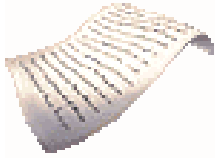

THE PROGRESS REPORT

Newsletter of Niemi LaPorte & Dowle Appraisals Ltd.
Fall 1998

"our service makes you feel like you're our only client"

Contracts - How accurate are they??



The second most important piece of paper in a real estate transaction (the first is an appraisal) is the Contract of Purchase and Sale. A thorough understanding of the contract is essential to understanding the transaction between vendor and purchaser. This is especially important in the current marketplace.

A realtor's job is to act in the best interest of their own client. With the current agency agreements adopted by the Real Estate Council, a realtor can now act in either a unilateral or bilateral capacity. Thus it is essential that the contract prepared in a unilateral agreement be read carefully.

In the current downward slide of property values, there is pressure on developers to maintain value in their projects. The slower market has caused prices to fall throughout the Lower Mainland and Fraser Valley, however the Condominium market has been among the most effected. The B.C. economy is chugging along at a slow historical pace and many developers have projects coming on stream. This situation should generate a savings on properties for purchasers. However the marketing departments of several high-rise complexes have come up with a not so unique strategy to keep values high.

When the developers finish a complex and set out to market the products, a price list is established. The marketing department then strives to generate full price sales. However with a declining market and the emergence of strong competing properties, this is more difficult to achieve. In order to

preserve the integrity of the original list price, the marketers have established a system of discounts. Thus a contract will be written at full list price, say \$500,000, however within the contract, the developer will credit the purchaser an amount upon completion, say \$50,000. Therefore the actual sale price of the unit is \$450,000, but the illusion of a full price sale is preserved to facilitate future marketing.

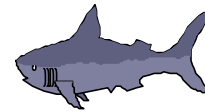
This is an ingenious scheme to convince the next purchaser that the units are in such demand that they are selling for full list price.

An interview with the Real Estate Council indicated this practice, while not condoned, is acceptable and legal. The one concern the Council has is that the contract clearly indicates the credit amount and that the credit be within the body of the original contract. The council prefers the credit clause to be on the first page of the contract. However, the Council is only concerned that the clause not be included as an addendum. The primary concern of the Council is that the public (lender, purchaser or lawyer) is not being deceived.

The Real Estate Board of Greater Vancouver also has no problem with this practice, provided the public is not being deceived. The problem arises when an individual attempts to determine the market value of the unit. The most appropriate means of estimating the value is by comparing recent sales within the subjects building. However if each sale has had a different level of credit given to the purchaser, how do you determine the actual sale price for comparison? Essentially all the sales in the entire complex are in question. Thus making the appraisal process exceedingly difficult.

From a lenders point of view, a good and thorough review of the contract is essential. Full disclosure of the contract and addendum should be available for review and be provided for expert review if you are unsure.

The worst situation would be to grant a loan based on the full purchase price, when the actual sale price was \$50,000 lower!!!



With the decline in the market, more and more appraisal firms are feeling the crunch in the pocket book. Lenders should be aware, that although the market is slow, appraiser's must adhere to the Appraisal Institute of Canada's rules and regulations. This includes the Uniform Standards of Professional Appraisal Practice (USPAP). Do not be misled into accepting an inferior standard simply because the fee is discounted. An appraisal which does not meet these Standards may not be covered by the AIC or the Liability Insurance Program.

Sunday Service

With the opening of many branches on Saturday and Sunday, we would like to remind our clients that our appraisers are available seven days a week.

Simply call us through our regular office number and you will be immediately in touch with one of our appraisal staff.

Telephone #(604) 438-1628
Facsimile #(604) 438-2886
Toll Free #1-800-739-4512

USPAP

In 1994, the Appraisal Institute of Canada adopted the Uniform Standards of Professional Appraisal Practice (USPAP). Since that time, all appraisers were instructed to adhere to these strict guidelines when producing appraisal reports.

Niemi LaPorte & Dowle Appraisals Ltd., strives to ensure our appraisals meet these guidelines, thus ensuring that our appraisals are covered by the Appraisal Institute of Canada's liability insurance program.

Under USPAP, there are three main types of appraisal reports. These are: Self Contained, Summary and Restricted. These appraisal types can also be classified as Complete or Limited.

The majority of residential appraisals will fall under the category of Limited Summary Appraisal reports. The term "Limited" simply refers in this case to the lack of a title search in the analysis. There is no restriction on the use of the report for lending purposes, (unless specifically stated in the report). The report is a full appraisal, and not what some lenders refer to as a "Drive-by". However, the classification of the report as a "Limited Appraisal" fulfills the AIC requirements and ensure the report will be covered by the Liability Insurance Program.

If you have any questions regarding these classifications, please contact us at #438-1628. We will be publishing more information on the different appraisal types in the coming months.

Appraisal Affiliations

It has recently come to our attention that there may be companies

representing themselves as affiliates of Niemi LaPorte & Dowle Appraisals Ltd.

We would like to state that we have **NO affiliations** with any other appraisal company in the Lower Mainland or Fraser Valley at this time. Any lender interested in determining whether our company is affiliated with another, should contact us directly at #438-1628.

Please be aware, that in order to guarantee quality, professional service and accurate appraisals, you should contact us directly.

Condo Crisis

As you are aware, there has been much controversy about the water problems with various condo projects throughout the Province.

The Barrett Commission has finished its report and offer a number of suggestions.

For more information on these suggestions, we recommend visiting the Government web site at www.gp.gov.bc.ca/condo

In terms of appraisal and lending practices, there are many issues of concern. It has been our experience that property managers will not disclose the presence of any problems with buildings they manage without the owners consent. The problem is one of liability. Take for example the situation where a condo with a water problem is listed for sale. The interested purchaser is told by the property manager that there is a water problem in the building and the unit. The purchaser then withdraws his offer. Now the owner may sue the property manager for damages, as the manager had a duty of confidentiality.

It is recommended that all lenders ask the owners if there are any problems with the unit or building. This may

require review of the council minutes and a building inspection by a qualified building inspector familiar with construction and architecture. Please contact us if you require the name of a reputable building inspector.

Our staff has been trained to inspect the property, however we cannot provide the level of detail of a proper building inspection under the Scope of our appraisal. Our reports will identify any disclosed or noticed problems within the Narrative Addendum.

However, it is in all our best interest to make an extra effort in condo valuations.

Announcements & Awards

We would like to extend congratulations to the following members of our appraisal team:

Terry D. Dowle, AACI, P.App, was awarded the R.I.(B.C.) designation in June 1998. He was also awarded the use of Agent 9.15 status in December 1997. In addition, Terry has recently changed his cellular phone number. **The new number is 760-8221.**

Royal Bank

In keeping with our continuing effort to offer the best possible service to our clients, Niemi LaPorte & Dowle Appraisals Ltd., is proud to announce we have been granted approved status for the Appraisal Panel of the Royal Bank. We have three designated members placed on the Royal Bank approval list.

We are excited to be able to offer our services to all those who deal with the Royal Bank.

**Niemi LaPorte & Dowle
Appraisals Ltd.**
343-5021 Kingsway
Burnaby, BC V5H 4A5