

Welcome to appraisal competition

My last article about the sad state of the appraisal industry caused many readers to respond. Without fail, all were in support of my statements and sadly, many of those who contacted me had simply left appraisal — they just gave up.

Many placed blame on the staid and conservative Appraisal Institute of Canada (AIC). Since 1938, the AIC has dominated the Canadian appraisal profession. Over these decades, various organizations have attempted to become viable alternatives for those who want to become appraisers, but for their own reasons do not wish to belong to the AIC.

Recently, the AIC announced that it is moving its national headquarters to Ottawa, a move long overdue.

Under the presidency of Jerry Kirkland, an AACI from St. John's, Nfld., now the AIC is in good hands. Jerry is a hard driver and he and his executive are making many long-overdue changes at AIC. They are to be applauded, but it will take years for the plans to be implemented, including the concept of allowing the AIC to become a broader real estate organization, with appraisal as only one of its disciplines (sort of a shadow REIC).

Jerry and his executive have implemented more changes in the past year than AIC has experienced in decades. I just wish he was the national president before the recession, because change was needed before the market collapsed.

Having dominated the appraisal field for decades, it appears the AIC finally has a viable competitor in the appraisal profession. The Canadian National Association of Real Estate Appraisers (CNAREA) appears poised to become a true alternative for the Canadian appraiser, although I think that their name needs improvement. To research this article, I contacted members of CNAREA. I was impressed with the fact that many members have dual status, as members of AIC and CNAREA. My queries about this dual status lead me to write this article.

The AIC is not a fee appraisal organization. It represents both institutional and fee appraisers. Many fee appraisers have felt for years that the AIC does not address their key issue, the business of appraisal. The appraisal profession is in a severe decline and although AIC did not cause the problem, it has not stopped the losses.

It was ineffective in lobbying the government in making

appraisals an essential part of the mortgage lending process. As a matter of fact, Canada Mortgage and Housing Corp. (CMHC) started the ball rolling by introducing electronic mortgage underwriting through their emili program. In many cases, that eliminated the appraiser from residential mortgage lending. What is interesting is that many senior appraisers in Canada have worked at CMHC. I hope that the new move to Ottawa may reverse some of Canada's poor bank lending regulations, relative to appraisals.

Many fee appraisers have wanted an appraisal organization that looks after their interests, because the AIC has never had a fee appraisers' division. In researching CNAREA, I learned that it has high standards for membership and grants two designations, the DAR (Designated Appraiser Residential) and the DAC (Designated Appraiser Commercial). It also has a rural classification. The CNAREA is a member of the Uniform Standards of Appraisal Practice, as is the AIC. It has a strong code of ethics, errors and omissions insurance and education courses. It is now coast to coast. It enforces the code that their members take mandatory re-certification. It is not a large organization

but it is growing, especially now that most large lending institutions accept their professional designations for appraisal work.

For too long, the AIC has been indifferent to the business of appraisal. It is hurting, with greatly reduced fees and fewer clients, combined with a lack of young people entering the industry. Young blood in appraisal is sorely needed. The appraisal profession needs new ideas and new skills, and with the leaps and bounds coming forth every day from the computer industry, new concepts in valuation are necessary. Competition is of benefit to any business. Competition makes a business more aggressive, more progressive and less complacent. With strong competitors, a business must provide equal or better service and adhere to a higher standard, or customers will go elsewhere. The business of appraisal has been sorely neglected in Canada and with the emergence of the CNAREA, this just might be changing.

Since I started interviewing members of CNAREA I got to meet their directors and found a dedicated group of appraisers. Subsequently, I have been invited to become a special advisor to their organization, which I have been honoured to accept. You can

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contact CNAREA at its web site, www.cnarea.ca for more information. I welcome it into the appraisal profession and hope that it will fulfill a necessary role in the future for the business of appraisal. As for me, I will probably join them, but appraisal is only one of my disciplines. Watch for my next article about real estate consulting and the unbundling of services.

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