PASS GEORGIA
REAL ESTATE EXAM PREP

GEORGIA REAL ESTATE EXAM GLOSSARY

Depreciation

In appraisal, depreciation is loss in value from any cause.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Valuation and Market Analysis	Valuation foundations	Define, distinguish, apply, retrieve

SOURCE STANDARD

Official exam outline plus authoritative Georgia or federal references where the topic has a controlling rule. Independent educational resource, not affiliated with GREC or PSI.

01 / COMPLETE LESSON

Build the complete exam definition

Learn the rule, separate it from the nearest distractor, then apply it to a Georgia fact pattern.

CORE DEFINITION

What does Depreciation mean?

In appraisal, depreciation is loss in value from any cause. It is commonly classified as physical deterioration, functional obsolescence, or external obsolescence.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

Appraisal depreciation measures value loss. Accounting or tax depreciation allocates cost under financial or tax rules and is not the same calculation.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

The national valuation rule applies in Georgia. Location-based loss from a nearby nuisance is external obsolescence, even though the building itself may be well maintained.

WORKED EXAMPLE

A house loses value because a noisy industrial facility opens next door. The cause is outside the property and is external obsolescence.

EXAM TRAP

Age is not automatically depreciation. A well-maintained older improvement may have limited physical deterioration, while a newer design can have functional obsolescence.

Memory cue: Age is not automatically depreciation.

02 / PRACTICE AND MASTERY

Retrieve the rule under exam conditions

Answer before reading the explanation. Then explain why every distractor belongs to a different term.

ORIGINAL PRACTICE CHECK

Which statement correctly explains Depreciation?

- **A** An appraisal is an independent, supportable opinion of value developed by a qualified appraiser for a stated property interest, effective date, intended use, and set of assignment conditions.
- **B** Highest and best use is the reasonably probable use of land or improved property that is legally permissible, physically possible, financially feasible, and maximally productive.
- **C** In appraisal, depreciation is loss in value from any cause.
- **D** Fair market value is the amount a knowledgeable, willing buyer and seller would agree upon in an arm's-length transaction when neither is compelled and both have reasonable exposure to the market.

CORRECT ANSWER: C

Depreciation is correct. In appraisal, depreciation is loss in value from any cause. It is commonly classified as physical deterioration, functional obsolescence, or external obsolescence. Appraisal depreciation measures value loss. Accounting or tax depreciation allocates cost under financial or tax rules and is not the same calculation. The national valuation rule applies in Georgia. Location-based loss from a nearby nuisance is external obsolescence, even though the building itself may be well maintained.

MASTERY TRACKER

Mark each box only when you can perform the skill without looking.

- [ ] I can define the term in one precise sentence.
- [ ] I can separate it from the closest look-alike.
- [ ] I can explain the Georgia rule or confirm that the national rule applies.
- [ ] I can answer the practice check and explain every option.

03 / CONNECTIONS AND AUTHORITY

Connect the term to the wider exam

Use these relationships to move from isolated recall to a connected exam model.

RELATED TERM

Appraisal

An appraisal is an independent, supportable opinion of value developed by a qualified appraiser for a stated property interest, effective date, intended use, and set of assignment conditions.

https://www.passgeorgiarealestate.com/glossary/appraisal

RELATED TERM

Highest and best use

Highest and best use is the reasonably probable use of land or improved property that is legally permissible, physically possible, financially feasible, and maximally productive.

https://www.passgeorgiarealestate.com/glossary/highest-and-best-use

RELATED TERM

Fair market value

Fair market value is the amount a knowledgeable, willing buyer and seller would agree upon in an arm's-length transaction when neither is compelled and both have reasonable exposure to the market.

https://www.passgeorgiarealestate.com/glossary/fair-market-value

RELATED TERM

Effective gross income

Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income.

https://www.passgeorgiarealestate.com/glossary/effective-gross-income

RECOMMENDED NEXT COMPLETE LESSON

Valuation and Market Analysis complete lesson

https://www.passgeorgiarealestate.com/study-guide/valuation/principles-of-value

EXAM SOURCES AND AUTHORITY NOTES

1. PSI Georgia Candidate Information Bulletin, 7/1/2026

Official exam administration and content-outline source.

https://test-takers.psiexams.com/api/content/bulletin/4672

2. The Appraisal Foundation, Appraisal Standards and Qualifications

Congressionally authorized source for USPAP and appraisal standards.

https://appraisalfoundation.org/imis/TAF/Standards/Appraisal_Standards/TAF/Standards/Appraisal_Standards.aspx