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# ANNUAL UPDATE 2018-2019

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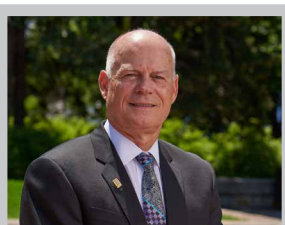
Appraisal Institute  
of Canada

Institut canadien  
des évaluateurs





## MESSAGE FROM THE PRESIDENT



Peter McLean,  
AAI, P.App President

### A SEA CHANGE IS UPON US

The need for innovation within the appraisal profession is undeniable. Valuation professionals are constantly being challenged by their clients to be more efficient, to add greater value to their services and to charge lower fees. This reality is particularly evident in the residential mortgage financing sector where appraisals are becoming commoditized and other risk-mitigation methods are emerging that do not meet the high standards of an appraisal report but that lenders may consider “good enough” when making a lending decision given Canada’s historically low risk of mortgage default. AAI’s Board and staff have researched and analyzed these changes, and worked to develop strategies for appraisers to continue to thrive in this changing environment. Technology is fueling this change and is one of the key industry disruptors within the financial and real estate sectors. Increasingly sophisticated automated valuation models (AVMs) that are populated with robust data and enhanced with artificial intelligence can now, in some cases, provide reliable market values in seconds. Emerging

technologies are now gaining mainstream acceptance—from open banking to online lending marketplaces to blockchain technology.

Competition within the lending industry is also becoming increasingly fierce as non-federally regulated financial institutions are poised to improve their market share at the expense of the “Big-Five” banks. Shifting consumer behaviours - particularly from millennials who are beginning to enter the real estate market, are changing the expectations of the mortgage process, demanding it to be quicker and more easily accessible via a smart device – all at a very competitive rate. Millennials’ loyalty to a traditional bank differs from that of previous generations, allowing new non-traditional institutions with “deep pockets” to enter the lending industry. New risk-mitigation models are being offered to lenders. . . These firms offer various valuation products – from low-ratio valuation using AVMs to desktop/drive-by reports as well as full appraisals that engage “field technicians” – all at a fraction of the time, an affordable rate and with a unique

indemnity insurance to mitigate property valuation risk. If this model, and others similar to it, are accepted by regulators and the “Big-Five” banks, the impact on the residential appraisal profession as we know it would be significant, with a ripple effect being felt throughout non-residential appraisal assignments as well.

This market reality was the impetus for AAI to proactively engage its national and provincial leadership in a facilitated workshop on February 24th, 2019 to discuss AAI’s challenges within the evolving market; the potential impact of these challenges on AAI Members and AAI; and, to brainstorm potential solutions for the future sustainability and success of AAI Members.

### IMPACT OF INDUSTRY DISRUPTERS ON AAI MEMBERS

During the workshop discussion, participants agreed that the industry disrupters would:

- have a significant negative impact on **residential appraisers**, especially those that are not diversified and rely only on mortgage-financing assignments for their livelihood. The impact on residential appraisers would be a decrease in fees, a decrease in mortgage-financing appraisal assignments as well as other point-in-time residential appraisals.
- affect **non-residential appraisers**, but at a slower pace. There may be less demand for point-in-time appraisals and more opportunity to become real estate advisors or consultant by leveraging other professional standards beyond the Real Property Appraisal Standard.
- affect **non-fee Members**, especially those who specialize in data gathering within large assessment agencies, who may be at risk of being displaced by technology. However, more opportunity may exist in interpretation and analyzing data and positioning themselves as real estate consultants/project managers within their organization.
- have an impact on the competencies needed by **AAI Candidates**. AAI’s current education and training may need to be enhanced to adequately meet the needs of the market in the future. Participants also discussed the potential need to redirect Candidates from the CRA stream to the AAI stream to ensure they have a wider range of valuation opportunities.

Participants discussed that **the future of AAI Members’ success lies in diversification of competencies and services. Those that resist diversification will be at risk.** They also indicated that the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) provide flexibility and guidance that provide significant potential







for AIC Members to diversify. There was overall agreement that Members must leverage their valuation expertise to become real estate advisors/specialists, add value through thoughtful analysis of data, embrace technology to become more efficient and effective, and utilize other professional standards to diversify their practice.

## IMPACT OF INDUSTRY DISRUPTERS ON AIC

The impact on the membership will also have a corresponding impact on AIC at the national, provincial and chapter levels. Participants agreed that if Members do not diversify, there is a risk of a loss of membership which will result in a loss of revenue for the institute resulting in an inability to deliver the same level of programs and services. The pool of Volunteers for key committees could dwindle and the organizational structure will need to be reviewed to ensure the most efficient and effective use of staff resources and technology. Professional standards will need to continue to provide strong guidance and flexibility and the Professional Liability Insurance Program will need to be reviewed to ensure its sustainability. Advocacy and communicating Members' value proposition to stakeholders will be an important activity that AIC must continue to deliver.

## AIC OF THE FUTURE

Participants were asked to brainstorm what AIC of the future should look like, considering the potential challenges and opportunities within the market place. Ideas were categorized into several topics including: advocacy, branding, diversifying services, forming new partnerships, streamlining AIC's governance and operations, facilitating innovation, flexibility and adaptability of Members, embracing technology and reflecting the needs of the market within the accreditation program. As AIC moves forward, participants identified several "sacred cows" that AIC must maintain: CUSPAP; delivery of a high-quality education program; respect for Canada's official languages; engagement of high-quality staff; advocacy on behalf of the membership; and promotion of the value of AIC Members to stakeholders.

Participants also wanted to ensure that any future decisions add value to AIC Members; consistently deliver services and messages across the country; provide opportunities and guidance for Members to diversify and succeed; and maintain a transparent organization with a respected self-regulation process. AIC must focus on services and programs that it can successfully deliver and that add value to the membership.

## RECOMMENDATIONS

Based on the workshop discussions, five recommendations are presented to AIC for further consideration.

- a. AIC needs to analyze various scenarios of what the changing landscape for residential appraisals means for its future direction
  - **Scenario 1:** AIC facilitates Members' ability to meet changing market demand in mortgage-financing sector.
  - **Scenario 2:** AIC lets market forces determine the fate of residential appraisers; AIC can focus on facilitating Members' success by diversifying their expertise and continue to deliver value to members at a reasonable price.
- b. AIC needs to conduct a review of its governance and organizational structure to ensure efficient and effective delivery of services and programs.
- c. AIC needs to refocus its resources to facilitate Members' ability to diversify their services.

- d. AIC needs to explore the impact of technology on the profession.
- e. AIC needs to review its education program to ensure it is reflecting the changing needs of the market.

## NEXT STEPS

Over the summer and into the fall, AIC, under the leadership of a Board-Appointed Task Force (with senior representatives from the national and provincial levels), will continue to engage with Members across the country in order to formulate a clear path forward for our organization and for the profession as a whole. We are facing what are perhaps the greatest challenges to our profession in our 81-year existence, but I'm confident that we're up to the task. I look forward to receiving your input into the process.

**Peter McLean,**  
AACI, P.App President

## List of AIC Board Members 2018-2019

### EXECUTIVE

#### President

Peter McLean, AACI, P. App (ON)

#### President Elect

Thomas Fox, AACI, P.App (SK)

#### Vice-President

Darrell Thorvaldson, AACI, P.App (MB)

#### Vice-President

Jan Wicherek, AACI, P. App (PEI)

#### Immediate Past President

Richard Colbourne, AACI, P. App (NS)

### DIRECTORS

Craig Barnsley, AACI, P.App (BC)

Brad Brewster, AACI, P.App (AB)

Adam Dickinson, AACI, P. App (NB)

Daniel Jones, AACI, P.App (BC)

Michael Kirkland, AACI, P. App (NL)

Ernie Paustian, AACI, P.App (AB)

Ed Saxe, CRA, P.App (ON)

Georges Semine, AACI, P.App (QC)

Darrell Thorvaldson, AACI, P.App (MB)

### CHIEF EXECUTIVE OFFICER

Keith Lancaster, AACI (Hon.)



# MESSAGE FROM THE CEO



Keith Lancaster,  
CEO

## CONSTANTLY EVOLVING TO REMAIN COMPETITIVE

Over the past several years, AIC has undertaken a significant re-engineering and re-focusing. This is coming at a time when the demands on the profession are changing rapidly – and based on what stakeholders are saying, the pace of change is not going to slacken.

The AIC Board and staff have been focused on four areas intended to help AIC Members continue to compete in a dynamic marketplace.

### PROMOTION OF MEMBERS

This pillar is aimed at promoting the diverse range of services you can provide to your clients.

We have focused our attention on the stakeholders that actually engage our Members – lenders, brokers, etc. We launched a new website in 2018 and we have taken a much more active role on social media to drive traffic to the site.

All of these efforts, combined with our comprehensive advertising campaign, produced nearly 23 million digital impressions in 2018. That is the number of times that the message “AACIs or CRAs are the professionals of choice” was seen and/or heard.

### DIVERSIFICATION OF THE PROFESSION

This is an area of which we are particularly proud – and this is the area that is crucial to the future of the profession.

Over the past several years, the Board has expanded the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) to include new standards for Reserve Fund Studies, for Machinery and Equipment, and for Mass Appraisal.

Each of these areas builds on the skills you have as appraisers and helps you to move beyond the traditional work that has been under so much pressure. Put another way, these standards present new business opportunities and areas where you can expand your practices.

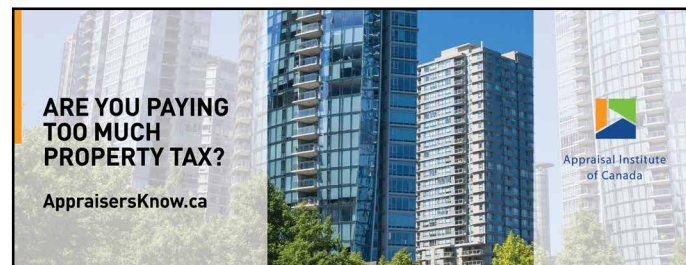
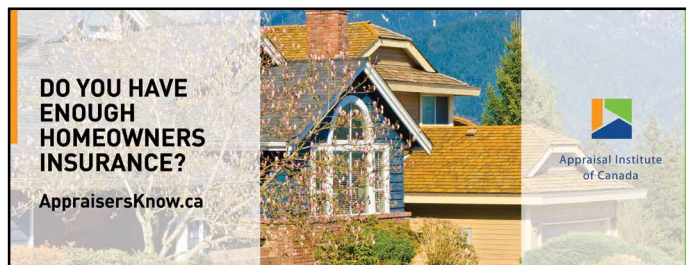
It is AIC’s responsibility to help identify opportunities for growth and diversification. But, it falls to each of you to decide how and when you will respond.

### ADVOCACY

Over the past few years, AIC has made great strides in making its voice heard in the public policy arena. Increasingly, we are seen as trusted and credible advisors to the federal government.

Advocacy is about advancing the public good and creating better alignment between AIC work/interests and public policy. Achieving this objective requires ongoing, persistent and consistent work over the long term. Decision-makers need to hear the same message, whether from the national office, provincial affiliates, or individual Members.

Last year, AIC appeared before the House of Commons Standing Committee on Finance, worked with Provincial affiliates to make numerous submissions to government at both the federal and provincial level, and had scores of meetings with Parliamentarians and Provincial MLAs and MPPs. In our messaging, we spoke out in favour of Canada’s regulatory regime – not because it is good for us, but because it protects the market and Canadians. We pointed to the failures in other countries and spoke to why the Canadian solution continues to serve our nation.





Since the advent of the B20 regulations, we have seen a shift in the marketplace; borrowers are increasingly seeking financing options from non OSFI-regulated lenders. Some of these lenders may not apply the same rigour in their mortgage and finance underwriting as the major lenders. In some cases, they may grant credit based solely on the value of collateral or may not even consider the borrower's creditworthiness. Compounding these issues, some of these lenders may grant loans at elevated and risky Loan to Value (LTV) ratios – sometimes up to 100%. These practices can lead to increased default rates, which, in turn, can increase the liability exposure for our Members, and can destabilize the economy.

We have been more active on the advocacy front in 2018 than ever before, and we are increasingly at the right tables, having the right conversations with the right people.

## VIBRANT AND ENGAGED MEMBERSHIP

AIC continues to grow at a time when most organizations in our space are, at best, holding their own. Despite retirements and attrition, we are still growing – albeit slowly.

However, we know we cannot take this for granted and that is why we are focused on the 'membership experience.' In other words, how we deal with you, and how we deliver on our services.

We continue to explore ways to deliver value to our Members to ensure they remain engaged. AIC also continues to recruit new Members to ensure the sustainability of the Institute.

AIC continued to grow, albeit at a slow pace than last year, with an increase of 1.7% over the past year, 12.3% growth over the last five years. It is encouraging to see increases in the numbers of designated CRAs, AACIs, and student members.

Key activities to attract, engage and retain AIC Members includes:

- Hosting more than 400 AIC Members, Appraisal Institute (US) Members and delegates from 4 other nations at the 2018 Annual AIC Conference in Québec City. As usual, this conference was a world-class event, providing rich and unique educational content for all delegates.
- Facilitating Candidate Members' progress by continuing to implement the Work Product Review program to help new Members learn how to adhere to CUSPAP guidelines in a "hands-on" way. Since the program has been introduced, AIC is seeing improving Applied Experience exam results and Professional Competency interview results.



**After a period of stability, 2018 saw an over 16% drop in the number and value of residential appraisals. Commercial appraisals were more stable.**

	# OF RESIDENTIAL APPRAISALS *	Y/Y	# OF COMMERCIAL APPRAISALS*	Y/Y
2018	<b>855,678</b>	<b>-16.4%</b>	<b>191,322</b>	<b>-6%</b>
2017	1,022,629	0.24%	203,391	0.01%
2016	1,020,206	0.05%	201,435	<b>-4.7%</b>
2015	974,854		211,265	

	\$ VALUE RESIDENTIAL APPRAISALS	Y/Y	# OF COMMERCIAL APPRAISALS*	Y/Y
2018	<b>\$590,620,702,200</b>	<b>-16.2%</b>	<b>\$581,305,597,800</b>	<b>0.1%</b>
2017	\$704,568,864,300	6%	\$577,172,375,700	5.9%
2016	\$664,440,632,100	16.9%	\$544,923,937,900	2.8%
2015	\$568,062,230,400		\$529,923,937,900	

\*Based on the 2018 Insurance Renewal membership questionnaire.





Changes to our program in recent years have increased our access to reliable aggregate data on the causes of claims as well as on strategies to reduce the risks and costs of claims. This data is helping AIC to develop programs and policies that will further enhance the AIC Professional Liability Insurance Program.

Improved data is giving us better insight into claims and that has translated into very stable premiums at a time when markets across the country have been quite volatile.

And, we have continued to make changes in an effort to reduce your liability exposure; the most recent changes being to the mandatory 0518 forms. The latest version of the forms and accompanying limiting conditions include a number of measures aimed at protecting Members and limiting exposure, while enabling quality work that responds to client needs.

One of our marketing planks is based, in part, on the excellence of our education process. This is an area where we are global leaders through our ongoing partnerships with two leading universities: UBC and ULaVal. We remain committed to providing the best service we can, because we believe that it is the key to ensuring a thriving and vibrant appraisal profession in Canada.

Over the past few years, we have achieved a lot, but there is much more that we need to do, and that you have asked us to do. Standing pat is not an option; change is coming and we must be ready to respond.

  
**Keith Lancaster,**  
 CEO

- Offering additional resources to assist our Candidate Members through their designation process – including Candidate Member Handbooks and the addition of an AACI Member to the national staff to facilitate the Work Product Review process as well as to answer Member questions;
- Proactively targeting young professionals to the appraisal profession through advertising on social media channels, including Facebook, YouTube, LinkedIn. This strategy has worked, and in 2018, AIC had 699 participants in the AIC 101- Introduction to the Appraisal Profession webinar;
- Exploring more effective examination and interview methods to make sure AIC can truly assess the competency and skills needed to be a successful Designated Member;
- Selected the third annual Top Appraiser Under 40 award to recognize AIC’s young talent and to promote volunteerism and leadership among the new generation of appraisers;
- Engaging more than 300 volunteers across the country in various committee, events and national initiatives;
- Providing monthly e-newsletters to update Members on professional practice issues, events and other valuation news;
- Providing a daily news clippings service;

- Providing a quarterly publication, the Canadian Property Valuation, that shares Members’ expertise and technical experience;
- Engaging the membership in the 5th annual “Canada Day Photo Contest” and developing the AIC 2019 calendar to reinforce the contribution our Members have to communities across Canada; and
- Recognizing new Members through the “Future is Bright” column in the Canadian Property Valuation (CPV) to share the diversity of career paths open to AIC Members.

We have worked to improve the insurance program, and, while many Members see insurance as a necessary evil, we are confident that we have a first class program that is there to protect you, and your family, in the event you face a claim.

There is a myth out there that ‘bad’ appraisers doing ‘bad’ work are the only ones that get sued. This could not be further from the truth; all appraisers, including the most professional and diligent, may at some point in their career face a claim. The claim may not succeed but when litigation arises, the AIC Professional Liability Insurance Program is there to aggressively defend the action in order to keep costs down.



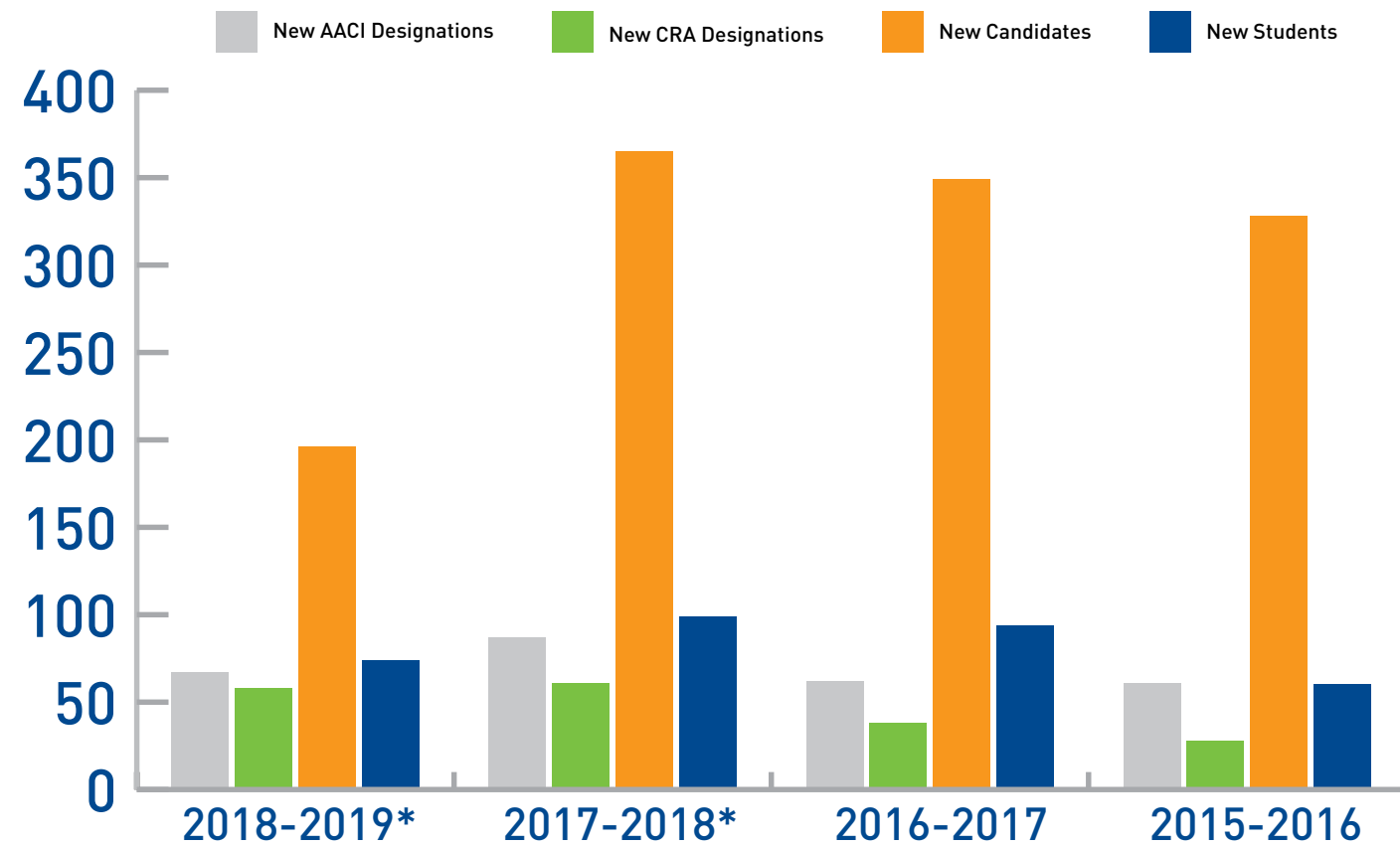


# Membership at a Glance

AIC Membership – April 1, 2018 to April 1, 2019

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
<b>AACI</b>	2,002	2,001	2,011	2,002	2,008	2,032
<b>CRA</b>	1,498	1,475	1,469	1,461	1,440	1,472
<b>Candidates</b>	1,304	1,347	1,520	1,660	1,697	1,670
<b>Students</b>	150	184	221	281	300	364
<b>Total</b>	<b>4,954</b>	<b>5,007</b>	<b>5,221</b>	<b>5,404</b>	<b>5,445</b>	<b>5,538</b>

## New Designations & Candidate & Student Members



\*April 1, 2018 to April 1, 2019

AIC Membership - April 1, 2017 to April 1, 2018

	AACI		AACI Total	CRA		CRA Total	Candidate		Candidate Total	Student Total	2018/2019 Grand Total Total	2017/2018
	Retired	Active		Retired	Active		Retired	Active				
<b>AB</b>	69	255	324	38	177	215	32	159	191	35	<b>765</b>	760
<b>BC</b>	135	428	563	46	217	263	39	296	335	68	<b>1229</b>	1,216
<b>INT</b>	13	15	28	2	4	6	1	10	11	1	<b>46</b>	39
<b>MB</b>	11	61	72	9	46	55	5	59	64	34	<b>225</b>	230
<b>NB</b>	17	36	53	5	45	50	8	26	34	1	<b>138</b>	139
<b>NL</b>	7	26	33	3	34	37	3	8	11	4	<b>85</b>	86
<b>NS</b>	15	63	78	16	71	87	3	49	52	4	<b>221</b>	226
<b>NT</b>	0	2	2	0	0	0	0	1	1	0	<b>3</b>	4
<b>ON</b>	108	570	678	85	528	613	60	827	887	180	<b>2358</b>	2,289
<b>PE</b>	2	14	16	4	21	25	2	9	11	5	<b>57</b>	50
<b>QC</b>	20	93	113	7	51	58	2	31	33	22	<b>226</b>	217
<b>SK</b>	16	55	71	8	52	60	3	34	37	10	<b>178</b>	182
<b>YT</b>	0	1	1	1	2	3	1	2	3	0	<b>7</b>	7
<b>Total</b>	<b>413</b>	<b>1619</b>	<b>2032</b>	<b>224</b>	<b>1248</b>	<b>1472</b>	<b>159</b>	<b>1511</b>	<b>1670</b>	<b>364</b>	<b>5,538</b>	<b>5,445</b>

# A Snapshot of **AIC** Activities



## WEBSITE

440,000 sessions

229,000 Users

86,000 visits to Find an Appraiser

## ONLINE AND PRINT MEDIA IMPRESSIONS

over 23 Million impressions in 2018



## CANDIDATES COMPLETED THE INTRODUCTION TO PROFESSIONAL PRACTICE WEBINAR

350 incoming candidates

## PARTICIPANTS IN AIC 101: INTRODUCTION TO THE APPRAISAL PROFESSION WEBINAR

699 participants



## ADVOCACY ON BEHALF OF MEMBERS

Over 25 meetings with elected officials



## The Appraisal Institute of Canada

The Appraisal Institute of Canada (AIC) is a leading real property valuation association with over 5,500 Members across Canada and around the world. Established in 1938, the AIC works collaboratively with its 10 provincial affiliated associations to grant the distinguished Accredited Appraiser Canadian Institute (AACI™) and Canadian Residential Appraiser (CRA™) designations.

AIC is a self-regulating organization that is guided by Bylaws, Regulations, Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and a Code of Conduct to ensure that:

- The integrity of the profession is maintained;
- Members engage in conduct that will instill confidence and protect the public interest;
- Members provide quality services within their areas of competence; and
- Members commit themselves to principles that reflect the highest standards of professionalism.

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. Our Members provide unbiased real property appraisal, review, consulting reserve fund planning services, machinery and equipment valuation and mass appraisal services as defined under CUSPAP.

## OUR MISSION

To promote and support our Members in providing high quality property advisory services for the benefit of clients, employers and the public.

## DESIGNATIONS

AIC-designated appraisers hold one of the following designations.

### ACCREDITED APPRAISER CANADIAN INSTITUTE (AACI™):

The AACI designation is granted to individuals who have completed the AACI program of studies and fulfilled all the professional requirements of the Appraisal Institute of Canada. AACI Members are qualified to offer valuation and consulting services and expertise for all types of real property.

### CANADIAN RESIDENTIAL APPRAISER (CRA™):

The CRA designation is granted to individuals who have completed the CRA program of studies and fulfilled all the professional requirements of the Appraisal Institute of Canada. CRA Members are qualified to offer valuation and consulting services and expertise for single, undeveloped residential dwelling sites and dwellings containing not more than four self-contained family housing units.



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