

STANDARDS SERIES NO. 3

VALUATION PROCESS IS ...

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Valuation process is ...

This paper relates to the *valuation process*¹ undertaken by API *Valuers*² when assessing the *value*³ of real property assets, but excludes valuations undertaken 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 the “Statutory Valuations” rule in 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 is included as footnotes. Other defined terms used within, and for the purposes of, this paper are expressed as title case terms and also included as footnotes for reference.

*Valuation*⁴ is the process that the *Valuer* undertakes, including a physical inspection of the subject property by the *Valuer* and the preparation of a *valuation report*⁵, when providing their opinion of *value* of a real property asset at a specified date.

A *Valuer* is an individual possessing the necessary qualifications, ability and experience to undertake a *valuation process* in an objective, unbiased, ethical and competent manner.

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

³ “*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)

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)

⁵ “*valuation report*” means a report that has been prepared by a Primary Valuer following the *valuation process*. (API Rules of Professional Conduct)

The *valuation process* includes all the necessary enquiries, investigations, procedures and processes, including a physical inspection of the subject property by the *Primary Valuer*⁶, 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* of the subject property, as at the valuation date. The *value* 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 Judgment⁷ and Professional Scepticism⁸, and involves the *Valuer* obtaining, compiling and appropriately verifying relevant facts and data to properly inform their reasoning and analysis.

The necessary enquiries, investigations, procedures and processes undertaken by the *Valuer* when requested to assess the Market Value⁹ or Market Rent¹⁰ include, but are not limited to:

- (a) physical inspection of the subject property 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 of the *value* of the subject property;
- (d) computation and calculations which records the *Valuer's* reasoning and analysis, to assess the differences between the market transactions 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

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

⁷ “**Professional Judgement**” means the use of accumulated knowledge and experience, as well as critical reasoning to make an informed decision. (IVS 2025 edition)

⁸ “**Professional Scepticism**” means the valuer has an attitude that includes a questioning mind and critical assessment of valuation evidence. (IVS 2025 edition)

⁹ “**Market Value**” means the estimate amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing selling in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (IVS 2025 edition)

¹⁰ “**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) preparation and completion of a *valuation report* that is appropriate for the subject property and the agreed purpose of the *valuation report*.

A *Valuer* must have the appropriate level of skill, knowledge and experience to undertake a *valuation process* to enable a competent *valuation report* to be completed in accordance with accepted principles and practice of valuation in Australia.

A credible *valuation report* containing the *Valuer's* opinion of the *value* 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 in relation to this paper, please contact standards@api.org.au.

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