written Report and in any Letter of Transmittal in which conclusions are stated.

5.9.5 A client must be made aware of, and consent to, any fees, commissions, or things of value, including referral fees, connected to the procurement or referral of an Assignment prior to accepting the Assignment.

5.9.6 Referral fees do not have to be disclosed in the Report if:

5.9.6.i. the referral is because of the competency and ability of a Member to undertake the Assignment;

5.9.6.ii. the referral fee does not increase the total fee charged to a client;

5.9.6.iii. a client is informed in writing of the referral and referral fee arrangements; and

5.9.6.iv. a client consents.

5.9.7 Members must take all steps necessary to ensure that they are not in conflict when they have previously completed an appraisal of a property and are requested to reappraise the property. (i.e., "successive representation")

5.10 Competence [see 4.2.7]

- 5.10.1 Prior to accepting an Assignment or entering into an agreement to perform any Assignment, the Member must properly identify the problem to be addressed and have the knowledge and/or experience to complete the Assignment competently or alternatively:
- 5.10.1.i. disclose the lack of knowledge and/or experience to a client in writing before accepting the Assignment; and
 - 5.10.1.ii. take all steps necessary or appropriate to complete the Assignment competently; and
 - 5.10.1.iii. if the Member lacks experience and/or knowledge to undertake an Assignment, the Member must describe in the Report the steps taken to complete the Assignment competently.
- 5.10.2 The steps necessary and appropriate to complete an Assignment competently include: personal study of relevant educational offerings from accredited educational sources, association with another Member or professional with the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.
- 5.10.3 When a Member lacks the required knowledge of and experience in a market area, they must acquire an understanding of local market conditions beyond hard data such as: demographics, costs, sales, and rentals. A Member must spend the necessary amount of time in a market area to gain geographic competency or affiliate with a local qualified Member or third-party professional.
- 5.10.4 Competency, including geographical competency, is a requirement for co-signing. [see 3.19, 3.73]

5.11 Contingent [see 4.2.12]

- 5.11.1 It is unethical for a Member to accept a Professional Service Assignment, excluding a Consulting Assignment, if compensation for the Assignment is contingent upon:
- 5.11.1.i. reporting a predetermined value;
 - 5.11.1.ii. a direction in value that favours an Authorized Client as a result of bias;
 - 5.11.1.iii. the amount of the value opinion (i.e., ad valorem);
 - 5.11.1.iv. the attainment of a stipulated result; or
 - 5.11.1.v. the occurrence of a subsequent event directly related to the value opinion.
- 5.11.2 When a Member is asked to undertake an Assignment to perform both a Real Property Appraisal Assignment and a Consulting Assignment, compensation for the Real Property Appraisal Assignment cannot be on a contingent fee basis but compensation for the

Consulting Assignment may be on a contingent fee basis.

5.11.3 In these circumstances, the Member must:

5.11.3.i. make arrangements with an Authorized Client such that compensation for providing the Real Property Appraisal is not on a contingent fee basis; and

5.11.3.ii. include a disclosure of the separate compensation arrangements for the Real Property Appraisal portion and the Consulting portion of the Assignment in the certification; or

5.11.3.iii. retain (or suggest that an Authorized Client retain) another Member to perform the Real Property Appraisal under compensation that is not on a contingent basis.

5.11.4 A Member must follow legislation in their jurisdiction governing advocacy and Professional Services completed on a contingency basis.

5.11.5 Where a Member also works as a real estate professional or a real estate broker; appropriate disclosures must be made so that an Authorized Client understands when the Member is acting in their capacity of a real estate professional or real estate broker and when the Member is acting as an appraiser, consultant, or reserve fund planner.

5.11.5.i. An agency relationship implies that the individual will maximize the position of their client. Professional Services are provided on an objective, unbiased and impartial basis, when the Member is acting as an appraiser, consultant, or reserve fund planner.

5.11.5.ii. Care must be taken to ensure an Authorized Client understands this difference, in order to properly understand the opinion or advice offered.

5.11.5.iii. Disclosures must be in writing, and a Member will disclose that insurance coverage under the AIC program is not applicable to their activities as a real estate professional or a broker with a statement similar to: "This opinion should not be considered a formal appraisal of market value and is not covered under the Professional Liability Insurance Program of the Appraisal Institute of Canada."

5.11.6 A Member may recommend a sale/listing price for an Authorized Client when acting as a real estate professional or a real estate broker provided no Report [see 3.66] is prepared and the Member clearly informs an Authorized Client that the recommendation for sale/listing is not a formal Appraisal Report. [see 5.11.7]

5.11.7 A Member acting as a broker or sales/listing agent is not covered by the Professional Liability Insurance Program of the Institute for claims arising from a recommendation of a sale/listing price.

6 REPORTING STANDARD - RULES

6.1 Preamble

- 6.1.1 This Standard provides the reporting rules common to all Reports.
- 6.1.2 Members cannot complete Reports in compliance with only the Reporting Standard.
- 6.1.3 Members must complete Reports in compliance with the Reporting Standard and with the Standard appropriate to the type of Assignment being undertaken:
 - 6.1.3.i. a Real Property Appraisal Assignment must be prepared in compliance with the Reporting Standard and the Real Property Appraisal Standard. [see 8]
 - 6.1.3.ii. a Review Assignment must be prepared in compliance with the Reporting Standard and the Review Standard. [see 10]
 - 6.1.3.iii. a Consulting Assignment must be prepared in compliance with the Reporting Standard and the Consulting Standard. [see 12]
 - 6.1.3.iv. a Reserve Fund Study Assignment must be prepared in compliance with the Reporting Standard and the Reserve Fund Study Standard. [see 14]
 - 6.1.3.v. a Machinery and Equipment Assignment must be prepared in compliance with the Reporting Standard and the Machinery and Equipment Standard. [see 16]
 - 6.1.3.vi. a Mass Appraisal Assignment must be prepared in compliance with the Reporting Standard and the Mass Appraisal Standard. [see 18]

6.2 Rules

In a Report [see 7.1] the Member must:

- 6.2.1 identify the Authorized Client by name and Authorized User by name; [see 7.2]
- 6.2.2 identify the Authorized Use of the Member's opinions and conclusions; [see 7.3]
- 6.2.3 identify the purpose of the Assignment, including a relevant definition of value if applicable; [see 7.4]
- 6.2.4 define the Scope of Work necessary to complete the Assignment; [see 7.5, 7.6, 7.9.4, 9.17]
- 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; [see 7.7]
- 6.2.6 identify the Date of the Report; [see 7.8]
- 6.2.7 identify all Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions); [see 7.9]
- 6.2.8 identify any Hypothetical Conditions; [see 7.10] and

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6.2.9 include a signed Certification. [see 3.73, 7.11]

Note: A Member who signs a Certification accepts responsibility for the Report and the contents of the Report. [see 7.1, 7.12]

7 REPORTING STANDARD – COMMENTS

7.1 Report [see 3.66, 6.2]

- 7.1.1 A Report transmitted through any medium must comply with this Standard and the Standard appropriate to the type of Assignment being undertaken.
- 7.1.2 A Member must take steps to meet the “Reasonable Appraiser” test in order to protect and secure the integrity of transmitted Reports, including Reports transmitted electronically.
- 7.1.3 Members must have sole control of affixing their analog and digital signatures or where affixing of an electronic signature has been delegated, written confirmation of the delegation must be kept in the work-file. Delegation must be on an Assignment basis only and not a blanket delegation.
- 7.1.4 A Drive-by or Desktop Report or Residential Appraisal Form Report approved by the AIC when utilized for mortgage financing is only permitted for Real Property Assignments and must comply with the Reporting Standard and the Real Property Appraisal Standard.
 - 7.1.4.i. A Drive-by or Desktop Report may not be performed for a Reserve Fund Study or a Machinery and Equipment Assignment.
- 7.1.5 A Drive-by or Desktop Assignment being prepared for mortgage financing must meet the following criteria:
 - 7.1.5.i. the Authorized Use is first mortgage financing;
 - 7.1.5.ii. exterior and interior data deemed to be reliable is available on the subject property through either public and private sources that are less than three (3) years old; and
 - 7.1.5.iii. the Report includes appropriate Assumptions and Limiting Conditions; [see 7.9]
- 7.1.6 A Drive-by or Desktop or Residential Appraisal Form Report approved by the AIC when utilized for mortgage financing Assignment may only be prepared under the assumptions that:
 - 7.1.6.i. the lender is assumed to have the requisite knowledge and experience to understand the appraisal analysis with limited explanation of this type of form report when prepared for mortgage financing;
 - 7.1.6.ii. the lender has determined that the borrower has the capacity and willingness to repay; and
 - 7.1.6.iii. the loan-to-value ratio is in accordance with lending institution policies and federal lending regulations.
- 7.1.7 When a Residential Appraisal Form Report approved by the AIC is utilized for mortgage financing the terms “identify” and “analyze” are considered to mean; State and

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Summarize. [see 3.4, 3.37]

7.1.7.i. This type of report must summarize the Member's analysis and the rationale for the conclusions and provide sufficient information for the Authorized Client or Authorized User to understand the Member's analysis and rationale of the Member's conclusions.

7.1.8 Desktop or Drive-by assignments shall be prepared only on existing properties where construction is believed to be one hundred percent complete.

7.1.9 Desktop or Drive-by assignments shall not be performed on new construction or partially constructed improvements.

7.1.10 When using a residential form report, a member must use the most recent form approved by the Appraisal Institute of Canada. (<https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/>)

7.2 Authorized Client and Authorized User [see 3.12, 3.14, 6.2.1]

7.2.1 The Authorized Client is the individual or organization for whom the Member renders or agrees to render Professional Services.

7.2.2 Except as indicated in 7.2.3.ii, the Authorized Client and/or Authorized User must be identified by name in the Report.

7.2.2.i. Terms such as but not limited to: "To be determined", "To be confirmed", "John Doe and his lenders", "Lender ABC and its subsidiaries", "Jane Smith and her assignees" are not acceptable.

7.2.2.ii. The use of vague or undefined Authorized Client or Authorized User names and Authorized Client or Authorized User types is not permitted.

7.2.3 The client/Member relationship lasts at least until the completion of the Authorized Use of the original Report, or until release from the Authorized Client is granted.

7.2.3.i. A party receiving a copy of a Report does not become an Authorized User or Authorized Client unless authorized and identified by name and in writing, by the Member and the Authorized Client.

7.2.3.ii. Where a Report is prepared by the Member for consideration by a tribunal or court, an Authorized User, including a judge, mediator, arbitrator, or other trier of fact, does not need to be identified by name.

7.3 Authorized Use [see 3.13, 6.2.2]

7.3.1 Before accepting an Assignment, a Member must communicate with the Authorized Client to identify and consider their Authorized Use in order to:

7.3.1.i. properly define the problem under study; and

7.3.1.ii. understand their development and reporting responsibilities for the Assignment.

7.3.2 The Authorized Use of the opinions and conclusions, as established with the Authorized Client, must be stated in a Report.

7.3.2.i. The use of vague or undefined Authorized Use types is not permitted.

7.4 Purpose [see 6.2.3]

7.4.1 The purpose of a Report states the mandate resulting from the Authorized Client's Authorized Use or objective.

7.4.2 The purpose of a Report must be clearly stated.

7.4.3 Value definition(s), if applicable, must be included in a Report together with the source of the definition.

7.5 Scope of Work [see 3.72, 6.2.4]

7.5.1 Scope of Work in a Report describes the amount and type of information researched and the analysis applied to complete an Assignment and includes:

7.5.1.i. Inspection (an Inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition);

- An inspection should, at the minimum, be thorough enough to:
 - adequately describe the subject property in the Report,
 - develop an opinion of highest and best use, when such an opinion is necessary and appropriate, and
 - make meaningful comparisons in the valuation of the subject property.
- There are situations where interior and/or exterior inspections are not possible as of the effective date of the Report. For example:
 - Where improvements have been destroyed, removed, or not yet built.
 - When performing a retrospective or prospective Report.
 - When access is denied or not possible.

7.5.1.ii. research into physical, legal, social, political, economic and/or other factors that could affect the subject property;

- A Member cannot develop a credible Report if adequate information on the subject property is not available.
- Where physical characteristics information is not available through an opportunity for an inspection (e.g., snow conditions, scope of work, client instructions) or from reliable third-party sources, a Member has the duty to

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obtain the necessary information to develop the Report before continuing or to withdraw from the assignment.

- 7.5.1.iii. data research and verification, and Inspection of comparable data;
 - The same sources that are used to research and verify comparable data can be used to obtain information about the subject property.
 - A Report developed without an interior and exterior inspection is subject to the same standards that would apply if the Member had made a complete personal inspection.
- 7.5.1.iv. documents relied upon and their availability for review by the Authorized Client or an Authorized User;
- 7.5.1.v. analysis applied; and
- 7.5.1.vi. any limitations to the Assignment.

7.5.2 The Scope of Work must be sufficient to result in analyses, opinions, and conclusions that are credible in the context of the Authorized Use of the Report.

7.5.3 There are three report formats:

7.5.3.i. A Form Report is a brief report that includes all relevant information for an assignment. The information is analyzed and explained with supporting data in the work file.

7.5.3.ii. A Concise Report is a brief report in a narrative format that includes all relevant information for an assignment. The information is analyzed and explained with supporting data in the work file.

7.5.3.iii. A Comprehensive Report is an extensive and full report in a narrative format that includes all relevant information for an assignment. This level of report is broadest in scope. The information is analyzed and explained in depth with supporting data in the work file.

7.5.4 The Member has the burden of proof to support the Scope of Work decision and the level of information included in a Report.

7.6 **Scope of Work – Appraisal Review [see 10, 11]**

7.6.1 A Member must define the Scope of Work and indicate the extent of the Review process.

7.6.2 Scope of Work refers to the amount and type of information reviewed and researched, and the analysis applied.

7.6.3 The Scope of Work applied must be sufficient to result in opinions and/or conclusions that are credible in the context of the Authorized Use of the Review.

- 7.6.4 Scope of Work in a Review Report may include one or more of the following:
- 7.6.4.i. Inspection - in a Review Assignment, an Inspection of the property subject to the Report under review is not mandatory; it is subject to the terms and Authorized Use of the Assignment as well as reliance on third party information, and any Hypothetical Conditions, Extraordinary Assumptions and/or Extraordinary Limiting Condition; [see 3.10, 3.28, 3.29, 3.35]
 - 7.6.4.ii. the research into physical, legal, social, political, economic, or other factors that could affect the property;
 - 7.6.4.iii. data research and verification, and Inspection of comparable data;
 - 7.6.4.iv. analysis applied (e.g., application of the valuation methodologies);
 - 7.6.4.v. validation of the arithmetic;
 - 7.6.4.vi. any limitations to the Assignment arising from the terms of the Assignment, per the Authorized Client's instructions or other; and
 - 7.6.4.vii. completing a Review without an opinion of value; or
 - 7.6.4.viii. completing a Review with an opinion of value.
- 7.6.5 The Member has the burden of proof to support the Scope of Work decision and the level of information included in a Review Report.
- 7.7 Effective Date [see 3.25, 6.2.5]**
- 7.7.1 Establishes the context for the value opinion; the date of the value.
- 7.7.2 Current Value Opinion refers to an Effective Date contemporaneous with the date of the Report, at the time of Inspection or, at some other date within a reasonably short period of time from the date of Inspection when market conditions have not, or are not expected to have, changed.
- 7.7.3 Retrospective Value Opinion refers to an Effective Date prior to the date of the Report. The use of clear language and consistent terminology in a retrospective report (i.e., past tense throughout) is necessary to avoid producing a misleading Report.
- 7.7.3.i. Extraordinary Assumptions and/or Extraordinary Limiting Conditions must be clearly stated in the Report and cite the conditions under which the retrospective value opinion was developed.
- 7.7.4 Prospective Value Opinion is a forecasted value opinion and refers to an Effective Date after the date of the Report. The use of clear language and consistent terminology in a prospective report (i.e., future tense throughout) is necessary to avoid producing a misleading Report.
- 7.7.4.i. A prospective value opinion is intended to provide an opinion of value occurring on

a future date, based upon current market forecasts of future market conditions. This opinion should be based on the market data for the forecasts when made, not whether in hindsight they, in fact, occurred.

7.7.4.ii. An Extraordinary Assumption must be clearly stated in the Report citing the market conditions from which the prospective value opinion was developed, and limiting the Member's responsibility for unforeseeable events that may alter market conditions prior to the Effective Date.

7.7.5 An update Report refers to an extension of an original Report, changing the Effective Date. In the update Report, any changes in the status of the subject, in market conditions, or in any aspect affecting the analysis, opinions and conclusion since the original Report, or any subsequent Report, must be identified, with analyses of the effect these changes had in developing the update opinion.

7.7.5.i. Two conditions must be met before an update Assignment is accepted:

- the original Member, or firm, and Authorized Client are involved; and
- the time between the effective date of the original Report and the update Report is not unreasonably long for the type of Real Estate involved.

7.7.5.ii. The update Report must reference the Effective Date, the date of the Report, and the estimated value in the original Report.

7.7.5.iii. The original Report must be updated with new data if new data is available.

7.7.5.iv. An update that is not a self-contained Report must make clear that it:

- is an update of the specified original Report;
- provides details of changes to the property and analyses since the original Report; and
- must be read in conjunction with the original Report, a copy of which is either attached to the update Report or available to the Authorized Client on request.

7.7.5.v. Re-inspection is mandatory only if it is identified as part of the Scope of Work for the update Report.

7.7.5.vi. An update is not a Recertification of Value.

7.8 Date of Report [see 6.2.6]

7.8.1 The date of the Report refers to the date of completion of the Report. If a Report is retrospective or prospective, the date of the Report and the Effective Date of the Report must be included in tandem throughout the Report, to clarify any distinction between conditions on the date of the Report and conditions on the Effective Date.

7.9 Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions) [see 6.2.7]

- 7.9.1 If an Extraordinary Assumption is invoked, wherever an opinion or conclusion is stated within a Report, the Extraordinary Assumption must be stated in its entirety or a reference to its exact location in the Report must be provided.
- 7.9.2 When referencing the subject matter of an Extraordinary Assumption in a Report, it must be clearly indicated that the opinions or conclusions are based on the Extraordinary Assumption.
- 7.9.3 Wherever an Extraordinary Assumption is referenced in a Report, it must be clearly identified as an Extraordinary Assumption.
- 7.9.4 Before invoking an Extraordinary Limiting Condition, the Member must determine that the Scope of Work applied will result in analyses, opinions and conclusions that are credible and will not be misleading.
- 7.9.5 The Member must include an explanation and justification of Extraordinary Limiting Conditions in the Report.
- 7.9.6 Extraordinary Assumptions and Extraordinary Limiting Conditions do not require a Hypothetical Condition.
- 7.9.7 A Member must include in every Report as a minimum all of the Assumptions and Limiting Conditions found here <https://www.aicanada.ca/forms-templates/> unless clearly not appropriate and clearly not relevant to the Assignment.
- 7.9.8 A Member working outside of Canada must:
 - 7.9.8.i. prior to accepting the Assignment, clearly inform a client in writing that the Assignment is not covered by the AIC Professional Liability Insurance Program; and
 - 7.9.8.ii. include an Extraordinary Limiting Condition to this effect in the Certification and Letter of Transmittal.

7.10 Hypothetical Conditions [see 3.36, 6.2.8]

- 7.10.1 Hypothetical Conditions may be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison.
- 7.10.2 With respect to proposed improvements or modifications, the Member shall examine and have available for future examination:
 - 7.10.2.i. plans, specifications, and/or other documents sufficient to identify the scope and character;
 - 7.10.2.ii. evidence indicating the probable time of completion; and
 - 7.10.2.iii. reasonably clear and appropriate evidence supporting development costs,

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

7.10.2.iv. A Recertification of Value does not change the Effective Date of the Report. [see 3.65]

7.10.3 A Hypothetical Condition requires an Extraordinary Assumption.

7.10.4 Hypothetical Conditions can apply whether the Assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. The Member must avoid making unsupported Assumptions.

7.10.5 The Report must be clear that:

7.10.5.i. the condition does not in fact exist as at the Effective Date;

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

7.10.5.iii. certain events need to occur, as disclosed in the Report, before the condition will in fact exist;

7.10.5.iv. the Report does not consider unforeseeable events that could alter the value conclusion; and

7.10.5.v. the absence of the hypothesis would likely result in a different value conclusion.

7.10.6 Reports for expropriation can require Hypothetical Conditions and may require the Member to invoke a Jurisdictional Exception. [see 0]

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

7.10.8 An analysis based on a Hypothetical Condition must result in a credible analysis and must not result in a Report that is misleading.

7.11 Certification [see 6.2.9]

7.11.1 Each written Report must contain a signed Certification that is substantially similar to that found at <https://www.aicanada.ca/forms-templates/>.

7.12 Responsibility [see 6.2.9]

7.12.1 By signing a Report, a Member assumes responsibility for the Report, including any Professional Assistance, unless limitations to responsibility have been outlined in the Certification.

7.12.2 A Designated Member may rely on any manner of Professional Assistance provided by a Member who is:

7.12.2.i. a Member in good standing with the AIC; and

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- 7.12.2.ii. competent to perform the Professional Assistance according to the definition of the Reasonable Appraiser [see 3.64]; and
 - 7.12.2.iii. not a Student, Associate, Honorary, or Retired Member; and
 - 7.12.2.iv. if a Candidate Member, properly registered with the Member in the Candidate Co-signing Registry.
- 7.12.3 A Designated Member must comply with the AIC Non-Member Professional Assistance Policy whenever they rely on the Professional Assistance of a non-member in the preparation of a Report.
- 7.12.3.i. A Designated Member is responsible for ensuring that any individual providing Professional Assistance, including Inspections, in the preparation of a Report meets the requirements of the AIC Non-Member Professional Assistance Policy.
- 7.12.4 A Designated Member must disclose in the Certification of the Report:
- 7.12.4.i. all individuals who provided Professional Assistance; and
 - 7.12.4.ii. the extent of the Professional Assistance.
- 7.12.5 An Extraordinary Assumption and/or a Limiting Condition regarding the Designated Member's reliance upon Professional Assistance provided by a non-member must be included in the Certification of a Report.
- 7.12.6 A Member may rely on Clerical Assistance from Members and/or non-members and is not required to disclose Clerical Assistance in the Certification of a Report.
- 7.12.7 If the Certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the Report unless limitations have been outlined in the Certification. A Member may only co-sign a Report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program.
- 7.12.8 Candidate Members must be properly registered in the Candidate Registry by a Designated Member prior to co-signing Reports or providing Professional Assistance.
- 7.12.9 A CRA-designated Member working toward the achievement of the AACI designation is not required to be registered in AIC's Candidate Co-signing Registry.
- 7.12.10 Co-signing Members must include both signatures for Reports, progress inspection Reports, Reliance Letters or any related Assignment Report that would require a co-signature.
- 7.12.10.i. If one signature is not included, there must be prior written authorization from a co-signer on a per Assignment basis only and not a blanket delegation.
- 7.12.11 Another person with authorization may sign the certifying Member's name, unless

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contrary to the law of the relevant jurisdiction.

7.12.11.i. Delegation must be provided in writing on a per Assignment basis only and not a blanket delegation.

8 REAL PROPERTY APPRAISAL STANDARD RULES

8.1 Preamble

- 8.1.1 This Standard outlines the procedures for the development and communication of a formal opinion of value for Real Property [see 8.2] and in conjunction with the Reporting Standard [see 6, 7], incorporates the minimum content necessary to produce a credible Report that is not misleading.
- 8.1.2 A stand-alone Market Rent Report on an identifiable property must be prepared in accordance with the Real Property Appraisal Standard and in conjunction with the Reporting Standard.

8.2 Rules

When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

- 8.2.1 provide an analysis of reasonable exposure time linked to a market value opinion; [see 3.26, 9.1]
- 8.2.2 identify the interest appraised;
- 8.2.3 identify the property and describe its location and characteristics; [see 9.3]
- 8.2.4 identify and analyze land use controls; [see 9.4]
- 8.2.5 state the existing use and the use reflected in the Report; [see 9.5]
- 8.2.6 define, analyze, and resolve the Highest and Best Use as of the Effective Date of the Report; [see 3.35, 9.6]
- 8.2.7 describe and analyze all data relevant to the Assignment; [see 9.7]
- 8.2.8 describe and apply the appraisal procedures relevant to the Assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [see 9.8]
- 8.2.9 detail the reasoning supporting the analyses, opinions, and conclusions of each valuation approach; [see 9.9]
- 8.2.10 analyze the effect on value, if any, of the terms and conditions of the lease(s) when developing an opinion of the value of a leased fee, leasehold interest; [see 9.10]
- 8.2.11 analyze the effect on value of an assemblage; [see 9.11]
- 8.2.12 analyze the effect on value of anticipated public or private improvements; [see 9.12]
- 8.2.13 analyze the effect on value of any personal property; [see 3.58, 9.13]
- 8.2.14 analyze and comment on:
- 8.2.14.i. all Agreements for Sale, Options, or Listings of the property, subject to 9.14, and

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8.2.14.ii. all prior sales of the property, subject to 9.14;

8.2.15 review and reconcile the data, analyses, and conclusions of each valuation approach into a final value estimate; [see 9.15] and

8.2.16 report the final value estimate. [see 9.16]

9 REAL PROPERTY APPRAISAL STANDARD – COMMENTS

9.1 Residential Appraisal Form Reports for Mortgage Financing

- 9.1.1 When a Residential Appraisal Form Report is utilized for mortgage financing the terms “identify” and “analyze” are considered to mean; State and Summarize.
- 9.1.2 The Residential Appraisal Form Report when utilized for mortgage financing purposes is brief and provides a minimum of description. Due to its brevity this report only provides information that a Member determined was necessary to complete the assignment.
- 9.1.3 Residential Appraisal Form Reports are single user reports and cannot be copied, reprinted, or produced, or transferred to another Authorized Client or Authorized User without the authorization of the author of the report and the written authorization from the Authorized Client or Authorized User named in the report.
- 9.1.4 An Authorized Client or Authorized User must be capable of understanding the appraisal analysis with limited explanation for this type of form report.
- 9.1.5 Information about the subject property and any comparable sales in a Residential Appraisal Form Report for the Authorized use of mortgage financing is Stated and Summarized.

9.2 Exposure Time [see 3.26, 8.2.1]

- 9.2.1 Exposure Time is a retrospective estimate of a length of time based upon an analysis of past events assuming a competitive and open market within which a property would have sold.
- 9.2.2 Exposure Time is always presumed to have preceded the Effective Date of the Report.
- 9.2.3 Exposure Time is different for various types of Real Estate and under various market conditions. Rather than appearing as an isolated estimate of time, it must refer to the property appraised, at the value estimated.
- 9.2.4 The overall concept of reasonable Exposure Time encompasses not only adequate, sufficient, and reasonable time, but also adequate, sufficient, and reasonable marketing effort.
- 9.2.5 The distinction between Exposure Time and Marketing Time must be made clear if both are referred to in the Report.

9.3 Characteristics of the Property [see 3.48, 8.2.2, 8.2.3, 16.2.2]

- 9.3.1 A Member’s inspection should, at the minimum, be thorough enough to:
 - 9.3.1.i. adequately describe the property in the Report;
 - 9.3.1.ii. develop an opinion of highest and best use, when such an opinion is necessary and appropriate; and,

- 9.3.1.iii. make meaningful comparisons in the valuation of the property.
- 9.3.2 A Member must personally inspect the subject property or identify an Extraordinary Limiting Condition if they did not.
- 9.3.3 The characteristics of the property must be adequately described and analyzed. The Report must include:
 - 9.3.3.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property and the property type with certainty;
 - 9.3.3.ii. the interest to be valued;
 - 9.3.3.iii. physical, legal, and economic attributes;
 - 9.3.3.iv. any personal property, chattel, trade fixtures, and/or intangible items if included in the value estimate;
 - 9.3.3.v. any known or apparent restrictions, easements, encumbrances, leases, reservations, covenants, contracts, declarations judgments, special assessments, ordinances, liens, and/or other item of a similar nature if relevant to the Assignment;
 - 9.3.3.vi. consideration of known detrimental conditions; [see 3.23, 3.33]
 - 9.3.3.vii. whether the subject property is a fractional interest or a partial holding; and
 - 9.3.3.viii. the extent of Inspection of the subject property.
- 9.4 Land Use Controls [see 8.2.4]**
 - 9.4.1 Land Use Controls, including zoning, must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of the Land Use Controls in light of economic demand, the physical adaptability of the property, and market area trends.
 - 9.4.2 A Member must reasonably support the probability and imminence of a change in Land Use Controls where the Highest and Best Use indicates a change in Land Use Controls (e.g., rezoning or redevelopment).
- 9.5 Use [see 8.2.5, 16.2.3]**
 - 9.5.1 The existing use of the property as of the Effective Date of the Report must be included in the Report.
 - 9.5.2 If the existing use is a non-conforming use, the Member must discuss and analyze the implications of this use.

9.6 Highest and Best Use [see 3.35, 8.2.6]

- 9.6.1 The Report must contain an opinion as to the Highest and Best Use of the property, unless an opinion as to Highest and Best Use is not relevant.
- 9.6.2 If the Purpose of the Assignment is to provide a Market Value, support, and rationale for the opinion of Highest and Best Use is required in the Report.
- 9.6.3 The analysis of the Highest and Best Use (as if vacant and as improved) and reasoning in support of the opinion and conclusion must be:
 - 9.6.3.i. provided with the depth and level of detail required in relation to its significance to the Report; and
 - 9.6.3.ii. based on the relevant legal, physical, and economic factors. [see 9.6.4]
- 9.6.4 Opinions on the Highest and Best Use of a property are required on both:
 - 9.6.4.i. the land, as if vacant; and
 - 9.6.4.ii. the property, as improved.

9.7 Describe and Analyze All Data Relevant to the Assignment [see 8.2.7, 16.2.5]

- 9.7.1 The information and analyses provided in a Report must be sufficient to explain and support the rationale for the opinion and conclusions.
- 9.7.2 The processes of collecting and verifying relevant information must be performed in a manner consistent with the “Reasonable Appraiser” test.
- 9.7.3 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. [see 3.64]

9.8 Appraisal Procedures [see 8.2.8, 16.2.6]

- 9.8.1 Excluding an approach to value that is relevant under the “Reasonable Appraiser” test requires:
 - 9.8.1.i. an Extraordinary Limiting Condition, and
 - 9.8.1.ii. supporting reasons.
- 9.8.2 Excluding an approach to value that is not relevant under the “Reasonable Appraiser” test requires:
 - 9.8.2.i. supporting reasons only.
- 9.8.3 When a Direct Comparison Approach is applicable, the Member must:
 - 9.8.3.i. analyze such comparable data as are available to indicate a reasonable value conclusion.

- 9.8.4 When a Cost Approach is applicable, a Member must:
- 9.8.4.i. develop an opinion of site value by an appropriate appraisal method;
 - 9.8.4.ii. analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and
 - 9.8.4.iii. analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation) if applicable.
- 9.8.5 When an Income Approach is applicable, a Member must:
- 9.8.5.i. analyze clear and relevant market evidence to estimate the income realized by the property;
 - 9.8.5.ii. analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
 - 9.8.5.iii. analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
 - 9.8.5.iv. base projections of future income and expenses on reasonably clear and relevant market evidence.
- 9.8.6 When a Discounted Cash Flow Analysis is applicable, in addition to the requirements in 9.8.5, the Member must:
- 9.8.6.i. analyze such data as are available from the Real Estate and capital markets and surveys of investor opinions;
 - 9.8.6.ii. ensure that input data is specific to the type of property being appraised and the market conditions prevailing and forecasted as of the Effective Date of value;
 - 9.8.6.iii. clearly display all relevant data, cash flow projections, and assumptions on which the analyses are based; and
 - 9.8.6.iv. identify and describe any computer software used in the analyses.
- 9.8.7 A Report that includes the results of a Discounted Cash Flow analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data used in the analysis.
- 9.8.8 Market Value Discounted Cash Flow analyses must be supported by market-derived data and any assumptions should be both market and property specific.
- 9.8.9 When an Automated Valuation Model (AVM) [see 3.16] is applicable, a Member must:
- 9.8.9.i. determine if use of the AVM is appropriate for the Assignment;
 - 9.8.9.ii. ensure that the AVM does not exclude relevant data necessary for a credible result;

9.8.9.iii. disclose or invoke relevant Assumptions and Limiting Conditions; and

9.8.9.iv. identify and describe the AVM or AVM output used in the analyses.

9.8.10 The output of an AVM is not a “value”.

9.9 Reasoning [see 3.64, 8.2.9, 12.2.4, 16.2.7]

9.9.1 Reasoning requires the logical review, analysis, and interpretation of data in a manner that will support the value conclusion, not be misleading, and conform with the “Reasonable Appraiser” test.

9.10 Leased Fee/Leasehold Interest [see 8.2.10, 16.2.8]

9.10.1 Legal aspects such as the effect of existing leases can directly impact property value and need to be considered.

9.10.1.i. If a lease is to be disregarded and the Assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption (Hypothetical Condition) is required.

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

9.10.3 A Leased Fee/Leasehold Interest may be omitted when not relevant to the Assignment.

9.11 Assemblage [see 8.2.11, 16.2.10]

9.11.1 The value of the whole property may be less than, equal to, or more than the sum of the components of the various estates or parcels.

9.11.2 Assemblage establishes the effect, if any, on value of the “larger parcel”.

9.11.3 When relevant to the Assignment, the effect on value of an assemblage must be considered and analyzed in the Report.

9.12 Anticipated Improvements [see 8.2.12, 16.2.11]

9.12.1 When relevant to the Assignment, the effect on value of anticipated public or private improvements must be considered and analyzed in the Report.

9.13 Personal Property [see 3.48, 3.58, 8.2.13, 16, 17]

9.13.1 When relevant to the Assignment, the effect on value of personal property must be referenced, considered, and analyzed in the Report.

9.13.2 A Member must have the competence to ascertain whether a fixture is an improvement, personal property, or a trade fixture.

9.14 Agreement for Sale/Option/Listing [see 8.2.14, 16.2.12]

- 9.14.1 Any agreement for sale, option, or listing of the property that occurred within one year prior to the Effective Date of the Report, including any pending/current Contract of Purchase and Sale or lease, must be analyzed and reported if such information is available to the Member in the Normal Course of Business.
- 9.14.2 Any sale of the subject property that occurred within three years prior to the Effective Date of the Report must be analyzed and reported if such information is available to the Member as at the date of valuation and in the Normal Course of Business.
- 9.14.3 Any impact on the price paid for the subject property or any effect on value under known undue stimulus must be reported.

9.15 Review and Reconcile [see 8.2.15, 16.2.13]

- 9.15.1 The Member must review, discuss, and reconcile in the Report the quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the Assignment.

9.16 Final Value [see 8.2.16, 16.2.14]

- 9.16.1 May be a single point value, a range of values, or an indication of value (e.g. “not less than” or “not greater than” a specified amount).

9.17 Scope of Work for Valuation for Financial Reporting [see 7.5, 9.8]

- 9.17.1 A Member must understand the applicable standard and ensure their work is in compliance.
- 9.17.2 In order not to mislead an Authorized Client or Authorized User of an external appraisal for financial reporting, all four items listed below must be conducted independently by an External Valuer. If all four items are not carried out, the resultant opinions cannot be regarded as an external appraisal:
 - 9.17.2.i. An Inspection of the subject property sufficient to estimate its Highest and Best Use, adequately describe the Real Estate, and make meaningful comparisons.
 - 9.17.2.ii. A test of a reasonable sample of major tenant lease documents to ensure rental terms match the landlord’s rent roll and to check for renewal options, termination options, etc.
 - 9.17.2.iii. The utilization of independent market-based assumptions in the development of cash flow, not simply acceptance of the management cash flow and the implicit Assumptions therein. [see 9.8.6]
 - 9.17.2.iv. The reliance on market data/yields that have been independently developed in a manner that is consistent with the development of the subject property cash flow. Meaningful comparisons are critical for consistency, accuracy, and

transparency. [see 9.8.5]

10 REVIEW STANDARD - RULES

10.1 Preamble

10.1.1 This Standard outlines the procedures for the development and communication of a formal Review opinion of a Report [see 10.2] and in conjunction with the Reporting Standard, incorporates the minimum content necessary to produce a credible Review Report that is not misleading.

10.1.2 In performing a Review [see 3.69] Assignment, a Member must develop and report a credible opinion as to the quality of the work of another Member and must clearly disclose the Scope of Work performed in the Review Assignment.

10.1.3 Depending on the Scope of the Assignment, the Review may:

10.1.3.i. determine compliance with the CUSPAP Standard to which the Member of the reviewed Report was required to comply;

10.1.3.ii. provide an opinion as to whether any aspect of the analysis, opinions and/or conclusions in the report under review are appropriate and reasonable; or

10.1.3.iii. determine compliance with another recognized Standard (USPAP, Red Book, EVS/Blue Book, les Normes, IVS, etc.).

- A Member can complete a review of a report prepared by a non-member whose work is required to comply with standards of practice other than CUSPAP.
- An AIC Member must be competent in the standard(s) of practice to which the report under review is subject.

10.1.4 This Standard is not applicable to:

10.1.4.i. AIC Peer Review;

10.1.4.ii. Supervisory co-signing; and

10.1.4.iii. Administrative Review. [see 3.2]

- An external reviewer may be engaged by individuals or organizations to conduct an Administrative Review. When an external reviewer conducts such Administrative Review Assignments, the Review conducted must follow this Standard.

10.2 Rules

When completing a Review Report, a Member must comply with the Reporting Standard [see 6, 7], and must:

- 10.2.1 identify the Report under Review, the author(s) of the Report under Review, the Machinery and Equipment and/or real property interest involved, the Effective Date of the opinion in the Report under Review and whether the opinion in the Report under review is Current, Retrospective, Prospective, or an Update. [see 3.25, 7.7]
- 10.2.2 provide an opinion as to whether the Scope of Work employed in the Report under Review is appropriate and reasonable for its Authorized use and whether the Scope of Work employed has been met; [see 7.6, 11.1.2, 11.1.4, 11.5]
- 10.2.3 provide an opinion as to the adequacy and relevance of the data and the propriety of any adjustments to the data; [see 10.2.2, 11.6]
- 10.2.4 provide an opinion as to the appropriateness and proper application of the methodologies (valuation or other) and techniques used; [see 11.1.1]
- 10.2.5 provide an opinion as to whether the analyses, opinions and conclusions in the Report under Review are appropriate and reasonable; [see 11.1.2] and
- 10.2.6 provide reasons for any disagreement or agreement with the Report being reviewed. [see 11.3]

11 REVIEW STANDARD – COMMENTS

11.1 Review [see 10.2]

11.1.1 A Review Report is a critique intended for use in conjunction with the Report under Review. The reviewer must develop a Review using a professional tone and professional language.

11.1.2 A Review of a Report is performed by an independent and competent Member for the purpose of forming an opinion as to whether the analysis, opinions, and conclusions in the Report under Review are appropriate and reasonable.

11.1.3 The reviewer does not sign/co-sign the Report that is under Review.

11.1.4 The reviewer goes beyond checking for a level of completeness and consistency in the Report under Review by providing comment on the content and conclusions of the Report.

11.2 Purpose of Review [see 7.4]

11.2.1 A reviewer must ascertain whether the purpose of the Review Assignment includes:

11.2.1.i. a Review without an opinion of value of the subject property of the Report under Review; or

11.2.1.ii. a Review with an opinion of value of the subject property of the Report under Review. [see 11.2.2]

11.2.2 If the purpose of the Assignment includes the development of an opinion of value, that opinion is an Appraisal Assignment that must comply with the Real Property Appraisal Standard. The reviewer is required to:

11.2.2.i. complete the Review in accordance with this Review Standard, and

11.2.2.ii. develop their opinion of value in accordance with the Real Property Appraisal Standard.

11.2.3 If including an opinion of value, the reviewer must identify and state:

11.2.3.i. any new information relied upon,

11.2.3.ii. the reasoning and basis for the opinion of value, and

11.2.3.iii. all Assumptions and Limiting Conditions (if different from or in addition to those in the Report under Review).

11.2.4 If including an opinion of value, those items in the Report under Review that the reviewer concludes are in compliance with CUSPAP can be used in the reviewer's development process.

11.2.5 If including an opinion of value, those items in the Report under Review that the reviewer concludes are not in compliance with CUSPAP must be replaced with information or analysis developed in accordance with the Real Property Appraisal Standard in order to produce a credible value opinion.

11.2.6 If the Review is to determine compliance with the version of CUSPAP in effect as of the date of the Report under Review, the reviewer may be required to reference two different versions of the Standards, those being:

11.2.6.i. the version applicable as at the date of the Report under Review; and

11.2.6.ii. the version to be complied with, by the reviewer, for the writing of the Review, that being the version of the day.

11.3 Review with an Opinion of Value [see 6, 7, 8, 9]

11.3.1 When the purpose of a Review includes the development of an opinion of value, the Member may use additional information that was not available in the development of the value opinion in the Report under Review.

11.3.2 The Member may conclude that their opinion:

11.3.2.i. concurs with the opinion of value in the Report under Review;

11.3.2.ii. differs from the opinion of value in the Report under Review; or

11.3.2.iii. does not need to be set forth in a separate Report; however, that it must be prepared and reported in accordance with CUSPAP.

11.4 External/Internal Review [see 3.27, 9.17.2, 10.1.4.iii]

11.4.1 For the purposes of financial reporting, an “internal” Report may be supported by an “external review” under the Review Standard.

11.4.2 The function of an “external review” is not to appraise the subject property but to examine the contents of the management (internal) valuation and form opinions as to its adequacy and appropriateness, its suitability, and its Authorized Use and Authorized User.

11.4.3 An “external review” judges the reasoning and logic of the original Report, but the reviewer does not substitute their own judgment.

11.4.4 An “external review” does not lead to an alternate value conclusion.

11.4.5 Given the function of an “external review”, an “internal” valuation supported by an “external review” must still be considered an internal Report.

11.5 Completeness of the Report under Review [see 6.2.3, 6.2.4, 7.4, 7.5, 10.2.2]

11.5.1 The reviewer must form an opinion as to the completeness of the Report under Review. This requires the reviewer to determine whether the Report under Review met the requirements set by its stated Purpose and Scope of Work (e.g.: the “Reasonable

Appraiser” test, the relevant Standard, Rules, and Comments).

11.6 Adequacy and Relevancy of the Data [see 8.2.1, 8.2.7, 9.1, 9.7, 10.2.3]

11.6.1 The Review must be conducted in the context of market conditions as of the Effective Date of the opinion in the Report being reviewed.

11.6.2 Data that could not have been available for the Report under Review on the date of that Report:

11.6.2.i. must not be used by a reviewer in the development of a Review; but

11.6.2.ii. may be used when the purpose of the Review includes the requirement to develop an opinion of value. [see 11.3]

12 CONSULTING STANDARD - RULES

12.1 Preamble

12.1.1 This Standard outlines the procedures for the development and communication of a formal Consulting Report [see 12.2] and in conjunction with the Reporting Standard [see 6, 7], incorporates the minimum content necessary to produce a credible Consulting Report that is not misleading.

12.2 Rules

When completing a Consulting Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

12.2.1 identify the Real Estate/property under consideration, if any; [see 13.2]

12.2.2 collect, verify, reconcile, and report all pertinent data as may be required to complete the Consulting service;

12.2.3 describe and apply the Consulting procedures relevant to the Assignment; [see 13.2, 13.3, 13.4, 13.5, 13.6, 13.7, 13.8]

12.2.4 detail the reasoning that supports the analyses, opinions, and conclusions; [see 9.9] and

12.2.5 report the Member's final conclusions/recommendations, if any.

13 CONSULTING STANDARD – COMMENTS

13.1 Consulting

13.1.1 Consulting is a broad term that is applied to Assignments other than estimating value.

13.1.2 Market Rent Reports on a general type of property are considered Consulting Assignments.

13.1.3 If a formal opinion of value or rent on a specific, identifiable property is required within the Consulting Assignment, that portion of the Consulting Report must be developed in compliance with the Real Property Appraisal Standard. [see 6, 7, 8, 9]

13.1.3.i. The Report must disclose that this component is completed within the Real Property Appraisal Standard. [see 12.2.2]

13.2 Real Property Consulting [see 3.63]

13.2.1 In performing a Consulting Assignment involving Real Estate or Real Property services, a Member must:

13.2.1.i. identify and analyze alternative courses of action to achieve the Authorized Client's lawful objective, and analyze their implications;

13.2.1.ii. identify both known and anticipated constraints to each alternative and consider their probable impact;

13.2.1.iii. identify the resources actually or, expected to be, available to each alternative and consider their probable impact; and

13.2.1.iv. reconcile the data and identify the optimum course of action to achieve the Authorized Client's lawful objective.

13.3 Market Analysis

13.3.1 In performing a market analysis, a Member must:

13.3.1.i. define and delineate the market area;

13.3.1.ii. identify and analyze the current supply and demand conditions that make up the specific Real Estate market;

13.3.1.iii. identify, measure, and forecast the effect of anticipated development, or other changes, and future supply;

13.3.1.iv. identify, measure, and forecast the effect of anticipated economic, or other, changes and future demand; and

13.3.1.v. reconcile the data into a final recommendation, opinion and/or conclusion.

13.4 Cash Flow/Investment Analysis

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

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

13.5 Feasibility Analysis [see 13.3]

13.5.1 In developing a feasibility analysis, a Member must:

- 13.5.1.i. prepare a complete market analysis; [see 13.3]
- 13.5.1.ii. apply the results of the market analysis to alternative courses of action to achieve the Authorized Client's lawful objective;
- 13.5.1.iii. consider and analyze the probable costs of each alternative;
- 13.5.1.iv. consider and analyze the probability of altering any constraints to each alternative;
- 13.5.1.v. consider and analyse the probable outcome of each alternative; and
- 13.5.1.vi. reconcile the data into a final recommendation, opinion and/or conclusion.

13.6 Property Condition Assessment

13.6.1 In performing a property condition assessment Assignment of Real Estate and/or Real Property improvements within a Real Estate parcel, a Member must:

- 13.6.1.i. review documentation and interview those who are knowledgeable with the operation and physical condition of the subject property;
- 13.6.1.ii. complete an inspection of the subject property;
- 13.6.1.iii. observe and report on the physical condition of the subject property; and
- 13.6.1.iv. prepare an estimated opinion of costs to remedy observed and apparent physical deficiencies if required within the Assignment scope.

13.7 Progress Report

13.7.1 A progress Report prepared to estimate percentage complete without reference to value, as part of an original Report, is an extension of the original Report. [see 6, 7, 8, 9]

13.7.2 A stand-alone progress Report, prepared to estimate percentage complete without reference to value, without an original appraisal Report, is considered to be a Consulting Assignment and must be prepared in compliance with the Consulting Standard.

13.7.3 In performing a stand-alone progress Report, prepared to estimate percentage complete without reference to value and without an original appraisal Report, a Member must:

13.7.3.i. complete a walk-through survey of the subject property; and

13.7.3.ii. observe and report on the physical condition of the subject property.

13.8 AVM Output Validation

13.8.1 An AVM Output Validation is undertaken to determine if an Authorized User's particular course of action is or is not supported by market evidence.

13.8.1.i. This section [13.8] does not apply to assessment or other Mass Appraisal uses that are considered Appraiser-Assisted, where a Member reviews the AVM output and arrives at a value opinion by applying judgment and experience. [see 8, 9]

13.8.2 A Member undertaking an AVM Output Validation will not:

13.8.2.i. perform any new or additional research;

13.8.2.ii. provide a value or an opinion of value;

13.8.2.iii. prepare a Report; or

13.8.2.iv. sign a certificate of value.

13.8.3 A Member undertaking an AVM Output Validation may:

13.8.3.i. comment on market evidence used to reach the AVM value; and

13.8.3.ii. comment on the AVM-generated value.

13.8.4 A Member undertaking an AVM Output Validation may be exempt from the following Reporting Standard Rules:

- 6.2.3 In a Report a Member must identify the purpose of the Assignment, including a relevant definition of value;
- 6.2.5 In a Report a Member must 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 In a Report a Member must identify the date of the Report;
- 6.2.9 In a Report a Member must include a signed certification;

13.8.5 A Member is required to maintain a Work-file for AVM Output Validation Assignments.

13.9 **Reproduction Cost New (RCN) or Replacement Cost (RC) of Improvements**

13.9.1 A stand-alone RCN or RC estimate of improvements may be undertaken to assist Clients for insurance, taxation, and other matters.

13.9.2 In developing an estimate of RCN or RC of improvements, a Member must:

13.9.2.i. complete an inspection of the improvements or;

13.9.2.ii. where improvements have not yet been constructed or where an inspection of improvements is not possible such as the result of fire or other event, a Member must review plans/documentation and/or interview those knowledgeable about the improvements, to adequately describe the improvements in the Report, and;

13.9.2.iii. identify an Extraordinary Limiting Condition;

13.9.2.iv. include any personal property, chattel or trade fixture if included in the RCN or RC;

13.9.2.v. analyze cost data as available to estimate the RCN or RC of the improvements.

14 RESERVE FUND STUDY STANDARD - RULES

14.1 Preamble

- 14.1.1 This Standard outlines the procedures for the development and communication of a formal Reserve Fund Study [see 14.2] and in conjunction with the Reporting Standard [see 6, 7], incorporates the minimum content necessary to produce a credible Report that is not misleading.
- 14.1.2 The purpose of a Reserve Fund Study [see 3.67] is to provide cost estimates for the required period of various reserve components for which major repairs and/or replacement are required over the lifetime of the subject of the Reserve Fund Study, and to estimate funding required for such major repairs and replacement.
- 14.1.3 The higher standard of practice shall apply, whether it be the applicable legislated requirements governing the preparation of Reserve Fund Studies/Depreciation Reports or CUSPAP.

14.2 Rules

When completing a Reserve Fund Study Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

- 14.2.1 identify the characteristics of the property; [see 9.3]
- 14.2.2 identify the legislation that applies to the Assignment; [see 15.1.1]
- 14.2.3 describe and analyze all relevant data to complete the Reserve Fund Study; [see 9.7]
- 14.2.4 define and delineate the pertinent components the Reserve Fund Study is to cover; [see 15.2]
- 14.2.5 provide a benchmark analysis; [see 15.2.1.i]
- 14.2.6 provide at least one cash flow projection; [see 15.2.1.ii]
- 14.2.7 provide an opinion on the adequacy of reserve fund contributions; [see 15.2.1.iii]
- 14.2.8 provide at least one reserve fund funding model; [see 15.2.1.iv]
- 14.2.9 detail the reasoning that supports the analyses, opinions, and conclusions; [see 9.9]
- 14.2.10 report the final conclusions/recommendations; [see 15.3] and
- 14.2.11 identify whether the Report is an update (if applicable). [see 7.7.5]

15 RESERVE FUND STUDY STANDARD – COMMENTS

15.1 Preamble

- 15.1.1 Legislation that applies to Reserve Fund Studies exists in a number of provinces. The Member is required to be familiar with and comply with the requirements of applicable legislation for such studies, including the qualification criteria set out in such legislation.
- 15.1.2 The higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of Reserve Fund Studies/Depreciation Reports or CUSPAP.
- 15.1.3 The output of a Reserve Fund Study is not a “value”; it is primarily a cash flow forecast and budget planning tool.
- 15.1.4 The investment analysis of a Reserve Fund Study must be conveyed in such a manner so as not to be construed as the Member providing “investment advice”.

15.2 Components of the Reserve Fund Study [see 14.2.4]

- 15.2.1 Benchmark analysis, cash flow projections, an analysis of the adequacy of the reserve fund contributions and preparing a reserve fund funding model are compulsory components of a Reserve Fund Study Assignment.
 - 15.2.1.i. A benchmark analysis usually contains summary information about the age and expected life of a component and an estimate of the amount that should be set aside in order to accumulate the appropriate amount at the time that major repair or replacement of the component will be required.
 - 15.2.1.ii. Cash flow projections must cover a minimum 25 years, unless legislated otherwise,
 - 15.2.1.iii. The contingency reserve and the recommended annual contributions are interrelated and must be discussed in terms of their adequacy, as well as the recommended actions required to achieve the recommended level of funding.
 - 15.2.1.iv. In preparing a reserve fund funding model, the Report must clearly state the objectives under which it is prepared. Options include: fully funded models, special levies, financing, legislated requirements, or other options to make up shortfalls between the existing fund balance and what is considered to be prudent and/or legislated.

15.3 Review, Reconciliation and Final Conclusions/Recommendations [see 14.2.9, 14.2.10]

- 15.3.1 The Report must discuss the quality and quantity of data available and analyzed, along with the applicability and reliability of the data in context of the scope of the Assignment.

16 MACHINERY AND EQUIPMENT APPRAISAL STANDARD - RULES

16.1 Preamble

16.1.1 This Standard outlines the procedures for the development and communication of a formal opinion of value for Machinery and Equipment [see 3.48] (a category of personal property) [see 16.2] and in conjunction with the Reporting Standard [see 6, 7], incorporates the minimum content necessary to produce a credible Report that is not misleading.

16.2 Rules

When completing a Machinery and Equipment Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

16.2.1 provide an analysis of reasonable Exposure Time linked to a market value opinion; [see 9.1]

16.2.2 identify the property type and classification, inspect the property, and describe the characteristics of the property including applicable component parts, that are relevant to the type of Machinery and Equipment (personal property) and the ownership interest to be valued; [see 7.5.1.i, 9.3]

16.2.3 define and analyze the property's current use and alternative uses, as relevant to the type and definition of value; [see 9.5]

16.2.4 define and analyze the appropriate market consistent with the type and definition of value;

16.2.5 describe and analyze all data relevant to the Assignment, including the relevant economic conditions that exist on the Effective Date of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity; [see 9.7]

16.2.6 describe and apply the appraisal procedures relevant to the Assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [see 9.8]

16.2.7 detail the reasoning supporting the analyses, opinions, and conclusions of each valuation approach; [see 9.9]

16.2.8 analyze the effect on value, if any, of the terms and conditions of the lease(s) or encumbrances; [see 9.9]

16.2.8.i. Legal aspects such as the effect of existing leases can directly impact property value and need to be considered.

16.2.8.ii. If a lease is to be disregarded and the assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption (Hypothetical Condition) is required.

- 16.2.9 analyze the significance of the value of individual assets to the Assignment results when appraising multiple objects. Those objects which are more significant to the Assignment results should be the focus of the analysis and analyzed in appropriate detail; [see 9.13]
- 16.2.10 analyze the effect on value, if any, of an assemblage of various component parts of a property. The Member must refrain from valuing the whole solely by adding together the individual values of the various component parts; [see 9.11, 17.2]
- 16.2.11 analyze the effect on value, if any, of any anticipated modifications of the property, to the extent they are reflected in market actions; [see 9.12]
- 16.2.12 analyze all agreements for sale, validated offers or third-party offers to sell, options, and listings, as well as all prior sales of the property within a reasonable and applicable time period given the Authorized Use of the appraisal and property type;
- 16.2.13 review and reconcile the data, analyses, and conclusions of each valuation approach into a final value estimate; [see 9.15] and
- 16.2.14 report the final value estimate. [see 9.16]

17 MACHINERY AND EQUIPMENT APPRAISAL STANDARD – COMMENTS

17.1 Characteristics of Property [see 16.2.2]

17.1.1 Relevant to the Purpose and Authorized Use of the Report, these characteristics along with those listed in 9.3 must be described, analyzed, and included in the Report:

17.1.1.i. the property identification by serial number or other specific identifying features; and

17.1.1.ii. physical, legal, and economic attributes including condition, style, size, quality, manufacture, author, materials, origin, age, providence, alterations, restorations, and obsolescence.

17.1.2 Information used to identify the Personal Property characteristics must be from sources the Member reasonably believes to be reliable. The Member is permitted to use a combination of a property inspection and documents or other resources to identify the relevant characteristics of the subject property.

17.2 Assemblage [see 16.2.10]

17.2.1 When appraising multiple objects, those objects that are more significant to the Assignment results should be subject to an appropriately greater depth of analysis.

17.2.2 Where applicable, the value of the whole of an assembled facility must be tested by reference to appropriate data and supported by an appropriate analysis of such data.

17.2.3 A similar procedure must be followed when the value of the whole has been established and the Member seeks to value a part. The value of any such part must be tested by reference to appropriate data and supported by an appropriate analysis of such data.

18 MASS APPRAISAL STANDARD - RULES

18.1 Preamble

18.1.1 This Standard outlines the procedures for the development and communication of a formal Mass Appraisal Report [see 18.2] and in conjunction with the Reporting Standard [see 6, 7], incorporates the minimum content necessary to produce a credible Report that is not misleading.

18.2 Rules

When completing a Mass Appraisal Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

18.2.1 identify the prevailing Act or Regulation granting authority for the assessment and standards thereof; and

18.2.2 adhere to the relevant provincial or jurisdictional Mass Appraisal standards and procedures as determined through provincial statutes and municipal bylaws. [see 19.4.1].

19 MASS APPRAISAL STANDARD – COMMENTS

19.1 Mass Appraisal Principles

19.1.1 Mass Appraisal is a broad term that is applied to the production of property values for a group of properties on a 'mass' level by using standard methods, common data, and allowing for statistical testing.

19.1.2 Values produced on a mass level differ from those produced under the other Standards in CUSPAP in that they are not completed on an individual property basis but rather as a group based on the individual characteristics of a property in comparison to a group of properties.

19.1.3 This process is often referred to as assessment modelling.

19.1.4 Mass Appraisal is usually completed by a number of individuals, many of whom may not be Members of the Institute. The role of the Member is therefore only to deal with a specific issue or aspect of the Mass Appraisal exercise they produced or contributed to.

19.1.5 This Standard does not apply to AVM Output Validation [see 13.8] where a Member does not:

19.1.5.i. perform any new or additional research;

19.1.5.ii. provide a value opinion;

19.1.5.iii. prepare a report; or

19.1.5.iv. sign a certificate of value.

19.1.6 Documentation for the development of a Mass Appraisal may be in the form of:

19.1.6.i. property records;

19.1.6.ii. sales ratios and other statistical studies;

19.1.6.iii. appraisal manuals and documentation;

19.1.6.iv. market studies;

19.1.6.v. model building documentation;

19.1.6.vi. regulations;

19.1.6.vii. statutes; and

19.1.6.viii. other acceptable forms.

19.1.7 All of these elements together may make up a Mass Appraisal.

19.2 Mass Appraisal

19.2.1 In addition, stand-alone (individual) Mass Appraisal Reports covered under this standard include only:

- 19.2.1.i. Mass Appraisal Reports with a formal opinion of value;
- 19.2.1.ii. Mass Appraisal Reports in defence of an assessed value;
- 19.2.1.iii. sales ratios and other statistical studies used in the production of assessed values; and
- 19.2.1.iv. market studies used in the production of the assessed values.

19.2.2 In developing a Mass Appraisal Report, a Member must be aware of, understand, and correctly apply those recognized methods and techniques to produce and communicate credible results.

- 19.2.2.i. If the Member is responsible for only a component of the Mass Appraisal Report, their responsibility is limited to those components that they completed.

19.3 Mass Appraisal Report with a Formal Opinion of Value

19.3.1 If a formal opinion of value other than the assessed value for an identifiable property is required for the purpose of adjudicating/hearing an assessment appeal, a Member must:

- 19.3.1.i. develop the Mass Appraisal Report in compliance with the Real Property Appraisal Standard. [See 6, 7, 8, 9]

19.4 Mass Appraisal Report in Defence of an Assessed Value

19.4.1 If a Mass Appraisal Report is developed for the purpose of adjudicating/hearing an assessment appeal and the assessed value is being argued, a Member must:

- 19.4.1.i. identify the assessed value of the property, where relevant;
- 19.4.1.ii. identify the property and describe its location, use, and other characteristics;
- 19.4.1.iii. state any information relied upon in the production of the assessed value;
- 19.4.1.iv. state the reasoning and basis for the assessed value; and
- 19.4.1.v. state any assumptions, limiting conditions and/or if any Jurisdictional Exceptions have been made in the assessment process.

19.4.2 If a Mass Appraisal report is developed for the purpose of adjudicating/hearing an assessment appeal and a revised assessed value resulting from a correction to property characteristic(s) is being argued, in addition to the above, a Member must also:

- 19.4.2.i. state the correction to the property characteristic(s) on the assessment record, including the reason and support for the correction; and
- 19.4.2.ii. provide the corrected assessed value.

19.4.3 In assessment jurisdictions where the assessed value is not appealed but the characteristics of the property and the elements of the assessment model are appealed, the Member does not need to identify the assessed value in the appeal Report.

19.5 Negotiations or Mediation

19.5.1 With or without prejudice discussions, negotiations, or mediations for the purpose of resolving a disputed assessment or conclusion of an assessment inquiry, whether part of an appeal process or outside an appeal process, are not bound by this Standard. No Report is required. These resolutions do not constitute a Mass Appraisal Report covered under this Standard.

19.6 Sales Ratios and other Statistical Studies used in the Production of Assessed Values

19.6.1 In producing sales ratios or other statistical studies as part of the assessment value production, a Member must:

19.6.1.i. identify the Real Estate/property under consideration, if any;

19.6.1.ii. collect, verify, and report all pertinent data;

19.6.1.iii. define and delineate the market area and data set;

19.6.1.iv. identify the supply and demand conditions that make up the specific data set;

19.6.1.v. detail the reasoning that supports the analyses, opinions, and conclusions; and

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

19.7 Market Studies and Analysis used in the Production of the Assessment Value

19.7.1 In performing a market analysis as part of the assessment value production, a Member must:

19.7.1.i. identify the Real Estate/property under consideration, if any;

19.7.1.ii. collect, verify, and report all pertinent data;

19.7.1.iii. define and delineate the market area;

19.7.1.iv. identify the supply and demand conditions that make up the specific real estate market;

19.7.1.v. identify and measure the effect of anticipated development or other changes;

19.7.1.vi. identify and measure the effect of anticipated economic or other changes;

19.7.1.vii. detail the reasoning that supports the analyses, opinions, and conclusions; and

19.7.1.viii. reconcile the data into a final recommendation, opinion, and/or conclusion.

19.8 Jurisdictional Exception

19.8.1 Every assessment jurisdiction across Canada is governed by its own provincial, territorial, municipal, or local legislation, rules, or procedures.

19.8.1.i. As such, a Jurisdictional Exception may apply to sections of CUSPAP where an assessment administration is subject to provincial/territorial laws and assessment

case law [see 3.43].

19.8.2 A Member may claim a Jurisdictional Exception where:

19.8.2.i. legislative requirements override CUSPAP; or

19.8.2.ii. procedural rules of the assessment appeal process prohibit the Member from providing information required by CUSPAP.

19.8.3 When a Jurisdictional Exception is being claimed, a Member must be able to explain and justify why the exception is being claimed and provide the legislative or other authoritative reference supporting the Jurisdictional Exception.

19.8.4 The assessment appeal process varies across Canada according to prevailing legislation and assessment jurisdiction.

19.8.4.i. Depending on location, the value defence process may be based on the assessment value as determined through the Mass Appraisal process or it may be open to argument based on the fee simple valuation of the subject property as of the assessment date.

19.8.4.ii. It is the procedural rules or legislative requirements of the assessment jurisdiction that prevail over this Standard and must be adhered to in the adjudication of the appeal process, which will ultimately determine which Standard applies: The Mass Appraisal Standard, the Real Property Appraisal Standard, or the Consulting Standard.

20 APPENDIX A - INDEX

Each entry in the index includes a reference code. The codes refer to the corresponding sections of the Standards. Each item in the index references the section(s) where they appear.

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21 APPENDIX B - CHANGES TO CUSPAP FROM 2022 EDITION

The following table highlights the changes implemented by the Appraisal Institute of Canada for the 2022 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP).

CUSPAP 2024 Section:	CUSPAP 2022 Section:	Change
1: Introduction	1: Introduction	No changes
2: Organization and Compliance	2: Foreword	No changes
3: Definitions	3: Definitions	Change
3.2 Administrative Review	3.2 Administrative Review	Revised
3.4 Analyze	n/a	Added
3.12 Authorized Client	3.15 Client	Added word Authorized – this term has been revised throughout the CUSPAP document.
3.13 Authorized Use	3.36 Intended Use	Changed intended to authorized this term has been revised throughout the CUSPAP document.
3.14 Authorized User	3.36 Intended User	Changed “intended” to “authorized” this term has been revised throughout the CUSPAP document.
3.37 Identify	n/a	Added
3.66 Report, Note:	3.64 Report, Note	Term “concise reports” has been added
3.72 Scope of Work	3.70 Scope of Work	Revised for clarity.
3.74 State	n/a	Added
3.75 Summarize	n/a	Added
4: Ethics Standard Rule	4: Ethics Standard Rule	Change
		No changes
5: Ethics Standard Comment	5: Ethics Standard Comment	Change
5.3.2.i & .ii Misleading Advertising	5.3.2	Term “prospective clients” added
5.4.1 Qualifications	5.4.1 Qualifications	Revised for clarity
5.7.3.i & .ii Records	5.7.3.i Records	Clarification on storage methods
5.7.7 Records	5.7.7 Records	Word “required” added
6. Reporting Standard Rules	6. Reporting Standard Rules	Change
		No changes
7. Reporting Standard Comments	7. Reporting Standard Comments	Change
7.1.4 Report	7.1.4 Report	Added reference to Form Report utilized for Mortgage Finance
7.1.5.ii Report	7.1.5.ii Report	Revised
7.1.6 Report	7.1.6 Report	Added reference to Form Report utilized for Mortgage Finance
7.1.7 Report	n/a	Added
7.5.1.i, ii & iii Scope of Work	7.5.1.i, ii & iii Scope of Work	Revised and expanded
7.5.3 Report	n/a	Added
7.12.3 Responsibility	7.12.3 Responsibility	Revised
n/a	7.12.4 & 7.12.5 Responsibility	Removed
7.12.4 to 7.12.12 Responsibility	7.12.6 to 7.12.14 Responsibility	Renumbered
8. Real Property Appraisal Standard Rules	8. Real Property Appraisal Standard Rules	Change
		No changes

Appendix B: Changes to CUSPAP from 2022 Edition

9. Real Property Appraisal Standard Comments	9. Real Property Appraisal Standard Comments	Change
9.1 Residential Appraisal Form Reports for Mortgage Financing	n/a	Added –
Following sections re-numbered to reflect addition of 9.1	n/a	
10 Review Standard Rules	10 Review Standard Rules	Change
10.1.3	10.1.3	Revised
n/a	10.1.5	Removed
10.1.4	10.1.6	Re-numbered
10.2.1	10.2.1	Text added: and whether the opinion in the Report under review is Current, Retrospective, Prospective, or an Update
11 Review Standard Comments	11 Review Standard Comments	Change
12 Consulting Standard Rules	12 Consulting Standard Rules	Change
		No changes
13 Consulting Standard Comment	13 Consulting Standard Comment	Change
13.8.2.i	13.8.2.i	Words “new or additional” added
13.9 Reproduction Cost New (RCN) or Replacement Cost (RC) of Improvements	n/a	Added
14. Reserve Planning Standard - Rules	14. Reserve Planning Standard - Rules	Change
14. Reserve Fund Study Standard - Rules	14. Reserve Planning Standard - Rules	Text changed to Reserve Fund Study. Note: the terms was changed everywhere in the document for consistency of language.
15. Reserve Planning Standard - Comments	15. Reserve Planning Standard - Comments	Change
		No changes
16. Machinery & Equipment Appraisal Standard - Rules	16. Machinery & Equipment Appraisal Standard - Rules	Change
		No changes
17. Machinery & Equipment Appraisal Standard - Comments	17. Machinery & Equipment Appraisal Standard - Comments	Change
		No changes
18. Mass Appraisal Standard - Rules	18. Mass Appraisal Standard - Rules	Change
		No changes
19. Mass Appraisal Standard - Comments	19. Mass Appraisal Standard - Comments	Change
		No changes