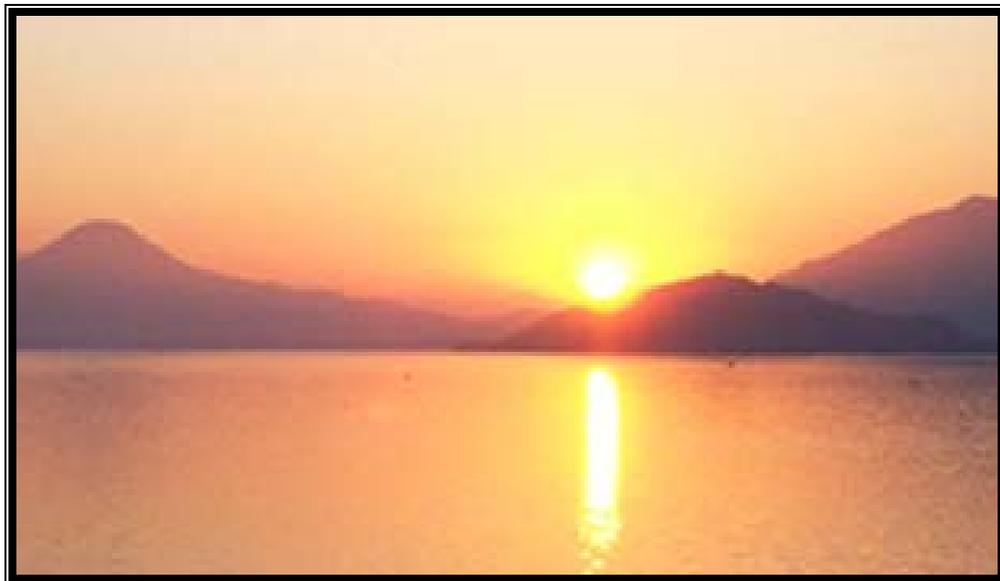


Perris

DEMOGRAPHIC, ECONOMIC & QUALITY OF LIFE DATA



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PERRIS

SECTION 1

INTRODUCTION

Throughout Southern California's history, the region has had a high growth edge where accelerating home construction, population migration, industrial development and ultimately office development fundamentally alter the character of its communities. The South I-215 Corridor from Moreno Valley to Temecula is the newest region to experience this phenomenon with the city of Perris right in the middle. The forces that are beginning to affect this part of Riverside County are the same ones that built the prosperous I-15 Corridor from Corona to Rancho Cucamonga during the past 20-years. They will cause Perris to be a much larger, financially stable and higher income city than at any time in its history. The growth process has three stages:

- Stage #1 begins when developers seeking affordable land for middle class housing move into what they once thought was a relatively remote area. That has now happened to Perris. As the population increases, job growth begins, first based on population-serving sectors like local retailing, education and consumer services. However, most of the new residents must commute for their employment and regional shopping. Each of these factors is now present in Perris's economy.
- In stage #2, industrial developers come to the community seeking flat vacant land on which to build facilities. This sets off a new round of employment growth made-up largely of blue collar jobs. The arrival of Ross Dress For Less, National RV and Mod-Tech plus DHL's decision to locate at March Air Reserve Base clearly shows that the Perris area is at the beginning of this phase. As once occurred in the Westend, this process will accelerate over time and reduce the need for many of Perris's residents to commute. A key driver will be the exploding growth of international trade through the ports of Long Beach and Los Angeles and the rise of logistics jobs to process it. Today, such jobs pay better than manufacturing or construction and give workers the chance to move up to significant incomes via on-the-job learning. Experience in the Westend also shows that the business to business taxable sales from these types of warehousing facilities will add significantly to the sales tax revenues of Perris and its neighboring cities.
- In stage #3, high-end housing development reaches an area adding skilled workers and setting the conditions for professional, corporate and other office operations. This process has now started in the I-15 area. It will be some time before it becomes a major force in the South I-215 Corridor. However, some high-end homes are already being built and sold in cities like Perris, indicating that the wait will likely be less than the two decades that places like Corona and Ontario experienced.

With Perris entering its high growth phase, the city is now a rapidly growing place, that is quite ethnically diversity and largely made up of younger adults and their children. While the income and educational levels of the community have historically been modest, this is changing because the forces shaping Perris's economy are bringing a higher income group of residents to the community. With the acceleration in population growth and housing values, merchants located in Perris are now competing in a South I-215 market with 222,551 people and a total income of \$3.5 billion. That population is forecasted to exceed 400,000 by 2020, fifteen years from now.

Below, a review of the demographic, economic and quality of life data applicable to Perris shows how these forces are impacting the city and why. In the process, the various sections discuss the advantages and the challenges that the city faces in this new era in its history. This material is divided into:

- Section 2.-Demographics
- Section 3.-Residential
- Section 4.-Employment
- Section 5.-Taxable Retail Trade
- Section 6.-Industrial Real Estate
- Section 7.-Quality of Life
- Section 8.-Inland Empire Market

Section 2.-Demographics. From 2000-2005, Perris has gone from 36,189 people to 44,594, a up 23.2%. In 2005, the city ranked between Yucaipa (49,388) and Lake Elsinore (38,045) in size. In the I-215 Corridor area, Hemet (66,455) had more people and San Jacinto (28,437) had less. In 2005, the city ranked 26th in size among the inland regions 48 cities. Its absolute population growth of 8,405 from 2000-2005 was the 19th largest gain of the 48 inland cities. In this period, the Perris Market Area, including census tracts in and near Perris, Hemet and San Jacinto (*Sun City, Menifee, Homeland, Romoland, Winchester*) grew 7.2% to 222,551. Riverside County was up 21.5%. The Southern California Association of Governments has forecasted that the Perris Market Area will have 289,361 people in 2010, up 99,548 from 2000 (52.4%). By 2020, the population is expected to reach 406,422, up 217,144 from 2000 (114.4%). However, the area's 222,551 people in 2005 was below their forecast of 236,949.

Perris has historically been less affluent than Riverside County. This was the case in 2004 when the city's median family income was estimated at \$41,942 (*half above & below*). Its average household income was \$50,563 and its per capita income was \$13,504. Each of these was below Riverside County's equivalent income measures: \$51,075 (*median*), \$66,986 (*average household*) and \$21,967 (*per capita*). In 2004, the largest share of Perris's households (20.2%) was the \$50,000-\$74,999 income group followed by the 18.7% from \$35,000-\$49,999. Riverside County's largest income group was also made-up of those in the \$50,000-\$74,999 range (19.1%). However, its second largest group were the 18.6% earning \$100,000 or more. In 2004, Perris's median income of \$41,942 ranked 33rd among the Inland Empire's 48 cities.

Looking at total personal income, the residents of Perris earned an estimated \$558 million in 2004. On this measure, the city ranked 30th among the 48 inland cities. Among Riverside County's fastest growing communities, its income ranked just below Lake Elsinore (*\$646 million*) and above Banning (*\$519*). The 222,551 people living in the market area for which merchants located in Perris compete had a total personal income of \$3.5 billion in 2004.

NOTE: In Perris, the income to buy a conventionally financed median priced new home (\$398,939) at 10% down in second quarter 2005 was \$75,734. It was \$55,851 to buy the median priced existing home (\$294,122). The housing market is thus luring buyers who will raise the city's income and education figures.

Estimates by DB Demographic Consulting showed the largest share of Perris's population in 2005 was the 60.1% who were Hispanic. This compared to 56.2% in 2000. These data were

extrapolated based upon the Public Law 94-171 2000 Census file and work by the CA Department of Finance. The second largest group in Perris were people who were White at 17.9%, down from the 22.8% in 2000. African-American residents were estimated at 16.1% of residents in 2005, up from 15.4% in 2000. Asian or Pacific Islanders were 3.2%, up from the 2.9% in 2000. The city had an estimated 216 Native Americans (0.5%). In Riverside County, these shares were: Hispanic (42.1%), White (43.5%), African American (6.0%), Asian (4.6%) and Native Americans (0.8%).

In 2000, the Census found that 6.6% of adults in Perris had a bachelor's degree or higher education, well below Riverside County's 16.6% or the 24.9% to 30.8% range in Southern California's coastal counties. Altogether, 34.9% of the city's adults 25 & over had at least attended some college in 2000. Again, this was below the range in the surrounding counties of 49.2% to 62.0%. In 2000, Perris had a large percentage of adults who had stopped their formal educations with a high school diploma or less (65.1%) well above the shares in San Bernardino (50.8%), Riverside (49.7%), Los Angeles (48.9%), Orange (38.0%) and San Diego (29.5%) counties. Here again, it should be noted that the influx of new residents into the city, through the screen of its housing stock, is likely increasing the city's adult educational profile.

In 2005, it is estimated that Perris's largest groups were aged 0-9 (20.6%) and their siblings aged 10-19 (20.4%), together they were 41.0% of the city's population. This indicates that a growing number of families with children are buying new and existing homes in the city, a fact confirmed in that the next largest shares are adults 25-34 year olds (15.1%) and 35-44 year olds (14.5%). Interestingly, a very small share of the city's people are baby boomers 45-54 (9.5%) compared to 13.0% in Southern California. And, in 2005, just 12.1% of Perris's people were 55 years old and up (12.1%) compared to 15.4% to 21.7% among Southern California's counties.

In 2000, Perris's household make-up was very different from Southern California as a whole. Some 39.4% of the city was made-up of married couples with children under 18 versus the averages for Southern California's counties which ranged from San Diego (24.8%) to San Bernardino (31.0%). It similarly had an unusually higher share of females alone with children at 13.0% compared to the counties (5.7% to 9.3%) and a higher level of males alone with children at 4.4% versus the counties (2.2% to 3.4%).

Section 3-Residential. Perris is now part of a string of communities along Riverside County's South I-215 Corridor that have become the Inland Empire's newest "hot spot" for residential real estate development. After being relatively dormant through the 1990's and early 2000's, the city's new home sales shot up to a record level in 2003 and exploded to well over 1,000 sales and permits in 2004. At the same time, Perris's median home prices have risen to unheard of levels. Existing homes are approaching \$300,000 and new homes approaching \$400,000. This has happened in a city where existing homes were below \$100,000 in early 2000 and new homes were roughly \$150,000.

Looking ahead, the keys to Perris's real estate market will start with the general health of Southern California's real estate market followed by the fact that the Southland's prices are generally at very high levels. This is starting to inhibit demand and force many buyers to use risky financing. This makes the overall housing market vulnerable to price flattening and possibly some decline. A particular worry are those using as much as 25% of their income to buy homes, paying nothing down with interest-only loans. It will take 42% of their incomes to handle these mortgages when they change to fixed, long term financing. Despite its higher prices, Perris remains

relatively inexpensive by Southern California standards and should therefore continue to do well even in a market correction.

Perris's existing home sales set a record at 1,163 units in 2004. That was up from the 2003 volume of 1,069 and broke the 1998 record of 1,116. On a seasonally adjusted basis, the existing homes sold in fourth quarter 2004 were the city's recent high, with the first and second quarters of 2005 not far behind. However, these figures were still below the 2001 record. Among I-215 Corridor cities, Riverside (5,931), Moreno Valley (4,108), Hemet (2,350) and Murrieta (2,022) had higher 2004 volumes than Perris. The city exceeded San Jacinto (712). In Riverside County's other hot spot, the Pass Area, Banning (689) and Beaumont (397) also had lower 2004 volumes. Perris's existing home sales grew by 94 units from 2003-2004.

In Perris's new home market, volume has soared. It jumped from 76 units in 2001 to 221 in 2002. It then tripled to 690 units in 2003 and nearly doubled again to 1,234 units in 2004. That was almost exactly the same number of homes sold in the eight years from 1993 to 2000. On a seasonally adjusted basis, the city's sales in the fourth quarter of 2004 and first two quarters of 2005 have reached levels far above any previously experienced. In 2004, the 1,234 new homes sold in Perris ranked ahead of several cities in Riverside County's two fast growing corridors: the I-215 and the I-10 Pass area. These included Beaumont (954), Riverside (820), Hemet (552), San Jacinto (446) and Banning (255). Along the I-215, higher volumes were still found in Murrieta (2,456) and Temecula (2,350). From 2003-2004, Perris's new home volume jumped by 544 units, second only to the gain in Temecula (644) along the I-215 Corridor. This fact highlights how Perris has become a major new center for the Inland Empire's new home market.

With Southern California's coastal counties running out of places to put new homes and the annual gap between the supply and demand for homes continuing, it is not surprising that Perris's existing homes are appreciating rapidly. What is unusual is the speed. In first quarter of the decade, the city's median existing home price was just \$86,970. By second quarter 2005, the level had more than tripled to \$294,122. In Riverside County's fast growing I-215 Corridor and I-10 Pass Area, the city's \$294,122 median existing home price ranked in the middle of the cities: above San Jacinto (\$282,071), Hemet (\$279,629) and Banning (\$250,000), below Temecula (\$439,248), Murrieta (\$433,169), Riverside (\$373,816) and Beaumont (\$305,000). Its 31.5% growth rate from 2nd quarter 2004-2005 was the second fastest behind Banning (44.5%).

Perris's new home prices have also exploded. Through the 1990's, to as recently as second quarter 2001 (\$139,583), its median price cycled from \$100,000 to \$150,000. Now, major developers are active in the city, building large quality tracts with the median price reaching \$398,939 in second quarter 2005. In Riverside County's high growth corridors, markets that took off earlier had higher prices: Temecula (\$529,309), Riverside (\$524,195), Murrieta (\$480,246). However, cities like Hemet (\$377,025), Moreno Valley (\$370,124) and San Jacinto (\$322,233) had lower prices as did Beaumont (\$363,250) and Banning (\$340,000). From second quarter 2004-2005, Perris's median new home price rose \$116,290 (41.1%), a gain that ranked third in the high growth areas after Banning (69.2%) in the Pass Area and Hemet (52.4%) in the I-215 Corridor.

On a Southern California basis, there is little wonder why Perris is attracting home buyers. Its second quarter 2005 median existing home price of \$294,000 was \$191,000-\$356,000 below Los Angeles (\$485,000), San Diego (\$550,000) and Orange (\$650,000) counties. Its median new home price of \$399,000 was \$43,500-\$342,250 less expensive than median new home prices in Los Angeles (\$454,250), San Diego (\$422,500) or Orange (\$741,250) counties.

In 2005, Perris's 3.83 people per dwelling represented the highest population density in Riverside County's high growth areas ahead of Moreno Valley (3.70). Its housing market is now one of the inland region's hottest with 26.7% of its new and existing housing stock turning over in 2004. Finally, Perris's builders were granted 1,573 permits for new single family homes in 2004 breaking the record of 1,269 in 2003. Amazingly, this is up from just nine permits in 2000.

Section 4.-Employment & Payroll. Perris is undergoing significant economic change. The growth of its manufacturing, distribution and construction sectors have completely offset the impacts of the cutbacks at March Air Reserve Base in the 1990's. The city's rapid population growth is causing its retailing, education and consumer service sectors to expand dramatically. Meanwhile, the composition of the city's locally based employment is an unusually good fit for the skills of its population and the sectors in which they work.

From 1997-2004, CA Employment Development Department data show that employment in Perris rose from 8,759 to a record 13,804, up 5,044 jobs (57.6%). Since 1998, the city's employment has grown in every year. In 2004, Perris's job base was unusual in being led by two non-population serving sectors: manufacturing (3,059) and construction (2,503). This occurred because of two large scale manufacturers Star Crest and ModTech, plus the impact of the residential development industry. Given Perris's rapidly growing population, its next largest employers were the retailers (2,452) and schools (2,147) serving its residents. Importantly, for six of the last seven years, job growth in Perris has exceeded that of the Inland Empire, which in turn has led California. After a 10.6% surge in 2000, the city's job growth has since varied from 5.0% to just under 6.0%. That has been higher than the Inland Empire's range of 3% to 4.5%.

There has been a shift in the make up of Perris's economy as it economy has expanded. From 1997-2004, the city's largest sector remained manufacturing but its share of jobs fell from 27.6% to 22.2% despite the addition of 638 positions. This is the result of the diversification of the city's economic base. Construction, on the other hand, added 982 jobs and its share rose from 17.4% to a second placed 18.1% due to the aggressive growth of city's housing sector. Retailing added 702 jobs but its share fell from 20.0% to a third placed 17.8% again because of the faster pace of other sectors. The addition of 856 jobs in the schools caused their fourth placed share to rise from 14.7% to 15.6%.

The payroll expended by firms located in Perris has followed a pattern similar but more aggressive path than employment. From 1997-2004, payrolls more than doubled from \$213 million to \$418 billion, up \$205 million (96.2%). Adjusting for the 21.1% increase in inflation, this payroll's purchasing power still rose \$160 million or a strong 75.1%. In 2004, Perris's largest payrolls were in its manufacturing (\$97.6 million) and education (\$75.6 million) followed by construction (\$70.4 million) and retailing (\$53.4 million). From 1997-2004, the \$205 million gain in Perris's payroll was also led by manufacturing, up \$37.5 million, or an 18.3% share of the city's increase. That was nearly matched by the growth in the construction payroll (up \$37.3 million) and the utility payroll (up \$36.8 million) which respectively represented 18.2% and 18.0% of the city's growth. Together, these three sectors accounted for 54.4% of the new payroll released by the city's employers.

From 1997-2004, the pay of the average jobs located in Perris went from \$24,310 to \$30,270, up \$5,959 (24.5%). However in this period, workers needed an extra \$5,127 to cover the 21.1% rise in Southern California's prices. As a result, the average job actually provided workers with \$833 in increased purchasing power over this 7-year period (3.4%), a modest gain in the standard of living. It should be noted that average payroll is not average family income due to multi-job

families. Also, Perris's spurt in population means that many of its workers commute elsewhere to work and bring their pay checks home to spend.

In 2004, Perris's best paying sectors were utilities (\$59,938), engineering & management (\$51,142), and business services companies (\$35,915). They were followed by its educators (\$35,197). The high "education content" of work in these sectors are the reasons for their higher pay scales. The next highest pay was by distributors (\$33,225) due to the heavy adoption of information technology by the large logistics operations now locating in the city. Perris's three biggest employers paid modestly: manufacturing (\$31,908), construction (\$28,109) and retailing (\$21,783).

From 1997-2004, the number of firms in Perris grew from 416 to 555, up 139 (33.5%). These data are an "impression" of actual growth as they only include operations with payrolls. The largest concentration of firms was 114 in retailing, 103 in construction and 67 in other "consumer" service at 67. This is the normal pattern in a suburban city undergoing a rapid spurt of development. They were followed by distribution with 63 companies. Meanwhile, Perris's economy is made up of smaller firms with average employment rising from 21.1 to 24.9 workers from 1997-2004, up 3.8 jobs per firm or 18.0%. There were exceptions to the small size rule in those sectors related to public services: education (268.4), utilities (100.8) and government (76.4). Also, the city's manufacturers were large, averaging 66.4 employees. Otherwise, the average employment was highest in construction (24.3), retail trade (21.5) and finance, insurance & real estate (20.2).

In 2000, the U.S. Census found that the top four sectors employing Perris's residents were manufacturing (18.7%), education (16.5%), retailing (13.1%) and construction (11.3%). In a slightly different order, these are the same sectors supplying the most jobs in the city: manufacturing (22.2%), construction (18.1%), retailing (17.8%) and education (15.6%). Also, the 2000 Census revealed that production and transportation workers represented 22.2% of the skills practiced by the workforce in Perris, a good match for its employment profile and a much higher percentage than the 14.5% in the Inland Empire. Also, 12.5% of the city's workers had construction skills versus 10.6% in the inland area. On the other hand, Perris had abnormally low shares of people trained for the professions (15.6% v. 25.8%) and sales workers (22.0% vs. 25.0%).

Section 5-Retail Trade. Perris has long been a suburban city whose residents shopped at regional malls in places like Riverside, Moreno Valley or Temecula. It has, however, seen significant sales gains in its non-store, non-retail operations like ModTech, Richie Brothers Auction or Star Crest, plus the expansion general merchandise sales at Walmart. With the housing industry now playing a significant role in Perris, the city is gaining the roof tops that should allow its retail offerings to expand. This will logically occur among food and drug stores, fast food restaurants and gas stations that depend directly on nearby residents. The city may gain the population to support additional automobile franchises. Its top targets, however, would appear to be building supply outlets like Home Depot and Lowe's plus furniture stores that sell to new homeowners.

From 1990-2004, Perris's taxable sales grew from 163.3 million to a record \$458.4 million, up \$295.1 million (180.7%). Prices rose 42.5% in this period indicating that the underlying volume more than doubled. On a year by year period, the city's growth exceeded that of the county in three of the last four years. Its sales growth was 25.8% in 2000, 13.7% in 2002 and 14.3% in 2003 exceeding Riverside County's growth rate of 2.5%, 5.9% and 8.4% respectively. The city's 2004 rate was a modest 6.6% versus the county's 14.0%. Perris's retail sales of \$485.4

million were the seventh highest among the cities in Riverside County's high growth South I-215 and I-10 Pass areas in 2004. Hemet (\$891.6 million) and Murrieta (\$878.1 million) were slightly higher and Banning (\$197.0 million), Beaumont (\$128.8 million) and San Jacinto (\$111.4 million) were lower. Riverside (\$4.7 billion) and Temecula (\$2.5 billion) led in these areas.

From 1990-2004, Perris's retail trade increased by 180.7% or \$295.1 million, from \$163.3 million to \$458.4 million. The largest share of this gain (41.6%) came from increased non-store, sales (\$122.7 million) from operations like ModTech or Richie Brothers Auction. At the same time, the general merchandise added \$55.1 or 18.7% of the city's growth largely due to the 1992 opening and subsequent expansion of Walmart. The service station sector gained \$54.1 or 18.7% of the increase. Surprisingly, building material sales fell \$5.3 million.

From 1990-2004, the non-retail sales, largely comprised of direct non-store taxable sales by manufacturers, distributors and professionals service providers, went from 37.7% of the city's retail volume to 30.8% despite the sector's growth. It remained the city's largest retail sector at \$173.0 million. Service stations became the second largest sector expanding from 9.6% to 15.2%. General merchandise sales mostly from power centers like Walmart expanded to \$57.1 million from 1990-2004, and their share rose from 1.2% to 12.5%. The automotive group also saw a rise in share from 7.2% to 9.4% accounting for the fourth place. Food stores, the third largest sector in 1990 at 14.0% dropped to 6.3% in 2004. The building material group's loss of sales caused its share to plunge from 19.0% to 5.6% perhaps due to the closing of K-Mart.

Given the importance of the retail sales tax to California municipalities, taxable retail sales *per capita* is a barometer of a community's ability to provide services to its population. From 1990-2004, Perris's per capita sales rose from \$7,138 to \$10,582, up 58.7% growth rate that exceeded the 42.5% inflation rate. The city's 2004 level ranked 26th of the 48 Inland Empire cities. However, the growth of Perris's sales per capita growth was slower than that of Riverside County and fell \$2,979 below the county's \$13,561 average in 2004.

From 2000-2004, Perris's per capita sales grew from \$9,110 to \$10,582, up 16.2%. This was above the 12.9% inflation rate and better than the situation in the Pass Area's Beaumont (-7.4%) and Banning (-12.6%). It was slower than the growth of I-215 Corridor cities led by Temecula (31.4%) and Riverside (30.4%). In 2004, Temecula (\$31,030) and Riverside (\$16,233) had the highest per capita sales in the I-215 and Pass Areas, due to their positions as regional retail hubs. Hemet (\$13,577) and Murrieta (\$10,699) also had higher per capita sales than Perris (\$10,582), while Beaumont (\$7,284), Moreno Valley (\$7,168), Banning (\$7,086) and San Jacinto (\$4,006) were behind it.

Perris's 2004 per capita taxable sales average of \$10,582 was below the \$11,610 adjusted per capita sales level for Riverside County that year. The Riverside County figure was adjusted downward to allow for the fact that estimated median income in the county was 17.9% higher than in the city. After allowing for income differences, the sectors in which the city had a higher level of per capita sales than the county are instances where it is capturing sales from residents of surrounding areas. The opposite is also true. Perris's firms are seen capturing taxable sales in three sectors: non-retail (\$933), service stations (\$835) and food stores (\$128). The major leakages were seen in the automotive sector (-\$970), other retail (-\$638), building materials (-\$463) and furniture (-\$337). These are the areas in which firms locating in the city can succeed by capturing sales from its residents. In particular, the drains in building materials and furniture stand-out, give the city's growing new home base.

[Section 6-Industrial Real Estate.](#) Perris is part of an Inland Empire industrial market that is among the strongest in the United States. This is the case because industrial firms are being

lured into the region for its available land, lower lease rates and relatively lower labor costs. Perris is a new player in this market due to its broad open areas along the south I-215 corridor, the nearness of joint use March Air Reserve Base (*MAR*), the developments occurring in the March Joint Powers Authority (*JPA*) redevelopment zone and the decision of DHL to locate there. As recently as the 4-quarters ended in 3rd quarter 2001, gross absorption in the Inland Empire set a record at 48.0 million square feet. Of late, absorption has fallen to 18.4 million square feet for the 4-quarters ended 2nd quarter 2005 due to a shortage of available space. That slowdown has more to do with a lack of available space than a lack of firms looking for it.

For Perris, the industrial sector's success is important to Perris given the 65.1% of its adults in 2000 who had not had a single college class. The 2003 American Community Survey put that share at 50% for the entire Inland Empire. Many people in this group need access to jobs that pay well and provide a clear job ladders via on-the-job learning towards middle class incomes. Logistics provides this as its Inland Empire pay averaged \$37,161 in 2003. That was more than either manufacturing (\$36,704) or construction (\$35,373). Workers in logistics are starting at \$10 to \$12 per hour with full benefits and can transition to \$16 in two years. Managers earn \$40,000 to \$60,000 and often have worked their way up from the blue collar ranks.

Within the Inland Empire, rapid industrial space construction and space absorption is now occurring east of the I-15 because the region's western edge is running out of industrial land. That is where the region's industrial growth created a powerful economy from 1985 until today. Looking ahead, the forces shaping Southern California's economy are pushing job creation east of the I-15. From 2000-2004 period, 51 facilities of over 250,00 square feet have located either from Fontana to Redlands along the I-10 (30), in the Moreno Valley-Perris-MAR (11) or in the High Desert (10).

Future industrial expansion east of the I-15 freeway will likely be stronger than the 1990's as that decade included the deep defense downturn. Also, today's coastal counties have less available land than they did in that period. Most importantly, the current time is seeing an acceleration of international trade through Los Angeles and Long Beach harbors where volume went from 9.5 million TEU's (20-foot equivalent containers) in 2000 to 13.1 million in 2004, up 38% in just 4-years. Looking ahead, the pace is expected to reach 17.1 million containers by 2010. Increasingly, these trends are causing good paying logistics jobs to be created in the inland region as this cargo is stored, managed, transloaded and shipped across the country.

Meanwhile, the Inland Empire's traditional competitive advantages are not going to evaporate. Firms are migrating inland, in part, because the area's workers will take local jobs for 2.2% to 5.1% less pay than those living in the coastal counties to avoid long commutes. Companies are also coming to the inland region because it offers modern space for lower lease costs. For instance, in June 2005, 350,000 square feet in Perris could be leased for \$0.39 a square foot per month or \$1.64 million a year. In the coastal counties, the San Gabriel Valley offered the least expensive lease space with that sized facility costing \$0.47 a square foot per month or \$1.97 million a year. For older space, that was a \$336,000 or 20.5% premium over Perris. Within the Inland Empire, space in Perris is a little above average in expensive as it is new. It is just above the Inland Empire's average of \$0.38 square foot/month.

Infrastructure is also playing a crucial role in the inland migration of logistics operations. A key facility is Burlington Northern Santa Fe (*BNSF*) Railway's intermodal yard in San Bernardino. This is where containers are transloaded between trains and trucks. This yard's forecasted capacity was 400,000 lifts by 2006. In 2004, it was already at 557,170. The facility will continue expanding though likely at a slower pace due to capacity restrictions. At the same time, an

“Inland Port” where international cargo can be shipped by rail unsorted before being processed and sent to inland warehouses is under consideration. This would reduce the 1.28 million annual truck trips from the harbors to the inland area while boosting the economy where it is located. It will likely locate in Devore, the Victor Valley or San Geronio Pass nearest to Perris.

Looking at air cargo, a recent Southern California Association of Governments (SCAG) forecast anticipates that the Inland Empire’s airports will handle 4.5 million additional tons of air freight between 2004-2030. That is more than the 3.3 million currently going through LAX. MAR next to Perris is expected to handle cargo flights with 825,000 tons by 2030. DHL’s location at this facility will increase the competitiveness of the Perris area and validate this forecast.

By 2nd quarter 2005, the Inland Empire had 335.3 million square feet of industrial space including existing sites and space under construction. Of this 3.4 million square feet was in the Perris (2.1%). Interestingly, in 1991, 23% of the Inland Empire’s industrial space was vacant. By second quarter 2005, despite millions of square feet of construction, only 2.7% is available. Including space under construction, availability was still just 6.0% or 27.1 million square feet. The Perris market had virtually no available space, a difficulty as it is important to have available space to accommodate employers wanting to be in the city.

Looking ahead, in June 2005, Perris had 3,402,903 square feet of existing industrial space with another 84,201 planned. Together, this will bring the city’s total to 3,487,104 square feet. The largest share will be in the 350,000 & up range (52.4%) followed by spaces from 100,000-349,999 square feet (21.8%) and that 10,000-24,999 (8.4%).

As a result of the inland region’s competitive advantages, 1,268 major projects have taken new or extra space in the Inland Empire for expansion since 1994. Of these, 658 have been manufacturing companies (51.9%), while 454 have been distributors (35.8%) and 143 have been large service operations or agencies (11.3%). The ratio is shifting away from manufacturers due to the competitiveness of China and the high cost environment created by the State of California. The source of the firms expanding in the area included 301 migrating from coastal counties (23.7%), 484 entered the Southern California for the first time or put their newest facility in the inland area (38.2%). The other 483 moved within the inland region to expand (38.1%). The inland area’s expanding manufacturers have averaged 70.0 workers and used 990 square feet of space per worker. Its distributors have averaged 108.8 workers and used 2,151 square feet per worker.

Section 7.-Quality of Life. Economic development does not take place in a vacuum. Among the important factors that will ultimately impact Perris’s prosperity is the success of the law enforcement program that has lowered its crime rate by 42.6%. The city’s parks and recreation programs and opportunities will be important as they are among the amenities that make people and firms want to locate in a community. The school systems performance is crucial as education is ultimately the route to upward economic and social mobility in America.

Education. The Perris Unified School District has two traditional high schools, one middle schools and seven elementary schools. Together, their enrollment totaled 12,733 in fall 2004. Enrollment in the city’s schools ranked fourteenth among Riverside County’s cities. Ethnically, for academic year 2003-2004, students in the Perris school district were Hispanic (61%), White (23%), Asian (2%) and African American (12%). This was quite a different profile that the averages for Riverside County: Hispanic (50%), White (35%), African America (8%), Asian (4%).

Since 1999, test scores in California’s schools have been used to create an Academic Performance Index of how their students are performing. In 2004, Perris’s high school students tested above the state level with an average score of 686 versus the state’s 670. However, the city’s

elementary and middle schools have annually performed below the state averages. The city's students averaged 641 versus the state's 735 at the elementary school level, and 605 versus the state's 703 at the middle school level

Meanwhile, for the Class of 2004, 30.2% of Perris seniors completed the required courses for UC and CSU. That ranked seventh of the county's 10 major urban communities. The county average was 30.5%. The state's was 34.7%. Nearby Hemet (32.1%) was just higher and Desert Sands was lower (26.8%). On pupil assessment tests, Perris's high school students are good performers. On the 2004 Stanford-9 assessment tests, using 10th graders to represent high school students, the percent of Perris's students "at or above" the national 50% threshold ranked 4th in reading, 5th in math, tied for 6th in language and tied for 7th in science. Perris's 10th graders finished a little above the California and national 50% levels on two subject matter tests: reading (53% v.49%) and math (51% v. 50%). They were a little below the national and California averages in language (49% to 52%) and science (44% to 47%). Seniors taking the 2004 Scholastic Assessment Test (SAT) averaged 969, the fifth highest among Riverside County's largest areas. That was below California's average of 1,015 but above the county's average of 963.

Perris's elementary students had a weak performance on the Stanford-9 tests. Among 5th graders in Riverside County's 12 urban areas, the city's students ranked last in reading, math, spelling and language. Importantly, the 5th graders far under-performed California's averages on every subject and were below the national average in all four subjects.

Meanwhile, companies and people living in Perris are within 45 minutes of a wide array of private and public colleges & universities. Altogether, there are 22 campuses with a combined enrollment of 155,738 students. The list includes nationally known private, liberal arts schools like the University of Perris and the Claremont Colleges. Impressive scientific work is being conducted at Harvey Mudd College, California State Polytechnic University at Pomona, and the University of California, Riverside. Loma Linda University boasts one of the top medical schools in the world. California State University San Bernardino has an outstanding School of Business. The Western University of Health Sciences supplies a large proportion of Southern California health professionals. And, there are five Community Colleges including the Mt. San Jacinto district with a campus in nearby Menifee.

Recreation. Perris has nine parks with 84 acres of land. With a 2005 population of 44,594, it has 533 people per acre of park land, a modest ratio. However, this does not count the 8,800 acre Lake Perris State Recreation Area adjacent to the community including 2,000 acre Lake Perris. The city is also home to the Lake Perris Fairgrounds including the dirt track Perris Auto Speedway. The vintage Orange Empire Railroad Museum is in Perris, and the world famous Perris Valley Sky Diving is at Perris Valley Airport. Nearby is the March Field Air Museum with 60 vintage aircraft including such planes as a B-17, B-29, P-38, MiG-19 and an SR-71.

Perris has an extensive menu of recreation programs for its families. This includes Moms & Tots to help perfect friendships and skills via participation in song, dance, worksheets, and art and crafts. Discovery Time aims to teach pre-schoolers colors, numbers, and letters, as well as develop necessary social skills for their first years of school. People can take class like driver's education, CPR, Tae Kwon Do, Archery and Tennis. Active people can take ballet, aerobics and jazz dancing. There are leagues such as boys and girls basketball, Little League baseball and AYSO Soccer. And, Perris holds a wide variety of community events like the annual Home for the Holidays parade.

Public Safety. Perris has become a much safer city in recent years. From 1993-2004, its crime rate per 1,000 residents has *decreased 42.6%* according to the U.S. Department of Justice. In this period, the number of total crimes fell by 15.6% even though the city's population grew by 43.2%. According to the Justice Department, the violent crime rate per 1,000 dropped 52.7% in this period; the property crime rate fell 35.0%.

In 2004, the violent crime rate in Perris ranked third compared to the eight Inland Empire cities with over 100,000 people. Its average of 6.9 crimes per 1,000 people was below San Bernardino (13.3) and Pomona (7.5) and just above nearby Hemet (6.8). Perris's property crime rate of 40.9 incidents per 1,000 residents ranked fifth of these eight large cities, below Ontario (42.2) and above Moreno Valley (38.3). The range was from a high of 57.3 in San Bernardino to a low of 31.8 in Corona. The city's overall rate of 47.8 incidents per 1,000 people also ranked below four of the eight large communities, with Ontario (48.0) just higher and Moreno Valley the next lowest (43.2). The range was from 70.6 in San Bernardino to 33.7 in Corona.

Section 8.-Inland Empire Market. Finally, to understand the forces affecting Perris, it is necessary to understand the conditions that are causing the Inland Empire to be one of America's fastest growing places. From 2000-2020, the area's population is expected to go from 3.2 million to 5.0 million, up 1.8 million. That is more people than will be added by 43 of the 50 states. As indicated, the region will add a few less people than Los Angeles County (1.9 million) and more than San Diego, Orange, Ventura and Imperial counties combined (1.6 million).

As a separate state, the Inland Empire's July 2004 population of 3.8 million people was above 24 states, having just passed Oregon (3.6 million). U.S. Commerce Department data showed the Inland Empire with \$89 billion in total personal income during 2003, above Iowa and more than 21 states.

As indicated earlier, researchers attribute the Inland Empire's strong performance to the way Southern California's geography and economic behavior interact. Since World War II, the Southland has grown outward from central Los Angeles. At various times, this has made places like Orange County metaphors for West Coast growth. Inevitably, once coastal county congestion caused their land and space costs to rise, this activity was forced into the Inland Empire. In Perris's case, job growth began moving vigorously into the South I-215 Corridor about 2000. Earlier, it had been largely confined to the area west of the I-15 freeway.

This pattern underlies the Inland Empire's job performance. From 1990-1994, Southern California suffered a severe recession and decline in employment. However, there was no period when the Inland Empire's employment stopped growing. Thus, from 1990-2005, the region added 454,954 jobs versus 309,543 in San Diego County and 304,671 in Orange County. It is forecasted to add more jobs from 2000-2020 than San Diego, Orange, Ventura and Imperial counties combined. In 2004, its 49,092 new jobs was equal to Orange and San Diego counties combined. L.A. gained just 8,900.

In part, the development of the Inland Empire is occurring because it is the last area of the Southern California to have large amounts of undeveloped land along developed transportation corridors. This available "dirt" creates a location advantage for both high-end and affordable home buyers and industrial and office developers. Put simply, space is available and less expensive in the Inland Empire, and the homes and buildings constructed on it sell or lease for much less than in neighboring Los Angeles, Orange and San Diego counties.

The heavy urbanization of Los Angeles, Orange and San Diego counties has left them with little undeveloped land. Their 2nd quarter 2005 median priced homes thus reached extraordinary lev-

els: Los Angeles (\$482,000), San Diego (\$515,000), Orange (\$660,000). This is forcing all kinds of families to migrate to the more reasonably priced Inland Empire (\$357,000). This has increasingly included large numbers of professionals, technicians and executives who are migrating to the area's rapidly growing base of upscale neighborhoods designed specifically to accommodate them.

The Inland Empire's industrial property, much of which is new, enjoys a similar price advantage. In 2005, 350,000 square feet of space leased for \$1,582,000 a year. That was a savings of \$392,000 to \$1,900,000 compared to the various sub-markets of the coastal counties. Also, 10,000 square feet of office space leases for \$228,000 a year, a savings of \$10,000 to \$85,200 compared to other Southern California areas. With the lowest suburban office vacancy rate (7.4%) in the U.S., the migration of office users to the inland area is causing new buildings to go up in the area's major centers. In addition, as indicated above, the Inland Empire's rapid population growth has created a less obvious advantage for firms locating in cities like Perris. People will work for less to avoid commuting to coastal counties. In 2002, 31% of commuters to Orange County would take 15% less pay for an inland job. Some 23% of those commuting to L.A. County would take 10% less. These are powerful incentives for firms to migrate inland.

Nearly all cargo that flows into and out of Southern California passes through the Inland Empire because Cajon Pass (*I-15, BNSF railroad*) and San Geronio Pass (*I-10, UP railroad*) are the principal trucking and rail routes to the balance of the United States. Even cargo leaving San Diego County must move up the I-15 freeway. This location advantage, combined with available inexpensive land, has made the Inland Empire into the Southland's new logistics capital. Firms save time in getting their products to market by locating within the region.

BNSF Railway has a major intermodal railroad yard in San Bernardino with volume of 557,170 container lifts in 2004. Strong demand is forcing them to double that capacity. Union Pacific Railroad has its main switching yard in Colton and is seeking an intermodal site and are both seeking an "inland port". Meanwhile, most of Southern California's Less Than Load (LTL) trucking firms have their cargo sorting facility in the inland area. And, UPS (*Ontario International Airport*) and Federal Express Ground (*Rialto*) process most of their Southern California cargo in the area. DHL will soon open its western regional hub at MAR. Ontario International Airport is the second largest air cargo airport in the Southland behind LAX with volume of 604,000 tons estimated for 2005. It is also the second busiest air passenger facility, handling roughly 7.1 million people in 2005 with volume forecasted at 30 million passengers in 2022.

Air quality in the Inland Empire has improved dramatically with smog levels over the federal limit dropping from 195 days in 1977 to 27 in 2004. Often, people and firms locate in Southern California for its extraordinary climate. The Perris area's wintertime temperature falls to an average of just 58 degrees. Its summer average high is 98 degrees in July.

These location advantages have caused firms to flock to the Inland Empire. From 1994 to 2004, 1,250 firms either moved to the region from Los Angeles, San Diego and Orange County, put their new expansions in the area, or moved locally to add space and employees. Some of these firms are now locating in Perris and adjacent areas along the I-10.

Summary. The forces driving people and firms into the South I-215 Corridor are giving the city of Perris the opportunity to make choices about the nature of the city, its economy and its level of prosperity over the next half a century. The data presented above indicate that the city has the chance to move to new levels of success.

PERRIS

SECTION 2

DEMOGRAPHICS

Perris is one of Southern California's most historic communities and has traditionally been one of the most prosperous and best educated places in Riverside County. These facts are reflected in the city's population growth, income levels, age distribution, ethnicity and family composition.

Population. From 2000-2005, Perris has gone from 36,189 people to 44,594, a gain of 23.2% (*Exhibit 1*). In 2005, the city ranked between Yucaipa (49,388) and Lake Elsinore (38,045) in size. In the I-215 Corridor area, Hemet (66,455) had more people and San Jacinto (28,437) had less. In 2005, Perris ranked 26th in size among the inland regions 48 cities (*Exhibit 4*).

Perris's absolute population growth of 8,405 from 2000-2005 was the 19th largest gain among the 48 inland cities (*Exhibit 3*). In this period, the Perris Market Area, which comprises those census tracts in and near Perris, Hemet and San Jacinto, including Sun City, Menifee, Homeland and Romoland, grew by 17.2% to 222,551. Riverside County as a whole was up 21.5%. The Southern California Association of Governments has forecasted that the Perris Market Area should reach 289,361 people in 2010, up 99,548 from 2000 (52.4%). However, the area's 222,551 people in 2005 is below their forecast estimate of 236,949. By 2020, the region's population is expected to reach 406,422, up 217,144 from 2000 (114.4%) (*Exhibit 2*).

Income. Perris has historically been less affluent than Riverside County. This remains the case. In 2004, the city's median family income was estimated at \$41,942 (*half above & below*). Its average household income was \$50,563 and its per capita income was \$13,504 (*Exhibit 5*). Each of these was below the equivalent income measures for Riverside County: \$51,075 (*median*), \$66,986 (*average household*) and \$21,967 (*per capita*). However, it should be noted that the income to qualify to buy a conventionally financed median priced new home (\$398,939) in Perris in second quarter 2005 was \$75,734. It was \$55,851 to buy the median priced existing home (\$294,122). The housing market is thus luring buyers who will raise the city's income figures.

It is estimated that the largest share of Perris's households (20.2%) was the \$50,000-\$74,999 income group in 2004. This was followed by the 18.7% from \$35,000-\$49,999 (*Exhibit 6*). Riverside County's largest income group was also made-up of those in the \$50,000-\$74,999 range (19.1%). However, its second largest group were the 18.6% earning \$100,000 or more.

In 2004, the total personal income of the residents of Perris was estimated to be \$558 million, this was just below Lake Elsinore (\$646 million) (*Exhibit 7*). On this measure, the city ranked 30th among the 48 inland cities. The 222,551 people living in the market area for which merchants located in Perris compete had a total personal income of \$3.5 billion. In 2004, Perris's median income of \$41,942 ranked 33rd among the Inland Empire's 48 cities (*Exhibit 8*).

Ethnicity. Estimates by DB Demographic Consulting showed the largest share of Perris's population in 2005 was the 60.1% who were Hispanic (*Exhibits 9-10*). This compared to 56.2% in 2000 and was a larger percentage than for Riverside County (42.1%). These data were extrapolated based upon the Public Law 94-171 2000 Census file and work by the CA Department of

Demographic Characteristics

Finance. The second largest group in Perris were people who were White. They were estimated to make up 17.9% of Perris's population. This was down from the 22.8% in 2000. In Riverside County, the share was 43.5%.

Among other groups, African-American residents were estimated at 16.1% of Perris's residents in 2005, up from 15.4% in 2000. The share was 6.8% in Riverside County. Asian or Pacific Islanders were 3.2%, up from the 2.9% in 2000 and smaller than the county's 4.6%. The city's estimated 216 Native Americans (0.5%) were slightly smaller than the county's share.

Education. In 2000, the Census found that 6.6% of adults in Perris had a bachelor's degree or higher education (*Exhibit 12*). This was well below San Bernardino (15.9%), Riverside (16.6%), Los Angeles (24.9%), San Diego (29.5%) and Orange (30.8%) counties. Altogether, 34.9% of the city's adults 25 & over had at least attended some college in 2000 (*Exhibit 11*). That was also well below the averages for San Bernardino (49.2%), Riverside (50.3%), Los Angeles (51.1%), San Diego (62.7%) and Orange (62.0%) counties. At the other end of the spectrum, Perris had a relatively large percentage of adults who stopped their formal educations with a high school diploma or less (65.1%). This above the shares of adults in San Bernardino (50.8%), Riverside (49.7%), Los Angeles (48.9%), Orange (38.0%) and San Diego (29.5%) counties. Here again, it is likely that the influx of new residents to the city, through the screen of its housing stock, is likely increasing the level of the city's adult educational profile.

Age. In 2005, it is estimated that Perris's largest groups were aged 0-9 (20.6%) and their siblings aged 10-19 (20.4%), together they made-up 41.0% of the city's population (*Exhibits 13-14*). This indicates that a growing number of families with children are buying new and existing homes in the community, a fact confirmed in that the next largest shares are adults 25-34 year olds (15.1%) and 35-44 year olds (14.5%). Interestingly, a very small share of the city's people are baby boomers 45-54 (9.5%) compared to 13.0% in Southern California. And, in 2005, just 12.1% of Perris's people were 55 years old and up compared to 15.4% to 21.7% among Southern California's counties.

Families. In 2000, Perris's household make-up was very different from Southern California as a whole. Some 39.4% of the city was made-up of married couples with children under 18 versus the averages for Southern California's counties which ranged from San Diego (24.8%) to San Bernardino (31.0%). It similarly had an unusually higher share of females alone with children at 13.0% compared to the counties (5.7% to 9.3%) and a higher level of males alone with children at 4.4% versus the counties (2.2% to 3.4%). Meanwhile, Perris had a much smaller share of married couples without minor children at home at 18.8% versus the counties which ranged from 21.7% to 27.8% (*Exhibits 15-16*).

Summary. Demographically, Perris emerges as a rapidly growing city, that is quite ethnically diverse and is largely made up of younger adults and their children. The city's income and educational levels have historically been modest. This will change in the coming years as the nature of its housing stock dramatically changes who can afford to live in the city. With the acceleration in population growth and housing values in and near the city, merchants located in Perris now compete in a market with 222,551 people and total income of \$3.5 billion. That population is forecasted to exceed 400,000 by 2020, fifteen years from now.

Demographic Characteristics

**Exhibit 1.-Population, 1990-2005
Perris & Riverside County Areas**

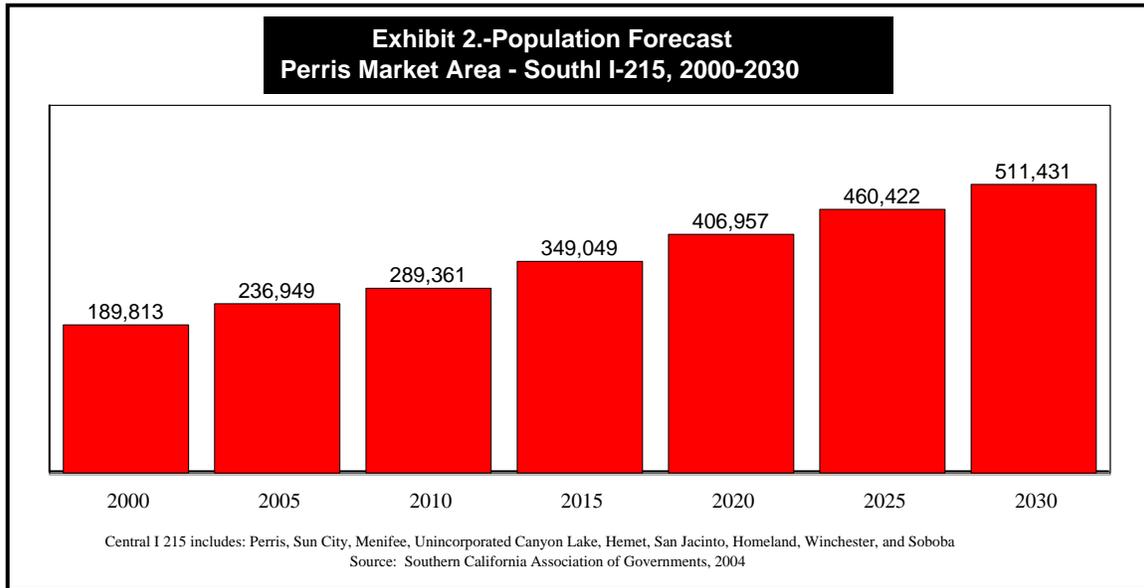
| Year | Perris | | South I-215 Corridor | | Riverside County | |
|------------------|---------------|--------------|----------------------|--------------|------------------|--------------|
| 1990 | 21,500 | | 118,105 | | 1,170,413 | |
| 1991 | 24,250 | 12.8% | 126,791 | 7.4% | 1,228,301 | 4.9% |
| 1992 | 27,550 | 13.6% | 154,766 | 22.1% | 1,275,515 | 3.8% |
| 1993 | 29,450 | 6.9% | 160,879 | 4.0% | 1,312,315 | 2.9% |
| 1994 | 31,050 | 5.4% | 166,136 | 3.3% | 1,340,240 | 2.1% |
| 1995 | 32,050 | 3.2% | 166,793 | 0.4% | 1,365,465 | 1.9% |
| 1996 | 32,650 | 1.9% | 168,012 | 0.7% | 1,391,775 | 1.9% |
| 1997 | 33,050 | 1.2% | 169,594 | 0.9% | 1,420,415 | 2.1% |
| 1998 | 33,950 | 2.7% | 177,111 | 4.4% | 1,451,475 | 2.2% |
| 1999 | 34,900 | 2.8% | 184,785 | 4.3% | 1,490,445 | 2.7% |
| 2000 | 36,189 | 3.7% | 189,813 | 2.7% | 1,545,387 | 3.7% |
| 2001 | 36,927 | 2.0% | 194,350 | 2.4% | 1,590,473 | 2.9% |
| 2002 | 37,742 | 2.2% | 199,905 | 2.9% | 1,654,220 | 4.0% |
| 2003 | 38,699 | 2.5% | 204,757 | 2.4% | 1,726,754 | 4.4% |
| 2004 | 42,048 | 8.7% | 214,153 | 4.6% | 1,807,858 | 4.7% |
| 2005 | 44,594 | 6.1% | 222,551 | 3.9% | 1,877,000 | 3.8% |
| 2000-2005 | 8,405 | 23.2% | 32,738 | 17.2% | 331,613 | 21.5% |

So. I-215 = Census tracts for Perris, Hemet & San Jacinto including: Sun City, Menifee, Homeland, Romoland, Winchester
Source: CA Department of Finance, E-5 Reports

Population Growth ...

- From 2000-2005, the population of Perris increased from 36,189 to 44,594 That was a gain of 8,405 people or 23.2% (*Exhibit 1*). During this period, the Perris Market Area (*census tracts in and near Perris, Hemet, San Jacinto including Sun City, Menifee, Homeland, Romoland*) grew by 17.2% or 32,738 and Riverside County as a whole was up 21.5%. The city's compound population rate of 4.3% was faster than the surrounding area (3.2%) or the county (4.0%).
- SCAG's forecast of the Perris Market Area has it reaching 289,361 in 2010, up 99,548 from 2000 (52.4%). Note, the area's 222,551 population is below the forecast estimate of 236,949. By 2020, the region's population is forecasted at 406,422, up 217,144 or more than double the 2000 figure (114.4%) (*Exhibit 2*). Rapid growth in the South I-215 Corridor due to lack of land elsewhere in Southern California is propelling these figures.

Demographic Characteristics



**Exhibit 3.-Population Growth
Inland Empire Cities, 2000-2005**

| City | 2000 | 2005 | Change | % Change |
|------------------|---------------|---------------|--------------|--------------|
| 1 Murrieta | 44,282 | 85,102 | 40,820 | 92.2% |
| 2 R. Cucamonga | 127,743 | 161,830 | 34,087 | 26.7% |
| 3 Fontana | 128,929 | 160,015 | 31,086 | 24.1% |
| 4 Riverside | 255,166 | 285,537 | 30,371 | 11.9% |
| 5 Temecula | 57,716 | 81,397 | 23,681 | 41.0% |
| 6 Moreno Valley | 142,381 | 165,328 | 22,947 | 16.1% |
| 7 Victorville | 64,029 | 86,473 | 22,444 | 35.1% |
| 8 Corona | 124,966 | 144,070 | 19,104 | 15.3% |
| 9 Indio | 49,116 | 66,118 | 17,002 | 34.6% |
| 10 San Bdn | 185,401 | 199,803 | 14,402 | 7.8% |
| 11 Hesperia | 62,582 | 76,114 | 13,532 | 21.6% |
| 12 29 Palms | 14,764 | 27,337 | 12,573 | 85.2% |
| 13 La Quinta | 23,694 | 36,145 | 12,451 | 52.5% |
| 14 Ontario | 158,007 | 170,373 | 12,366 | 7.8% |
| 15 Chino Hills | 66,787 | 77,819 | 11,032 | 16.5% |
| 16 Apple Valley | 54,239 | 63,853 | 9,614 | 17.7% |
| 17 Lake Elsinore | 28,928 | 38,045 | 9,117 | 31.5% |
| 18 Chino | 67,168 | 76,070 | 8,902 | 13.3% |
| 19 Perris | 36,189 | 44,594 | 8,405 | 23.2% |
| 20 Yucaipa | 41,207 | 49,388 | 8,181 | 19.9% |

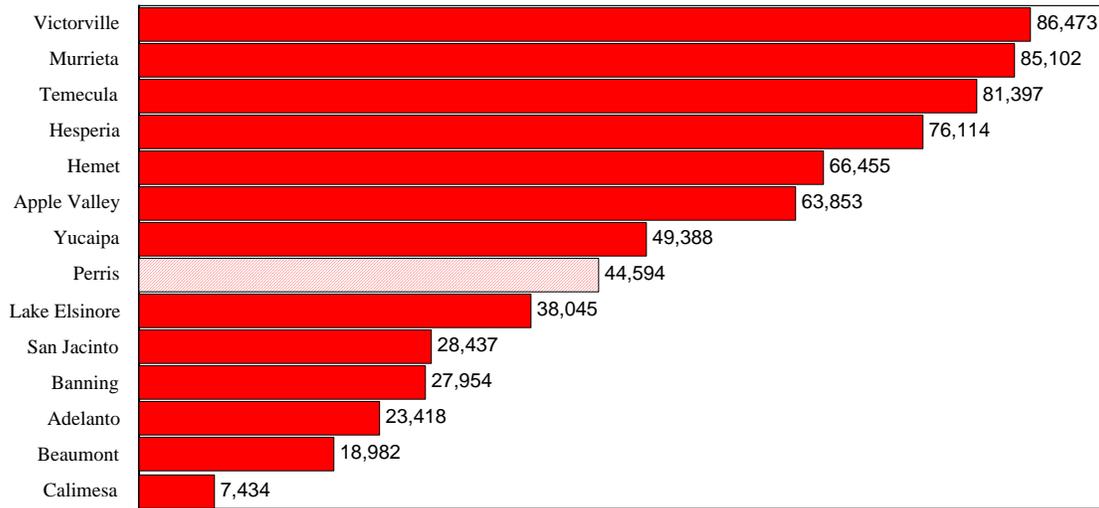
Source: CA Department of Finance, E-5 Reports, 1990-2005

Population Growth . . .

- In absolute terms, Perris's 8,405 gain in population from 2000-2005 made it the 19th fastest growing among the Inland Empire's 48 cities (*Exhibit 3*). The community added a few more people than its eastern neighbor of Yucaipa (8,181).
- In 2005, Perris's population of 44,594 made it the 26th largest city in the Inland Empire. Yucaipa (49,388) was the next largest city and Lake Elsinore (38,045) was the next smallest (*Exhibit 4*). In the South I-215 Corridor of Riverside County, the populations of nearby communities included Hemet (66,455) and San Jacinto (28,437).

Demographic Characteristics

**Exhibit 4.-Population Comparisons
South I-215 Cities & Similar Inland Cities, January 1, 2005**



Source: CA Department of Finance, E-5 Reports

**Exhibit 5.-Household Income Distribution, 2004
Perris & Riverside County**

| Income Range | | Perris | | Riverside County | |
|---------------------------------|-----------|---------------|---------------|------------------|---------------|
| | | Families | Percent | Families | Percent |
| \$0 | \$9,999 | 956 | 8.7% | 39,287 | 7.3% |
| \$10,000 | \$14,999 | 601 | 5.4% | 25,990 | 4.8% |
| \$15,000 | \$24,999 | 1,461 | 13.2% | 60,634 | 11.2% |
| \$25,000 | \$34,999 | 1,488 | 13.5% | 58,931 | 10.9% |
| \$35,000 | \$49,999 | 2,066 | 18.7% | 79,379 | 14.7% |
| \$50,000 | \$74,999 | 2,227 | 20.2% | 103,155 | 19.1% |
| \$75,000 | \$99,999 | 1,195 | 10.8% | 71,722 | 13.3% |
| \$100,000 | \$149,999 | 746 | 6.8% | 59,813 | 11.1% |
| \$150,000 | \$199,999 | 233 | 2.1% | 23,811 | 4.4% |
| \$200,000 | & Up | 62 | 0.6% | 16,509 | 3.1% |
| Total | | 11,034 | 100.0% | 539,231 | 100.0% |
| Median household income | | | \$41,942 | \$51,075 | |
| Total Income (000) | | | \$557,901 | \$36,120,762 | |
| Average Household Income | | | \$50,563 | \$66,986 | |
| Per Capita Income | | | \$13,504 | \$21,967 | |

1 Estimates allow for changes in CPI, population.

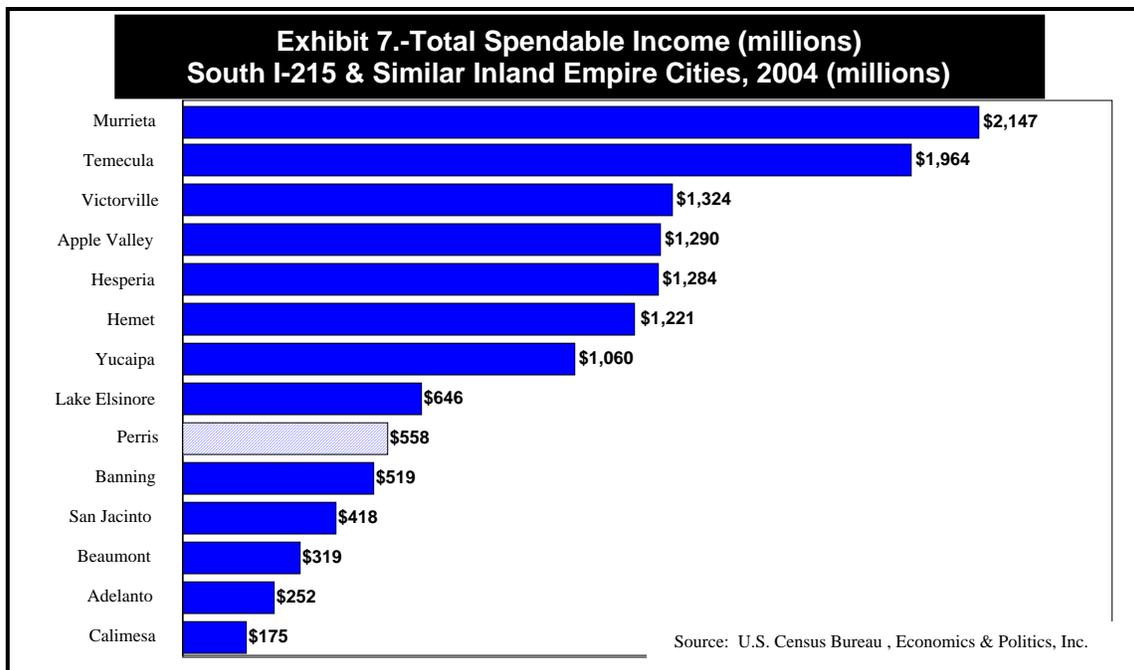
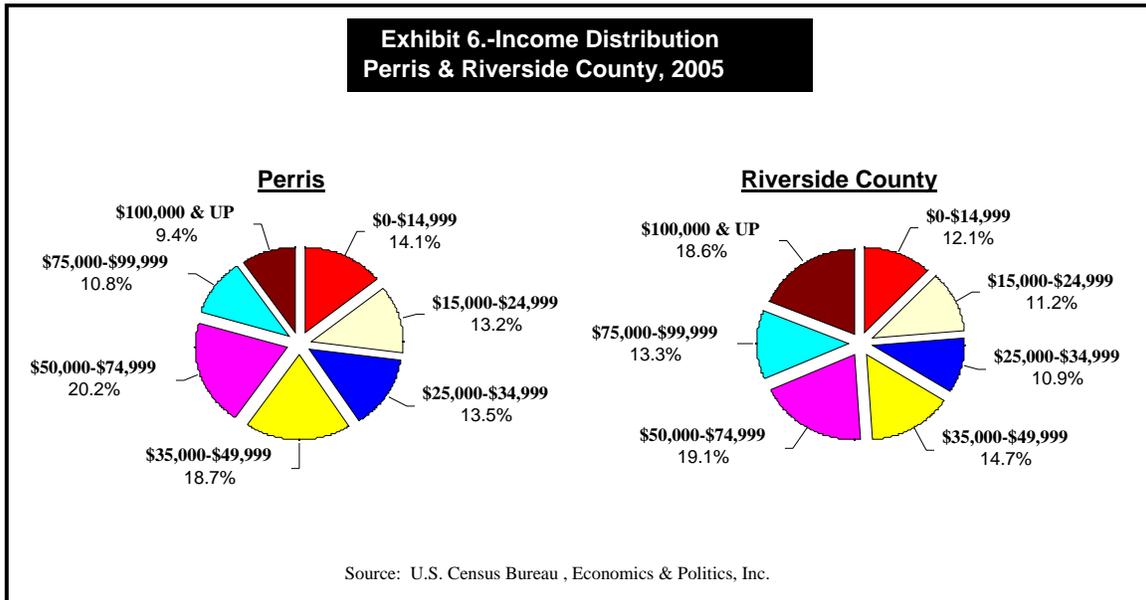
Source: U.S. Census, 2000, Economics & Politics, Inc. estimates 2004.

INCOME, 2004 . . .

- Perris's average household income reached \$50,563 in 2004. That was \$16,423 below Riverside County's average of \$66,986. The city's median per capita income was \$13,504; the county was \$21,967.
- In 2004, it is estimated that the largest share of Perris's households, 20.2%, were in the \$50,000-\$74,999, followed by the 18.7% from the \$35,000-\$49,999 income group (*Exhibits 5-6*).

Demographic Characteristics

- For Riverside County as a whole, the largest percentage of families (19.1%) also earned \$50,000-\$74,999. However, the county's second largest group was the 18.6% making \$100,000 & up.

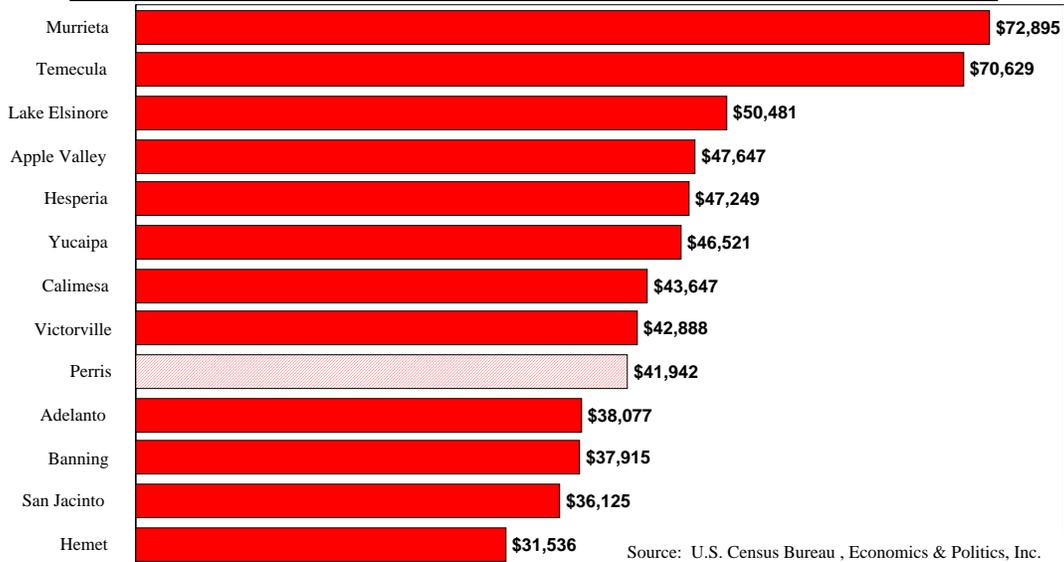


INCOME COMPARISONS, 2004 . . .

- In 2004, Perris's total personal income was \$558 million (*Exhibit 7*). The city ranked ninth among similar and south of the I-215 Corridor communities and was behind Lake Elsinore (\$646 million) in this group. The city ranked 30th among the Inland Empire's 48 cities. In the Perris Market Area, the city's merchants have access to a regional market with 222,551 people. Assuming the per capita income of Perris, Hemet and San Jacinto (\$15,748) this market area had a total income of \$3.5 billion in 2004.
- Perris's 2004 estimated median income was \$41,942 (*Exhibit 8*). On this measure, the city ranked 33rd among the 48 cities in the Inland Empire. Among cities on the South I-215 Corridor and similar cities of its size, the city's median income was well below those close to San Diego County like Murrieta (\$72,895). It was higher than cities deeper inside the area like San Jacinto (\$36,125).

Demographic Characteristics

**Exhibit 8.-Median Income
South I-215 & Similar Inland Empire Cities, 2004 (millions)**



**Exhibit 9.-Ethnic Distribution, 2000-2005
Perris & Riverside County**

| Ethnicity | 2005 | Percent | 2000 | Percent | 2000-2005 | Riverside Co. |
|-----------------|---------------|---------------|---------------|---------------|--------------|---------------|
| White | 7,972 | 17.9% | 8,243 | 22.8% | (271) | 43.5% |
| Hispanic | 26,816 | 60.1% | 20,322 | 56.2% | 6,494 | 42.1% |
| Black | 7,190 | 16.1% | 5,574 | 15.4% | 1,616 | 6.8% |
| Asian & Pacific | 1,443 | 3.2% | 1,041 | 2.9% | 402 | 4.6% |
| Native American | 216 | 0.5% | 156 | 0.4% | 60 | 0.8% |
| Other | 956 | 2.1% | 853 | 2.4% | 103 | 2.3% |
| Total | 44,594 | 100.0% | 36,189 | 100.0% | 8,405 | 100.0% |

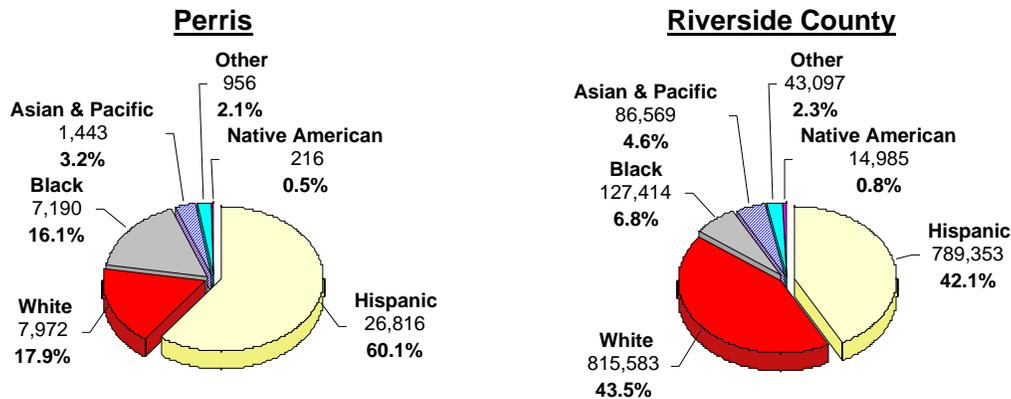
Note: Hispanics are deducted from all other groups
Source: DB Demographic Consulting, 2005

ETHNICITY, 2005 . . .

- In 2005, the largest share of Perris's population was the 60.1% who were Hispanic (*Exhibits 9-10*). This compared to 56.2% in 2000 and was a much larger percentage than for Riverside County (42.1%). These data are based upon the Public Law 94-171 Census file that culturally counts Hispanics as a separate group.
- Perris's second largest group in 2005 was the 7,972 who were White. They were estimated to make up 17.9% of Perris's population. This was down from the 22.8% in 2000. In Riverside County, the share was 43.5%.
- In 2005, the African-American population was estimated to represent 16.1% of Perris's residents, up from 15.4% in 2000. This was a much larger share than the 6.8% in Riverside County.
- Asians and Pacific Islanders were 3.2% of Perris's population in 2005, up from 2.9% in 2000. This was a smaller share than was found in the county (4.6%).
- Perris was home to 216 Native Americans (0.5%) in 2005. This was a slightly smaller share than in Riverside County (0.8%).

Demographic Characteristics

**Exhibit 10.-Ethnic Distribution
Perris & Riverside County, 2005**



Sources: Census, Public Law 94-171 Ethnicity Files; California Department of Finance, DB Demographic Consulting

**Exhibit 11.-Education Attainment, 2000
Perris & Southern California Counties, Persons 25 & Older**

| Highest Education Level | Perris | San Bdn. County | Riverside County | Los Angeles County | Orange County | San Diego County |
|----------------------------|---------------|-----------------|------------------|--------------------|---------------|------------------|
| Less than 9 Years | 18.5% | 10.4% | 10.6% | 16.2% | 10.5% | 7.9% |
| 9 to 12 Years Non-graduate | 20.5% | 15.4% | 14.5% | 13.8% | 10.0% | 9.5% |
| High School Diploma/GED | 26.1% | 25.0% | 24.7% | 18.8% | 17.5% | 19.9% |
| Some College | 22.6% | 25.7% | 26.8% | 20.0% | 23.3% | 25.6% |
| Associated Arts | 5.7% | 7.6% | 6.9% | 6.2% | 7.8% | 7.6% |
| Bachelors Degree | 4.9% | 10.4% | 10.7% | 16.1% | 20.4% | 18.7% |
| Graduate Degree | 1.8% | 5.5% | 5.9% | 8.8% | 10.4% | 10.9% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: U.S. Census, 2000

Educational Levels, 2000 . . .

- Perris was not a well educated city in 2000. The Census found that 6.6% of the city's adults had a Bachelor's Degree or higher (*Exhibit 12*). This was well below San Bernardino (15.9%), Riverside (16.6%) and Los Angeles (24.9%), San Diego (29.5%) and Orange (30.8%) counties.
- In Perris, 34.9% of adults 25 & over had at least attended some college in 2000 (*Exhibit 11*). That was also well below the averages for San Bernardino (49.2%), Riverside (50.3%), Los Angeles (51.1%), San Diego (62.7%) and Orange (62.0%) counties.
- The city also had a high percentage of adults who stopped their formal educations with a high school diploma or less (65.1%). The shares were higher than in the surrounding counties: San Bernardino (50.8%), Riverside (49.7%), Los Angeles (48.9%), Orange (38.0%) and San Diego (29.5%) counties.
- It should be noted that the income and educational profiles of Perris are likely changing due to the incomes now required to qualify to buy homes in the city. To buy a conventionally financed median priced new home at

Demographic Characteristics

10% down (\$398,939) in Perris in second quarter 2005 residents needed an income of \$75,734. It was \$55,851 to buy the median priced existing home (\$294,122).

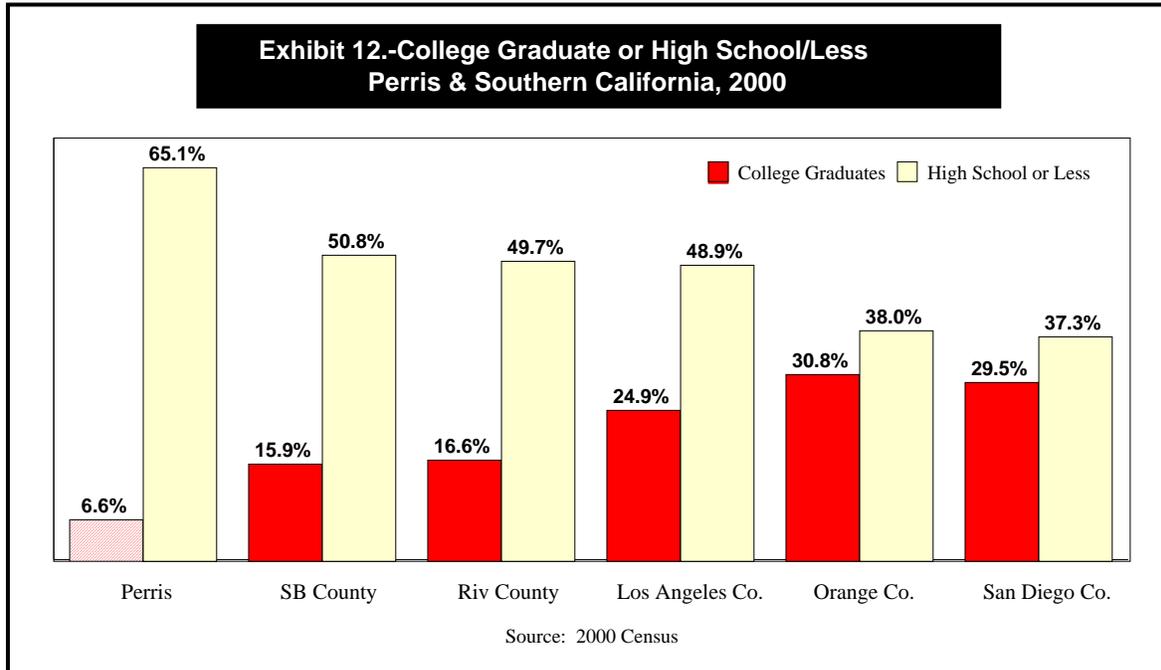


Exhibit 13.-Age Distribution, Perris & Adjacent Counties, 2005

| Age Group | Perris | San Bdn Co. | Riverside Co. | Los Angeles Co. | Orange Co. | San Diego Co. |
|--------------|---------------|---------------|---------------|-----------------|---------------|---------------|
| 0-9 | 20.6% | 17.8% | 14.7% | 15.1% | 15.0% | 14.6% |
| 10-19 | 20.4% | 17.6% | 16.9% | 15.2% | 14.1% | 14.2% |
| 20-24 | 7.8% | 7.2% | 7.2% | 7.0% | 6.6% | 6.7% |
| 25-34 | 15.1% | 14.2% | 12.5% | 15.9% | 15.2% | 15.4% |
| 35-44 | 14.5% | 15.9% | 14.7% | 15.9% | 16.5% | 15.9% |
| 45-54 | 9.5% | 12.0% | 12.4% | 13.0% | 13.5% | 13.6% |
| 55-64 | 5.5% | 6.8% | 8.6% | 8.3% | 9.1% | 8.7% |
| 65-74 | 3.6% | 4.7% | 6.8% | 5.1% | 5.3% | 5.5% |
| 75& Up | 3.0% | 3.8% | 6.3% | 4.5% | 4.5% | 5.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

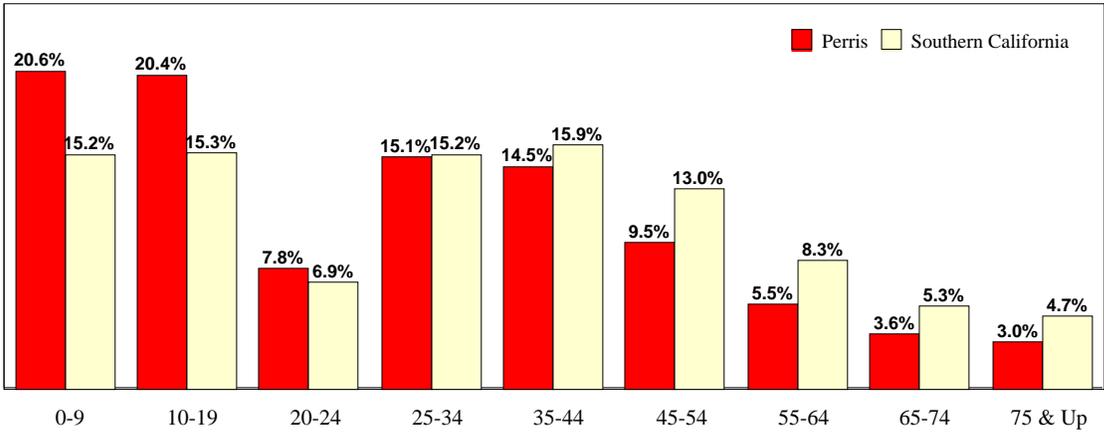
Source: DB Demographic Consulting, 2005

Age Distribution, 2005 . . .

- In 2005, it is estimated that Perris's largest groups were aged 0-9 (20.6%) and their siblings aged 10-19 (20.4%), together that represents 41.0% of the city's population (*Exhibits 13-14*). This indicates that a growing number of families with children are buying new and existing homes in the community.
- The next largest share is adults of 25-34 year olds (15.1%) representing about the same percentage as for Southern California as a whole. They were followed by the city's 35-44 year olds (14.5%) which was less than the 15.9% in the Southland. A very small share of the city's people were baby boomers 45-54 (9.5%) compared to 13.0% in Southern California.
- In 2005, Perris had smaller shares of population in the age groups from 55 years old and up (12.1%) than any of Southern California's counties (15.4% to 21.7%), again showing the city's status as a very young community.

Demographic Characteristics

**Exhibit 14.-Age Distribution
Perris & Southern California, 2000**



Source: City from DB Demographic Consulting; Counties from Census Bureau's American Community Survey

Demographic Characteristics

**Exhibit 15.-Household Characteristics
Perris & Southern California, 2000**

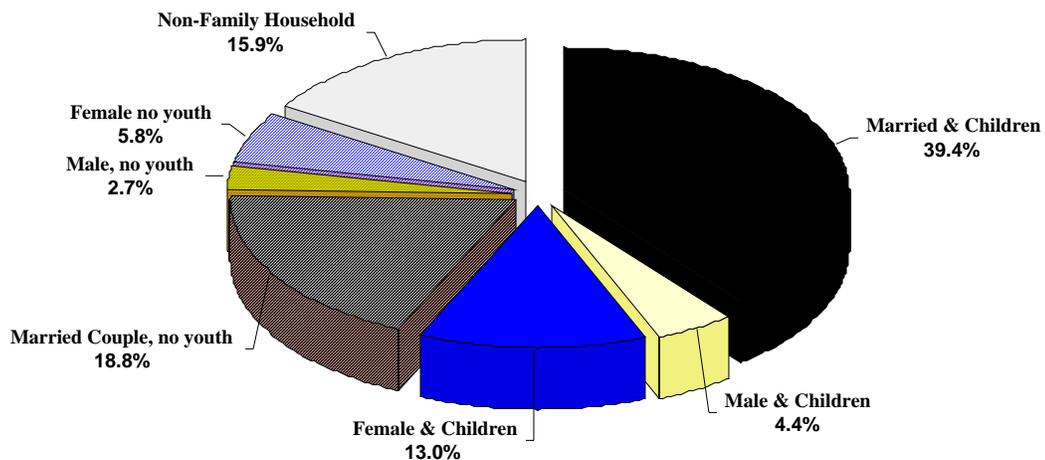
| Household Type | Perris | San Bdn County | Riverside County | Los Angeles County | Orange County | San Diego County |
|-----------------------------------|---------------|----------------|------------------|--------------------|----------------|------------------|
| Married Couple, children under 18 | 39.4% | 31.0% | 28.6% | 25.9% | 29.1% | 24.8% |
| Married Couple, alone | 18.8% | 24.8% | 27.8% | 21.7% | 26.8% | 25.8% |
| Male, children under 18 | 4.4% | 3.4% | 2.9% | 2.7% | 2.2% | 2.2% |
| Male, no children home | 2.7% | 2.6% | 2.2% | 3.3% | 2.7% | 2.2% |
| Female, children under 18 | 13.0% | 9.3% | 7.4% | 8.2% | 5.7% | 6.8% |
| Female, no children home | 5.8% | 5.5% | 4.6% | 6.4% | 5.0% | 4.7% |
| Non-family Group | 15.9% | 23.5% | 26.4% | 31.8% | 28.6% | 33.3% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Total Households | 9,652 | 528,594 | 506,218 | 3,133,774 | 935,287 | 994,677 |

Source: 2000 Census

Types Of Households, 2000 . . .

- In 2000, Perris's household make-up was not representative of Southern California as a whole.
- The city had a much larger share of families that were married couples with children (39.4%). The averages in Southern California's counties ranged from San Diego (24.8%) to San Bernardino (31.0%). The city also had an unusually higher share of females alone with children under 18 at 13.0% compared to the counties (5.7% to 9.3%) and a higher level of males alone with children at 4.4% versus the counties (2.2% to 3.4%).
- Perris had a much smaller share of married couples without minor children at home at 18.8%. The percentages for the surrounding counties ranged from 21.7% to 27.8% (Exhibits 15-16). It also had far fewer non-family households at 15.9% versus the county range of 23.5% to 33.3%.

**Exhibit 16.-Who Was Living In Households
Perris, 2000**



Source: 2000 Census

PERRIS

SECTION 3

RESIDENTIAL

Perris is now part of a string of communities along Riverside County's South I-215 Corridor that have become the Inland Empire's newest "hot spot" for residential real estate development. After being relatively dormant through the 1990's and early 2000's, the city's new home sales shot up to a record level in 2003 and exploded to well over 1,000 sales and permits in 2004. At the same time, Perris's median home prices have risen to unheard of levels. Existing homes are approaching \$300,000 and new homes approaching \$400,000. This has happened in a city where existing homes were below \$100,000 in early 2000 and new homes were roughly \$150,000.

Looking ahead, there will be several keys to the real estate market in Perris. One will be the general health of Southern California's real estate market. Second, is the fact that the Southland's prices are generally at very high levels. This is starting to inhibit demand and forcing many buyers to use risky financing. This makes the overall housing market vulnerable to price flattening and possibly some decline. A particular worry are those using as much as 25% of their income to buy homes, paying nothing down with interest-only loans. It will take 42% of their incomes to handle these mortgages when they change to fixed, long term financing. Despite its higher prices, Perris remains relatively inexpensive by Southern California standards and should therefore continue to do well even in a market correction.

Home Volumes. Perris's existing home sales set a record at 1,163 units in 2004. That was up from the 2003 volume of 1,069 and broke the 1998 record of 1,116 (*Exhibits 17-18*). On a seasonally adjusted basis, the existing homes sold in fourth quarter 2004 were the city's recent high, with the first and second quarters of 2005 not far behind. However, these figures were still below the 2001 record. Among I-215 Corridor cities, Riverside (5,931), Moreno Valley (4,108), Hemet (2,350) and Murrieta (2,022) had higher 2004 volumes than Perris. The city exceeded San Jacinto (712). In Riverside County's other hot spot, the Pass Area, Banning (689) and Beaumont (397) also had lower 2004 volumes (*Exhibit 19*). Perris's existing home sales grew by 94 units from 2003-2004 (*Exhibit 20*).

In Perris's new home market, volume has soared. It jumped from 76 units in 2001 to 221 in 2002. It then tripled to 690 units in 2003 and nearly doubled again to 1,234 units in 2004 (*Exhibit 21*). That was almost exactly the same number of homes sold in the eight years from 1993 to 2000. On a seasonally adjusted basis, the city's sales in the fourth quarter of 2004 and first two quarters of 2005 have reached levels far above any previously experienced (*Exhibit 22*). In 2004, the 1,234 new homes sold in Perris ranked ahead of several cities in Riverside County's two fast growing corridors: the I-215 and the I-10 Pass area (*Exhibit 23*). These included Beaumont (954), Riverside (820), Hemet (552), San Jacinto (446) and Banning (255). Along the I-215, higher volumes were still found in Murrieta (2,456) and Temecula (2,350). From 2003-2004, Perris's new home volume jumped by 544 units, second only to the gain in Temecula (644) along the I-215 Corridor (*Exhibit 24*). This fact highlights how Perris has become a major new center for the Inland Empire's new home market.

Home Prices. With Southern California's coastal counties running out of places to put new homes and the annual gap between the supply and demand for homes continuing, it is not sur-

prising that Perris's existing homes are appreciating rapidly. What is unusual is the speed. In first quarter of the decade, the city's median existing home price was just \$86,970. By second quarter 2005, the level had more than tripled to a record \$294,122 (*Exhibits 25-26*). In Riverside County's fast growing I-215 Corridor and I-10 Pass Area, the city's \$294,122 median existing home price ranked in the middle of the cities: above San Jacinto (\$282,071), Hemet (\$279,629) and Banning (\$250,000) (*Exhibit 27*); below Temecula (\$439,248), Murrieta (\$433,169), Riverside (\$373,816) and Beaumont (\$305,000). Its 31.5% growth rate from 2nd quarter 2004-2005 was the second fastest behind Banning (44.5%) but above Beaumont (27.3%) and Moreno Valley (26.5%), Hemet (23.3%) and San Jacinto (20.4%). Interestingly, Murrieta (11.4%) and Temecula (7.1%) had much slower gains, reflecting the maturing of those markets (*Exhibit 28*).

Perris's new home prices have also exploded. Through the 1990's, to as recently as second quarter 2001 (\$139,583), its median price ranged between \$100,000 and \$150,000. Now, major developers are active in the city, building quality tracts with the median price reaching \$398,939 in second quarter 2005. In Riverside County's high growth corridors, markets that took off earlier had higher prices: Temecula (\$529,309), Riverside (\$524,195), Murrieta (\$480,246). However, places like Hemet (\$377,025), Moreno Valley (\$370,124) and San Jacinto (\$322,233) had lower prices as did Beaumont (\$363,250) and Banning (\$340,000) (*Exhibit 31*). From second quarter 2004-2005, Perris's median new home price rose \$116,290 or 41.1%. That percentage gain ranked third in the newest high growth areas after Banning (69.2%) in the I-10 Pass Area and Hemet (54.2%) in the I-215 Corridor (*Exhibit 32*).

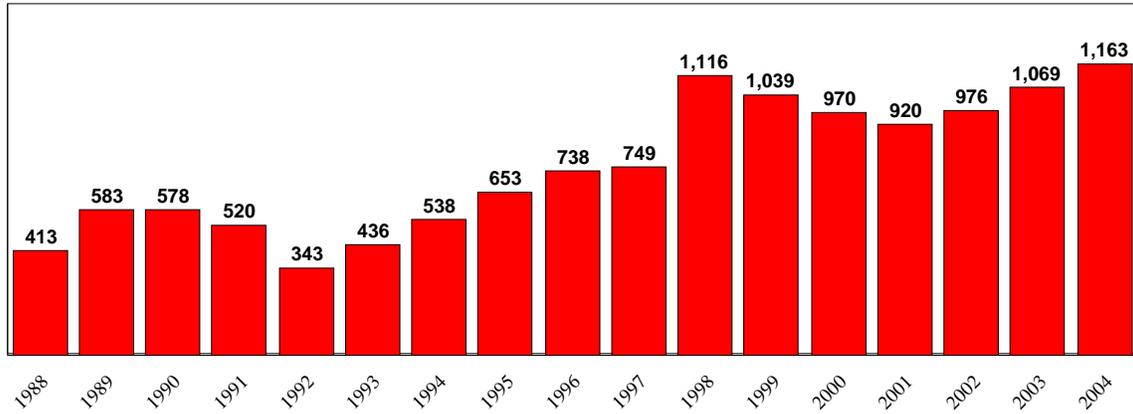
On a Southern California basis, there is little wonder why Perris is attracting home buyers. Its second quarter 2005 median existing home price of \$294,000 was \$191,000-\$356,000 below Los Angeles (\$485,000), San Diego (\$550,000) and Orange (\$650,000) counties. Perris's median new home price of \$399,000 was \$43,500-\$342,250 less expensive than median new home prices in Los Angeles (\$454,250), San Diego (\$422,500) or Orange (\$741,250) counties (*Exhibit 33*).

Multi-Tenant Market. In second quarter 2005, Inland Empire's average monthly apartment rental rate of \$1,013 was up 5.9% from second quarter 2004 (*Exhibit 34*). The Perris-Hemet area had the lowest rate in the region at \$799, up 4.7% from 2004. The area's 2.6% vacancy rate was below the 4.4% average for the inland region.

Composition, Vacancy, Rentals & Permits. Perris's housing stock grew by 4,912 units from 1990-2005, up 63.3% (*Exhibit 35*). This included 4,558 more single family units, 372 more multi-tenant units and 18 fewer mobile home units. With 62.3% of its dwellings owner occupied in 2000, Perris was in the middle range compared to nearby high growth area cities with Temecula (70.3%) the highest and Beaumont (49.2%) the lowest (*Exhibit 36*).

In 2005, 8.5% of Perris's dwellings were vacant putting it in the middle range of the comparable markets (*Exhibit 37*). The city's 3.83 people per dwelling, however, represented the highest population density in these areas ahead of Moreno Valley (3.70) (*Exhibit 38*). Perris's housing market is now one of the inland region's hottest with 26.7% of its housing stock sold in 2004 (*Exhibit 39*). In Riverside County's high growth areas, Beaumont (25.1%) and Temecula (22.4%) had the next highest turnover. Finally, builders were granted 1,573 permits for new single family homes in Perris in 2004 breaking the record of 1,269 in 2003. Amazingly, this is up from just nine permits in 2000 and was 5% of Riverside County's permits (*Exhibit 40*).

**Exhibit 17.-Existing Home Sales
Perris, 1988 - 2004**



Source: Dataquick

Existing Home Sales . . .

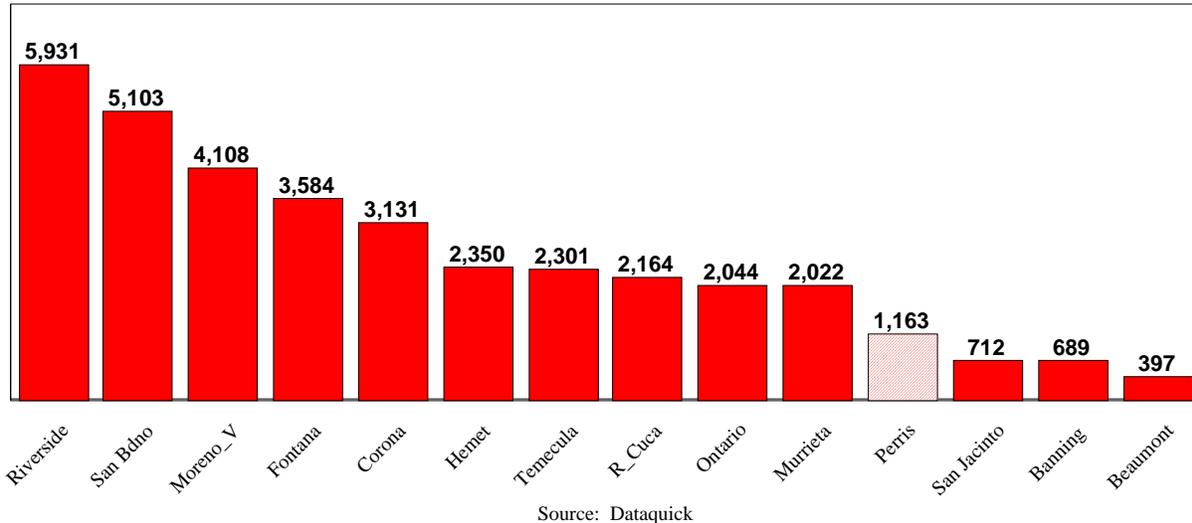
- Perris's existing home sales volume reached 1,116 units in 1998 only to slow to 920 units by 2001. The city's housing market then regained strength and moved on to an all-time high of 1,063 units in 2004 surpassing the 1998 level (*Exhibit 17*). Earlier, Perris had seen volume slowly increase in steps from a low of 343 in 1992, during Southern California's post Cold War recession, to the 749 in 1997.
- Looking at seasonally adjusted quarterly existing home sales, the market shot up briefly in 2001, reaching a record of 350 units in second quarter 1998. Volume then sagged through 1999 to 2002 before returning back to its long term upward trend line in 2003-2005 (*Exhibit 18*). In mid-2005, seasonally adjusted sales were beginning to approach their 2001 quarterly record.

**Exhibit 18.-Existing Home Sales
Perris, Seasonally Adjusted, By Quarter, 1988-2005**



Source: Dataquick, Economics & Politics, Inc. Seasonality

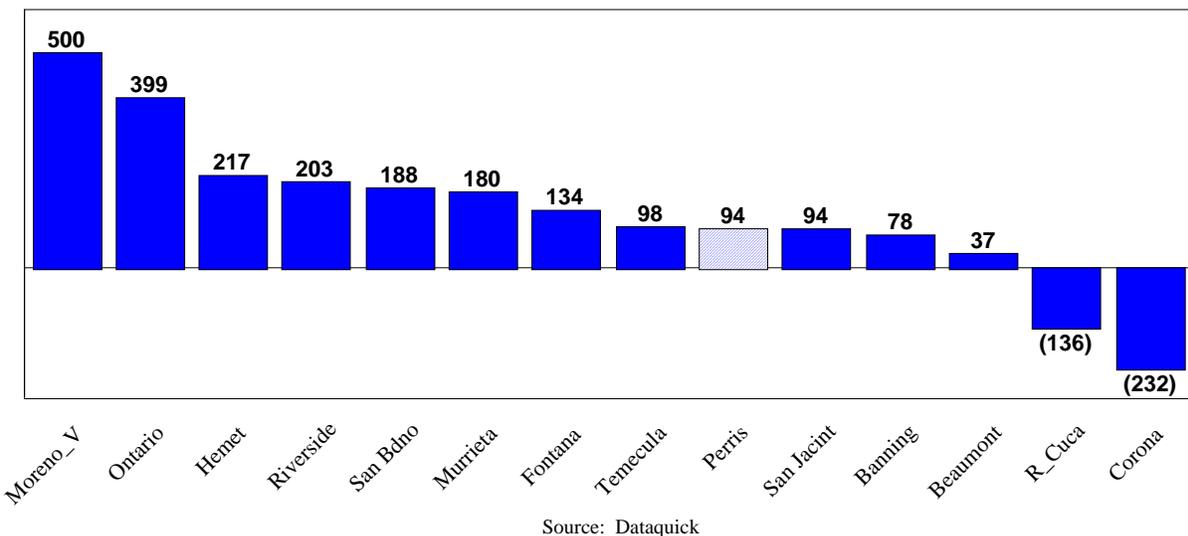
**Exhibit 19.-Existing Home Sales
Major & Nearby Inland Empire Markets, 2004**



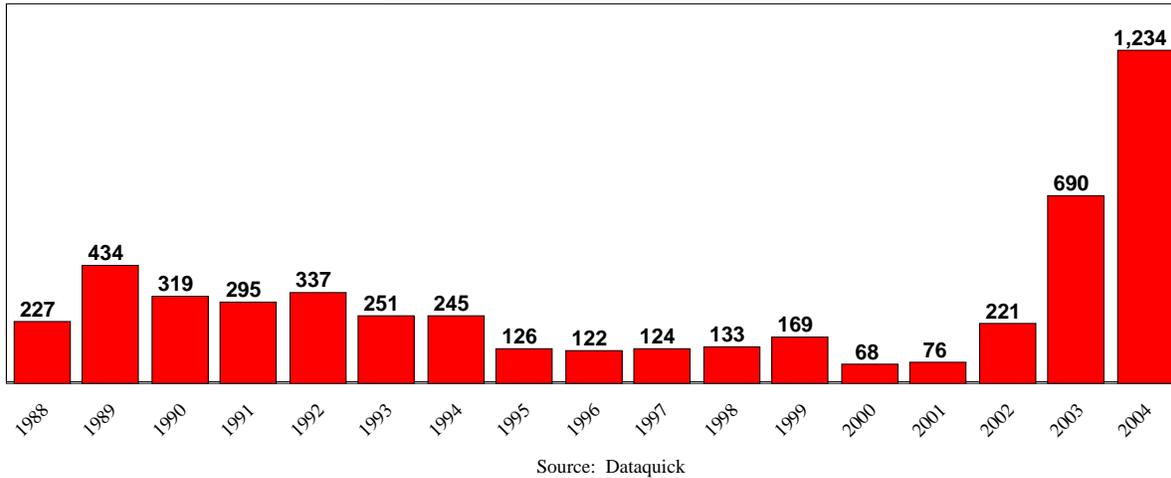
Existing Home Sales . . .

- Among I-215 Corridor cities, larger cities had higher 2004 volumes than Perris (1,163). This included Riverside (5,931), Moreno Valley (4,108), Hemet (2,350), Temecula (2,301) and Murrieta (2,022). The city exceeded San Jacinto (712) as well as Banning (689) and Beaumont (397) which were located in Riverside County's other hot spot, the Pass Area (Exhibit 19).
- In 2003-2004, Perris's existing home sales increased by 94 more units (Exhibit 20). Among nearby I-215 Corridor markets, Moreno Valley (500), Hemet (217), Riverside (203) and Murrieta (180) saw their volumes rise considerably more than Perris. Temecula (98), however, grew just a little faster. San Jacinto (94) grew at the same speed. In the Pass Area, Banning (78) and Beaumont (37) had smaller increases.

**Exhibit 20.-Existing Home Sales Growth
Major & Nearby Inland Empire Cities, 2003-2004**



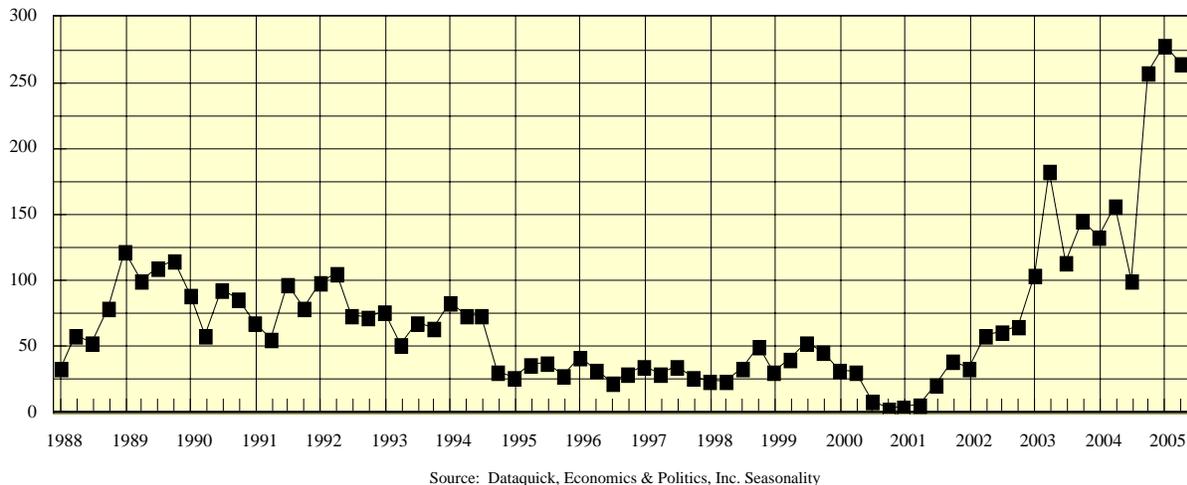
**Exhibit 21.-New Home Sales
Perris, 1988 - 2004**

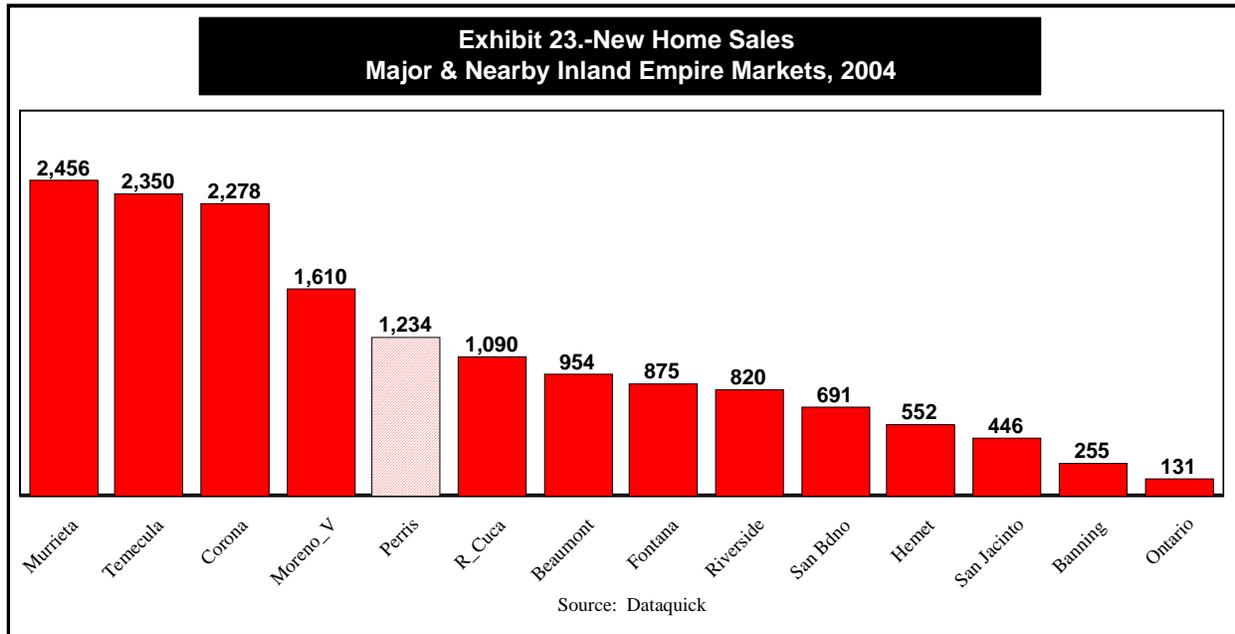


New Home Sales . . .

- Perris's new home sales were in a period of modest growth with under 350 units being sold in most of the last decade, with volume falling to just 68 units in 2000.
- Since then sales have exploded reaching 221 units in 2003, a record 690 in 2003 and nearly doubling that to 1,234 units sold 2004 (*Exhibit 21*). This has occurred because major developers found that land prices in Perris allowed them to build homes at prices, that while high were below those in most other inland or coastal markets.
- Note: from 1993 to 2000, new home sales in Perris totaled 1,238, just four units more than the 1,234 sold in 2004 alone.
- On a quarterly basis, seasonally adjusted sales of new homes in Perris has strengthened since bouncing off near zero in 2000-2001. In late 2004 and the first two quarters of 2005, seasonally adjusted volume moved to levels never seen in its history (*Exhibit 22*).

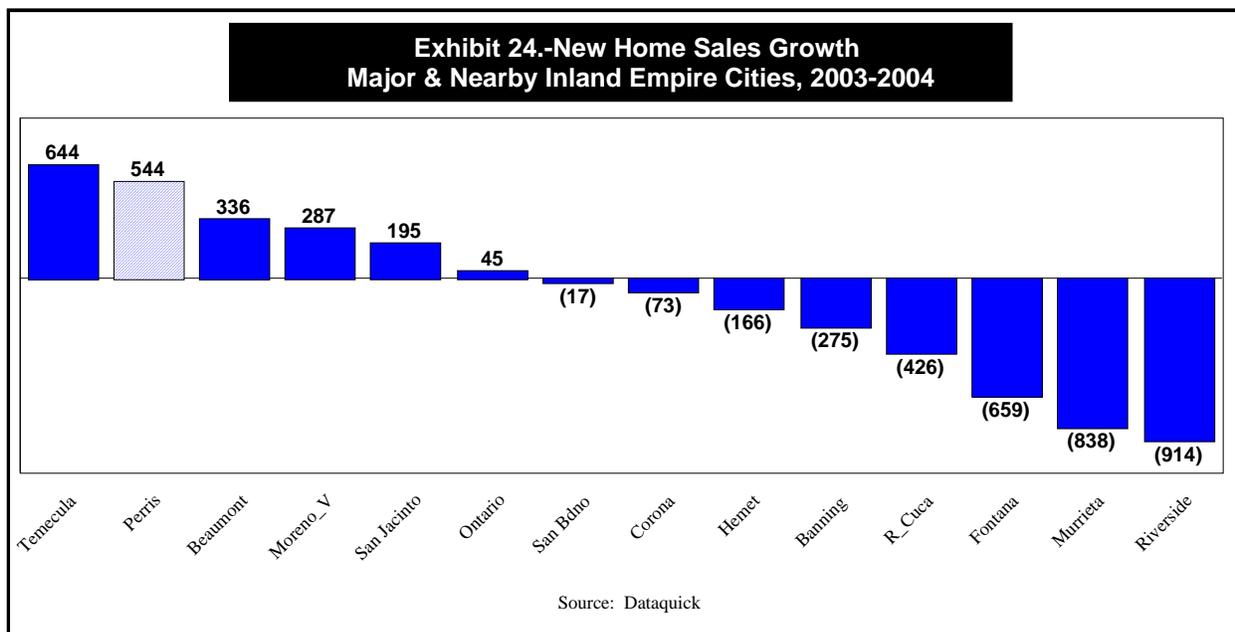
**Exhibit 22.-New Home Sales
Perris, Seasonally Adjusted, By Quarter, 1988-2005**





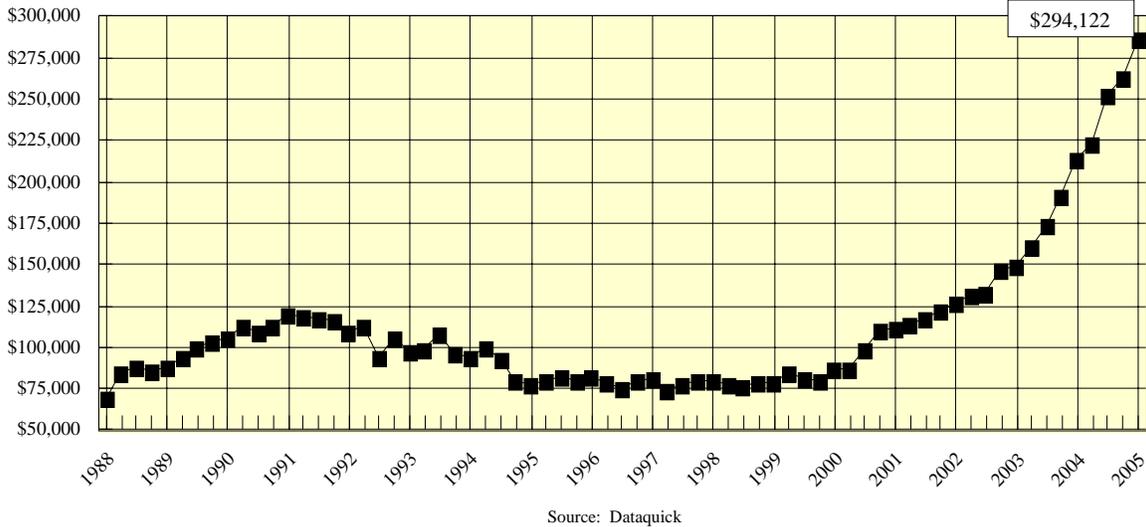
New Home Sales . . .

- In 2004, the 1,234 new homes sold in Perris ranked ahead of several cities in Riverside County’s two fast growing corridors: the I-215 area and the Pass area (*Exhibit 23*). These included Beaumont (954), Riverside (820) Hemet (552), San Jacinto (446) and Banning (255). Along the I-215, higher volumes were still found in Murrieta (2,456) and Temecula (2,350).
- During 2004, Perris’s new home volume jumped by 544 units over 2003 (*Exhibit 24*). In the I-215 Corridor, only Temecula (644) had a higher gain. This fact underscores the extent to which Perris has become a major new focus of the Inland Empire’s new home market.



Residential Information

**Exhibit 25.-Existing Home Prices, Quarterly
Perris, Not Seasonally Adjusted, By Quarter, 1988-2005**



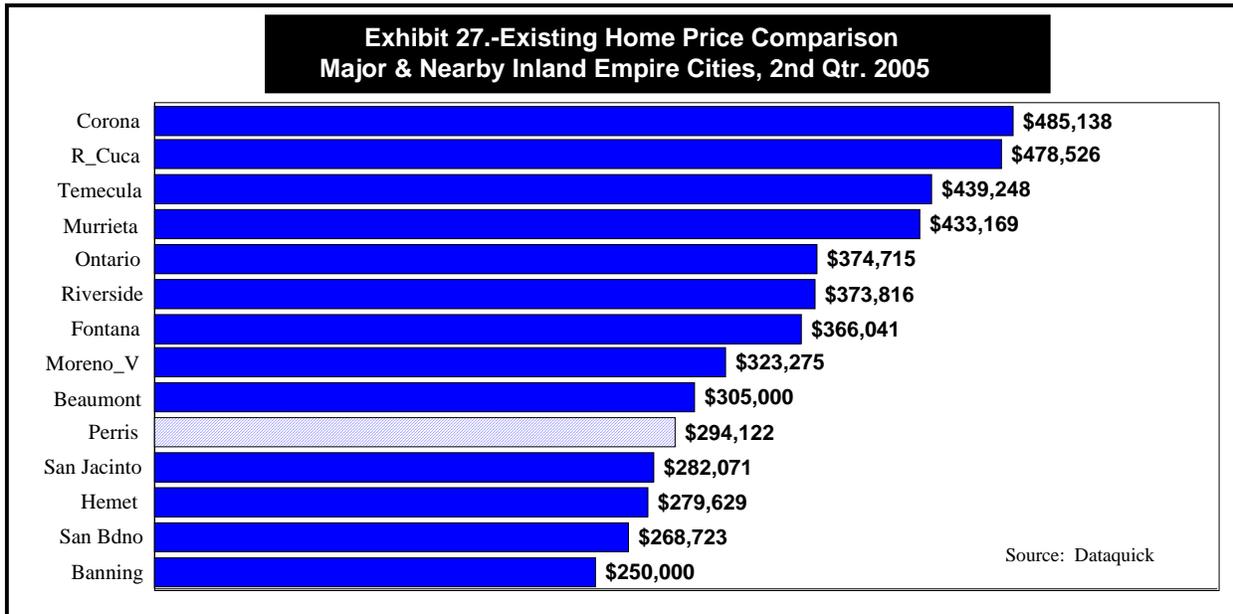
Existing Home Prices . . .

- At \$294,122, Perris's record median existing home price in 2nd quarter 2005 (*one-half above & below*) was \$70,430 or 31.5% higher than for that period of 2004. The breakout occurred in 2004 when the existing home median price crossed the \$200,000 threshold and began escalating to the present record level (*Exhibit 25*).
- Historically, Perris's median existing home price peaked at \$120,105 in 1st quarter 1991. It then fell to a low of \$74,121 by 2nd quarter 1997 due to the impact of Southern California's post Cold War recession and the closure of March Air Reserve Base (*Exhibit 26*). As recently as the 3rd quarter of 2000, the city's median existing home price (\$98,646) was still below \$100,000. Since the beginning of 2000, the city's prices have risen in every quarter, soaring to the all time high of \$294,122 in 2nd quarter 2005, more than triple their level in the 1st quarter of the decade (\$86,970).

Exhibit 26.-Existing Home Prices, Perris, Quarterly, 1988-2005

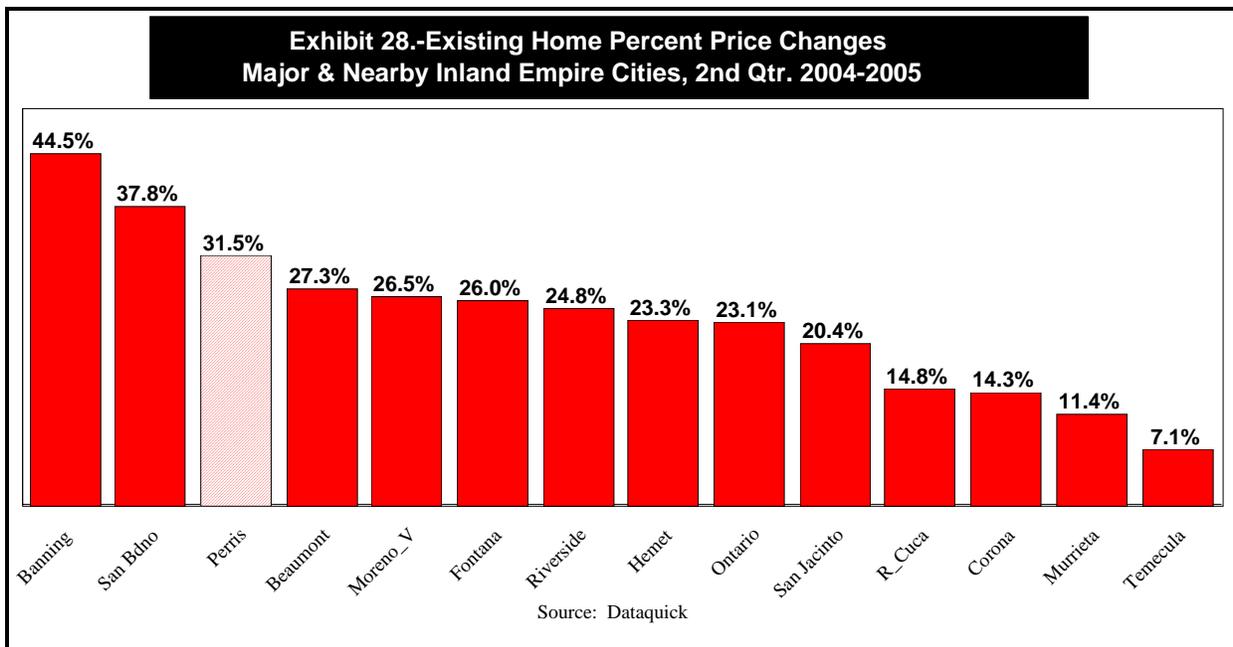
| Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. |
|---------|------------------|--------------|---------|-----------------|--------------|---------|-----------------|--------------|---------|------------------|--------------|
| 1st-88 | \$69,507 | | 1st-93 | \$98,067 | -10.2% | 1st-98 | \$79,647 | -1.7% | 1st-03 | \$149,691 | 17.6% |
| 2nd-88 | \$84,250 | | 2nd-93 | \$98,457 | -12.8% | 2nd-98 | \$77,933 | 5.1% | 2nd_03 | \$160,723 | 21.9% |
| 3rd-88 | \$88,145 | | 3rd-93 | \$107,723 | 14.1% | 3rd-98 | \$76,369 | -2.1% | 3rd_03 | \$173,290 | 30.3% |
| 4th-88 | \$85,460 | | 4th-93 | \$96,360 | -9.0% | 4th-98 | \$78,202 | -1.5% | 4th_03 | \$191,111 | 30.3% |
| 1st-89 | \$88,297 | 27.0% | 1st-94 | \$93,559 | -4.6% | 1st-99 | \$79,290 | -0.4% | 1st-04 | \$214,008 | 43.0% |
| 2nd-89 | \$93,645 | 11.2% | 2nd-94 | \$100,000 | 1.6% | 2nd-99 | \$84,637 | 8.6% | 2nd-04 | \$223,692 | 39.2% |
| 3rd-89 | \$99,777 | 13.2% | 3rd-94 | \$93,127 | -13.5% | 3rd-99 | \$80,943 | 6.0% | 3rd-04 | \$252,755 | 45.9% |
| 4th-89 | \$103,887 | 21.6% | 4th-94 | \$79,571 | -17.4% | 4th-99 | \$80,241 | 2.6% | 4th-04 | \$263,295 | 37.8% |
| 1st-90 | \$105,195 | 19.1% | 1st-95 | \$77,904 | -16.7% | 1st-00 | \$86,970 | 9.7% | 1st-05 | \$286,783 | 34.0% |
| 2nd-90 | \$113,238 | 20.9% | 2nd-95 | \$79,979 | -20.0% | 2nd-00 | \$87,162 | 3.0% | 2nd-05 | \$294,122 | 31.5% |
| 3rd-90 | \$108,892 | 9.1% | 3rd-95 | \$82,508 | -11.4% | 3rd-00 | \$98,646 | 21.9% | | | |
| 4th-90 | \$112,389 | 8.2% | 4th-95 | \$80,246 | 0.8% | 4th-00 | \$110,500 | 37.7% | | | |
| 1st-91 | \$120,105 | 14.2% | 1st-96 | \$81,984 | 5.2% | 1st-01 | \$111,727 | 28.5% | | | |
| 2nd-91 | \$118,105 | 4.3% | 2nd-96 | \$79,010 | -1.2% | 2nd-01 | \$114,275 | 31.1% | | | |
| 3rd-91 | \$116,962 | 7.4% | 3rd-96 | \$74,903 | -9.2% | 3rd-01 | \$117,494 | 19.1% | | | |
| 4th-91 | \$116,051 | 3.3% | 4th-96 | \$79,578 | -0.8% | 4th-01 | \$122,010 | 10.4% | | | |
| 1st-92 | \$109,205 | -9.1% | 1st-97 | \$80,985 | -1.2% | 1st-02 | \$127,257 | 13.9% | | | |
| 2nd-92 | \$112,907 | -4.4% | 2nd-97 | \$74,121 | -6.2% | 2nd-02 | \$131,890 | 15.4% | | | |
| 3rd-92 | \$94,395 | -19.3% | 3rd-97 | \$78,000 | 4.1% | 3rd-02 | \$133,040 | 13.2% | | | |
| 4th-92 | \$105,881 | -8.8% | 4th-97 | \$79,397 | -0.2% | 4th-02 | \$146,680 | 20.2% | | | |

Source: Dataquick



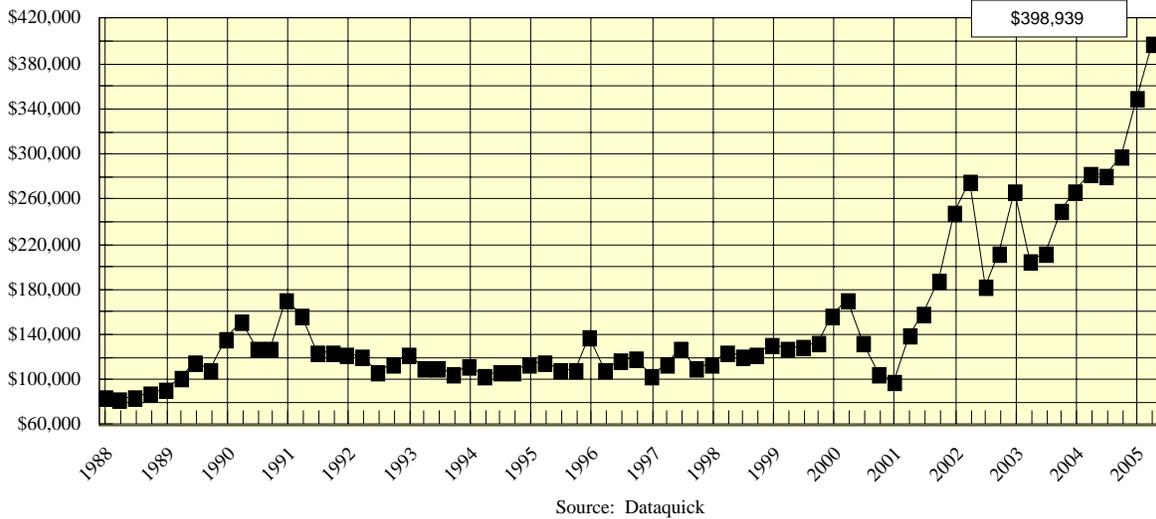
Existing Home Prices . . .

- For 2nd quarter 2005, the median price of existing homes sold in Perris was \$294,122, up 31.5% from that quarter of the previous year (*Exhibit 27*). In Riverside County's fast growing I-215 Corridor and I-10 Pass Area, the city's median price was higher than San Jacinto (\$282,071), Hemet (\$279,629) and Banning (\$250,000). It was below Temecula (\$439,248), Murrieta (\$433,169), Riverside (\$373,816) and Beaumont (\$305,000).
- From 2nd quarter 2004-2005, the 31.5% increase in the median existing home price in Perris was the second fastest in Riverside County's two high growth areas. Only Banning (44.5%) had a faster percentage increase. Nearest to Perris in these areas were Beaumont (27.3%), Moreno Valley (26.5%) and Riverside (24.8%). Hemet (23.3%) and San Jacinto (20.4%) also had smaller percentage increases. Murrieta (11.4%) and Temecula (7.1%) had much slower percentage gains, reflecting the maturing of those markets (*Exhibit 28*).



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**Exhibit 29.-New Home Prices, Quarterly
Perris, Not Seasonally Adjusted, By Quarter, 1988-2005**



New Home Prices . . .

- Perris's new home prices have also exploded in recent quarters. Through the 1990's, and as recently as 2nd quarter 2001 (\$139,583), the city's median price ranged between \$100,000 and \$150,000. Since then the migration of major builders into the city has seen entirely new forms of quality homes being built with the median price reaching \$398,939 in 2nd quarter 2005. That price was up \$116,290 or 41.1% from the \$282,649 of the same quarter of 2004.
- Earlier, the city's median new home price peaked at \$170,848 in early 1991 but fell to a low of \$98,500 in 1st quarter 2001 due to Southern California's brief recession and the fact that the city was not yet a major location for corporate residential developers. Since that time, the median price rose to a record \$398,939 in 2nd quarter 2005 (*Exhibits 29-30*).

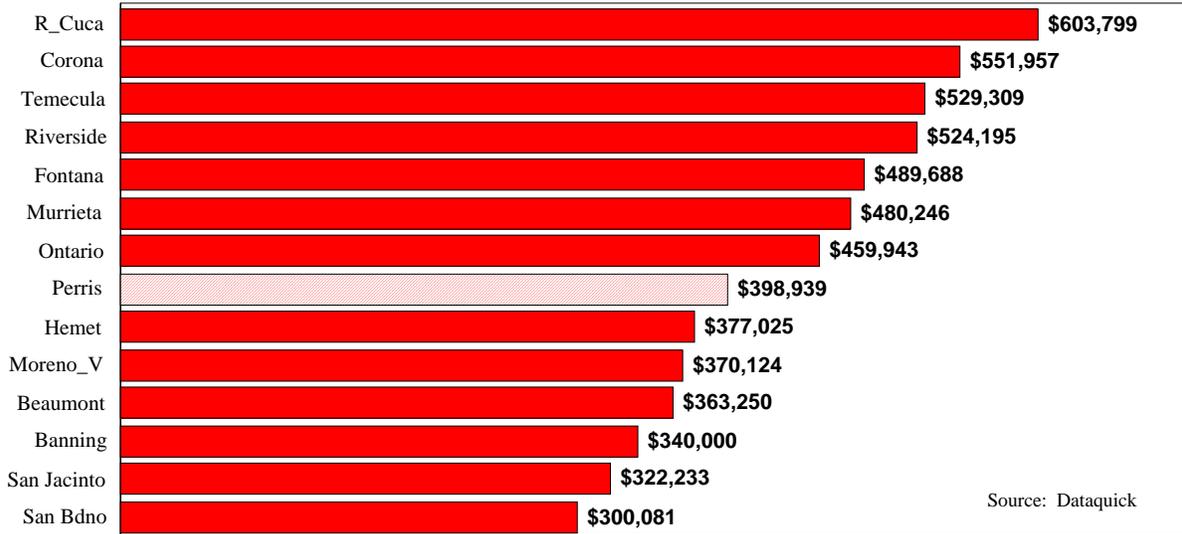
Exhibit 30.-New Home Prices, Perris, Quarterly, 1988-2005

| Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. | Quarter | Sales | 1-Yr Chg. |
|---------|------------------|--------------|---------|-----------|-----------|---------|-----------------|---------------|---------|------------------|--------------|
| 1st-88 | \$84,464 | | 1st-93 | \$122,934 | 0.0% | 1st-98 | \$115,100 | 10.3% | 1st-03 | \$268,012 | 7.9% |
| 2nd-88 | \$84,071 | | 2nd-93 | \$110,652 | -8.5% | 2nd-98 | \$125,087 | 10.1% | 2nd-03 | \$206,224 | -25.3% |
| 3rd-88 | \$84,360 | | 3rd-93 | \$110,115 | 2.2% | 3rd-98 | \$120,563 | -5.5% | 3rd-03 | \$212,881 | 16.4% |
| 4th-88 | \$88,871 | | 4th-93 | \$105,932 | -7.0% | 4th-98 | \$123,055 | 10.3% | 4th-03 | \$250,716 | 18.2% |
| 1st-89 | \$91,045 | 7.8% | 1st-94 | \$112,397 | -8.6% | 1st-99 | \$131,280 | 14.1% | 1st-04 | \$267,204 | -0.3% |
| 2nd-89 | \$101,968 | 21.3% | 2nd-94 | \$103,972 | -6.0% | 2nd-99 | \$127,538 | 2.0% | 2nd-04 | \$282,649 | 37.1% |
| 3rd-89 | \$115,540 | 37.0% | 3rd-94 | \$107,093 | -2.7% | 3rd-99 | \$129,735 | 7.6% | 3rd-04 | \$282,126 | 32.5% |
| 4th-89 | \$109,000 | 22.6% | 4th-94 | \$107,875 | 1.8% | 4th-99 | \$132,639 | 7.8% | 4th-04 | \$299,209 | 19.3% |
| 1st-90 | \$136,500 | 49.9% | 1st-95 | \$115,091 | 2.4% | 1st-00 | \$156,500 | 19.2% | 1st-05 | \$350,758 | 31.3% |
| 2nd-90 | \$152,018 | 49.1% | 2nd-95 | \$115,714 | 11.3% | 2nd-00 | \$170,833 | 33.9% | 2nd-05 | \$398,939 | 41.1% |
| 3rd-90 | \$128,679 | 11.4% | 3rd-95 | \$109,236 | 2.0% | 3rd-00 | \$132,625 | 2.2% | | | |
| 4th-90 | \$128,375 | 17.8% | 4th-95 | \$108,409 | 0.5% | 4th-00 | \$106,125 | -20.0% | | | |
| 1st-91 | \$170,848 | 25.2% | 1st-96 | \$138,765 | 20.6% | 1st-01 | \$98,500 | -37.1% | | | |
| 2nd-91 | \$156,481 | 2.9% | 2nd-96 | \$108,806 | -6.0% | 2nd-01 | \$139,583 | -18.3% | | | |
| 3rd-91 | \$125,269 | -2.6% | 3rd-96 | \$117,000 | 7.1% | 3rd-01 | \$159,095 | 20.0% | | | |
| 4th-91 | \$123,912 | -3.5% | 4th-96 | \$119,943 | 10.6% | 4th-01 | \$189,000 | 78.1% | | | |
| 1st-92 | \$122,929 | -28.0% | 1st-97 | \$104,322 | -24.8% | 1st-02 | \$248,354 | 152.1% | | | |
| 2nd-92 | \$120,941 | -22.7% | 2nd-97 | \$113,586 | 4.4% | 2nd-02 | \$276,184 | 97.9% | | | |
| 3rd-92 | \$107,703 | -14.0% | 3rd-97 | \$127,647 | 9.1% | 3rd-02 | \$182,814 | 14.9% | | | |
| 4th-92 | \$113,871 | -8.1% | 4th-97 | \$111,594 | -7.0% | 4th-02 | \$212,071 | 12.2% | | | |

Source: Dataquick

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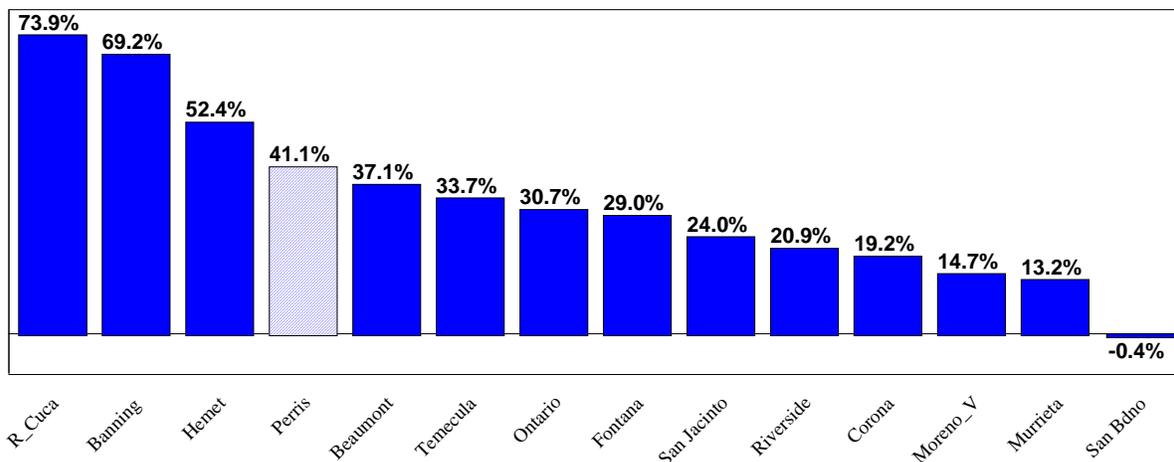
**Exhibit 31.-New Home Price Comparison
Inland Empire, 2nd Quarter 2005**



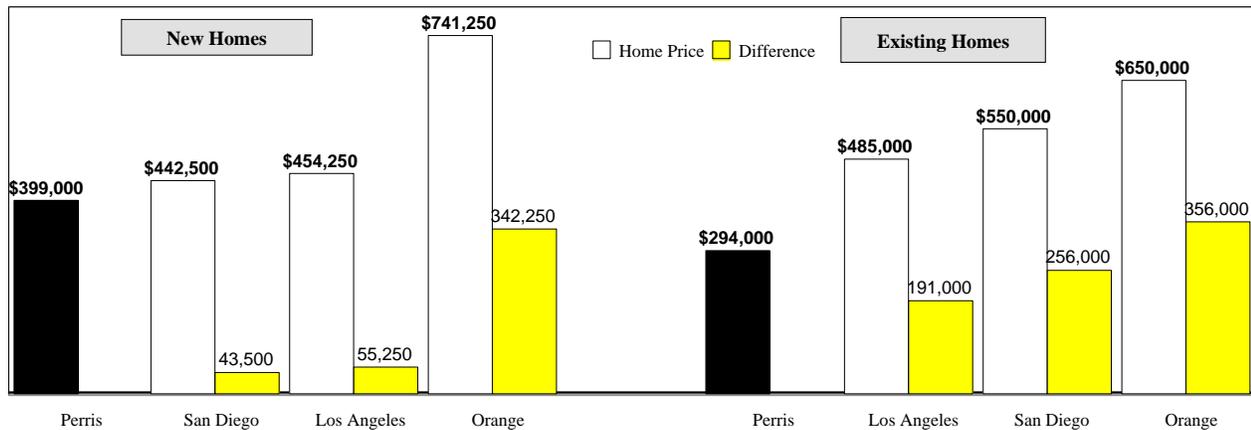
New Home Prices . . .

- In 2nd quarter 2005, the new homes sold in Perris traded at a median price of \$398,939. Among I-215 Corridor cities, Temecula (\$529,309), Riverside (\$524,195) and Murrieta (\$480,246) had higher prices. Hemet (\$377,025), Moreno Valley (\$370,124) and San Jacinto (\$322,233) had lower prices as did Beaumont (\$363,250) and Banning (\$340,000) in the I-10 Pass Area (*Exhibit 31*).
- Perris's 41.1% gain in new home prices from 2nd quarter 2004-2005 ranked third in Riverside County's two newest high growth areas behind Banning (69.2%) in the I-10 Pass Area and Hemet (25.4%) in the I-215 Corridor (*Exhibit 32*). In these areas, Beaumont (37.1%) and Temecula (33.7%) had the next fastest growing prices.

**Exhibit 32.-New Home Price Changes
Major & Nearby Inland Empire Cities, 2nd Qtr. 2004-2005**



**Exhibit 33.-Perris Price Advantage
Median Prices So. California Counties, 2nd Quarter 2005**



Source: Dataquik

Home Prices In Perris Compared To Southern California Prices . . .

- Perris has become a high growth hot spot because its homes are so much less expensive than those in Southern California's coastal counties. In 2nd quarter 2005, Perris's median priced new home of \$399,000 was from \$43,500 to \$342,250 *less expensive* than median new home prices in Los Angeles (\$454,250), San Diego (\$422,500) or Orange (\$741,250) counties (*Exhibit 33*).
- Perris's 2nd quarter 2005 median existing home price of \$294,000 was from \$191,000 to \$356,000 below Los Angeles (\$485,000), San Diego (\$550,000) and Orange (\$650,000) counties.

Multi-Tenant Markets . . .

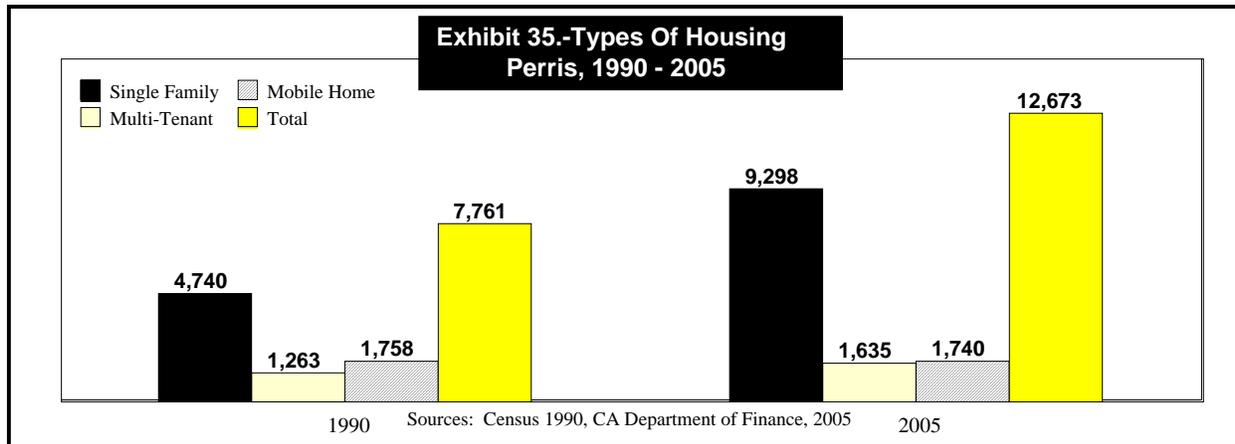
- The Inland Empire's second quarter 2005 average monthly apartment rental rate of \$1,013 was up 5.9% from second quarter 2004. In the Perris-Hemet area, the rate was just \$799, up 4.7% (*Exhibit 34*). This was the lowest rate in the Inland Empire. Vacancy was just 2.6%, down from the 3.8% rate of 2004.

**Exhibit 34.-Apartment Vacancy & Rental Rates
Inland Empire, 2nd Quarter 2005**

| Market | Vacancy Rates | | Average Rent | | |
|-----------------------------|---------------|-------------|--------------|--------------|-------------|
| | 2004 | 2005 | 2004 | 2005 | Percent |
| Chino/Chino Hills | 4.9% | 6.3% | \$1,159 | \$1,202 | 3.7% |
| Ontario-R. Cucamonga | 4.4% | 5.0% | 1,094 | 1,162 | 6.2% |
| Corona | 4.1% | 6.0% | 1,072 | 1,153 | 7.6% |
| Temecula Valley | 7.0% | 6.0% | 1,022 | 1,065 | 4.2% |
| Upland/Montclair | 3.0% | 4.2% | 990 | 1,045 | 5.6% |
| Inland Empire Market | 4.4% | 4.4% | 957 | 1,013 | 5.9% |
| Riverside | 5.0% | 4.0% | 934 | 983 | 5.2% |
| Colton/GT/Loma Linda/Perris | 3.5% | 3.1% | 871 | 921 | 5.7% |
| Fontana/Rialto | 3.4% | 2.8% | 842 | 908 | 7.8% |
| Moreno Vly-Pass Area | 5.1% | 4.1% | 854 | 908 | 6.3% |
| Coachella Valley | 4.9% | 4.6% | 844 | 890 | 5.5% |
| San Bdn/Highland | 3.9% | 4.1% | 824 | 862 | 4.6% |
| High Desert | 2.3% | 1.8% | 743 | 807 | 8.6% |
| Perris Hemet | 3.8% | 2.6% | 763 | 799 | 4.7% |

Source: Hendricks & Partners

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Dwelling Units . . .

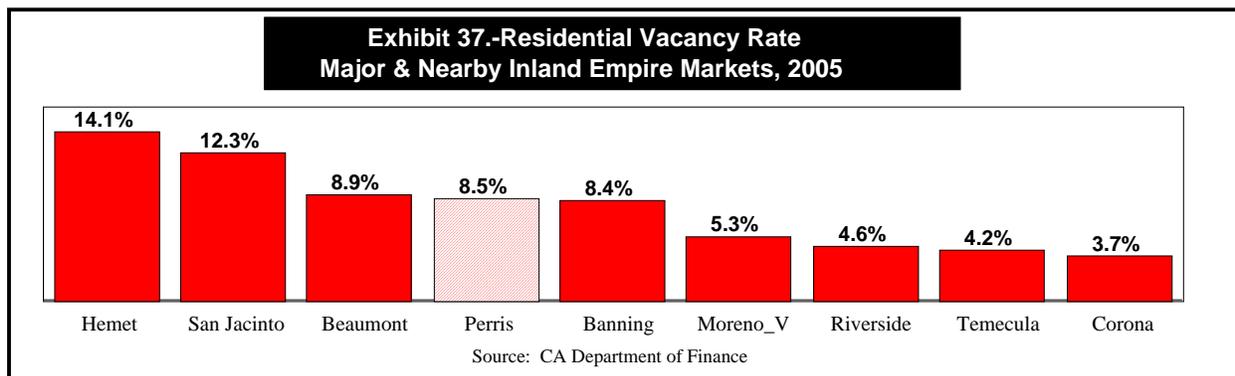
- From 1990-2005, the stock of dwelling units in Perris rose from 7,761 to 12,673 units, a gain of 4,912 units (63.3%). This included 4,558 additional single family units and 372 more multi-tenant units but 18 fewer mobile homes (*Exhibit 35*). In 2000, 62.3% of Perris's dwellings were owner occupied (*Exhibit 36*). Among major and nearby Inland Empire cities, this was in the middle range. Temecula (70.3%) was the highest; Beaumont (49.2%) was the lowest (*Exhibit 36*).

**Exhibit 36.-Dwelling Units
Perris & Major or Nearby Inland Empire Cities, April 2000**

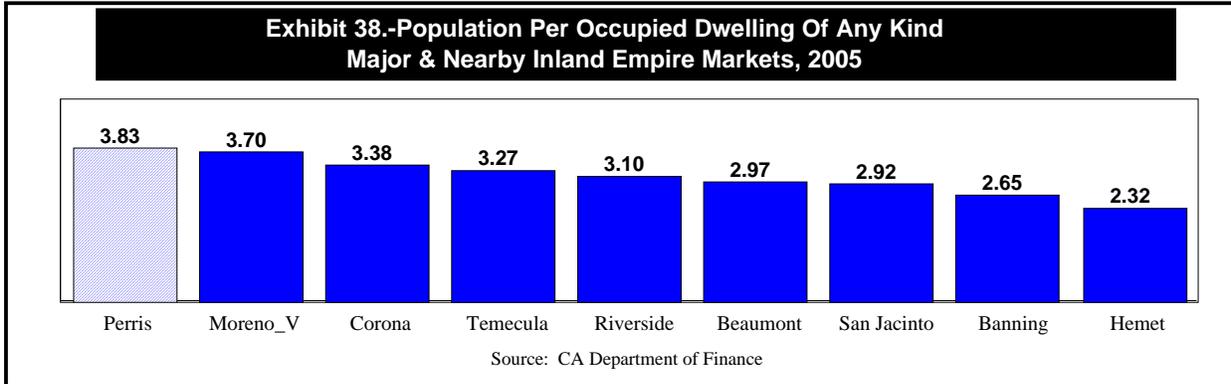
| Type | Riverside | Moreno_V | Corona | Hemet | Temecula | Perris | Banning | San Jacinto | Beaumont |
|------------------|-----------|----------|--------|--------|----------|--------|---------|-------------|----------|
| Occupied-Owners | 46,455 | 27,873 | 25,548 | 16,311 | 13,418 | 6,577 | 6,426 | 5,905 | 2,097 |
| Share | 54.0% | 67.3% | 65.1% | 55.5% | 70.3% | 62.3% | 65.8% | 62.3% | 49.2% |
| Occupied-Renters | 35,550 | 11,352 | 12,291 | 8,941 | 4,875 | 3,075 | 2,497 | 2,409 | 1,784 |
| Share | 41.3% | 27.4% | 31.3% | 30.4% | 25.5% | 29.1% | 25.6% | 25.4% | 41.9% |
| Vacant | 3,969 | 2,206 | 1,432 | 4,149 | 806 | 901 | 838 | 1,162 | 377 |
| Total-2000 | 85,974 | 41,431 | 39,271 | 29,401 | 19,099 | 10,553 | 9,761 | 9,476 | 4,258 |
| Vacant 2004 | 4.6% | 5.3% | 3.7% | 14.1% | 4.2% | 8.5% | 8.4% | 12.3% | 8.9% |
| Density-2004 | 3.10 | 3.70 | 3.38 | 2.323 | 3.27 | 3.83 | 2.654 | 2.915 | 2.972 |

Source: Census 2000

- In 2005, 8.5% of Perris dwelling units of all kinds were found to be vacant by the CA Department of Finance (*Exhibit 37*). This was in the upper range compared to the major and nearby cities which ranged from Corona (3.7%) to Hemet (14.1%).

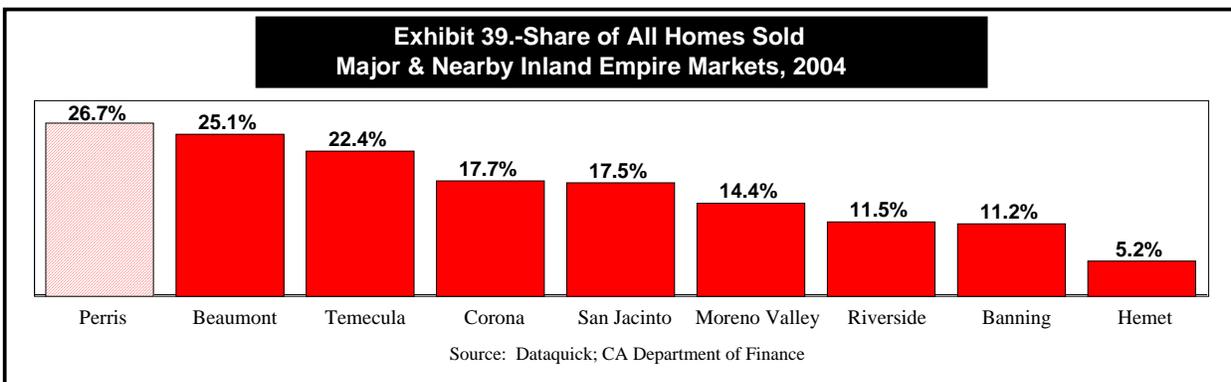


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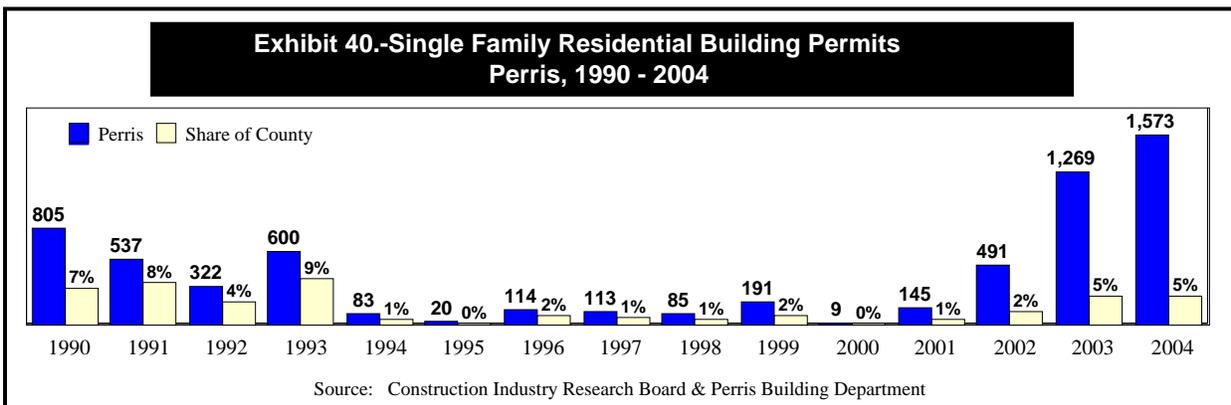


Population Density & Owner Occupancy & Permits . . .

- In Perris, there were an estimated 3.83 people for every occupied dwelling unit in 2005. This was above the average for major and nearby cities (*Exhibit 38*). Hemet (2.32) was the lowest due to its history as a retirement area.
- One measure of the strength of a city's housing market is the pace that new and existing homes are being sold (*Exhibit 39*). For 2004, 26.7% of Perris homes were involved in sales. This was above all the nearby markets with Beaumont (25.1%) and Temecula (22.4%) just behind. Banning (11.2%) and Hemet (5.2%) had the smallest share of turnover.



- Historically, the volume of Perris's new home permits have generally been relatively modest. The number peaked at 805 in 1990, and plunged to 20 due to the post-Cold War recession in Southern California. It was just nine in 2000. The city's market began recovering with 145 units permitted in 2001. It surged to 491 in 2002, then soared to 1,269 in 2003 and an all time record of 1,573 in 2004 (*Exhibit 40*). The 2004 figure represented 5% of new home permits in Riverside County.



PERRIS SECTION 4 EMPLOYMENT

Perris is a community undergoing exceptional economic change. The growth of its manufacturing, distribution and construction sectors have completely offset any linger impacts of the end of the Cold War and the cutbacks at March Air Reserve Base. The city's rapid population growth is causing its retailing, education and consumer service sectors to expand dramatically. In addition, the make up of the city's locally based employment is an unusually good fit for the skills of its population and the sectors in which they work.

Employment. From 1997-2004, CA Employment Development Department data show that employment in Perris rose from 8,759 to a record 13,804, up 5,044 jobs or 57.6% (*Exhibit 41*). Since 1998, the city's employment has grown in every year. In 2004, Perris's job base was unusual in being led by two non-population serving sectors: manufacturing (3,059) and construction (2,503). This occurred because of large scale manufacturing in firms like National RV and ModTech, plus the impact of the residential development industry. Given the rapidly growing population in Perris, its next largest employers were the retailers (2,452) and schools (2,147) serving its residents (*Exhibit 42*). Importantly, for six of the last seven years, job growth in Perris has exceeded that of the Inland Empire, which in turn has led California. After a 10.6% surge in 2000, the city's job growth has since varied from 5.0% to just under 6.0%. That has been higher than the Inland Empire's range of 3% to 4.5% (*Exhibit 44*).

There has been some shift in the make up of Perris's economy as it economy has expanded. From 1997-2004, the city's largest sector remained manufacturing but its share of jobs fell from 27.6% to 22.2%. This occurred despite 638 new positions indicating that the city's economic base is becoming more diversified. Construction, on the other hand, added 982 jobs and its share rose from 17.4% to a second placed 18.1% due to the aggressive growth of city's residential sector. Retailing added 702 jobs but its share fell from 20.0% to a third placed 17.8% again because of the faster pace of other sectors. The addition of 856 jobs in education caused its fourth placed share to rise from 14.7% to 15.6% (*Exhibits 43, 45-46*).

Payroll. The payroll expended by firms located in Perris has followed a pattern similar to employment, though more aggressive. From 1997-2004, it more than doubled from \$213 million to \$418 billion, up \$205 million or 96.2% (*Exhibit 47*). Adjusting for the 21.1% increase in inflation, this payroll's purchasing power still rose \$160 million or 75.1% (*Exhibit 48*). In 2004, Perris's largest payrolls were in its manufacturing (\$97.6 million) and education (\$75.6 million) followed by construction (\$70.4 million) and retailing (\$53.4 million) (*Exhibit 49*). From 1997-2004, the \$205 million gain in Perris's payroll was led by manufacturing, up \$37.5 million, or an 18.3% share of the city's increase. That was nearly matched by the growth in the construction payroll (up \$37.3 million) and the utility payroll (up \$36.8 million) which represented 18.2% and 18.0% respectively of the city's growth (*Exhibit 50*). Together, these three sectors accounted for 54.4% of the new payroll released by the city's employers. Growth in payroll from the large retail sector (\$28.4 million) ranked only fourth due the sector's relatively low pay.

Average Pay Per Job. From 1997-2004, the pay of the average jobs located in Perris went from \$24,310 to \$30,270, up \$5,959 or 24.5% (*Exhibit 51*). However in this period, workers needed

an extra \$5,127 to cover the 21.1% rise in Southern California's prices (*Exhibit 52*). As a result, the average job actually provided workers with \$833 in increased purchasing power over this 7-year period (3.4%), representing a modest gain in the standard of living. It should be noted that average payroll is not average family income due to multi-job families. Also, Perris's spurt in population means that many of its workers commute elsewhere to work and bring their pay checks home to spend.

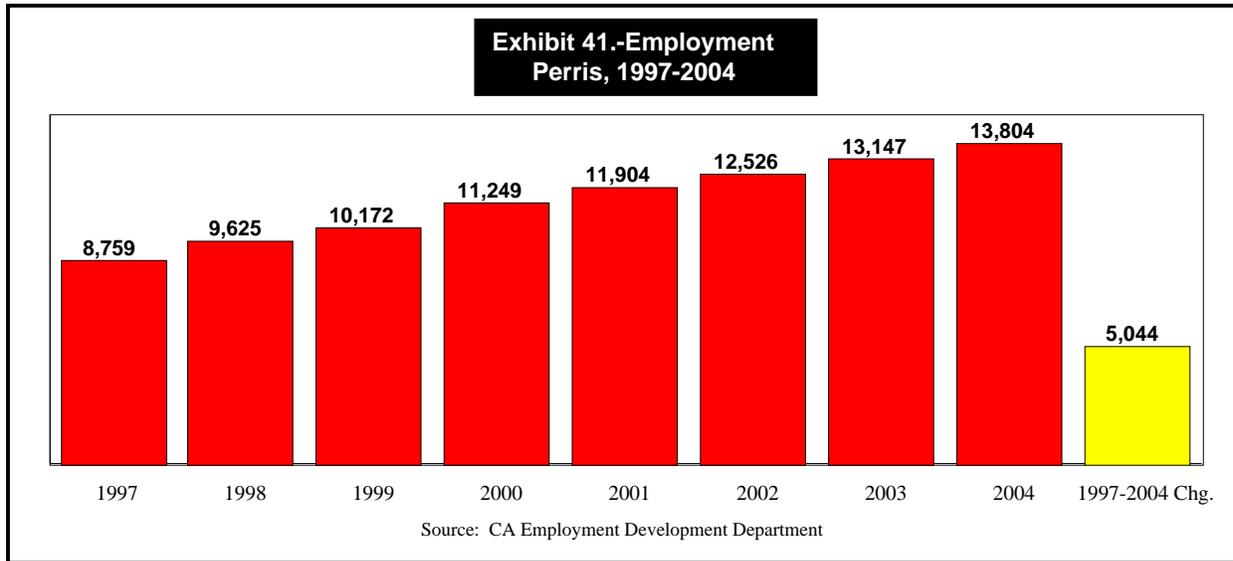
In 2004, Perris's best paying sectors were utilities (\$59,938), engineering & management (\$51,142), and business services companies (\$35,915). They were followed by its educators (\$35,197). The high "education content" of work in these sectors are the reasons for their higher pay scales. The next highest pay was by distributors (\$33,225) due to the heavy adoption of information technology by the large logistics operations now locating in the city. Perris's three biggest employers paid modestly: manufacturing (\$31,908), construction (\$28,109) and retailing (\$21,783) (*Exhibits 53-54*).

Number & Size Of Firms. From 1997-2004, the number of firms in Perris grew from 416 to 555, up 139 (33.5%) (*Exhibits 55-56*). These data are an "impression" of actual growth as they only include operations with payrolls. The largest concentration of firms was 114 in retailing, 103 in construction and 67 in other "consumer" service. This is the normal pattern in a suburban city undergoing a rapid spurt of development (*Exhibits 57-58*). They were followed by distribution with 63 companies. Meanwhile, Perris's economy is made up of smaller firms with average employment rising from 21.1 to 24.9 workers from 1997-2004, up 3.8 jobs per firm or 18.0% (*Exhibit 59*). There were exceptions to the small size rule in those sectors related to public services: education (268.4), utilities (100.8) and government (76.4). Also, the city's manufacturers were large, averaging 66.4 employees. Otherwise, the average employment was highest in construction (24.3), retail trade (21.5) and finance, insurance & real estate (20.2) (*Exhibit 60*).

Occupations of Residents. In 2000, the U.S. Census found that the top four sectors employing Perris's residents were manufacturing (18.7%), education (16.5%), retailing (13.1%) and construction (11.3%) (*Exhibit 61*). In a slightly different order, these are the same sectors supplying the most jobs in the city: manufacturing (22.2%), construction (18.1%), retailing (17.8%) and education (15.6%). Perris is unusual in that fact.

Also, the 2000 Census revealed that production and transportation workers represented 22.2% of the skills practiced by the workforce in Perris, a good match for its employment profile and a much higher percentage than the 14.5% in the Inland Empire. Also, 12.8% of the city's workers had construction skills versus 10.6% in the inland area. On the other hand, Perris had abnormally low shares of people trained for the professions (15.6% v. 25.8%) and sales workers (22.0% vs. 25.0%) (*Exhibit 62*).

Summary. The data on the internal economy of Perris shows a community that has completely recovered from the difficulties imposed by the end of the Cold War and the cutbacks at March Air Reserve Base. Today, the dominant facts impacting the city's economy are the very high levels of construction occurring in the city and its large manufacturing and distribution operations. A second theme is the rapid growth of "roof tops" and population leading to the importance of its retailing, education and consumer service sectors.



City Employment, 1997-2004 . . .

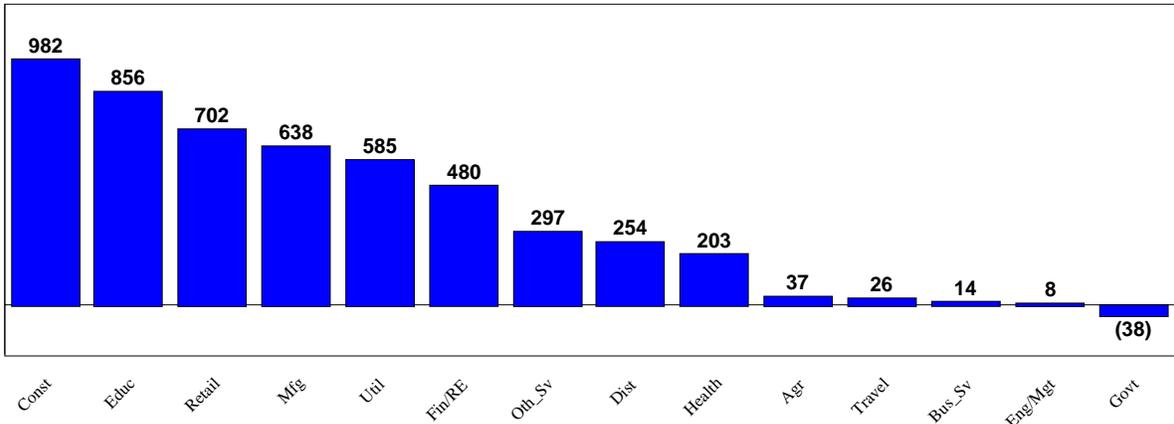
- In 1997, the firms and agencies located in Perris provided 8,759 jobs. By 2004, employment within the city had grown to 13,804. That was a gain of 5,044 jobs or 57.6%. Job growth in the community has occurred consistently since 1997. The gain in 2004 was 657 jobs or 5.0% (*Exhibit 41*).
- In 2004, the largest shares of Perris's jobs were in the blue collar manufacturing (3,059) and construction sectors (2,503) (*Exhibit 42*). This was due to the location of National RV and ModTech in the city, plus its rapidly developing residential neighborhoods. Normally, employment in a suburban community is more oriented towards population serving sectors. In Perris, the largest of these ranked third and fourth in employment: retail trade (2,452) and education (2,147).
- In terms of growth rates, from 1997-2004, there was dramatic increase in the utility sector (*mostly in 1997-1998*) when Eastern Municipal Water District began reporting its payroll from within the city. More recently, the city's housing boom has caused the finance, insurance and real state sector to take off. The only sector to lose jobs over this period was the government (*Exhibit 42, last two columns*).

Exhibit 42.-Employment by Sector, Perris, 1997-2004

| Sector | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 97-04 | 97-04% |
|--------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Manufacturing | 2,421 | 2,880 | 3,074 | 3,005 | 2,799 | 2,856 | 2,914 | 3,059 | 638 | 26.4% |
| Construction | 1,522 | 1,709 | 1,647 | 2,345 | 2,281 | 2,334 | 2,387 | 2,503 | 982 | 64.5% |
| Retail Trade | 1,750 | 1,592 | 1,592 | 1,748 | 1,984 | 2,158 | 2,333 | 2,452 | 702 | 40.1% |
| Education | 1,291 | 1,365 | 1,436 | 1,603 | 1,955 | 2,000 | 2,045 | 2,147 | 856 | 66.3% |
| Distribution | 449 | 489 | 501 | 570 | 671 | 670 | 669 | 703 | 254 | 56.6% |
| Utilities | 52 | 274 | 536 | 537 | 575 | 591 | 607 | 637 | 585 | 1117.2% |
| Other Services | 242 | 230 | 271 | 261 | 313 | 413 | 513 | 538 | 297 | 122.8% |
| Fin., Ins., R.Est. | 58 | 51 | 61 | 80 | 96 | 304 | 512 | 538 | 480 | 829.0% |
| Health | 208 | 258 | 281 | 296 | 369 | 380 | 392 | 411 | 203 | 98.0% |
| Agriculture | 212 | 202 | 183 | 179 | 199 | 218 | 237 | 249 | 37 | 17.3% |
| Hotel & Amuse | 161 | 163 | 154 | 146 | 151 | 165 | 178 | 187 | 26 | 16.1% |
| Bus. Services | 165 | 172 | 189 | 207 | 198 | 184 | 170 | 178 | 14 | 8.2% |
| Government | 199 | 213 | 212 | 220 | 240 | 197 | 154 | 161 | (38) | -19.1% |
| Eng. & Mgmt | 31 | 28 | 35 | 52 | 75 | 56 | 38 | 39 | 8 | 27.4% |
| TOTAL | 8,759 | 9,625 | 10,172 | 11,249 | 11,904 | 12,526 | 13,147 | 13,804 | 5,044 | 57.6% |

Source: CA Employment Development Department

**Exhibit 43.-Employment Gain By Sector
Perris, 1997-2004**

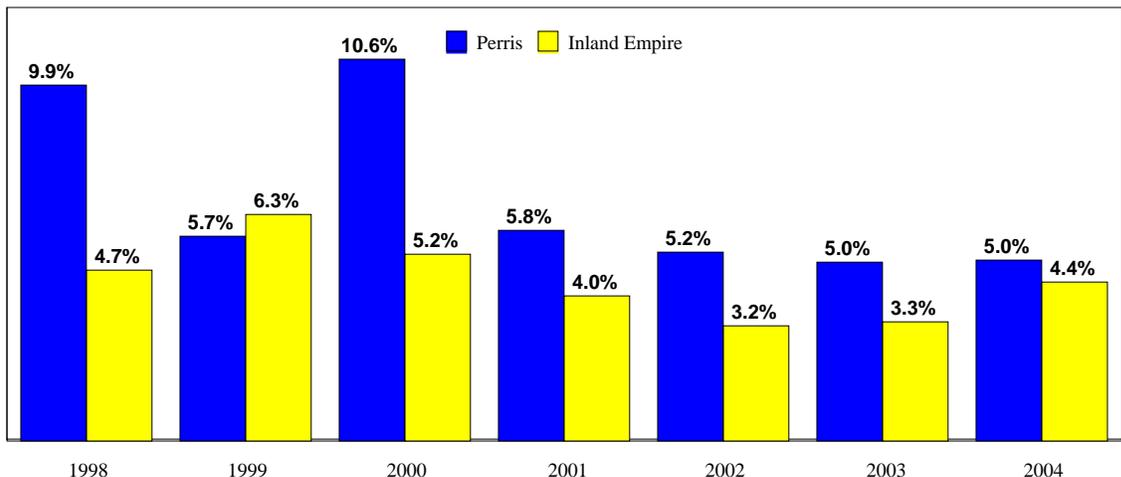


Source: CA Employment Development Department

Job Growth, 1997-2004 . . .

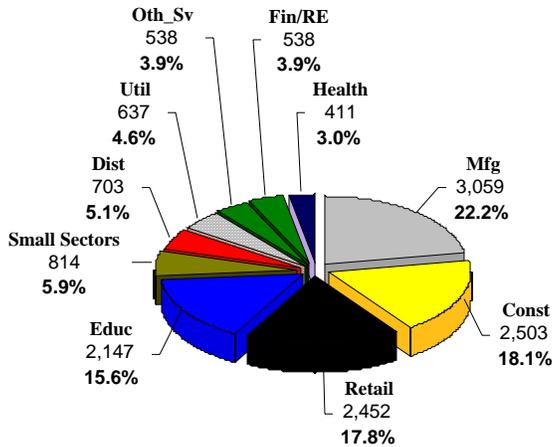
- From 1997-2004, while Perris was adding 5,044 jobs, the large growth was in the construction sector due to the explosive growth of residential real estate (982). This was followed by the increases in two population serving sectors: education (856) and retailing (702). The next fastest growing group was manufacturing (638) (*Exhibit 43*). These four sectors were responsible for 63.0% of the city's job growth in this seven year period.
- For six of the last seven years, job growth in Perris has exceeded that of the Inland Empire. After a 10.6% surge in 2000, the city's growth has since varied from 5.0% to just under 6.0% (*Exhibit 44*). This has exceeded the Inland Empire's range (3% to 4.5%) throughout this period.

**Exhibit 44.-Employment Growth Rates
Perris, 1997-2004**



Source: CA Employment Development Department

**Exhibit 45.-Employment Distribution By Sector
Perris, 2004**

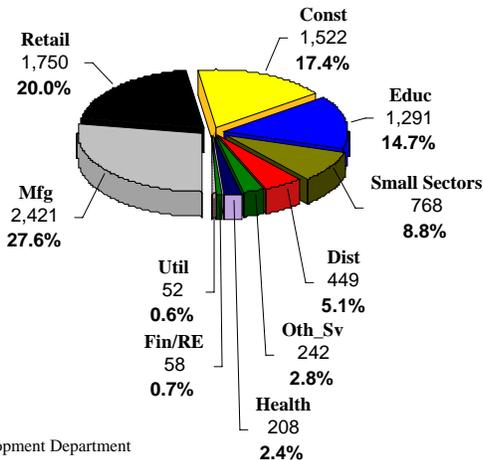


Source: CA Employment Development Department

Employment Distribution, 2004 vs. 1997 . . .

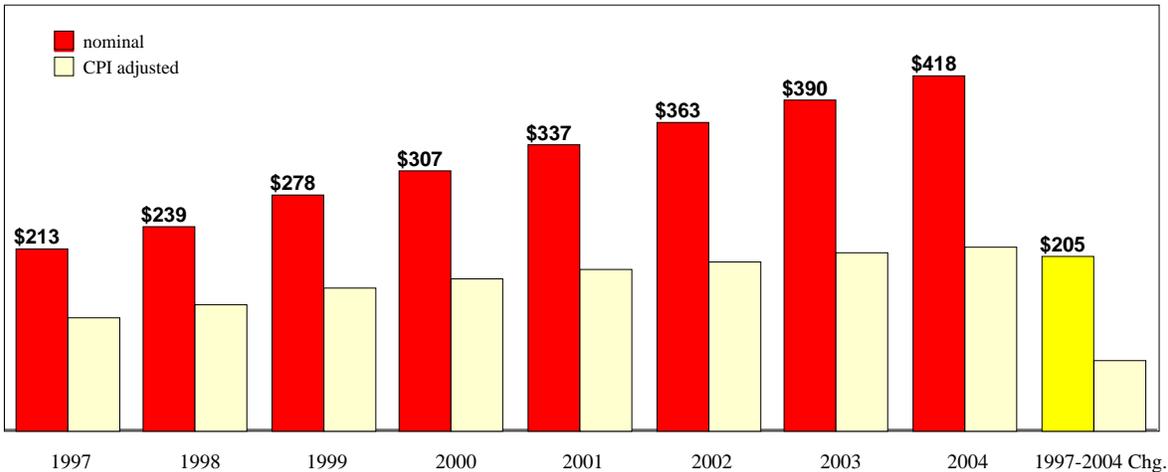
- From 1997-2004, Perris’s largest sector was manufacturing which went from 27.6% down to 22.2% of jobs. The decline in share occurred despite the sector’s 638 new positions, an indication that the city’s economic base is becoming more diversified. Construction, on the other hand, added 982 jobs and its share rose from 17.4% to a second placed 18.1% due to the aggressive growth of the residential sector (*Exhibits 45-46*).
- Retailing services added 702 jobs in this period but saw its share fall from 20.0% to a third place 17.8% again because of faster growth in other sectors. One of these was education where 856 more jobs pushed the sector’s share of the city’s jobs from 14.7% to 15.6%. The fifth largest sector was distribution with firms like Ross Dress For Less. Its 254 job growth kept the share at 5.1%.

**Exhibit 46.-Employment Distribution By Sector
Perris, 1997**



Source: CA Employment Development Department

**Exhibit 47.-Payroll
Perris, 1997-2004 (millions)**

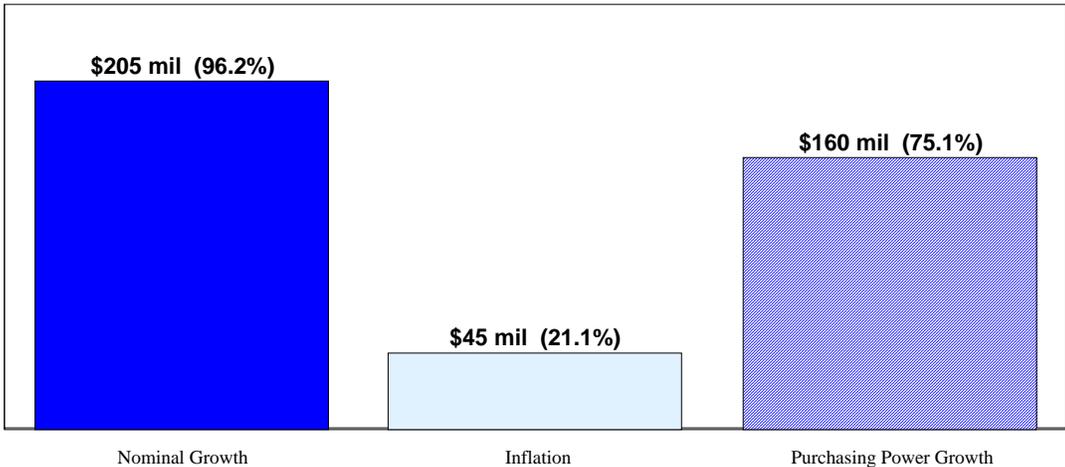


Source: CA Employment Development Department

Wage & Salary Payroll, 1997-2004 . . .

- In 1997, the payroll for firms located in Perris was \$213 million. By 2004, that had nearly doubled to a record \$418 million, a gain of \$205 million or 96.2%. This represented an aggressive compound rate of 10.1% (*Exhibit 47*). The increase occurred because the city had more jobs and the jobs averaged more money.
- Of the \$205 million increase in Perris’s payroll from 1997-2004, \$45 million was needed to offset the 21.1% rise in Southern California’s Consumer Price Index (*Exhibit 48*). The remaining \$160 million represented a significant 75.1% increase in the payroll released into the city by its employers.

**Exhibit 48.-Payroll Growth, Allowing For Inflation
Perris, 1997-2004**



Source: CA Employment Development Department

Employment

Exhibit 49.-Payroll by Sector, Perris, 1997-2004 (million)

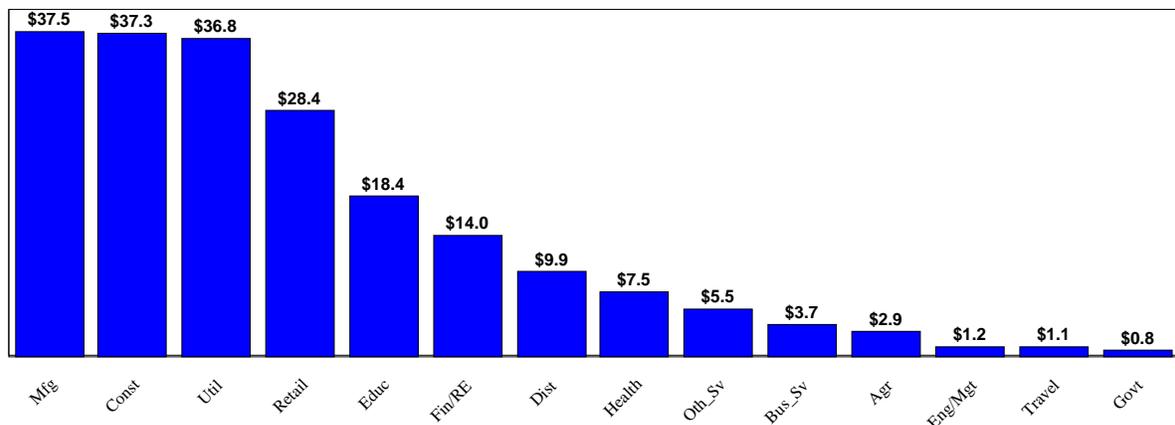
| Sector | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 97-04 | 97-04% |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Manufacturing | \$60.2 | \$78.0 | \$84.0 | \$82.7 | \$82.0 | \$86.5 | \$91.0 | \$97.6 | \$37.5 | 62.3% |
| Education | \$57.1 | \$41.0 | \$45.1 | \$52.1 | \$63.8 | \$67.1 | \$70.5 | \$75.6 | \$18.4 | 32.3% |
| Construction | \$33.1 | \$41.5 | \$49.8 | \$64.0 | \$63.8 | \$64.7 | \$65.7 | \$70.4 | \$37.3 | 112.6% |
| Retail Trade | \$25.0 | \$24.7 | \$27.1 | \$30.5 | \$38.2 | \$44.0 | \$49.8 | \$53.4 | \$28.4 | 113.6% |
| Utilities | \$1.4 | \$13.3 | \$26.2 | \$27.0 | \$29.5 | \$32.5 | \$35.6 | \$38.2 | \$36.8 | 2657.1% |
| Distribution | \$13.5 | \$15.5 | \$16.0 | \$18.0 | \$20.3 | \$21.0 | \$21.8 | \$23.4 | \$9.9 | 73.5% |
| Fin., Ins., R.Est. | \$1.1 | \$1.1 | \$1.2 | \$1.7 | \$2.2 | \$8.1 | \$14.1 | \$15.1 | \$14.0 | 1230.2% |
| Health | \$4.2 | \$4.9 | \$5.5 | \$7.3 | \$8.8 | \$9.8 | \$10.9 | \$11.7 | \$7.5 | 180.9% |
| Other Services | \$3.3 | \$3.5 | \$4.3 | \$4.8 | \$6.7 | \$7.5 | \$8.3 | \$8.9 | \$5.5 | 165.0% |
| Bus. Services | \$2.7 | \$3.6 | \$5.9 | \$4.5 | \$6.4 | \$6.2 | \$6.0 | \$6.4 | \$3.7 | 137.6% |
| Agriculture | \$3.5 | \$3.6 | \$3.6 | \$3.6 | \$3.8 | \$4.9 | \$6.0 | \$6.4 | \$2.9 | 83.9% |
| Government | \$4.5 | \$5.4 | \$5.4 | \$6.0 | \$6.2 | \$5.6 | \$4.9 | \$5.3 | \$0.8 | 16.7% |
| Hotel & Amuse | \$2.4 | \$2.4 | \$2.4 | \$2.6 | \$3.0 | \$3.1 | \$3.2 | \$3.5 | \$1.1 | 43.8% |
| Eng. & Mgmt | \$0.9 | \$0.9 | \$1.3 | \$1.9 | \$2.5 | \$2.2 | \$1.9 | \$2.1 | \$1.2 | 124.4% |
| TOTAL | \$212.9 | \$239.4 | \$277.7 | \$306.8 | \$337.1 | \$363.4 | \$389.6 | \$417.8 | \$204.9 | 96.2% |

Source: CA Employment Development Department

Payroll Trends By Sector, 1997-2004 . . .

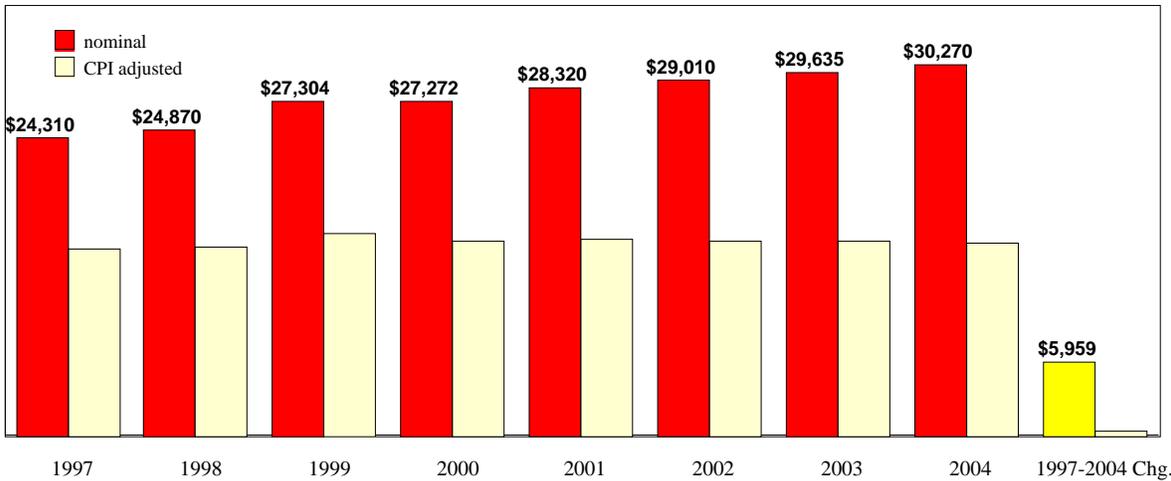
- In 2004, Perris's largest total payroll was in manufacturing at \$97.6 million. This was followed by education at \$75.6 million. Though construction had the second largest employment, its payroll ranked third at \$70.4 million (*Exhibit 49*).
- From 1997-2004, the \$205 million growth in Perris's payroll was led by the gain in manufacturing (\$37.5 million) which went from \$60.2 million to \$97.6 million. It accounted for 18.3% of the city's growth. The increase in the construction payroll (\$37.3 million) ranked second as its payrolls went from \$33.1 million to \$70.4 million (*Exhibit 50*).
- Utilities had the third largest gain (\$36.8 million) going from \$1.4 million to \$38.2 million. The payroll in the fast growing retail sector represented the fourth largest increase. It rose \$28.4 million, going from \$25.0 million to \$53.4 million.

**Exhibit 50.-Payroll Gain By Sector (million)
Perris, 1997-2004**



Source: CA Employment Development Department

**Exhibit 51.-Payroll Per Job
Perris, 1997-2004**

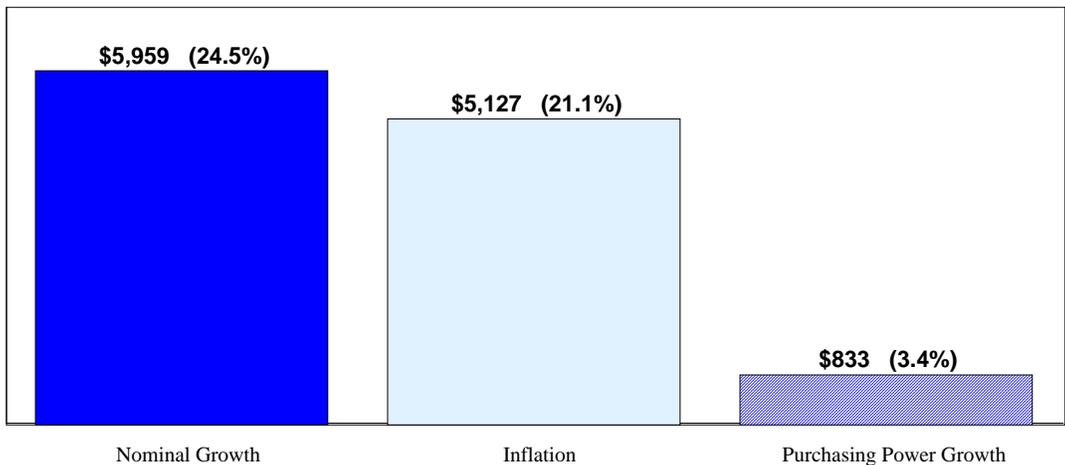


Source: CA Employment Development Department

Pay Per Job, 1997-2004 . . .

- In 1997, the average job located in Perris paid \$24,310. By 2004, the average pay per job was up to \$30,270. That was a gain of \$5,959 or 24.5% (*Exhibit 51*).
- While Perris’s average pay level rose by \$5,959 from 1997-2004, workers needed an extra \$5,127 to cover the 21.1% rise in Southern California’s prices during this period (*Exhibit 52*). As a result, the average job within the city ended up providing its workers with \$833 or 3.4% more in purchasing power in this 7-year period. This meant there was a modest gain in the standard of living delivered by the average job in the community.
- Note that average payroll per job is not average family income. The latter often includes income from more than one worker. Also, this figure is only for workers employed in the city, and does not include workers living in the city who may commute elsewhere and bring their pay checks home.

**Exhibit 52.-Growth In Average Pay Per Job, Allowing For Inflation
Perris, 1997-2004**



Source: CA Employment Development Department

Employment

Exhibit 53.-Average Pay Per Job by Sector, Perris, 1997-2004

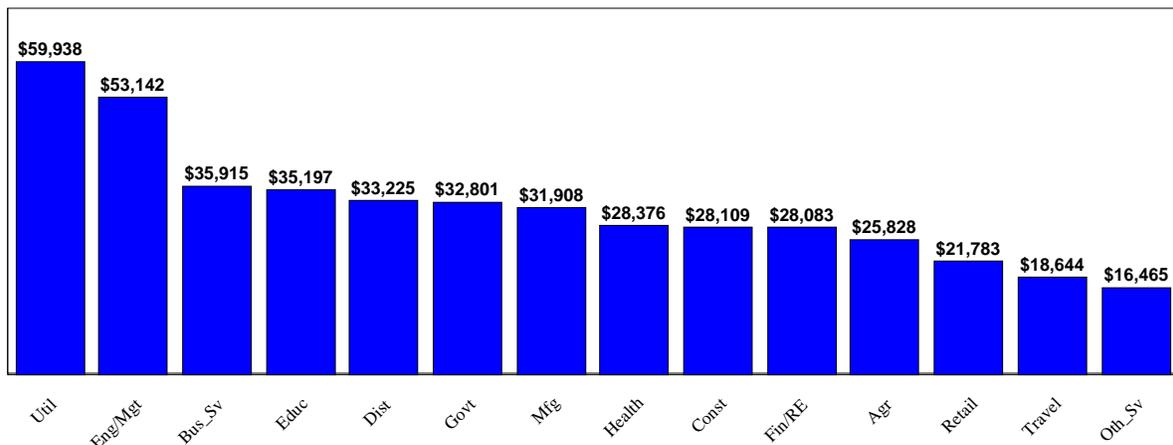
| Sector | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 97-04 | 97-04% |
|--------------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|--------------|
| Utilities | \$26,461 | \$48,530 | \$48,989 | \$50,352 | \$51,292 | \$55,080 | \$58,669 | \$59,938 | \$33,477 | 126.5% |
| Eng. & Mgmt | 30,176 | 33,752 | 36,246 | 37,152 | 33,009 | 39,232 | 51,748 | 53,142 | 22,966 | 76.1% |
| Bus. Services | 16,358 | 20,690 | 30,950 | 21,815 | 32,591 | 33,797 | 35,202 | 35,915 | 19,557 | 119.6% |
| Education | 44,246 | 30,010 | 31,388 | 32,504 | 32,610 | 33,574 | 34,497 | 35,197 | (9,049) | -20.5% |
| Distribution | 30,001 | 31,713 | 31,930 | 31,527 | 30,308 | 31,418 | 32,530 | 33,225 | 3,223 | 10.7% |
| Government | 22,732 | 25,513 | 25,523 | 27,205 | 25,872 | 28,286 | 32,051 | 32,801 | 10,069 | 44.3% |
| Manufacturing | 24,851 | 27,069 | 27,323 | 27,534 | 29,305 | 30,280 | 31,217 | 31,908 | 7,058 | 28.4% |
| Health | 19,995 | 19,026 | 19,503 | 24,554 | 23,786 | 25,836 | 27,765 | 28,376 | 8,381 | 41.9% |
| Construction | 21,751 | 24,305 | 30,257 | 27,284 | 27,943 | 27,723 | 27,512 | 28,109 | 6,358 | 29.2% |
| Fin., Ins., R.Est. | 19,612 | 20,931 | 18,886 | 21,202 | 22,946 | 26,779 | 27,494 | 28,083 | 8,471 | 43.2% |
| Agriculture | 16,483 | 17,799 | 19,575 | 20,029 | 19,322 | 22,571 | 25,294 | 25,828 | 9,345 | 56.7% |
| Retail Trade | 14,292 | 15,516 | 17,049 | 17,446 | 19,252 | 20,377 | 21,334 | 21,783 | 7,490 | 52.4% |
| Hotel & Amuse | 15,054 | 14,806 | 15,597 | 18,055 | 19,647 | 18,895 | 18,257 | 18,644 | 3,590 | 23.9% |
| Other Services | 13,845 | 15,214 | 15,848 | 18,523 | 21,387 | 18,117 | 16,125 | 16,465 | 2,619 | 18.9% |
| TOTAL | \$24,310 | \$24,870 | 27,304 | \$27,272 | \$28,320 | \$29,010 | \$29,635 | \$30,270 | \$5,959 | 24.5% |

Source: CA Employment Development Department

Average Pay Per Sector, 1997-2004 . . .

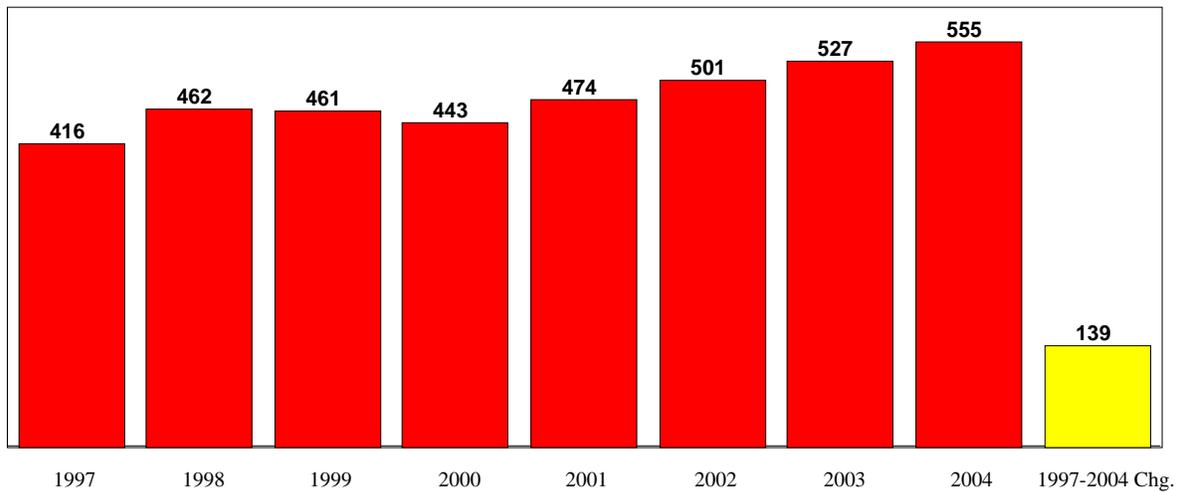
- In 2004, Perris's best paying sectors were its utilities (\$59,938), engineering & management firms (\$53,142), and companies supplying services to businesses (\$35,915). They were followed by educators (\$35,197). The high "education content" of work in these sectors is the reason for their higher pay scales.
- The next best pay per job in Perris was in its distribution sector at \$33,225. That group was in this position because of the heavy investment in information and robotic technology by the large logistics firms now locating in the community.
- Perris's three largest employing sectors are manufacturing with average pay of \$31,908, construction at \$28,109 and retailing at \$21,783 (*Exhibits 53-54*).

**Exhibit 54.-Average Pay Per Job By Sector
Perris, 2004**



Source: CA Employment Development Department

**Exhibit 55.-Number of Firms
Perris, 1997-2004**



Source: CA Employment Development Department

Number Of Firms Per Sector, 1997-2004 . . .

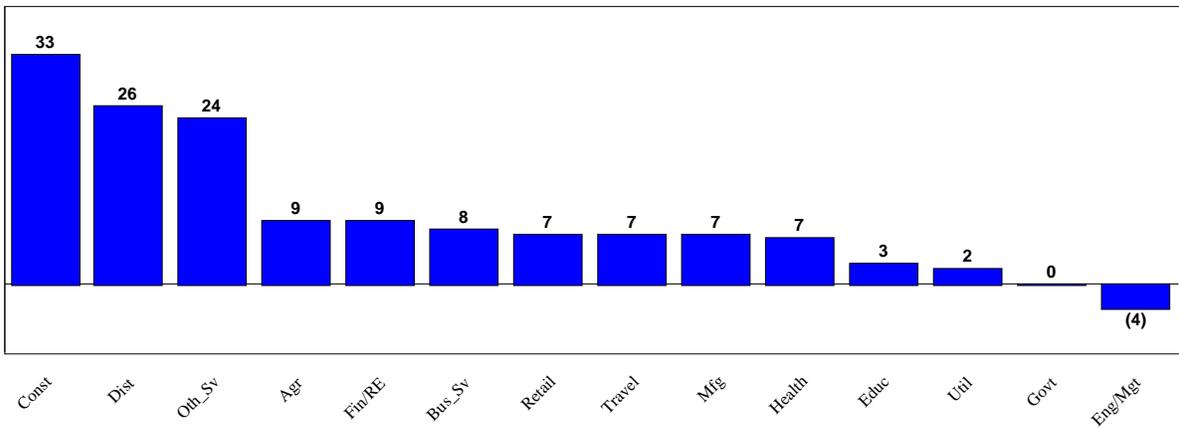
- The number of firms located in Perris has risen from 416 in 1997 to 555 in 2004. That was a gain of 139 companies or 33.5%. These data are an “impression” of actual growth as they only include firms paying wages and salaries. Home offices and entrepreneurial firms without employees are not included (*Exhibits 55-56*).
- The largest concentration of the city’s firms was in the retail trade (114), while other “consumer” services (67) ranked third. It is normal for retail and service operations to be high on this list in fast growing communities since many of the local jobs are directly related to its housing and population growth.
- It is not surprising that the construction sector ranked second with 103 firms, given the enormous amount of activity now in that sector. Distribution was fourth with 63 companies.

Exhibit 56.-Firms by Sector, Perris, 1997-2004

| Sector | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 97-04 | 97-04% |
|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Retail Trade | 107 | 111 | 111 | 107 | 95 | 102 | 109 | 114 | 7.3 | 6.8% |
| Construction | 70 | 83 | 89 | 81 | 91 | 94 | 98 | 103 | 33.2 | 47.6% |
| Other Services | 43 | 53 | 55 | 56 | 63 | 63 | 64 | 67 | 24.1 | 56.5% |
| Distribution | 37 | 38 | 39 | 39 | 52 | 56 | 60 | 63 | 25.7 | 69.0% |
| Manufacturing | 39 | 42 | 46 | 40 | 41 | 42 | 44 | 46 | 7.1 | 18.2% |
| Agriculture | 29 | 30 | 28 | 24 | 26 | 31 | 36 | 38 | 9.2 | 32.1% |
| Health | 21 | 22 | 24 | 24 | 29 | 27 | 26 | 27 | 6.6 | 32.0% |
| Fin., Ins., R.Est. | 18 | 18 | 18 | 20 | 25 | 25 | 25 | 27 | 9.1 | 52.0% |
| Bus. Services | 19 | 20 | 22 | 20 | 16 | 21 | 25 | 27 | 7.9 | 41.9% |
| Hotel & Amuse | 11 | 12 | 12 | 11 | 14 | 15 | 17 | 18 | 7.2 | 65.2% |
| Eng. & Mgmt | 12 | 10 | 6 | 7 | 8 | 8 | 8 | 9 | -3.6 | -29.0% |
| Education | 5 | 17 | 6 | 8 | 8 | 8 | 8 | 8 | 3.0 | 60.0% |
| Utilities | 4 | 5 | 4 | 5 | 5 | 6 | 6 | 6 | 2.3 | 58.0% |
| Government | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 0.1 | 5.3% |
| TOTAL | 416 | 462 | 461 | 443 | 474 | 501 | 527 | 555 | 139.3 | 33.5% |

Source: CA Employment Development Department

**Exhibit 57.-Growth In Number of Firms By Sector
Perris, 1997-2004**

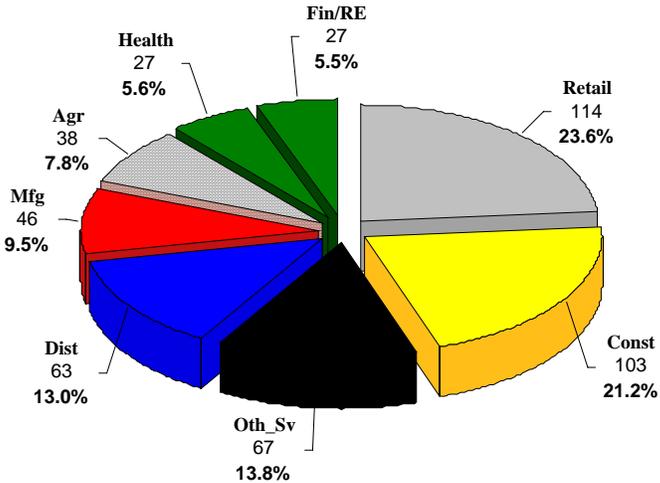


Source: CA Employment Development Department

Growth of Firms Per Sector, 1997-2004 . . .

- Nearly every sector of Perris’s economy has added firms since 1997, led by gains in construction (33), distribution (26) and other “consumer” services (24). The government sector was flat and engineering & management (-4) lost a few firms during this period (Exhibit 57).
- In 2004, retailing (23.6%, 114 firms) and construction (21.2%, 103 firms) represented 42.3% of the companies in Perris (Exhibit 58). Again, that is the normal situation in a community undergoing rapid housing and population growth.
- They were followed by the other services sector (13.8%) that provides consumer services to the city’s growing population. The distribution sector was next with a 13.0% share of firms.

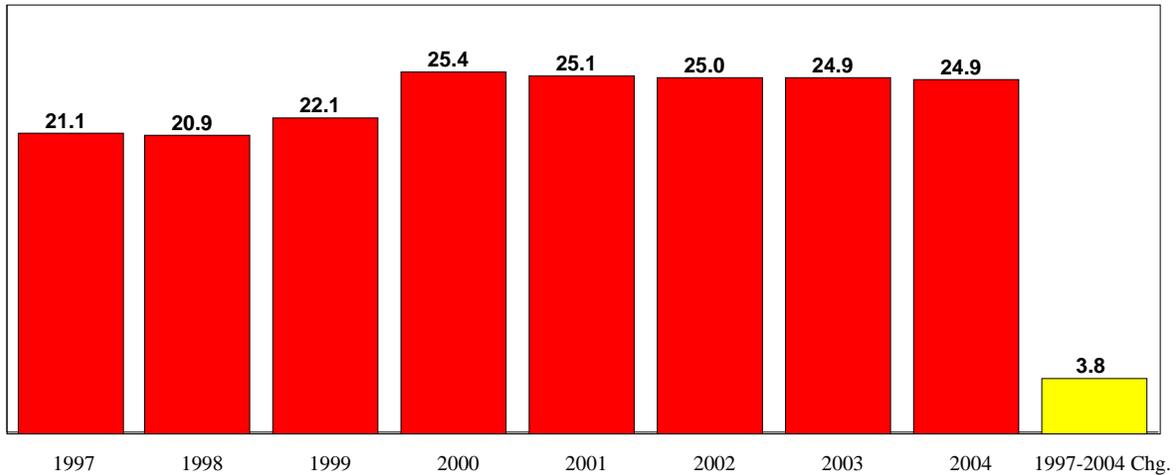
**Exhibit 58.-Distribution of Firms By Sector
Perris, 2004**



Source: CA Employment Development Department

Employment

**Exhibit 59.-Average Jobs Per Firm
Perris, 1997-2004**



Source: CA Employment Development Department

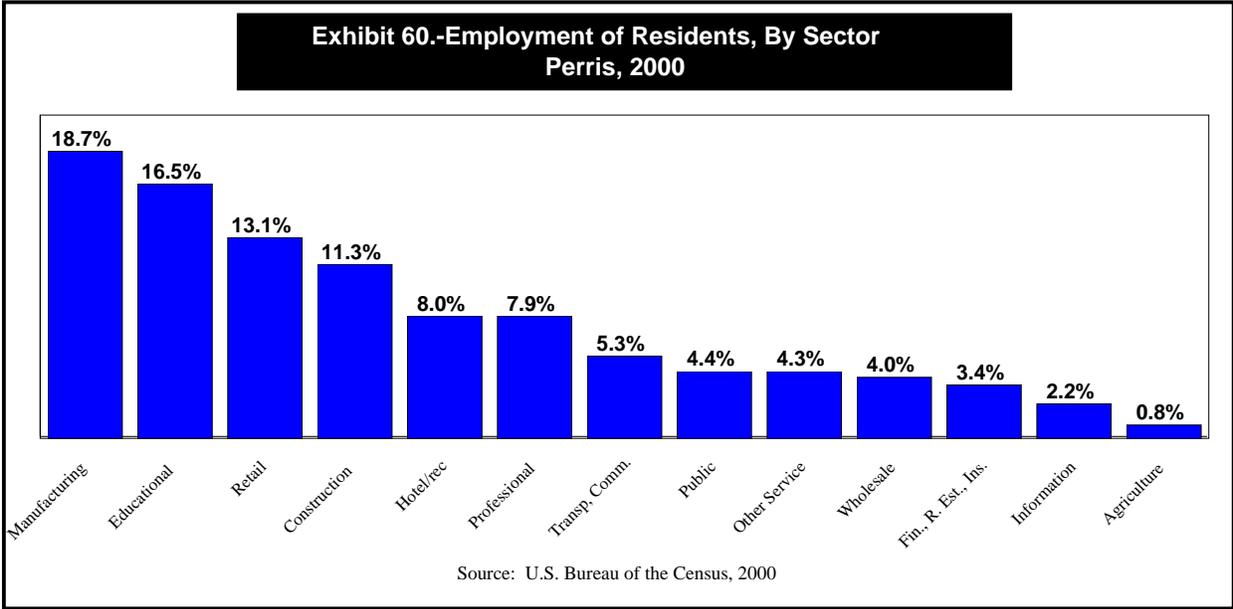
Jobs Per Firms, 1997-2004 . . .

- Like most inland cities, Perris's economy is made up of smaller firms. Its average employment per company rose from 21.1 to 24.9 workers from 1997-2004, up 3.8 jobs per firm or 18.0% (*Exhibit 59*).
- There were exceptions to the small size rule among those sectors related to public services: education (268.4), utilities (100.8) and government (76.4). The city's manufacturers were also large, averaging 66.4 employees. Otherwise, the average employment per firm was highest in construction (24.3), retail trade (21.5) and finance, insurance & real estate (20.2) (*Exhibit 60*).

Exhibit 60.-Jobs Per Firm by Sector, Perris, 1997-2004

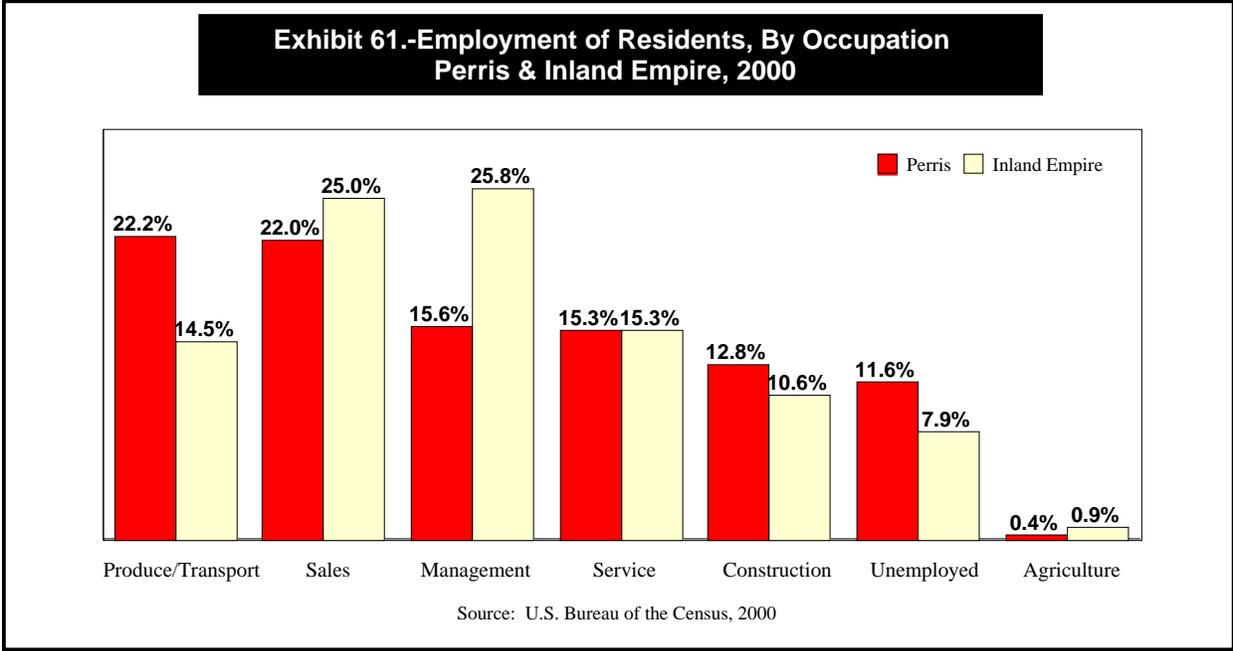
| Sector | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 97-04 | 97-04% |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|--------------|
| Education | 258.2 | 80.3 | 239.3 | 200.4 | 244.4 | 250.0 | 255.6 | 268.4 | 10.1 | 3.9% |
| Utilities | 13.1 | 61.0 | 133.9 | 119.3 | 115.0 | 107.4 | 101.1 | 100.8 | 87.7 | 670.3% |
| Government | 99.5 | 106.3 | 105.8 | 110.2 | 119.9 | 98.4 | 76.9 | 76.4 | -23.1 | -23.2% |
| Manufacturing | 62.1 | 68.6 | 67.2 | 75.1 | 68.3 | 67.4 | 66.6 | 66.4 | 4.3 | 6.9% |
| Construction | 21.8 | 20.6 | 18.6 | 29.1 | 25.1 | 24.8 | 24.4 | 24.3 | 2.5 | 11.4% |
| Retail Trade | 16.4 | 14.3 | 14.3 | 16.3 | 20.8 | 21.2 | 21.5 | 21.5 | 5.1 | 31.2% |
| Fin., Ins., R.Est. | 3.3 | 2.9 | 3.4 | 4.0 | 3.9 | 12.2 | 20.3 | 20.2 | 16.9 | 511.1% |
| Health | 10.0 | 11.7 | 11.6 | 12.3 | 12.8 | 13.9 | 15.1 | 15.0 | 5.0 | 50.0% |
| Distribution | 12.1 | 13.0 | 13.0 | 14.5 | 13.0 | 12.0 | 11.2 | 11.2 | -0.9 | -7.3% |
| Hotel & Amuse | 14.6 | 13.6 | 12.9 | 13.0 | 11.2 | 10.7 | 10.3 | 10.3 | -4.3 | -29.7% |
| Other Services | 5.7 | 4.3 | 5.0 | 4.7 | 5.0 | 6.5 | 8.1 | 8.0 | 2.4 | 42.4% |
| Bus. Services | 8.8 | 8.7 | 8.6 | 10.5 | 12.2 | 8.9 | 6.7 | 6.7 | -2.1 | -23.7% |
| Agriculture | 7.4 | 6.7 | 6.6 | 7.5 | 7.6 | 7.0 | 6.6 | 6.6 | -0.8 | -11.2% |
| Eng. & Mgmt | 2.5 | 2.9 | 6.1 | 7.7 | 9.1 | 6.8 | 4.5 | 4.5 | 2.0 | 79.5% |
| TOTAL | 21.1 | 20.9 | 22.1 | 25.4 | 25.1 | 25.0 | 24.9 | 24.9 | 3.8 | 18.0% |

Source: CA Employment Development Department



Match Between Local Residents & Jobs ...

- In 2000, the U.S. Census found that the top four sectors employing Perris’s residents were manufacturing (18.7%), education (16.5%), retailing (13.1%) and construction (11.3%) (Exhibit 61). This is a good fit to the kinds of jobs available in the city: manufacturing (22.2%), construction (18.1%), retailing (17.8%) and education (15.6%).
- The 2000 Census revealed that production and transportation workers represented 22.2% of the skills practiced by the workforce in Perris, a good match for its employment profile and a much higher percentage than the 14.5% in the Inland Empire. Also, 12.8% of the city’s workers had construction skills versus 10.6% in the inland area. On the other hand, Perris had abnormally low shares of people trained and working in the professions (15.6% v. 25.8%) and sales workers (22.0% vs. 25.0%) (Exhibit 62).



PERRIS

SECTION 5

TAXABLE TRADE

Perris has long been a suburban city whose residents shopped at regional malls in places like Riverside, Moreno Valley or Temecula. That said, it has experienced significant gains in its retail sales in large part due to the non-store, non-retail operations like National RV, plus the expansion of general merchandise sales at Walmart. With the housing industry now playing a significant role in changing the face of Perris, the city is gaining the roof tops that should allow its retail offerings to expand. This will logically occur among food and drug stores, fast food restaurants and gas stations that depend directly on nearby residents. The city may also gain the population to support additional automobile franchises. Its top targets however would appear to be building supply outlets like Home Depot and Lowe's, plus furniture stores that cater to new homeowners.

Total Sales. From 1990-2004, Perris's taxable sales grew from 163.3 million to a record \$458.4 million (*Exhibit 63*). That was a gain \$295.1 million or 180.7%. In this period, prices rose 42.5% indicating that the underlying volume more than doubled. On a year by year period, the city's growth exceeded that of the county in three of the last four years (*Exhibit 64*). The city's sales growth was 25.8% in 2000, 13.7% in 2002 and 14.3% in 2003 exceeding Riverside County's growth rate of 12.5%, 5.9% and 8.4% respectively. The city's rate for 2004 was a modest 6.6% compared to the county's 14.0%. Perris's retail sales of \$485.4 million were the seventh highest among the cities in Riverside County's high growth South I-215 and I-10 Pass areas in 2004. Hemet (\$891.6 million) and Murrieta (\$878.1 million) were slightly higher and Banning (\$197.0 million), Beaumont (\$128.8 million) and San Jacinto (\$111.4 million) were lower. Riverside (\$4.7 billion) and Temecula (\$2.5 billion) were the leaders in these areas (*Exhibit 65*).

Per Capita Trade. Given the importance of the retail sales tax to California municipalities, taxable retail sales *per capita* is a barometer of a community's ability to provide services to its population. Perris's per capita sales rose from \$7,138 in 1990 to \$10,582 in 2004, a 58.7% growth rate that exceeded the 42.5% inflation rate. The city's 2004 level ranked 26th of the 48 Inland Empire cities. However, the growth of Perris's sales per capita growth was slower than that of Riverside County and ended up \$2,979 lower than the county's average of \$13,561 in 2004 (*Exhibit 66*).

From 2000-2004, Perris's per capita sales grew from \$9,110 to \$10,582, up 16.2%. This was above the 12.9% inflation rate for this period and faster than the performance of the Pass Area's Beaumont (-7.4%) and Banning (-12.6%). It was slower than the growth of I-215 Corridor cities led by Temecula (31.4%) and Riverside (30.4%) (*Exhibit 67*). In 2004, Temecula (\$31,030) and Riverside (\$16,233) had the highest per capita sales in the I-215 and Pass Areas, due to their positions as regional retail hubs (*Exhibit 68*). Hemet (\$13,577) and Murrieta (\$10,699) also had higher per capita sales than Perris (\$10,582) while Beaumont (\$7,284), Moreno Valley (\$7,168), Banning (\$7,086) and San Jacinto (\$4,006) were behind it (*Exhibit 68*).

Growth of Trade. From 1990-2004, Perris's retail trade increased by 180.7% or \$295.1 million, from \$163.3 million to \$458.4 million (*Exhibits 69-70*). The largest share of this gain (41.6%) came from increased non-store, non-retail sales (\$122.7 million) from operations like National

RV. At the same time, the general merchandise added \$55.1 or 18.7% of the city's growth largely due to the 1992 opening and subsequent expansion of Walmart. The service station sector gained \$54.1 or 18.7% of the increase. Surprisingly, building material sales fell \$5.3 million.

Share of Trade. In 1990, non-retail sales, largely comprised of direct non-store taxable sales by manufacturers, distributors and professionals service providers, were 37.7% of the city's retail volume. By 2004, that had declined to 30.8% despite the sector's growth. It remained the city's largest retail sector at \$173.0 million (*Exhibits 71-72*). General merchandise sales, mostly from Walmart, expanded to \$57.1 million from 1990-2004, and their share rose from 1.2% to 12.5%. Service stations became the second largest sector expanding from 9.6% to 15.2%. The automotive group also saw a rise in share from 7.2% to 9.4% accounting for the fourth place. Food stores, the third largest sector in 1990 at 14.0%, dropped to 6.3% in 2004. In a similar manner, eating and drinking establishments lost shares declining from 8.5% to 7.4%. The building material group's loss of sales caused its share to plunge from 19.0% to 5.6% perhaps due to the closing of K-Mart.

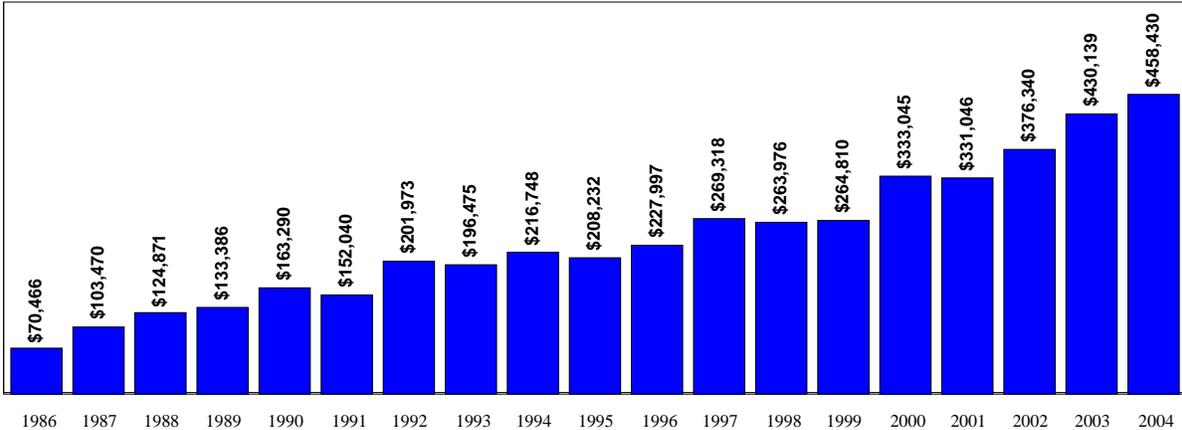
Sales Per Outlet. Many retail outlets in Perris performed below the level of those in the Inland Empire's counties in 2004. The city's average retail store had sales of \$745,155 which was less than the \$812,376 average for San Bernardino County's outlets and the \$891,256 average for Riverside County's stores (*Exhibits 73-74*). Among non-store outlets, city outlets averaged \$505,952 in sales. That was far more than of San Bernardino County's average of \$306,825 and \$233,235 in Riverside County indicating the city's strength in the manufacturing and distribution sectors, likely due National RV and possibly Ross Dress For Less.

Average annual sales among outlets in Perris exceeded those for Riverside County in only two of 10 sectors. The advantages per store were among service stations (\$1,814,278) and non-store, non-retail outlets (\$272,716). City firms had average sales per outlet below those for Riverside County in eight sectors. The greatest differentials were found in the automotive (-\$1,428,722) and building materials (-\$1,237,678) sectors.

Gap Analysis. Finally, Perris's 2004 per capita taxable sales average of \$10,582 was below the \$11,610 adjusted per capita sales level for Riverside County that year. The Riverside County figure was adjusted downward to allow for the fact that estimated median income in the county was 17.9% higher than in the city (*Exhibit 75*).

After the allowance for income differences, the sectors in which the city had a higher level of per capita sales than Riverside County (*positive values in Exhibit 76*) are instances where it is capturing sales from residents of surrounding areas. The opposite is also true. Perris's firms are seen capturing taxable sales in three sectors: non-retail (\$933), service stations (\$835) and food stores (\$128). Leakages were seen in the automotive sector (-\$970), other retail (-\$638), building materials (-\$463), furniture (-\$337), apparel (-\$276), eating and drinking (-\$128) and general merchandise (-\$111) (*Exhibit 76*). These are the areas in which firms locating in the city can succeed by capturing sales from its residents. In particular, the drains in building materials and furniture standout, given the city's growing base of new homes.

**Exhibit 63.-Total Taxable Sales (000)
Perris, 1986-2004**

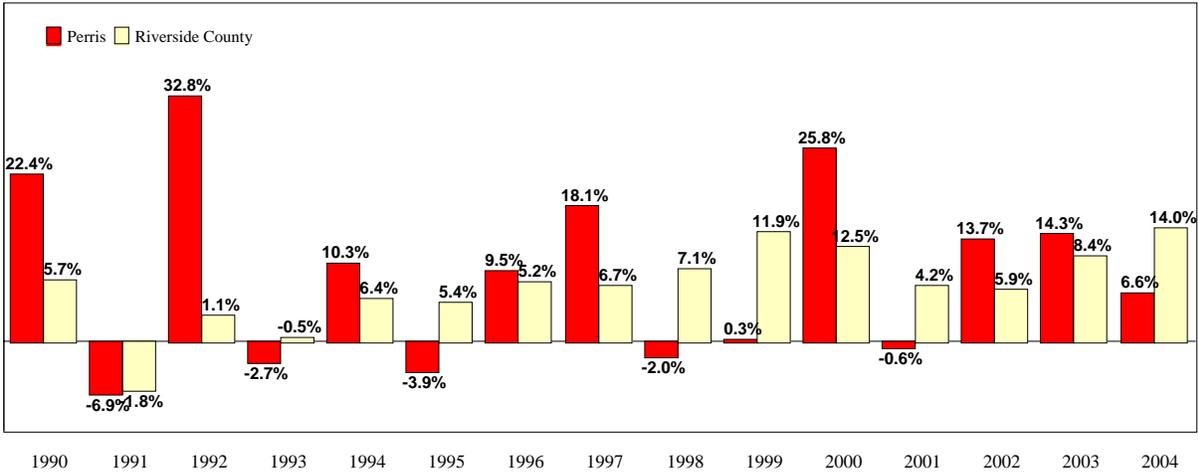


Source: CA Board of Equalization

Total Taxable Sales, 1990-2004 . . .

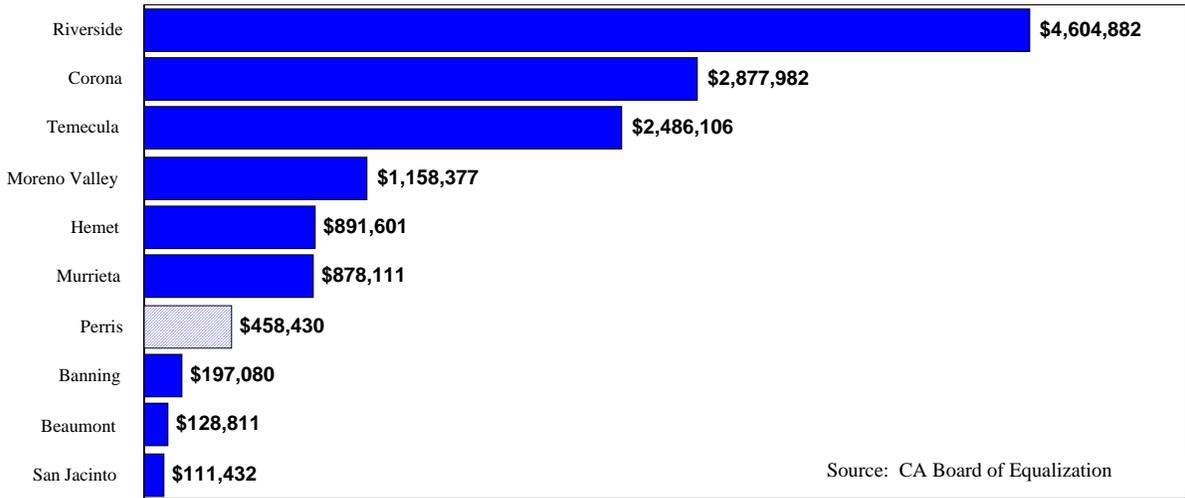
- In 2004, Perris’s total taxable sales reached \$458.4 million (*Exhibit 63*). The city’s sales fluctuated throughout the 1990’s. From 1990-2004, the city’s sales volume has gradually increased, rising \$295.1 million or 180.7%. Inflation was just 42.5% in this period, indicating that the volume of trade in the city has far more than doubled.
- Since 1990, the speed of growth of retail trade in Perris has often been faster than that in Riverside County. In 1992, for instance, taxable sales jumped 32.8% when the county was up just 1.1%, and in 2000, it jumped 25.8% when the county’s growth was 12.5%. However, the reverse was occasionally true. Thus, the city’s trade fell 2.0% in 1998 when the county increased 7.1% and it fell 0.6% in 2001 when the county was up 4.2%.
- In the past three years, Perris’s retail sales grew 13.7% in 2002 and 14.3% in 2003 exceeding Riverside County’s growth rates of 5.9% and 8.4% respectively. The city’s rate for 2004 was a more modest 6.6% compared to the county’s increase of 14.0%. (*Exhibit 64*).

**Exhibit 64.-Total Taxable Sales Growth
Perris & Riverside County, 1990-2004**



Source: CA Board of Equalization

**Exhibit 65.-Total Taxable Sales (000)
Perris & Nearby Retail Areas, 2004**



Retail Sales Compared, 2004 . . .

- Perris’s retail sales of \$485.4 million were the seventh highest among cities in Riverside County’s high growth South I-215 and I-10 Pass areas in 2004. Hemet (\$891.6 million) and Murrieta (\$878.1 million) were slightly higher and Banning (\$197.0 million), Beaumont (\$128.8 million) and San Jacinto (\$111.4 million) were lower. Riverside (\$4.7 billion) and Temecula (\$2.5 billion) were the leaders in these areas (Exhibit 65).
- Perris’s *per capita* taxable sales have traditionally been lower than Riverside County (Exhibit 66). However, the recent surge in population and income in the Perris Market Area and the city’s growing retail offerings have caused its sales per capita to grow though at somewhat slower rate than for the county overall.
- In 1990, Perris’s sales per capita of \$7,138 was \$801 below Riverside County’s \$7,940. By 2004, the city’s per capita sales had increased to \$10,582, up 52.5% and exceeding the inflation rate of 42.5%. The county’s grew to \$13,561. In 2004, the city’s level was \$2,979 lower than the county.

**Exhibit 66.-Taxable Sales Per Capita
Perris & Riverside County, 1990-2004**

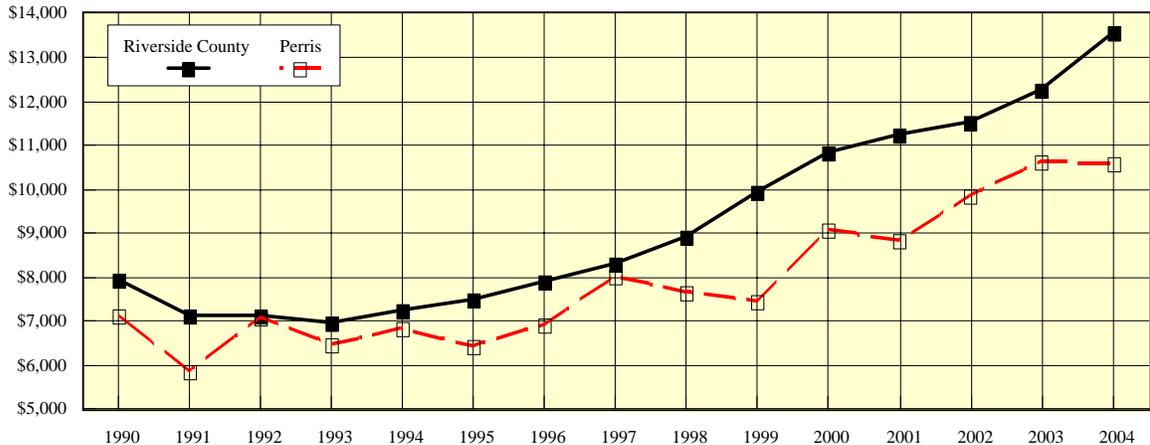


Exhibit 67.-Taxable Sales Per Capita, Nearby Inland Empire Cities 1990-2004

Taxable Trade

| Year | Temecula | Riverside | Hemet | Murrieta | Perris | Beaumont | Moreno Vly | Banning | San Jacinto |
|------------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1990 | NA | \$9,799 | \$9,189 | NA | \$7,138 | \$8,437 | \$3,324 | \$5,381 | \$4,092 |
| 1991 | \$14,457 | \$8,748 | \$7,643 | NA | \$5,870 | \$6,762 | \$3,376 | \$5,483 | \$3,393 |
| 1992 | \$15,592 | \$8,600 | \$7,720 | \$3,892 | \$7,087 | \$6,218 | \$3,828 | \$5,333 | \$2,891 |
| 1993 | \$15,059 | \$8,505 | \$7,746 | \$3,912 | \$6,495 | \$5,547 | \$4,186 | \$5,302 | \$2,715 |
| 1994 | \$14,879 | \$8,907 | \$7,845 | \$4,968 | \$6,870 | \$5,290 | \$4,342 | \$5,589 | \$2,566 |
| 1995 | \$15,243 | \$8,928 | \$8,096 | \$5,475 | \$6,437 | \$5,495 | \$4,452 | \$5,889 | \$2,717 |
| 1996 | \$16,765 | \$9,344 | \$8,272 | \$6,425 | \$6,941 | \$5,936 | \$4,382 | \$6,174 | \$2,698 |
| 1997 | \$17,488 | \$9,691 | \$8,695 | \$6,422 | \$8,039 | \$6,586 | \$4,431 | \$6,437 | \$2,589 |
| 1998 | \$18,364 | \$10,481 | \$8,966 | \$6,993 | \$7,668 | \$6,857 | \$4,648 | \$6,779 | \$2,750 |
| 1999 | \$20,547 | \$11,515 | \$10,278 | \$7,568 | \$7,450 | \$7,152 | \$4,981 | \$7,556 | \$3,003 |
| 2000 | \$23,612 | \$12,445 | \$11,310 | \$7,807 | \$9,110 | \$7,813 | \$5,504 | \$8,106 | \$3,107 |
| 2001 | \$24,027 | \$12,778 | \$11,047 | \$9,207 | \$8,867 | \$7,697 | \$5,654 | \$7,311 | \$3,057 |
| 2002 | \$24,899 | \$13,348 | \$11,577 | \$8,859 | \$9,847 | \$6,970 | \$5,914 | \$7,277 | \$3,059 |
| 2003 | \$27,763 | \$14,212 | \$11,911 | \$9,504 | \$10,654 | \$7,017 | \$6,594 | \$7,086 | \$3,416 |
| 2004 | \$31,030 | \$16,233 | \$13,577 | \$10,699 | \$10,582 | \$7,234 | \$7,168 | \$7,086 | \$4,006 |
| 2000-2004 | 31.4% | 30.4% | 20.0% | 174.9% | 16.2% | -7.4% | 30.2% | -12.6% | 28.9% |
| 2004-5Pop. | 80,119 | 283,674 | 66,455 | 82,074 | 43,321 | 17,807 | 161,597 | 27,813 | 27,818 |

Source: CA Board of Equalization

Taxable Retail Sales Per Capita, 2004 . . .

- With the significance of retail sales to city finances, sales per capita are an important measure of a municipality's ability to provide services to its population. They also provide the first evidence of whether a city is importing or leaking sales taxes to surrounding jurisdictions.
- Compared to the south I-215 and Pass Area cities, Perris's 2000-2004 per capita sales growth of 16.2% from \$9,110 to \$10,582 was slower than all but Beaumont (-7.4%) and Banning (-12.6%) in the Pass Area, but above the 12.9% inflation rate for this period. Temecula (31.4%) and Riverside (30.4%) had the fastest growth (*Exhibit 67*).
- Among the 48 Inland Empire cities, Perris's 2004 per capita sales of \$10,582 ranked 26th. In the I-215 and Pass Areas, Temecula (\$31,030) and Riverside (\$16,233) had the highest per capita sales due to their positions as regional retail hubs (*Exhibit 68*). Hemet (\$13,577) and Murrieta (\$10,699) were also ahead of Perris while Beaumont (\$7,284), Moreno Valley (\$7,168), Banning (\$7,086) and San Jacinto (\$4,006) were behind.

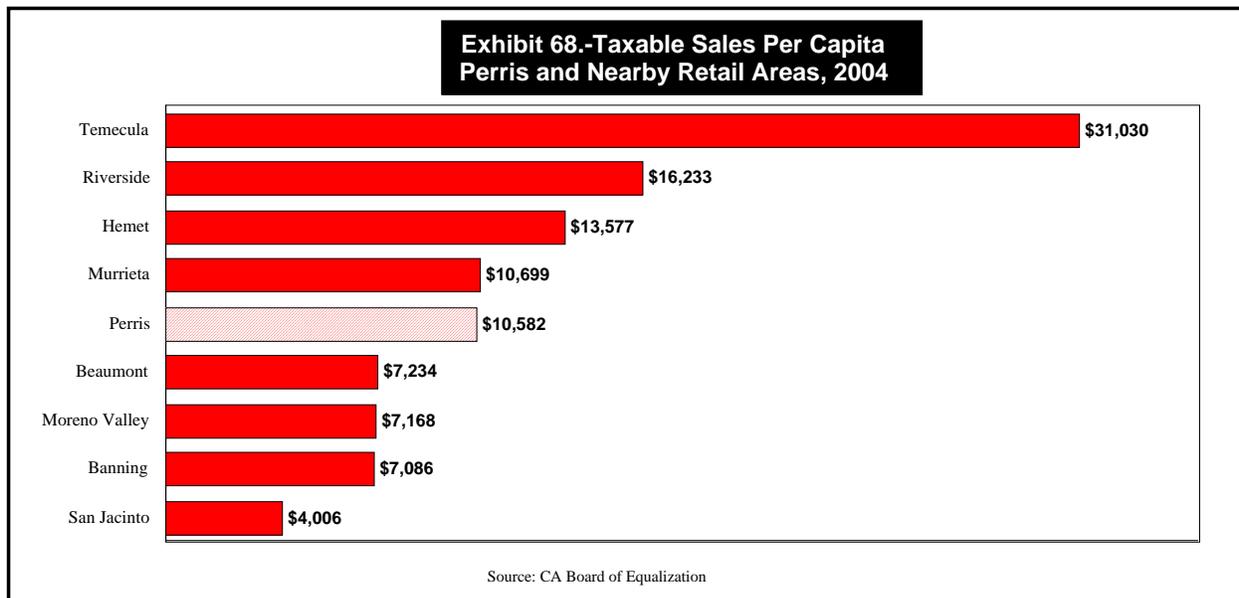


Exhibit 69.-Taxable Sales By Retail Sector Perris, 1990-2004 (000)

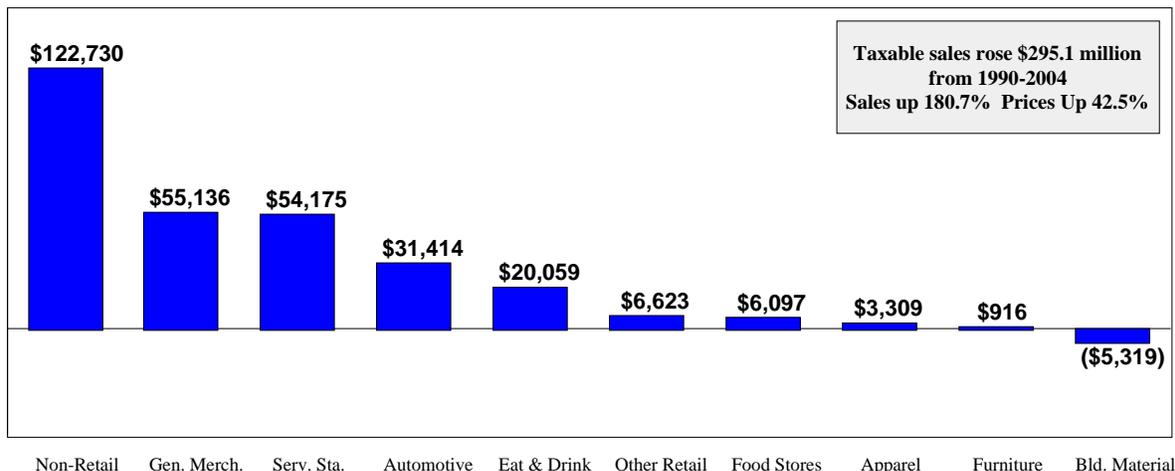
| Sector | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Apparel | \$1,286 | \$1,482 | \$1,568 | \$1,739 | \$2,125 | \$2,134 | \$2,991 | \$4,404 | \$4,129 | \$4,107 | \$4,595 |
| Gen. Merch. | \$1,943 | \$40,658 | \$37,793 | \$39,814 | \$34,785 | \$37,705 | \$41,617 | \$43,825 | \$46,627 | \$53,689 | \$57,079 |
| Food | \$22,784 | \$20,001 | \$20,868 | \$21,185 | \$20,570 | \$22,519 | \$24,358 | \$25,540 | \$26,079 | \$27,580 | \$28,881 |
| Eat & Drink | \$13,865 | \$17,793 | \$18,989 | \$20,985 | \$22,387 | \$23,396 | \$25,391 | \$26,849 | \$28,633 | \$32,155 | \$33,924 |
| Furniture | \$627 | \$601 | \$654 | \$750 | \$720 | \$766 | \$696 | \$907 | \$1,178 | \$1,498 | \$1,543 |
| Bldg Materials | \$30,991 | \$9,356 | \$9,626 | \$11,725 | \$14,258 | \$14,155 | \$12,372 | \$16,861 | \$17,441 | \$23,130 | \$25,672 |
| Automotive | \$11,756 | \$21,274 | \$27,738 | \$25,132 | \$27,228 | \$28,551 | \$29,895 | \$34,589 | \$39,326 | \$38,285 | \$43,170 |
| Gas Station | \$15,733 | \$24,605 | \$31,337 | \$37,123 | \$33,482 | \$39,798 | \$44,056 | \$42,888 | \$50,069 | \$69,778 | \$69,908 |
| Other Retail | \$14,000 | \$15,097 | \$15,552 | \$14,146 | \$11,237 | \$12,166 | \$13,840 | \$14,854 | \$19,651 | \$18,221 | \$20,623 |
| Total Retail | \$112,985 | \$150,867 | \$164,125 | \$172,599 | \$166,792 | \$181,190 | \$195,216 | \$210,717 | \$233,133 | \$268,443 | \$285,395 |
| Non-Retail | \$50,305 | \$57,966 | \$64,526 | \$96,719 | \$97,184 | \$83,620 | \$137,829 | \$120,329 | \$143,207 | \$161,696 | \$173,035 |
| Total All Outlets | \$163,290 | \$208,833 | \$228,651 | \$269,318 | \$263,976 | \$264,810 | \$333,045 | \$331,046 | \$376,340 | \$430,139 | \$458,430 |

Source: CA Board of Equalization

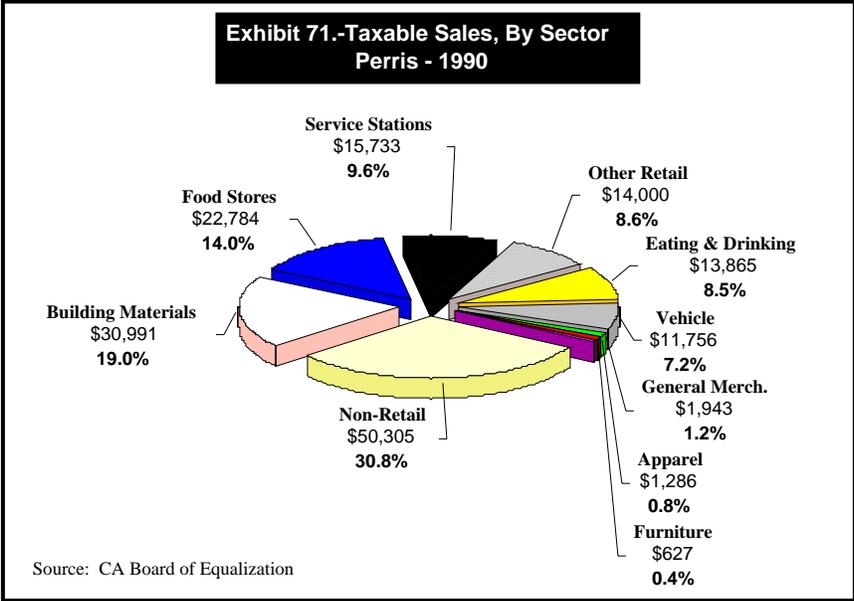
Retail Sales By Sector . . . 1990-2004

- In the period 1990-2004, Perris's retail sales grew by \$295.1 million (180.7%), from \$163.3 million to a record \$458.4 million (*Exhibit 69*). Inflation was 42.5% in this period indicating that the real volume of trade has dramatically grown.
- In this 14-year period, \$122.7 million of Perris's retail expansion occurred in non-retail outlets, a 41.6% share of the city's growth (*Exhibit 70*). This includes sales by manufacturers, distributors or contractors located in the city for which the retail sales tax applies. It is a way that these types of firms help a city's finances. This would include any taxable sales by firms like Ross Dress for Less or National RV.
- At the same time, the housing expansion of the Perris Market Area plus the 1992 opening of Walmart in the city caused general merchandise sales to grow by \$55.1 million or 18.7% of the city's growth.
- The service station sector gained \$54.1 million or 18.4% of the growth and the service station group gained \$31.4 million or 10.6% of the increase. Surprisingly, the building materials sector declined by \$5.3 million indicating that new home buyers are purchasing their home improvement products outside of the community.

Exhibit 70.-Taxable Sales Growth By Sector Perris, 1990-2004



Source: CA Board of Equalization



Share of Retail Sales, Then (1990) & Now (2004) . . .

- The non-retail sector, largely made up of direct non-store taxable sales by manufacturers, distributors and professionals service providers, remained the city’s largest retail sales contributor. In 1990, they were 37.7% of the city’s retail volume. By 2004, that was down to 30.8% but was still the city’s largest retail sales tax contributor (*Exhibits 71-72*).
- From 1990-2004, service stations became the second largest sector expanding from 9.6% to 15.2%. General merchandise sales expanded raising their share of sales from 1.2% to a third largest 12.5%, likely due to Wal-mart. The automotive group also saw a rise in share from 7.2% to 9.4% making it the fourth biggest sector, including Perris Valley Dodge-Jeep and Kia.
- Building materials fell from 19.0% its second level position in 1990 to just 5.6% in 2004. Food stores, the third largest sector in 1990 at 14.0%, dropped to 6.3% in 2004. In a similar manner, eating and drinking establishments lost share declining from 8.5% to 7.4%.

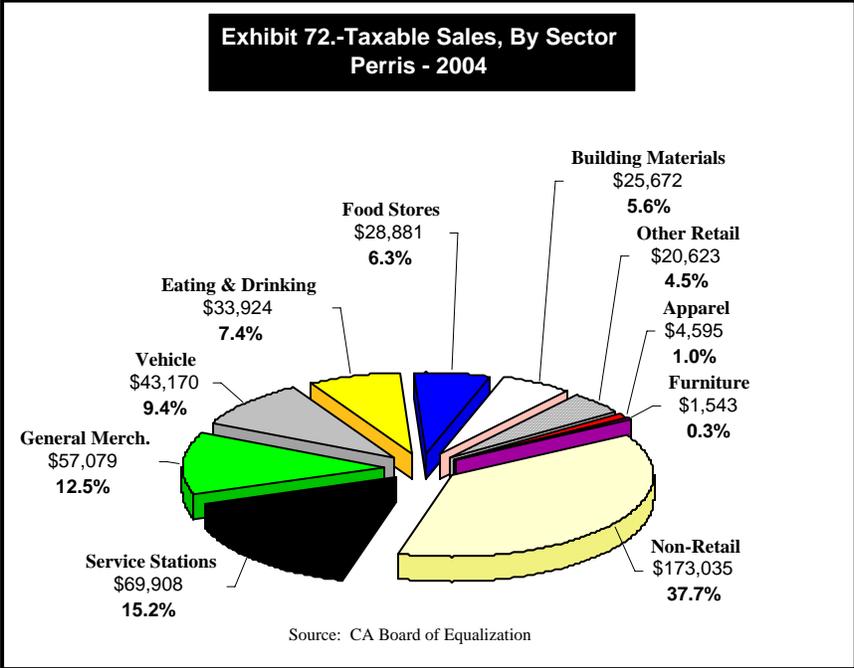


Exhibit 73.-Taxable Sales Per Outlet, By Sector Perris and San Bernardino & Riverside Counties, 2004

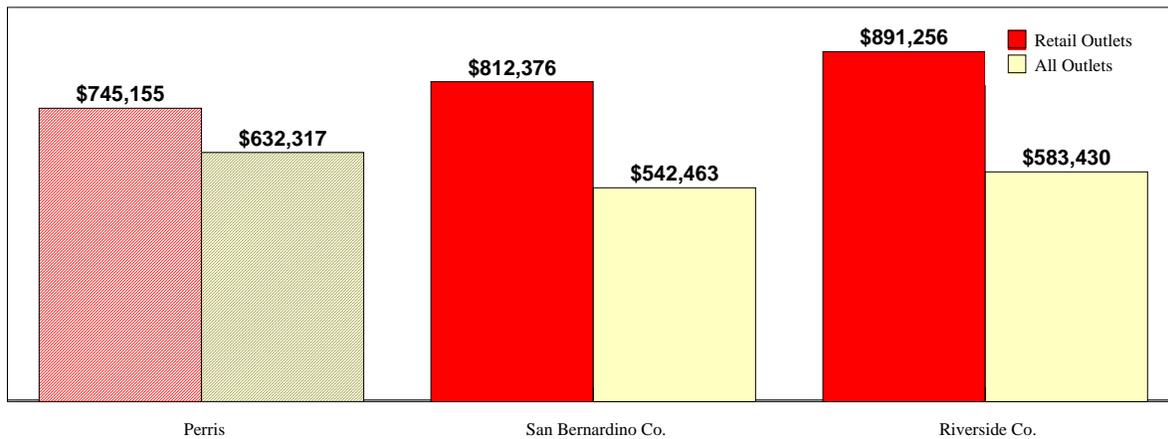
| Sector | Perris | San Bernardino County | | Riverside County | |
|------------------------|------------------|-----------------------|-------------------|------------------|--------------------|
| | Per Outlet | Per Outlet | Perris-SB Co. | Per Outlet | Perris-Rv Co. |
| Apparel | \$106,852 | \$350,841 | (\$243,989) | \$459,231 | (352,379) |
| General Merchandise | \$3,805,260 | \$3,099,757 | 705,503 | \$4,429,417 | (624,156) |
| Food Stores | \$825,174 | \$1,064,056 | (238,882) | \$1,256,954 | (431,780) |
| Eating & Drinking | \$498,880 | \$547,428 | (48,548) | \$606,958 | (108,079) |
| Furniture & Appliances | \$118,667 | \$407,032 | (288,365) | \$483,799 | (365,132) |
| Building Materials | \$2,333,825 | \$3,250,331 | (916,505) | \$3,571,504 | (1,237,678) |
| Automotive | \$1,488,623 | \$2,137,212 | (648,589) | \$2,917,345 | (1,428,722) |
| Service Stations | \$5,825,702 | \$3,763,131 | 2,062,570 | \$4,011,423 | 1,814,278 |
| Other Retail | \$131,356 | \$285,583 | (154,228) | \$243,540 | (112,184) |
| Total Retail | \$745,155 | \$812,376 | (\$67,220) | \$891,256 | (\$146,100) |
| Non-Retail, Non-Store | \$505,952 | \$306,825 | 199,127 | \$233,235 | 272,716 |
| Total | \$632,317 | \$542,463 | \$89,855 | \$583,430 | \$48,887 |

Source: CA Board of Equalization

Retail Sales Per Outlet, 2004 . . .

- Perris's sales *per retail outlet* averaged \$745,155 in 2004 (*Exhibits 73-74*). This was below the averages of \$812,376 for San Bernardino County and \$891,256 in Riverside County. However, the city's \$632,317 sales per outlet for all outlets including non-retailers were above levels in San Bernardino County (\$542,463) and Riverside County (\$583,430).
- Average annual sales among Perris's outlets exceeded the average for Riverside County in only two of the ten sectors. The advantages per store were among **service stations** (\$1,814,278) and **non-store, non-retail** outlets (\$272,716).
- City firms had average sales per outlet below those for Riverside County in eight sectors. The greatest differential was found in automotive suppliers (-\$1,428,722) and building materials (-\$1,237,678).

Exhibit 74.-Total Taxable Sales Per Outlet Perris & San Bernardino-Riverside Counties, 2004



Source: CA Board of Equalization

Exhibit 75.-Sales Per Capita by Sector (income adjusted) Perris & Inland Counties, 2004

| Sector | Perris | San Bernardino Co. ¹ | | Riverside Co. ² | |
|--------------------------|-----------------|---------------------------------|------------------|----------------------------|------------------|
| | Per Capita | Per Capita | Perris -SB Co. | Per Capita | Perris -Riv Co. |
| Apparel | \$106 | \$311 | (\$205) | \$382 | (\$276) |
| General Merchandise | \$1,318 | 1,286 | 32 | 1,428 | (111) |
| Food Stores | \$667 | 494 | 172 | 539 | 128 |
| Eating & Drinking | \$783 | 845 | (62) | 911 | (128) |
| Furniture & Appliances | \$36 | 260 | (224) | 373 | (337) |
| Building Materials | \$593 | 839 | (247) | 1,055 | (463) |
| Automotive & Supplies | \$997 | 1,849 | (852) | 1,967 | (970) |
| Service Stations | \$1,614 | 847 | 767 | 779 | 835 |
| Other Retail | \$476 | 1,316 | (840) | 1,114 | (638) |
| Total Retail | \$6,588 | \$8,048 | (\$1,460) | \$8,548 | (\$1,960) |
| Non-Retail | \$3,994 | 3,482 | 513 | 3,061 | 933 |
| Total All Outlets | \$10,582 | \$11,529 | (\$947) | \$11,610 | (\$1,028) |

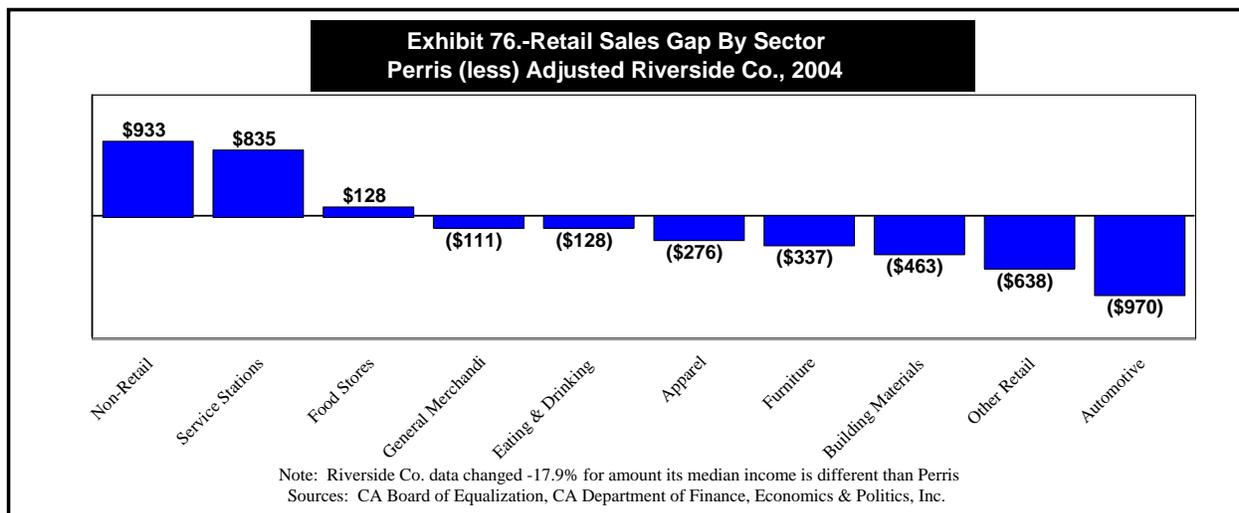
1. Decreased 16.3% for amount San Bernardino County median income is above that of Perris.

2. Decreased 17.9% for amount Riverside County median income is above that of Perris.

Source: CA Board of Equalization

Retail Sales Gap By Sector, 2004. . .

- Perris's 2004 per capita taxable sales average of \$10,582 was below the adjusted averages for San Bernardino (\$11,529) and Riverside (\$11,610) counties. The San Bernardino County figure was adjusted downward to allow for the fact that estimated median income in the county was 16.3% above than in the city (Exhibit 75). A downward adjustment of 17.9% was made to Riverside County's data for the same reason.
- Downward adjustments to San Bernardino County's per capita sales data (16.3%) and Riverside County's data (17.9%) were made because Perris's median family income was lower than those of the two counties by those percentages. The adjustments make up for the difference between the purchasing power of city and county residents. To extent the city per capita sales exceed those of the counties after these adjustments means that it is capturing retail sales taxes from surrounding jurisdictions.
- Perris's pull on sales from surrounding cities is evident in three of the ten sectors. Its largest per capita advantages were in non-retail (\$1,933) likely because of National RV, plus in the service stations (\$835) and food store (\$128) sectors. Disadvantages are seen in the automotive sector (-\$970), other retail (-\$638), building materials (-\$463), furniture (-\$337), apparel (-\$276), eating and drinking (-\$128) and general merchandise (-\$111) (Exhibit 76).



PERRIS

SECTION 6

INDUSTRIAL REAL ESTATE

Perris is part of an Inland Empire industrial market that is among the strongest in the United States. This is the case because industrial firms are being lured into the region for its available land, lower lease rates and relatively lower labor costs. Perris is a new player in this market due to its broad open areas along the South I-215 corridor, the nearness of joint use March Air Reserve Base (MAR), the developments occurring in the March Joint Powers Authority (JPA) redevelopment zone and the decision of DHL to locate there. As recently as the 4-quarters ended in 3rd quarter 2001, gross absorption in the Inland Empire set a record at 48.0 million square feet. Of late, absorption has fallen to 18.4 million square feet for the 4-quarters ended 2nd quarter 2005 (*Exhibit 77*). That slowdown has had more to do with a lack of available space than a lack of firms looking for it. The industrial sector's success is important to Perris given the significant percent of its adults without any college training and the strong pay levels and job ladders in the modern logistics sector.

Location & Demand. Rapid industrial space construction and space absorption is now occurring east of the I-15 freeway because the Inland Empire's western edge is running out of available raw industrial land. Meanwhile, the forces shaping Southern California's economy are leading to the creation of a very large logistics and distribution base (*Exhibit 78*). Already, from 2000-2004 period, 51 facilities of over 250,00 square feet have located either from Fontana to Redlands along the I-10 freeway (30), in the Moreno Valley-Perris-MAR area (11) or in the High Desert (10) (*Exhibit 80*). Looking ahead, future expansion will likely be stronger than the 1990's as that decade included the deep defense downturn at the end of the Cold War. Also, today, the coastal counties have less available land than they did earlier. In addition, the current era is seeing an acceleration of international trade through Los Angeles and Long Beach harbors. Their volumes went from 9.5 million containers in 2000 to 13.1 million in 2004, up 38% in just 4-years. Looking ahead, the pace is expected to reach 17.1 million containers by 2010 (*Exhibit 79*). Increasingly, these trends are creating jobs in the inland region as this cargo is stored, managed, transloaded and shipped cross-country.

Infrastructure. In part, the growth volume at the Burlington Northern Santa Fe (BNSF) Railway's intermodal yard in San Bernardino is responsible for the Inland Empire's ability to support jobs and operations at its distribution facilities (*Exhibit 82*). This is where containers are moved between trains and trucks. This yard's forecasted capacity was 400,000 lifts by 2006. In 2004, it was already at 557,170. It will continue expanding though likely at a slower pace due to capacity restrictions. Also, an "Inland Port," where international cargo can be shipped by rail unsorted before being processed and sent to inland warehouses is under consideration. This would reduce the 1.28 million annual truck trips from the harbors to the inland area while boosting the economy where it is located. It will likely locate in Devore, the Victor Valley or San Geronio Pass nearest to Perris.

Meanwhile, the Southern California Association of Governments (SCAG) forecasts that the Inland Empire's airports will handle 4.5 million additional tons of air freight between 2004-2030. That is more than the 3.3 million currently going through LAX. MAR next to Perris is expected to handle cargo flights with 825,000 tons by 2030 (*Exhibit 81*). DHL's location at this facility will increase the competitiveness of the Perris area and ensure that this forecast comes true.

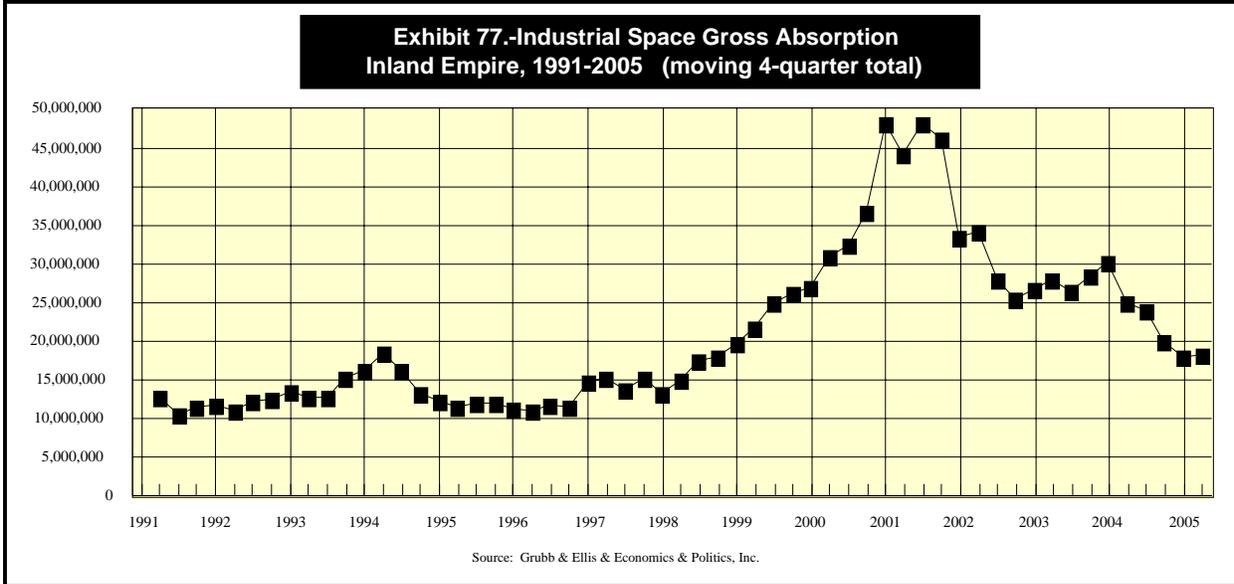
Costs Lure Firms Inland. In 1991, the Inland Empire's industrial space vacancy rate was 24%. Once the recession ended in 1993, a large number of firms moved to the inland region to take advantage of its newer space and lower costs causing the rate to plunge to the 7%-10% range until 2003. Despite millions of square feet that continue to be built each year, the vacancy rate was down to 2.7% in second quarter 2005 (*Exhibit 85*). This is why space absorption has slowed in the region.

The Inland Empire's strong industrial development pressures are not going to evaporate. Firms are making this move, in part, because the inland area's workers are willing to take local jobs for 2.2% to 5.1% less pay than those living in the coastal counties to avoid long commutes. Companies are also migrating inland because modern space is available for lower lease costs. For instance, in June 2005, 350,000 square feet in the Perris-Moreno Valley area could be leased for \$0.39 a square foot per month or \$1.64 million a year. In the coastal counties, the San Gabriel Valley offered the least expensive lease space with that sized facility costing \$0.47 a square foot/month or \$1.97 million a year. That was a \$336,000 or 20.5% premium over Perris and for obsolete space (*Exhibit 89*). Within the Inland Empire, space in Perris is a little above average since it is new with its price just above the Inland Empire's average of \$0.38 square foot/month (*Exhibit 90*).

Inventory of Space. In 2nd quarter 2005, the Inland Empire had 335.3 million square feet of industrial space including existing sites and space under construction (*Exhibit 83*). Of this 3.4 million square feet was in the Perris (2.1%). The Perris market had virtually no available space, a difficulty as it is important to have available space to accommodate employers wanting to be in the city (*Exhibit 84*). Looking ahead, in June 2005, the city had 3,402,903 square feet of existing industrial space with another 84,201 planned. Together, this will bring the city's total to 3,487,104 square feet (*Exhibit 86*). The largest share will be in the 350,000 & up range (35.8%) followed by spaces from 100,000-349,999 square feet (28.2%) and 25,000-49,999 (14.6%).

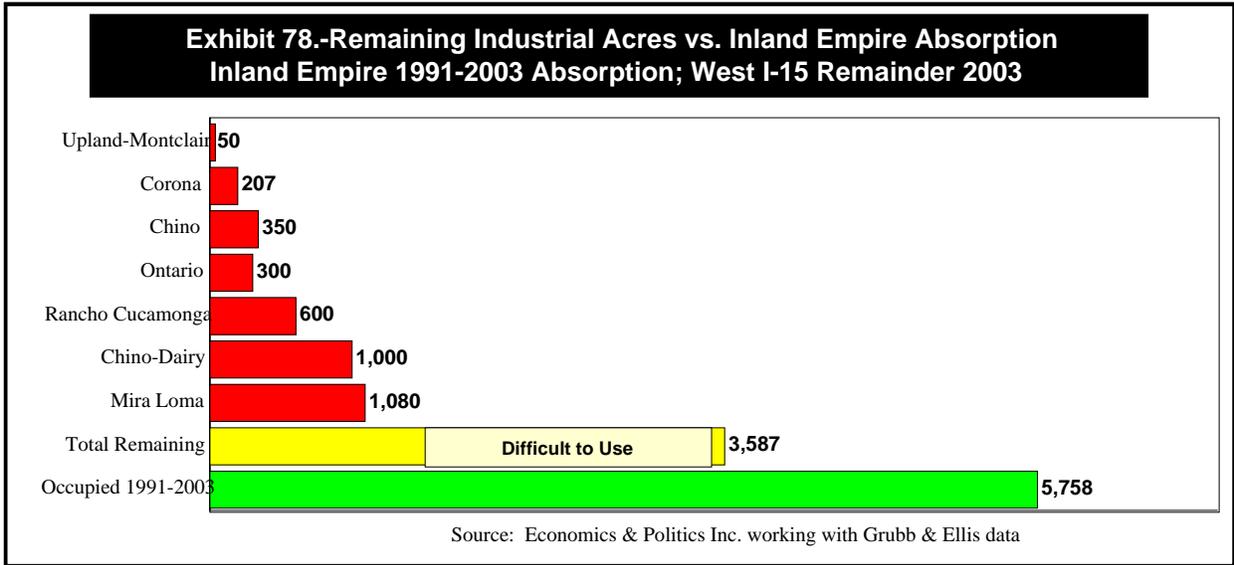
Inland Empire Firms. As a result of the inland region's competitive advantages, 1,268 major projects have taken new or extra space in the Inland Empire for expansion since 1994. Of these, 658 have been manufacturing companies (51.9%), while 454 have been distributors (35.8%) and 143 have been large service operations or agencies (11.3%) (*Exhibit 88*). The source of the firms expanding in the area included 301 migrating from coastal counties (23.7%), 484 either entered the Southern California for the first time or put their newest facility in the inland area (38.2%). The other 483 moved within the inland region to expand (38.1%). Meanwhile, the area's expanding manufacturers have averaged 70.0 workers and used 990 square feet of space per worker. Its distributors have averaged 108.8 workers and used 2,151 square feet per worker.

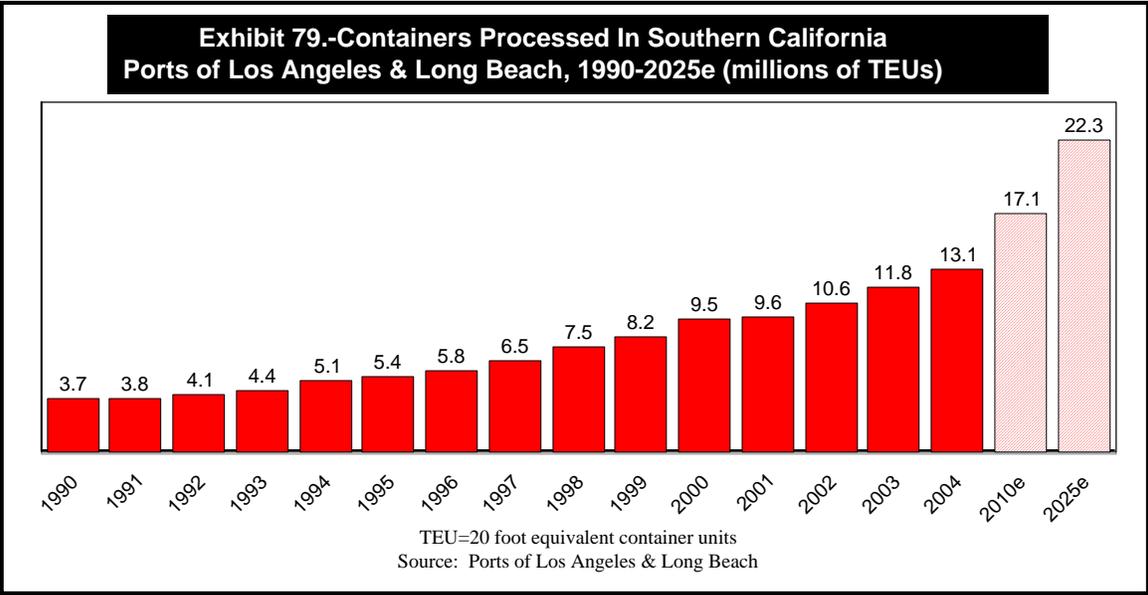
Logistics Importance. The growth of logistics operations in the Inland Empire is important to the area as 50% of its population in 2003 had not had a single college class. The 2000 Census found that share to be 65.1% in Perris in 2000. Many people in this group need access to jobs that pay well and provide a clear job ladder via on-the-job learning towards a middle class income. Logistics provides this as its Inland Empire pay averaged \$37,161 in 2003. That was more than either manufacturing (\$36,704) or construction (\$35,373). Today, workers in logistics are starting at \$10 to \$12 per hour with full benefits and can transition to \$16 in two years. Managers earn \$40,000 to \$60,000 and often have worked their way up from the blue collar ranks.



Total Industrial Space Available . . .

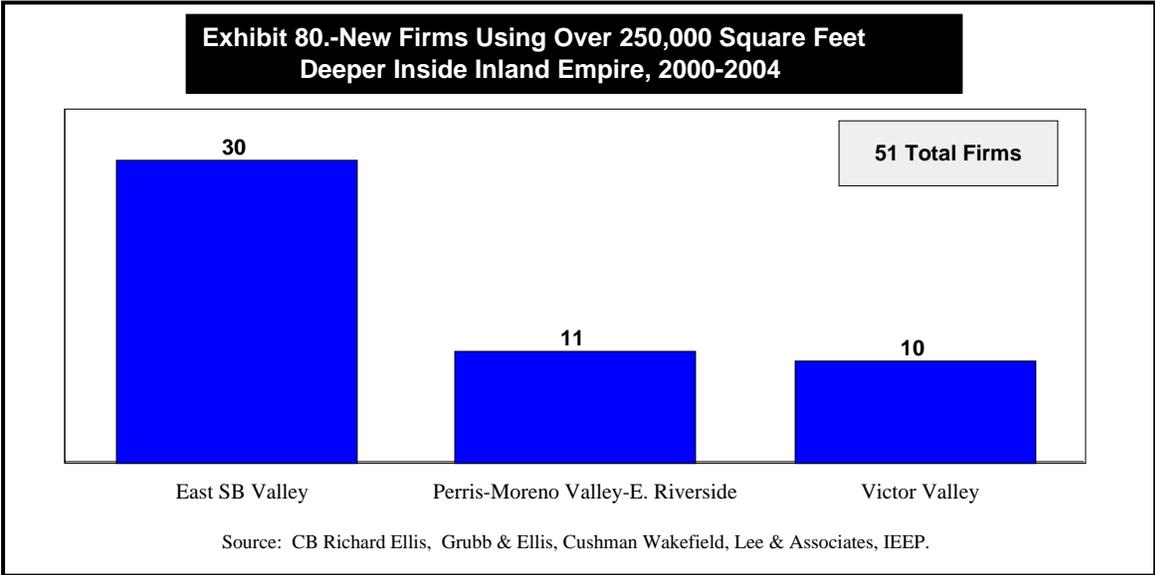
- The Inland Empire industrial real estate market of which Perris is now a part is among the strongest in the United States. Industrial space absorption by manufacturers and distributors soared from 1998 to 2001 before trailing off in 2002-2005 due to a growing shortage of available space in the inland area (*Exhibit 77*). For the 4-quarters ended in 3rd quarter 2001, gross absorption reached a record 48.0 million square feet. More recently, for the four quarters ended June 2005, some 18.4 million square feet was absorbed. (*Note: each point shows the amount of space taken in the 4-quarters ended at that point to smooth out quarterly fluctuations.*)
- It is clear that the western area of the Inland Empire’s industrial market is running short of land (*Exhibit 78*). In 2003, the total space remaining in this area was 3,587 acres (*Exhibit 78*). Of this, the 1,000 acres in Chino’s dairy has no infrastructure and the 1,080 acres in Mira Loma is subject to environmental suits. Of the remaining land a good deal represented lots that could not be assembled into sites large enough for modern industrial facilities. That left only about 2,000 acres most of which has been developed or is in the process. This contrasts with the 5,758 acres that was developed from 1991-2003. Looking ahead, future demand should be greater since the earlier period included the severe defense downturn. Also, the coastal counties have even less land available today than in the past, and international trade continues to power the need for logistics facilities. As a result, industrial development is pushing deeper towards Perris along the I-10 freeway.

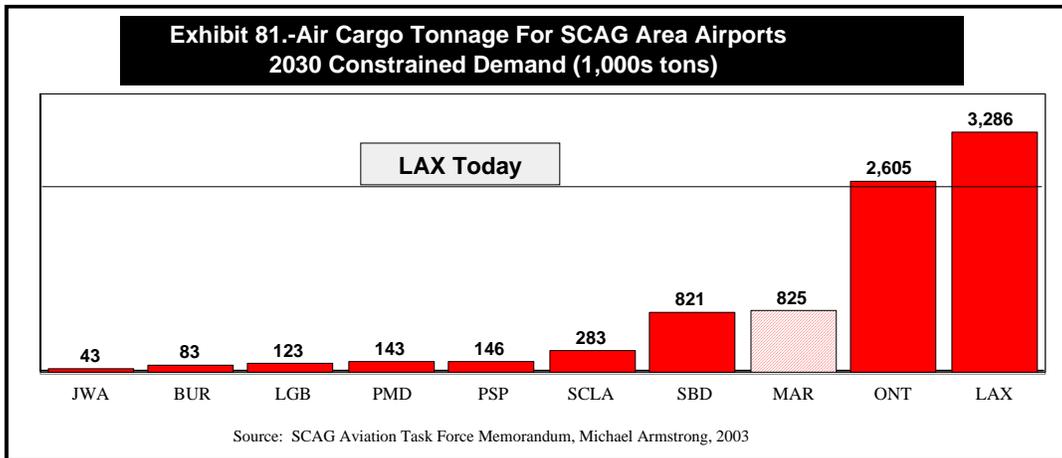




Industrial Market Approaching Perris . . .

- A central fact driving industrial development into the Inland Empire and ultimately towards Perris is the explosion of international trade through Los Angeles and Long Beach harbors. In 2004, they handled 13.1 million containers, up 10.7%. Some 1.2 million containers were hauled by truck to inland warehouses for further processing. Port container volume is forecasted to grow by 30.7% to 17.1 million by 2010 (*Exhibit 79*).
- With land disappearing west of the I-15 freeway, industrial development is migrating deeper inland along major transportation corridors. To date, much of this migration has been along the I-10 freeway from Fontana to Redlands. A second thrust has been along the SR-60 and SR-91 freeways toward Moreno Valley, Perris, and eastern Riverside area near March ARB. A third thrust has been north on the I-15 freeway into Hesperia and the High Desert in general.
- Some 11 developments of 250,000 square feet and above have been built and occupied in the South I-215 Corridor including Perris near March ARB (*MAR*). The majority of new firms (30) chose to develop along the I-10 corridor because of access to Ontario International Airport and BNSF Railway’s intermodal yard. Ten have gone to the High Desert (*Exhibit 80*).



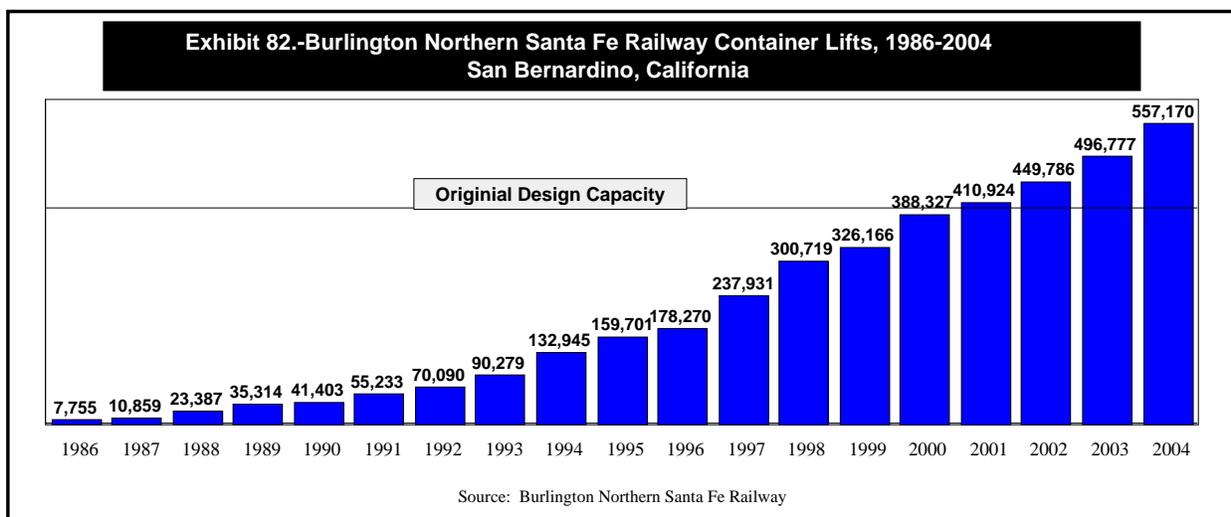


Air Cargo Forecasts, 2030

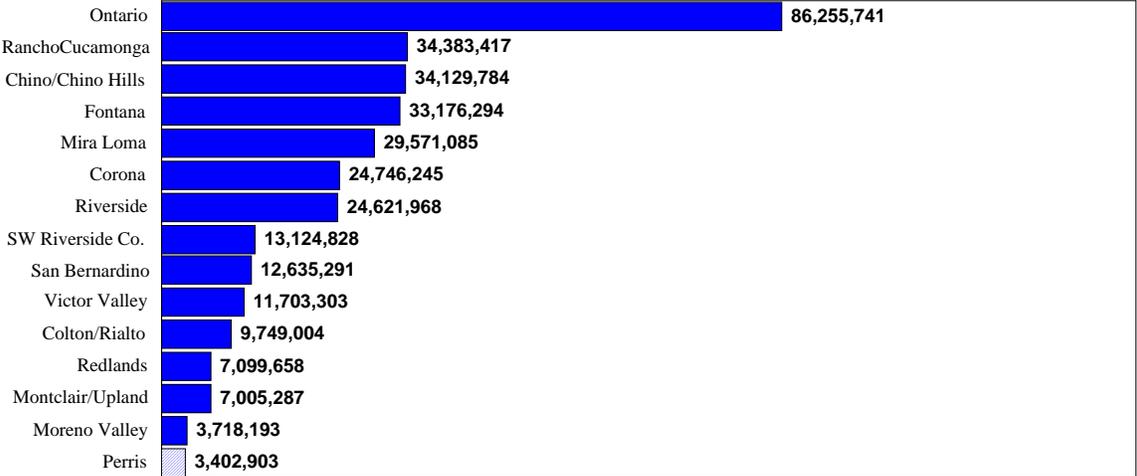
- In 2004, 2.8 million tons of air cargo passed through Southern California’s airports. In 2030, the forecast is for 8.4 million tons, an increase of 5.6 million tons. LAX handled 2.1 million tons in 2004 and has a capacity of 3.3 million. It can thus only handle 1.1 million of the extra tonnage. Most of the other 4.5 million tons will be handled by airports in the Inland Empire. At a minimum, MAR next to Perris is expected to handle 825,000 tons (*Exhibit 81*) or more than the 605,000 tons at Ontario International Airport in 2004.
- DHL’s decision to locate its Western Regional Headquarters at MAR will stimulate the location of manufacturing and logistics firms in Perris and nearby locations to take advantage of the services of that operation.

Intermodal Rail, 1986-2004 ...

- Intermodal rail yard capacity is also affecting the South I-215 area and Perris. These are the facilities where cargo containers move between trains and trucks. They are a crucial part of the infrastructure needed for the logistics industry. BNSF Railway opened its intermodal rail facility in San Bernardino in 1996 and volume soared beyond its initial capacity to 557,170 lifts by 2004 (*Exhibit 82*). The railroad needs new capacity and San Bernardino has ruled out a site at San Bernardino International Airport. One likely location is the 2,900 acres mastered plan for an intermodal yard in Victorville increasing that area’s competitiveness. BNSF in San Bernardino will grow but the rate will ultimately slowdown due to its capacity limitations. Fortunately, Perris is served by a BNSF Railway spur.
- Meanwhile, the 1.2 million containers annually moving from the ports to the Inland Empire means double that number of truck-trips on local freeways. One possible solution is to move these containers by rail to an “inland port” where they could be sorted and distributed to local warehouses. The Alameda Corridor Transportation Authority is engaged in an experimental run trying this solution. Three permanent sites are under consideration: Devore and Victorville (*BNSF Railway*), and San Gorgonio Pass (*UPSP Railroad*) nearest to Perris.



**Exhibit 83.-Industrial Space, Existing or Under Construction, By Market
Inland Empire, June 2005**

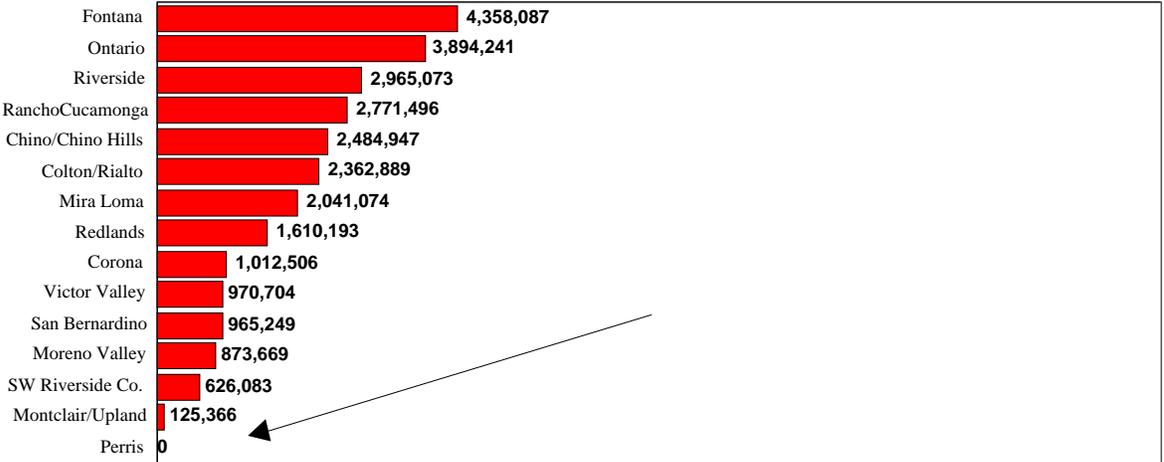


Source: Grubb & Ellis, Bradco Companies

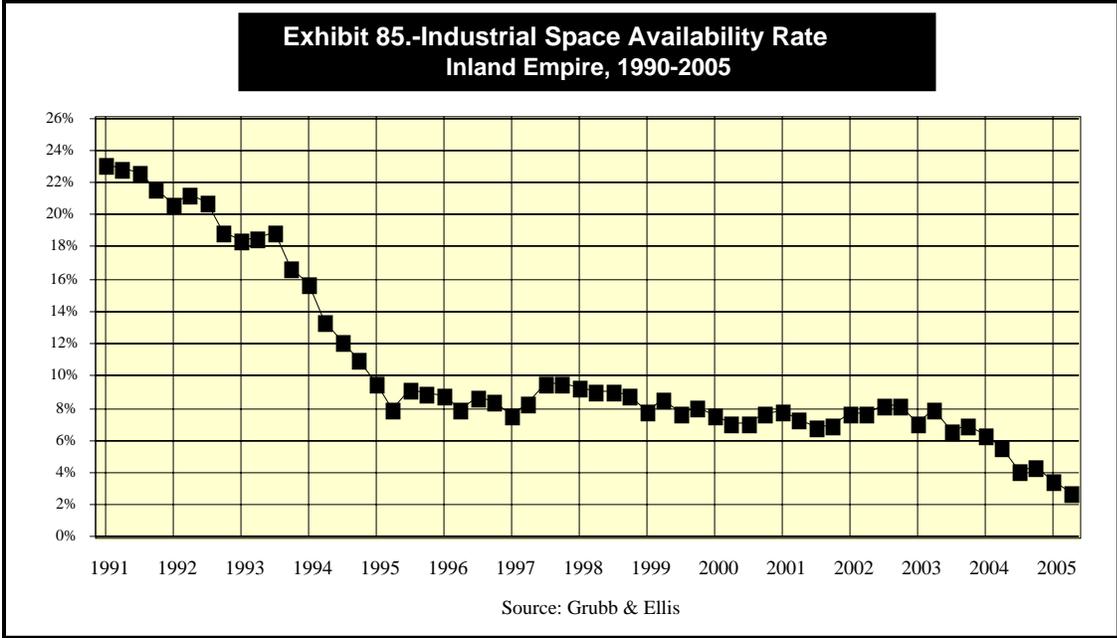
Available Industrial Space . . . June 2005

- In second quarter 2005, there was 335.3 million square feet of industrial space in the Inland Empire including existing space and space under construction (*Exhibit 83*). Of this, 3.4 million square feet was in Perris or 2.1% of the total.
- In second quarter 2005, only 2.7% of the industrial space in the Inland Empire was vacant. If space under construction and not under contract, or space that is occupied but becoming available is included, the share was still just 6.0%. That represented 27.1 million square feet of the 335.3 million. Of this available square footage, there was virtually none available in the Perris market (*Exhibit 84*).
- It is important for an area to have available space so that a community can accommodate employers looking for sites.

**Exhibit 84.-Industrial Space Availability By Market
Inland Empire, June 2005, Existing & Available Under Construction**



Source: Grubb & Ellis, Bradco Companies



Space Availability ...1991-2005

- In 1991, the region’s industrial space vacancy rate was 24%. Once the recession ended in 1993, a large number of firms moved to the inland region to take advantage of its newer space and lower costs, causing the rate to plunge to the 7%-10% range until 2003. Despite millions of square feet that continue to be built each year, the vacancy rate was down to 2.7% in second quarter 2005, not including space under construction (*Exhibit 85*).

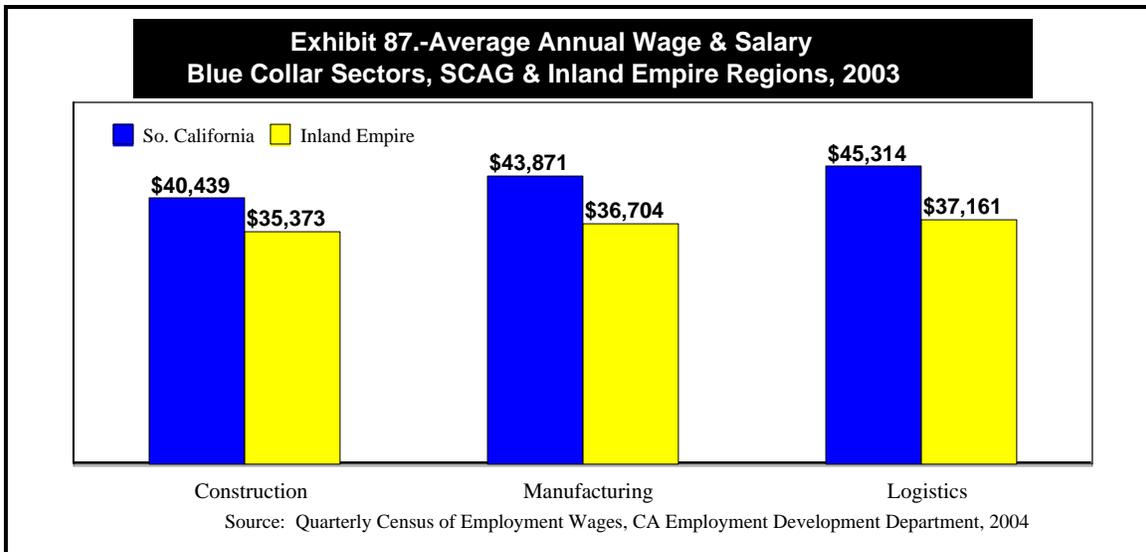
Total Space, June 2005 . . .

- In June 2005, Perris had 3,402,903 square feet of existing industrial space. There is another 84,201 planned that will bring the total to 3,487,104 square feet. There is no square footage under construction (*Exhibit 86*).
- When space that is planned or under construction is built, the largest share of industrial space in the city will be in the 350,000 & up range (35.8%). Next will be space in the 100,000-349,999 group (28.2%) followed by the 25,000 to 49,999 range (14.6%).

**Exhibit 86.-Industrial Sites, Available or Under Construction
Perris , June 2005**

| Size Range | Existing | Share | Planned | Construction | Total | Share |
|-----------------|------------------|---------------|---------------|--------------|------------------|---------------|
| 5,000-9,999 | 121,783 | 3.6% | 0 | 0 | 121,783 | 3.5% |
| 10,000-24,999 | 213,136 | 6.3% | 0 | 0 | 213,136 | 6.1% |
| 25,000-49,999 | 507,770 | 14.9% | 0 | 0 | 507,770 | 14.6% |
| 50,000-99,999 | 326,770 | 9.6% | 84,201 | 0 | 410,971 | 11.8% |
| 100,000-349,999 | 983,444 | 28.9% | 0 | 0 | 983,444 | 28.2% |
| 350,000 Plus | 1,250,000 | 36.7% | 0 | 0 | 1,250,000 | 35.8% |
| Total | 3,402,903 | 100.0% | 84,201 | 0 | 3,487,104 | 100.0% |

Source: Grubb & Ellis



Average Pay In Logistics . . .

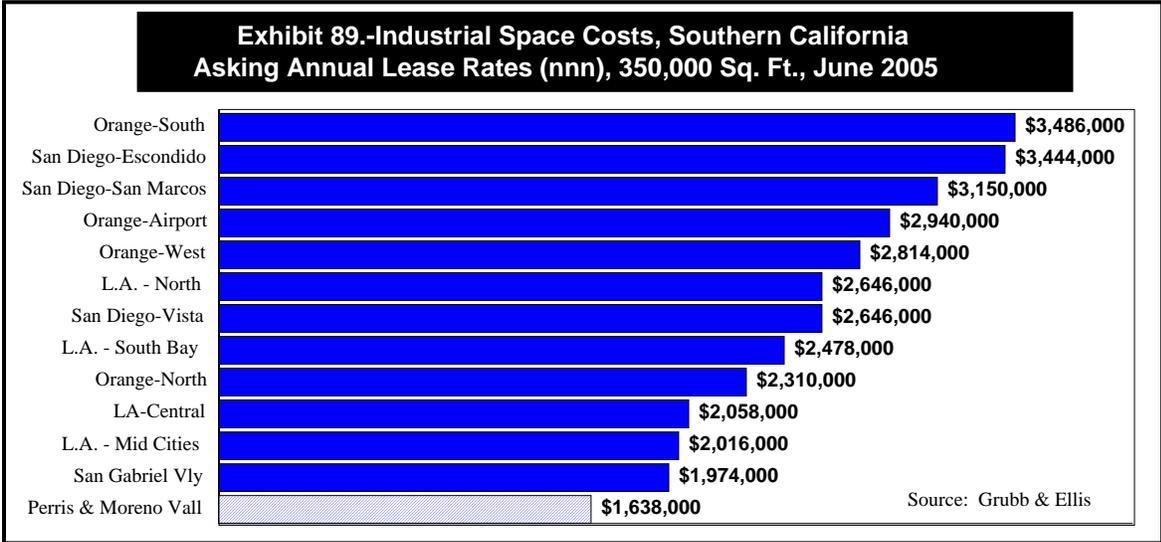
- In 2003, pay in the logistics sector averaged \$37,161 in the Inland Empire (*Exhibit 87*). It was \$45,314 in Southern California. The higher rate shows the sector’s potential as more sophisticated operations such as the headquarters for DHL have chosen to locate in an area.
- Average pay in logistics is more than either manufacturing (\$36,704; \$43,871) or construction (\$35,373; \$40,439) in both the Inland Empire and Southern California. The skill ladders up which workers can advance within the sector through on-the-job learning provides blue collar workers a route to the middle class.

Characteristics Of Firms . . .

- From 1994-2004, 1,268 major projects have taken new or extra space in the Inland Empire to expand. Of these, 658 have been manufacturing companies (51.9%), while 454 have been distributors (35.8%) and 143 have been large service operations or agencies (11.3%) (*Exhibit 88*).
- The source of the firms expanding in the area included 301 migrating from coastal counties (23.7%), 484 either entered Southern California for the first time or put their newest facility in the inland area (38.2%). The other 483 moved within the inland region to expand (38.1%).
- The area’s expanding manufacturers have averaged 70.0 workers and used 990 square feet of space per worker. Its distributors have averaged 108.8 workers and used 2,151 square feet per worker.

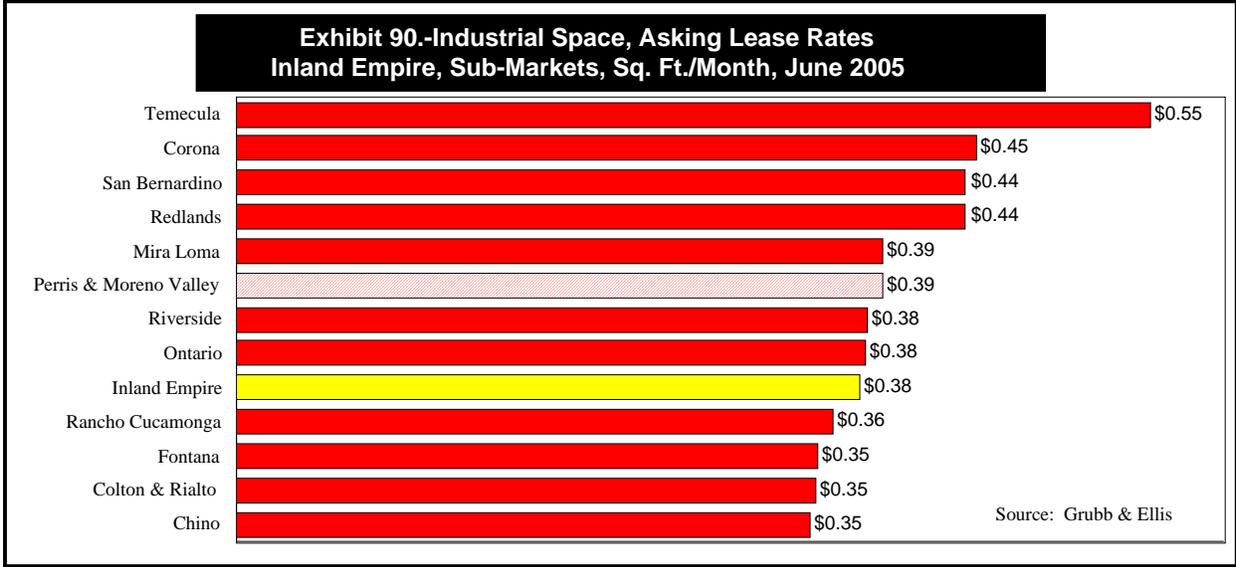
| Exhibit 88.-Major Firms Leasing Space For Expansion, Inland Empire, 1994-2004 | | | | | | |
|--|--------------|---------------|----------------|--------------------|---------------|--------------|
| Sector | Firms | Percent | Jobs | Workers | Percent | Workers/Firm |
| Manufacturing | 658 | 51.9% | Manufacturing | 46,032 | 40.4% | 70.0 |
| Distribution | 454 | 35.8% | Distribution | 49,383 | 43.3% | 108.8 |
| Service | 143 | 11.3% | Service | 15,031 | 13.2% | 105.1 |
| Govt. Agencies | 13 | 1.0% | Govt. Agencies | 3,622 | 3.2% | 278.6 |
| TOTAL | 1,268 | 100.0% | TOTAL | 114,068 | 100.0% | 90.0 |
| Source | Firms | Percent | Other | Square Feet | Percent | Feet/Worker |
| Migrate from LA/OR | 301 | 23.7% | Manufacturing | 45,552,440 | 28.9% | 990 |
| New Growth | 484 | 38.2% | Distribution | 106,226,449 | 67.4% | 2,151 |
| New To Inl. Empire | 785 | 61.9% | Service | 3,758,743 | 2.4% | 250 |
| Expand Locally | 483 | 38.1% | Govt. Agencies | 2,042,200 | 1.3% | 564 |
| TOTAL | 1,268 | 100.0% | TOTAL | 157,579,831 | 100.0% | 1,381 |

Source: Coldwell Banker, CB Commercial, Grubb & Ellis, Cushman Wakefield, Lee & Assoc., Collins Fuller, IEEP



Industrial Lease Rates, June 2005. . .

- Industrial firms are migrating to the Inland Empire as its facilities are newer and its lease costs are lower. For instance in June 2005, new industrial in Perris could be leased for \$0.39 a square foot per month or \$1.64 million a year for 350,000 square feet of space (*Exhibit 89*).
- In the coastal counties, the San Gabriel Valley offered the least expensive industrial space at \$0.47 a square foot per month for aging industrial space or \$1.97 million a year for 350,000 square feet. That was a \$336,000 or a 20.5% higher premium than for new space in Perris.
- In Orange County, the least expensive space was in the northern county area. There, the cost was \$0.55 per square foot a month. A 350,000 square foot facility would lease for \$2.31 million, a \$672,000 or 41.0% premium over brand new space in Perris.
- Within the Inland Empire, space in the Perris-Moreno Valley area (*\$0.39 square foot/month*) is a little above average and expensive because it is brand new. Temecula has the most expensive space (*\$0.55 square foot/month*) followed by Corona (*\$0.45 square foot/month*) and then both San Bernardino and Redlands (*\$0.44 square foot/month*). The Inland Empire average is \$0.38 square foot/month (*Exhibit 90*). Space in Perris is expensive as it contains the most modern facilities in the region.



PERRIS

SECTION 7

QUALITY OF LIFE

Economic development does not take place in a vacuum. Among the important factors that will ultimately impact Perris's prosperity is the success of the law enforcement program that has lowered its crime rate by 42.6%. The city's parks and recreation programs and opportunities will be important as they are among the amenities that make people and firms want to locate in a community. The school systems performance is crucial as education is ultimately the route to upward economic and social mobility in America.

Education. The Perris Unified School District has two traditional high schools, one middle schools and seven elementary schools. Together, their enrollment totaled 12,733 in fall 2004. Enrollment in the city's schools ranked fourteenth among Riverside County's cities (*Exhibit 91*). Ethnically, for academic year 2003-2004, students in the Perris school district were Hispanic (61%), White (23%), Asian (2%) and African American (12%) (*Exhibits 92-93*). This was quite a different profile that the averages for Riverside County: Hispanic (50%), White (35%), African America (8%), and Asian (4%).

Since 1999, test scores in California's schools have been used to create an Academic Performance Index of how their students are performing. In 2004, Perris's high school students tested above the state level with an average score of 686 versus the state's 670 (*Exhibit 94*). However, the city's elementary and middle schools have annually performed below the state averages. The city's students averaged 641 vs. the state's 735 at the elementary school level, and 605 vs. the state's 703 at the middle school level

Meanwhile, for the Class of 2004, 30.2% of Perris seniors completed the required courses for UC and CSU (*Exhibit 95*). That ranked seventh of the county's 10 major urban communities. The county average was 30.5%. The state's was 34.7%. Nearby Hemet (32.1%) was just higher and Desert Sands was lower (26.8%).

On pupil assessment tests, Perris's high school students are good performers. On the 2004 Stanford-9 assessment tests, using 10th graders to represent high school students, the percent of Perris's students "at or above" the national 50% threshold ranked 4th in reading, 5th in math, tied for 6th in language and tied for 7th in science. The 10th grade students in Perris finished a little above the California and national 50% levels on two subject matter tests: reading (53% v.49%) and math (51% v. 50%). They were a little below the national and California averages in language (49% to 52%) and science (44% to 47%) (*Exhibits 99 & 100*). Meanwhile, seniors taking the 2004 Scholastic Assessment Test (SAT) averaged 969, the fifth highest among Riverside County's largest areas and below California's 1,015. The county's average was 963 (*Exhibit 96*).

Perris's elementary students had a weak performance on the Stanford-9 tests. Among 5th graders in Riverside County's 12 urban areas, the city's students ranked 12th in reading, math, spelling and language (*Exhibit 97*). Importantly, the 5th graders far under-performed California's averages on every subject and were below the national average in all four subjects.

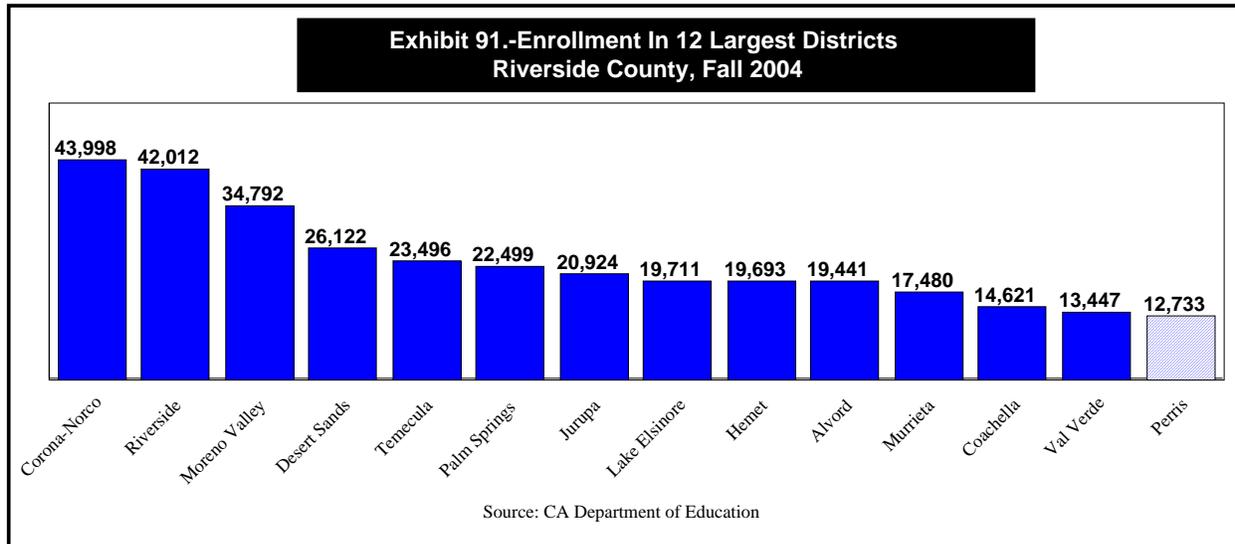
Companies and people living in Perris are 45 minutes from a wide array of private and public colleges & universities (*Exhibits 101-102*). Altogether, there are 22 campuses with a combined enrollment of 155,738 students. The list includes nationally known private, liberal arts schools like the University of Perris and the Claremont Colleges. Impressive scientific work is being conducted at Harvey Mudd College, California State Polytechnic University at Pomona, and the University of California, Riverside. Loma Linda University boasts one of the top medical schools in the world. California State University San Bernardino has an outstanding School of Business. The Western University of Health Sciences supplies a large proportion of Southern California health professionals. And, there are five Community Colleges including the Mt. San Jacinto district with a campus in nearby Menifee.

Recreation. Perris has nine parks with 84 acres of land (*Exhibit 103*). With a 2005 population of 44,594, it has 533 people per acre of park land, a modest ratio. However, this does not count the 8,800 acre Lake Perris State Recreation Area adjacent to the community including 2,000 acre Lake Perris. In addition, the city is home to the Lake Perris Fairgrounds including the dirt track Perris Auto Speedway. The vintage Orange Empire Railroad Museum is in Perris and the world famous Perris Valley Sky Diving at Perris Valley Airport. Nearby is March Field Air Museum with 60 vintage aircraft including such planes as a B-17, B-29, P-38, MiG-19 and an SR-71.

Perris has an extensive menu of recreation programs for its families. This includes Moms & Tots to help perfect friendships and skills via participation in song, dance, worksheets, and art and crafts. Discovery Time aims to teach pre-schoolers colors, numbers, and letters, as well as develop necessary social skills for their first years of school. People can take classes like driver's education, CPR, Tae Kwon Do, Archery and Tennis. Active people can take ballet, aerobics and jazz dancing. There are leagues such as boys and girls basketball, Little League baseball and AYSO Soccer. And, Perris holds a wide variety of community events like the annual Home for the Holidays parade.

Public Safety. Perris has become a much safer city in recent years. From 1993-2004, its crime rate per 1,000 residents has **decreased 42.6%** according to the U.S. Department of Justice (*Exhibits 104-105*). In this period, the number of total crimes fell by 15.6% even though the city's population grew by 43.2%. According to the Justice Department, the violent crime rate per 1,000 dropped 52.7% in this period; the property crime rate fell 35.0% (*Exhibits 106-107*).

In 2004, the violent crime rate in Perris ranked third compared to the eight Inland Empire cities with over 100,000 people. Its average of 6.9 crimes per 1,000 people was below the 13.3 in *San Bernardino* and the 7.5 in Pomona and just above the 6.8 in nearby Hemet (*Exhibit 110*). The city's property crime rate of 40.9 incidents per 1,000 residents ranked fifth of these eight large cities, below Ontario (42.2) and above Moreno Valley (38.3). The range was from a high of 57.3 in San Bernardino to a low of 31.8 in Corona (*Exhibit 111*). The city's overall rate of 47.8 incidents per 1,000 people also ranked below four of the eight large communities, again with Ontario (48.0) just higher and Moreno Valley the next lowest (43.2) (*Exhibits 107-108*). The range was from 70.6 in San Bernardino to 33.7 in Corona.

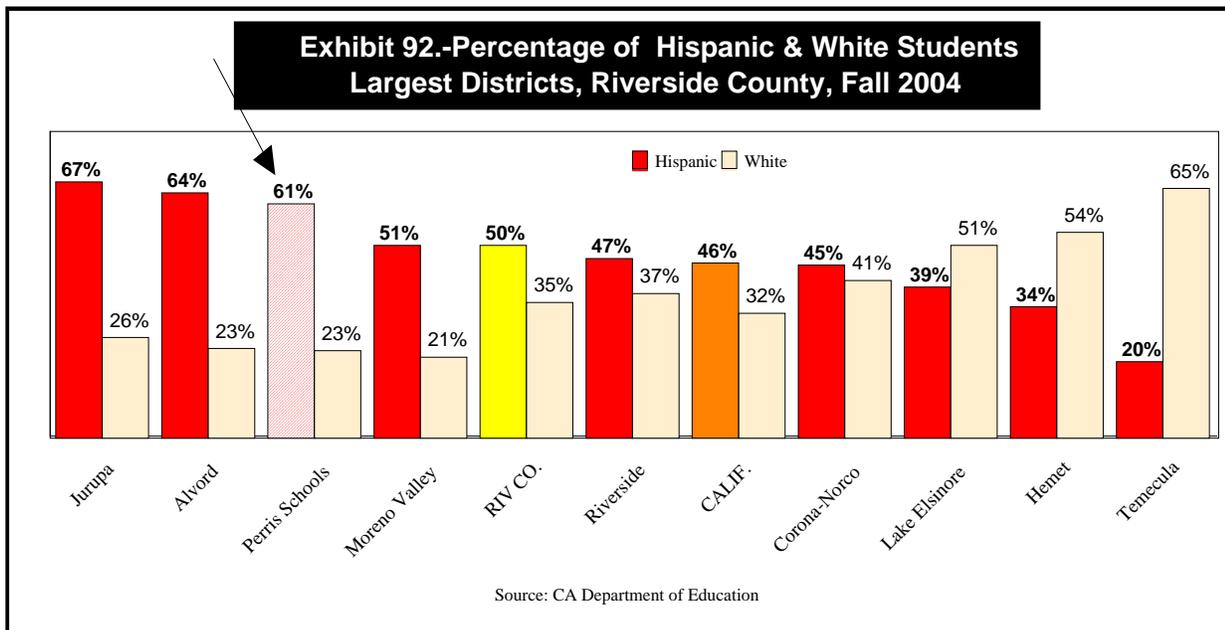


School District Enrollment, Fall 2004 . . .

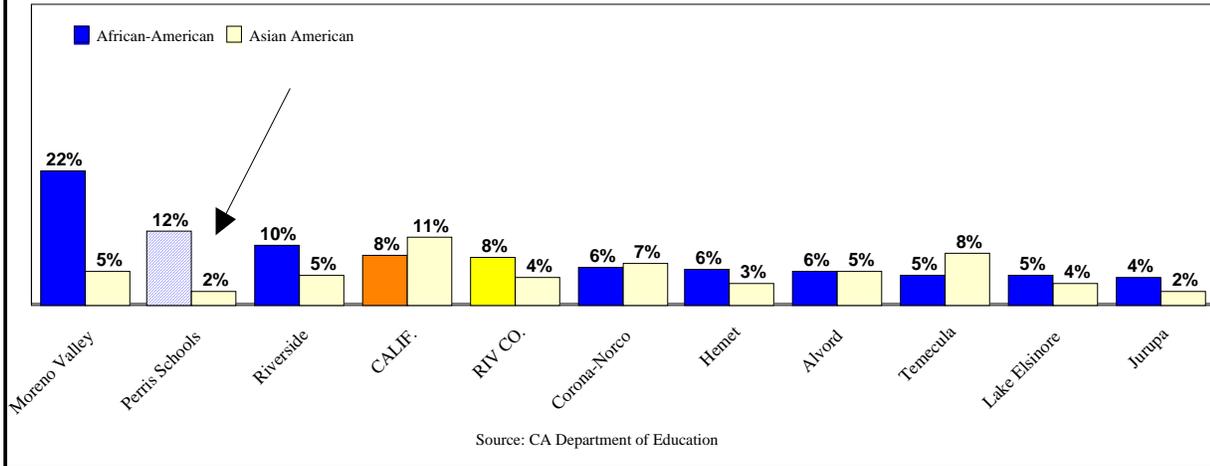
- The Perris Union High School District (7,498) with two regular high schools and one middle school and Perris Elementary School District (5,235) with seven schools provide education to students living in Perris giving a total enrollment of 12,733. The city's combined districts had the 14th largest group of students in Riverside County (*Exhibit 91*).

School Enrollment Ethnicity, 2004 . . .

- School enrollment tells a great deal about the future diversity of Inland Empire communities. In academic year 2003-2004, 61% of students enrolled at Perris's schools were Hispanic. This was the third largest percentage among the 14 Riverside County areas after Jurupa District (67%). The county average was 50%; the California average was 46%. White enrollment in Perris schools was 23%. This was the second lowest among major Riverside County city areas behind Alvord District (23%). The county average was 35%. California's was 32% (*Exhibit 92*).



**Exhibit 93.-Largest Districts, African American & Asian Students
Riverside County, Fall 2004**



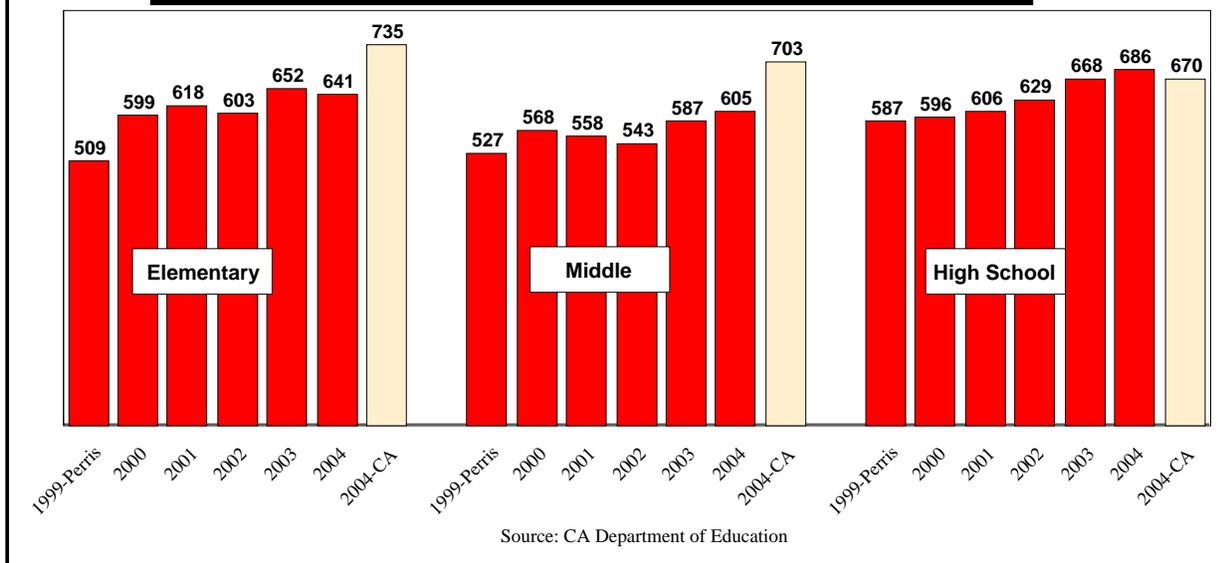
School Enrollment Ethnicity (*continued*), 2004 . . .

- In academic year 2004, 12% of Perris students were African American. Among Riverside areas, Moreno Valley (22%) was the highest and the Jurupa District (4%) was the lowest. The county and California averages were 8% (*Exhibit 93*).
- Asians made up 2% of Perris's students. This tied for the lowest percentage with Jurupa District (2%). The county's average was 4%. The state's average was 11%.

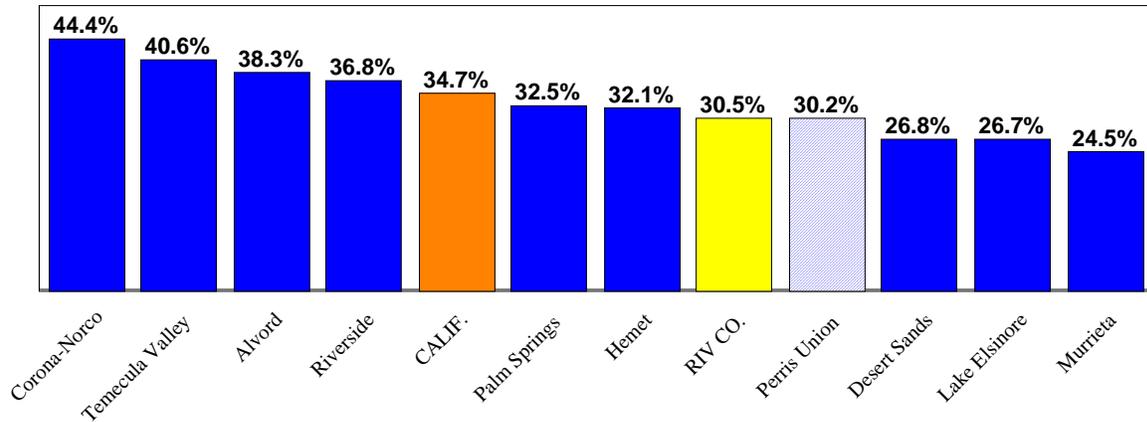
Academic Performance Index, 1999-2004 . . .

- Each year, the testing scores for California's school districts are used to create an index of how well their students are performing. Since the advent of this system, the Perris schools have been below the state average each year at the elementary and middle school levels with improvement being irregular. In 2004, Perris's students averaged 641 on the Academic Performance Index at the elementary level vs. the state's 735. The city's average was 605 vs. 703 at the middle school level. Meanwhile, the city's high school students have exceeded the state average. In 2004, students average 686 versus the state average of 670 (*Exhibit 94*).

**Exhibit 94.-Academic Performance Index
Perris Elementary & Unified High School Districts, 1999-2004**



**Exhibit 95.-UC & CSU Eligible Class Completion
Largest Districts, Riverside County, Class of 2004**



Source: CA Department of Education

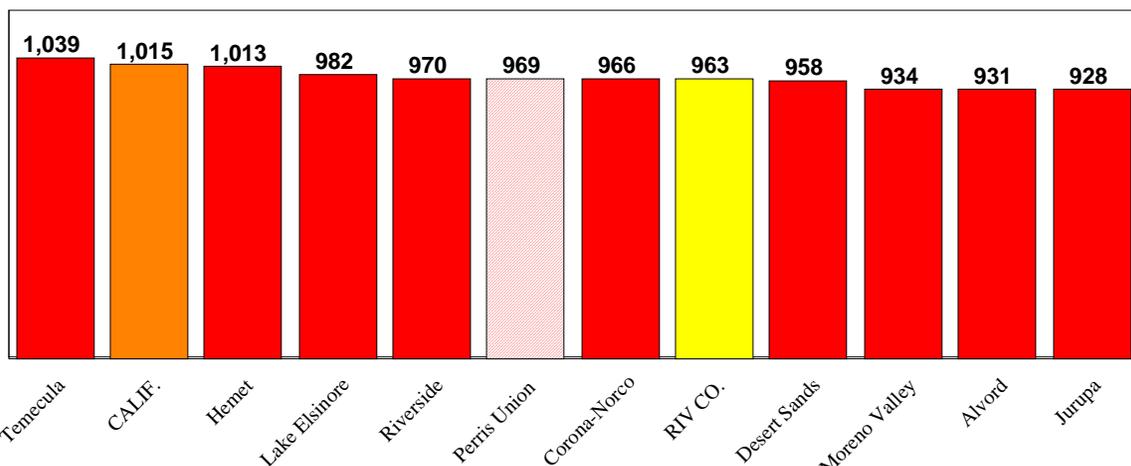
University & State University Requirements Completed, Class of 2004 . . .

- In 2004, 30.2% of Perris's high school graduates completed the courses required by the University of California or California State University systems for entrance. This ranked seventh among Riverside County's 10 urban areas (*Exhibit 95*). Nearby Hemet (32.1%) was just higher and Desert Sands was lower (26.8%).
- The Riverside County average was 30.5%. The California average was 34.7%. The lowest UC/CSU completion rate was in Murrieta (24.5%).

SAT Scores, Class 2004 . . .

- Perris's 2004 seniors averaged 969 on the Scholastic Assessment Test. They were the fifth highest of the 10 Riverside County areas (*Exhibit 96*). Temecula was the highest at 1,039.
- The city's performance was below California's average of 1,015 and above the county's average score was 963.

**Exhibit 96.-SAT Total Score
Largest Districts, Riverside County, Class of 2004**



Source: CA Department of Education

Exhibit 97.-5th Grade, Stanford 9 Test Scores, 50% Or Above Nationally Riverside County, Urban Elementary Districts, 2004

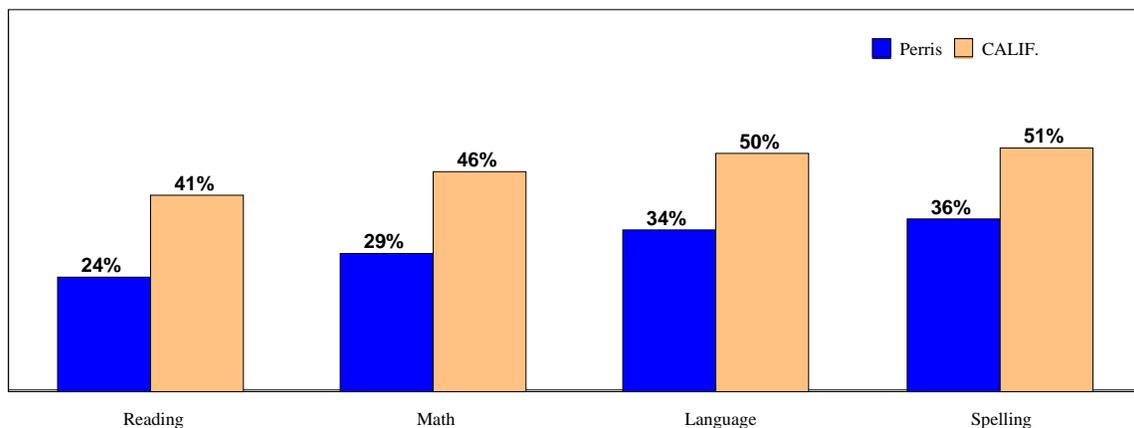
| 5th Grade | Reading | Math | Language | Spelling |
|-------------------------------------|------------|------------|------------|------------|
| Alvord | 30% | 36% | 42% | 42% |
| Corona-Norco | 43% | 50% | 56% | 53% |
| Desert Sands | 36% | 43% | 47% | 44% |
| Hemet | 37% | 42% | 48% | 42% |
| Jurupa | 28% | 31% | 44% | 39% |
| Lake Elsinore | 42% | 46% | 56% | 48% |
| Moreno Vly | 29% | 35% | 39% | 45% |
| Murrieta Vly | 61% | 69% | 75% | 64% |
| Palm Springs | 32% | 35% | 38% | 44% |
| Perris | 24% | 29% | 34% | 36% |
| Riverside | 43% | 49% | 54% | 47% |
| Temecula Vly | 61% | 69% | 69% | 62% |
| Perris: Rank of 12 districts | 12 | 12 | 12 | 12 |
| City-County | -14% | -14% | -15% | -11% |
| City-Calif. | -17% | -17% | -16% | -15% |

Source: CA Department of Education

Testing Scores, 5th Graders, 2004 . . .

- Under Stanford-9 testing procedures, California students in grades 2-8 are tested in four subject matters. One way the results are reported is the percentage of students finishing at or above the national 50% threshold. Using 5th graders as an example of elementary students, those students from Perris finishing at or above the 50% national threshold ranked last among 12 suburban areas in Riverside County. They ranked 12th in reading, math and spelling, and in language (*Exhibit 97*).
- Fifth graders in Perris scored well below the national 50% threshold in all four tested areas (*Exhibit 98*). Compared to state averages, they were lower in reading (24% vs. 41%), spelling (36% vs. 51%) and math (29% vs. 46%).

Exhibit 98.-5th Graders At or Above National 50% Level - Stanford 9 Test Perris Schools & California , 2004



Source: CA Department of Education

**Exhibit 99.-10th Grade, Stanford 9 Test Scores, 50% Or Above Nationally
Riverside County, Urban Area High Schools, By City, 2004**

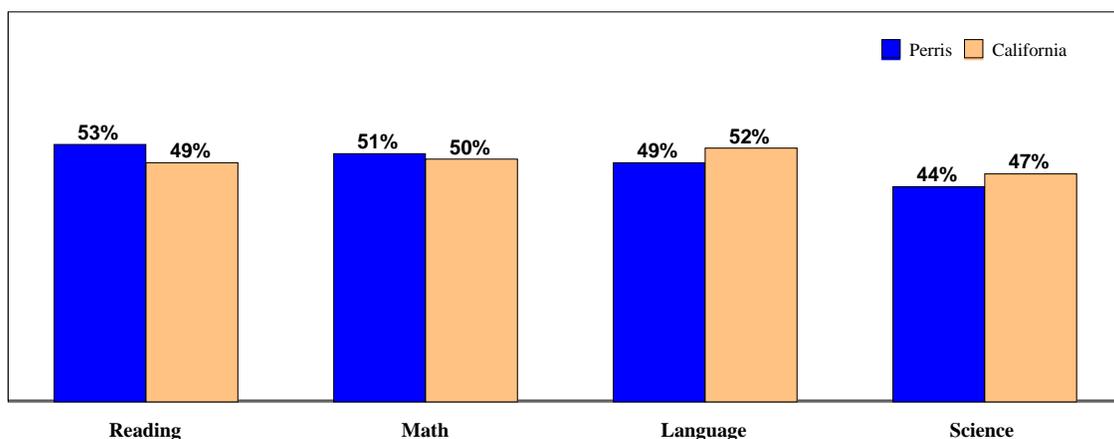
| 10th Grade | Reading | Math | Language | Science |
|-------------------------------------|------------|------------|--------------|--------------|
| Alvord | 41% | 43% | 47% | 40% |
| Corona-Norco | 51% | 52% | 56% | 51% |
| Desert Sands | 46% | 47% | 54% | 44% |
| Hemet | 51% | 49% | 49% | 47% |
| Jurupa | 35% | 36% | 41% | 37% |
| Lake Elsinore | 39% | 38% | 49% | 48% |
| Moreno Valley | 37% | 38% | 38% | 36% |
| Murrieta | 66% | 65% | 70% | 67% |
| Palm Springs | 42% | 41% | 43% | 39% |
| Perris | 53% | 51% | 49% | 44% |
| Riverside | 55% | 56% | 57% | 51% |
| Temecula | 65% | 64% | 68% | 62% |
| Perris: Rank of 12 districts | 4 | 5 | Tie 6 | Tie 7 |
| City-County | 7% | 4% | 0% | -1% |
| City-Calif. | 4% | 1% | -3% | -3% |

Source: CA Department of Education

Testing Scores, 10th Graders, 2004 . . .

- Under Stanford-9 testing procedures, California students in grades 9-11 are tested in four subject matters. Again, one way the results are reported is the percentage of students finishing at or above the national 50% threshold (*Exhibit 99*).
- Using 10th graders as an example of high school students, the percentage of students in Perris finishing at or above the national 50% ranked in the middle of the 12 suburban high school areas of Riverside County. They were 4th in reading. They ranked 5th in math, tied for 6th in language and tied for 7th in science. The 10th grade students in Perris finished a little above the California and national 50% levels on two subject matter tests: reading (53% v.49%) and math (51% v. 50%) (*Exhibit 100*). They were a little below the national and California averages in language (49% to 52%) and science (44% to 47%).

**Exhibit 100.-10th Graders At or Above National 50% Level - Stanford 9 Test
Perris Schools & California , 2004**



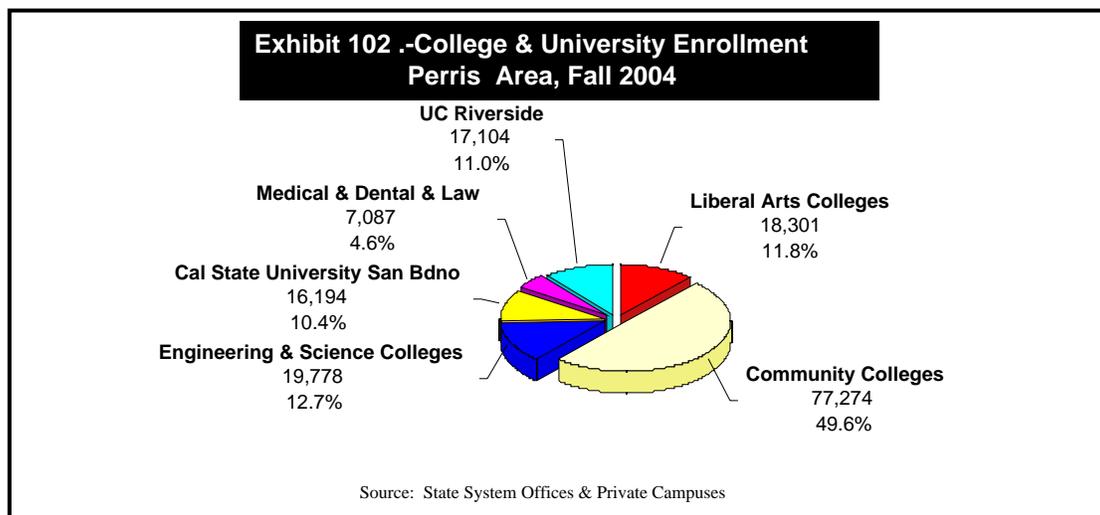
Source: CA Department of Education

Exhibit 101.-Higher Education Enrollment By Campus, Inland Empire, Fall 2004

| Campus | Address | City | Year | Specialty | Main Degrees | Students |
|--|-------------------------|--------------|------|-----------------------|------------------|----------------|
| California Baptist College | 8432 Magnolia | Riverside | 1950 | Liberal Arts | Masters | 2,359 |
| California State Polytechnic Univ., Pomona | 3801 W. Temple | Pomona | 1838 | Engineering | Masters | 19,003 |
| California State University San Bdn | 5500 University Parkway | San Bdn | 1960 | Comprehensive | Masters | 16,194 |
| Chaffey Community College | 5585 Haven Ave. | R. Cucamonga | 1883 | Community College | Associate | 18,389 |
| Claremont Graduate School | 170 E. Tenth | Claremont | 1925 | Science, Liberal Arts | Ph.D. | 2,013 |
| Claremont McKenna College | 500 E. Ninth St. | Claremont | 1946 | Liberal Arts | Bachelors | 1,050 |
| Crafton Hills College | 11711 San Canyon | Yucaipa | 1972 | Community College | A.A. | 5,640 |
| Harvey Mudd College | 301 E. 12th Street | Claremont | 1955 | Science | Bachelor | 709 |
| Keck Graduate Inst. of Applied Life Sciences | 535 Watson Drive | Claremont | 2000 | Life Science | Ph.D. | 66 |
| La Sierra University | 4700 Pierce | Riverside | 1922 | Liberal Arts | Ph.D. | 1,946 |
| Loma Linda University | 11234 Anderson St. | Loma Linda | 1905 | Medical, Dental | Ph.D., M.D., DDS | 5,317 |
| Mt. San Jacinto Community College | 1499 N. State. St. | San Jacinto | 1965 | Community College | Associate | 12,171 |
| Pitzer College | 1050 N. Mills Ave. | Claremont | 1963 | Liberal Arts | Bachelors | 954 |
| Pomona College | 333 N. College Way | Claremont | 1887 | Liberal Arts | Bachelors | 1,500 |
| Riverside Community College | 4800 Magnolia | Riverside | 1916 | Community College | Associate | 29,072 |
| San Bernardino Community College | 701 S. Mt. Vernon Ave. | San Bdn | 1926 | Community College | Associate | 12,002 |
| Scripps College | 1030 Columbia Ave. | Claremont | 1926 | Liberal Arts | Bachelors | 803 |
| University of California, Riverside | 900 University Ave. | Riverside | 1954 | Comprehensive | Ph.D. | 17,104 |
| University of La Verne | 1950 Third St. | La Verne | 1891 | Liberal Arts | Ph.D. | 3,379 |
| School of Law | 320 East "D" Street | Ontario | 1985 | Law | J.D. | 225 |
| University of Redlands | 1200 E. Colton | Redlands | 1907 | Liberal Arts | Ph.D. | 4,297 |
| Western University of Health Sciences | 309 E. Second Street | Pomona | 1977 | Medical | D.O., M.S. | 1,545 |
| Total Enrollment | | | | | | 155,738 |

College and University Enrollment, 2004 . . .

- Perris is near 22 public & private colleges with a total of 155,738 students. In Fall 2004, there were 19,778 students (12.7%) at three top schools of science and engineering: Cal Poly Pomona, Claremont's Harvey Mudd College and Keck Graduate Institute of Applied Life Sciences. Another 77,274 students (49.6%) went to five comprehensive community colleges including the Mt. San Jacinto district with a campus in nearby Menifee.
- There were 17,104 (11.0%) undergraduates and graduate students at the University of California, Riverside, one of the nation's premier biomedical, agricultural and environmental research institutions. 16,194 students (10.4%) attend Cal State San Bernardino, while 7,087 medical and dental students (4.6%) attended Loma Linda University Medical Center, one of the nation's top medical and dental schools, the Western University of Health Sciences in Pomona or the University of La Verne Law School in Ontario (*Exhibits 101-102*).
- 18,301 students (11.8%) went to several nearby prestigious private liberal arts colleges including: University of Redlands, Claremont Colleges, University of La Verne, La Sierra University and California Baptist University. The University of La Verne School of Law is now located in Ontario.



Quality of Life



City Parks & Other Key Facilities, 2004 . . .

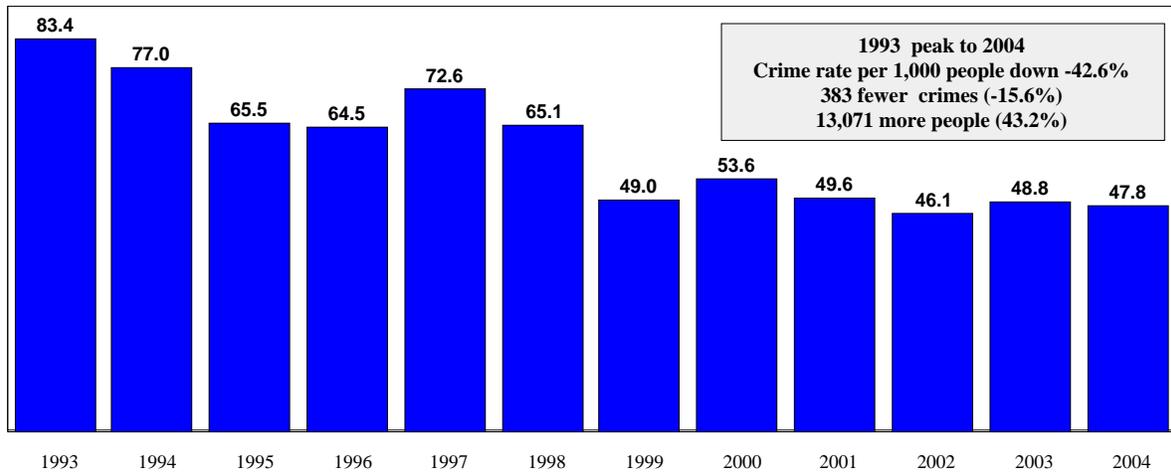
Perris has nine established parks with 83.74 acres of land. With a 2005 population of 44,594, the city has 533 people per acre of park land, a modest ratio. However, this does not count the 8,800 acre Lake Perris State Recreation Area adjacent to the community including 2,000 acres Lake Perris. In addition, the city is home to the Lake Perris Fairgrounds including the dirt track Perris Auto Speedway, the vintage Orange Empire Railroad Museum, and world famous Perris Valley Sky Diving at Perris Valley Airport. Nearby is the March Field Air Museum with 60 vintage aircraft including such planes as a B-17, B-29, P-38, MiG-19 and an SR-71.

Exhibit 103.-Parks & Other Major Outdoor Entertainment Venues

| Park | Address | Acreage | Facilities/Activities |
|-----------------------------|---|--------------|---|
| Bob Long Park | 590 E. San Jacinto Avenue | 5.00 | Baseball, Snack Bar, Restrooms |
| Copper Creek Park | 217 Citrus Avenue | 7.39 | Sheltered Picnic Tables, Playground, BBQ, Basketball |
| Foss Field | 138 N. Perris Blvd. | 4.62 | Sheltered Picnic Tables, Playground, BBQ, Basketball, Tennis, Volleyball, Baseball, Community Center, Gym |
| Frank Eaton Memorial Park | 3600 Bradly Road | 12.23 | Sheltered Picnic Tables, Playground, BBQ, Basketball, Baseball |
| May Ranch Park | 3792 Evans Road | 8.00 | Sheltered Picnic Tables, Playground, BBQ, Basketball, Baseball |
| Metz Park | 251 Metz Road | 20.00 | Baseball, Soccer |
| Paragon Park | 264 Spectacular Bid | 16.00 | Sheltered Picnic Tables, Tennis, Basketball, Handball |
| Rotary Park | 1491 'A' Street | 8.00 | Sheltered Picnic Tables, Playground, BBQ, Basketball, Volleyball, Baseball |
| Russell Stewart Park | 160 E. 1st Street | 1.50 | Gazebo |
| Bob Glass Gymnasium | 101 N. 'D' Street | 1.00 | Picnic, Basketball, Community Stage |
| Community Room | 101 N. 'D' Street | NA | Meeting Space, Kitchen |
| Senior Center | 101 N. 'D' Street | NA | Meeting Space, Kitchen |
| | | 83.74 | 44,594 people = 533 people per acre |
| Other Facilities | Address | | Facilities/Activities |
| Lake Perris State Rec. Area | On and Around 2,000 acre Lake Perris | 8,800 | Swimming, fishing, boating, sailing, water-skiing, scuba, camping, hiking, biking, equestrian, rock climbing, Indian Museum |
| Lake Perris Fairgrounds | Ramona Express Way at Lake Perris Drive | | Southern California Fair, Rodeo |
| Perris Auto Speedway | Lake Perris Fairgrounds | | Dirt track automobile, truck, motocross racing |
| Perris Valley Sky Diving | 2091 Goetz Rd | | Sky Diving |
| Orange Empire RR Museum | 2201 S. "A" St. | | Red Cars, Yellow Cars, BNSF, UP, SP, 3 foot Gauge, Steam Engines |
| March Field Air Museum | I-215 at Cactus | | Vintage aircraft museum |



**Exhibit 104.-Major Crimes Per 1,000 People
Perris, 1993-2004**



Source: U.S. Department of Justice, Uniform Crime Report

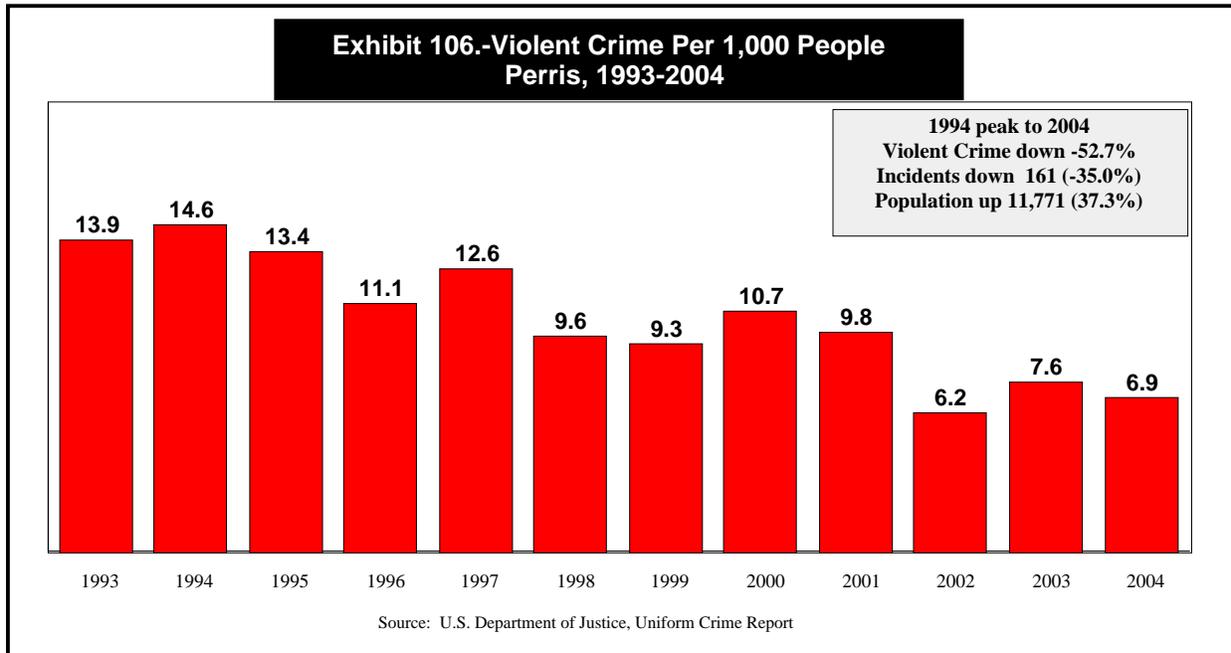
Falling Crime Rate, 1993-2004 . . .

- Perris's crime rate has **fallen 42.6%** between its peak in 1993 at 83.4 incidents per 1,000 people, and in 2004 when it was 47.7 incidents per 1,000 residents (*Exhibits 104-105*).
- The steep decline occurred because Perris had 383 fewer crimes reported (-15.6%) between 1993 and 2004 even though its population increased by 13,071 people (43.2%).
- For the year 2004, the decrease in crimes per 1,000 people was -2.0%. This came after decreases of -7.4% in 2001 and -7.1% in 2002 but an increase of 6.0% in 2003.

**Exhibit 105.-Crime Rate Per 1,000 People, By Type
Perris, 1993-2004**

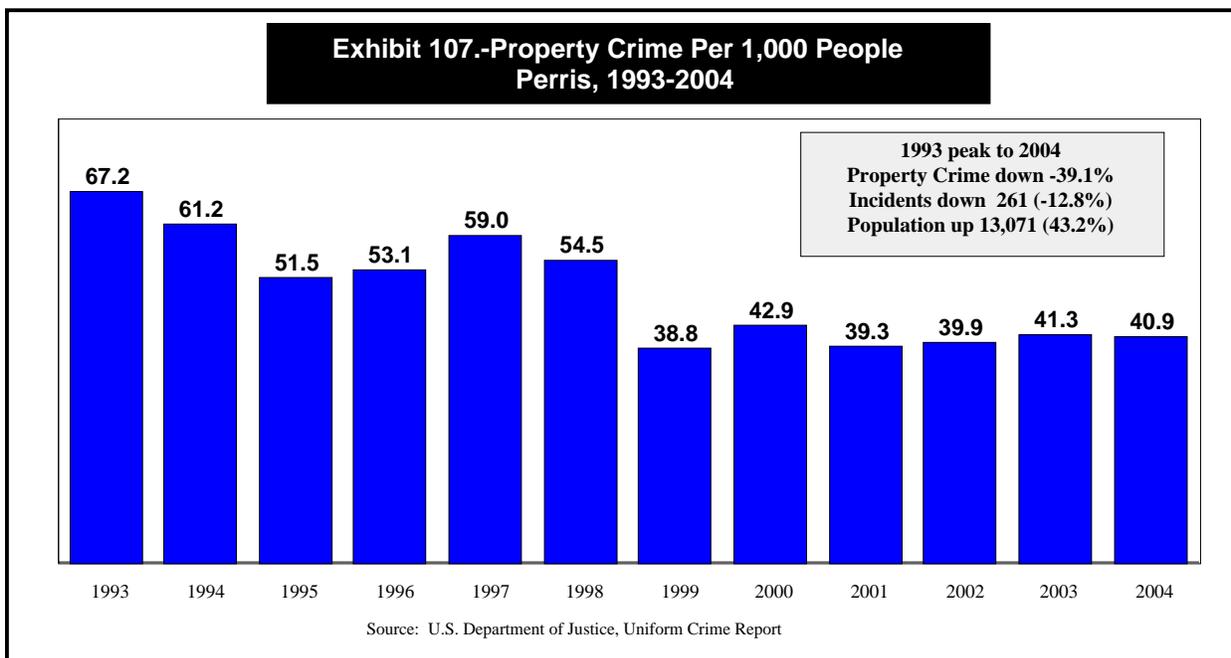
| Crime | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Murder | 5 | 6 | 6 | 5 | 0 | 4 | 2 | 5 | 5 | 1 | 4 | 3 |
| Forcible Rape | 17 | 20 | 14 | 16 | 19 | 21 | 27 | 10 | 11 | 7 | 17 | 10 |
| Robbery | 129 | 147 | 105 | 88 | 108 | 93 | 86 | 99 | 78 | 56 | 80 | 82 |
| Aggravated Assault | 270 | 287 | 307 | 254 | 295 | 214 | 216 | 277 | 272 | 173 | 204 | 204 |
| Burglary | 699 | 633 | 558 | 552 | 578 | 596 | 559 | 514 | 391 | 343 | 392 | 316 |
| Larceny Theft | 779 | 836 | 720 | 870 | 1,054 | 930 | 573 | 638 | 701 | 757 | 841 | 975 |
| Motor Vehicle Theft | 498 | 462 | 389 | 309 | 332 | 343 | 240 | 409 | 371 | 412 | 420 | 477 |
| Arson (1) | 58 | 0 | 0 | 13 | 14 | 8 | 8 | 6 | 3 | 12 | 13 | 5 |
| Total Crimes | 2,455 | 2,391 | 2,099 | 2,107 | 2,400 | 2,209 | 1,711 | 1,958 | 1,832 | 1,761 | 1,971 | 2,072 |
| Population | 30,250 | 31,550 | 32,350 | 32,850 | 33,500 | 34,425 | 35,545 | 36,558 | 37,335 | 38,221 | 40,374 | 43,321 |
| Crimes Per 1,000 | 83.4 | 77.0 | 65.5 | 64.5 | 72.6 | 65.1 | 49.0 | 53.6 | 49.6 | 46.1 | 48.8 | 47.8 |
| Percent Change | | -7.6% | -15.0% | -1.5% | 12.5% | -10.4% | -24.7% | 9.2% | -7.4% | -7.1% | 6.0% | -2.0% |

Source: U.S. Department of Justice, Uniform Crime Report

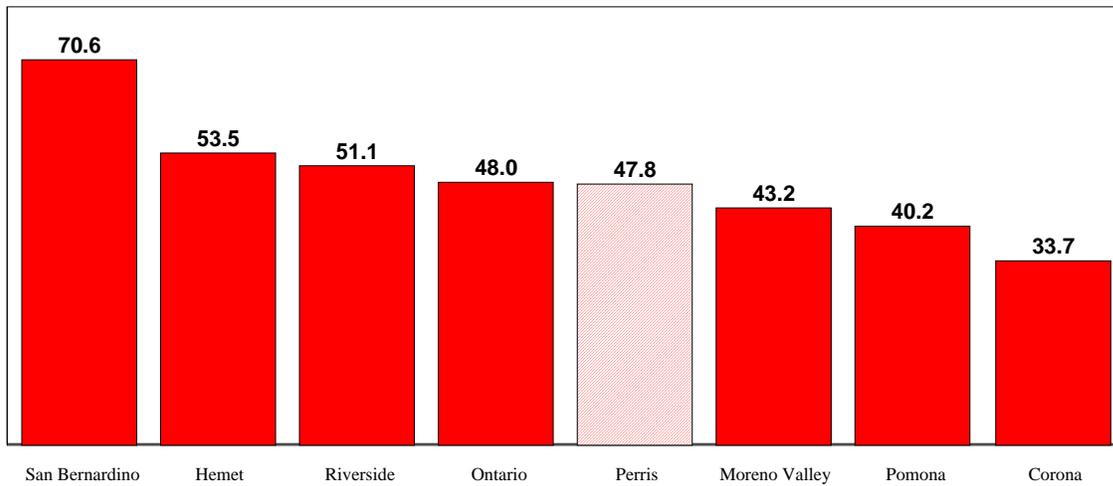


Falling Violent & Property Crime Rates, 1993-2004 . . .

- From 1994-2004 there was a **52.7% decline** in Perris's violent crime rate per 1,000 residents, from a high of 14.6 to 6.9 (*Exhibit 106*). The number of homicides, rapes, robberies and felony assaults dropped by 161 incidents (-35.0%). At the same time, the population increased by 11,771 (37.3%) (*population is the average for January 1st, before and after the year*).
- Perris's property crime rate per 1,000 peaked at 67.2 in 1993. In 2004, it was 40.9 incidents per 1,000 residents, **down 39.1%** (*Exhibit 107*). There were 261 fewer burglaries, motor vehicle thefts, felony larcenies and arsons (-12.8%) from 1994-2004, even though the city had added 13,071 more people in this period (43.2%).



**Exhibit 108.-Major Crime Per 1,000 People
Perris, Hemet and Inland Empire Cities Over 100,000, 2004**



Source: U.S. Department of Justice, Uniform Crime Report

Crime Rates Compared, 2004 . . .

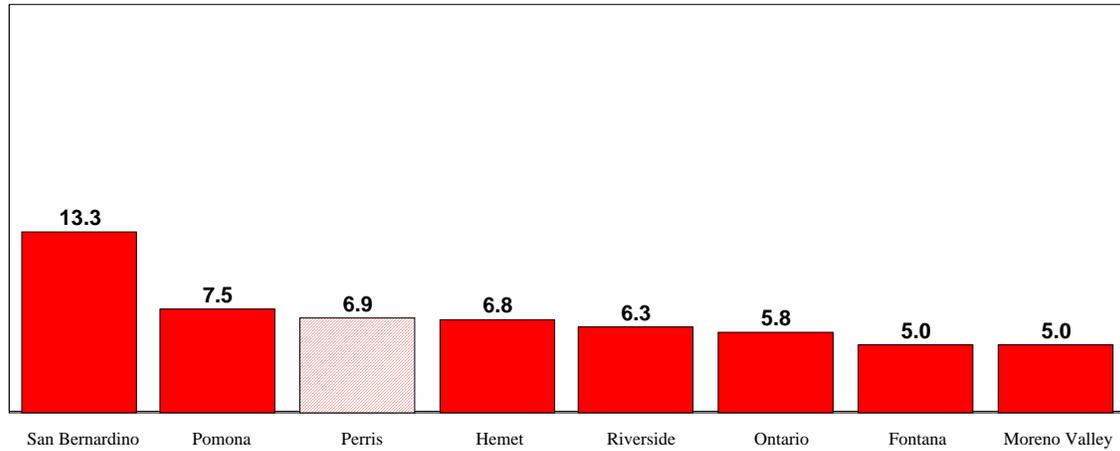
- With 47.8 incidents per 1,000 people in 2004, Perris ranked below four of the eight Inland Empire cities with over 100,000 people (*Exhibit 108*). San Bernardino (70.6) was the highest. Nearby Hemet was the next lowest (53.5). Ontario's rate (48.0) was just ahead of Perris and Moreno Valley (43.2) had the next lowest rate.
- Exhibit 109 shows the breakdown of major crimes by category reported to the U.S. Justice Department each year. The data is for 2004. It includes four categories of violent crime: homicide, forcible rape, robbery and felony assault. It includes four categories of property crime: burglary, larceny theft, vehicle theft and arson. To generate a crime rate per 1,000 people, the average population for January 1, 2004 and January 1, 2005 from the CA Department of Finance was used.

**Exhibit 109.-Major Crimes, By Type, 2004
Perris & Inland Empire Cities Over 100,000 People**

| City | Homicide | Forcible Rape | Robbery | Felony Assault | Burglary | Larceny Theft | Vehicle Theft | Arson | Total Incidents | Per 1,000 | People |
|----------------|----------|---------------|-----------|----------------|------------|---------------|---------------|----------|-----------------|-------------|---------------|
| Corona | 5 | 19 | 116 | 129 | 901 | 2,796 | 830 | 57 | 4,853 | 33.7 | 144,172 |
| Fontana | 9 | 51 | 236 | 495 | 725 | 1,381 | 1,413 | 23 | 4,333 | 27.4 | 157,882 |
| Hemet | 1 | 29 | 107 | 301 | 801 | 1,819 | 337 | 26 | 3,421 | 53.5 | 63,953 |
| Moreno Valley | 9 | 50 | 355 | 389 | 1,561 | 3,492 | 1,118 | 14 | 6,988 | 43.2 | 161,597 |
| Ontario | 7 | 88 | 352 | 543 | 980 | 4,053 | 2,058 | 69 | 8,150 | 48.0 | 169,667 |
| Perris | 3 | 10 | 82 | 204 | 316 | 975 | 477 | 5 | 2,072 | 47.8 | 43,321 |
| Pomona | 21 | 50 | 349 | 784 | 1,013 | 2,630 | 1,543 | 19 | 6,409 | 40.2 | 159,618 |
| R. Cucamonga | 4 | 22 | 97 | 140 | 801 | 2,747 | 778 | 19 | 4,608 | 29.0 | 158,777 |
| Riverside | 17 | 90 | 563 | 1,107 | 2,372 | 7,608 | 2,517 | 214 | 14,488 | 51.1 | 283,674 |
| San Bernardino | 50 | 96 | 959 | 1,530 | 2,543 | 5,508 | 3,248 | 91 | 14,025 | 70.6 | 198,630 |

Source: U.S. Justice Department, Uniform Crime Report
CA Department of Finance, Revised Population Estimates, 2005

**Exhibit 110.-Violent Crime, Per 1,000 People
Perris, Hemet and Inland Empire Cities Over 100,000, 2004**

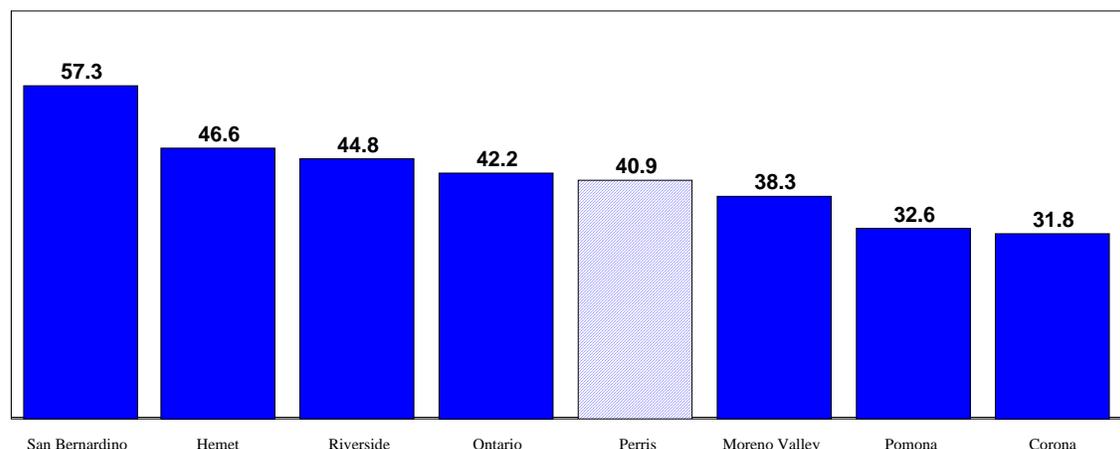


Source: U.S. Department of Justice, Uniform Crime Report

Crime Rates Compared, 2004 . . .

- During 2004, Perris’s violent crime rate of 6.9 per 1,000 residents ranked below two of the Inland Empire’s six cities of over 100,000 people. San Bernardino (13.3) was highest and Moreno Valley (5.0) had lower rates (*Exhibit 110*). Pomona had the rate just above the city (7.5); nearby Hemet was just below it (6.8).
- Perris’s property crime rate of 40.9 incidents per 1,000 residents ranked behind four of the Inland Empire’s six large cities. The rate was well behind San Bernardino which had the highest property crime (57.3). Ontario was again the city just above Perris (42.2); Moreno Valley was the next lowest (38.3) (*Exhibit 111*). Nearby Hemet stood at 46.6.

**Exhibit 111.-Property Crime, Per 1,000 People
Perris, Hemet and Inland Empire Cities Over 100,000, 2004**



Source: U.S. Department of Justice, Uniform Crime Report

PERRIS

SECTION 8

INLAND EMPIRE MARKET

To understand the forces affecting Perris, it is necessary to review the conditions that are causing the Inland Empire to be one of America's fastest growing places. From 2000-2020, the area's population is expected to go from 3.2 million to 5.0 million, up 1.8 million. That is more people than will be added by 43 of the 50 states (*Exhibit 112*). Interestingly, the region is expected to add just a few less people than Los Angeles County (*1.9 million*) and more than San Diego, Orange, Ventura and Imperial counties combined (*1.6 million*) (*Exhibit 113*).

As a separate state, the Inland Empire's July 2004 population of 3.8 million people was above 24 states, having just passed Oregon (*3.6 million*), Oklahoma (*3.5 million*) and Connecticut (*3.5 million*) (*Exhibit 114*). U.S. Commerce Department data showed the Inland Empire with \$89 billion in total personal income during 2003 (*Exhibit 115*). That is above Iowa and more than 21 states.

Why Are The Inland Empire's Numbers So Strong? Researchers attribute the Inland Empire's strong performance to the way Southern California's geography and economic behavior interact. Since World War II, the Southland has grown outward from central Los Angeles. At various times, this has made places like Orange County metaphors for West Coast growth. Inevitably, once coastal county congestion caused their land and space costs to rise, this activity was forced into the Inland Empire. In Perris's case, job growth began moving vigorously into the South I-215 Corridor about 2000. Earlier, it had largely confined to the area west of the I-15 freeway.

Southern California Job Creation Leader. This pattern underlies the Inland Empire's job performance. From 1990-1994, Southern California suffered a severe recession and decline in employment. However, there was no period when the Inland Empire's employment stopped growing. Thus, from 1990-2005, the region added 455,138 jobs versus 310,063 in San Diego County and 306,563 in Orange County. It is forecasted to add more jobs from 2000-2020 than San Diego, Orange, Ventura and Imperial counties combined. In 2004, its 49,092 new jobs was equal to Orange and San Diego counties combined. L.A. gained just 8,900 (*Exhibits 116-119*).

Inexpensive Land. In part, the development of the Inland Empire is occurring because it is the last area of the Southern California to have large amounts of undeveloped land along developed transportation corridors. This available "dirt" creates a location advantage for both high-end and affordable home buyers and industrial/commercial developers. Put simply, space is available and less expensive in the Inland Empire, and the homes and buildings constructed on it sell or lease for much less than in neighboring Los Angeles, Orange and San Diego counties.

Lower Residential Prices. The heavy urbanization of Los Angeles, Orange and San Diego counties has left them with little undeveloped land. Their 2nd quarter 2005 median priced homes thus reached extraordinary levels: Los Angeles (*\$482,000*), San Diego (*\$515,000*), Orange (*\$660,000*) (*Exhibit 120*). This is forcing all kinds of families to migrate to the more reasonably priced Inland Empire (*\$357,000*). This has increasingly included large numbers of professionals, technicians and executives who are migrating to the area's rapidly growing base of upscale neighborhoods designed specifically to accommodate them.

Lower Cost Business Space. The Inland Empire's industrial property, much of which is new, enjoys a similar price advantage. In 2005, 350,000 square feet of space leased for \$1,582,000 a

year. That was a savings of \$392,000 to \$1,900,000 compared to the various sub-markets of the coastal counties (*Exhibit 121*). Also, 10,000 square feet of office space leases for \$228,000 a year, a savings of \$10,000 to \$85,200 compared to other Southern California areas. With the lowest suburban office vacancy rate (7.4%) in the U.S., the migration of office users to the inland area is causing new buildings to go up in the area's major centers.

Labor Cost Savings. The Inland Empire's rapid population growth has created a less obvious advantage for firms locating in cities like Perris. People will work for less to avoid commuting to coastal counties. In 2002, 31% of commuters to Orange County would take 15% less pay for an inland job. Some 23% of those commuting to L.A. County would take 10% less (*Exhibits 122-123*). Today, 25.3% of Victor Valley's commuters would take 10% less pay to stop driving the I-15 to the inland valleys. These are a powerful incentive for firms to migrate inland.

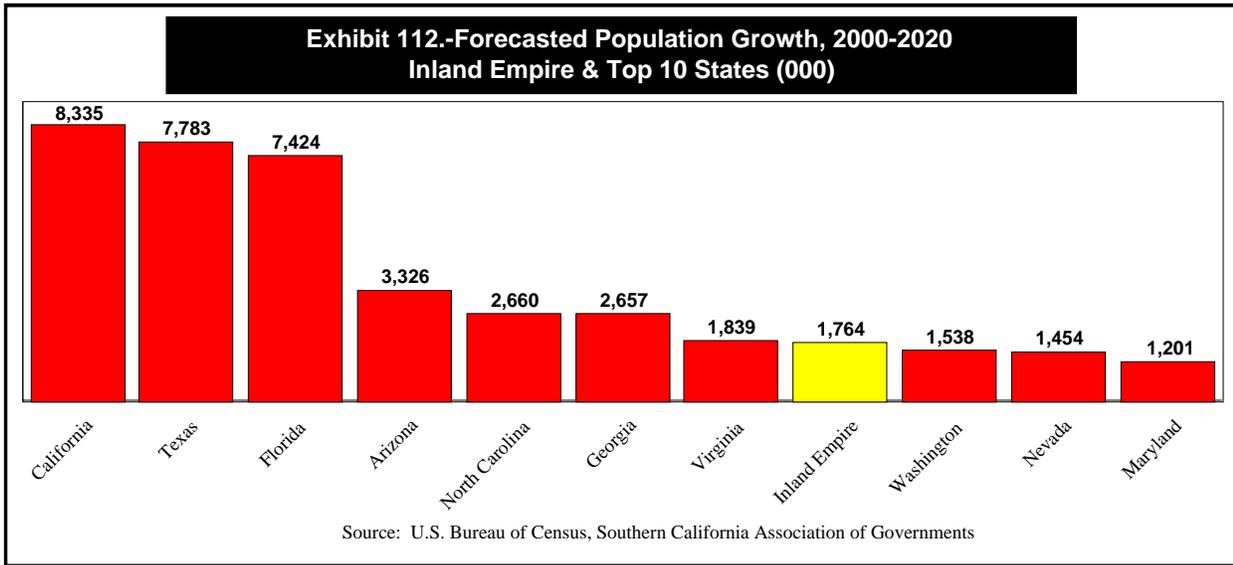
Logistics Advantages. Nearly all cargo that flows into and out of Southern California passes through the Inland Empire because Cajon Pass (*I-15, BNSF railroad*) and San Geronimo Pass (*I-10, UP railroad*) are the principal trucking and rail routes to the balance of the United States. Even cargo leaving San Diego County must move up the I-15 freeway. This location advantage, combined with available inexpensive land, has made this region the Southland's new logistics capital. Firms save time in getting their products to market by locating within the region.

BNSF Railroad has a major intermodal railroad yard in San Bernardino with volume of 557,170 container lifts in 2004. Strong demand is forcing them to double that capacity (*Exhibit 124*). Union Pacific Railroad has its main switching yard in Colton and is seeking an intermodal site and both seek an "inland port". Meanwhile, most of Southern California's Less Than Load (LTL) trucking firms have their cargo sorting facility in the inland area (*Exhibit 125*). And, UPS (*Ontario International Airport*) and Federal Express Ground (*Rialto*) process most of their Southern California cargo in the area. DHL has just opened its western regional hub at March Air Reserve Base. Finally, Ontario International Airport is the second largest air cargo airport in the Southland behind LAX with volume of 604,000 tons estimated for 2005. It is also the second busiest air passenger facility, handling roughly 7.0 million people in 2005. Its volume is forecasted to reach 30 million passengers in 2022 (*Exhibits 126-127*).

Other: Air Quality, Climate. Air quality in the Inland Empire has improved dramatically with smog levels over the federal limit dropping from 195 days in 1977 to 27 in 2004 (*Exhibit 128*). Often, people and firms locate in Southern California for its extraordinary climate. The Perris area's wintertime temperature falls to an average of just 58 degrees. Its summer average high is 98 degrees in July (*Exhibit 129*).

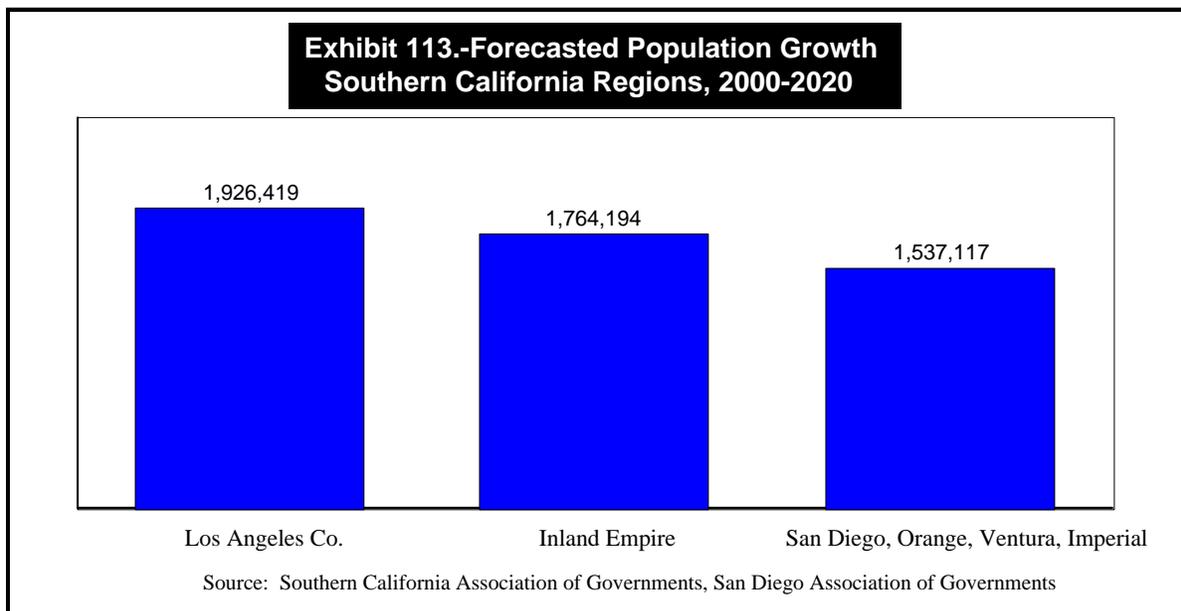
These location advantages have caused firms to flock to the Inland Empire. From 1994 to 2004, 1,250 firms either moved to the region from Los Angeles, San Diego and Orange County, put their new expansions in the area, or moved locally to add space and employees. Some of these firms are now locating in Perris and adjacent areas along the South I-215 Corridor.

Summary. It is impossible to review the economic forces affecting Perris and the inland region without being optimistic. The area's location, competitive cost structure and sophisticated logistics have made it one of the nation's fastest growing population centers and Southern California's top job generator. Firms needing to locate in the midst of California's booming economy while avoiding its higher costs of doing business are finding it an excellent place to locate.

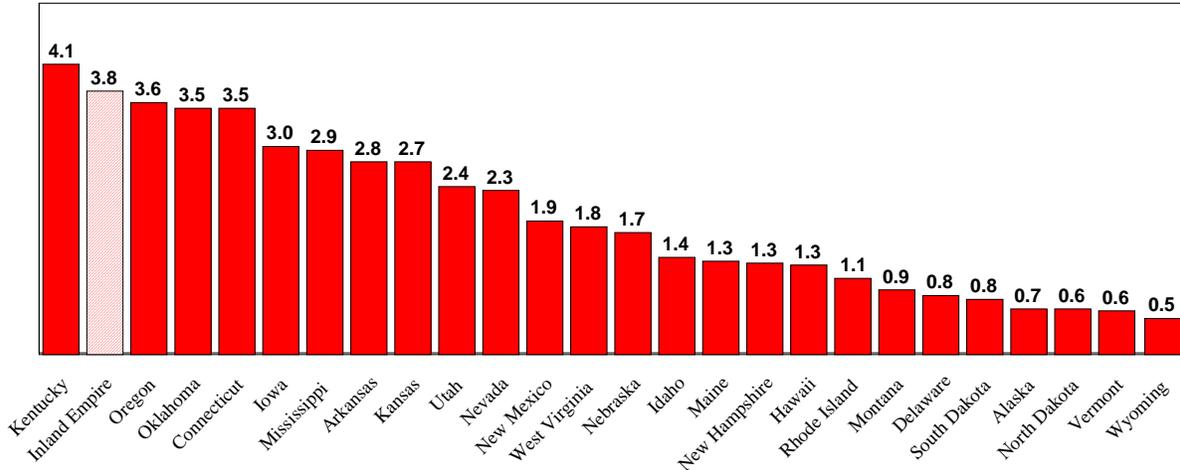


Inland Empire Population Growth . . .

- Perris is a key city in the Inland Empire, an area expected to add 1.76 million people from 2000-2020 (*Exhibit 112*). That is more new people than will be added by all but seven U.S. States including California (*12.8 million*), Texas (*5.6 million*) and Florida (*4.4 million*). Alone, Riverside County’s forecasted growth (*1.08 million*) would rank 12th; San Bernardino County’s growth (*679,000*) would rank 20th.
- From 2000-2020, the Inland Empire will increase from 3.2 million to 5.0 million residents as a result of its 1.76 million new residents.
- Within Southern California, the Inland Empire’s 2000-2020 population growth of 1.76 million will be somewhat less than Los Angeles County (*1.92 million*) but greater than all of Southern California’s other markets. In fact, the inland region’s growth will be more than the 1.58 million expected to be added by San Diego (*714,800*), Orange (*567,277*), Ventura (*171,127*) and Imperial (*122,872*) counties combined (*Exhibit 113*).



**Exhibit 114.-Total Population (millions)
Inland Empire As A State, July 2004**

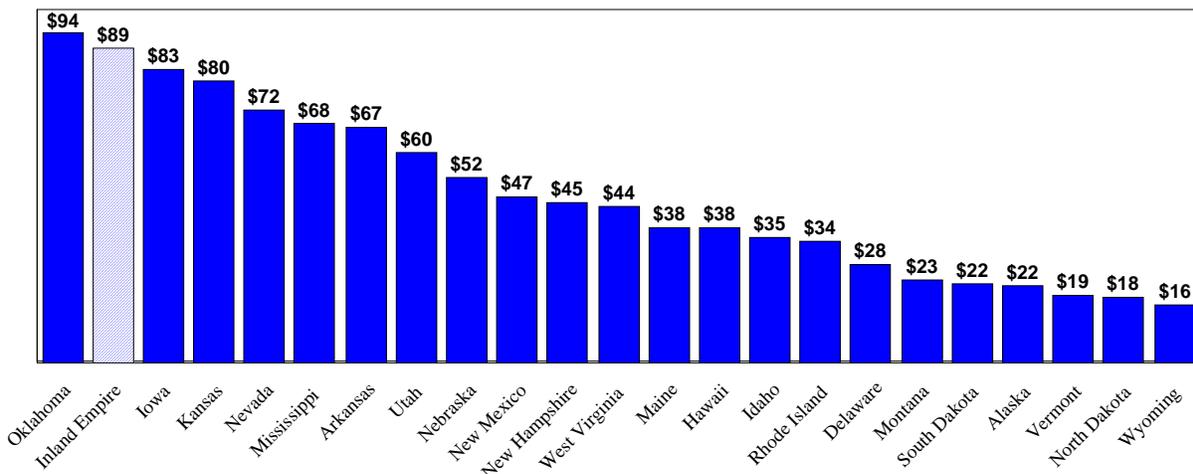


Note: Kentucky Ranked 26th
Source: U.S. Department of Commerce

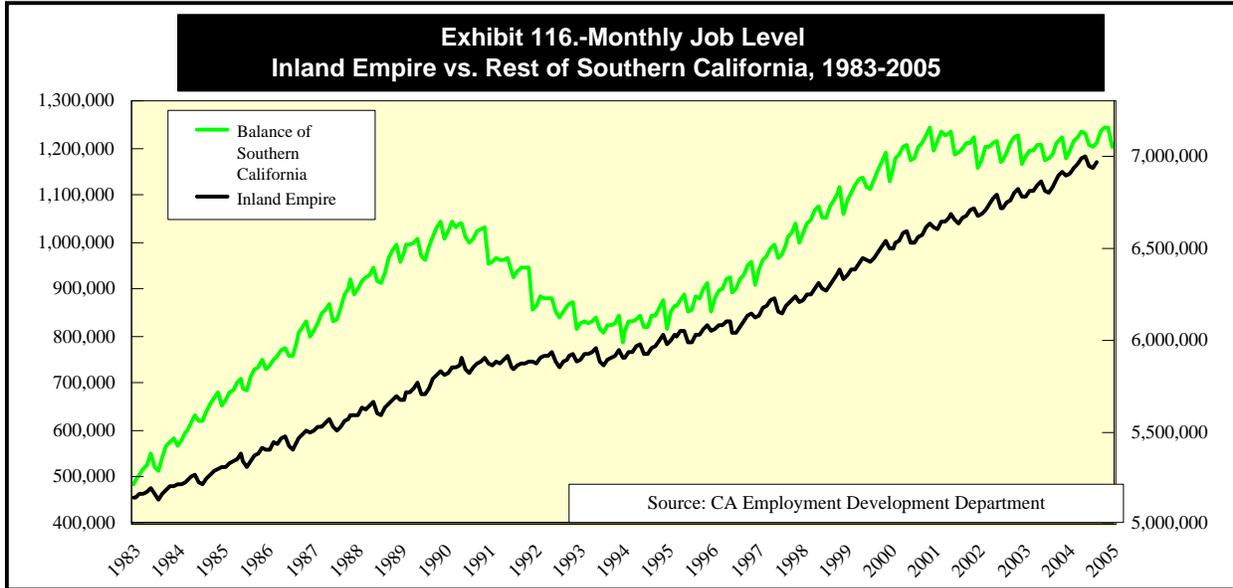
Inland Empire As A State . . .

- In mid-2004, the Inland Empire's population of 3.8 million was larger than 24 states, now ahead of Oregon (3.6 million), Oklahoma (3.5 million) and Connecticut (3.5 million). It has to pass Kentucky (4.1 million) to be larger than half the U.S. states (Exhibit 114).
- In 2003, the Inland Empire's total personal income of \$88 billion was larger than 21 states. The next largest state was Iowa (\$83 billion). The region's income was behind Oklahoma's \$94 billion (Exhibit 115).

**Exhibit 115.-Total Personal Income (billions)
Inland Empire As A State, 2003**

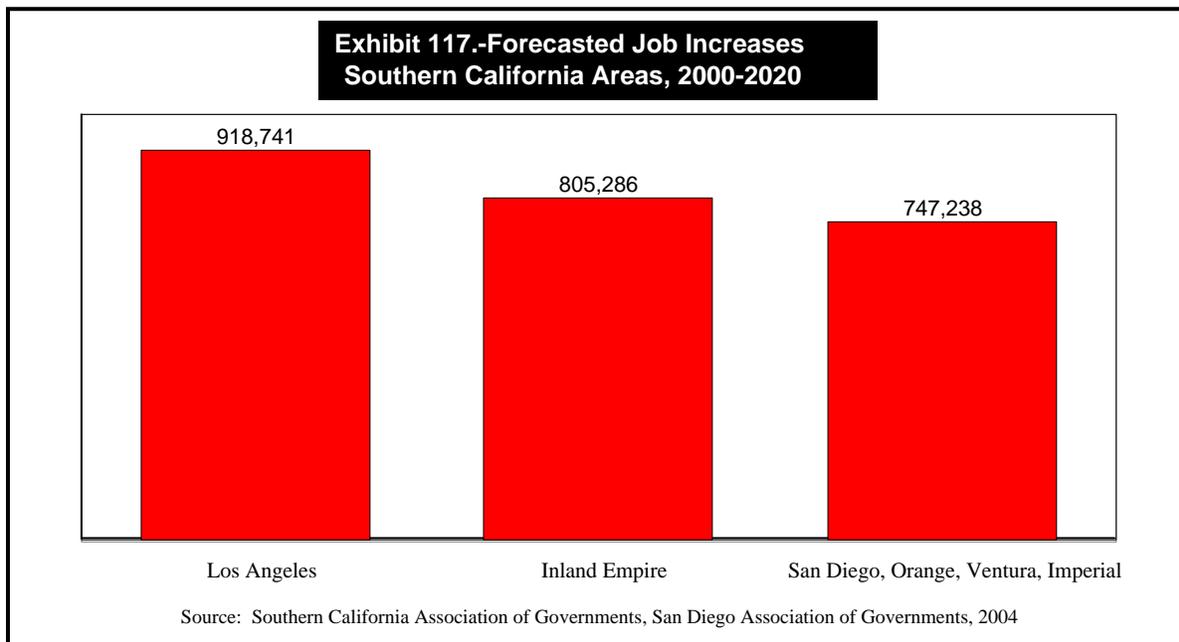


Note: Oklahoma ranked 29th
Source: U.S. Bureau of Economic Analysis



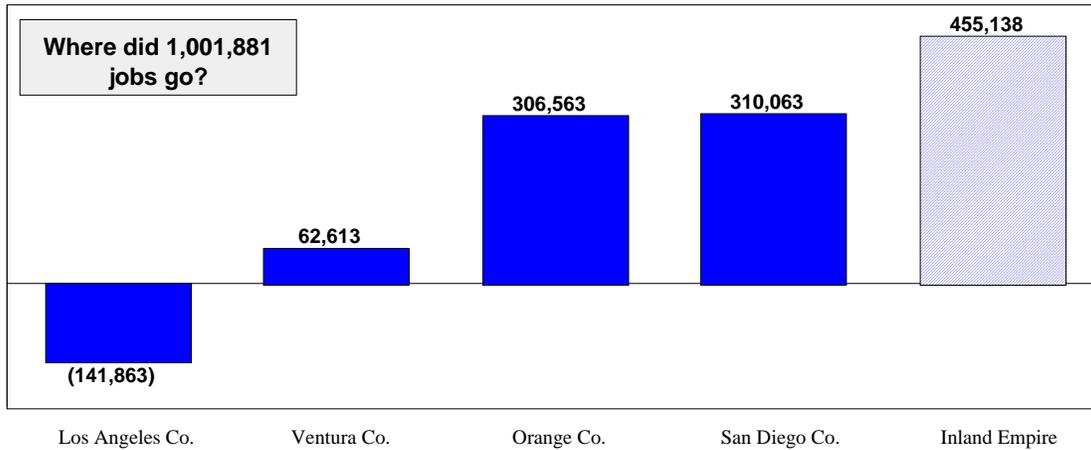
Inland Empire & Southern California Job Growth Pattern . . .

- Perris's prosperity is, in part, conditioned by the Inland Empire's very strong economic environment.
- From 1990-1994, the Inland Empire economy added jobs slowly at a time when Southern California as a whole was suffering a severe recession and steep decline in employment (*Exhibit 116*). From 1994-2000, the Inland Empire economy added jobs at a rapid rate as Southern California moved from a period of contraction into one of economic recovery and rapid expansion. In 2001-2004, the Inland Empire's job growth continued uninterrupted while growth in the balance of Southern California faltered again.
- From 2000-2020, the Southern California Association of Governments forecasts that the Inland Empire will add 805,286 jobs. In this period, Los Angeles County will grow by 918,741. However, the inland region will add more jobs than the 747,238 expected in Orange, San Diego, Ventura and Imperial counties combined (*Exhibit 117*). In 2004, the inland area added 49,092 jobs which was equal to the gains in Orange & San Diego counties combined. Los Angeles added just 8,958.



Inland Empire Market

**Exhibit 118.-Southern California Job Gain
Jan-Aug Avg. 1990-2005**

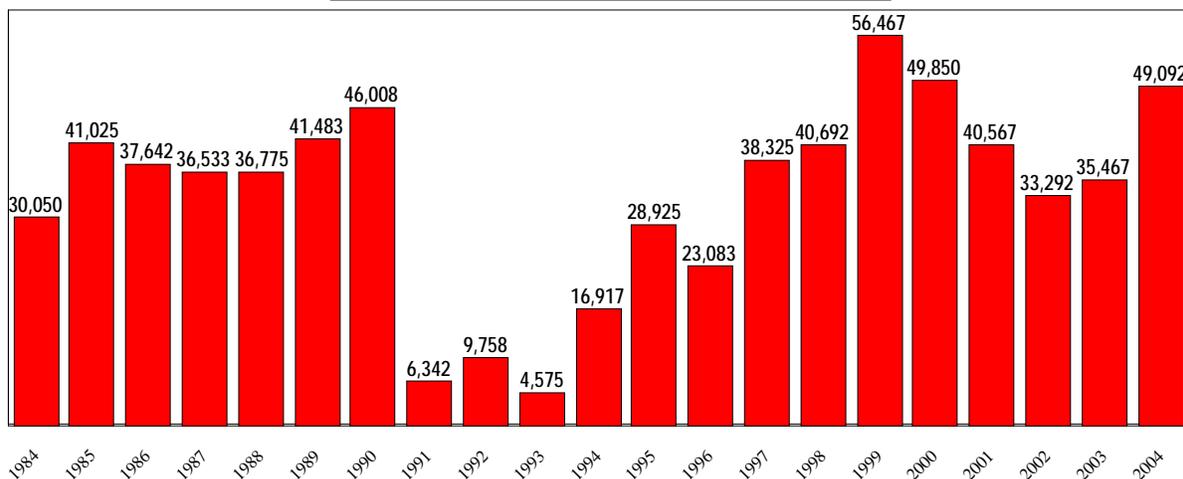


Source: CA Employment Development Department

Inland Empire & Southern California Employment, 1990-2005 . . .

- Perris’s economy has begun to blossom, in part, because the Inland Empire has outperformed every other sub-market of the Southern California economy.
- Comparing average employment from 1990 to 2005, the Inland Empire rose 455,138 jobs (*Exhibit 118*). Second place San Diego County gained 310,063. Orange County was up 306,563. In sharp contrast, Los Angeles County was still 141,863 jobs below its 1990 level.
- Despite having the smallest economy, the Inland Empire has been Southern California’s absolute leader in job creation for the past fifteen years, exceeding second place San Diego County by 145,075.
- In the late 1980’s, the Inland Empire produced jobs in the 36,000 to 40,000 range. The region exceeded this range in 1999-2000, adding roughly 110,000 jobs in two years. Despite the U.S. and California slowdowns, the Inland Empire added 40,567 in 2001 and 33,292 in 2002. In 2003, the Inland Empire’s job base expanded by 35,467 (*Exhibit 119*). In 2004, the Inland Empire added its third greatest number of jobs, rising by 49,092 despite no growth in its governmental sectors. That was 35.2% of all jobs added in California (139,467).

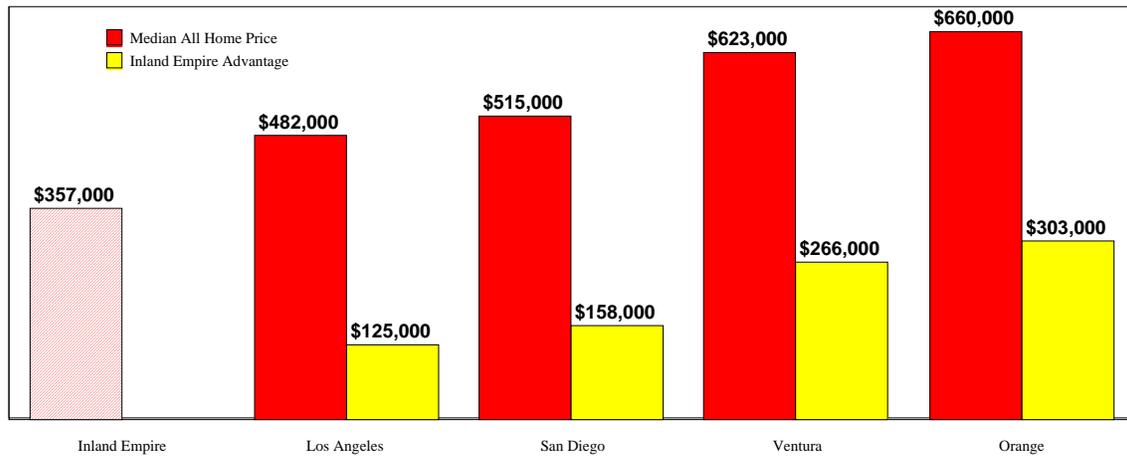
**Exhibit 119.-Employment Growth
Inland Empire, 1984-2004**



Source: CA Employment Development Department

Inland Empire Market

**Exhibit 120.-Home Price Advantage, Inland Empire & So. California Markets
Median Priced New & Existing Home, 2nd Quarter 2005**



Source: Dataquick

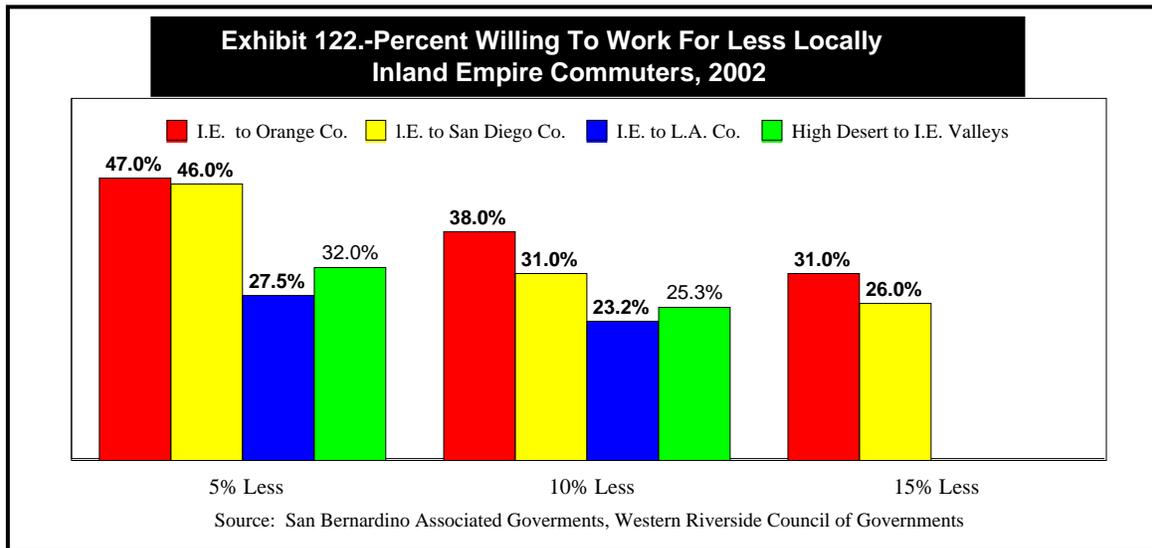
Inland Empire Space Cost Advantage . . .

- Inland Empire job creation has exceeded Southern California averages because people and firms have moved to the area due to its cost advantages. These start with housing costs. The heavy urbanization of Los Angeles, Orange and San Diego counties has left them with little undeveloped land. As a result, their 2nd quarter 2005 median priced homes have reached extraordinary levels: Los Angeles (\$482,000), San Diego (\$515,000), Orange (\$623,000) (*Exhibit 120*). This is forcing all kinds of families to migrate to the more reasonably priced Inland Empire (\$357,000). This has included huge numbers of professionals, technicians and executives migrating to the area's rapidly growing base of upscale neighborhoods designed specifically to accommodate them.
- Industrial firms often find that the Inland Empire is the only place where large new facilities can be constructed. At \$0.38 per foot/month (*350,000 square feet is \$1,582,000 a year*), these facilities are leasing for substantially less than space in older coastal county sub-markets (*\$392,000 to \$1,900,000 savings a year*). The Inland Empire also offers office space cost savings (*Exhibit 121*). Thus, 10,000 square feet in the area leases for an average of \$228,000 (*\$1.90 sq. ft./mo.*) or \$10,000 a year below the cheapest alternative: central Orange County.

Exhibit 121.-Industrial/Commercial Space Cost, So. Calif., June 2005

| Industrial | | | Commercial Office | | |
|----------------------|---------------|----------------------|---------------------------|---------------|---------------------|
| Market | Lease Rate | 350,000 Sq. Ft./Year | Market | Lease Rate | 10,000 Sq. Ft./Year |
| Orange-South | \$0.83 | \$3,486,000 | Downtown Los Angeles | \$2.61 | \$313,200 |
| SDiego-Escondido | \$0.82 | \$3,444,000 | San Diego-San Marcos | \$2.55 | \$306,000 |
| SDiego-San Marcos | \$0.75 | \$3,150,000 | John Wayne Airport | \$2.54 | \$304,800 |
| Orange-Airport | \$0.70 | \$2,940,000 | Burbank-Glendale-Pasadena | \$2.52 | \$302,400 |
| Orange-West | \$0.67 | \$2,814,000 | South Orange Co. | \$2.49 | \$298,800 |
| L.A. – North | \$0.63 | \$2,646,000 | San Diego-Escondido | \$2.22 | \$266,400 |
| SDiego-Vista | \$0.63 | \$2,646,000 | Orange-North | \$2.17 | \$260,400 |
| L.A. – South Bay | \$0.59 | \$2,478,000 | San Gabriel Valley | \$2.16 | \$259,200 |
| Orange-North | \$0.55 | \$2,310,000 | West Orange Co. | \$2.14 | \$256,800 |
| LA-Central | \$0.49 | \$2,058,000 | South Bay | \$2.04 | \$244,800 |
| L.A. - Mid Cities | \$0.48 | \$2,016,000 | Central Orange Co. | \$1.99 | \$238,800 |
| San Gabriel Vly | \$0.47 | \$1,974,000 | Inland Empire | \$1.90 | \$228,000 |
| Inland Empire | \$0.38 | \$1,582,000 | San Diego-Vista | \$1.65 | \$198,000 |

Source: Grubb & Ellis



Inland Empire Labor Cost Advantage . . .

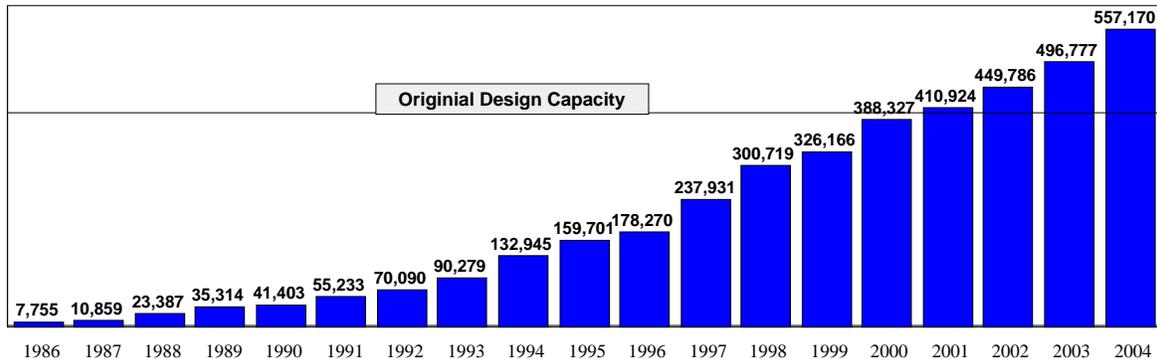
- People living in the Inland Empire prefer to work in the Inland Empire. They dislike the long commutes to Orange or Los Angeles counties. They do not like the long hours away from their families. Economically, they realize that their average work week is much more than 40 hours if their driving time is included.
- Some 31% of workers commuting to Orange County on the SR-91 will take 15% less pay at a local job. Of those driving to San Diego County on the I-5, 26% would take 15% less for a local job (*Exhibit 122*). Of the workers driving west on the I-10, SR-60 or I-210 to L.A. County, 23.2% would take 10% less pay for an inland job. And, 25.3% of those driving from the High Desert on the I-15 would take 10% to work near their homes.
- The latest data available on Inland Empire's weekly wages & salaries (2000) are from the CA Employment Development Department. The comparisons included 537 occupations common to the Inland Empire and Los Angeles County (78 over \$55,000), 506 in common with Orange County (65 over \$55,000) and 499 in common with San Diego (61 over \$55,000).
- Pay levels for 36 assorted occupations in 2004 are shown in Exhibit 123.

**Exhibit 123.-Wages & Salaries, Inland Empire
Selected Occupations From 602 Available, Mean Annual Pay, 2004**

| Occupation | Annual | Occupation | Annual | Occupation | Annual |
|------------------------------------|----------|----------------------------------|----------|---------------------------------|----------|
| Manager, Financial | \$86,258 | Tool & Die Maker | \$44,200 | Secretaries, Not Legal, Medical | \$30,181 |
| Manager, Industrial Production | 78,395 | Mechanical Drafters | 41,018 | Telemarketers | 28,766 |
| Computer Programmers | 71,011 | Carpenters | 40,373 | Manufacturing Bakers | 27,310 |
| Manager, Purchasing | 69,181 | Truck Drivers: Heavy | 38,699 | Truck Drivers: Light | 26,157 |
| Engineering , Electrical | 68,328 | Automotive Techs & Mechanics | 36,150 | Clerks, Shipping & Receive | 25,917 |
| Computer Systems Analyst | 66,165 | Computer Operators | 35,194 | Extruding Machine Operator | 25,792 |
| Engineers, Mechanical | 66,165 | Maintenance: Machinery | 34,237 | Clerks, General Office | 24,731 |
| Registered Nurse | 63,336 | Biological Technicians | 33,675 | Electrical Assemblers | 24,606 |
| Supervisor, Front Line: Logistics | 48,882 | Clerks, Bookkeeping & Acct. | 32,926 | Electro-Mechanical Assembly | 22,734 |
| Industrial Machinery Mechanic | 47,965 | Desktop Publishers | 32,698 | Helpers, Production Workers | 20,380 |
| Supervisor, Front Line: Production | 46,654 | Operator, Computer Control Tools | 30,534 | Janitors | 21,861 |
| Computer Support Specialist | 44,762 | Lathe Operator | 30,514 | Packers & Packagers | 17,632 |

Source: Occupation Employment Survey, 2004

**Exhibit 124.-Burlington Northern Santa Fe Railway Container Lifts, 1986-2004
San Bernardino, California**



Source: Burlington Northern Santa Fe Railway

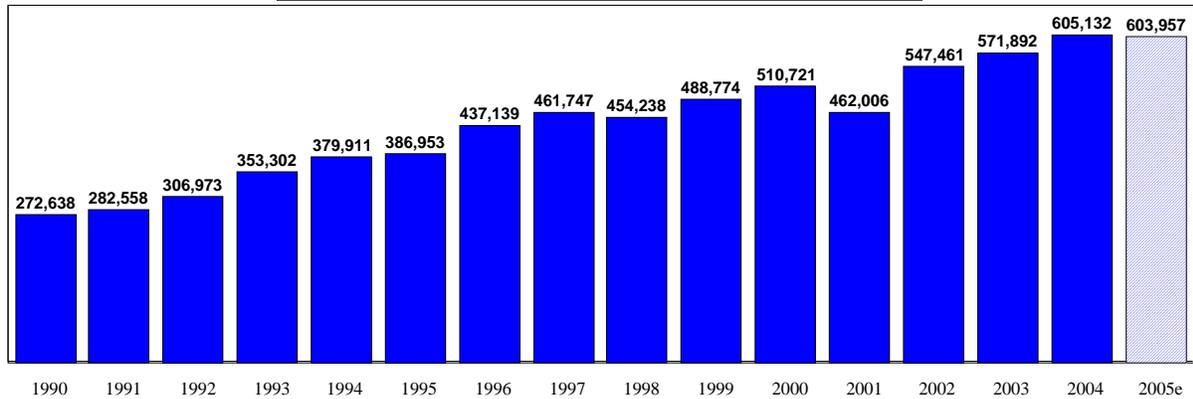
Inland Empire's Sophisticated Logistics Infrastructure . . .

- Firms locating in Perris have uncongested access to the Inland Empire's sophisticated and expanding logistics infrastructure. This is crucial to goods producers and distributors in the Just-In-Time inventory control era.
- As indicated in Chapter 6 (*Industrial*), the Burlington Northern Santa Fe Railway opened its huge container lift capacity intermodal rail facility in San Bernardino in 1996. That has allowed the railroad's volume to soar to 557,170 lifts in 2004 (*Exhibit 124*). Inland Empire firms can use this facility and avoid the congested intermodal rail yards in Los Angeles County's harbor area. Union Pacific Southern Pacific railroad is looking to build a similar facility, possibly in the San Gorgonio Pass area. The high desert and the I-10 pass area are also being considered for an "inland port" to which international shipments can be brought by rail. Cargo would then be unloaded and the goods distributed to local warehouses until they are needed by Southern California firms. Currently, these shipments are processed in L.A. and 1.28 million containers are brought inland by truck, contributing to local freeway congestion.
- Southern California's trucking firms are increasingly locating their major cargo handling facilities in the Inland Empire. Most of Southern California's large "Less Than Load" firms bring their Southern California shipments to cross-docks in the area for processing. The regional facilities for UPS (*Ontario International Airport*) and Federal Express Ground (*Rialto*), DHL (*March JPA*) are also located here (*Exhibit 125*).
- Firms locating in Perris and the Inland Empire generally save time, as their cargo does not have to move across the congested Los Angeles basin before being processed and shipped across the country.

Exhibit 125.-Regional Truck Cargo Centers Inland Empire, 2005

| Firm | Location |
|--|---|
| Trucking: Full Load | |
| JB Hunt Transport, Inc. | San Bernardino/Fontana |
| Trucking: LTL Southern California Centers | |
| ABF Freight Systems | Adelanto |
| GI Trucking Co. | Fontana |
| Roadway Express | Bloomington, Adelanto, Barstow, San Bernardino |
| Watkins Freight Lines | Mira Loma |
| Yellow Freight Systems | Barstow, San Bernardino |
| Package Delivery: Southern California Centers | |
| DHL Western Regional HQ | March Air Reserve Base |
| Federal Express | Ontario International Airport |
| Federal Express Ground | Rialto |
| UPS Western Regional HQ | Ontario International Airport |

**Exhibit 126.-Air Cargo Tonnage
Ontario International Airport, 1990-2005e**

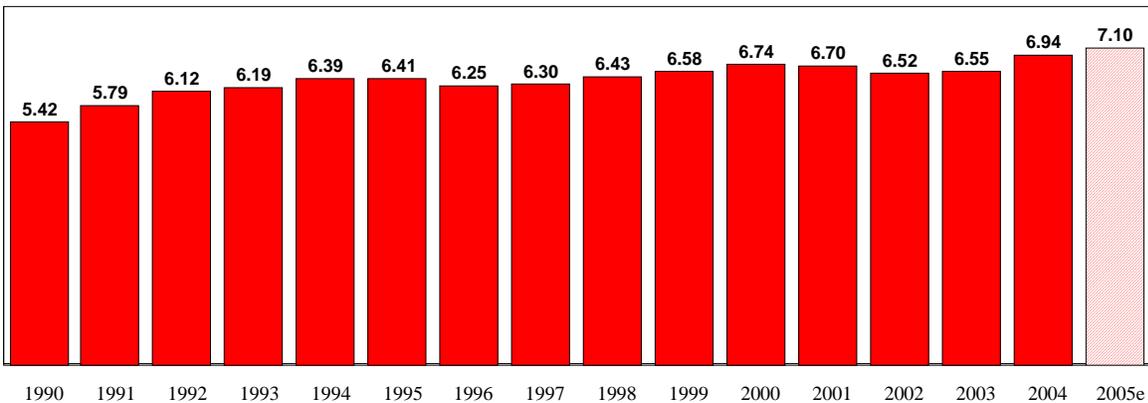


Source: Ontario International Airport

Ontario International Airport . . .

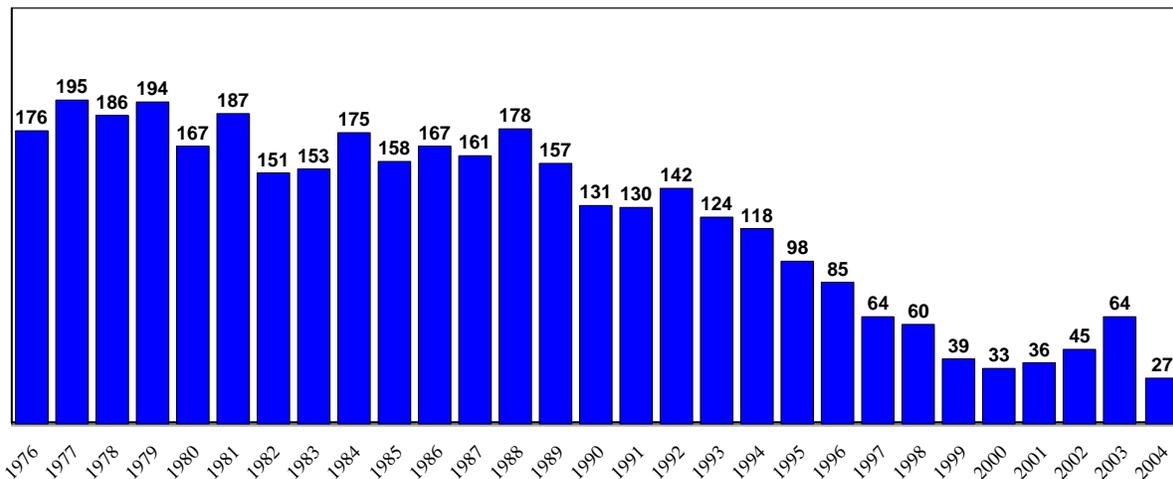
- Firms locating in the Inland Empire have relatively uncongested freeway access to Ontario International Airport. This facility's new 24-gate passenger terminal opened in September 1998. The airport is in the process of expanding its cargo handling capability.
- Ontario International Airport air cargo tonnage is beginning to take off. In 2004, volume reached 605,132 tons, up 5.8% from 2003 (*Exhibit 126*). The airport had a temporary lull in 2001 due to the 9-11 attack and U.S. slowdown but volume jumped back to its long term trend and is now accelerating. Southern California's regional airport policy and the airport's long run trend both call for a vast increase in the number of flights and cargo volume to be handled by the facility. The voter defeat of a second Orange County airport at El Toro underscores this fact.
- From 1990-2000, air passenger volume at Ontario International Airport rose from 5.42 million to 6.74 million, up 24.4% (*Exhibit 127*). Traffic volume was accelerating due to the inland region's growth, the new 26-gate terminal and associated parking plus the expanding flight menu including direct flights to New York and Mexico. The 9-11 aftermath caused volume to plateau in 2002-2003. In 2004, volume reached a record 6.94 million passengers. By 2022, it is expected to reach 30 million passengers a year, equal to present day Detroit, Miami and Phoenix. By then, SCLA will also be a significant regional airport supporting 500,000 local residents.

**Exhibit 127.-Air Passenger Service
Ontario International Airport, 1990-2005 (millions)**



Source: Los Angeles World Airports

**Exhibit 128.-Southern California Air Quality
Days Exceeding Federal Standard, 1976-2004 (Maximum: .12 ppm Ozone)**



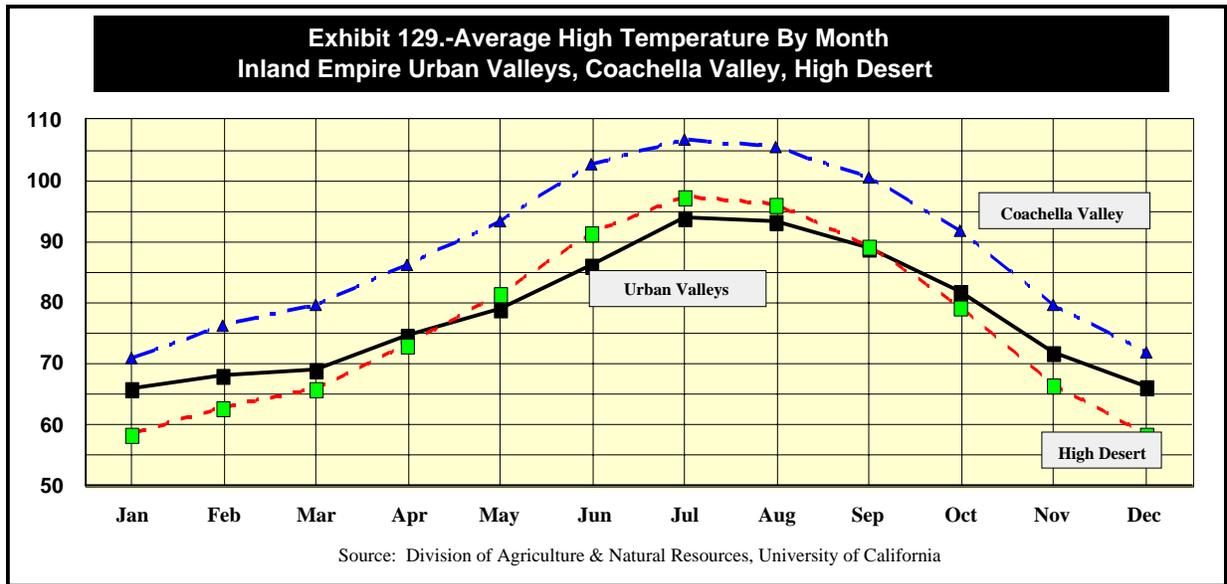
Source: South Coast Air Quality Management District

Air Quality . . .

- During the past 28-years, even the air quality in urbanized Southern California has dramatically improved. The Southland had a peak of 195 days above the federal ozone standard in 1977. That number was down to just 27 in 2004 (*Exhibit 128*). There has been only one first stage smog alert (*lowest level*) in Southern California in the past six years (2003). The peak was 121 in 1997 (*not shown*).

Inland Empire Weather. . .

- Inland Empire residents enjoy an extraordinary environment for outdoor living. In the urban valleys where Perris is located, the high temperature varies from an average of 66 in December and January to averages of 94 and 93 in July and August. As the region is a coastal desert climatic zone, the humidity tends to be relatively low most of the year (*Exhibit 129*).



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