

Professional Standard 17

Australian Valuation Standard:
Valuation Definitions & Methodology

Version 0.5 – September 2026

Auctioneers & Valuers Association of Australia
Reference: 4.27.17

Introduction

The Auctioneers and Valuers Association of Australia (AVAA) is committed to strengthening professionalism, integrity, and public confidence across the valuation and auction sectors. This *AVAA Professional Standard* forms part of a broader framework designed to support consistent practice, ethical conduct, and accountability across the diverse services provided by members.

Professional standards play an important role in defining expectations for those who hold themselves out as skilled practitioners. They establish clear principles for conduct, competence, and responsibility, helping practitioners, clients, and regulators understand the level of professionalism that should reasonably be expected in the marketplace.

Valuation services are relied upon for a wide range of commercial, legal, taxation, insurance and financial purposes. The quality and consistency of valuation practice can have significant implications for valuers, clients, consumers, insurers, financiers, regulators, courts and the broader reputation of the valuation profession. Professional valuation practice therefore requires a clear understanding of the various bases of value and the methodologies used to form opinions of value.

This Professional Standard establishes principles governing valuation definitions and the selection and application of valuation methodologies relating to physical assets. The Standard is intended to support professional consistency, transparency, informed decision-making and confidence in valuation services while recognising that valuation involves the exercise of professional judgement and that reasonable differences of opinion may arise depending upon the nature of the asset, available evidence and the purpose of the engagement.

This standard has been developed through consultation with practitioners and informed by regulatory frameworks, industry experience, and evolving client and government expectations. It is intended to provide practical guidance while reinforcing the importance of transparency, diligence, and professional judgement in everyday practice.

Those holding the AVAA Certified Valuer (CV_{AV}) credential, plus AVAA Corporate Members, apply this Professional Standard to demonstrate a commitment to continuous improvement and professional accountability. In doing so, they contribute to a stronger and trusted sector where valuers are recognised not only for their expertise but also for the integrity and reliability of their work.

Troy R Williams FAIM MAICD
AVAA Chief Executive

September 2026



Australian Valuation Standard:
PS17 Valuation Definitions & Methodology

© 2026 by Auctioneers & Valuers Association of Australia is licensed under CC BY-NC-ND 4.0.
To view a copy of this license, visit www.avaa.com.au/cc-licenses

Australian Valuation Standard PS17 Valuation Definitions & Methodology

Title —

AVAA Professional Standard 17 – Valuation Definitions & Methodology

Purpose —

Different valuation engagements may require different assumptions, methodologies and conclusions of value. This Professional Standard establishes commonly accepted valuation definitions and provides guidance regarding methodologies applicable to physical assets. The Standard supports consistency, transparency and professional judgement in valuation practice.

Scope —

This Professional Standard applies to the valuation of physical assets including, but not limited to, goods and chattels, fine art, antiques, collectables, books, coins, jewellery, motor vehicles, machinery, plant and equipment, marine assets and similar tangible property.

Application —

This Professional Standard applies to all individuals holding the AVAA Certified Valuer (CVAU) credential and AVAA Corporate Members providing valuation services.

Standard —

1. Principles Of Valuation

- 1.1 Valuation involves forming a professional opinion regarding the value of an identified asset as at a particular date and for a defined purpose.
- 1.2 The purpose of the engagement influences the basis of value adopted, the assumptions applied and the methodology considered most appropriate.
- 1.3 Valuation conclusions should be founded upon relevant information, available evidence and the exercise of professional judgement.
- 1.4 The selection of methodology is a matter for the valuer having regard to the characteristics of the asset, prevailing market conditions, the intended use of the valuation and the information reasonably available.
- 1.5 Valuers may consider more than one methodology where this assists in testing, supporting or reconciling a conclusion of value.

2. Bases Of Value

- 2.1 Different valuation purposes may require the adoption of different bases of value. The basis of value selected should be appropriate to the intended use of the valuation and should be clearly identified within the valuation report.
- 2.2 A basis of value establishes the assumptions and context within which a valuation opinion is formed. Different bases of value may produce materially different conclusions and should not be regarded as interchangeable.
- 2.3 **Market Value** is the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, where both parties have acted knowledgeably,

prudently and without compulsion. Where Market Value is required for taxation purposes, the valuer must identify the applicable statutory or regulatory requirements and provide an objective, defensible conclusion based on evidence relevant to the valuation date.

- 2.3 **Insurance Replacement Value** represents the amount required to replace an asset with another asset providing substantially equivalent utility, quality and function. The conclusion may include costs associated with acquisition, transportation, installation, restoration or other expenditure reasonably incurred in achieving replacement. Insurance Value is prepared principally for insurance schedules and insurance claims and should not be interpreted as Market Value.
- 2.4 **Auction Appraisal Estimate** represents the valuer's opinion regarding the range within which an asset may reasonably be expected to sell through an auction process having regard to prevailing market conditions and the characteristics of auction marketing. Auction Appraisal Value is commonly used when advising vendors regarding reserve prices, marketing strategies and auction planning.
- 2.5 **Fair Value** represents a value adopted for accounting or financial reporting purposes and should be interpreted having regard to the accounting framework, legislation or other instructions governing the engagement. The meaning of Fair Value may vary according to the requirements of the relevant accounting standards, legislation or other authoritative requirements.
- 2.6 **Scrap Value** represents the amount expected to be realised from the disposal of an asset for salvage, recycling or component recovery. Such value may take account of dismantling, removal, processing and disposal considerations. Scrap Value is commonly encountered in relation to machinery, equipment and assets that have reached the end of their useful economic life.
- 2.7 **Investment Value** reflects the value of an asset to a particular owner or prospective owner having regard to their individual objectives, requirements or circumstances. Investment Value may differ from Market Value where particular advantages, synergies or operational benefits are available to a specific owner but not generally available to market participants.
- 2.8 **Liquidation Value** represents the amount that may reasonably be expected to be realised where assets are required to be sold under circumstances involving compulsion, insolvency or the winding up of a business or estate. The amount realised under liquidation circumstances may differ from Market Value because of restrictions on time, marketing exposure and the ability of purchasers to undertake normal enquiries.
- 2.9 Where legislation and regulators, the Australian Accounting Standards Board (AASB), courts, industry bodies, or contractual arrangements prescribe a particular basis of value, the valuer should identify the relevant basis and explain any material differences from Market Value.
- 2.10 The use of one basis of value in place of another may produce materially different conclusions. Valuers should take reasonable steps to ensure that clients understand the purpose and nature of the opinion provided, as well as any limitations associated with its use.

3. Assumptions And Limiting Conditions

- 3.1 Valuation opinions are formed on the basis of assumptions concerning the condition, characteristics and circumstances relating to the asset.
- 3.2 Assumptions should be reasonable, capable of explanation and consistent with the purpose of the engagement.
- 3.3 Special assumptions involving circumstances different from those existing at the valuation date should be clearly identified and explained.
- 3.4 Limitations affecting inspection, information or analysis should be disclosed where they may materially influence the opinion expressed.

4. Market Participants And Market Behaviour

- 4.1 Market Value assumes a transaction occurring between parties acting independently and in their own interests.
- 4.2 Market conditions, exposure to the market, buyer preferences and the availability of information may influence value outcomes.
- 4.3 Circumstances specific to a particular owner or purchaser should not ordinarily influence Market Value unless such factors are available generally to market participants.
- 4.4 Where additional value arises from the combination of assets or interests, the valuer should consider whether such benefits are unique to a particular owner or are reasonably available to market participants generally.
- 4.5 Distressed sales and forced transactions may not represent Market Value and should be considered with appropriate caution.
- 4.6 The existence of unusual terms, related parties or atypical motivations may affect the relevance of transaction evidence.
- 4.7 Market participants are not assumed to possess identical knowledge, resources or objectives. Market behaviour should be considered having regard to prevailing market conditions and the characteristics of the asset concerned.
- 4.8 Where a transaction reflects circumstances that are not ordinarily available to market participants, the valuer should consider the extent to which the evidence remains relevant.
- 4.9 Special purchasers and synergistic benefits may result in values that differ from those available to market participants generally.
- 4.10 The relevance of market evidence should be assessed having regard to the circumstances under which the transaction occurred.

5. Sources Of Evidence

- 5.1 Valuation evidence may be obtained from auction results, dealer transactions, private sales, databases, catalogues, online marketplaces and other relevant sources.
- 5.2 The relevance and reliability of evidence should be considered having regard to the nature of the asset and prevailing market conditions.
- 5.3 Not all evidence will carry equal significance.
- 5.4 The valuer should exercise judgement when determining the weight to be attributed to available information.

- 5.5 Where evidence is conflicting or limited, the valuer should explain the reasoning supporting the conclusion reached.
- 5.6 Information derived from asking prices, listings and advertisements may provide useful context but should not necessarily be regarded as evidence of realised transactions.
- 5.7 Historical transactions may provide useful guidance, particularly where markets are thin or transactions occur infrequently.
- 5.8 Specialist advice, technical reports and opinions from appropriately qualified persons may assist in understanding the characteristics and condition of assets.
- 5.9 Valuers should consider the reliability, relevance and timing of evidence when assessing the weight to be attributed to individual sources.
- 5.10 Where evidence is limited or inconsistent, the valuer should exercise professional judgement and explain the reasoning supporting the conclusion reached.

6. Valuation Methodologies

- 6.1 Valuers should select methodologies having regard to the purpose of the valuation, the characteristics of the asset and the availability of reliable information.
- 6.2 More than one methodology may be considered where this assists in testing or supporting a conclusion of value.
- 6.3 The methodology adopted should be capable of explanation and supported by appropriate analysis.
- 6.4 Valuation methodologies commonly involve the analysis of market evidence, replacement cost information, income-producing characteristics or a combination of these factors.
- 6.5 Professional judgement should be exercised in determining the methodology most appropriate to the circumstances of the engagement.
- 6.6 Different methodologies may produce different indications of value. The valuer should consider the relative strengths and limitations of each methodology adopted.
- 6.7 The weight attributed to a methodology should reflect the quantity and quality of evidence available and the extent to which the methodology is suited to the purpose of the engagement.
- 6.8 The absence of sufficient information to apply one methodology does not prevent the valuer from considering other methodologies where appropriate.
- 6.9 Valuation methodologies should be applied consistently with the basis of value adopted and the purpose of the engagement.

7. Market Evidence Methodology

- 7.1 The market evidence methodology considers prices and other information derived from transactions involving comparable assets.
- 7.2 The methodology seeks to interpret market activity and apply that information to the asset under consideration.

- 7.3 Market evidence may include auction results, dealer transactions, private sales, trade publications, databases, online platforms and other relevant sources.
- 7.4 Comparable transactions should be considered in the context of differences in age, condition, rarity, provenance, specification, quality, location and prevailing market conditions.
- 7.5 The absence of frequent sales or comparable sales does not preclude forming a valuation opinion; however, the limited supporting data should be disclosed to the client.
- 7.6 Professional judgement remains necessary in interpreting available evidence and making appropriate adjustments.
- 7.7 Recent transactions may provide stronger evidence than older information, although historical transactions may remain relevant where markets are thin or transactions occur infrequently.
- 7.8 Asking prices and listings may provide useful context but do not necessarily represent achieved sale prices.
- 7.9 The valuer should consider whether transactions relied upon occurred under normal market conditions.
- 7.10 Where differences exist between comparable assets and the asset being valued, appropriate adjustments should be considered.
- 7.11 The degree of comparability between assets may influence the weight attributed to particular transactions.
- 7.12 No single transaction should necessarily be regarded as determinative where multiple sources of evidence are available.

8. Cost-Based Methodology

- 8.1 The cost-based methodology considers the expenditure required to acquire, reproduce or replace an asset and then adjusts for age, deterioration, obsolescence and other factors affecting utility and desirability.
- 8.2 Cost considerations may provide useful guidance where market evidence is limited or where the asset is specialised in nature.
- 8.3 Replacement cost considers the expenditure required to acquire an asset providing substantially equivalent utility and function.
- 8.4 Reproduction cost considers the expenditure required to create a replica or substantially identical asset.
- 8.5 Adjustments may be required to reflect physical deterioration, functional inadequacies, technological change, economic factors or other forms of obsolescence.
- 8.6 Cost does not necessarily equate to value. An asset may have a replacement cost that differs materially from its market value.
- 8.7 Physical deterioration may arise through age, wear, damage or environmental factors.
- 8.8 Functional obsolescence may arise where an asset no longer performs efficiently or no longer meets prevailing requirements.
- 8.9 Economic obsolescence may arise from external factors affecting utility, desirability or demand.

- 8.10 The cost-based methodology should be applied with caution where replacement or reproduction costs are not supported by market demand.

9. Income-Based Methodology

- 9.1 The income-based methodology considers the economic benefits associated with ownership of an asset and converts those benefits into an indication of value.
- 9.2 The methodology is generally appropriate where value is influenced by income generation, royalties, leasing arrangements or other financial returns.
- 9.3 Income-based methodologies require assumptions regarding future benefits, growth, risk and the timing of anticipated returns.
- 9.4 The reliability of conclusions derived from income-based methodologies will depend upon the reasonableness of assumptions and the quality of supporting information.
- 9.5 Income streams may be capitalised directly or discounted to reflect the timing and risk associated with future benefits.
- 9.6 Assumptions concerning growth, expenses and risk should be reasonable and capable of explanation.
- 9.7 Income-based methodologies are generally less reliable where income streams are uncertain or where insufficient information is available.
- 9.8 The valuer should consider whether anticipated benefits are attributable to the asset being valued or arise from other factors.
- 9.9 Income-based methodologies should be supported by information considered relevant and reliable in the circumstances.

10. Reconciliation And Weighting

- 10.1 Different methodologies may produce different indications of value.
- 10.2 Where multiple methodologies are considered, the valuer should assess the relative reliability of each and reconcile the indications into a supportable conclusion.
- 10.3 Reconciliation is a matter of professional judgement and does not necessarily involve averaging or applying equal weight to each methodology.
- 10.4 Greater weight may be given to methodologies supported by stronger evidence or considered more appropriate having regard to the characteristics of the asset and the purpose of the valuation.
- 10.5 The valuer should consider the strengths and limitations associated with each methodology applied.
- 10.6 The quantity and quality of available evidence may influence the degree of reliance placed upon individual methodologies.
- 10.7 Where different methodologies produce materially different indications of value, the valuer should consider the reasons for those differences.
- 10.8 Reconciliation should result in a conclusion that is capable of explanation and supported by the exercise of professional judgement.
- 10.9 The purpose of reconciliation is not to produce mathematical precision but to arrive at an informed and supportable opinion of value having regard to the evidence available.

11. Thin Markets And Specialised Assets

- 11.1 Many physical assets are traded in markets characterised by limited transactions, specialist purchasers or unique asset characteristics.
- 11.2 The absence of frequent sales or comparable sales does not preclude forming a valuation opinion; however, the limited supporting data should be disclosed to the client.
- 11.3 Where market evidence is limited, the valuer may consider broader market information, historical transactions, replacement considerations, specialist advice and other information considered relevant in the circumstances.
- 11.4 The degree of certainty associated with a valuation may vary according to the quality and quantity of available evidence.
- 11.5 Where appropriate, the valuer may explain factors contributing to uncertainty or describe a reasonable range of outcomes.
- 11.6 The existence of thin markets does not prevent the application of professional judgement or the formation of a supportable opinion of value.
- 11.7 Specialised assets may require consideration of information beyond direct market transactions.
- 11.8 Greater reliance may be placed upon professional judgement where markets are characterised by infrequent transactions or limited information.

12. Retrospective Valuations

- 12.1 Valuations are sometimes required as at a date preceding the inspection or preparation of the report.
- 12.2 Retrospective valuations should be based upon information that was known or reasonably capable of being known at the valuation date.
- 12.3 Information arising after the valuation date should not ordinarily influence the conclusion except where it assists in understanding circumstances existing at that time.
- 12.4 The valuer should distinguish between contemporary evidence and subsequent events.
- 12.5 Hindsight should not be used to reconstruct market conditions that could not reasonably have been anticipated at the valuation date.
- 12.6 Historical transactions and records may provide useful guidance where contemporary evidence is limited.
- 12.7 The quality and quantity of information available at the valuation date should be considered when assessing the reliability of retrospective conclusions.

13. Allocation And Apportionment

- 13.1 Valuation assignments may require value to be allocated between individual assets, collections, components or interests.
- 13.2 The process of allocation should be consistent with the purpose of the engagement and the overall basis of value adopted.
- 13.3 The aggregate of individual components may differ from the value of assets considered collectively.
- 13.4 The valuer should exercise care when attributing values to individual components of sets, collections or groups of assets.

- 13.5 Assemblage benefits and the contribution made by individual assets should be considered where relevant.
- 13.6 The value attributed to individual assets should be capable of explanation and supported by the purpose of the engagement.

14. Reliance Upon Specialists And External Information

- 14.1 Valuers may rely upon information or advice provided by specialists, including conservators, gemmologists, engineers, mechanics, accountants and other professionals.
- 14.2 The use of specialist advice does not relieve the valuer of responsibility for the opinion expressed.
- 14.3 The valuer should be satisfied that information obtained from specialists or third parties is relevant and appropriate in the circumstances.
- 14.4 Where specialist advice materially influences the valuation, the nature of that advice should be identified within the report.
- 14.5 Valuers should consider the qualifications, experience and relevance of external specialists relied upon.
- 14.6 The extent of reliance placed upon external information should be proportionate to the significance of that information to the valuation.

15. Professional Judgement And Valuation Uncertainty

- 15.1 Valuation is not a precise science, and different valuers may reasonably reach different conclusions.
- 15.2 Differences in professional opinion do not necessarily indicate error or deficiency.
- 15.3 Valuation conclusions should reflect the evidence available, and the professional judgement exercised by the valuer.
- 15.4 The purpose of a valuation is to provide an informed and supportable opinion rather than an exact or predetermined answer.
- 15.5 The degree of certainty associated with a valuation may vary according to the nature of the asset, prevailing market conditions and the quantity and quality of available evidence.
- 15.6 Thin markets, rapidly changing markets and unique assets may result in a greater range of possible outcomes than assets traded in active markets.
- 15.7 Where considered appropriate, the valuer may explain factors contributing to valuation uncertainty or describe a reasonable range of outcomes.
- 15.8 Differences between competent valuers do not necessarily indicate professional error and may arise from differences in assumptions, methodology, interpretation of evidence or the exercise of professional judgement.

16. Relationship With Other Professional Standards

- 16.1 This Professional Standard should be read in conjunction with other AVAA Professional Standards relevant to valuation practice.
- 16.2 Instructions and engagement arrangements should be considered in accordance with *Professional Standard 14 – Engagement and Terms of Appointment*.
- 16.3 Minimum reporting requirements should be considered in accordance with Professional Standard 6 – Minimum Valuation Report Requirements.

- 16.4 The use of artificial intelligence and technology-assisted processes should be considered in accordance with *Professional Standard 8 – Artificial Intelligence in Valuation Reports*.
- 16.5 Nothing in this Professional Standard limits the exercise of professional judgement or prevents the adoption of methodologies required by legislation, courts, regulators or other authoritative requirements.

17. Valuation Risk And Quality Assurance

- 17.1 Valuers should take reasonable steps to ensure that valuation opinions are developed objectively, supported by appropriate analysis and free from material bias or undue influence.
- 17.2 The extent of investigation and verification undertaken should be proportionate to the characteristics of the asset, the intended use of the valuation and the degree of reliance likely to be placed upon the opinion expressed.
- 17.3 Valuers should critically assess information obtained from clients, databases, market participants, specialists and other sources and should exercise professional judgement when determining the extent to which such information may be relied upon.
- 17.4 Where information cannot be independently verified, or where restrictions affect the extent of investigation undertaken, the valuer should consider whether those circumstances materially influence the valuation and disclose any significant limitations within the report.
- 17.5 Valuation files should contain sufficient information to enable another experienced valuer to understand the evidence considered, the assumptions adopted, the methodology applied, and the reasoning supporting the conclusion reached.
- 17.6 Valuers should maintain records of significant information relied upon in forming an opinion of value.
- 17.7 Where appropriate, having regard to the complexity, materiality or purpose of the engagement, valuers should consider internal review procedures or peer review processes as a means of supporting consistency and quality.
- 17.8 Professional judgement, transparency and appropriate documentation are fundamental safeguards supporting confidence in valuation practice and the reliability of valuation opinions.
- 17.9 The existence of differing opinions between competent valuers does not, of itself, indicate error or professional deficiency.
- 17.10 The objective of valuation practice is to provide a reasoned and supportable opinion based upon the information reasonably available at the valuation date and the proper exercise of professional judgement.

18. Failure To Comply

- 18.1 Failure to comply with this Professional Standard itself constitutes conduct capable of consideration under the *AVAA Code of Ethics for Individual Members*, the *AVAA Code of Practice for Corporate Members*.

Status & Review —

AVAA Board Approval:	TBA (Draft)
Periodic Review Due:	1 Year after approval



The **Auctioneers and Valuers Association of Australia (AVAA)** is the leading national body representing professional auctioneers and valuers across a diverse range of specialties, including fine art and antiques, rare coins and books, motor vehicles, aviation and marine, household items and office machinery, plant and equipment, to memorabilia and collectables.

Our Vision

As the peak body for auctioneers and valuers in Australia, AVAA upholds the highest professional and ethical standards through education, advocacy, and leadership.

Our Mission

To support and represent Australia's auctioneers and valuers through rigorous standards, ethical leadership, quality education, and credible advocacy, ensuring trust, professionalism, and future-readiness in a changing world.

AVAA National Office

a: GPO Box 2245, Canberra, ACT, 2601
e: national.office@avaa.com.au

AVAA Capital Territory

e: act@avaa.com.au

AVAA Northern Territory

e: nt@avaa.com.au

AVAA South Australia

e: sa@avaa.com.au

AVAA Victoria

e: vic@avaa.com.au

Nationwide Telephone

1300 928 165

AVAA New South Wales

e: nsw@avaa.com.au

AVAA Queensland

e: qld@avaa.com.au

AVAA Tasmania

e: tas@avaa.com.au

AVAA Western Australia

e: wa@avaa.com.au