

CFA® SAMPLE QUESTION - LEVEL I

Alternative Investments

Q: What is the Net Operating Income (NOI) for an factory building, given that the below information:

Gross rental income	375,000
Estimated vacancy and losses	9%
Taxes & Insurance	\$22,000
Utilities & maintenance	\$33,000
Depreciation	\$27,000

CORRECT ANSWER:

(C) \$286,250

NOI (Net Operating Income) is gross income less vacancy and collection costs, insurance and taxes, and utilities and maintenance. Depreciation is not a factor because it is assumed that proper maintenance will keep the property in its current condition.

The calculation is therefore:

$$\$375,000 - (\$375,000 \times 9\%) - \$22,000 - \$33,000 = \$286,250$$



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