

Australian Property Institute Limited

# API/APIV MEMBER ALERT – REQUESTS FOR LETTERS OF COMFORT/MATERIAL CHANGE TO VALUE/MARKET UPDATE

**Reference** MEMBER ALERT – Requests for Letters of Comfort/Material Change to Value/Market Update  
**Effective** 21 August 2020  
**Owner** API Acting General Manager, Standards and Compliance and  
General Manager, Compliance & Risk (APIV Limited)

## API/APIV MEMBER ALERT – REQUESTS FOR LETTERS OF COMFORT/MATERIAL CHANGE TO VALUE/MARKET UPDATE

The purpose of this Member Alert is to provide API Valuer Members with guidance when requested to provide a 'letter of comfort' or 'material change' or 'market update' advice.

It has come to API and APIV's attention that some institutional property owners have been requesting what is commonly referred to as "material change" or "letters of comfort".

These requests are typically termed in such a fashion as to suggest that there has been no change in value, without directly alluding to the valuation amount in question. These requests typically request the valuer comment on the following areas:

- *Recent sales/if any (post the valuation date);*
- *Relevant, current comments on the market and market sentiment; and*
- *Any material changes to the assumptions adopted in the previous valuation.*

With a closing comment to the effect that "*...the assumptions adopted in the <date of report> are still relevant and remain valid...*"

The implication, therefore, of answering the above questions in the affirmative, is that the valuation amount also remains unchanged.

It is important to note that these requests do not require:

- a re-inspection of the subject property; or
- a review of the current financials, zoning or condition of the subject property; or
- investigation of current market evidence.

A Valuer Member providing such advice would be deemed to be expressing an opinion of value and therefore a 'valuation'.

**Any request of this type should be declined by the Valuer Member, with a recommendation to the client that an updated valuation be undertaken.**

Any Valuer Member that issues such advice or letter in acceptance of these requests is in breach of API standards, the API Code of Professional Conduct and International Valuation Standards. Further, the API and APIV stress that the advice or letter may likely have the effect of **invalidating the member's professional indemnity insurance policy coverage.**

If there are any questions regarding this Member Alert, please do not hesitate to contact us at [standards@api.or.au](mailto:standards@api.or.au) or [apiv@api.org.au](mailto:apiv@api.org.au)

Foot note: The API has previously provided similar advice in relation to these matters in the past.