STANDARDS SERIES NO. 6

VALUATION SERVICES ARE …

Reference:	Standards Series No. 6 | Valuation Services are …
Published Date:	27 October 2025
Owner:	Manager Professional Standards

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Introduction

This Standards Article has been published by the Australian Property Institute ("*API*") to clarify for API Members and their *clients*[1] what *valuation services*[2] are.

> The advice in this article is applicable to API Members who provide *valuation services*, within the definition of *professional services*[3] in the API Rules of Professional Conduct ("*Rules*"), of real property interests.
>
> This article is not applicable to a *Valuer*[4] 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 *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.

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1 "***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)

2 "***valuation services***" are *professional services* provided by a *Valuer* which include their opinion, estimate or confirmation as to the *value* and/or rent for the asset(s) that is the subject of the *professional service(s)*.

Valuation services of tangible assets, such as interests in real property and plant, machinery & equipment, include "valuations" involving a personal physical inspection of the asset by the *Valuer*, and "desktops" where the *Valuer's* opinion, estimate or confirmation of *value* and/or rent, is provided without the benefit of a personal physical inspection of the asset by the *Valuer*.

The process the *Valuer* undertook, followed, performed or conducted when providing the *valuation service(s)* will determine whether the requirements of Rule 11 (Valuation Process) or Rule 12 (Desktop Process) or, in the case of a rating and taxation valuation, Rule 14 (Statutory Valuations) apply.

3 "***professional services***" means professional services provided by *Members* in compliance with:

(a) their *API* membership category and certification; and

(b) the instructions for the professional services, agreed between the *Member* and the *client*. (API Rules of Professional Conduct)

4 "***Valuer***" means a *Member* (of the *API*) who holds *API* certification of *CPV*, *CPV (Residential)*, *CPV (P&M)* or *RPV*. (API Rules of Professional Conduct)

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.

Valuation Services are

Professional services provided by a *Valuer* which include their opinion, estimate or confirmation as to the *value*[5] and/or rent for the asset(s) that is the subject of the *professional service*.

Valuation services of tangible assets, such as interests in real property and plant, machinery & equipment, include "valuations" involving a personal physical inspection of the asset by the *Valuer*, and "desktops" where the *Valuer's* opinion, estimate or confirmation of *value* and/or rent, is provided without the benefit of a personal physical inspection of the asset by the *Valuer*.

Where a *Valuer* provides their opinion, estimate or confirmation of *value* and/or rent this is a *valuation service*.

The process the *Valuer* undertook, followed, performed or conducted when providing the *valuation service(s)* will determine whether the requirements of Rule 11 (Valuation Process) or Rule 12 (Desktop Process) apply.

Valuers are …

A *Valuer* is a person who possesses the education, necessary training, recognised qualifications, knowledge, expertise and experience (*skill*[6]) to undertake a *valuation process*[7] or *desktop process*[8] in an independent, objective, unbiased, ethical and professionally competent manner.

A *Valuer* who provides *valuation services* of an interest in real property must hold *API* certification of *CPV*[9], *CPV (Residential)*[10] or *RPV*[11].

When providing independent *valuation services*, in relation to a transaction involving a real property interest, a *Valuer* is often the only party to the transaction without a direct financial interest in the outcome of the transaction. As an independent property expert, a *Valuer* has a duty to uphold and act in the public interest by providing unbiased, properly researched, transparent and impartial *valuation services*.

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5 "***value***" means the *Valuer's* opinion of value, in monetary terms, for a tangible asset as a result of a *valuation process* or a *desktop process* as at a specified date. (API Rules of Professional Conduct)

6 "***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)

7 "***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)

8 "***desktop process***" means an evidence-based process which results in a *desktop report* containing an *indicative value* of a tangible asset as at a specified date, based on the *Valuers* knowledge, research, experience and expertise together with "relevant data and inputs" (*information*) relating to the asset provided by other parties or sourced by the *Valuer*, but does not include a physical inspection (of any kind) of the asset by the *Valuer*. (API Rules of Professional Conduct)

9 "***CPV***" means the *API's* certification of Certified Practising Valuer. (API Rules of Professional Conduct)

10 "***CPV (Residential)***" means the *API's* certification of Certified Practising Valuer (Residential). (API Rules of Professional Conduct)

11 "***RPV***" means the *API's* certification of Residential Property Valuer. (API Rules of Professional Conduct)

Valuers are obligated to provide competent *valuation services* based on diligent investigations and research, high quality verified data and information, that is free from bias and based on robust standards, disciplines and methods developed over time, including legal precedents underpinning the integrity of the valuation profession.

By applying competent professional practice, *Valuers* protect a variety of market participants such as owners, occupiers, borrowers, sellers, buyers, investors, lenders and government entities from uninformed decisions in relation to property. *Valuers* protect the public from the potentially devastating impact(s) that may occur as a consequence of not obtaining unbiased and independent *valuation services* to make properly informed decisions about property, from a valuation perspective.

Valuations vs Desktops

Valuation services, which result in either a *valuation report*[12] or a *desktop report*[13], are undertaken by *Valuers* for a wide variety of *clients*, purposes and on all types of property.

Valuation services such as *valuations*, where the *Valuer* undertakes some form of personal physical inspection of the asset(s), and *desktops*, where there is no personal physical inspection of the asset(s) by the *Valuer*, require an agreed written instruction outlining the minimum requirements for enquiries, investigations, procedures and processes to be undertaken by the *Valuer* and the minimum requirements for the *valuation report* or *desktop report*.

In addition, the *API* strongly recommends that *Valuers* have in place a quality control regime for the *valuation services* to ensure the preparation and delivery of a *report* that meets the requirements of the agreed instructions. *Valuers* are reminded of the takeaways in *Perez v Ciabattoni* [2024] NSWSC 138, namely the need for *Valuers* to ensure the investigations and procedures followed, and any *report* or other professional advice provided is fit for the purpose for which it is undertaken.

In all cases when providing a *report* in relation to *valuation services*, *Valuers* must detail the extent/form of their personal physical inspection; or in the case of a *desktop* that the asset was not personally physically inspected by the *Valuer* (refer to Rules 11 and 12).

For further clarity on the *valuation process* and the *desktop process* please refer to the previously released API Standards Articles:

- Valuation Process is
- Desktop Process is

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.

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12 "***valuation report***" means a *report* that has been prepared by a *Primary Valuer* following a *valuation process*. (API Rules of Professional Conduct)

13 "***desktop report***" means a *report* that has been prepared by a *Valuer* following a *desktop process*. (API Rules of Professional Conduct)