

The Use of Focus Groups for Property Valuation Research

by Ron Throupe, PhD

Focus group research is a qualitative research method in the area of marketing research. In marketing research, focus groups are often used to elicit information from marketplace participants about their perceptions and preferences on a variety of topics, such as product design and modification, promotions, distribution, and the like.

In recent years, formalized focus group methods have been added to the toolbox of real estate appraisers and real estate economists. Formal focus group work is used predominantly in high-stakes real estate damage litigation cases that demand a high level of due diligence to determine local market conditions. The associated costs for such due diligence are typically beyond what can be afforded in nonlitigation-related assignments. However, qualitative research methods such as focus groups do not need to be limited to high-stakes cases. An understanding of procedures and practices derived from the market research field can be incorporated into formal or informal solicitations of market information by the real estate appraiser. Focus group methods can be useful in eliciting information from market participants when a market is impacted by an economic downturn or recession. For example, a focus group could indicate how the participants have reacted to the market collapse and recession experienced in 2007–2009.

Formal or informal focus groups can be employed to satisfy valuation assignments requirements. A focus group may be used to help an appraiser meet the competency requirements set forth in the Uniform Standards of Professional Appraisal Practice (USPAP). A focus group also may be an initial step in developing a survey questionnaire to elicit market perceptions, beliefs, and risk tolerance from a population of interest.

Qualitative Research Debate

Focus group research is a form of qualitative research, but it has not been specifically discussed in the real estate literature. However, qualitative researchers in the marketing field have long understood that focus groups are advantageous in creating future survey research tools as well as a stand-alone instrument for market knowledge.

ABSTRACT

The use of focus groups for marketing research is common practice when seeking information on new product concepts and perceptions. Appraisers and real estate economists may also use focus groups to solicit information from real estate market participants. The results of these focus group sessions can be used in a variety of ways to increase appraisers' understanding of local market dynamics. This article outlines the accepted mechanics for focus groups and their use by real estate appraisers, and discusses how focus group research can support the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for appraisers.

Focus group research can be used as a form of a pretest for future quantitative or qualitative research, such as survey research. The appraisal literature on survey research reflects a continuing debate on whether survey research is a legitimate tool for the appraiser and what survey methods are most appropriate. The survey research debate is predominantly part of the methodological debate in regards to valuing detrimental conditions and in particular, contaminated properties. Most recently, Mathews¹ made arguments as to why some survey research methods (contingent valuation) can be flawed, while other qualitative methods—such as stated preference surveys—may offer more reliable results. Specifically, Mathews notes that more reliable results are produced when surveys allow attributes to be valued separately, and the analysis incorporates known characteristics for the market and goods, allowing interaction between supply and demand market factors in a simulation analysis.² The use of focus groups to pretest such surveys, whether they are formal or informal surveys, is sound practice and supports requirements to demonstrate due diligence in a litigation setting.³

Literature Review

The use of formalized qualitative market research for real estate valuation was first presented in two articles by McLean and Mundy.⁴ They propose that the survey research methods of contingent valuation⁵ and conjoint analysis⁶ are valuable tools for

appraisers to understand real estate markets. The authors explore using survey research for determining damages for detrimental conditions, which many times have limited transactions that meet market value definitions.

Later, Allen and Austin argue that the use of survey research methods is a valid technique to extract market information.⁷ Survey research is used in articles by Simons, Bowen, and Sementelli on proximity to leaking underground storage tanks (LUSTs).⁸ Simons and Winson-Geideman present a multistate analysis of survey results on contaminated property,⁹ and Simons and Throupe use survey results in a study of the price effects of toxic mold.¹⁰ It is a method available to understand market reactions to contamination events. Later, Flynn et al.¹¹ propose that the use of a survey is not necessarily for determining a diminution in value, but can be used to show causality for contamination events.

These articles on survey research for contaminated properties have encountered opposing arguments from the other side of the debate on whether survey research is a valid tool. The opponents to survey research methods argue that the methods are not grounded in market transactions. They note that the questions, their delivery, and who administers them can impact the results, and the responses do not match how people will act under transactional pressures.¹² These arguments are presented in articles by

1. Kristy E. Mathews, "Under the Microscope: Dissection of a Contingent Valuation Survey," *The Appraisal Journal* (Summer 2008): 259–269.
2. For a comprehensive review of market research methodology including survey search see: Joseph Hair, Mary Wolfinbarger, and Robert P. Bush, *Essentials of Marketing Research* (New York: McGraw-Hill, 2010); and Joseph Hair and Alvin Burns, *Marketing Research*, 6th ed. (New York: Prentice-Hall, 2009).
3. See Table 2 "Property Value Survey Standards: Criteria for Admissibility of a Survey According to the Federal Judicial Center *Manual for Complex Litigation* (MCL) and *McCarthy on Trademarks and Unfair Competition* (McCarthy)," in James Flynn, Donald G. MacGregor, Wayne Hunsperger, C. K. Mertz, and Stephen M. Johnson, "A Survey Approach to Demonstrating Stigma Effects in Property Value Litigation," *The Appraisal Journal* (Winter 2004): 35–44.
4. David G. McLean and Bill Mundy, "The Addition of Contingent Valuation and Conjoint Analysis to the Required Body of Knowledge for the Estimation of Environmental Damages to Real Property," *Journal of Real Estate Practice and Education*, 1, no. 1 (1998): 1–19; and Bill Mundy and David McLean, "Using the Contingent Value Approach for Natural Resource and Environmental Damage Applications," *The Appraisal Journal* (July 1998): 290–297.
5. *Contingent valuation* is a survey research method to estimate what participants believe they are either willing to pay or willing to forego to avoid a good.
6. *Conjoint analysis* is a choice method where a series of hierarchical choices culminates in a ranking of attributes or choices.
7. Marcus T. Allen and Grant W. Austin, "The Role of Formal Survey Research Methods in the Appraisal Body of Knowledge," *The Appraisal Journal* (October 2001): 394–403.
8. Robert A. Simons, William Bowen, and Arthur Sementelli, "The Effect of Underground Storage Tanks on Residential Property Values in Cuyahoga County, Ohio," *Journal of Real Estate Research*, 14, no. 1/2 (1997): 29–42; and Robert A. Simons, William M. Bowen, and Arthur J. Sementelli, "The Price and Liquidity Effects of UST Leaks from Gas Stations on Adjacent Contaminated Property," *The Appraisal Journal* (April 1999): 186–194.
9. Robert A. Simons and Kimberly Winson-Geideman, "Determining Market Perceptions on Contamination of Residential Property Buyers Using Contingent Valuation Surveys," *Journal of Real Estate Research* 27, no. 2 (April–June 2005): 193–220.
10. Robert A. Simons and Ron Throupe, "An Exploratory Review of Toxic Mold for Residential Properties," *The Appraisal Journal* (Spring 2005): 156–166.
11. Flynn et al., "A Survey Approach to Demonstrating Stigma."
12. This is why experts from qualitative research fields are used as consultants to the appraiser for the formalized methodologies.

Wilson,¹⁵ Roddewig,¹⁴ Roddewig and Frey,¹⁵ Bell,¹⁶ and Jackson.¹⁷

Wilson¹⁸ claims that contingent valuation is not a method for real estate analysis, basing his argument on the National Oceanic and Atmospheric Administration (NOAA) investigation panel responses to its usage related to the Exxon Valdez oil spill.¹⁹ However, proponents of survey research argue that the NOAA was no more than an advisor and used caution with survey research methods because of the potential for bias in the measurements of damages.

Roddewig concludes that “surveys may have a limited role in some types of assignments involving contaminated property, but collection and analysis of sales and market data will remain the central technique for estimating the stigma impact.”²⁰ Roddewig and Frey also argue that the methodology is not reliable and claim that work in litigation and follow-up work on prior litigation cases shows that the damage measurement claims did not materialize in the affected areas.²¹ In contrast, Case et al.²² use one of the same effected areas to show a damage measurement for condominium properties several years after public awareness.

Bell²³ claims that surveys are not a primary method for valuation with few exceptions and should be used as a secondary or support role for valuation. Jackson opines that stated preference (survey research) estimates are not consistent with revealed preference (market transactions) that should be relied upon.²⁴ However, Jackson makes a distinction between market interviews and survey research. He states,

In social science research, the term “survey” is implicitly used to mean “sample survey.” A sample survey, by definition, focuses on a representative sample of a population. Market interviews, on the other hand, are more closely akin to what appraisers refer to as sales confirmation or verification interviews. They focus on a select group of key market participants.²⁵

This description of market interviews is analogous to focus groups. Market interviews are useful for collecting and understanding the data and information necessary to apply other methods and techniques.

The majority of the survey debate has focused on whether survey research is capable of measuring any effects on property value. However, Flynn et al. show that a survey does not need to be only about a measurement of market value; it can be a method to show a causal link between an environmental disamenity and the loss in market value.²⁶ Flynn et al. state,

The survey does not attempt to quantify dollar losses; it is intended to show a link between negative values in the sales data and a negative perception of properties in the class area.²⁷

Similarly, a focus group can be used to support a causal link between property market valuations and perceptions of market participants. This causal link is critical in litigation where the valuation measurement itself is not enough, and appraisers are asked to support the causality link for their opinions.

What is a Focus Group?

In essence, a focus group is a group interview. A focus group consists of a set of individuals chosen by a selection process to target a preconceived population to meet a particular need for information. A focus group is specific as its purpose, size,

13. Albert R. Wilson, “Contingent Valuation: Not an Appropriate Valuation Tool,” *The Appraisal Journal* (Winter 2006): 53–61.

14. Richard J. Roddewig, “Junk Science, Environmental Stigma, Market Surveys, and Proper Appraisal Methodology: Recent Lessons from the Litigation Trenches,” *The Appraisal Journal* (October 1999): 447–453.

15. Richard J. Roddewig and James D. Frey, “Testing the Reliability of Contingent Valuation in the Real Estate Marketplace,” *The Appraisal Journal* (Summer 2006): 267–280.

16. Randall Bell, with contributions from Orell C. Anderson and Michael V. Sanders, *Real Estate Damages: Applied Economics and Detrimental Conditions*, 2nd ed. (Chicago: Appraisal Institute, 2008).

17. Thomas O. Jackson, “Surveys, Market Interviews, and Environmental Stigma,” *The Appraisal Journal* (Fall 2004): 300–310.

18. Wilson, “Contingent Valuation.”

19. Arrow et al., “Report of the NOAA Panel on Contingent Valuation,” *Federal Register* 58, no. 10 (January 15, 1993): 4601–4614.

20. Roddewig, “Junk Science, Environmental Stigma, Market Surveys.”

21. Roddewig and Frey, “Testing the Reliability of Contingent Valuation.”

22. Bradford Case, Peter F. Colwell, Chris Lieshman, and Craig Watkins, “The Impact of Environmental Contamination on Condo Prices: A Hybrid Repeat-Sale/Hedonic Approach,” *Real Estate Economics* 34, no. 1 (Spring 2006): 77–107.

23. Bell, *Real Estate Damages*.

24. Jackson, “Surveys, Market Interviews, and Environmental Stigma.”

25. *Ibid.*, 301.

26. Flynn et al., “A Survey Approach to Demonstrating Stigma Effects.”

27. *Ibid.*, 35.

composition, and protocol. What distinguishes a focus group from a one-on-one interview is that in the latter the questioner takes the lead and the subjects can be passive. This leads to less probing of topics and the chance that the results will be based on preconceived beliefs of the interviewer.

Informal Interviews

Appraisers are accustomed to soliciting information from market participants in their appraisal practices, in particular in confirming sales and verifying the conditions of sale. Market participants' information may be obtained through informal interviews and this often suffices for assignments.

An extension of the interviews occurs if an ad hoc group of people is created for an informal focus group to solicit information on a market and to gain a greater understanding of the dynamics of buyer and seller behavior. This informal group could add information such as the amenities desired, their potential effect on value, the effect of a negative amenity, and alternative choices compared to the market in the study. The result is greater insight as to what areas are most appropriate for selection of comparables, and what are the potential items of adjustment.

The usage of informal focus groups is especially valuable when the appraiser has an assignment in an unfamiliar geographical area or market. There is likely less scrutiny of the informal interviewing process for assignments that are not part of litigation. Nonetheless, the appraisal results can be enhanced by an understanding of commonly used protocols and research methods for focus groups.

Formal Focus Groups

If a decision is made to use focus group research for an appraisal assignment as part of litigation, a formalized process must be used to strengthen the credibility of the research results. When a formal qualitative method is being proposed, the expenses related to such research need to be reviewed with the client. It is not uncommon for related costs to exceed tens of thousands of dollars; the expenses include planning and third-party experts needed to withstand

legal challenges to the credibility of the research. Appraisers in litigation must keep in mind that they are in an adversarial proceeding²⁸ and the research will be closely scrutinized.

USPAP Requirements and Focus Groups

Regardless of whether the appraiser uses an informal or formal focus group methodology, the use of this qualitative research method helps satisfy requirements under the Uniform Standards of Professional Appraisal Practice (USPAP).

First, focus groups contribute to local market knowledge required by USPAP's Competency Rule.²⁹ Specifically, the Competency Rule provides that if an appraiser is not competent prior to accepting an assignment the appraiser must "take all steps necessary or appropriate to complete the assignment competently," and report "the steps taken to complete the assignment competently."³⁰ The Comments to the Competency Rule go on to state, "in an assignment where geographic competency is necessary, an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property types and market involved."³¹ Geographic competency is a paramount concern for assignments outside the appraiser's general geographic area of practice—a situation that can occur frequently for appraisers with specialized areas of expertise. Focus groups can help provide the required geographic competency.

Second, focus groups may help satisfy the requirements for credible results as discussed in USPAP's Scope of Work Rule and in Advisory Opinion 29. The Scope of Work Rule's Acceptability section states, "the scope of work must include the research and analyses that are necessary to develop credible assignment results."³² The scope of work guidance in Advisory Opinion 29, "An Acceptable Scope of Work," explains that there are "two benchmarks for measuring the acceptability of the scope of work, both of which need to be met. The scope of work is acceptable when it meets or exceeds **both** (1) the expectations of parties who are regularly intended

28. J. D. Eaton, *Real Estate Valuation in Litigation*, 2nd ed. (Chicago, IL: Appraisal Institute, 1995), 11.

29. Appraisal Standards Board, *Uniform Standards of Professional Appraisal Practice*, 2010–2011 ed. (Washington, DC: The Appraisal Foundation), U-11 to U-12.

30. *Ibid.*, Lines 339–344.

31. *Ibid.*, Lines 349–351.

32. *Ibid.*, Lines 404–405.

users for similar assignments; and (2) what an appraiser's peers' actions would be in performing the same or a similar assignment."³⁵ The credibility of research results are enhanced by the use of proper focus group design and implementation.

The market information discovered from the focus group research may reveal additional research needs. In terms of qualitative research, these needs can include adding focus groups, adding areas of questions, or changing the populations for group selection. Also, the results may reveal the need for changes to preconceived beliefs as to what would be proper comparables or items of adjustment. Such research results would warrant further investigation. This is evident from the Scope of Work statement, "an appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use."³⁴ Therefore, the use of formal or informal focus group research requires an evaluation of the results to determine if the design of the interviews limited the results. The remainder of this article explains the process for formalized focus group research.

Focus Group Basics

Focus groups can be a powerful means of extracting information from market participants in order to make better judgments and support those judgments for valuation decisions. A focus group consists of interviews with a range of four to twelve participants.³⁵ The form of interview requires planning and preparation to execute and extract meaningful information. The planning and preparation process involves the following eight components:

1. Identifying the goals and objectives of the session;
2. Developing a set of questions along with the respective sequencing and vetting;
3. Developing a discussion guide;
4. Recruitment, confirmation, and incentives for participants;
5. Planning the session;
6. Scheduling the session, and selecting a location and setting;

7. Moderating the session; and
8. Session follow-up, including a report of findings from the session.

A discussion of each of these components follows.

Identifying Goals and Objectives

The goals and objectives of the focus group session require preplanning and discussion as to what is to be accomplished by the session. The appraiser needs to explain to a client how a focus group will be used within the assignment and the associated costs.

An initial step in focus group development is internal discussions with colleagues and clients as to the goals and objectives of the research product. A natural progression is further discussions as to what questions are critical to accomplish the objectives. Further discussions are then needed with any third-party facilitator/moderator as to the objectives of the research and the reasons for such objectives. This preparation is needed to coordinate the effort and to prepare the facilitator/moderator as to what is critical within the field of study. The facilitator/moderator most times will not have intimate knowledge of the real estate-related topic; therefore, expect to allocate time to educate the facilitator/moderator as to the research topic.

The role of the moderator can vary depending on the assignment and the experience of the moderator, but the moderator is always critical to the focus group process. As summarized by Greenbaum,³⁶ this role can be as a strategic consultant, content manager, project coordinator, facilitator, and analyst. As a strategic consultant, advice is provided on the appropriate research methods to achieve objectives. As a content manager, the moderator develops a comprehensive discussion guide. As a project coordinator, the moderator can give guidance on the selection of the focus group physical location, recruitment screening, and administration. Of course, the role most widely recognized is as the facilitator of the group's discussions. The last role of the moderator is that of an analyst who will develop an appropriate presentation of findings and recommendation of the results.

The qualifications and experience of potential moderators can vary widely. It is advisable for the

33. *Ibid.*, Advisory Opinion 29, A-100.

34. *Ibid.*, U-14.

35. Richard Krueger and Mary Anne Casey, *Focus Groups A Practical Guide for Applied Research*, 4th ed. (Thousand Oaks, CA: Sage Publications, 2009), 6.

36. Thomas L. Greenbaum, *Moderating Focus Groups, A Practical Guide for Group Facilitation* (Thousand Oaks, CA: Sage Publications, Inc., 2000), 23–28.

appraiser to review the background of the moderator as part of the selection process for hiring any marketing research firm. A starting point would be to review materials from the American Marketing Association; its *GreenBook* directory provides information on marketing research and focus group firms throughout the world.³⁷

Development of Questions, Sequencing, and Vetting

The set of questions asked during the focus group session should be vetted internally by the appraiser, the client, and the moderator/facilitator, who has experience with how questions are structured and delivered. The questions are specific to the topic of inquiry and are often open ended with a strategy of probing. It is advisable to review these questions with colleagues, the client, and the expert facilitator prior to the session itself. People and groups are likely to have a difference of opinion as to what is critical to be asked, how the questions are to be asked, the sequence used, and the questions' wording. The vetting process should include a critical review of the meaning of questions, whether the questions are clear to all, including the potential focus group participants, and whether the questions are considered unbiased and not leading when read by those who are not part of the process.

Developing a Discussion Guide

Next, a discussion guide is developed by the facilitator/moderator and reviewed with the appraiser and client. The discussion guide, sometimes called an interview guide, establishes a routing of question sequence, and it serves as the outline the moderator uses during the actual focus group session.³⁸ The discussion guide is typically sequenced to have general information questions for the beginning of the session to get participants comfortable and promote discussion. Later, more specific questions pertaining to the topic are asked, with the goal of exploring the beliefs, feelings and thought processes of the participants in relation to the topic of the focus group. A sample discussion guide is outlined in the Appendix (Exhibit 1).

According to Greenbaum, there are two key purposes of the discussion guide. First, it is "a vehicle to facilitate communications between the moderator and the client organization"³⁹ on the objectives and lines of questioning to be asked. Thus, it is a critical tool to ensure the parties have agreement as to what the focus group discussion will cover. Second, the guide directs the flow of conversation during the actual focus group sessions.

The discussion guide also serves to indicate closure on topics by noting when the content of the guide is covered and agreement on coverage. Lastly, the guide can be used as an outline when generating a final written report of the focus group findings.

Recruitment, Confirmation, and Incentives

The recruitment of the desired population starts with the appraiser identifying the targeted group from the larger overall population. This targeted population will be based on the appraisal assignment, and the objectives and information to be extracted from the focus group session. If there is a population with a set of demographics the appraiser is attempting to emulate, preliminary research is needed to compare these population demographics for similarity with the demographics of the assignment's geographic location.

After the initial targeted population is determined, the appraiser will develop with the moderator/facilitator a screening questionnaire to use during solicitation of participants (see Appendix Exhibit 2). This screening device is customized to the assignment and may have questions designed to exclude those who have connections to the real property or who have a stake in the condition being investigated. Often those who work within the qualitative research community are also excluded along with certain professions, such as the legal area if the assignment is connected to litigation.

Confirmation of the targeted population participants is needed at several periods during the focus group process. The initial confirmation is done during the recruitment of members. There is likely to be a period of time between the initial recruitment and the time of the focus group session. During

37. New York AMA Communications Services, *GreenBook—Worldwide Directory of Marketing Research Companies and Services*, 49th ed. (New York: New York American Marketing Association, April 2011). Also the companion book, New York AMA Communications Services, *GreenBook—Worldwide Directory of Focus Group Companies and Services* (New York: New York American Marketing Association). Interactive searches of these directories are available on at <http://www.greenbook.org/>.

38. See Appendix.

39. Greenbaum, *Moderating Focus Groups*, 86–87.

this period, those who initially agreed may change their minds or have other circumstances preventing them from participating. Prior to the day of the session, there is a need to reconfirm whether someone intends to participate. A formal scheduling of the participants is advisable; this includes confirming the time of arrival, the process when they arrive, and if there is more than one session, which session they are scheduled for. This confirmation phase is important because there is likely to be a need to have a group that represents the preconceived areas of interest or population of interest of the client and valuation expert. Thus, the final pool of participants may need to be rereviewed to ensure the desired composition of the group.

Last, as participants arrive for the session, another screening is performed to confirm their identity by an identification check and consent form along with prior information. There may be an over- or under-attendance of participants. There is usually an over recruitment of participants, with the expectation that some who previously agreed to participate will not. The result may be less or more participants than anticipated, requiring a decision on group composition at the facility prior to starting the focus group session. Typically, any screening that was initially done in the recruitment stage is reviewed with the participants once they arrive at the focus group location to again qualify and determine the mix of attendees. Then, a decision is made of whether some attendees are compensated without participating or how many sessions will be attempted.

The decision as to a proper incentive for participation must also be addressed before the screening and recruitment process. The incentive can take on various forms, but is typically monetary. The amount of the incentive varies based on consideration of the economics of the area and participants, the amount of time estimated for the session, and the time and distance to travel to the location of the focus group. It is not uncommon for this incentive to be in the range of \$50 to \$150 dollars for real estate-related sessions, depending on the previously mentioned criteria.

Planning the Session

The planning of the actual session has several parts. Planning consists of (1) the scheduling of the time and day of the focus group; (2) the setting for the focus group session; (3) the ground rules and a review of the process with the participants prior to

starting the formal session; and (4) the decision to record or videotape the session for review as part of the session follow-up.

Scheduling, Location, and Setting

The selection of the session's time and day are critical to recruiting and to the eventual participation rate of those who agree to be in the focus group. The session length is typically a maximum of one to two hours. Sessions need to be efficient because participants have a limited willingness to expend time and because there is a limited length of time that participants can be expected to stay engaged. Likely times for sessions are around lunchtime or early evening hours.

The convenience of the location also can impact the participation rate. The location of the session is critical because the facility needs to be convenient for the pool of participants. The convenience of a site is related to what type of participant is targeted. Therefore, the facility selection is best done in coordination with factors related to the target participants, and the availability of facilities for such events, modes of transportation, and monetary compensation for participating in the focus group.

The setting of the focus group session requires decisions related to selection of the room, amenities, and provisions. The room needs to be large enough to lay out a comfortable seating pattern for all to see each other and to be conducive to interaction by all participants. Consideration is also needed as to lighting, HVAC, and acoustics for the discussion and any recording. The actual location may be a conference-type room at a hotel or can be a specialized room, where there is a backroom for clients or experts to watch the process unfold along with audio and video capabilities. Observation can be advantageous because the valuation experts can react to information as it is disseminated and give the moderator/facilitator additional information or questions to pursue. Also related to the setting are the provisions that are supplied; provisions can include name tags or name plates, beverages, and food.

Moderating the Session

The ground rules for a focus group session need to be disseminated and understood by the participants prior to the start of the session. This is typically done through a briefing that explains why they are here; the identification of facilitator/moderator; and the facilitator's job in keeping the conversations going,

getting all participants to contribute, and maintaining control of the session and discussion dynamics. The facilitator/moderator will review the agenda with the participants, have the participants introduce themselves, and allow the participants to ask questions for clarity before the session begins.

The session typically starts with a question or scenario that sets the tone, gives an example, or reflects incidences the participants may have experienced that have implications similar to the session's topic or focus.

The prior decision on the use of voice recording or videotaping of the session will affect the ability to review results. The participants need to be told in the recruitment stage about the use of recording devices and should be reminded about the recording during the briefing before the session begins. Not all sessions are recorded or videotaped, but it is advisable for recalling particular answers after the session. The client may have reasons to choose one method over another. The use of videotaping may allow one to pick up facial or body expression in addition to tone of voice. A related consideration is how this information will be stored, dissemination, or used within a valuation assignment; who has access to such information; and how to maintain compliance with the confidentiality and record keeping provisions of USPAP's Ethics Rule.⁴⁰

Session Follow-Up

The completion of the actual focus group session is the start of the next phase of work. It is best for the facilitator/moderator and other experts who monitored the session to compare their observations after the session when the information is still fresh. This is known as a post-group briefing, where observers can share thoughts from that day's session and any planning needs going forward. The moderator will typically share key preliminary impressions and get feedback on any suggestions for future focus group sessions.

The facilitator firm will review the session and produce a report of the questions and answers, overall comments, and critique of the session. This final product of focus group research is generally a written report. The report will summarize the findings, conclusions, and possibly recommendations for further research. It is advisable for the appraiser to ask during the contracting process who from the

market research organization will be writing such report. This can vary depending on the size of the organization. For real estate litigation, it is advisable to have the moderator—who is likely a principle of the firm or someone who is distinguished within their industry—write the report. This type report is commonly known as a moderator report.

Since there is no standard for a moderator report, the appraiser should inquire as to the level of the written report as part of the contracting process. The report may be a formal narrative with detailed findings and possible quotes from participants; a high-level or top-line report that will briefly provide background and summarize results; a bullet-style report that outlines of the narrative style report using bullets; or some form of oral presentation. In selecting the report style, the appraiser needs to judge what is required to support potential conclusions and usage of the focus group information within the valuation assignment.

The valuation expert may use the focus group session to determine if any additional actions are needed. Options may be considered, such as whether further focus groups are warranted, whether additional questions or refinements to questions are required, and whether action beyond focus group research is warranted. Additional research may include the use of a survey instrument for further extraction of information from the targeted population.

As described throughout this article, the proper execution of focus group research requires expertise. The valuation expert needs to determine if an informal or formal focus group is desired. An informal focus group may have many of the traits of a formal focus group, but not necessarily the credibility or expense of the formal methods. Regardless, an informal method can still create support for the valuation assignment.

Pretesting Surveys

Many times, the results of a survey pretest are invaluable. Pretesting or pilot testing a survey is a standard research practice that often improves the survey. The use of focus groups to pretest and enhance a contemplated survey instrument is an excellent way to gain input as to whether questions within a survey are unbiased, misleading, and transferable between different assignments, populations, or geographical locations. For example, questionnaires can be

40. *Ibid.*; and USPAP 2010–2011, U-8 to U-9.

developed on real estate damages issues, and the sample questionnaires and questions can then be pretested for completeness or clarity by the use of focus group methodology.⁴¹

Pretesting also can provide a rough indication of the likely results of a full-scale study. While the information that comes from pretesting is not as precise as the results of a full-scale survey, the data can have an important impact on the strategy of the assignment.

The overall costs of formal focus groups can be expensive because of the use of experts from multiple fields. These expenses can easily be tens of thousands of dollars depending on the number of experts and extent of the research requirements. But again, the use of informal focus groups can suffice for the appraiser to gain further market knowledge and the possible development of short questionnaires for sales confirmations, market participant motivations and in particular reactions to changing market conditions. Thus, the procedures used within the formal research method are of value for the appraiser to emulate for credible information extraction.

Emerging Methods

Focus group research, which was traditionally performed with in-person interview techniques, has evolved to take on multiple modes of question delivery. These modes of delivery include telephone and online Internet focus group research. In particular, the Internet focus groups are becoming more widely used because of the potential cost savings and the advent of “do not call” lists for telephone solicitation and recruitment. Both the Internet and telephone modes of delivery have their own protocols and nuances that require the researcher to develop skills or hire professionals to support the development process and delivery of the research. Of particular interest to the appraiser is the potential to perform the research in a cost-efficient manner, especially in comparison to formal, in-person interview techniques. Irrespective of which mode of delivery is selected, it needs to match the requirements and objectives of the research assignment.

Conclusion

Qualitative research methods were introduced and developed within the area of marketing research. These research methods include the use of interviews, surveys, and focus groups. Qualitative research

methods are now used in many fields within the social sciences. The field of real estate valuation also has implemented these methods in formal and informal settings. One method, focus groups, can be used to extract information from targeted populations to gain market knowledge and to support the market knowledge requirements of USPAP. The use of qualitative research techniques, such as focus group methods, enhances the appraisers’ knowledge of the motivations and preferences of buyers, sellers and users of real property. The practices developed for qualitative research methods are of value whether the research is for informal or formalized use, and the practices improve the appraiser’s awareness and planning for the extraction of market knowledge.

For the practicing appraiser who may on occasion use interviewing techniques or informal focus groups, there are takeaways from the formal qualitative research field. The foremost lesson is that planning and adequate time to thoughtfully formulate the critical issues to be assessed are required. The second lesson is that it is essential to have a script that has gone through a revision process to perfect the questions asked and the sequencing. Third, the questions need to be vetted to eliminate biased, leading, or awkward questions. Fourth, a draft should be pretested to determine if there are any other ambiguities to correct. Last, the result of the planning process should be a set of questions that can be administered with consistency so that the results can be used to support the valuation judgments made by the appraiser.

Ron Throupe, PhD, is an assistant professor at the Franklin L. Burns School of Real Estate and Construction Management in the Daniels College of Business at the University of Denver. He is a certified general appraiser who specializes in real estate litigation, including eminent domain and detrimental conditions. Throupe has participated in the design and implementation of formal focus group research as support for real estate litigation in high profile cases in the United States. He is a partner with American Valuation Partners, in Issaquah, WA, and was previously the director of operations with Mundy Associates in Seattle, WA. He has a PhD and an MBA from the University of Georgia in real estate and finance, along with a BS in civil engineering from the University of Connecticut. **Contact:** rthroupe@du.edu

41. Samples of these types of questionnaires are shown in Bell, *Real Estate Damages*.

Appendix

Exhibit 1 Discussion Guide Sample Outline

Residential Property Valuation Focus Groups

Introduction

10 minutes

- Explain purpose of focus groups
- Encourage synergism / talk one at a time, encourage debate
- Confirm screeners' questions
- Introductions around the table

Property Value Issues (Warm Up)

15 minutes

Thinking back to when you last purchased a home, what were some of the things you considered when purchasing your current home?

- One of the main focuses of our group is real estate or property value. To get the ball rolling, I'd like to know, what are some things that increase property values in one's neighborhood? [Record on easel]
- Now tell me, what are some things that decrease property value in one's neighborhood? [Record on easel]

Natural Disasters and Return to Neighborhood Section 1

20 minutes

Let's move on to our next topic, the concept of a neighborhood. The term neighborhood is often broadly defined, consisting of a number of components, both vague and specific. The condition or feel of a neighborhood can significantly affect property values. We are going to attempt to define what constitutes a neighborhood.

Testing Potential Survey Question Section 2

40 minutes

What we'll be doing in the remainder of our time is to evaluate various written materials that may be part of a survey being developed regarding property values in areas subject to hurricanes and/or flooding.

Fact Card (A)

Now, I'm passing out a packet with a few fact cards that include statements we will read and I will ask you questions about. They are in order of the discussion. The first fact card we are going to read is titled "Fact Card A." It should be on the first page. I'm going to read it out loud and have you read it along with me—then I'll ask you a few questions about it.

Natural Disasters and Return to Neighborhood Section 2

10 minutes

Assume for the moment that a natural disaster was imminent and you and all of your neighbors were required to evacuate your homes. Then, the natural disaster struck and many homes in your neighborhood were severely damaged or destroyed.

Return to Neighborhood Services on Easel

10 minutes

Now take a look at the list of services and activities located on the board.

How important are the presence of each of these services in your decision to return to your neighborhood?

[Develop Groupings of Most, Midrange, and Least Important Factors]

[Discuss and Record]

That concludes our discussion. Thank you. (*Show them out.*)

Note: This example was shortened for presentation in this article only. Discussion guides may be ten pages or more, with detail for each component.

Exhibit 2 Sample Screening Questionnaire for Target Population

Introduction

Hello, my name is _____, I'm calling from _____ and we're conducting a very brief and important research study with residents in your area of _____ County. Let me assure you this is not a sales call, the study is being conducted for research purposes only. Your opinions are important to us. This call may be monitored to ensure quality. For this study may I please speak to the male or female head of this household?

Recruit a 50/50 gender split; recruit 13 for 10 to show

Questions

1. In what County do you reside?

- a. _____ County
- b. Other [THANK AND TERMINATE]
- c. DK / REFUSED [THANK AND TERMINATE]

All must live in XXXXX county, first, then confirm, "How long have you lived at your current residence?"

2. How long have you lived at your current residence?

- a. 5 Years or less.....[CONTINUE]
- b. More than 5 years but less than 7 years[HOLD]
- c. More than 7 years.....[THANK & TERMINATE]
- d. DON'T KNOW / REFUSED.....[THANK AND TERMINATE]

To assure knowledge of the area or particular purchase time period

3. Do you own or rent this home?

- a. Own.....[CONTINUE]
- b. Rent[OBTAIN PROPERTY OWNER'S NAME AND NUMBER]
- c. DON'T KNOW / REFUSED.....[THANK & TERMINATE]

If rent, try to obtain property owner's name and phone number. Would like a few landlords in the groups... if they refuse, thank & terminate

4. Which of the following best describes your role in the decision to purchase this property?

- a. I was the primary decision maker[CONTINUE]
- b. I shared in this decision and worked closely with our realtor .[CONTINUE]
- c. I shared in this decision but did not work closely
with our realtor[ASK FOR PERSON PRIMARILY RESPONSIBLE]
- d. My spouse was the primary decision maker.....[ASK FOR SPOUSE]
- e. DON'T KNOW / REFUSED.....[THANK AND TERMINATE]

5. Have you heard of the _____ plant and complaints?

- a. How?[PROBE FOR CONNECTIONS]
- b. Do you have any relatives or personal friends who are effected by or are a party in complaints?
If yes,[THANK & TERMINATE]
No,.....[CONTINUE]

My final questions are for classification purposes only

6. Which of the following describes your current employment status?

- Employed..... Full-Time Part-Time
- Not Currently Employed / Looking..... (SKIP TO QU. 8)
- Homemaker / Stay-at-home Parent..... (SKIP TO QU. 8)
- Full Time Student / Not Employed..... (SKIP TO QU. 8)
- Retired..... (SKIP TO QU. 8)
- DK / REFUSED [THANK AND TERMINATE]

7. What is your occupation or work function?

CHECK SECURITY

8. Which of the following categories includes your annual household income? (RECRUIT A MIX)

- Less than \$55,000 [THANK & TERMINATE]
\$55,000–\$49,999.....
\$50,000–\$74,999
\$75,000–\$99,999.....
\$100,000–\$149,999
\$150,000 and over.....
DK / REFUSED [THANK & TERMINATE]

RECRUIT A MIX OF INCOME \$35K +

9. What is your current age? [WRITE IN RESPONSE. IF REFUSE, ASK CATEGORIES]

- <18 (ASK FOR HEAD OF HOUSEHOLD. SHOULD NOT BE <18)
18-24.....
25-34.....
35-44.....
45-54.....
55-65.....
66+ [MAX OF TWO PER GROUP]
DK / REFUSED [THANK & TERMINATE]

RECRUIT A MIX OF AGES IN EACH GROUP

10. Do you, or does anyone in your household or family, work in any of the following types of businesses?

- Market Research..... [GET DETAILS AND SAVE]
For or as an attorney..... [GET DETAILS AND SAVE]
For an environmental group..... [GET DETAILS AND SAVE]
For or as a realtor [GET DETAILS AND SAVE]
For or as a real estate appraiser..... [GET DETAILS AND SAVE]
Advertising or Public Relations..... [GET DETAILS AND SAVE]
Media such as radio, TV, or newspaper..... [GET DETAILS AND SAVE]

11. Have you ever participated in a market research discussion group for which you were paid for your time?

- a. Yes [GO TO QUESTION 12]
b. No..... [SKIP TO INVITATION]

12. How long ago was that? [WRITE IN] _____ (IF LESS THAN SIX MONTHS AGO – GET DETAILS AND HOLD)

15. How many have you participated in? (WRITE IN) What were the topics?

(If participated in 3+ previous focus groups – get details and hold – if participated in real estate related groups – get details and hold)

INVITATION

As further part of our research, we are inviting a group of people like you to participate in a focus group discussion regarding property values—these discussion groups are held for research purposes only. We'd just like to hear your honest opinions. The group will be relaxed and informal, and you will simply be involved in an exchange of ideas and opinions with approximately 8 to 10 other people like yourself.

Web Connections

Internet resources suggested by the Y. T. and Louise Lee Lum Library

American Economic Association

<http://www.aeaweb.org/index.php>

Association for Qualitative Research

<http://www.aqr.org.uk/>

Market Research Association

<http://www.marketingresearch.org/>

New York AMA Communications—New Qualitative Research Methods & Tools

<http://www.newqualitative.org>

Qualitative Research Consultants Association

<http://www.qrca.org/>