

STANDARDS SERIES NO. 3

VALUATION PROCESS IS ...

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Introduction

This Standards Article relates to the *valuation process*¹ undertaken by Australian Property Institute (“API”) Members when assessing the *value*² and/or rent of an interest in real property.

This article is not applicable to a *Valuer*³ providing valuations for rating and taxation purposes.

Rating and taxation valuations are completed in accordance with legislation for the jurisdiction in which the property is situated and Rule 14 (“Statutory Valuations”) in the [API Rules of Professional Conduct](#). (“*Rules*”).

Defined Terms in this Standards Article

The definitions included as footnotes and elsewhere in this article have been included for the interpretation and understanding of certain stated terms used within this article.

Whilst defined terms may have a common meaning, or interpretation, their use in this article is in accordance with the definitions included in the footnotes to this Standards Article which take precedence.

Where a defined term is included, in this article, it is identified as an *italicised* term. Where not italicised the ordinary meaning of the word or phrase applies in the context in which it is used.

If a defined term appears in the singular, it should also be interpreted to include the plural and vice versa, unless the context in which it is included clearly indicates otherwise.

¹ “*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)

² “*value*” means the *Valuer’s* opinion of *value*, 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)

³ “*Valuer*” means a *Member* (of the API) who holds API certification of *CPV*, *CPV (Residential)*, ... or *RPV*. (API Rules of Professional Conduct)

What is Valuation?

*Valuation*⁴ is the process that the *Valuer* undertakes, including a personal physical inspection of the subject property by the *Primary Valuer*⁵ and the preparation of a *valuation report*⁶, when providing their opinion of *value* and/or rent of an interest in real property at a specified date.

A *Valuer* is a person who possesses the education, necessary training, recognised qualifications, knowledge, expertise and experience (*skill*⁷) to undertake a *valuation process*⁸ in an independent, objective, unbiased, ethical and professionally competent manner.

The *valuation process* includes all the necessary enquiries, investigations, procedures and processes, including a personal physical inspection of the subject property by the *Primary Valuer*, to properly inform the *Valuer* of the relevant characteristics and qualities of the subject property, market transactions and market sentiments that are relevant to the *value* and/or rent of the subject property, as at the valuation date. The *value* and/or rent included in the *valuation report* is the *Valuer's* opinion of the most likely price for which the property would transact, in a hypothetical transaction, as at the valuation date.

The *valuation process* requires the *Valuer* to apply *professional judgment*⁹ and *professional scepticism*¹⁰, and involves the *Valuer* obtaining, compiling and appropriately verifying relevant facts and data to properly inform their reasoning and analysis.

⁴ **“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)

⁶ **“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 opinions contained in the *valuation report* and; ... (API Rules of Professional Conduct)

⁶ **“valuation report”** means a report that has been prepared by a Primary Valuer following the *valuation process*. (API Rules of Professional Conduct)

⁷ **“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)

⁸ **“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)

⁹ **“professional judgement”** means the use of accumulated knowledge and experience, as well as critical reasoning to make an informed decision. (IVS 2025 edition)

¹⁰ **“professional scepticism”** means the valuer has an attitude that includes a questioning mind and critical assessment of valuation evidence. (IVS 2025 edition)

The necessary enquiries, investigations, procedures and processes undertaken by the *Valuer* when requested to assess the *value* and/or rent include, but are not limited to:

- (a) personal physical inspection(s) of the subject property and comparable market transactions (if adopting the market approach);
- (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/or all other relevant information to identify metrics that can be applied by the *Valuer* to inform their opinion of the *value* and/or rent of the subject property;
- (d) computation and calculations which records the *Valuer's* reasoning and analysis, to assess the differences between the evidence and the subject property, to arrive at the *Valuer's* opinion of the most likely price that the property would transact at in a hypothetical transaction, as at the valuation date; and
- (e) preparation and completion of a *valuation report* that is appropriate for the agreed purpose and complies with the requirements of the agreed instructions.

A *Valuer* must have the education, necessary training, *skill* to undertake a *valuation process* to enable a credible *valuation report* to be completed.

A credible *valuation report* containing the *Valuer's* opinion of the *value* and/or rent of the subject property and based on pertinent facts correctly verified and interpreted, by the *Valuer*, is the result of a diligent and competent *valuation process*.

If there are any comments or feedback regarding this Standards Article, please contact us at standards@api.org.au.

The API is committed to the promotion of competent professional practice within the property and valuation profession and welcomes feedback to help this goal be achieved.