



BUILDING COST REPLACEMENT APPRAISALS FOR INSURANCE PURPOSES - ACTING AS A REAL ESTATE APPRAISER?

Summary: Individuals who estimate replacement costs of buildings for insurance purposes do not act as real estate appraisers under the *Real Estate Act*. No authorization from the Real Estate Council of Alberta is required for such activity.

Under the *Real Estate Act (Act)*, the purpose of a real estate appraisal report is irrelevant to the question of whether a person requires an authorization from the Real Estate Council of Alberta to act as a “real estate appraiser”. An authorization to act as a “real estate appraiser” as defined in the *Act* is required whatever the purpose of the real estate appraisal if the person producing the document acts as a “real estate appraiser”.

Under the *Act* s. 1(1)(u) real estate appraiser means

- (i) a person who, for consideration or other compensation
 - (A) estimates the defined value of an identified interest in real estate,
 - (B) signs a real estate appraisal report that makes an estimate referred to in paragraph (A) that is prepared by another person, and accepts responsibility for the report, or
 - (C) provides real estate appraisal consulting services within the meaning of the regulations,

or

- (i) a person who holds himself or herself out as a person referred to in subclause (i);

Under the *Act* s. 1(1)(u.1) real estate means

- (i) real property,
- (ii) leasehold property, or
- (iii),(iv) repealed 2007 c39 s2,
- (v) a portable dwelling, other than a holiday trailer or recreational vehicle wholly or mainly used for recreational purposes, that
 - (A) is designed for use as and is used as a residence,

- (B) is mounted on or otherwise attached to its own chassis and running gear,
- (C) is capable of being transported on its own chassis and running gear by towing or other means, and
- (D) is situated on a site that is used or intended to be used, or that has been represented by the owner of the site as being intended to be used, for residential purposes;

Black's Law Dictionary defines "real property" as land and anything growing on, attached to, or erected. Black's Law Dictionary defines an "interest in real estate" as a fee simple, life estate or other legal interest in land. Therefore, a building affixed to land is not an interest in real estate.

An "estimate of the defined value of an identified interest in real estate" as set out in the *Act* is generally understood to mean an estimate of the value of all of the legal interest in the land and improvements affixed to the land including a house, buildings, etc.

In accordance with the meanings of "real estate" and "real estate appraiser" in the *Act*, appraisal activities falling within the scope of the *Act* must include an appraisal of real estate, including real property, and in the case of real property the appraisal must include the land upon which buildings are situate.

If an assessment of the replacement cost of building(s) ie. improvements to land, for insurance purposes is performed separate and apart from an assessment of the land upon which the building(s) are situate, such an appraisal undertaking is not an estimate of the value of an interest in real estate but is an estimate of the replacement costs of the building. This does not constitute acting as a real estate appraiser under the *Act*. No authorization is required for such activity.