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Response to IVSC Perspectives Paper
Managing and Communicating Value Uncertainty

Prepared by the IVS Technical Working Group,
a subcommittee of the API Standards Steering Committee

The API would like to thank all the members of the IVS Technical Working Group for their contributions, knowledge and insights which formed the basis of the APIs responses and comments.

The working group consisted of;

Mark Kay	LFAPI | Chair of API SSC | API Board Director
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Yours faithfully,

John Winter

Chief Executive Officer

Australian Property Institute Ltd

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Dear IVSC Valuation Risk Working Group,

Thank you for the opportunity to provide feedback and responses on the questions raised in the IVSC Perspectives Paper "*Managing and Communicating Value Uncertainty*" which was released 19 May 2026.

https://ivsc.org/managing-and-communicating-value-uncertainty/

The API congratulates the IVSC for preparing and releasing this paper as a follow-up to the previous perspectives paper "*Getting the Process Right: Exploring Valuation Risk under IVS*". The paper, which explores the concept of value uncertainty, is a constructive and useful continuation of the earlier IVSC work on valuation risk, and it appears to have considered several concerns previously raised by the API, particularly the need to distinguish clearly between defects in the valuation process and the legitimate variability of value outcomes.

The API strongly supports the central proposition that valuation risk and value uncertainty are related but distinct concepts.

Valuation (process) risk is properly understood as process related. It arises where there are deficiencies in the scope of work, investigations, data selection, assumptions, methodology, valuation model, professional judgement, documentation, or quality control.

Value uncertainty, by contrast, is outcome related. It reflects the reality that different but reasonable methods, inputs, assumptions, and professional judgement may produce a range of credible values, even where the valuation process is fully IVS-compliant.

This distinction is important because value is not a fact in the same way as a transaction price. Value is the professional opinion of a valuer formed through a structured process. The fact that a different valuer, using reasonable evidence and judgement, may arrive at a different but supportable opinion of value does not indicate failure of a valuation process. Conversely, a valuation report may appear credible but be unreliable if the process was defective. The IVSC paper's distinction between "accuracy of process" and "range of reasonable outcomes" is therefore a helpful conceptual development.

Consultation Questions

The IVSC seeks input from stakeholders on the following aspects of value uncertainty:

1. Concept – Do you agree with the need to distinguish between the concept of valuation risk and value uncertainty?

If not, how would you modify either of these terms? (Please provide your suggested revisions)

The API agrees with the need to distinguish between valuation risk and value uncertainty.

This distinction should be preserved and strengthened in IVS because it protects both users and valuers from a common misunderstanding: that uncertainty in an outcome necessarily means the valuation process was deficient.

The API recommends that IVSC adopt a defined term for value uncertainty and considers the definition on page 3 of the Perspectives Paper to be appropriate, with minor revisions:

> *"Value Uncertainty refers to the fact that different but reasonable valuation methods, data, inputs, assumptions and professional judgement may produce a range of credible values even when the valuation process is IVS-compliant."*

The API's preferred framing remains that "valuation risk" should be understood and expressed as "valuation process risk". The term "valuation risk" is capable of being misunderstood by clients, courts, auditors, regulators, and valuers as the risk of the opinion of value itself being "wrong" or commercially unsuitable for the client's intended use. That is not the correct focus.

The valuer can control, and should be accountable for, the quality, sufficiency and transparency of the valuation process. The valuer cannot eliminate market uncertainty, nor can the valuer guarantee that their opinion of value will equal a future negotiated price.

The API supports the IVSC's distinction but recommends that IVS continue to make clear that valuation risk is concerned with the credibility, appropriateness and supportability of the valuation process and valuation report, whereas value uncertainty concerns the legitimate range of possible value outcomes.

2. Definition – Do you agree with the newly proposed valuation risk definition within the Exposure Draft issued on 30th January 2026:

“The possibility of errors, omissions, biases, or inadequate documentation arising within the valuation process (e.g., in valuation method, valuation model, data, assumptions, professional judgement and quality controls) that could lead to a value that is not appropriate, credible or supportable for its intended use.”

If not please suggest edits and provide your reasoning.

The API considers that the revised definition is a substantial improvement on the current IVS definition.

The proposed IVSC wording refers to errors, omissions, biases, or inadequate documentation arising within the valuation process. The API supports this direction but considers the wording should also expressly refer to inadequate investigations and procedures. Documentation is important, but a well-documented deficient process remains deficient. The valuation process must include the adequacy of the scope of work/instructions, investigations, enquiries, inspection, data verification, input selection, assumptions, special assumptions, methodology, modelling, professional judgement, and quality control.

The use of the term “value” in this definition must be replaced with “valuation report”.

This is not merely a matter of preference. The IVSC defines value as the valuer’s quantitative conclusion on the results of a valuation process that is fully compliant with the requirements of IVS. Measured against that definition, a valuation risk definition that turns on “a value that is not appropriate, credible or supportable” is self-contradictory, because a value, so defined, cannot be the product of a defective process. Substituting “valuation report” for “value” removes this inconsistency in the IVSC’s own drafting without altering the policy intent, and gives the IVSC a technical rather than a preferential basis for adopting the change. This position is consistent with the API’s previous submissions to the IVSC on valuation risk.

The proposed definition is flawed as it is directly related to the valuer’s opinion of value, and its suitability for the intended use of the value by the intended user.

That is, the proposed definition relates to the possibility that the valuer’s opinion of value, as a result of a valuation process, is not appropriate for the purpose for which the valuation process was undertaken.

The valuer is responsible and accountable for ensuring the valuation process, and the valuation report it produces, are fit for the intended use agreed in the scope of work. The valuer is not accountable for whether their opinion of value suits the intended user’s commercial objectives, which the valuer cannot control.

The commercial suitability of the opinion of value for the intended user’s own objectives is not a consideration for the professional valuer providing independent, unbiased, transparent and impartial opinions and professional valuation advice.

The API therefore suggests the following revised definition (content in red shows suggested changes):

Valuation (process) Risk means the possibility of errors, omissions, biases, or inadequate investigations, procedures or documentation arising within the valuation process ~~(e.g.,~~ , including the: scope of work; valuation approach; valuation method; valuation model; data and input selection; assumptions; special assumptions, professional judgement and quality control;~~)~~ that could lead to a ~~value~~ valuation report that is not appropriate, credible or supportable for its intended use.

This wording is preferred because it focuses on the valuation process and valuation report, rather than the opinion of value.

A shorter alternative definition would be;

Valuation (process) Risk means the possibility that the valuation process undertaken by the valuer results in a valuation report that is not appropriate, credible, or supportable for its intended use.

3. Methods and Tools – Which methods are most effective in addressing value uncertainty in practice? Should any of these be emphasized or clarified further in IVS?

The API generally supports the paper's discussion of the sources of value uncertainty.

In 2012 the IVSC released an exposure draft on Valuation Uncertainty which introduced and discussed the terms;

(i) market uncertainty,
(ii) model uncertainty, and
(iii) input uncertainty,

as causes of valuation uncertainty.

The exposure draft paper included discussion and explanation about the linkages between the broad categories.

> *"Material uncertainty can be caused by various factors. These are divided into the following categories in this TIP; market uncertainty, model uncertainty and input uncertainty. Model and input uncertainty arise from the valuation process, are closely related and may be measurable. Market uncertainty arises because of events external from the valuation process and is not measurable."*

The subsequent IVSC TIP4 Valuation Uncertainty, released in 2013 (and now withdrawn), stated that the broad categories of the causes of valuation and value uncertainty are;

(i) market disruption,
(ii) input availability, and
(iii) choice of method or model.

The current perspectives paper notes that value uncertainty arises from a variey of sources and outlines three board sources;

(i) data uncertainty,
(ii) model uncertainty, and
(iii) assumption uncertainty.

The underlying concepts relating to causes of valuation and value uncertainty, in the previous papers and the current perspectives paper, are sound. The API's position, however, is that IVS should retain the terms market, model and input (or data) uncertainty taxonomy rather than introduce a new vocabulary that effectively means the same thing. The IVSC should ensure that revisions and improvements to IVS should remain principle-based concepts rather than introducing new terms for existing concepts or prescriptive lists.

The API reaffirms its position that the previous terms used to describe "valuation uncertainty" (model uncertainty, input uncertainty and market uncertainty) are appropriate to describe causes of value uncertainty -and new terms to describe existing concepts and scenarios are not required.

The examples given in the perspectives paper on page 6 under "data uncertainty" fall under market uncertainty and input uncertainty; similarly the examples provided on page 8 for "assumption uncertainty" fall under input uncertainty, model uncertainty and market uncertainty.

The most effective tools for managing value uncertainty include:

1. clear scope of work and instructions.
2. verification and ranking of data quality.
3. benchmarking against observable market evidence where available.
4. selection of appropriate valuation approach(es) and method(s).
5. use of multiple approaches and methods, and cross-checks where appropriate.
6. sensitivity analysis for key assumptions.
7. scenario analysis where future outcomes are genuinely uncertain.
8. calibration against known transactions or prior assumptions.
9. disclosure of key assumptions and limitations.
10. quality control review focused on reasoning and analysis, not merely arithmetic.

The API considers that IVS should avoid prescribing a single approach to communicating value uncertainty. In some valuations, a point estimate will remain appropriate. In others, a range, sensitivity table, scenario analysis or point estimate within a range will better communicate the limits of precision. The correct tool depends on the nature of the asset, the basis of value, intended use, available evidence, and degree of market uncertainty.

The decision on how the opinion of value is reported must remain at the discretion of the valuer, subject to any requirement in the agreed scope of work for the valuation service.

4. Disclosure – Does IVS sufficiently emphasize transparent disclosure related to value uncertainty? Please share examples of effective disclosure practices, or areas where greater clarity is needed.

The API considers that IVS should reinforce the need for disclosure of value uncertainty. Disclosure should not be used to diminish professional accountability or obscure the valuer's reasoning. Appropriate disclosure is part of professional transparency.

Effective disclosure should explain:

1. the nature of the uncertainty.
2. whether the uncertainty arises from client-imposed limitations or restrictions, market conditions, input limitations, or model limitations.
3. the steps taken by the valuer to manage or reduce that uncertainty.
4. the key assumptions most likely to affect the opinion of value.
5. whether a point estimate, range, or point estimate within a range has been provided.
6. how any range was determined and what it is intended to represent.

The API supports the IVSC's caution that ranges can create an illusion of certainty if poorly explained. A range should not be used merely to avoid judgement. Where a range is provided, the valuer should explain how it was derived and whether it represents sensitivity, market evidence, professional judgement, statistical dispersion, scenario outcomes, or the boundaries of reasonably supportable values.

The API also considers that IVS should clarify that disclosure of value uncertainty does not weaken a valuation process or the outcome (valuation report). Properly framed, it strengthens the credibility of the valuation report by showing that the valuer has identified, considered, and communicated the limits of precision.

5. Emerging Sources – Does IVS need to be more explicit about sources of value uncertainty, and should IVS provide further guidance on this topic?

Yes, but only at the level of principle-based concepts. IVS should not attempt to enumerate emerging sources of value uncertainty.

IVS must remain principles based. It must not attempt to prescribe exhaustive lists of emerging risks that will quickly become outdated. Instead, IVS should require valuers to identify and consider material sources of uncertainty at the valuation date, having regard to the basis of value, intended use, asset type, and available evidence.

Overall conclusion

The API recommends that the IVS is principles based.

The perspectives paper reinforces that robust valuation processes are not about eliminating uncertainty, but about understanding, managing, and communicating it clearly.

The API's primary recommendation is that IVS should continue to sharpen the distinction between valuation process risk and value uncertainty.

Valuation process risk should be mitigated through appropriate instructions, investigations, evidence, methodology, professional judgement, documentation, and quality control.

Value uncertainty should be addressed through transparent explanation of the nature, source, scale, and implications of uncertainty.

This distinction will improve confidence in valuation practice. It will also assist users of valuations to understand that a credible valuation report is one that explains why the opinion of value is reasonable, and supportable.

The API considers that a clearer distinction between valuation process risk and value uncertainty will improve consistency of valuation practice, enhance user understanding and strengthen confidence in IVS internationally.

The API recognises the role of the IVSC as the global standard setter for valuation and understands that the concepts and principles in IVS need to be broad and suitable for professional valuation services of all asset types.

The API standards committee is happy to assist the IVSC standards boards to continue to improve, promote and strengthen IVS for both current and future valuation professionals, and users of valuation services.