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LESSON 4

Market Research and Subject Property Identification

Note: Selected readings can be found under “Online Readings” on your Course Resources webpage.

Assigned Reading

1. UBC Real Estate Division. 2016. *BUSI 499 Course Workbook*. Vancouver: UBC Real Estate Division.
Lesson 4: Market Research and Subject Property Identification
2. Appraisal Institute of Canada & Appraisal Institute (US). 2010. *The Appraisal of Real Estate, Third Canadian Edition*. Vancouver: UBC Real Estate Division.¹
Chapter 8: Data Collection
3. Appraisal Institute of Canada. *Professional Excellence Bulletin: Data Verification*. Ottawa: Appraisal Institute of Canada.
4. Appraisal Institute of Canada. *Professional Excellence Bulletin: Measurement Practices*. Ottawa: Appraisal Institute of Canada.

Recommended Reading

1. UBC Real Estate Division. 2013. *BUSI 442 Course Workbook*. Vancouver: UBC Real Estate Division.
Lessons 1 and 2 if the subject is a multi-family rental property
Lesson 3 if the subject is an industrial property
Lesson 4 if the subject is an office building
Lessons 5 and 6 if the subject is a retail property
2. UBC Real Estate Division. 2011. *BUSI 452 Course Workbook*. Vancouver: UBC Real Estate Division.
Lessons 4 and 5 if the subject is a hotel/motel
3. Building Owners and Managers Association (BOMA) International. 2010. *Standard Method for Measuring Floor Area in Office Buildings*. New York: BOMA International.
4. Building Owners and Managers Association (BOMA) International. “Answers to 26 Key Questions about the ANSI/BOMA *Standard Method of Measuring Floor Area in Office Buildings*”.
5. Appraisal Institute of Canada. *Professional Excellence Bulletin: Verifying the Subject Property*. Ottawa: Appraisal Institute of Canada.
6. Appraisal Institute of Canada & Appraisal Institute (US). 2010. *The Appraisal of Real Estate, Second Canadian Edition*. Vancouver: UBC Real Estate Division.²
Chapter 11: Improvement Analysis, pp. 11.6-8

¹ Alternative Source: Appraisal Institute of Canada & Appraisal Institute (US). 2005. *The Appraisal of Real Estate, Second Canadian Edition*. Vancouver: UBC Real Estate Division. Chapter 7: Data Collection

² Alternative Source: Appraisal Institute of Canada & Appraisal Institute (US). 2005. *The Appraisal of Real Estate, Second Canadian Edition*. Vancouver: UBC Real Estate Division. Chapter 10: Improvement Analysis, pp. 10.5-6.

7. Everett, R.E. 1979. *A Guide to Appraising Apartments*. Society of Real Estate Appraisers.
8. Shenkel, W.M. 1980. *A Guide to Appraising Industrial Property*. Society of Real Estate Appraisers.
9. Sonneman, D. 2001. "Challenges in Appraising 'Simple' Warehouse Properties". *Appraisal Journal*. 69(2). pp. 174-181.
10. UBC Real Estate Division. 2015. *BUSI 401 Workbook*. Vancouver: UBC Real Estate Division.
Lesson 5: Area Measurement
11. UBC Real Estate Division. 2015. *Commercial Property Analysis*. Vancouver: UBC Real Estate Division.
Chapter 8: Area Measurement

General Objectives

There are two general objectives for this lesson. First, the lesson will review the market research and sources of information which are directly related to real estate appraisal. Second, the lesson will discuss how to select the subject property for this course.

Specific Objectives

After completing this lesson, the student should be able to:

1. identify the types of information required for an appraisal analysis;
2. identify sources of the required information;
3. evaluate options and select the subject property for this course;
4. support the choice of the subject property by completing a checklist of required and recommended criteria;
5. apply appropriate space measurement techniques to record dimension and area data for the subject and comparable properties; and
6. create a reference file for the collection and recording of essential information on comparable land sales, improved property sales, and rental transactions.

Tutor's Comments

Lesson 3 covered the principles of research applicable in a general context. This lesson will review sources of information and research required to undertake an appraisal analysis, keeping in mind the overall goal of producing a full narrative appraisal report. It will also provide guidance to the student on the single most important decision the candidate has to make for this course – the selection of the subject property to be appraised.

As opposed to the normal assignments for a practising real estate appraiser, students have a tremendous advantage in this course – they have the freedom to select their own subject property rather than to respond to the subject property and type required by a client. As will be seen below, there are certain characteristics and requirements that the subject property chosen for this course has to satisfy, but there is significant flexibility for the student in the specific subject property to be selected. The student must use this flexibility to his/her advantage.



Planning Ahead

Choosing the subject property is the single most important decision you will make in this course.

In choosing your subject property, the “KISS” principle (Keep it Simple) is most important for success in this course. Select a subject property that represents the easiest path to permit a full and thorough analysis and application of the appraisal process. Thus, market research is required at this stage to ensure that adequate information will be available on the market, the subject property, and the comparable properties to permit a full application of appraisal theory and the drafting of a full narrative appraisal report. Undertaking this assignment in a small market with limited data adds to the difficulty of this course.

The success of your report will depend largely on the availability of ample market data to support the requirements of this course. You are advised to first gather data that will be needed for the preparation of the report, especially vacant land sales and improved property sales. Once this information is available, a subject property should be chosen for which there is ample data, not only of comparables to be analyzed in comparison to the subject, but also to be used to justify and support adjustments made to the comparables. Often, candidates will select a subject property first, only to find later that although the property in itself is suitable, there is insufficient market data relating to the property or its immediate locale to complete the report. Read this workbook thoroughly and prepare a list of the necessary market data prior to selecting a subject property.



Hints for Success

Select the simplest, most standard subject property available in your market, for which there are ample sales and other required data.

The first assigned reading reference provides a review of the theory and practice of market information requirements and general sources of that information. This will provide a foundation and reference to the student for application in selecting the subject property. The second reference highlights the depth of research required in order to make every effort to ensure the reliability and the validity of the data upon which the appraisal estimate will be based.

Required Information and Sources

The student should review the headings for the full narrative report generated in the first lesson. For each heading, a list should be made of general information required, and the source of that information. An illustrative example is provided below for the key components of a full narrative appraisal report. The student will have to modify this reference to suit the particular characteristics and requirements of their chosen subject property. As a key step in the selection of the subject property, the student should ensure access to all of the information listed below. Note that the table below is not necessarily all-inclusive for all property types. Finally note that many of the sources also have websites that contain a lot of relevant information.

Table 4.1: Narrative Appraisal Report – Income-Producing Property: Information and Sources		
Topic	Information Required	Source
<i>Identification of the Property</i>	Street address Legal description	Visual inspection/Municipal office Land Titles or Registry office
<i>Area, City, Neighbourhood</i>	Trends – development, land values, construction costs, vacancies, rental rates, sale prices, amenities	Municipal office, Statistics Canada Land Titles or Registry office Real Estate Boards Boards of trade, etc. Neighbourhood tour
<i>Subject Site</i>	Full access for inspection Block plan and plot plan Site details, dimensions, and area Servicing details Sales history	Property owner, tenants Municipal office Land surveyor On-site inspection Land Titles or Registry office
<i>Subject Building</i>	Full access for inspection 1-3 years income/expense statements Plans (hopefully available) Dimensions and area Description, including condition	Property owner Tenants Municipal office On-site inspection
<i>Assessment and Taxes</i>	Current assessment and trends Current taxes and trends	Assessment office Municipal office
<i>Land Use Controls</i>	Approved land use plan Zoning or land use bylaws and maps Restrictive covenants Local improvement details	Municipal office Land Titles or Registry office
<i>Land Value</i>	At least four comparable land sales Sufficient other vacant land sales for adjustment support	Municipal office, newspapers Land Titles or Registry office Appraisers, assessors, real estate brokers Multiple Listing or similar service Will need access to at least one of vendor, purchaser, real estate broker, or solicitor for each comparable sale, and ideally for each other sale used to quantify adjustments.
<i>Property Value</i>	At least four comparable improved property sales Sufficient other improved sales for adjustment support	Municipal office, newspapers Land Titles or Registry office Appraisers, assessors, real estate brokers Multiple Listing or similar services Will need access to at least one of vendor, purchaser, real estate broker or solicitor for each comparable sale, and ideally for each other sale used to quantify adjustments.

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Topic	Information Required	Source
<i>Cost Analysis</i>	One builder's estimate Cost manual or computerized costing service Subject construction details Equipment details, including capacities Subject measurements and areas	Local builder, contractor, or developer Cost manual or computerized costing service Property owner or municipal office for plans
<i>Depreciation Analysis</i>	Detailed inspection of the condition of the subject building	Property owner On-site inspection
<i>Income /Expense Analysis</i>	Current income and expense statement for subject 1-3 years subject history Same details on comparables Market rental transactions as of effective date of appraisal Vacancy rates Vacancy and collection loss data Market expense data	Property owner At least one party to the rental transaction for the comparables Real estate brokers, appraisers, assessors, property owners, property managers, trade publications, Canada Mortgage and Housing Corporation data on residential income properties, BOMA surveys, etc.
<i>Capitalization</i>	Gross income multipliers Overall capitalization rates	Comparable improved sales At least one party to the sale of comparable, improved properties
<i>Adjustment Analysis</i>	Market sales with enough descriptive detail to allow analysis and quantification of adjustments Market rental data Notes from interviews with a party involved with sale or lease negotiations Cost data Financing details	Real Estate Board MLS® reports, other services offering data on relevant property sales Buyers and sellers of comparable properties in the market Municipal offices Assessment offices Appraisers, real estate brokers Contractors Banks, lenders, developers Most importantly – one or more parties (purchaser, vendor, landlord, tenant, lawyer, real estate broker) to transactions

To summarize the foregoing, it is essential to select a subject property where there is/are:

1. A property owner and, if rented, tenants willing to provide full or reasonable access to the subject property for inspections and measurements, and to the actual income and expense data.
2. Sufficient comparable sales, and access to one or more of the key parties to the transaction (vendor, purchaser, lawyer, real estate broker, appraiser) to permit adequate inspection, verification of the terms and conditions of sale, motivating factors, and income/expense data. This applies, as appropriate, to vacant land sales and to improved comparable sales (and rentals) – both for the comparables to be analyzed in relation to the subject property in the report, and to the supplemental data used to justify and quantify adjustments.

Normally, access is readily available to public and collegial sources such as Land Titles or Registry Offices, municipal offices, assessment offices, property managers, appraisers, and real estate brokers. For broader market and trending information, websites offer access to municipal, provincial, and federal data such as general statistical information. Also, published information from such sources as Canada Mortgage and Housing Corporation, Cushman & Wakefield, and Colliers can be useful.

Selection of Subject Property

The following lists the **criteria that the subject property must satisfy** for this course. The criteria are designed to ensure that the subject property is capable of being analyzed to the degree required in these assignments, and that the work undertaken represents the individual effort of the student. Remember that the purpose of the appraisal report is to estimate the market value of the fee simple interest in the subject property, **as though it were unencumbered by any interest such as registered leases or mortgage financing**. Therefore, for this course, it will not be necessary to address and adjust for situations where the subject property is rented at more or less than market rent, or financed at a rate that is atypical of standard financing available as of the effective date of appraisal. The fee simple interest is being valued, not the leased fee. As well, value other than market value, such as value in use or going-concern value, is not acceptable.

Mandatory Requirements for Subject Property

1. Sufficient market information must be available (see above) to permit the full application of the three traditional approaches to value to the level of detail required in a full narrative appraisal report.
2. The site must be improved by one or more structures, one of which must be significant to the highest and best use of the property and be at least five years old (in order to demonstrate appropriate depreciation).
3. If the subject property is a multi-family residential building, it must have at least six self-contained dwelling units.
4. The subject property must be such that the site as if vacant could be sold on its own, independent of any other property.
5. The property rights appraised must be “fee simple”, as though unencumbered by any existing leases, mortgages, etc. Partial interests, such as condominium rights, are not acceptable as the subject property.
6. The highest and best use of the property must be for use as an income-producing, non-agricultural property. Make sure that the highest and best use of the site as if vacant is the same as or very similar to the highest and best use of the property as improved.
7. The subject property must contain at least one actual example of physical deterioration, curable.
8. The subject property cannot have been the subject of a demonstration report for the AIC, or of another Guided Case Study course, for five years previous to its selection by the student for this course. **UBC may also reject subject properties in close proximity to one another.** Students must verify the availability of a property using the “Database of Registered Properties” link on the AIC 499 Course Resources webpage. UBC will confirm the appropriateness of the selection of the subject property upon approval of the assignment to this lesson.



Hints for Success

If you find that another property has been registered with the same postal code as your proposed subject property, then this may be an indication that there will be a problem with proximity. You may not be allowed to use this as your subject property or you may have some restrictions on your use of it, such as limitations on the effective date of the appraisal. Special permission may be granted by the UBC Real Estate Division upon receipt of a written request from the candidate, outlining extenuating circumstances or other reasons that preclude the selection of an alternative property. You may have to justify why your property and its appraisal are significantly different than the previously registered property.

Students who have completed the projects required in BUSI 401 have already completed portions of the BUSI 499 Guided Case Study. It is allowable to choose this property as the subject of the demonstration appraisal, but the candidate must complete all of the requirements of this course, going beyond what was required in BUSI 401.

It is strongly recommended that the student **select the simplest and easiest property** available that meets the foregoing requirements. The narrative report requirements are sufficiently rigorous that the student will be well-served to heed this advice. No bonus marks are awarded in this course for the student who selects an overly complicated subject property.

The ideal subject property will be one for which there exist many sales of comparable sites with the same or similar zoning and identical highest and best uses, as well as many sales of comparable improved properties with minimal differences in comparison to the subject (e.g., date of sale and at least one other characteristic requiring adjustment). Over the years, the most successful subject property types have proven to be multi-family residential apartments or warehouse buildings. These are the most common income-producing property types that regularly sell in the market, and which present the most readily available data in the market-place to permit the student to satisfy the requirements of this course with the most reasonable and manageable level of effort.



Hints for Success

The most often chosen types of income-producing properties to select as the subject of this course are multi-family residential apartment buildings or warehouse properties. If you are considering a warehouse that has a single tenant, this can sometimes lead to challenges later in the income approach, in terms of the requirements of a gross income analysis – you should discuss this with your tutor.

The ideal subject property will represent a legal, conforming use compared to the land use control requirements; although, legal, nonconforming uses are quite manageable as long as the improved property did conform to the land use controls as of the date of construction. A legal non-conforming use should ideally be in a situation where the municipality would approve its reconstruction if the building(s) were destroyed for whatever reason, as of the effective date of appraisal. The subject improvements must represent the highest and best use of the property.

If functional obsolescence exists, quantifying the impact on value will require the analysis of relevant market information. The requirements of the assignments for this course are more easily satisfied if there is no actual functional or external obsolescence.

Students are advised not to pick a property that has structural defects to the building, heritage designations, environmental contamination issues, or other complicated value-impacting factors.



Hints for Success

1. It will be easier to meet the requirements of Assignment 13 if you use hypothetical examples of functional and external obsolescence, rather than selecting a property where they actually exist.
2. Do not select a subject property that has structural defects, a heritage designation, or environmental contamination.

At this point, it is recommended but **NOT** necessary to commit to an **effective date of appraisal** for the appraisal report. This is the second area of flexibility afforded to the student. The only limitation on the effective date of appraisal is that it is **within five years of the date that UBC approves the subject property**.

Once the comparable properties have been identified and researched, the student should select an effective date of appraisal that is most convenient to the available data. However, if selecting a subject property based on available data, including a preliminary indication of the most relevant land and improved comparable sales, the student should now select an effective date of appraisal such that a majority of the sale dates of the land and improved comparables precede the effective date of appraisal. The effective date of appraisal may be subject to revision once the comparable sales are investigated to determine their actual dates of sale, which reflects the date of a binding contract for the sale/purchase of the properties, normally somewhat prior to the date of registration of the transfer documents.



Hints for Success

1. **Select an effective date of appraisal after you have identified the best land sale and improved property comparables.** This will ensure that a majority of these sales precede the effective date of appraisal. Pick a date that is the most convenient for you!
2. Although in an extreme situation, you can change your effective date of appraisal at any time prior to Lesson 19, it is highly recommended that you keep the same effective date for Assignments 8 to 17, inclusive. After Assignment 8, you should not change your effective date of appraisal without first discussing it with your tutor.

The checklists in Figures 4.1 and 4.2 are provided to assist students in the selection of their subject property. For assignment purposes, these are included with the “Application to Register a Subject Property” form which is available on your Course Resources webpage

Figure 4.1: Subject Property Checklist: Mandatory Requirements

- | |
|--|
| <p>Figure 4.1: Subject Property Checklist: Mandatory Requirements</p> |
| <ul style="list-style-type: none"> <input type="checkbox"/> 1. Sufficient market information is available. <input type="checkbox"/> 2. Comparable land sales exist such that the majority precede the effective date of appraisal. (Minimum requirement of four land sales from different vendors; if there is more than one sale from the same vendor, you will need to explain why). <input type="checkbox"/> 3. Comparable improved property sales exist such that the majority precede the effective date of appraisal. (Minimum requirement of four comparable sales). <input type="checkbox"/> 4. Building is at least 5 years old as of the effective date of appraisal. (Minimum requirement to demonstrate all three types of depreciation: repair, short-lived and long-lived). <input type="checkbox"/> 5. The effective date of appraisal does not precede the date of registration and approval of the student’s choice of subject property by more than five years. <input type="checkbox"/> 6. If a multi-family residential building, it must contain a minimum of six suites. <input type="checkbox"/> 7. Site as if vacant can be sold on its own. <input type="checkbox"/> 8. Property rights being appraised are fee simple. <input type="checkbox"/> 9. Highest and best use is as an income-producing, non-agricultural property. <input type="checkbox"/> 10. Site appears to be improved to its highest and best use. (Consider highest and best use of site both as if vacant and as improved) <input type="checkbox"/> 11. Subject has at least one actual example of physical deterioration, curable. <input type="checkbox"/> 12. Access to; and the physical inspection of the interior and exterior of the subject property. |

Figure 4.2: Subject Property Checklist: Recommended Requirements

- 13. Subject has/does not have actual examples of functional or external obsolescence.
- 14. Subject represents either a legal conforming or legal non-conforming use.
- 15. Subject has/does not have any encumbrances on title.
- 16. Municipality would permit the subject building(s) to be rebuilt if destroyed.
- 17. Subject has/does not have known structural deficiencies.
- 18. Subject has/does not have heritage designation.
- 19. Subject has/does not have known environmental contamination issues.
- 20. Subject appears to be a standard lot relative to the subject neighbourhood.
- 21. Subject improvements appears to be typical of many others in the neighbourhood/market.
- 22. Site coverage (building area to lot area ratio) appears to be typical of that of similar properties.
- 23. Subject floor plan(s) and plot plan (setbacks and improvements shown) are available for the subject property.

**Hints for Success**

Although the requirements in Figure 4.2 are not mandatory, the more of these criteria that are satisfied, the easier it will be to complete the assignments in this course. Non-compliance with any of these criteria will require additional explanation and analysis.

Data Recording – Comparable Transactions

Even though this is the introductory stage of the valuation process, students should begin to record information on their most relevant and important market transactions. These include specifically: land sales, improved property sales, and lease transactions. All should be relevant to, and preferably prior to, the effective date of appraisal.

Data Verification

For the final report, the candidate must verify sales information with one or more of the principals involved in the transaction (vendor or purchaser if possible, or alternatively with the brokers, closing agents, or lenders). In addition, transactional details must be verified related to the comparables used in the land value and direct comparison approach sections, including both the date of sale (agreement of purchase and sale) and date of registration, and the identification of any encumbrances. Details on the agreement of purchase and sale (as opposed to closing documents) are to be confirmed with one of the parties to the transaction. However, the candidate is not expected to produce a copy of the agreement document itself. Transfer, easement, and mortgage documents are to be confirmed by way of a search at the appropriate Land Titles or Registry Office. Students must submit copies of the pertinent pages of transfer documents for all comparable sales used in the Direct Comparison section of the report, plus mortgage documents only if the financing was found to be a value-influencing factor (vendor take-back and assumed mortgages only). This provision of documentation does not

apply to paired sales or resale properties used to support adjustments; however as indicated later in this workbook, these sale properties must be adequately described. For the properties used as adjustment support, pertinent information includes, as a minimum:

- price (where available on transfer documents);
- mortgage principal amount and mortgage terms; and
- legal description, date of registration, instrument number, and, where available, the affidavit of land transfer tax.



Planning Ahead

One of the most difficult challenges to this course will be adjustment support in the land value, direct comparison approach, and income approach lessons. The time invested to thoroughly research and document transactions will be worth the effort during the early lessons.

Listed below are summary figures of key information that will be required for subsequent appraisal analysis for each of these three types of market transactions. Not all of the suggested information may be available at this stage of the valuation process, but students will need to research and obtain at least the following information in order to permit the necessary appraisal analysis.

Although the lessons permit the use of some land sales and improved property sales that occurred subsequent to the effective date of appraisal, every effort should be made to locate land sales and improved property sales, and to choose an effective date of appraisal, such that all sales occurred prior to or on the effective date of appraisal, particularly when backdating the effective date of appraisal (remember – five year limit from the date of registration of the subject property with UBC). **Sales subsequent to the effective date of appraisal are permitted, primarily to allow added flexibility to students who live in smaller centres where sales information may be very limited.** However, a majority of land sales and improved property sales, i.e., 3/4, 3/5, 4/5, or 4/6, must precede the effective date of appraisal. Any sales occurring subsequent to the effective date of appraisal should have occurred as recently as possible to the effective date of appraisal.

Figure 4.3: Data on Land Sales Comparables

1. Address
2. Legal description
3. Vendor
4. Purchaser
5. Date of sale
6. Date of registration
7. Instrument or Registration Number or provincial/territorial equivalent
8. Land size – dimensions and area
9. Zoning or land use classification
10. Highest and best use (cursory indication to ensure consistency with the subject's highest and best use)
11. Consideration – price paid and financing details (amount, term, rate, payments, etc.)
12. A brief narration describing the vacant land sale and setting out similarities and dissimilarities between it and the subject site
13. A site or block plan, and a map permitting the display of the location of the comparable land sale in comparison to the location of the subject site
14. Name(s) of persons interviewed, role they played in the transaction, interview notes

Figure 4.4: Data on Improved Property Sales

1. Address
2. Legal description
3. Vendor
4. Purchaser
5. Date of sale
6. Date of registration
7. Instrument or registration number or provincial/territorial equivalent
8. Land size – dimensions and area
9. Building size – number of floors, area of each floor, total area stated as both rentable (for the income approach) and gross (for the cost approach)
10. Basic construction of the building (concrete, wood frame, steel frame, etc.)
11. Other site improvements – parking, pavement, fencing, landscaping, etc.
12. Zoning or land use classification
13. Highest and best use (cursory indication to ensure consistency with the subject's highest and best use)
14. Consideration – price paid and financing details (amount, term, rate, payments, etc.)
15. A brief narration describing the improved property sale and setting out similarities and dissimilarities between it and the subject property
16. A site, plot, or block plan, and a map permitting the display of the location of the comparable property sale in comparison to the location of the subject property
17. Photographs of the improved comparables
18. If available, plans of the comparable building(s)
19. Provide the same details on leases as described under “Lease Transactions” in Figure 4.5
20. Expense details, itemized using the standard entries for appraisal analysis
21. Gross income multiplier
22. Overall capitalization rate
22. Name(s) of persons interviewed, role they played in the transaction, interview notes

Figure 4.5: Lease Transactions

1. Address
2. Legal description/identification of the space or premises leased
3. Lessor
4. Lessee
5. Date of lease negotiation
6. Date of lease signing
7. Commencement date of lease
8. End date of lease, or term of lease
9. Lessor's responsibilities – detail for which expenses the lessor is responsible
10. Lessee's responsibilities – detail for which expenses the lessee is responsible
11. Type of space (by different type: office, warehouse, one-bedroom apartment, etc.)
12. Rental amount, including percentage clauses, graduation, and payment terms
13. Rental incentives, tenant inducements
14. Rental rate per room, square metre/foot, etc. as appropriate
15. Amenities offered by the space/premises rented
16. Renewal rights, options
17. Any special terms and conditions which may impact the rent or comparability of the lease agreement with the subject property
18. Plan of the space demised
19. A site, plot, or block plan, and a map permitting the display of the location of the comparable property sale in comparison to the location of the subject property
20. Name(s) of persons interviewed, role they played in the transaction, interview notes

In selecting lease transactions, the lease information in the improved comparable property sales may or may not be relevant to establish the market lease rate appropriate to the subject property as of the effective date of appraisal. The lease rates indicated by the comparable improved property sales may have been negotiated some time prior to their sale date and to the effective date of appraisal. Lease transactions must reflect those situations where lease contracts were entered into as close as possible to the effective date of appraisal.



Planning Ahead

Assignment 15 will require you to reconstruct the income statement for the subject property by analyzing comparable market rent transactions. Although this lesson does not indicate a required number of rental comparables, three to five are recommended for each type of unit or space in the subject building (bachelor vs. one-bedroom vs. two-bedroom apartment, office vs. warehouse space, etc.).

Students should be aware that it may not be possible at this early stage of the course to anticipate all of the detailed facts and information that will be required for subsequent lessons and for the crafting of the narrative appraisal report. Often, it is necessary to revisit, supplement, revalidate, or otherwise review data and information throughout the application of the valuation process. This is quite normal and is to be expected.

To repeat, one advantage for the student in this course is the flexibility to adjust the effective date of appraisal to provide the best “fit” for the data that is available to them in undertaking this work. Although it will be necessary to decide upon the effective date of appraisal beginning with Assignment 8, it is possible and acceptable to change the effective date of appraisal if it proves necessary to do so, at any point up to Assignment 19. However, any change to the effective date after Assignment 8 will require the revision of all subsequent assignments to reflect the revised effective date of appraisal when they are consolidated into Assignment 19. This is why the prior consultation with the tutor is required. While individual assignments may reflect different effective dates of appraisal, this is to be discouraged as it will be more difficult to consolidate the lessons into a single, coherent report for Assignment 19, with the same effective date of appraisal throughout. Therefore, the student is advised to select the effective date as early in the course as is possible, and to use this date for all assignments.

Changing Subject Properties

Once Assignment 4 is submitted and approved, this is the subject property you are expected to analyze for the remainder of this course. If you wish to change your subject property subsequent to the approval of Assignment 4, you may do so by resubmitting Assignment 4. This resubmission costs \$35 and your new property will need to be approved again by both your tutor and the Real Estate Division. Note that you will not be required to resubmit any other assignments previously submitted based on your original property. However, keep in mind that you will be responsible for ensuring that your previously submitted assignments are revised correctly to reflect your new property — consistency between all sections of the report is an important consideration in the final assignment submission, and significant inconsistency is a “major fault” that can result in an automatic failing grade. Therefore, you may wish to consider revising these assignments and resubmitting them to your tutor (at a cost of \$35 per resubmission; note that your original grade will not change). With the exception of Assignment 4, you cannot resubmit any assignment more than once.

ASSIGNMENT 4

LESSON 4: Market Research and Subject Property Identification

SUBMITTING WRITTEN ASSIGNMENTS: Refer to your Course Resources webpage for instructions on submitting written assignments.

1. The assignment for this lesson requires you to choose the subject property that you will work with for the remainder of this course. You should also choose a tentative effective date of appraisal. The Real Estate Division and your tutor will confirm the approval of your choice of subject property. This assignment will be awarded a grade of pass or fail. If your submission is unacceptable, you will have to take the tutor's feedback into account and resubmit the assignment until you pass. It will be impossible to continue with the course unless an acceptable subject property has been selected at this point.

The date of approval of the registration of the subject property by the Real Estate Division will establish the current date for the five-year backdating provision.

- (a) The student is required to submit a copy of the "Application to Register a Subject Property" form. This form can be downloaded from the BUSI 499 Course Resources webpage by clicking on "Registering a Subject Property", and must clearly indicate:
 - the address of the subject property (legal description is optional at this point);
 - **the postal code** (mandatory for registering your property); and
 - the type of property (e.g., 800 square metre warehouse, 12-unit apartment building, 6-unit neighbourhood shopping centre, etc.)
- (b) In addition, the student must submit completed checklists from Figures 4.1 and 4.2 of this lesson for the subject property. The worksheets are included with the "Application to Register a Subject Property" form. The tutor will refer to these worksheets if it is necessary to contact the student to discuss and verify the appropriateness of the chosen subject property.



Planning Ahead

Although it is not a formal part of this assignment, students should also create data files for their own use, using Figures 4.3, 4.4, and 4.5 as guides. These data files should contain the research data which was used to assist in the determination of the subject property and preliminary indication of effective date of appraisal. This data will be used for the completion of the assignments and narrative appraisal report in the rest of this course.