



Appraisal Institute  
of Canada

Institut canadien  
des évaluateurs

# AEP – Progress Report Part 1 FIRST PRINCIPLES OF VALUE

Real property consulting may include valuation, use strategies, feasibility studies, litigation strategies, academic pursuits, and forecasting and strategic implementations. A common thread in each real property discipline is the need to understand the interrelationships between forces of economics, law and the marketplace on real property. The reliance on the First Principles of Value as developed by the Appraisal Institute of Canada (AIC), provides a focused and disciplined approach to the requisite analyses and interactions between the various disciplines that real property consultants may pursue.

In order to achieve use of the CRA or AACI designation, the candidate must have experience and be proficient in the First Principles of Value. It is recommended that Candidates utilize this AEP - Progress Report throughout their Applied Experience Program, to document situations where they have demonstrated the First Principles of Value. The completed document must be forwarded to your provincial AIC office along with the Certification of Readiness by Mentor and Candidate in order to move on to the Professional Competency Interview.

## AIC FIRST PRINCIPLES OF VALUE

Mentor: *I acknowledge that each AIC First Principles of Value was examined during the Applied Experience Program.*

Mentor: \_\_\_\_\_ Date: Program completed: \_\_\_\_\_

Candidate: *I feel confident that I have acquired all of AIC First principles of Value during my Applied Experience Program.*

Candidate: \_\_\_\_\_ Date: Program completed: \_\_\_\_\_

**PROBLEM IDENTIFICATION**

The initial step in any valuation or consulting assignment is to understand the objective of the assignment.

- (i) If the assignment is to opine on "market value", it is imperative to understand what is being valued and when is the value opinion to be effective.
- (ii) If the assignment is for a reason other than "market value" or extends beyond the issue of "market value" it remains imperative to understand the specifics of the issue being addressed in the analyses, opinions or initiative.

**CANDIDATE**

*Examples of situations where I have **applied** this Principle*

I feel confident that I can demonstrate having acquired this Principle using personal work experience.

Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

*1.Example of situations*

*2.REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

**PROPERTY CONTENT/PROPERTY RIGHTS**

**Property Content**

In order to begin any assignment, the subject property(s) must be identified under four basic heading

**(i) physical understanding**, to include size, shape and topography of land; size, shape and utility of improvements (as this is only the initial step, further detail will be learned during the course of the investigations);

**(ii) legal understanding**, to include the type of ownership (fee simple, leased fee, leasehold condominium, life estate etc. )

**(iii) financial understanding**, to include debt and equity elements (the exact measurement will not be understood until completion of a valuation analysis if this is the focus of the assignment, but the existence of these characteristics will help direct the requisite research or facilitate a consulting assignment), and;

**(iv) location understanding**, to understand the socio-economic and geographic context of the assignment.

Regardless of the type of assignment/project the real estate consultant is engaged in, this fundamental knowledge is critical. For example, it may be that the issue of debt is of no consequence in a particular decision, but without the knowledge of the impact of debt on the property markets even a decision about its lack of importance in a particular assignment is unachievable.

**CANDIDATE**

*Examples of situations*

where I have **applied** this Principle

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**MENTOR**

*1.Example of situations*

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**PROPERTY CONTENT/PROPERTY RIGHTS**

**Property Rights**

Real property can only be valued, manipulated or otherwise used or discussed based on two legal criteria.

- Firstly, the consultant must identify what use permissions are available.
- Secondly, the consultant must identify what uses are not permissible, or the limitations (i.e. extent) on the permissible uses.

It is important to recognize that influences on property rights emanate from a variety of laws (federal, provincial/territorial, municipal, criminal, civil) and also include private agreements. Some are direct (i.e. zoning) and some indirect (i.e. capital gains taxation). The consultant must understand the property rights on the subject(s) and marketplace in general in order to conduct meaningful analyses.

It is incumbent on the valuer/consultant to understand what definition of "value" is appropriate to any principles of value assignments, and clearly identify the definition in any conclusions.

The traditional real estate valuation definition of fair market value (typically relied upon in appraisals completed for financing, etc.) may note the appropriate definition for an expropriation, assessment, site selection or other applications of our knowledge of principles of value. The definition relied upon provides a definable benchmark against which decisions affecting the property can be measured and presented to a third party within an appropriate context.

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*Examples of situations*

*where I have **applied** this Principle*

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Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

*1. Example of situations*

*2. REMARKS on Candidate's applications*

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Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

**FUNCTION/PURPOSE**

The Function of the assignment may be to inform an educated client, assist a judicial body in a determination, or give guidance to a lender (with many other possibilities additional to this list). The Function of the assignment will also help guide the valuer/consulting in suggesting the type of report to be prepared, estimate a reasonable fee and be assured of a reasonable time to complete the necessary tasks.

**CANDIDATE**

*Examples of situations  
where I have **applied** this Principle*

I feel confident that I can demonstrate having acquired this Principle using personal work experience.

Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

- 1. *Example of situations*
- 2. *REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

**HIGHEST & BEST USE**

The principle enjoys a specific definition in accordance with the Appraisal Institute of Canada, as follows:

- "that use which, at the time of appraisal, is most likely to produce the greatest net return, in money or amenities, over a given period of time"

A practical review of the concept necessitates an understanding of

- (i) legal permissions and limitations (see Property Rights), the permissions that are available to real property,
- (ii) information about what permissions may practicably be available to real property, and
- (iii) what uses are not and would likely remain unavailable to real property. Without this knowledge the consultant /user cannot assess the various uses achievable.

**CANDIDATE**

*Examples of situations*

*where I have **applied** this Principle*

I feel confident that I can demonstrate having acquired this Principle using personal work experience.

Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

*1.Example of situations*

*2.REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

**LAND USE REGULATIONS**

Land use regulations are considered a subset of Property Rights and Highest and Best Use, they provide:

- (i) the permissions that are available to real property
- (ii) information about what permissions may practicably be available to real property and
- (iii) what uses are not and would likely remain unavailable to real property. Without this knowledge, the consultant/user cannot assess the various uses achievable.

**CANDIDATE**

*Examples of situations where I have **applied** this Principle*

I feel confident that I can demonstrate having acquired this Principle using personal work experience.

Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

- 1. *Example of situations*
- 2. *REMARKS on Candidate's applications*

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**ECONOMIC VARIABLES**

Economic Variables is an all-encompassing term that catches tangible and intangible inputs to the real property market.

- (i) Tangible examples might be the supply of land in an identifiable area, or the availability of labour.
- (ii) Intangible examples might be the cost of money (interest) or inflation rates.

**CANDIDATE**

*Examples of situations  
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Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

- 1. *Example of situations*
- 2. *REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

**LEGAL ISSUES**

The concept is broad in its scope but inescapable in all valuation/consulting assignments. Law affects all real matters. It may be limited to Property Rights or Land Use Regulations matters. It may be the focus of the project, such as litigation strategy assignments. It may be direct such as having knowledge of an Expropriation Act, or indirect such as taxation policies or in recognizing the contingent liability when an opinion is delivered.

Law may be Municipal, Provincial/Territorial, Federal or International. It is not necessary for the consultant to be an expert in all aspects of law. But it is incumbent on the consultant to be aware of changes in law and have a basic knowledge of those aspects of law having a direct bearing on a particular assignment (i.e. Expropriation/Assessment Acts). Furthermore, each consultant should establish relationships with lawyers' expert in a variety of aspects of law, so that they can be made aware of changes that could impact on real estate consulting matters.

**CANDIDATE**

*Examples of situations*

*where I have **applied** this Principle*

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Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

**MENTOR**

*1. Example of situations*

*2. REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_

## RESEARCH

Valuation and consulting assignments are typically a mixture of fact and opinion. Presumably the later is predicated on the interpretation of the former. Without appropriate facts, opinions are without foundation.

Research is typically divided between (i) gathering knowledge of the subject(s) and (ii) appropriate market evidence.

Without adequate knowledge of the subject the consultant is unable to offer any constructive comment on the real property. For example, a site may be 43,560 square feet (one acre). This could mean a site with dimensions 66 feet x 660 feet, perhaps inappropriate for a residential home, but ideal for a roadway.

Alternatively, the site could be about 208 feet square, with the opposite appropriate uses. Thus, adequate knowledge of the subject property, coupled with knowledge of the problem is necessary

The real estate consultant cannot operate in isolation of the marketplace. Once the inputs necessary to the solution of a problem are identified they can be reached. The accuracy of the evidence is of vital importance. Depending once again on the Problem, the research surrounding the market evidence may be as detailed as the research conducted on the subject property. Local standards and purpose of the assignment may dictate otherwise. But in all circumstances there must be at least a reasonable amount of research in order for the consultant to rely reasonably on such data.

The information confirmation process is often referred to as due diligence.

## CANDIDATE

*Examples of situations*

*where I have **applied** this Principle*

I feel confident that I can demonstrate having acquired this Principle using personal work experience.

Candidate initial: \_\_\_\_\_ Date: \_\_\_\_\_

## MENTOR

*1. Example of situations*

*2. REMARKS on Candidate's applications*

I feel confident that [Candidate name] has acquired this Principle and was able to demonstrate it in his/her work experience.

Mentor initial: \_\_\_\_\_ Date: \_\_\_\_\_



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## AEP - Progress Report Part 2 PROFESSIONAL COMPETENCIES

Candidates must demonstrate they have acquired five professional competencies in the Professional Competency Interview (PCI) using *real life situations* to illustrate their experiences. It is recommended that Candidates utilize this AEP - Progress Report throughout their Applied Experience Program, to document situations where they have demonstrated the required professional competencies. A review of this checklist in advance of the PCI will assist the Candidates to prepare for the PCI. The completed document must be forwarded to your provincial AIC office along with the Certification of Readiness by the Mentor and Candidate in order to move on to the PCI.

**Comment [MO1]:** Please include a sentence describing when they need to submit this Form and to who.

### AIC PROFESSIONAL COMPETENCIES

Mentor: *I acknowledge that each AIC Professional Competency was examined during the Applied Experience Program.*

Mentor: \_\_\_\_\_ Date: Program completed: \_\_\_\_\_

Candidate: *I feel confident that I have acquired all of AIC Professional Competencies during my Applied Experience Program.*

Candidate: \_\_\_\_\_ Date: Program completed: \_\_\_\_\_

<b>Market Analysis</b>	<p><b>Competency -1</b></p> <p>The professional duties of an appraiser require the ability to collect and analyze information and statistics regarding the market characteristics of the area that one practices in. People with this competency demonstrate an understanding of administrative aspects related to real property transactions and property development and are aware of the unique economic variables within their areas of practice. They use this knowledge to effectively complete assignments.</p> <p>Responses in the Professional Competency Interview will be evaluated on the demonstration of the following key actions:</p> <ul style="list-style-type: none"> <li>• Understands how land transactions are recorded within their province</li> <li>• Understands the role that provincial &amp; local government play in relation to the use &amp; development of real property</li> <li>• Aware of planning and zoning by-laws</li> <li>• Aware of emerging trends and transitional areas relative to real property within their local area.</li> <li>• Recognizes, verifies and utilizes various methods of obtaining market data, and statistical information relative to the type of valuation or consulting assignments that the Candidate is involved in.</li> </ul>
	<p><b>CANDIDATE</b></p> <p><i>Examples of situations where I have <b>demonstrated using</b> this competency</i></p>          <p>I feel confident that I can demonstrate having acquired this Competency using personal work experience.  Candidate initial: _____ Date: _____</p>
	<p><b>MENTOR</b></p> <p>1) <i>Example of situations</i>  2) <i>REMARKS on Candidate's uses of this competency</i></p>          <p>I feel confident that [Candidate name] has acquired this Competency and was able to demonstrate it in his/her work experience.  Mentor initial: _____ Date: _____</p>

<b>Integrity</b>	<p><b>Competency -2</b></p> <p>The professional duties of an appraiser require the ability to consistently take actions that match stated values and standards. A professional appraiser is seen to have integrity, “walk the talk”, follow through on commitments, and welcome frankness and honesty from others even if sometimes difficult.</p> <p>Responses in the Professional Competency Interview will be evaluated on demonstration of the following key actions:</p> <ul style="list-style-type: none"> <li>• Admits mistakes</li> <li>• Takes a stand based on values and what is best for the organization</li> <li>• Challenges others to live values</li> <li>• Concerned for professional standards of practice</li> </ul>
	<p><b>CANDIDATE</b></p> <p><i>Examples of situations where I have <b>demonstrated using</b> this competency</i></p>     <p>I feel confident that I can demonstrate having acquired this Competency using personal work experience.  Candidate initial: _____ Date: _____</p>
	<p><b>MENTOR</b></p> <p><i>1) Example of situations</i></p> <p><i>2) REMARKS on Candidate’s uses of this competency</i></p>     <p>I feel confident that [Candidate name] has acquired this Competency and was able to demonstrate it in his/her work experience.  Mentor initial: _____ Date: _____</p>

<b>Critical Thinking</b>	<p><b>Competency -3</b></p> <p>The professional duties of an appraiser require the ability to analyze problems systematically, organize information, identify key symptoms and causes and apply solutions. This involves a demonstrated ability to use one’s knowledge and experience to effectively solve problems through logical and careful analysis.</p> <p>Responses will be evaluated on the demonstration of the following key actions:</p> <ul style="list-style-type: none"> <li>• Looks beyond apparent facts</li> <li>• Thinks laterally to develop solutions</li> <li>• Analyses relationships among many parts (e.g., symptoms/causes)</li> <li>• Uses Contingency planning to anticipate obstacles and plan ahead</li> <li>• Makes confident decisions even if controversial or challenging</li> <li>• Provides support to projects as needed</li> </ul>
	<p><b>CANDIDATE</b></p> <p><i>Examples of situations where I have <b>demonstrated using</b> this competency</i></p>          <p>I feel confident that I can demonstrate having acquired this Competency using personal work experience.  Candidate initial: _____ Date: _____</p>
	<p><b>MENTOR</b></p> <p>1) <i>Example of situations</i>  2) <i>REMARKS on Candidate’s uses of this competency</i></p>          <p>I feel confident that [Candidate name] has acquired this Competency and was able to demonstrate it in his/her work experience.  Mentor initial: _____ Date: _____</p>

Relationship Building and Communication	<p><b>Competency -4</b></p> <p>The professional duties of an appraiser require the ability to communicate with, understand and respond to others effectively. This includes being an effective communicator when dealing with English as a second language, emotional situations, and personality differences in both client and colleague situations. People with this competency demonstrate a sincere effort to understand others and are able to read between the lines for emotions and needs</p> <p>Responses in the Professional Competency Interview will be evaluated on the demonstration of the following key actions:</p> <ul style="list-style-type: none"> <li>• Sees things from another’s perspective (even when in disagreement)</li> <li>• Paraphrases and summarizes the ideas of others</li> <li>• Reads between the lines (body language, voice tones, etc) to understand real message</li> <li>• Anticipates the reactions of others</li> <li>• Builds bridges when not always easy</li> <li>• Purposefully develops collegial relationships with others</li> </ul>
<p><b>CANDIDATE</b></p> <p><i>Examples of situations where I have <b>demonstrated using</b> this competency</i></p>	
<p>I feel confident that I can demonstrate having acquired this Competency using personal work experience.  Candidate initial: _____ Date: _____</p>	
<p><b>MENTOR</b></p> <p>1) <i>Example of situations</i>  2) <i>REMARKS on Candidate’s uses of this competency</i></p>	
<p>I feel confident that [Candidate name] has acquired this Competency and was able to demonstrate it in his/her work experience.  Mentor initial: _____ Date: _____</p>	

<b>Self Development</b>	<p><b>Competency -5</b></p> <p>The professional duties of an appraiser require being proactive in improving one's personal capability. This involves being open to recognizing and addressing gaps in one's expertise relative to the job at hand or future career planning. It also involves building ethical relationships or networks with others (external agencies, clients, colleagues, other departments, teams, etc.) that may be helpful in achieving work related goals.</p> <p>Responses in the Professional Competency Interview will be evaluated on the demonstration of the following key actions:</p> <ul style="list-style-type: none"> <li>• Takes steps to prepare own future development</li> <li>• Finds improved way to perform work</li> <li>• Recognizes own performance or competency gaps</li> <li>• Takes own initiative to improve</li> <li>• Asks for and acts on performance feedback</li> <li>• Networks to further organizational goals</li> <li>• Values mentoring relationships to develop own area of expertise</li> </ul>
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<p><b>MENTOR</b></p> <p>1) <i>Example of situations</i>  2) <i>REMARKS on Candidate's uses of this competency</i></p>	
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