PASS GEORGIA
REAL ESTATE EXAM PREP

GEORGIA REAL ESTATE EXAM GLOSSARY

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.

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 Highest and best use mean?

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.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

The current use is what exists now. Highest and best use is the supported use that survives all four tests and may differ from the current use.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

Georgia zoning, deed restrictions, site conditions, and market evidence feed the four tests. A use that violates current legal constraints fails unless a supportable change is part of the analysis.

WORKED EXAMPLE

A downtown house sits on land zoned for offices. Analysis shows office conversion is legal, physically workable, financially feasible, and more productive than continued residential use.

EXAM TRAP

The use producing the highest gross revenue is not automatically highest and best if it fails legality, feasibility, or another threshold.

Memory cue: The use producing the highest gross revenue is not automatically highest and best if it fails legality, feasibility, or another threshold.

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 Highest and best use?

- **A** 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.
- **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** 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.
- **D** In appraisal, depreciation is loss in value from any cause.

CORRECT ANSWER: B

Highest and best use is correct. 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. The current use is what exists now. Highest and best use is the supported use that survives all four tests and may differ from the current use. Georgia zoning, deed restrictions, site conditions, and market evidence feed the four tests. A use that violates current legal constraints fails unless a supportable change is part of the analysis.

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

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

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

Depreciation

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

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

RELATED TERM

Zoning variance

A zoning variance is official permission to depart from a specific zoning requirement when the applicant satisfies the ordinance's legal standard, commonly involving a property-specific hardship rather than personal convenience.

https://www.passgeorgiarealestate.com/glossary/zoning-variance

RECOMMENDED NEXT COMPLETE LESSON

Valuation and Market Analysis complete lesson

https://www.passgeorgiarealestate.com/study-guide/valuation/highest-and-best-use

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