2015 Canadian jurisdictional applications of valuation standards

RICS-AIC joint guidance note, Canada

1st edition, June 2015
About RICS

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world’s wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

About AIC

The Appraisal Institute of Canada (AIC) is a leading real property valuation association with over 4,900 members across Canada and around the world. Established in 1938, the AIC works collaboratively with its ten provincial affiliated associations to grant the distinguished Accredited Appraiser Canadian Institute (AACI™) and Canadian Residential Appraiser (CRA™) designations. The AIC is a self-regulating organization that is guided by a Code of Conduct, and AIC’s Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) to ensure that our members:

• maintain the highest level of integrity and professionalism
• engage in conduct that will instill confidence and protect the public interest
• provide quality services within their areas of competence and
• commit themselves to principles that reflect high standards of professionalism.

CUSPAP are internationally recognized valuation standards that are in compliance with the International Valuation Standards Council’s International Valuation Standards.

AIC Designated Members are highly qualified, respected professionals who undertake comprehensive curriculum, experience and examination requirements. They are committed to ongoing continuing professional development to maintain the highest level of competency within an evolving marketplace. AIC members provide unbiased professional services on all types of properties within their areas of competence.
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RICS-AIC professional guidance

International standards

Globally recognised high level valuation principles and definitions are now embodied in the International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC). RICS and AIC have long been supporters of the development of such universal standards, and not only fully embrace these themselves, but also proactively support their adoption by others around the world.

RICS Valuation – Professional Standards 2014, commonly referred to as the Red Book formally recognises and adopts the IVS by requiring members to follow them. It also complements the IVS by providing detailed guidance and specific requirements concerning their practical implementation.

Member and firm conduct is underpinned through the application of the Rules of Conduct and the Global Professional and Ethical Standards and is assured through a well-established system of regulation. The whole ensures the positioning of RICS members and regulated firms as the leading global providers of IVS-compliant valuations.

The 2014 edition of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada (“AIC” or “the Institute”). The Standards endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation.

With the advent of International Financial Reporting Standards (IFRS) and the transition within Canada to International Accounting Standards (IAS) in 2011, the Board of Directors of the AIC has recognized the need for valuation standards that address emerging valuation requirements for International Financial Reporting Standards (IFRS) and diversification of the scope of work available to AIC Appraisers.

CUSPAP 2014 is compliant with the 2013 edition of International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC).

 Members of the AIC who complete appraisal, review, consulting and reserve fund planning assignments must do so in accordance with CUSPAP. The Standards are intended to reflect the changing nature of the valuation profession in Canada and the expanding role of AIC members. Updated bi-annually, they are shepherded by AIC’s Standards Sub-Committee which is under the purview of the Professional Practice Committee and ultimately the AIC Board of Directors.

RICS-AIC guidance notes

This is a guidance note. Where recommendations are made for specific professional tasks, these are intended to represent “best practice”, i.e. recommendations which in the opinion of RICS and AIC meet a high standard of professional competence.

Although the guidance note is not a mandatory requirement, dual AIC-RICS members are encouraged to take into account the following points.

When an allegation of professional negligence is made against a surveyor, a court or tribunal may take account of the contents of any relevant guidance notes published by RICS in deciding whether or not the member acted with reasonable competence.

Dual AIC-RICS members (hereinafter “members”) have the responsibility of deciding when it is inappropriate to follow the guidance. Where members do not comply with the practice recommended in this note, they should do so only for a good reason. Dual RICS and AIC members are required to comply to the Appraisal Institute of Canada’s Canadian Uniform Standards of Professional Appraisal Practice (hereinafter “CUSPAP”), Bylaws, Consolidated Regulations, Professional Liability Insurance Program and Code of Conduct.

In the opinion of RICS, a member conforming to the practices recommended in this guidance note should have at least a partial defence to an allegation of negligence. It is for each member to decide on the appropriate procedure to follow in any professional task. In the event of a legal dispute, a court or tribunal may require them to explain why they decided not to adopt the recommended practice under this guidance. Also, if members have not followed this guidance, and their actions are questioned in a RICS disciplinary case, they will be asked to explain their actions and this may be considered by the Panel.

In addition, guidance notes are relevant to professional competence in that each member should be up to date and have knowledge of guidance notes within a reasonable time of their coming into effect.

This guidance note is believed to reflect case law and legislation applicable at its date of publication. It is the member’s responsibility to establish if any changes in case law or legislation after the publication date have an impact on the guidance or information in this document.
## Document status defined

RICS and AIC produce a range of professional guidance and standards products. These are defined below. This document is a guidance note.

<table>
<thead>
<tr>
<th>Type of RICS document</th>
<th>Definition</th>
<th>Status</th>
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<tbody>
<tr>
<td>Standard</td>
<td></td>
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<tr>
<td>International standard</td>
<td>An international high level principle-based standard developed in collaboration with other relevant bodies</td>
<td>Mandatory</td>
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<tr>
<td>Practice statement</td>
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<tr>
<td>RICS practice statement</td>
<td>Document that provides members with mandatory requirements under Rule 4 of the Rules of Conduct for members</td>
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<tr>
<td>Guidance</td>
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<tr>
<td>RICS code of practice</td>
<td>Document approved by RICS, and endorsed by another professional body/stakeholder that provides users with recommendations for accepted best practice as followed by conscientious practitioners</td>
<td>Mandatory or recommended good practice (will be confirmed in the document itself)</td>
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<tr>
<td>RICS guidance note (GN)</td>
<td>Document that provides users with recommendations for accepted good practice as followed by competent and conscientious practitioners</td>
<td>Recommended good practice</td>
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<tr>
<td>RICS information paper (IP)</td>
<td>Practice-based information that provides users with the latest information and/or research</td>
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<td>AIC Canadian Uniform Standard of Professional Appraisal Practice (CUSPAP)</td>
<td>The Standards endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation</td>
<td>Biennial publications with compulsory Rules and Comments and recommended Practice Notes</td>
</tr>
<tr>
<td>AIC Professional Excellence Bulletins</td>
<td>Professional Excellence Bulletins are meant to raise awareness on areas of potential professional liability and exposure in ordinary day-to-day practice, and to suggest best practices that can help prevent liability insurance claims and/or professional practice complaints</td>
<td>Recommended good practice</td>
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<tr>
<td>AIC Code of Conduct and Regulations</td>
<td>Documents that outline mandatory conduct, policies and procedures</td>
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Acknowledgments

RICS and AIC would like to thank the members who contributed to the guidance note.

The Canadian Jurisdiction Application Working Group comprised:

- James V. Andrews, MAI, FRICS
- Andrew D. Dorchester, CRE, FRICS
- Phillip H. Gainey IV, CFA (RICS staff liaison)
- Mike Garcelon, AACI, P.App, MRICS (technical author)
- Joshua Kitsul, B.Comm, RI, AACI, P.App, MRICS
- David Snook, FASA, FRICS
- Brad Wager, B.Sc, AACI, P.App, FRICS

RICS and AIC also wish to thank the following AIC and/or dual AIC-RICS designated members for their contributions.

AIC Standards Subcommittee:

- Vito Cavallo, B.Comm, AACI, P.App
- Larry Dybvig, AACI, P.App, MAI, FRICS
- Deanna Halladay, CRA
- Joshua Kitsul, B.Comm, RI, AACI, P.App, MRICS
- Louis Poirier, BAA, AACI, P.App
- Darrell Thorvaldson, AACI, P.App

AIC Professional Practice Committee:

- D. Allan Beatty, AACI, P.App, Fellow
- Pat Cooper, BA, AACI, P.App
- Daniel Doucet, AACI, P.App
- Charles Johnstone, AACI, P.App, FRICS
- Michael Lee, AACI, P.App
- Orville Lim, AACI, P.App, RI(BC), (Retired)
- Kimberly Maber, B.Comm, AACI, P.App
- Mario Musso, AACI, P.App
- Ernie Paustian, AACI, P.App, RPA, CRP
- Louis Poirier, BAA, AACI, P.App
- Nathalie Roy-Patenaude, B.Comm, AACI, P.App
- Michael Schulkowsky, AACI, P.App
1 Purpose of this document

1.1 This document is intended to assist RICS members who are also AIC members in ensuring that a valuation report that is compliant with Canadian Uniform Standards of Professional Appraisal Practice (hereinafter “CUSPAP”) is also compliant with the RICS Valuation – Professional Standards (hereinafter the “Red Book”).

1.2 This guidance has been written in consultation with the AIC, which promulgates CUSPAP. This guidance note is based on the 2014 version of the Red Book and the 2014 version of CUSPAP, both of which are based on the International Valuation Standards January 2013.

1.3 CUSPAP was adopted by the Appraisal Institute of Canada in 2001 and is the dominant real estate appraisal standard in Canada. It is recognized by both federally- and non-federally regulated institutions, Canadian federal and provincial governments, the courts, regulatory agencies and most intended users of valuation services. A free copy of CUSPAP is available on the AIC website at: www.aicanada.ca/professional-standards

1.4 In an effort to assist RICS members working in different countries with the practical application of the Red Book, RICS has issued guidance notes highlighting additional steps that may be taken to make a report that is compliant with locally required standards also compliant with Red Book. Members are required to have a good working knowledge of RICS and AIC standards of practice, comply with the Red Book and CUSPAP, and ensure that they fully understand their responsibilities and obligations under both. Questions with respect to compulsory requirements and responsibilities under the Red Book can be directed to RICS’ Director of Global Valuation at valuation.professionalgroup@rics.org or by calling +44-207-695-1695. CUSPAP-related questions can be directed to AIC’s Director of Professional Practice at directorprofessionalpractice@aicanada.ca or by calling +1-866-726-5996.

1.5 CUSPAP has specific and compulsory standards on ethics and professional services such as appraisal, review, consulting and reserve fund planning for real property. The Red Book is directed at the valuation of tangible real property, personal property, business assets and intangible assets.

1.6 When preparing valuation reports that are to be compliant with both the Red Book and CUSPAP, members should review Red Book “Professional Standard (PS) 1 paragraph 4, Compliance with other valuation standards”. PS 1 paragraph 4 states that a compliance statement in this regard must be included in the terms of engagement and the report.

1.7 RICS and AIC, through the Canadian Jurisdiction Application Working Group and AIC’s Standards Sub-Committee and Professional Practice Committee have undertaken a review of both the Red Book and CUSPAP. This document is intended to highlight only the significant differences in terminology and appraisal standards compliance.

1.8 This guidance takes effect from the date of publication.

1.9 Dually designated members are reminded of the requirement to comply with the highest minimum standard.
2 Terminology

The following terms have been identified as having differences and nuances deserving of mention and explanation. A suggested best practice would be for the practitioner to include a brief statement about the differing terminology between CUSPAP and the Red Book and a link to a jointly-authored guidance note. If additional clarification is required, the author of the report should be contacted.

2.1 Assemblage

2.1.1 Assemblage (Red Book)

The term “assemblage” is not formally defined in the Red Book. However, “assemblage” appears in the Red Book at VPGA 5, Valuation of plant and equipment, as follows:

“2.2 Plant and equipment may be broadly divided into the following categories:

Plant: assets that are combined with others and that may include items that form part of industrial infrastructure, utilities, building services installations, specialised buildings, and machinery and equipment forming a dedicated assemblage.”

Further to this, there is some concern that there may be additional confusion among members and/or clients with the term “aggregation”, which is used in the International Valuation Standards (IVS) within the IVS Framework section (Item 23, Page 16) as follows:

“23. [Aggregation] The value of an individual asset is often dependent upon its association with other related assets.”

And then in IVS 101 (Paragraph 2(d), Page 28) – see also Red Book VPS 1 paragraph 9(d):

“2(d) ... If the valuation is of an asset that is utilised in conjunction with other assets, it will be necessary to clarify whether those assets are included in the valuation assignment, excluded but assumed to be available or excluded and assumed not to be available ...”

2.1.2 Assemblage (CUSPAP 2.8)

“The merging of adjacent properties into one common ownership or use.”

Comment: Members are advised to be fully cognizant of these terms and their proper use. To avoid any potential for misunderstanding and to ensure the client is not misled, it is recommended that the member take appropriate steps within the terms of engagement and the valuation report to clearly define the term(s) and any limitations they may impose.

2.2 Value

2.2.1 Basis of value (Red Book Glossary and VPS 4 paragraph 1)

“A statement of the fundamental measurement assumptions of a valuation.”

See also VPS 1 paragraph 9(e) and VPS 3 paragraph 7.

2.2.2 Value (CUSPAP 2.63)

“The monetary relationship between properties and those who buy, sell, or use those properties. The practitioner must provide the basis for the value, that being a statement of the fundamental measurement assumptions of a valuation as well as the timeframe of the value opinion.”

Comment: Red Book Global Valuation Practice Statement (VPS) 4 paragraph 1 provides commentary on bases of value recognized in the Red Book: market value, market rent, investment value, and fair value. CUSPAP Section 14.15.3 further provides “Acceptable definitions of ‘Market Value’”. CUSPAP does not state the type of value that must be qualified, but CUSPAP Standard Rule 6.2.3 states that in the report the appraiser must “identify the purpose of the assignment, including a relevant definition of value”. CUSPAP Section 14.16, which is a non-mandatory Practice Note, provides additional guidance regarding market value.

2.3 Departure

2.3.1 Departure (Red Book Glossary)

“Special circumstances where the mandatory application of the valuation practice statements may be inappropriate or impractical, or the valuer may be required to comply with standards other than those of RICS.”

See also PS 1 paragraph 7.

2.3.2 Extraordinary limiting condition (CUSPAP 2.27)

“A necessary modification or exclusion of a Standard Rule. May diminish the reliability of the report.”

2.3.3 Jurisdictional exception (CUSPAP 2.41)

“Permits the appraiser to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part shall be void and of no force of effect in that jurisdiction.”
2.4 Assumptions and limiting conditions

2.4.1 Special assumption (Red Book Glossary and VPS 1 paragraph 9(i))

“An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date.”

See also VPS 3 paragraph 7(i) and VPS 4 paragraph 3.

2.4.2 Extraordinary assumption (CUSPAP 2.26)

“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

2.4.3 Hypothetical condition (CUSPAP 2.34)

“That which is contrary to what exists, but is supposed for the purpose of analysis.”

Comment: A “special assumption” is similar to either an extraordinary assumption or the joint invocation of an “extraordinary assumption” and a “hypothetical condition” under CUSPAP. It is important to understand that extraordinary assumptions are not hypothetical conditions, but all hypothetical conditions require the invocation of an extraordinary assumption. CUSPAP Section 7.12.2 states: “For every Hypothetical Condition, an Extraordinary Assumption is required in the report.” CUSPAP Sections 14.30 and 14.31 provide examples of extraordinary assumptions and hypothetical conditions.

2.5 Date

2.5.1 Valuation date (Red Book)

Glossary

“The date on which the opinion of value applies.”

Global Valuation Practice Statement (VPS) 3 paragraph 7(f)

“The valuation date may be different from the date on which the valuation report is issued or the date on which investigations are to be undertaken or completed. Where appropriate, these dates shall be clearly distinguished in the report.”

2.5.2 Effective date (CUSPAP 2.24)

“The date at which the analyses, opinions and advice in an assignment apply.”

Comment: Both terms are similar, however, the CUSPAP term applies to appraisal, review, consulting and reserve fund planning assignments.

Note: CUSPAP requires three dates in the report:
- the date of inspection
- the date of the report and
- the effective date.

2.6 Common terms

A review of the CUSPAP definitions reveals that the following terms have a high degree of comparability. When preparing assignments in compliance with CUSPAP, CUSPAP terminology should be used consistently throughout the assignment with an RICS glossary reference in the report.

<table>
<thead>
<tr>
<th>Red Book term</th>
<th>CUSPAP term</th>
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<tbody>
<tr>
<td>asset *</td>
<td>real property</td>
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<tr>
<td>instruction</td>
<td>assignment</td>
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<td>revaluation</td>
<td>update</td>
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<td>appraiser</td>
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*Note that, consistent with the International Valuation Standards, the Red Book covers the valuation of assets or liabilities generally, not solely those relating to real property.*
3 Appraisal standards compliance

3.1 In the 2014 edition of the RICS Valuation – Professional Standards, PS 1 addresses compliance with Red Book Professional Standards and Valuation Practice Statements where a written valuation is provided.

3.2 All elements of PS 1 and PS 2 apply to practice in the Canadian jurisdiction, with the following jurisdiction applications given in this section.

Note: It is recognized that the Red Book applies to valuations of all property types, whereas CUSPAP applies to appraisal, review, consulting and reserve fund planning assignments of real property. Therefore this section of the guidance note only reflects Red Book standards relating to real property valuation.

Note: This compliance section focuses only on the mandatory Professional Standards (PS) and the Valuation Practice Statements (VPS) sections of the Red Book. Members are also encouraged to be aware of Valuation Practice Guidance - Applications (VPGA). These focus on the relevance and implementation of the PSs and VPSs in specific contexts, whether for a particular purpose or in relation to a particular property or asset type. While the applications (VPgas) are primarily advisory in nature, all members are expected to be familiar with them.

3.3 As Red Book PS 1 makes clear:

4.1 RICS recognises that the member may be requested to provide a report that complies with standards other than these professional standards and valuation practice statements. This will normally arise in relation to particular requirements that apply within individual jurisdictions.

4.2 In these cases a statement must be included in the terms of engagement and the report [VPS 1 paragraph 9(k) and VPS 3 paragraph 7(k)] that:

- the named standards have been complied with
- the valuation will also comply with the Red Book and, if appropriate,
- the valuation will also comply with IVS.

Some variations with regard to RICS valuation standards, when required by law or regulation to comply with jurisdictional standards (such as CUSPAP), are not considered departures - see PS 1 paragraph 4 and PS 1 paragraph 8.

3.4 CUSPAP provides clear guidance on compliance with the ethical and professional practice issues dealt with in RICS Valuation – Professional Standards PS 2. Assuming a valuation report is in compliance with CUSPAP, particular attention should be given to the following Red Book PSs and VPSs to ensure compliance.

3.4.1 PS 2 paragraph 2: Professional and Ethical Standards: Red Book PS 2 paragraph 2.1 states that:

“All RICS members are bound by the RICS Rules of Conduct. To assist members in their observance of the Rules, RICS has published a Global framework for Professional and Ethical Standards. The framework contains five standards that require members to:

- act with integrity
- always provide a high standard of service
- act in a way that promotes [trust in] the profession
- treat others with respect;
- take responsibility.”

Comment: CUSPAP Sections 4 and 5 set out mandatory Ethics Standard Rules and Comments. Both the RICS Rules of Conduct and the CUSPAP Ethics Standard seek to elevate valuers to that of a top tier profession. In comparison however, there are some variances in the specific rules and guidelines between the RICS Rules of Conduct and the CUSPAP Ethics Standard. Members are advised to ensure full compliance with the RICS Rules of Conduct and AIC CUSPAP Ethics Standard and AIC Code of Conduct in all day-to-day activities.

3.4.2 PS 2 paragraph 7: Terms of engagement: Red Book PS 2 paragraph 7.1 states that:

"It is fundamental that by the time the valuation is concluded, but prior to the issue of the report, all the matters material to the report have been fully brought to the client’s attention and appropriately documented. This is to ensure that the report does not contain any revision of the initial terms of engagement of which the client is unaware.”

Valuation Practice Statement 1 (Minimum terms of engagement) expands on this issue and the minimum mandatory requirements.

Comment: “Letter of Engagement” is the common term used in Canada and has the same meaning as “Terms of Engagement”. CUSPAP has no mandatory requirement for Terms/Letter of Engagement. However, at CUSPAP 14.10.5 (non-mandatory Practice Note), CUSPAP provides some guidance in this regard. Therefore to ensure Red Book compliance the appraiser must conform with PS 2 paragraph 7.1 and VPS 1.

3.4.3 PS 2 paragraph 8: Disclosures where the public has an interest or upon which third parties may rely: Red Book PS 2 paragraph 8.1.1 states:

“Certain types of valuation may be relied upon by parties other than the client that either commissioned the report or to whom it is addressed.”
Comment: CUSPAP Ethical Standard 4.2.11 states that “It is unethical for a member to fail to reveal any conflict of interest.” CUSPAP sections 5.11 and 14.7 expand on this and provide additional guidance. However, Red Book PS 2 paragraph 8 appears to be more stringent than CUSPAP in this area. In certain circumstances PS 2 paragraph 8 requires the member to disclose: the relationship with the client and previous involvement; rotation policy; time as signatory; and proportion of fees. Members are advised to be fully cognizant of PS 2 paragraph 8 to ensure compliance.

3.4.4 VPS 4: Bases of value: When a basis of value (definition of value) is prescribed by law or regulation in a valuation assignment provided in Canada and that basis differs from those recognized in the Red Book, no further explanation other than compliance with the particular law or regulation, or description of the difference, is required of the valuer.

Forced sale value

VPS 4 paragraph 4.7

“The term ‘forced sale value’ must not be used. A ‘forced sale’ is a description of the situation under which the exchange takes place, not a distinct basis of value. Forced sales arise where there is pressure on a particular vendor to sell at a specific time – for example, because of the need to raise money or to extinguish a liability by a given date. The fact that a sale is ‘forced’ means that the vendor is subject to external legal or personal commercial factors, and therefore the time constraint is not merely a preference of the vendor. The nature of these external factors and the consequences of failing to conclude a sale are just as important in determining the price that can be achieved within the length of time available.”

Under CUSPAP 2014, Definition 2.31 Forced Sale Value, the term is

“synonymous with “liquidation value”, “distress sale” or “power of sale” implying a reduced selling period and compulsion to sell. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.”

Under Appraisal Standard Rule 6.2.3, AIC members are required to provide “a relevant definition of market value”.

While the passages on the notion of forced sale are very close between the two standards, Red Book prohibits the use of “forced sale value”. Any member who is subject to more than one set of rules or standards must abide by the highest minimum. In this case, the Red Book prohibits the use of the term forced sale value – therefore dual AIC-RICS members should abide by the Red Book and not use the term. AIC-RICS members can still comply with CUSPAP since they are obliged to talk about influences on value if they affect the analysis, which is a common requirement for both Standards.

AIC-RICS members should state in their report that Red Book prohibits reference to forced sale value as if it were a distinct basis of value, but they can properly set out and explain in their report the influences, market conditions, assumptions, hypotheticals, exposure time, etc., that feed into the valuation conclusion, based on a particular definition (under CUSPAP) or particular set of assumptions (under the Red Book).

3.4.5 Exceptions to compliance requirements (PS 1 paragraph 6): Red Book PS 1 states:

“6.1 It is recognised that for some purposes the mandatory application of VPS 1 to VPS 4 would not be appropriate – these instances are specified below. Although not mandatory in such circumstances, the adoption of the relevant standards is nevertheless encouraged where not precluded by the specific requirement or context.”

“6.2 The areas of exception are where:

- the member is performing a statutory function, whether by virtue of the office held or otherwise – this exception does not extend to the provision of a valuation for inclusion in a statutory return to a tax authority
- the valuation advice is provided expressly in preparation for, or during the course of, negotiations or litigation
- the valuation advice is provided purely for internal purposes, without liability, and is not communicated to any third party
- the valuation advice is provided as part of agency or brokerage work in anticipation of receiving instructions to dispose of, or acquire, an asset. In such cases valuers should refer to the RICS guidance note, Real estate agency and brokerage standards (2011) – this exception does not extend to a purchase report that includes a valuation
- the valuation advice is provided in anticipation of giving evidence as an expert witness, in which case valuers should refer to the RICS practice statement, Surveyors acting as expert witnesses (2008).”

“6.3 For the avoidance of doubt, a replacement cost figure for assets other than personal property that is provided, either within a report or separately, for the purpose of insurance is not a ‘written opinion of value’ for the purpose of ‘undertaking valuation services’ as defined in PS 1 paragraph 1.2, Mandatory application.”

Comment: In regards to exceptions, full compliance with CUSPAP is required whether the appraisal or valuation-related advice is provided in written format or orally, regardless of the client’s intended use.

Comment: In regards to exceptions, full compliance to CUSPAP is required regardless of the type of value being opined. See CUSPAP Standard Rule 6.2.3, which states that in the report the appraiser must “identify the purpose of the assignment, including a relevant definition of value”.

2015 Canadian jurisdictional applications of valuation standards
3.5 Both CUSPAP and the Red Book comply with IVS and provide sound valuation practice and ethical standards. Assuming a valuation report:

- complies with CUSPAP
- complies with the criteria outlined in PS 1 paragraph 4 and
- meets the mandatory criteria outlined above,

then preparing an appraisal under CUSPAP (referred to as a “valuation” in RICS terminology) does not require the invocation of a departure under the Red Book.
4 Additional issues

4.1 Canadian provincial licensing

The practice of real estate appraisal is regulated in three Canadian provinces: New Brunswick, Nova Scotia and Alberta. Any appraiser practising in these jurisdictions is required to comply with the respective provincial licensing requirements. For further information please visit the respective websites:


4.2 Privacy legislation

The Personal Information Protection and Electronic Documents Act (PIPEDA) is federal legislation which, among other things, addresses the collection, use, storage, and disposal of personal information. Members who are practising in Canada are encouraged to visit the website of the federal Privacy Commissioner in order to familiarize themselves with the requirements to ensure compliance: [www.priv.gc.ca](http://www.priv.gc.ca)

It is also recommended that the following specific cases be reviewed:


Note also that many Canadian provinces have enacted privacy legislation which in many cases supersedes federal legislation.

4.3 Appraisal, review, consulting and reserve fund planning standards

CUSPAP includes mandatory standards with regards to appraisal, review, consulting and reserve fund planning assignments. These activities are defined by CUSPAP as follows:

- **2.5 Appraisal:** A formal opinion of value: prepared as a result of a retainer; intended for reliance by identified parties, and for which the appraiser assumes responsibility.

- **2.57 Review:** The act or process of developing and communicating an opinion about all or part of an appraisal.

- **2.17 Consulting:** The act or process of analysis of real estate data, and recommendations or conclusions on diversified problems in real estate, other than an appraisal or review assignment.

- **2.55 Reserve Fund Study:** A periodic study to determine whether the amount of money in the reserve fund and the amount of contributions collected are adequate to provide for the projected costs of major repair and replacement of the common elements and assets.

Prior to undertaking an assignment on any of these activities, members are advised to review the applicable CUSPAP standards to ensure compliance.