GEORGIA REAL ESTATE EXAM GLOSSARY

Net operating income

Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Valuation and Market Analysis	**Income valuation**	**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 Net operating income mean?

Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

NOI is net property income from operations. Cash flow after debt service subtracts mortgage payments and reflects the owner's financing.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

This national calculation is unchanged in Georgia. Use the expense list in the stem and exclude capital, financing, and income-tax items unless the question defines a different measure.

WORKED EXAMPLE

A property has $120,000 effective gross income and $42,000 operating expenses. NOI is $78,000.

EXAM TRAP

Subtracting principal and interest from NOI is the standard setup error.

Memory cue: Subtracting principal and interest from NOI is the standard setup error.

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 Net operating income?

- **A** Effective gross income, or EGI, is potential gross income minus vacancy and collection loss, plus other property income.
- **B** Capitalization rate, or cap rate, is the annual net operating income divided by the property's value or price.
- **C** Gross rent multiplier, or GRM, is the relationship between a property's sale price or value and its gross periodic rent.
- **D** Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs.

CORRECT ANSWER: D

Net operating income is correct. Net operating income, or NOI, is annual effective gross income minus operating expenses, before debt service, income taxes, depreciation expense, and owner-specific financing costs. NOI is net property income from operations. Cash flow after debt service subtracts mortgage payments and reflects the owner's financing. This national calculation is unchanged in Georgia. Use the expense list in the stem and exclude capital, financing, and income-tax items unless the question defines a different measure.

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

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

RELATED TERM

Capitalization rate

Capitalization rate, or cap rate, is the annual net operating income divided by the property's value or price.

https://www.passgeorgiarealestate.com/glossary/capitalisation-rate

RELATED TERM

Gross rent multiplier

Gross rent multiplier, or GRM, is the relationship between a property's sale price or value and its gross periodic rent.

https://www.passgeorgiarealestate.com/glossary/gross-rent-multiplier

RELATED TERM

PITI

PITI stands for principal, interest, taxes, and insurance, the four common components included when estimating a borrower's total monthly housing payment.

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

RECOMMENDED NEXT COMPLETE LESSON

Valuation and Market Analysis complete lesson

https://www.passgeorgiarealestate.com/math/net-operating-income

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