



# REAL ESTATE INVESTORS

## Calgary Focus Group Discussion Findings

Prepared by  
Weaver Marketing Research

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WMR 15-262

# Objectives and Methodology

KORE Marketing, together with A2A Capital Management, wished to explore new real estate investment concepts for a potential development near Fort Worth Texas, and contracted *Weaver Marketing Research* to conduct a focus group among Calgary investors.

More specifically, the research was designed:

- To assess the level of interest in purchasing real estate outside of Calgary, and particularly near Fort Worth Texas
- To gauge the appeal of the Sendera Ranch development / preference for community and design options
- To test investor reactions to the Property Investment Plan concept.

The focus group was held on May 20, 2015 among real estate investors professionally recruited by Qualitative Coordination, with the following specifications:

- 50% of the group was recruited from client-supplied lists of multi-cultural investors; 50% came from Qualitative Coordination's recruiting database and referrals with no cultural specification
- Mix of gender and age
- Annual household income \$80k+
- Must be considering purchasing real estate property as an investment in next 12 months.

To thank them for their participation, each respondent was given a gift of \$150 at the end of the discussion.

Discussion guide development, moderation and report preparation were done by Sheila Weaver of *Weaver Marketing Research*.

# Objectives and Methodology, continued

## Benefits and Limitations of Qualitative Research

Qualitative research includes many methodologies, one of which is the focus group. Focus group discussions are moderator-led, informal, non-threatening interactions. They permit in-depth probing of selected groups of individuals with similar characteristics on their behaviour, habits, usage patterns, perceptions, and attitudes related to an issue. Focus groups allow for a more complete understanding of a population segment, in that the thoughts and feelings are expressed in the respondents' *own language* and at their *own levels of passion*.

The focus group technique is valuable in marketing research as a means of developing a range of ideas and insight that can inform and fuel organizational discussions and, ultimately, decision-making. Due to the small sizes of these groups and inherent biases, the information presented in this report *cannot be projected to the entire population*. More precise or decisive analyses of the population can be provided by quantitative research methods, depending of course on the design and wording of the survey questionnaires to yield actionable data.

**Users of this report must bear in mind that it is a summary of the individual opinions of just 10 people. As such, findings are to be seen as *exploratory* only.**

# Overview of Main Findings

## ***Level of interest in purchasing real estate outside of Calgary, and particularly near Fort Worth Texas***

- The majority of this group would invest in real estate to generate rental income. Their interest in purchasing outside Calgary was therefore low, as most deemed the role of long distance landlord to be difficult.
- Opinion was split among those who had invested in the US in the past; some saying they may be interested again if the opportunity was right and/or it was an area they liked to spend time in personally; others finding the challenges of international investment 'not worth the trouble'.
- In general, respondents saw the Fort Worth area as strong economically, so likely a good choice for real estate purchase by those interested in US investment.

## ***Appeal of the Sendera Ranch development & preference for community and design options***

- Respondents' Overall assessments of Sendera Ranch as a real estate investment ranged from Moderate to Poor. While most found the development's pricing and location to be acceptable, several wondered if there would be sufficient return in a large new community of single family homes. Without considerably more financial information about local conditions, return prospects, taxes etc., they were unable to give Sendera strong reviews.
- In terms of its component parts, Sendera Ranch was praised for:
  - Outdoor Recreation amenities and proximity to schools, shopping and a range of employment opportunities
  - Brick and stone exteriors, appearance of quality interior and exterior finishing
  - Energy features.
- Meanwhile the development was critiqued for:
  - Residential density
  - Repetitive, cookie cutter housing styles
  - Lack of design interest / too 'standard' inside and out.
- Opinion was split on Sendera Ranch home pricing.

# Overview of Main Findings

## ***Investor reactions to the Property Investment Plan concept***

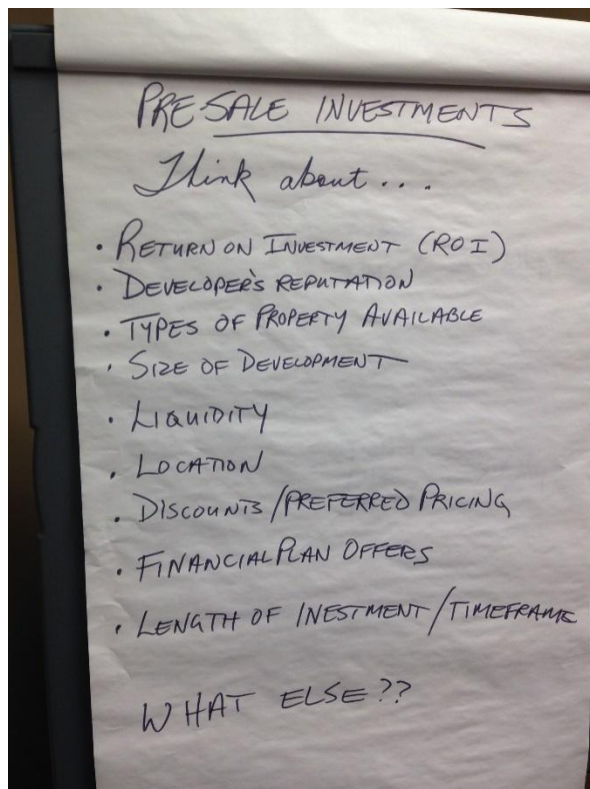
- In the main, focus group participants were dubious about the Property Investment Plan. Investors' need for detailed information emerged as a key theme throughout the discussion. Without details about local real estate conditions, area rentals, sales to date, Homeowner Association operations and fees, real estate taxes, ROI analyses, and so on, investors are at best hesitant and, more typically, suspicious about a development and associated investment plan.
- Further, information provided *by the developer* would not satisfy most investors who say they need to see the site and do their own research on 5-year statistics and growth potential.
- It was clear that the PIP as tested was better suited to some types of investors than others. A number of respondents in the discussion group were interested in single property purchases in easy distance for rental maintenance and income. For these investors, multiple unit purchases, extended possession periods and large investment deposits were outside the scope of their consideration. While still thoughtful, some of their comments on the PIP were therefore more hypothetical than in reference to their own plans.
- Among the more experienced investors, concerns tended to revolve around placing what could be a large sum in one investment, rather than balancing investment risk through diversification. Some also wondered whether the discount percentages offered were sufficiently competitive with other presale investment opportunities in Canada and the US. Complicated by issues around currency exchange which could erode returns, investing in the Fort Worth Plan was far from an 'obvious yes' to these participants.
- While several expressed enthusiasm for the deep purchase discounts associated with large deposit amounts, opinions were diverse on the question of possession period. A minority mentioned the potential for significant increase in property value over the longer period; however the majority felt that greater than 3 years possession created more risk and uncertainty than their comfort level would allow. Concerns ranged from rental and resale potential in an on-going development, to potential collapse of this (unknown) developer.



# **DISCUSSION SUMMARY**

# Perceptions of Pre-Sales Investments

To warm up, discussion group participants were asked to identify the factors that, in their view, make for “a really great pre-sale investment” versus a “poor pre-sale investment”. To stimulate their thought process, they were provided a list of factors to think about that could potentially impact an investment. The lists of ‘great’ and ‘poor factors’ they created are shown below.



## Signposts of a 'Great' Investment

- Inner city development
- Close to amenities
- Proximity to easy transportation routes
- Reputable builder
- Green spaces close by
- Nearby development attractive
- Single family homes / not crowded
- Reasonable pricing
- Low down payment
- Spectacular views
- Guaranteed possession date, or price rebate for missed milestones
- Development designed for investor's target market tenants
- Good timing vis a vis economy and, especially for pre-sales, economic forecast

## Signposts of a 'Poor' Investment:

- Area density too high
- Price per sq ft too high
- Unable to see exactly what development will look like when built
- Might not even have Show Home to view
- Area population demographic potential unsuitable for investment (if wanting to rent unit out)

# Interest in Distance Investment

Less than half the focus group participants had invested in the past in real estate outside the immediate Calgary area – some in rest of Canada or US, a couple in other countries. These investments were mainly in condominiums, purchased for rental income.

The majority of the group expressed a low level of interest in distance investments, many thinking of the investment as a rental property and feeling that the role of a long distance landlord would be stressful.

A couple did mention they might be interested in exploring an investment in the US, depending on location and local economic conditions.

*To me it's too much of a job to be maintaining something so far away.*

*I would consider it – probably in the States, depending on if there were some great buys.*

*I can't imagine it – it sounds like too much work.*

*I'm too much of a control freak – I like to be close by the properties I own.*

*I'd considering buying in an area where I go for vacation anyway – then maybe move there myself eventually.*



# Appeal of the Forth Worth Texas area

Information about Fort Worth Texas was distributed to respondents for their review. The overview covered information about the area's population, employment and economic growth.

In general, group reaction was positive in relation to the area's real estate investment potential if they were interested in international investment, with comments related to:

- Strong area economy and employment
- Good potential for population growth
- Not dependent on just oil & gas – more stable economy
- Good for a Calgarian who travels to Texas regularly for oil & gas business, so they could look in to their property fairly often
- Good potential for rental market, with younger people moving in to the area.

On the other hand, some expressed concern about:

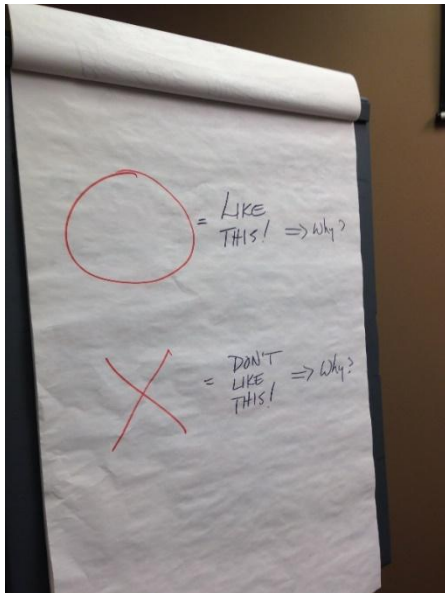
- Fluctuations in currency
- Tax issues with foreign revenue on tax return
- Would require retention of a local property manager.

*I would say that, if I was looking, this might be an area I'd be interested in, but I'd need a lot more information – up to date information – about the area.*

*I think this would be more of a speculative purchase than long term – you'd maybe give it 2 or 3 years then turn it over.*



# APPEAL OF SUNDERA RANCH DEVELOPMENT PLANS



A 17-page package describing Sendera Ranch was distributed to participants who were asked, as an individual written exercise followed by group discussion, to comment on 5 different aspects:

## Location / Community

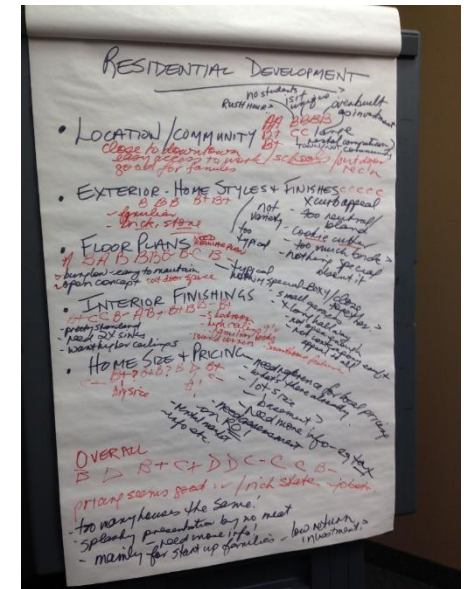
## Exterior home style and finishes

## Floorplans

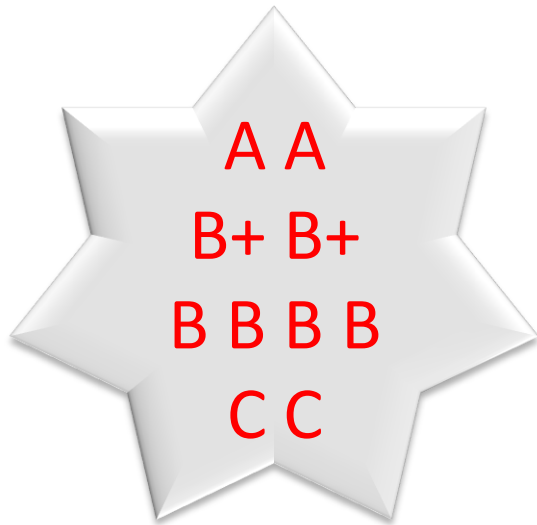
## Interior Finishings

## Home sizes and Pricing

The following pages summarize their comments, including school letter grades assigned by respondents to each of the 5 sections and to the development Overall.



# Appeal of Sendera - Location / Community



## Positive Comments

- **Outdoor Recreation**
  - Variety of amenities
  - Spray parks, pools
  - Scenic lake
  - Sports fields
  - Hiking trails
- Proximity to:
  - **Schools** / Universities
  - **Shopping**, dining, golf, entertainment
  - Variety of Major **Employers**
- Family-oriented community
- Already partially built
- Distance from Dallas congestion
- Top-selling community / popular

## Critical Comments

- 9000 homes
  - Access /Traffic issues
- Fast-growing = low quality?
- Those transit times are shorter than they'd really be
- Cost of maintaining all those amenities

*9000 residences is more like a town than a community!*

*With that many homes in the area, you may have trouble selling your investment when you want to.*

*As an investor I think this is way overbuilt. You'd never get your money back.*

*The competition for rentals could be great – there could be even more in the surrounding areas.*

# Appeal of Sendera - Exterior Home Style & Finishes



## Positive Comments

- **Brick and Stone** = Quality appearance
- 'Clean' design / nice looking
- Low maintenance surfaces
- Custom paint
- Full landscape package / irrigation system
- Outdoor space / large patios

## Critical Comments

- Nothing new/ interesting in exterior style
- Curb appeal too bland
- Look boxy
- Homes too close together?

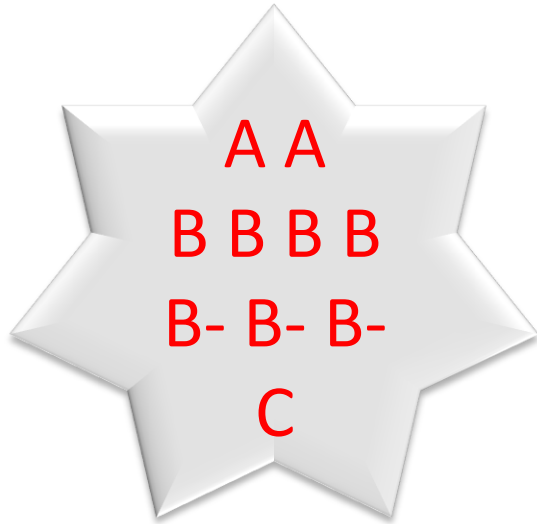
*These are 'ho hum' designs.*

*I liked the brick but at this price range I'd expect it – it's nothing special.*

*A lot of these look similar to Calgary homes - that's kind of comfortable.*

*There are only 4 design to choose from in such a huge development - that's really cookie cutter!*

# Appeal of Sendera - Floorplans



## Positive Comments

- Tuscany – most preferred
- Classic floorplans

## Critical Comments

- Nothing special / typical
- Not contemporary enough to appeal to everyone
- Small garages
- Gullfoss – least preferred
  - Not open concept
  - small enclosed areas confusing
- Tuscany – upstairs and downstairs are almost the same?

*It's pretty hard to judge these. The floorplan diagrams look great but they're hard to figure out.  
I'd rather see standard plans with measurements.*

*They need to fix all the empty boxes in the 3D graphics.*

*The designs are all flat on the sides – makes me think they're going to pile them in close together side by side.*

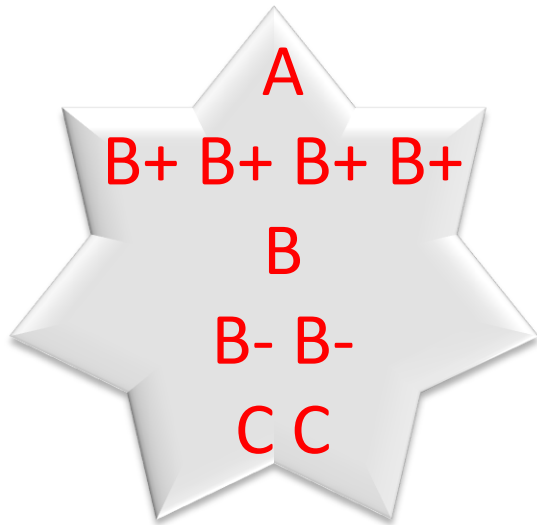
*I don't like long hallways – I prefer to see open big spaces.*

*In the Tuscany, what is this long space – a bowling alley?*

*The bungalow designs are easy to maintain for seniors.*

*What is in these utility rooms? Where is the furnace and the water heater?*

# Appeal of Sendera – Interior Features & Finishings



## Positive Comments

- Well-appointed / familiar
- **9 foot ceilings**
- Granite countertops
- Custom paint/ lighting/cabinets
- Alarm service
- All **Energy features**
- Large floorplans available for big families or vacation rentals
- Smart home features / lock
- 50 gallon water heater

## Critical Comments

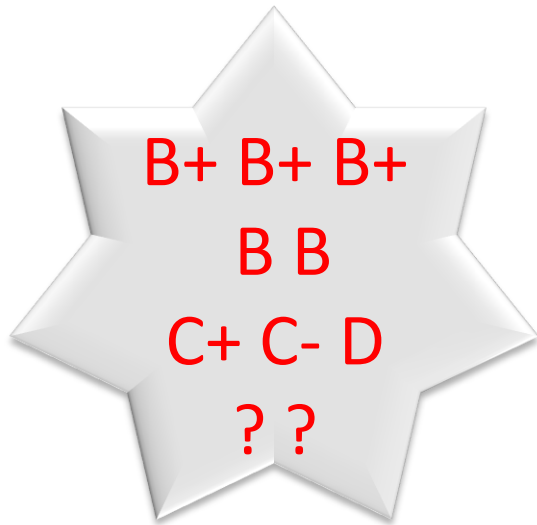
- Pretty standard finishes
- Arched entryways
- Wall to wall carpet
- Delta faucets
- Prefer higher ceilings

*Are all these features standard with the purchase?*

*A lot of this is just what you'd expect to see – typical.*

*These higher end finishings would increase the value for rental or resale.*

# Appeal of Sendera – Home Sizes & Pricing



## Positive Comments

- Priced in Canadian dollars
- Reasonably priced homes if all features are included in purchase
- Tuscany good size / best value – a good investment value compared to Calgary

## Critical Comments

- Need a lot more information to form opinion about price and value as investment
- Seems expensive

*Based on some Texas pricing, these prices seem a bit high.*

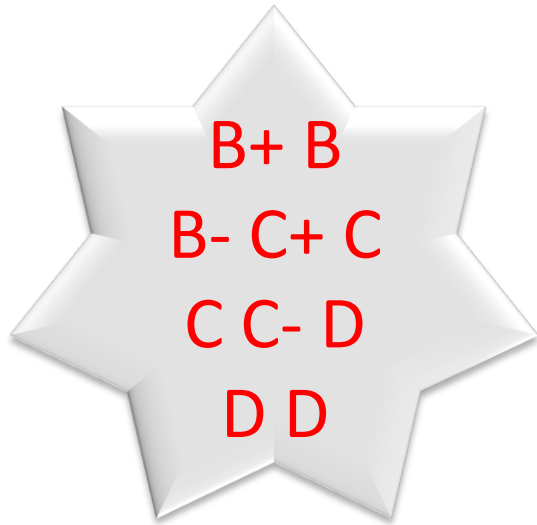
*What is the lot size?*

*Good pricing - for this size of house in Calgary you'd probably be spending \$700,000.*

*As an investor, I still don't know enough – the local comparisons, the HOV, the property size, taxes...*

*I know what you can get for \$300,000 in Texas, and these prices are high.*

# Appeal of Sendera – OVERALL Assessment



## Positive Comments

- Pricing seems pretty good
- Located in a rich state, with lots of employers in the area

## Critical Comments

- There are too many houses, all the same
- Not enough solid information provided to attract investors
- Appears to be a community mainly for start-up families, so potentially low return on investment

*This is a splashy package but it's all sizzle and no meat.*

*An investor package would need a whole lot more financial information, return on investment prospects.*

*As an investor, I would need to take a look myself first.*

*Only 4 varieties of homes - a whole lot of Same!*

*This might be better for people who want to live there than for investors.*

*We need a spreadsheet that shows all the details an investor would need to know.*



# PROPERTY INVESTMENT PLAN CONCEPT - Reactions

Focus group participants were introduced to the PIP concept by way of overview description, followed by discount list sheet and illustrative examples of how discounts can be calculated.

Reactions to the concept were mixed and raised a number of questions, including doubts about why the developer would offer the Plan if they were already financially stable.

*The whole thing seems confusing to me - I wouldn't go for it.*

*Are they going bankrupt or something?*

*Something more straight forward would be more appealing. This makes it look like they're in need of money and they're just trying to make it appealing to anyone any how.*

Several felt the Plan would be of little benefit to them, since they would only be prepared to invest in one property at a time, or would feel it wiser to diversify their real estate investments across several areas.

*If you put all your money in one bucket you could be doomed.*

*If I'm assuming all this risk, especially over time, I wouldn't want all that amount of money sitting there somewhere in Texas.*

Others were taken aback by the prospect of extended closing periods, saying that more than 3-4 years was too long for most investors to tie up their money.

*I look at the 10 year closing and who knows what will happen by then – it could all go belly up by then and I'd lose all my money.*

*I have a hard time waiting in Calgary for a year - these long closings - whoa!*

*Also, a construction zone for a 10 year period is crazy! What's that going to do for your resale value?*

Property Investment Plan -  
Create Your Own Deal

The Property Investment Plan is a innovative investment plan that allows investors full control over the terms of their investment. The investor decides and chooses the amount of units they want to purchase, the length of the closing, and the amount of the deposit.

It is designed to allow investors to "Create Their Own Discount" through an interactive format. Investors are rewarded with larger discounts based on:

- the more units you buy
- the longer the losing date
- the larger the deposit amount

# PROPERTY INVESTMENT PLAN CONCEPT - Reactions

The discount amounts offered – particularly for number of units purchased - were also open to question, several respondents saying they would want significantly higher discounts to participate. *(Note that, during the discussion, they may not have appreciated that the value of the property was also projected to increase over time.)*

*To consider buying several units, and not diversifying my portfolio, I would want to see reductions in the order of 20% - 30% [compounded] just on the multiple unit discount.*

*I don't mind this plan, its just the amounts of discount are low.  
Compared to the presales market in Calgary, these discounts aren't very good.*

As the discussion progressed, and participants had more time to think various options through, some volunteered more positive perspectives on the Purchase Investment Plan.

*I think the discounts are pretty fair.*

*If you took the long closing it raises red flags, but maybe the property would be worth a lot more by the time you took possession.*

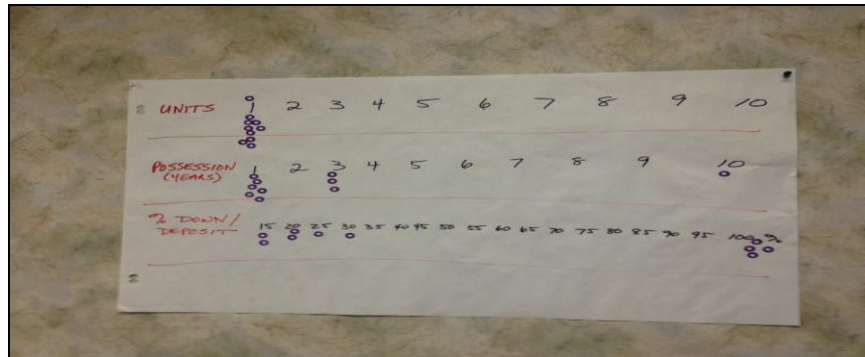
*What if you just got your own mortgage? I think this could be a really good deal. If I got my own financing and bought it for 100% down and got 23% off, that would be great, especially since the originally price seems reasonable.*



# PROPERTY INVESTMENT PLAN CONCEPT – Investor Choices

Finally, each focus group participant was asked to make an individual choice about which combination of Unit, Possession and Deposit options they would select as optimal for themselves or someone they were advising.

Results are shown in the graphic below. Every respondent selected One Unit to purchase; no respondent selected a Possession of greater than 3 years. However, on the question of Percentage Deposit, the group was split, with about half selecting 30% or less and half going for the full 100%.



*I don't know anything about this developer - why would I want to finance his development for 5 years with my money?*

*And you have all the complicated taxes in US -- disclosure, withholding tax - it's really a pain. Its not worth it to me at all, I'd never do it again.*

*Is it worth all that work? There are a lot of easier investments to be made out there!*

*23% is a pretty good rate. You can make good money, especially if you combine it with one year closing.*

*I'd even consider borrowing to buy two.*

# PROPERTY INVESTMENT PLAN – Fit as 'Great' Investment

To close off the group discussion, attention returned to the first exercise where respondents listed the factors that made for Great Presale Real Estate Investments and the factors that made for Poor Presale Real Estate Investments. They were asked to select the items that **did apply** (in **green**) and **did not apply** (in **red**) apply to Sendera Ranch and the PIP. Items remaining in black font were “**unknown**” information. Their responses demonstrate their uncertainty of Sendera/PIP as a good investment opportunity.

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