



Written Brief for the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities Study on the Financialization of Housing

May 25, 2023

As a self-regulatory body, the Appraisal Institute of Canada and its Members have a strong focus on consumer protection. Professional Appraisers uphold independent, third-party valuation fundamentals that help mitigate risks by ensuring consumers, lenders and insurers, make informed decisions. Professional Appraisers, working alongside home builders, realtors, mortgage brokers, and home buyers, are an important part of Canada's real estate industry. At a time when Canadians' finances are being impacted and the real estate market is volatile, independent and professional appraisals help protect Canadians and the housing market.

A core element of a healthy and balanced real estate market is the timely availability of reliable property valuations. AIC Professional Appraisers play an essential role in providing independent opinions of value to help stabilize and secure the market, as well as protect Canadians. One of the ways to help prevent the ongoing trend of financialization/commoditization of housing is to implement a transparent, publicly accessible registry of beneficial ownership.

The federal government should work expediently with provinces and territories to rapidly implement the registry of beneficial ownership to help address money laundering in the real estate market, identify corporate ownership, and improve overall transparency. The AIC also believes that this registry and other real estate-related data, such as property and land title registries, as well as accessible flood mapping information, should be accessible to Professional Appraisers and other real estate professionals to ensure reliable, consistent and comprehensive analysis when determining the value of real property. Increased transparency through the beneficial ownership registry could be supplemented by future registries, such as legal ownership registries, which were considered in the consultation period in 2021.

To help support the government's goals towards real estate transparency, Professional Appraisers can play a key role as on-the-ground experts in opinions of value. Professionally prepared appraisal reports rely on analysis of real-time, current data – what is happening in the market right now - and on the experienced eye of an appraiser walking through a property. Individual markets can shift very quickly, and only a real-time evaluation can truly capture these fluctuations. Knowing and understanding the value of the collateral is as important as ever to mitigate risk when there is a high loan-to-value ratio, when markets are in flux, such as in the current case, or when the creditworthiness of the borrower may be in doubt.

Beyond supporting the underlying valuations in mortgage underwriting, Professional Appraisers can identify, and report market inconsistencies caused by housing volatility. Instances where prices are inflated by speculators and investors, excessive cases of leveraging, or other practices that contribute to the commodification of housing undermine the potential sustainability and affordability of the housing market. Being able to detect and identify these occurrences help consumers make informed real estate decisions.

About

The Appraisal Institute of Canada (AIC) is Canada's leading real property valuation association with over 5,600 members across the country and around the world. Founded in 1938, AIC is a self-regulating professional organization that grants the distinguished Professional Appraiser (P.App.) trademark accompanied by either the Accredited Appraiser Canadian Institute (AACI) or Canadian Residential Appraiser (CRA) designations to individuals across Canada and around the world. As a self-regulatory body, we have a strong focus on consumer protection.

As an integral part of the real estate market in Canada, Professional Appraisers are hired by the public, mortgage lenders, mortgage insurers, mortgage brokers, and real estate representatives, to provide independent, real time opinions of the value of real property to help them make informed decisions. Professional Appraisers have no vested interest in the outcome of a transaction or in the value of a subject property. Each year, AIC Professional Appraisers conduct over one million appraisals valuing over one trillion dollars.