

ESTIMATING MARKET VALUE – REAL ESTATE BROKERAGE

Purpose: This bulletin explains when real estate professionals can estimate the market value of real estate.

This bulletin applies to all real estate professionals.

Only individuals that hold a real estate appraisers licence may conduct appraisal services or estimate the defined value of a property. They have the education and experience to interpret the facts and make judgments in determining an independent defined opinion of value. Real estate professionals do not require a real estate appraiser licence when, as part of a trade in real estate, they determine an estimate of value. Trading in real estate includes helping sellers, buyers, landlords and tenants consider whether they want to list, sell, buy, or lease a property.

Real estate professionals prepare a Comparative Market Analysis (CMA) and or Income Analysis report to estimate property value for clients and prospective clients. The report must only provide a range of value for the property, not an estimate of defined value.

Real estate professionals may estimate of the market value of a property if they clearly disclose the following in writing as part of their report:

- the purpose for the report. The purpose may only be for one or more of the following circumstances:
 - a potential client with a seller/landlord brokerage agreement
 - a potential client with a buyer/tenant brokerage agreement
 - a seller/landlord with a sale/lease under a seller/landlord brokerage agreement
 - a buyer/tenant with a purchase/lease under a buyer/tenant brokerage agreement
 - a client with a management report
 - a relocation company regarding the value of an employee property
- the report must state:
 - a real estate appraiser with a licence from the Real Estate Council of Alberta (RECA) did not prepare this report
 - the report is not a real estate appraisal report
 - no one should refer to or rely on the report as an appraisal report
 - the report does not comply with association appraisal standards
 - the report must not be used for financing, civil proceedings, income tax purposes, or financial reporting purposes

The disclosures must appear prominently and in bold print in the estimate of market value report.

Sample examples of the disclosures to include in the report

Purpose

The purpose of this market evaluation report is to estimate a range of market value for the sale of John and Mary Smith's (the client) property located at 123 Elm Street, Any City, AB. The report is to assist John and Mary Smith to determine whether to sell the property or continue to own.

The purpose of this market evaluation report is to estimate a range of market value for a management report for the Director of Corporate Services (the client) of XYZ Corporation on their property located at 123 Main Street, Any City, AB. The report is to assist XYZ Corporation's Board of Directors (end user) to determine whether to sell the property or continue to own the property.

The purpose of this market evaluation report is to estimate a range of market value for ABC Relocation Services (the client) on Bill and Jane Cook's property located at 123 Centre Street, Any City, AB. The report is to assist ABC Relocation Services to determine a relocation package for Bill Cook's employer (end user) to consider.

Disclosure

"This estimate of market value report is solely for the use of the client and purpose stated in the report and is not for subsequent use. The client or any other person must not use this report for financing, civil proceedings, income tax purposes, or financial reporting purposes. A real estate appraiser did not prepare this report and the report is not a real estate appraisal report. The report does not comply with real estate appraisal standards of practice.

Related information

Legislation

- *Real Estate Act* – sections 1(1)(u.1)(i), s.2(4)(c), s.17