

# VALUATION PROTOCOL

## HOW TO ESTABLISH VALUATION PROCESS QUALITY CONTROL

<b>Reference:</b>	Valuation Protocol   How to Establish Valuation Process Quality Control
<b>Effective Date:</b>	1 March 2025   Earlier adoption permitted and encouraged
<b>Owner:</b>	Manager Professional Standards

## Valuation Protocol

### How to Establish Valuation Process Quality Control

This Valuation Protocol is provided by the API to provide assistance to *valuers*<sup>1</sup> and valuation firms in relation to the implementation of a valuation process quality control regime for *valuation reports*<sup>2</sup> of real property interests. It should be read, interpreted and applied in accordance with the [API Rules of Professional Conduct](#) (“*Rules*”).

Where an included term is used as defined under the *Rules* it is shown in italics and the meaning for the interpretation and understanding of this paper are included as footnotes. Other defined terms used within and for the purpose of this paper are expressed as title case terms and also included as footnotes for reference.

#### Valuation is a process

*Valuation*<sup>3</sup> is a process that a *valuer* undertakes, requiring the physical inspection of the subject property by the *valuer* and preparation of a *valuation report*, when providing their opinion of *value*<sup>4</sup> of a real property interest at a specified date.

A *valuer* is an individual possessing the necessary qualifications, ability and experience (*skill*<sup>5</sup>) to undertake a *valuation process*<sup>6</sup> in an objective, independent, unbiased, ethical and competent manner.

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<sup>1</sup> “**valuer**” means a Member who holds API certification of CPV, CPV (Residential) or RPV. (API Rules of Professional Conduct)

<sup>2</sup> “**valuation report**” means a report that has been prepared by a *Primary Valuer* following a *valuation process*. (API Rules of Professional Conduct)

<sup>3</sup> “**valuation**” means an established evidence based *valuation process* for assessing the *value*, including but not limited to market value and market rent, of a tangible asset as at a specified date following a physical inspection of the asset by the *Primary Valuer*. (API Rules of Professional Conduct)

<sup>4</sup> “**value**” means the *valuer’s* opinion, in monetary terms, for a tangible asset as a result of a *valuation process* or *desktop process* as at a specified date. (API Rules of Professional Conduct)

<sup>5</sup> “**skill**” means the minimum level of professional standards to which a Member must operate, based on their qualifications, API certifications, knowledge, expertise and experience. (API Rules of Professional Conduct)

<sup>6</sup> “**valuation process**” means all the necessary enquiries, investigations, procedures and processes including the physical inspection of the tangible asset by the *Primary Valuer*, which is a pre-requisite for a *valuation*, required to fully inform the *valuer’s* reasoning and analysis in accordance with the practice accepted as proper by the API. (API Rules of Professional Conduct)

When undertaking a market valuation of a real property interest, the *valuation process* includes all the necessary enquiries, investigations, procedures and processes (including a physical inspection of the subject property by the *Primary Valuer*<sup>7</sup>) to properly inform the *valuer* of the relevant characteristics and qualities of the subject property and its environs, market transactions and market sentiments that are relevant to the *value* as at the valuation date.

The *valuation process* requires the *valuer* to apply Professional Judgement<sup>8</sup> and Professional Scepticism<sup>9</sup> and involves obtaining, compiling and appropriately verifying relevant facts and data to properly inform the *valuer's* reasoning and analysis.

The necessary enquiries, investigations, procedures and processes undertaken by *valuers* instructed to assess Market Value<sup>10</sup> and/or Market Rent<sup>11</sup> of a real property asset include, but are not limited to:

- (a) physical inspection(s) of the subject property, the surrounding environs and comparable market transactions;
- (b) enquiries relating to the subject property and the market in which it is most likely to transact, to enable the *valuer* to be fully cognisant with all relevant information (facts and data);
- (c) analysis of market transactions and all other relevant information to identify metrics that can be applied by the *valuer* to inform their opinion(s);
- (d) calculations detailing the *valuer's* analysis and reasoning, identifying and adjusting for the differences between the market transactions and the subject property supporting the *valuer's* opinion(s) as at the valuation date; and

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<sup>7</sup> “**Primary Valuer**” means a *valuer* who personally and physically inspected the tangible asset, and undertook all the necessary enquiries, investigations, procedures and processes to complete the *valuation* and who has assumed responsibility for completing the *valuation* and the opinions contained in the *valuation report* and ... (API Rules of Professional Conduct)

<sup>8</sup> “**Professional Judgement**” means the use of accumulated knowledge and experience, as well as critical reasoning to make an informed decision. (IVS 2025 edition)

<sup>9</sup> “**Professional Scepticism**” means the *valuer* has an attitude that includes a questioning mind and critical assessment of valuation evidence. (IVS 2025 edition)

<sup>10</sup> “**Market Value**” means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS 2025 edition)

<sup>11</sup> “**Market Rent**” means the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS 2025 edition)

- (e) preparing and completing a *valuation report* that is fit for purpose pursuant to the agreed instructions.

## Valuation Reports

*Valuation reports* should satisfy the requirements contained within the instructions agreed between the *valuer* and the instructing party. Reports should contain the following minimum information, albeit subject to agreement with the *client*<sup>12</sup>:

- The agreed instructions between the *valuer* and *client*;
- Agreed purpose of the *valuation report*;
- *Client* who can use or rely on the *valuation report*;
- An appropriately worded third party disclaimer;
- Valuation date, inspection date and date of issue;
- Details of the subject property(ies);
- The valuation approach(es) selected, and method or methods applied;
- Supporting evidence for comparison purposes (e.g., market evidence);
- Details of any assumptions or special assumptions made;
- The conclusion(s) of *value* and explanation for any conclusion(s);
- Details of any limitations, conditions, or qualifications on the *valuation process* and *valuation report*; and
- Name of the *Primary Valuer*.

### IVS Considerations

Where the *valuer* is specifically instructed to undertake and provide an IVS compliant *valuation report*, of a real property asset, *valuers* are reminded that all the requirements of the IVS *General Standards* and IVS 400 *Real Property Interests* must be complied with.

This includes an agreed instruction that meets the requirements of IVS 101 *Scope of Work*, specifying all of the items contained in section 20, and providing a *valuation report* that conveys all of the requirements outlined in IVS 106 *Documentation and Reporting*, section 30, paragraphs 30.06 to 30.08.

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<sup>12</sup> “*client*” means any person including the client’s representative or other entity authorised by the Member to rely on the “written report, opinion or advice” (report). (API Rules of Professional Conduct)

## Valuation Process Quality Control is ...

A quality control process in relation to the *valuation process* is a procedure that the *valuer* undertakes to minimise “Valuation Process Risk”<sup>13</sup> and ensure compliance with the *Rules*.

A credible independent *valuation report* is the result of a robust, transparent, unbiased and ethical *valuation process*.

The checklist on the following pages contains a list of tasks that are critical to a *valuation process*.

### IVS Considerations

Where a *valuer* has been specifically instructed to provide an IVS compliant valuation, the API reminds *valuers* that they must also be aware that IVS 100 *Valuation Framework*, section 20, requires *valuers* to have in place a valuation process quality control regime. This is a procedure that the *valuer* implements to minimise “Valuation Risk”<sup>14</sup> as defined in the IVS.

Where there is no specific instruction to provide an IVS compliant valuation report, *valuers* should have an established valuation process quality control regime as described herein.

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<sup>13</sup> “**Valuation Process Risk**” means the possibility that the investigations or procedures followed by the *valuer* and/or the *valuation report* is not fit for the purpose for which it was undertaken. (API)

<sup>14</sup> “**Valuation Risk**” is the possibility that the value is not appropriate for the intended use. (IVS 2025 edition)

## Valuation Process Checklist (Real Property Interests)

The following is a non-exhaustive list of steps in the *valuation process*.

Each of the items in the checklist below are independent of each other.

Where the *valuer* has undertaken an individual step outlined below, it is appropriate to tick the check box confirming the step was considered and completed as part of the *valuation process*.

It is not necessary for every checkbox to be ticked, but all the steps below must be considered by the *valuer*.

Property Address:

Inspection Date:

Valuation Date:

Report Date:

### Instructions (Mandatory)

<ul style="list-style-type: none"> <li>▪ Receipt of written instructions and/or confirmation of instructions in writing which:             <ul style="list-style-type: none"> <li>▪ identify the real property asset(s);</li> <li>▪ detail the valuation services to be undertaken;</li> <li>▪ specify the purpose to which the valuation report may be put; and</li> <li>▪ identify the client(s) authorised to rely on the valuation report.</li> </ul> </li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ Confirmation that no real or perceived conflict prevents the valuer proceeding or completing the agreed instructions.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ Confirmation that the valuer has the required knowledge, skill, expertise and competence to provide a credible valuation report of the subject asset(s) in accordance with the agreed instructions.</li> </ul>	<input type="checkbox"/>

### Investigations and Analysis

<ul style="list-style-type: none"> <li>▪ Collection and verification of relevant information and data relating to the subject asset(s) and the market in which it is most likely to transact.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ Inspection of the subject asset(s) by the Primary Valuer in accordance with the agreed instructions.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ Research of market evidence.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ Inspection of market evidence used and relied upon in the valuation process.</li> </ul>	<input type="checkbox"/>

▪ Analysis of information and data collected as part of the enquiries, investigations, procedures and processes.	<input type="checkbox"/>
▪ Selection of appropriate valuation approach(es) for the purpose of the valuation report.	<input type="checkbox"/>
▪ Application of appropriate valuation method(s) for the property that is the subject of the valuation process.	<input type="checkbox"/>
▪ Analysis and calculations support the valuer's opinion of value.	<input type="checkbox"/>

Valuation Report

▪ Preparation of a valuation report that is appropriate for the agreed purpose (intended use) of the report, meets the requirements of the agreed instructions, any legal requirements and the type and complexity of the subject asset(s).	<input type="checkbox"/>
▪ Delivery of the valuation report to the client.	<input type="checkbox"/>
▪ Retention of written instructions, including any variations or amendments.	<input type="checkbox"/>
▪ Retention of all documents, records and information (e.g., field notes) on which the valuation process and subsequent valuation report was based.	<input type="checkbox"/>

IVS Compliance (if specifically instructed to provide an IVS compliant valuation report)

▪ The valuer considers whether the valuation process undertaken, and the subsequent valuation report delivered, is IVS compliant.	<input type="checkbox"/>
▪ Where an IVS compliance statement is included in the valuation report, it is truthful.	<input type="checkbox"/>