



## ESTIMATING MARKET VALUE – REAL ESTATE BROKERAGE

**Summary: A real estate broker can estimate the market value of a property in the course of trading in real estate and providing services to their clients; however, they must not perform a real estate appraisal unless they have an authorization as an appraiser from the Real Estate Council of Alberta. [See: *Real Estate Act*, s.1(1)(u.1)(i), s.2(4)(c), s.17]**

*Note: For the purposes of this Information Bulletin, and where the context permits, the term “real estate broker” includes all industry members authorized to trade in real estate by the Real Estate Council of Alberta including a brokerage, broker, associate broker and associate.*

The Real Estate Council of Alberta protects the public interest by regulating industry professionals in the real estate, mortgage brokerage, and real estate appraisal industries under the *Real Estate Act*. Real estate appraisers are qualified by education, training, and experience to provide professional independent opinions of value for various types of property based upon an interpretation of facts and judgments as of a stated date.

Real estate brokers often provide a comparable market analysis or estimate of market value in the course of trading in real estate, but it is important to clearly understand the difference in appraisal and real estate broker roles and responsibilities when estimating the value of a property.

The *Real Estate Act* requires anyone who, for consideration or other compensation, “estimates the defined value of an identified interest in real estate” [s.1(1) (u.1) (i)] to be authorized as a real estate appraiser by the Real Estate Council of Alberta. Section 2(4)(c) of the *Real Estate Act* exempts anyone authorized as a real estate broker from the requirement to be authorized as a real estate appraiser when they estimate value for the purposes of a trade in real estate.

The Real Estate Council of Alberta interprets “for the purposes of a trade in real estate” to include a prospective (potential) or actual trade. Real estate associates, associate brokers, and brokers may provide a market analysis or price estimate, either as part of their service package or as an independent item for which a fee is charged, if they clearly disclose in writing:

1. The market analysis or price estimate was prepared solely for the client, or his or her designee, for the purpose and function stated in this report and is not intended for subsequent use. The purpose or function may include providing information:
  - (a) to a potential client for the purposes of entering into a seller brokerage agreement (listing);
  - (b) to a potential client for the purposes of entering into a buyer or tenant brokerage agreement;
  - (c) to assist a seller or landlord in the sale or lease of their property under a seller brokerage (listing) agreement;

- (d) to assist a buyer or tenant in the purchase or lease of a property under a buyer/tenant brokerage agreement;
  - (e) providing a management report for a client; or,
  - (f) providing a comparative market analysis to a relocation company.
2. The market analysis or estimate shall be a range of value.
  3. The market analysis or estimate was not prepared by an individual authorized as a real estate appraiser by the Real Estate Council of Alberta.
  4. The market analysis or estimate is not an appraisal and should not be referred to, construed as, or relied upon as an appraisal and does not comply with commonly accepted professional appraisal standards

Note that a real estate industry member cannot provide an opinion of value that will be used for financing purposes.

Any comparative market analysis or estimate prepared by a real estate industry member **should** include the following language in bold print in a prominent location:

**“This comparative market analysis or estimate was prepared solely for the client for the purpose or function indicated in the report and is not intended for subsequent use. It was not prepared by an authorized real estate appraiser and is not a real estate appraisal. It does not comply with the standards of professional appraisal practice and should not be used in lieu of an appraisal performed by an authorized appraiser.”**