APPENDIX S

Pala Competitive Market Area (CMA)
Jobs/Housing Market Analysis

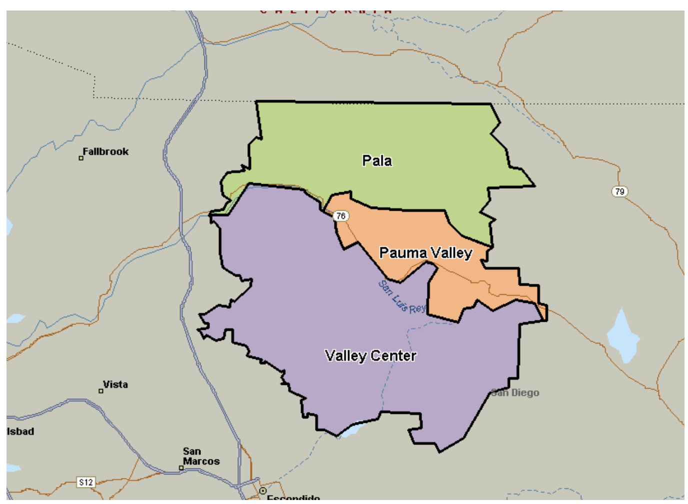
August 24, 2015

In response to the Pala/Pauma Sub-regional Plan adopted August 3, 2011 the staff of MarketPointe Realty Advisors prepared a report dated November 30, 2011 that addresses the requirements for a market feasibility study for the Warner Ranch Special Study Area (SSA). This report is in an update of the original document following a similar format as the original report.

The proposed Warner Ranch Project is intended to provide a range of workforce housing opportunities consistent with the Jobs/Housing Balance goals and policies of the San Diego County General Plan. The most recently adopted General Plan and associated Pala/Pauma Community Plan provides for the implementation of this project by designating this 513.6-acre property as a Special Study Area. The SSA requires preparation of specific studies relative to Job/Housing Balance, Infrastructure, and Community Compatibility as part of an upcoming General Plan Amendment to allow for higher density residential development within this SSA. The purpose of the original study and this updated study is to provide the necessary socioeconomic framework that will guide the proposed project in providing the needed housing for the existing and upcoming job market in this sub-region, consistent with the SSA requirements. In accordance to the goals of the County's General Plan, the provision of suitable housing for the existing and upcoming employment market will allow an overall reduction of automobile travel and promote a more sustainable community, which will contribute to the overall quality of life in the northern San Diego County.

As denoted in the Warner Ranch Special Study Area documentation, this study:

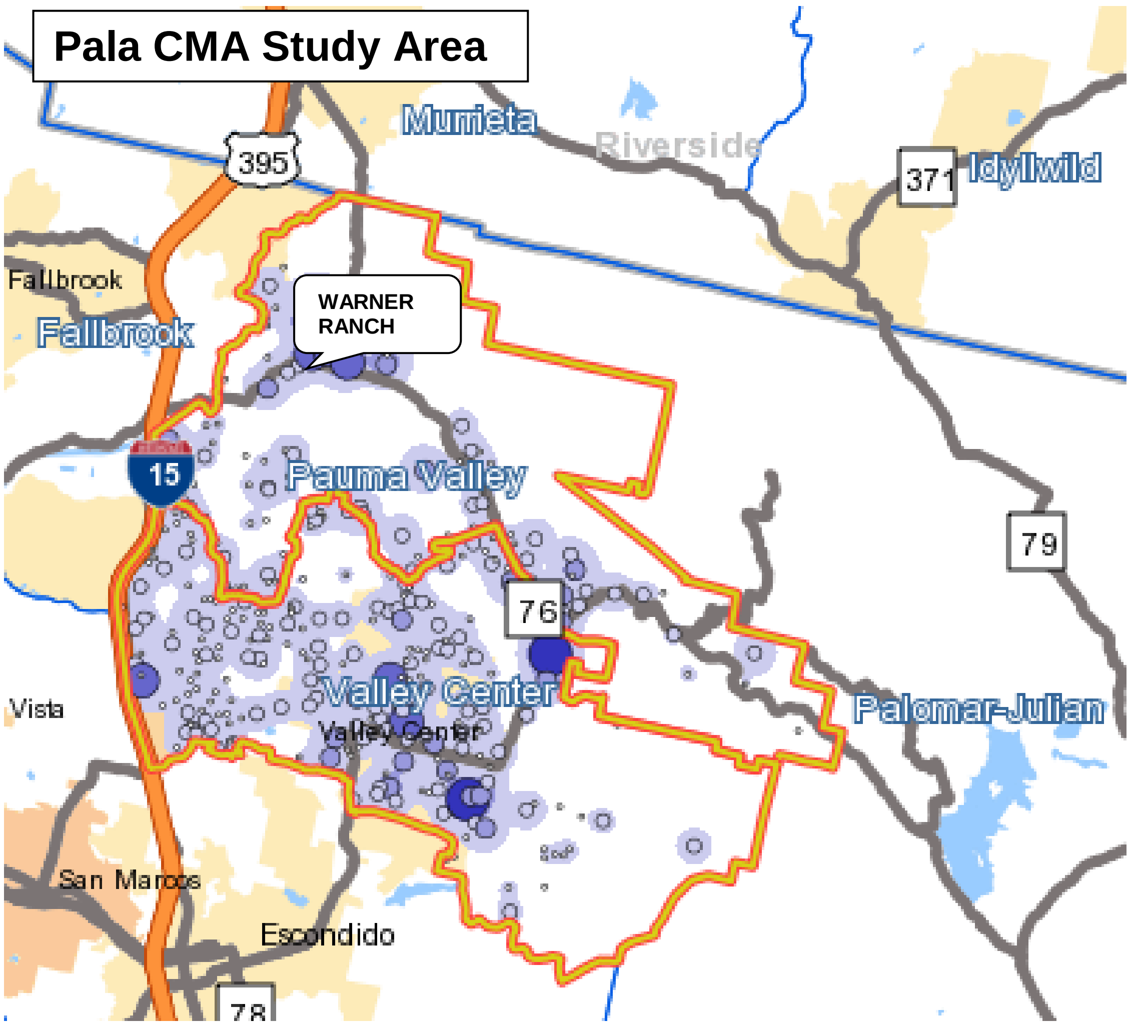
- Shall identify the existing employment centers within the general area of the project site.
- Should review appropriate housing opportunities that could accommodate existing and future employees based upon income levels and the employee's proximity to the employment center.



STUDY AREA

For the purpose of this analysis, the Special Study Area is defined as northwestern San Diego County in a region heretofore defined as the Pala Competitive Market Area (CMA) an area that encompasses the communities of Pala, Pauma Valley and Valley

Center. This study area roughly corresponds with the Census Bureau's Pauma Valley Census Civil Division CCD which encompassed the communities of Pala and Pauma Valley and the Census Bureau's Valley Center CCD which encompasses the community of Valley Center and Hidden Meadow.



The Pala CMA study area was designated to encompass both the Pauma Valley CCD and the Valley Center CCD for several reasons as delineated below:

1. **The boundaries of the Pauma Valley CCD correspond to the boundaries of the county's Pala/Pauma Community Plan Area.**

2. The Valley Center CCD is the adjacent Community Plan Area and market a market synergy and daily economic perspective these two small somewhat isolated Community Plan Areas function as one single market area.

3. Another key determinant in defining the boundaries of the study area was the Highway 76 Corridor which runs through the two CCD's connecting them and allowing the two areas function as one designated market region and the fact that these two CCDs are the two CCDs located east of Interstate 15 but with reasonable travel time to Interstate 15.

The overriding purpose of this analysis is to determine:

- If a jobs/housing imbalance exists within the Pala CMA
- If so, to what extent
- Potential causes of the imbalance

METHODOLOGY

- A review of employment statistics within the defined Pala CMA utilizing employment numbers from the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) unit to determine the extent of existing employment within the general area of the Warner Ranch project site.

- A review of labor force data within the Pala CMA versus the number of jobs within the CMA to determine the potential number of workers that are commuting into the CMA for work.

- An income analysis associated with jobs within the CMA to determine their purchasing power relative to housing.

- A review and evaluation of new and resale sale housing cost to determine the depth of housing within the CMA that would be affordable to workforce households.

- An evaluation of the geographical areas within proximity of the CMA in San Diego County that can provide workforce housing positioned under $400,000.

- A determination of where outside of San Diego County workforce households can find workforce housing primarily priced under $400,000.

- A review of proposed development activity within the CMA to determine if any proposed supply exits in the entitlement process that can provide workforce housing.

CONCLUSIONS

Based upon the analysis presented in this report, the staff of MarketPointe Realty Advisors has formulated the following conclusions:

- According to statistics generated through the Census Bureau's Longitudinal Employer-Household Dynamics unit, with a total of 9,531 jobs in the Pala CMA and with only 2,139 of those jobs filled by persons residing in the Pala CMA; 7,392 of the jobs filled in the CMA are filled by persons who are commuting into the CMA.

- Many of the potential commuters into the CMA are probably employed in one of the five casino located within the CMA, with employment at these casinos estimated to be at least 4,500 and 5,000 jobs.

- Potential reasons for the identified jobs/housing imbalance in the CMA include a general lack of new construction in the CMA as well as a potential disconnect between incomes and housing prices.

- In 2000 the Pala CMA was home to 9,536 housing units of which 2,348 were located in the Pauma Valley CCD and 7,188 were located in the Valley Center CCD. At the time of our original study which utilized 2010 statistics, the total housing stock had increased by only 1,706 units to 11,242. The Valley Center CCD added the bulk of the new housing units or 1,687 units, with only 19 added to the Pauma Valley CCD. By 2013, (the most recent Census datasets available) total housing had increased by only 79 units to 11,321 homes. With no production housing developments built in the CMA between 2010 and 2013, most of the additions were "custom" homes which tend to be notably more expensive than production homes.

- Of the 11,321 housing units located in the CMA, a search of the local resale market reveals less than 150 units currently listed with an average price of $625,000.

- U.S. Census American Communities Survey estimated the value of an owner occupied housing units in the CMA at $540,377 in 2010 when our initial study was conducted. Softening market conditions coupled with notably fewer sales over $500,000 resulted in the median value declining to $417,057, which despite the decline is still unaffordable to most workforce households.

- The average income of a per capita household income in the Pauma/Pala CCD is $26,810. Assuming that 30 percent of that income is allocated to housing cost ($670 per month) a single income household's purchasing power is estimated at $118,046 assuming a 5.5 percent interest rate. Single earner households in the Valley Center CCD have a little more purchasing power with their $35,148 median income qualifying them for a $154,758 home. Assuming median household incomes of $79,053 in the Pauma/Pala CCD their median income would support a $348,074 home, while the median income households in the Valley Center CCD could support a $360,785 home.

- With new home prices over the past five years averaging between $650,000 and the low-to-mid-$800,000's, it is evident that recently developed new housing stock would not be affordable to workforce households in the CMA, most of whom would be searching for homes valued under $400,000.

- A review of estimated values within the Pala CMA indicates that salaries paid to workers in the CMA are well below that needed to purchase the existing housing stock. According to LEHD statistics, the median value of all owner occupied homes in the Pala CMA was $540,377 in 2010. At that time in the Pauma Valley CCD the median owner occupied home value was $452,900 and in the Valley Center CCD the median values was $555,300. The average list price for homes in the Pala CMA in 2010 was $560,141, with the average in the community of Pala nearly $780,000; the average in Pauma Valley in excess of $609,000 and the average in Valley Center over $544,000. Today even though housing values adjusted downward during the recessionary cycle to a 2013 average of $417,057 in the CMA and an average of

- A review of proposed development activity in the CMA reveals that without the Warner Ranch there would be no units proposed in the community of Pala which might be deemed workforce housing as the one 37-unit project planned for Pala features two plus acre lots and large lot projects seldom if ever provide homes in the range workforce households can afford, i.e. housing priced under $400,000.

- Since our initial study, Accretive Valley Center has entered the entitlement process with a proposed 1,745 units. Approximately 80 percent of the units proposed for this project will be developed on 5,000 square foot lots. However conversations with the developer indicate that it is highly unlikely that many of the homes will be priced under $500,000.

- The Warner Ranch with its diversity of densities and lot sizes is targeting the very workforce households that are currently underserved by the CMA. The following table demonstrates the proposed generic product and pricing guidelines being considered for the Warner Ranch which are approximately 20 percent higher than those designated in our original study. With anticipated pricing to begin under $210,000 and approximately three-quarters of the proposed product anticipated to be positioned under $400,000 the Warner Ranch will be providing the very workforce housing needed within the CMA enabling it to compete with areas such as southern Riverside County were new attached home prices are currently starting at just under $264,000 and new detached home prices are starting just over $333,000.

Warner Ranch
Proposed Product Summary

CONCEPT	LOT SIZE	MIX	% OF TOTAL	UNIT SIZE RANGE		BASE PRICE RANGE	
Six-Plex Courtyard TH		216	28%	1000	1600	$210,000	$270,000
Duplex	3000	30	4%	1500	1800	$282,000	$306,000
Samll Lot Detached	3000	148	19%	1600	2000	$330,000	$360,000
Detached 4,000	4000	242	31%	1800	2400	$378,000	$420,000
Detached 5,000	5000	85	11%	2000	2750	$420,000	$474,000
Detached 6,000	6000	44	6%	2400	3000	$498,000	$540,000
Detached 7,000	7000	15	2%	3000	3800	$570,000	$630,000

The following table calculates the monthly payment associated with the average price for each of the housing product being planned for Warner Ranch utilizing an assumed average price for each product line and an interest rate of 5.5 percent amortized over 30 years.

Warner Ranch
Income Required to Afford Various Proposed Product Lines

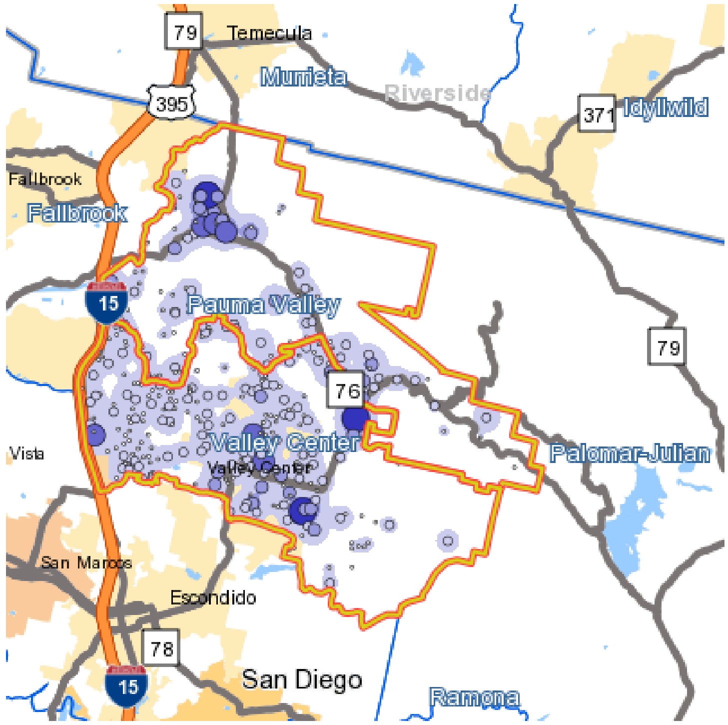
CONCEPT	AVG PRICE	Month P&I @ 5.5% Interest Rate	INCOME	REQUIRED INCOME WITH 30% OF INCOME DECATED TO HOUSING
Six-Plex Courtyard TH	$240,000	$1,375	$55,013	$242,225
Duplex	$294,000	$1,683	$67,329	$296,454
Samll Lot Detached	$345,000	$1,971	$78,825	$347,069
Detached 4,000	$399,000	$2,279	$91,141	$401,298
Detached 5,000	$447,000	$2,545	$101,815	$448,297
Detached 6,000	$519,000	$2,956	$118,237	$520,603
Detached 7,000	$600,000	$3,408	$136,301	$600,139

We appreciate the opportunity of preparing this analysis for your review and remained available to answer any question that may arise.

Sincerely,
MarketPointe Realty Advisor

Russell T. Valone II
President

THE EMPLOYMENT BASE



The first step in the analysis was to determine the underlying employment characteristics of the defined Pala CMA utilizing job base data from the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) unit to determine the number of jobs within the defined Pala CMA. LEHD's Work Area Profile identified a total 9,540 jobs in the Pala CMA as of 2010. That number fluctuated up down and up over the next few years to a 2013 total of 9,531 jobs in 2013. The two largest employment sectors in the CMA are Arts, Entertainment and Recreation along with Accommodations and Food Service. Combine these sector total 5,160 jobs in 2010 and 4,490 in 2013; most of which are most likely associated with the five Indian Casinos in the CMA based upon articles published in Union Tribune and San Diego Business Journal.

PALA CMA
EMPLOYMENT BY SECTOR
2002 - 2013

EMPLOYMENT BY SECTOR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, Forestry, Fishing and Hunting	1,121	1,005	1,110	1,116	1,167	1,078	988	996	1,027	1,044	1,143	1,176
Mining, Quarrying, and Oil and Gas Extraction	14	12	8	6	0	0	0	0	0	0	2	2
Utilities	84	87	97	102	101	110	108	103	103	95	94	93
Construction	607	685	666	759	829	736	638	532	354	415	397	397
Manufacturing	90	83	86	90	86	96	80	91	88	118	138	145
Wholesale Trade	249	181	172	191	156	155	165	136	131	144	191	202
Retail Trade	190	182	215	176	193	169	197	171	154	165	173	157
Transportation and Warehousing	86	67	84	96	94	99	90	44	29	31	35	74
Information	21	21	34	27	28	43	49	35	53	33	44	34
Finance and Insurance	77	135	87	50	47	43	49	46	46	57	56	45
Real Estate and Rental and Leasing	69	93	91	85	86	83	70	86	86	94	144	156
Professional, Scientific, and Technical Services	268	1,282	190	228	276	326	371	298	383	373	457	413
Management of Companies and Enterprises	0	3	2	0	4	0	2	0	3	1	3	2
Administration & Support, Waste Management and Remediation	122	151	121	196	216	326	319	309	364	391	483	403
Educational Services	732	717	661	619	594	600	591	561	530	530	530	529
Health Care and Social Assistance	255	280	276	277	270	281	281	267	294	304	300	392
Arts, Entertainment, and Recreation	2,672	2,225	2,725	2,978	2,964	3,215	3,611	3,428	3,426	3,443	2,406	2,321
Accommodation and Food Services	707	636	1,677	1,887	2,113	2,089	2,005	506	1,734	499	2,208	2,169
Other Services (excluding Public Administration)	107	134	163	150	181	117	157	140	141	166	177	110
Public Administration	296	423	517	398	407	445	555	599	594	638	688	711
TOTAL	7,767	8,402	8,982	9,431	9,812	10,011	10,326	8,348	9,540	8,541	9,669	9,531

HOUSING STOCK & POPULATION

The U.S. Census Bureau's 2010 statistics indicates that the Pala CMA was home to 29,571 persons residing in 10,164 households with an average household size of 2.89 persons per household. By 2013 the CMA's population base has grown to 31,159 residing in 10,261 households with an average household size of 3.01 persons per households.

Although an initial view of the housing and occupancy statistics indicates a relatively high vacancy rate of 10 percent for the Pala CMA and 12 percent for the Pauma Valley CCD, a closer examination reveals that many of the vacant units are really not vacant. For instance 31 percent the vacant units were seasonal, recreational or occasional use (second homes) housing units. Two percent were sold but not occupied as of the census and 39 percent were classified as other vacant which in many instances were actually foreclosures. Thus the supply of readily available housing for those considering living in the CMA is somewhat limited. A search of local resale market indicates less than 150 units currently listed.

PALA CMA
POPULATION & HOUSING SUMMARY
2013

DATASETS	PAUMA VALLEY	VALLEY CENTER	PALA CMA
POPULATION			
Total Population	7,323	23,836	31,159
Occupied Housing Populatoin	7,185	23,728	30,913
Home Owners	4,656	19,060	23,716
Renters	2,529	4,668	7,197
HOUSEHOLD SIZE			
All Housing	3.34	2.93	3.01
Owner Occupied	3.08	2.81	2.86
Rentere Occupied	3.94	3.53	3.67
OCCUPANCY STATUS			
Total Housing Units	2,453	8,668	11,121
Occupied Housing Units	2,153	8,108	10,261
Vacant Housing Units	300	760	1,060
Vacancy Rate	12%	9%	10%
TENURE			
Total Occupied Housing Units	2,153	8,108	10,261
Owner Occupied	1,511	6,787	8,298
Renter Occupied	642	1,321	1,963
VACANCY STATUS			
TOTAL VACANT	300	760	1,060
For Rent	0	116	116
Rented, Not Occupied	6	41	47
For Sale Only	31	98	129
Sold, Not Occupied	0	17	17
For Seasonal, Recreational or Occassional Use	104	225	329
For Migratory Workers	4	0	4
Other Vacant	155	263	418

PALA CMA
POPULATION & HOUSING SUMMARY
2010

DATASETS	PAUMA VALLEY	VALLEY CENTER	PALA CMA
POPULATION			
Total Population	6,998	22,573	29,571
Occupied Housing Populatoin	6,922	22,456	29,378
Home Owners	4,648	19,552	24,200
Renters	2,274	2,904	5,178
HOUSEHOLD SIZE			
All Housing	3.33	2.78	2.89
Owner Occupied	3.15	2.74	2.81
Rentere Occupied	3.77	3.03	3.31
OCCUPANCY STATUS			
Total Housing Units	2,367	8,875	11,242
Occupied Housing Units	2,078	8,086	10,164
Vacant Housing Units	289	789	1,078
Vacancy Rate	12%	9%	10%
TENURE			
Total Occupied Housing Units	2,078	8,086	10,164
Owner Occupied	1,475	7,126	8,601
Renter Occupied	603	960	1,563
VACANCY STATUS			
For Rent	289	789	1,078
For Rent	0	0	0
Rented, Not Occupied	6	0	6
For Sale Only	41	142	183
Sold, Not Occupied	0	80	80
For Seasonal, Recreational or Occassional Use	58	206	264
For Migratory Workers	0	0	0
Other Vacant	184	361	545

Approximately 80 percent of the Pala CMA population base resides in an owner occupied units while less than 20 percent are renters. Given the "units in structures" with only 224 housing units available in structures with three more units, the vast majority of the renter households in the CMA are most likely residing in rental single family homes.

Since the CMA's housing stock is primarily detached with this housing concept accounting for 81 percent of the housing stock and mobile homes representing just under 14 percent of the housing stock. Multi-family units which would most likely be rental housing units in building with three or more units account for only 1.8 percent or 224 of the total housing stock, with a median rent of $1,303 per month in the Valley Center CCD compared $1,169 per month in the Pauma Valley CCD.

PALA CMA
MULTI-FAMILY HOUSING STOCK SUMMARY
2013

UNITS IN STRUCTURES	PAUMA VALLEY	VALLEY CENTER	PALA CMA
3 or 4 Units	27	106	133
5 to 9 Units	0	66	66
10 to 19 Units	0	25	25
20 to 49 Units	0	0	0
50 or More Units	0	0	0
TOTAL	27	197	224

PALA CMA
MULTI-FAMILY HOUSING STOCK SUMMARY
2010

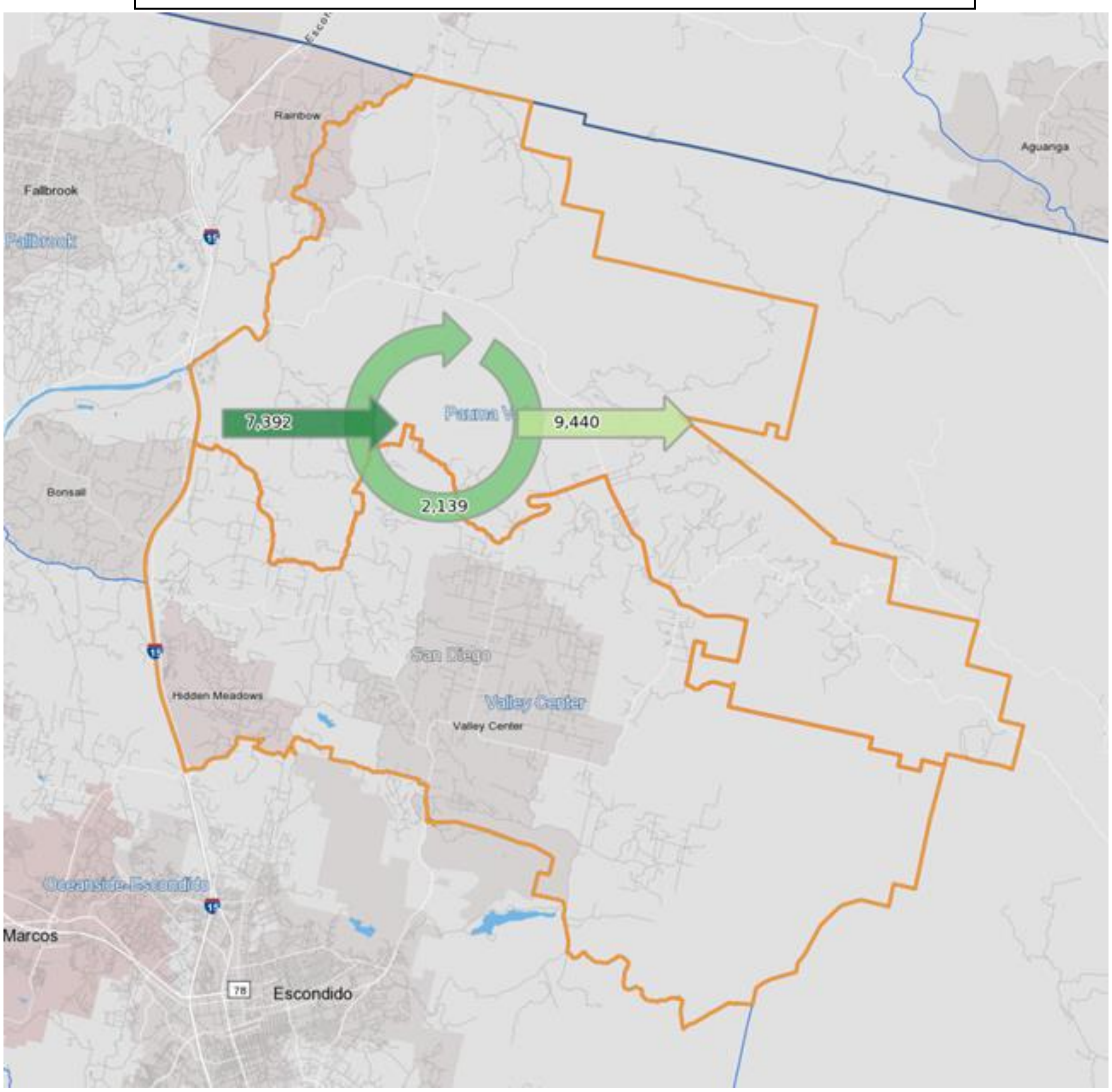
UNITS IN STRUCTURES	PAUMA VALLEY	VALLEY CENTER	PALA CMA
3 or 4 Units	0	102	102
5 to 9 Units	0	38	38
10 to 19 Units	0	3	3
20 to 49 Units	0	0	0
50 or More Units	0	0	0
TOTAL	0	143	143

THE LABOR FORCE & THE JOBS/HOUSING IMBALANCE

According to Longitudinal Employer-Household Dynamics (LEHD) statistics there are 11,579 employed persons in the Pala CMA of which only 2,139 live and work in the CMA causing 9,440 persons to commute out of the CMA on a daily basis.

From a jobs perspective, there are 9,531 jobs in the Pala CMA, most of which are filled by persons commuting into the CMA. According to LEHD, only 2,139 of the jobs in the CMA are filled by persons residing in the CMA thus 7,392 jobs in the CMA are filled by persons commuting into the CMA from other communities.

Pala CMA Employee Inflow/Outflow Analysis



While an analysis of the Pala CMA indicates that a total of 7,836 persons drive into the CMA to fill the CMA's 9,531 jobs; analyses of each of the CCD's that make up the CMA provide a greater inflow statistic.

The Pauma Valley CCD has a total of 3,097 employed persons residing within it. Of those 367 both work and reside in the CCD while 2,730 commute out of the CCD for employment. From a jobs perspective, there are 3,795 jobs in the Pauma Valley CCD, 90 percent of which are filled by persons commuting into the CCD. According to LEHD, only 367 of the jobs in the Pauma Valley CCD are filled by persons residing in the CCD thus 3,368 jobs in the CMA are filled by persons commuting into the CCD from other communities.

The Valley Center CCD has a total of 8,482 employed persons residing within it. Of those 1,328 both work and reside in the CCD while 7,154 commute out of the CCD for employment. From a jobs perspective, there are 5,796 jobs in the Valley Center CCD, 77 percent of which are filled by persons commuting into the CCD. According to LEHD, only 1,328 of the jobs in the Valley Center CCD are filled by persons residing in the CCD thus 4,468 jobs in the CMA are filled by persons commuting into the CCD from other communities.

Combining the Pauma Valley CCD with Valley Center CCD we get a total of 7,392 persons who work in the CMA but live outside the CMA. Note while the number of jobs and numbers of employees living in area for the Pala CMA are a combination of the two CCD's since someone jobs in the Valley Center CCD are filled by persons residing in the Pauma Valley CCD and vice versa when the outflow and inflow numbers are not an addition of the two datasets but an analysis of the two CCD's treated as one market area.

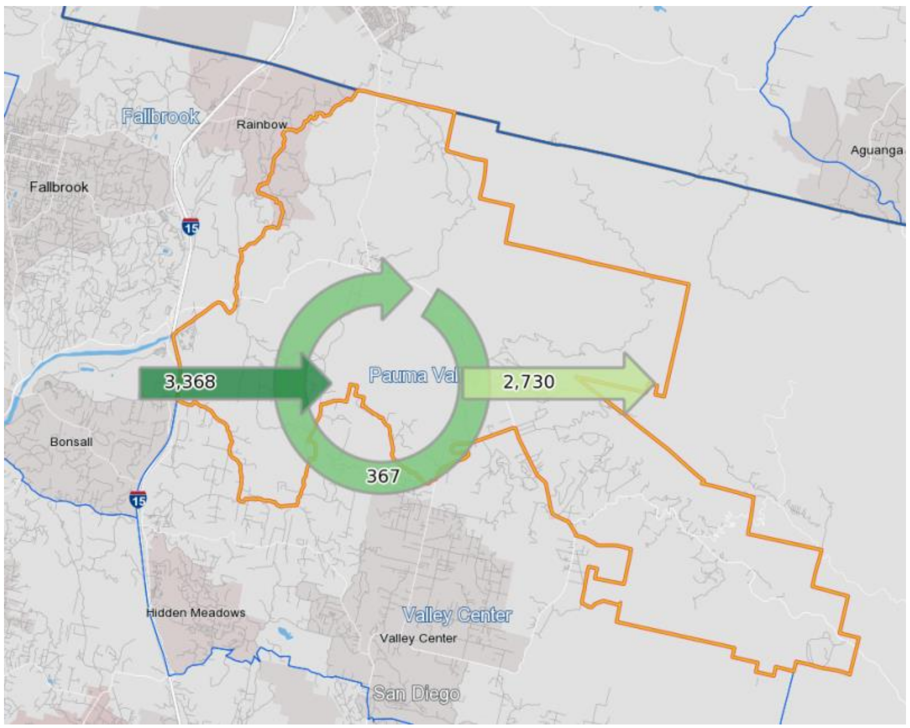
PALA CMA
LABOR AND JOB ANALYSIS

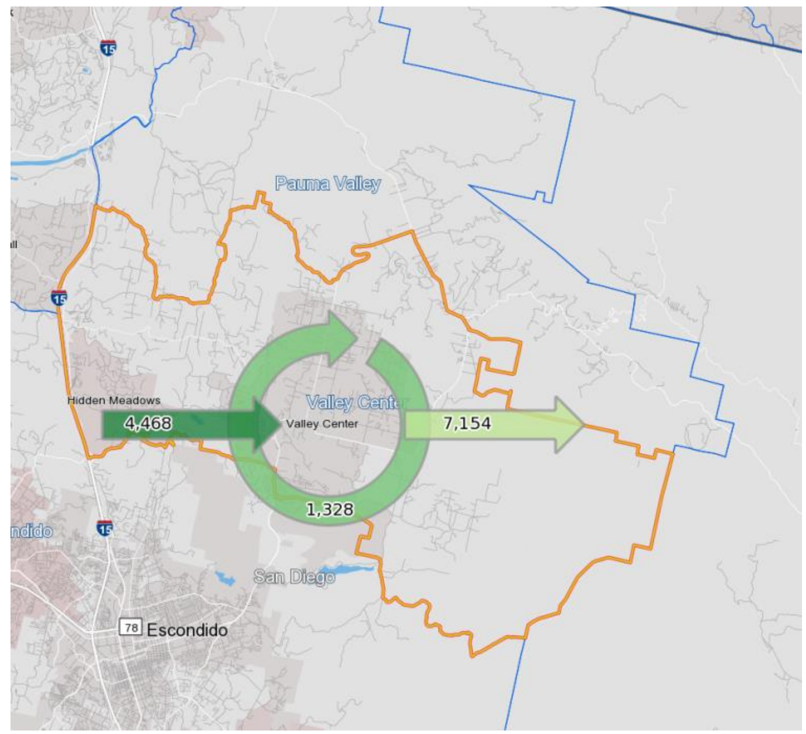
	2013			2010		
	PAUMA VALLEY	VALLEY CENTER	PALA CMA	PAUMA VALLEY	VALLEY CENTER	PALA CMA
Employed In:	3,735	5,796	9,531	3,699	5,841	9,540
Employed in Area but Living Outside of Area	3,368	4,468	7,392	3,418	4,469	7,548
Employed and Living in Area	367	1,328	2,139	281	1,372	1,992
Living In Area	3,097	8,482	11,579	2,322	8,696	11,018
Living in Area but Employed Outside of Area	2,730	7,154	9,440	2,041	7,324	9,026
Living and Employed in Area	367	1,328	2,139	281	1,372	1,992

Just Over 79% of Employees Working in the Pala CMA Commute Into the Pala CMA From Other Communities

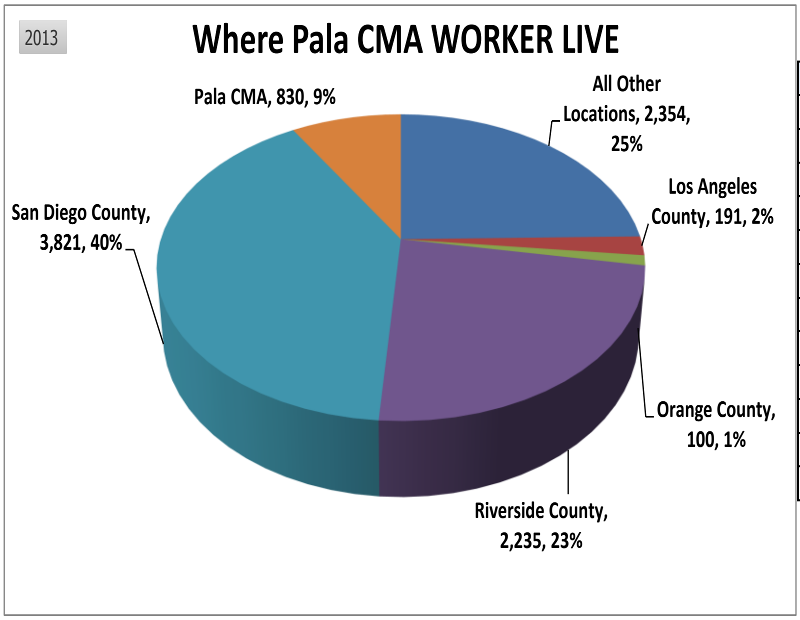
Pauma Valley CCD = 3,735 Jobs

Valley Center CCD= 5,796 Jobs





With less than nine percent of the employees working in the Pala CMA living in the Pala CMA 40 percent living in other areas of San Diego County while over 23 percent commute into Riverside County.



Where Pala CMA Workers Live	2013
Escondido city, CA	1,516
Temecula city, CA	823
Valley Center CDP, CA	668
San Diego city, CA	468
Murrieta city, CA	456
Fallbrook CDP, CA	330
Oceanside city, CA	313
Menifee city, CA	264
San Marcos city, CA	235
Vista city, CA	233
Hidden Meadows CDP, CA	162
French Valley CDP, CA	145

Location Where Employees in Pala CMA Are Commuting From

Row Labels	2009	2010	2011	2012	2013
All Other Locations	2,008	2,276	2,142	2,436	2,354
Los Angeles County	161	144	155	198	191
Orange County	105	109	116	122	100
Riverside County	1,805	2,027	1,900	2,147	2,235
San Diego County	3,612	4,204	3,458	3,957	3,821
Pala CMA	657	780	770	809	830
Grand Total	**8,348**	**9,540**	**8,541**	**9,669**	**9,531**

A key element that may be causing such a great number of workers within the Pala CMA to commute into the CMA for work may be the lack of new housing development within the CMA.

The following exhibit demonstrates new production housing added to the Pala CMA between 2000 and 2015 based upon our **Residential*Trends*** survey of new housing subdivisions. In total, 610 new housing units have been added to the CMA as tracked through Residential Trends all of it in the Valley Center CCD with only 30 homes sold in 2014 and the first two quarters of 2015.

VALLEY CENTER CCD
ANNUAL NEW HOME SALES BY LOT SIZE
2000 - Q2 2015

CurQtrSold	Year													
LotRange	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2014	2015	Grand Total
06000-99				10	32	12								54
10000-19999					39	63	35	6						143
20000-39999					20	20	16	1				4	6	67
40000-79999	11	17	28	27	3									86
80000 & >	22	38	35	36	54	20	29	-4	4	3	3	11	9	260
Grand Total	33	55	63	73	148	115	80	3	4	3	3	15	15	610

An analysis of Census data which focuses on all housing additions including project not sold in standard subdivisions i.e. custom homes (be they discretionary or basic) indicates that between 2000 and 2010 the Pala CMA added just 1,706 new housing units for an average of 170 units per annum. The Valley Center CCD accounted for 98 percent of the housing growth in the CCD or 1,687 units with only 19 units added within the Pauma Valley CCD. Housing additions over the past three years have been minimal with only 79 units added in three years. Note: 610 units reported through **Residential*Trends*** are included in Census statistics and should not be added to those statistics.

PALA CMA
NEW HOUSING ADDITIONS
2000 - 2013

CCD	2000	2009	2010	2011	2012	2013
PAUMA VALLEY	2,348	2,242	2,367	2,526	2,599	2,453
VALLEY CENTER	7,188	8,251	8,875	8,953	8,939	8,868
PALA CMA	9,536	10,493	11,242	11,479	11,538	11,321

INCOMES AND HOUSING COST

A potential cause for the disconnect between the number of jobs in the Pala CMA and the numbers of persons potentially commuting into the CMA for those jobs may be the relationship of incomes to housing cost.

Home Purchasing Power Analysis
Based upon Percentage of Median Family Income (MFI)
for Pauma Valley CCD & Valley Center CCD

Percent of MFI	2010 Pauma Valley Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$36,596	$915	$161,135
60%	$43,916	$1,098	$193,363
70%	$51,235	$1,281	$225,590
80%	$58,554	$1,464	$257,817
90%	$65,873	$1,647	$290,044
100%	$73,193	$1,830	$322,271
110%	$80,512	$2,013	$354,498
120%	$87,831	$2,196	$386,725
130%	$95,151	$2,379	$418,952
140%	$102,470	$2,562	$451,179
150%	$109,789	$2,745	$483,406

Percent of MFI	2013 Pauma Valley Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$37,376	$934	$164,569
60%	$44,851	$1,121	$197,483
70%	$52,327	$1,308	$230,397
80%	$59,802	$1,495	$263,310
90%	$67,277	$1,682	$296,224
100%	$74,752	$1,869	$329,138
110%	$82,228	$2,056	$362,052
120%	$89,703	$2,243	$394,966
130%	$97,178	$2,429	$427,879
140%	$104,653	$2,616	$460,793
150%	$112,129	$2,803	$493,707

Percent of MFI	2010 Valley Center Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$38,785	$970	$170,773
60%	$46,542	$1,164	$204,928
70%	$54,299	$1,357	$239,082
80%	$62,056	$1,551	$273,237
90%	$69,813	$1,745	$307,392
100%	$77,571	$1,939	$341,546
110%	$85,328	$2,133	$375,701
120%	$93,085	$2,327	$409,856
130%	$100,842	$2,521	$444,010
140%	$108,599	$2,715	$478,165
150%	$116,356	$2,909	$512,320

Percent of MFI	2013 Valley Center Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$42,109	$1,053	$185,407
60%	$50,531	$1,263	$222,489
70%	$58,952	$1,474	$259,570
80%	$67,374	$1,684	$296,652
90%	$75,796	$1,895	$333,733
100%	$84,218	$2,105	$370,815
110%	$92,640	$2,316	$407,896
120%	$101,061	$2,527	$444,977
130%	$109,483	$2,737	$482,059
140%	$117,905	$2,948	$519,140
150%	$126,327	$3,158	$556,222

Percent of MFI	2010 Pala CMA Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$38,272	$957	$168,513
60%	$45,926	$1,148	$202,216
70%	$53,581	$1,340	$235,918
80%	$61,235	$1,531	$269,621
90%	$68,889	$1,722	$303,323
100%	$76,544	$1,914	$337,026
110%	$84,198	$2,105	$370,728
120%	$91,853	$2,296	$404,431
130%	$99,507	$2,488	$438,134
140%	$107,161	$2,679	$471,836
150%	$114,816	$2,870	$505,539

Percent of MFI	2013 Pala CMA Annual Income @ x % MFI	Monthly Amount Available for Housing @ 30% of Income	Puchasing Power @ 5.5% Interest Rate
50%	$41,055	$1,026	$180,765
60%	$49,265	$1,232	$216,918
70%	$57,476	$1,437	$253,071
80%	$65,687	$1,642	$289,224
90%	$73,898	$1,847	$325,377
100%	$82,109	$2,053	$361,530
110%	$90,320	$2,258	$397,683
120%	$98,531	$2,463	$433,836
130%	$106,742	$2,669	$469,989
140%	$114,953	$2,874	$506,142
150%	$123,164	$3,079	$542,295

The table above provides estimates as to the purchasing power of specific percentages of median family income (MFI) for the Pala CMA and the Pauma Valley CCD and the Valley Center CCD. For example, the median family income for the Pala CMA was in 2013 was $82,109. Assuming they were to use 30 percent of that income for housing and assuming a 5.5 percent interest rate amortized over 30 years they would qualify for a $1,868 per month principal and interest payment which equates to a $361,530 home mortgage. In Valley Center CCD the median income would qualify for a $370,815 mortgage while the median income household in the Pauma Valley CCD would qualify for a $329,138 mortgage.

The following table highlights the average prices anticipated for the various product lines at the Warner Ranch and the incomes required to qualify for a mortgage for those product lines assuming the Pala CMA average median income of $82,109. For instance, a household looking to buy the proposed townhomes would be required to earn 67 percent of the median household income for the CMA, while someone looking to buy a detached home on a 4,000 square foot lot would need a household income of $91,141 or 111 percent of median family household income.

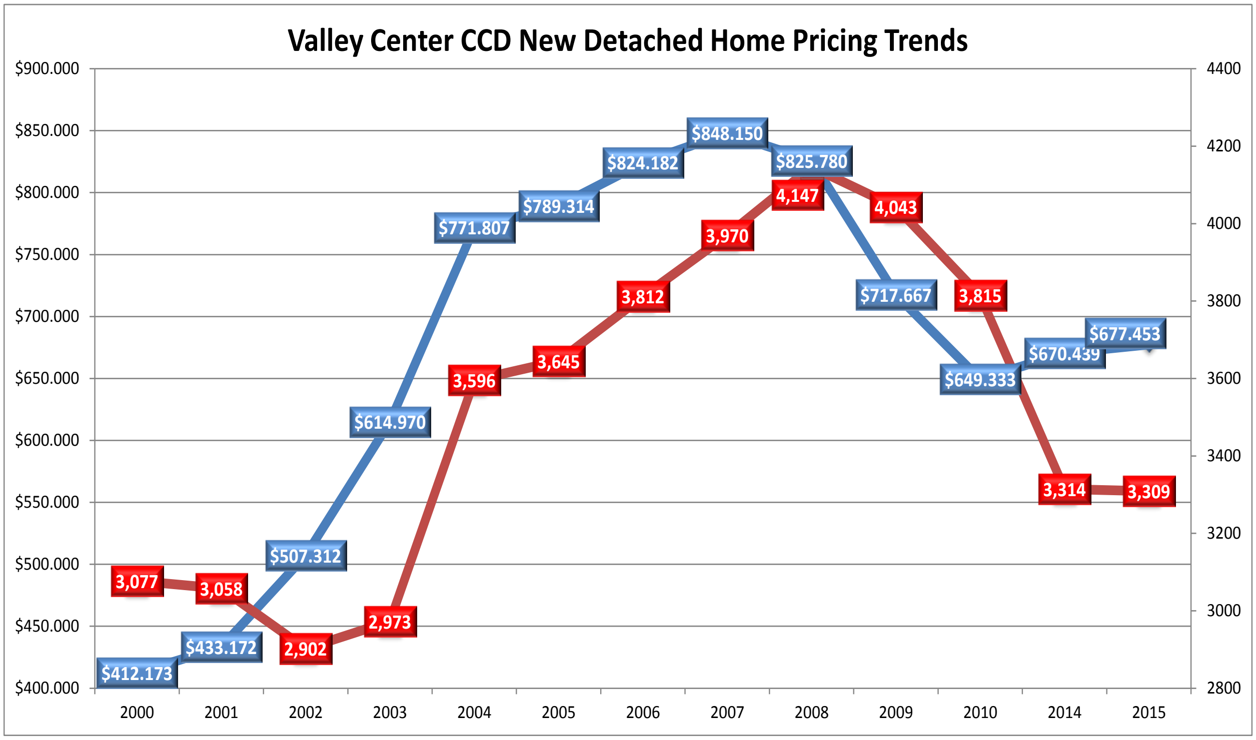
Warner Ranch
Income Required to Afford Various Proposed Product Lines

CONCEPT	AVG PRICE	% MFI	INCOME
Six-Plex Courtyard TH	$240,000	67.0%	$55,013
Duplex	$294,000	82.0%	$67,329
Samll Lot Detached	$345,000	96.0%	$78,825
Detached 4,000	$399,000	111.0%	$91,141
Detached 5,000	$447,000	124.0%	$101,815
Detached 6,000	$519,000	144.0%	$118,237
Detached 7,000	$600,000	166.0%	$136,301

Purchasing power would be adjusted downward with a 6 percent interest rate making it more difficult for workforce households to afford a home and making the more price sensitive products proposed for Warner Ranch in even greater demand. On the flip side if interest rates are adjusted downward to today’s level of about 4.5 percent purchasing power would increase.

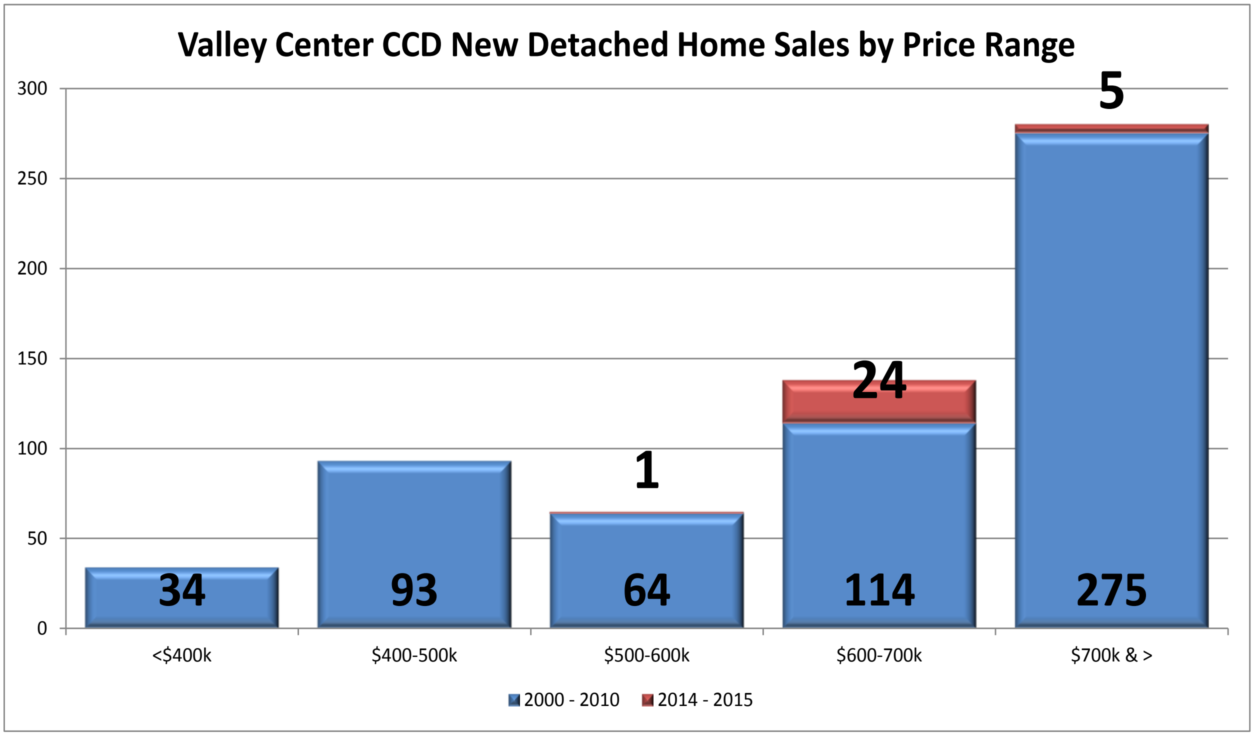
The problem in the CMA is that very little new housing if any has been provided in the CMA over the past decade and much of what has been provided could hardly be deemed affordable to households working within the Pala CMA.

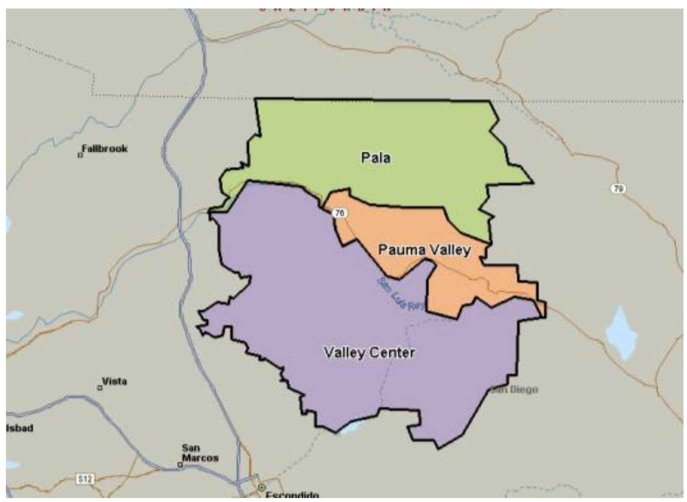
The following graphic depicts annual new for sale detached housing pricing trends in the CMA since 2000 from our **Residential*Trends*** new home database. Due to the large lot character of most of the new detached homes sold in the CMA, new housing has hardly been affordable to workforce households in the CMA.



Back in 2000 and 2001 the average price of a new home sold in the CMA was concentrated in the low-to-mid-$400,000. Due to large lot character of most of the new housing built in the CMA, with 67 percent of the new homes built in the CMA developed on 20,000 square foot or larger lots, new home prices have averaged above $600,000 since 2003, a range unaffordable to workforce households in the CMA.

Of the total 610 new homes sold in CMA since 2000 only 6 percent were priced under $400,000, with all of those homes sold in Valley Center since there has been no production oriented new housing activity in Pala or Pauma Valley during the 2000's. As of our initial study in 2011, there were no new home sales posted. Our update indicates no new production homes old in 2012 and 2013. In 2014 and through the second quarter of 2015 there were 30 new homes sold in the CMA most priced over $600,000.





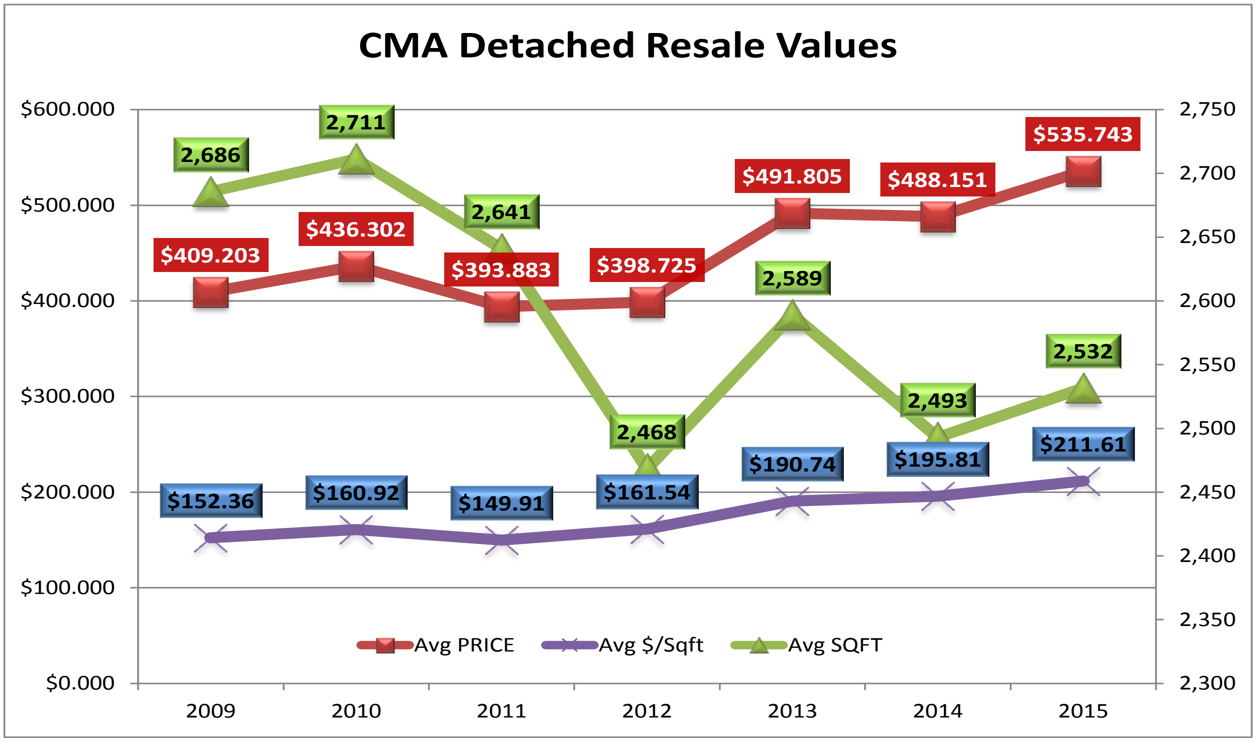
An analysis of resale market activity generated through the Redfin website which tracks resales and some new home sales indicates that although detached resale value are notably more affordable than new home product in the CMA, very few resale homes turn over in Pala or Pauma Valley, with most of the activity in Valley Center. Of the 1,460 detached homes sold in the CMA since 2009, 1,299 were from homes sold in Valley Center, while only 140 transactions were in Pauma Valley and only 21 were in Pala.

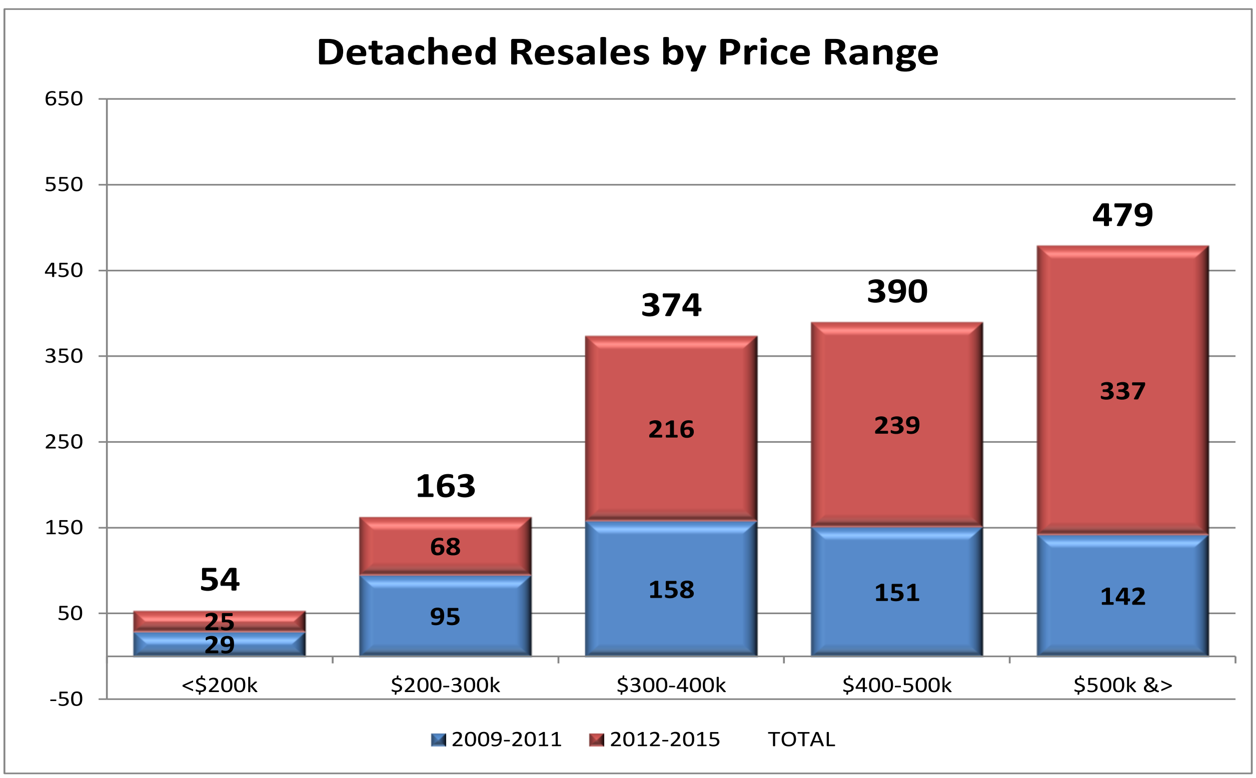
The average price of a home sold in the CMA in 2011 when we did our initial study was $387,293. The average ticked up slightly in 2012 but leaped to nearly $483,000 in 2013 and $479.335 in 2014. Through mid-August of 2015 the average price of a detached home was approaching $524,000.

Pala CMA
Housing Market Values

			YEASOLD						
HOME TYPE	CITY	Data	2009	2010	2011	2012	2013	2014	2015
ATTACHED	Pauma Valley	Avg PRICE	$329,167	$368,500	$213,278	$234,700	$266,850	$288,667	$284,104
		Avg SQFT	2,013	1,862	2,122	2,111	2,088	1,938	1,857
		Avg $/Sqft	$163.52	$197.91	$100.53	$111.16	$127.80	$148.93	$153.02
		# SALES	3	2	9	10	10	9	9
	Valley Center	Avg PRICE			$359,000	$158,000		$150,000	
		Avg SQFT			2,124	1,441		1,118	
		Avg $/Sqft			$169.02	$109.65		$134.17	
		# SALES			1	2		1	
ATTACHED Avg PRICE			$329,167	$368,500	$227,850	$221,917	$266,850	$274,800	$284,104
ATTACHED Avg SQFT			2,013	1,862	2,122	2,000	2,088	1,856	1,857
ATTACHED Avg $/Sqft			$163.52	$197.91	$107.39	$110.98	$127.80	$148.04	$153.02
ATTACHED # SALES			3	2	10	12	10	10	9
DETACHED	Pala	Avg PRICE	$574,250	$460,414	$461,667	$415,000	$249,000	$350,000	$478,833
		Avg SQFT	3,531	3,482	2,720	3,858	890	1,977	1,981
		Avg $/Sqft	$162.63	$132.23	$254.60	$107.57	$279.78	$177.04	$241.67
		# SALES	4	7	3	2	1	1	3
	Pauma Valley	Avg PRICE	$362,972	$535,625	$477,106	$443,275	$552,333	$462,000	$488,606
		Avg SQFT	2,372	3,129	2,536	2,795	2,769	2,514	2,491
		Avg $/Sqft	$153.03	$171.20	$188.13	$158.60	$199.46	$183.77	$196.12
		# SALES	18	12	16	20	30	26	18
	Valley Center	Avg PRICE	$410,233	$428,436	$386,917	$394,307	$484,454	$492,142	$542,277
		Avg SQFT	2,699	2,651	2,658	2,424	2,572	2,493	2,547
		Avg $/Sqft	$151.98	$161.60	$145.54	$162.68	$189.27	$197.42	$212.91
		# SALES	167	173	175	209	214	205	156
DETACHED Avg PRICE			$409,203	$436,302	$395,511	$398,725	$491,805	$488,151	$535,743
DETACHED Avg SQFT			2,686	2,711	2,649	2,468	2,589	2,493	2,532
DETACHED Avg $/Sqft			$152.36	$160.92	$150.08	$161.54	$190.74	$195.81	$211.61
DETACHED # SALES			189	192	194	231	245	232	177
Total Avg PRICE			$407,952	$435,603	$387,293	$389,994	$482,983	$479,335	$523,567
Total Avg SQFT			2,675	2,703	2,623	2,445	2,569	2,467	2,499
Total Avg $/Sqft			$152.49	$161.18	$148.38	$159.50	$188.73	$194.32	$209.51
Total # SALES			192	194	204	243	255	242	186

Though 40 percent of the resales in Valley Center are priced under $400,000, many of these units are sold for the land value as many of the homes sold and listed under $400,000 and especially those homes listed and sold under $200,000 are bought with the mind set of demolishing the home and building a new one in its place. With most of the attached product in the CMA located in golf course communities most are really not targeted to workforce households despite their average prices generally under $300,000.


CMA Detached Resale Values
$600.000
$500.000
$400.000
$300.000
$200.000
$100.000
$0.000
2,750
2,700
2,650
2,600
2,550
2,500
2,450
2,400
2,350
2,300
2,686
2,711
2,641
2,468
2,589
2,493
2,532
$409.203
$436.302
$393.883
$398.725
$491.805
$488.151
$535.743
$152.36
$160.92
$149.91
$161.54
$190.74
$195.81
$211.61
Avg PRICE
Avg $/Sqft
Avg SQFT
2009
2010
2011
2012
2013
2014
2015


Detached Resales by Price Range
650
550
450
350
250
150
50
-50
54
25
29
163
68
95
374
216
158
390
239
151
479
337
142
<$200k
$200-300k
$300-400k
$400-500k
$500k &>
2009-2011
2012-2015
TOTAL

The average list price of a resale home in the Pala CMA is $879,447, with homes in the community of Pauma Valley generating the highest list price. A closer look at listings reveals several extremely high-end listings over $2.5 million. Eliminating those listings form the analysis, the rest of the listings in the CMA generate an average list price of $708,399.

	All Listings			
CITY	List Price	Sqft	Avg $/Sqft	# Listings
Pala	$815,000	2,723	$299.30	1
Pauma Valley	$965,259	3,350	$288.17	17
Valley Center	$859,528	3,038	$282.94	70
	$879,447	3,095	$284.20	88

	Listings Under $2.5 Million			
	List Price	Sqft	Avg $/Sqft	# Listings
CITY	$815,000	2,723	$20.20	1
Pala	$674,573	3,160	$113.71	15
Pauma Valley	$714,293	2,998	$170.38	68
	$708,399	3,024	$158.20	84

The graphic on the page 25 depicts new home subdivisions featuring product primarily priced under $400,000 as of the second quarter of 2011. Blue dots represent new detached projects while the green dots represent new condominiums and/or townhome projects. As this exhibit demonstrates at the time of our original study there was only one project in San Diego County within 10 miles of the subject site (as the crow flies) offering homes priced primarily under $400,000 which would make them affordable to workforce households employed within the Pala CMA. That one project Oakmont at Shady Grove is a 33 unit project had only nine units left in inventory.

	Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	Price	Sqft	$/Sqft	Map/Page #	Concept	Units	Sold	Sold	Unsold	Phases	Inventory	MasterPlan
OAKMONT @ SHADY GROVE	$359,990	1,687	$169.18	2-Jan-10	14520	33	24	2	9	0	9	FALLBROOK
KB HOME	$379,990	2,246	$213.39	19	DETACHED							SHADY GROVE

Focusing on a similar exhibit on Page 26 which depicts new home subdivisions featuring product primarily priced under $400,000 as of the second quarter of 2015 we note that there was no new product in San Diego County offering homes primarily under $400,000.

To find projects offering product under $400,000 in San Diego County in 2011 when our original study was conducted, employees in the Pala CMA would need to commute a minimum of 20 plus miles into San Marcos or Vista, there to find only a limited number projects offering workforce housing.

San Marcos/Vista
Development Summary Table By Community
Projects Featuring Primarily Under $400,000 New Homes
Q2 2011

	Sales/Week		Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	**CurQtr**	**Cum**	**Price**	**Sqft**	**$/Sqft**	**Map/Page #**	**Concept**	**Units**	**Sold**	**Sold**	**Unsold**	**Phases**	**Inventory**	**MasterPlan**
LAUREL @ OLD CREEK RANCH	0.16	0.29	$363,990	1,650	$212.38	29-May-10	0	98	17	2	7	74	81	SAN MARCOS
CORNERSTONE COMMUNITIES			$376,990	1,775	$220.60	10	DUPLEX							OLD CREEK RANCH
MAGNOLIA @ OLD CREEK RANCH	0.00	0.16	$278,990	1,173	$201.32	27-Nov-10	0	193	5	0	10	178	188	SAN MARCOS
CORNERSTONE COMMUNITIES			$331,990	1,649	$237.84	12	TOWNHOME OVER GARAGE							OLD CREEK RANCH
HACIENDAS II @ RANCHO SANTALINA NORTH	0.16	0.15	$379,000	2,238	$156.78	26-Jun-10	4000	17	8	2	9	0	9	SAN MARCOS
FIELDSTONE COMMUNITIES			$418,000	2,666	$169.34	8	DETACHED							RANCHO SANTALINA NORTH
BELMONT @ SAN ELIJO HILLS	0.00	0.00	$389,990	1,447	$214.99	21-Jun-11	3000	131	0	0	7	124	131	SAN MARCOS
LENNAR HOMES			$449,990	2,093	$269.51	3	DETACHED							SAN ELIJO HILLS
ARBOR RANCH	1.25	1.92	$367,374	1,826	$155.90	2-Apr-11	6000	57	25	15	13	19	32	SAN MARCOS
CENTEX HOMES			$412,990	2,649	$201.19	2	DETACHED							
AMBER WOODS II	0.91	0.44	$369,900	2,004	$159.63	30-Apr-10	4100	44	27	11	10	7	17	VISTA
WATT COMMUNITIES			$429,900	2,693	$184.58	1	DETACHED							
OAK DRIVE VILLAS	0.16	0.40	$249,900	1,247	$198.89	27-Aug-10	0	42	18	2	6	18	24	VISTA
HALLMARK DEVELOPMENT			$271,900	1,357	$200.51	18	TOWNHOMES							
TESORO - VISTA	0.00	0.00	$339,990	1,800	$171.82	22-May-11	3500	55	0	0	6	49	55	VISTA
A&S DEVELOPMENT			$365,990	2,130	$188.88	25	DETACHED							
8 Total Projects	**2.64**	**3.36**						**637**	**100**	**32**	**68**	**469**	**537**	
Average Per Development	**0.33**	**0.42**												

While employees working in the Pala CMA who were willing to commute upwards of 20 miles in San Diego County were able to find a variety of attached and detached product lines back in 2011, today, those same commuters would have only one new home choice, a townhome home project in Escondido.

San Diego County

Development Summary Table

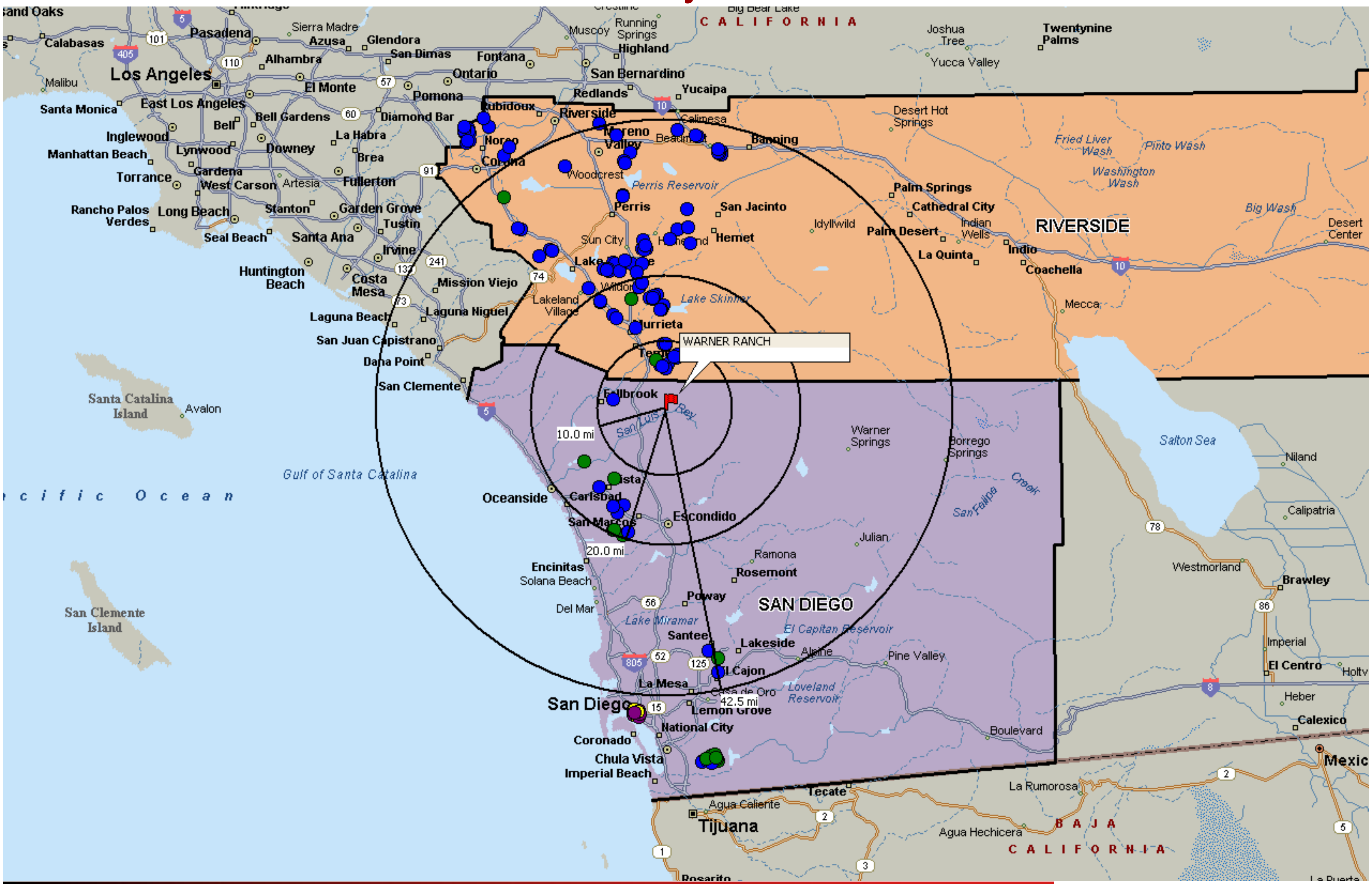
Relatively Nearly Homes Priced Primarily Under $400,000

2nd Quarter 2015

	Sales/Mo		Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	**CurQtr**	**Cum**	**Price**	**Sqft**	**$/Sqft**	**Map/Page #**	**Concept**	**Units**	**Sold**	**Sold**	**Unsold**	**Phases**	**Inventory**	**MasterPlan**
LEVEL 15	2.62	1.76	$399,990	1,690	$231.48	1-Nov-14	0	63	14	8	11	38	49	ESCONDIDO
ZEPHYR PARTNERS			$443,990	1,918	$236.68	10	TOWNHOMES							

Those employees determined to live in San Diego and wanting a new home under $400,000 will be required to commute upwards of 40 miles to San Diego's South County communities.

In 2011, Only One Actively Selling New Home Project in San Diego County Offered Homes Under $400,000 Within 10 Miles of the Site, Workforce Households Employed in Pala Area are Forced into Riverside County to Purchase a New Home

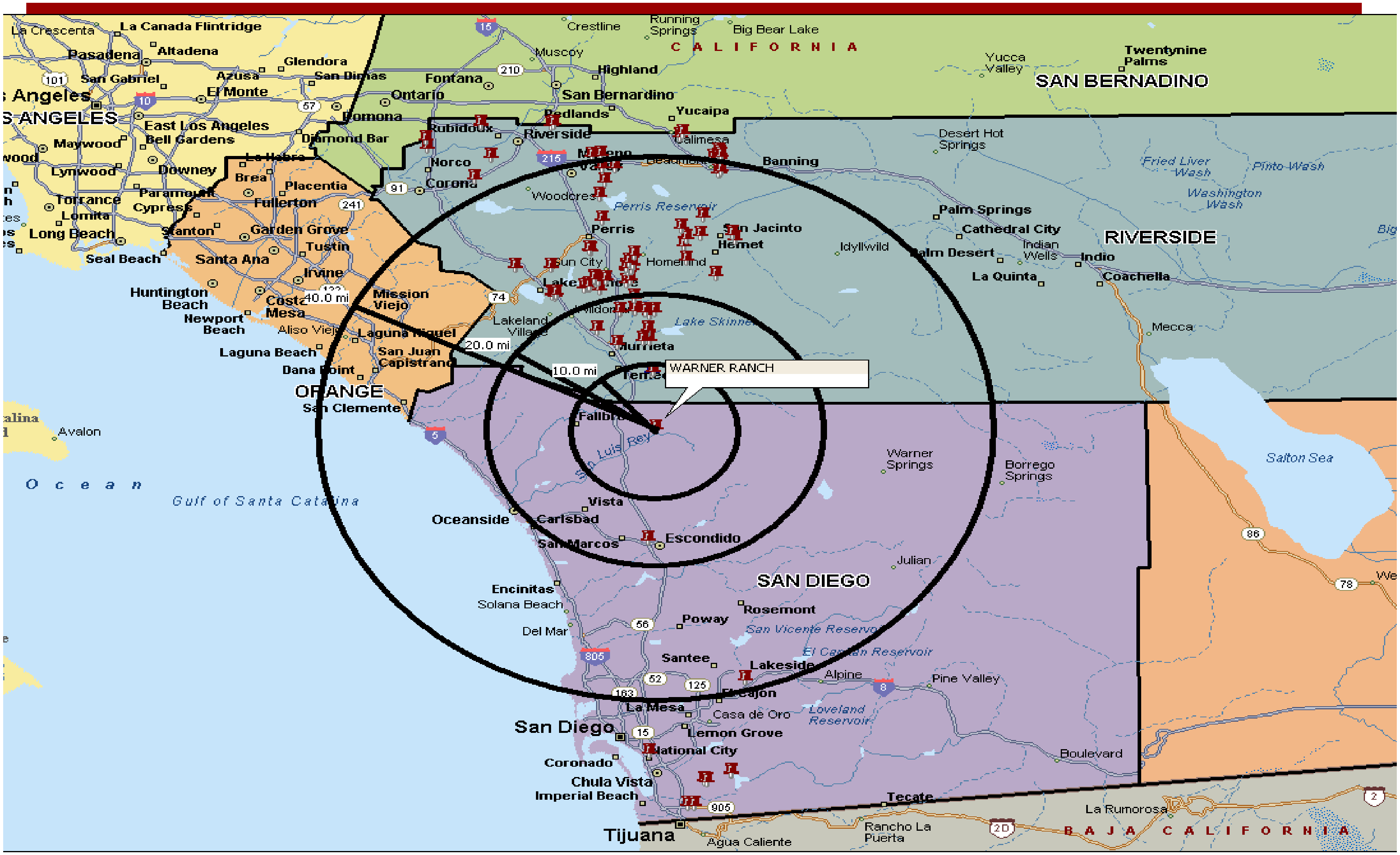


MarketPointe REALTY ADVISORS

San Diego County
Development Summary Table Alpha By Project
Distant Homes Priced Primarily Under $400,000
2nd Quarter 2015

	Sales/Mo		Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	**CurQtr**	**Cum**	**Price**	**Sqft**	**$/Sqft**	**Map/Page #**	**Concept**	**Units**	**Sold**	**Sold**	**Unsold**	**Phases**	**Inventory**	**MasterPlan**
AVALON @ OTAY RANCH-I	3.74	3.53	$294,900	1,163	$223.48	1-Aug-11	0	165	165	7	0	0	0	CHULA VISTA
SUNRISE COMPANY			$362,900	1,621	$253.56	75	TOWNHOMES							OTAY RANCH-MONTECITO
AVIARE @ OTAY RANCH-M	4.30	3.91	$293,900	1,098	$195.48	26-Jul-14	0	144	45	13	3	96	99	CHULA VISTA
SUNRISE COMPANY			$382,900	1,928	$267.66	76	TOWNHOMES							OTAY RANCH-MONTECITO
BOULDER POINTE	5.50	5.50	$396,990	1,465	$238.55	9-May-15	0	132	9	9	11	112	123	LAKESIDE
KB HOME			$416,990	1,748	$270.98	58	TOWNHOMES							
EIGHT ON C AVENUE	2.15	2.15	$339,990	935	$314.45	20-Jun-15	1500	8	2	2	6	0	6	NATIONAL CITY
KIRE BUILDERS, INC.			$399,990	1,272	$368.97	79	JSTER DETACHED							
ESPERANZA @ VISTA DEL	1.72	1.72	$306,990	1,548	$186.87	25-Apr-15	0	60	4	4	6	50	56	SAN YSIDRO
CORNERSTONE COMMUNITIES			$341,990	1,830	$208.32	80	TOWNHOMES							VISTA DEL SUR
LEVEL 15	2.62	1.76	$399,990	1,690	$231.48	1-Nov-14	0	63	14	8	11	38	49	ESCONDIDO
ZEPHYR PARTNERS			$443,990	1,918	$236.68	10	TOWNHOMES							
MARAVILLA @ VISTA DEL	7.74	7.74	$297,990	1,334	$208.17	25-Apr-15	0	129	18	18	3	108	111	SAN YSIDRO
CORNERSTONE COMMUNITIES			$350,990	1,686	$223.91	81	TOWNHOMES							VISTA DEL SUR
PALERMO @ LAKE POINTE	21.07	21.07	$299,990	1,062	$232.43	22-Apr-15	0	136	49	49	2	85	87	CHULA VISTA
LENNAR HOMES			$397,990	1,652	$282.47	82	TOWNHOMES							LAKE POINTE
SEAVIEW TERRACE @ OCE	0.30	3.78	$330,900	1,549	$204.30	6-Sep-14	0	40	38	1	2	0	2	SAN YSIDRO
PARDEE HOMES			$349,975	1,713	$213.62	84	TOWNHOMES							OCEAN VIEW HILLS
SIENA @ LAKE POINTE	12.90	12.90	$344,990	1,323	$251.74	22-Apr-15	0	85	30	30	6	49	55	CHULA VISTA
LENNAR HOMES			$365,990	1,437	$264.54	85	TOWNHOMES							LAKE POINTE
TOSARA @ OTAY RANCH-I	2.62	2.67	$364,900	1,635	$172.88	23-Aug-14	0	89	28	8	13	48	61	CHULA VISTA
PACIFIC COAST COMMUNITIES			$410,900	2,366	$223.18	87	TOWNHOMES							OTAY RANCH-MONTECITO
11 Total Projects	**64.67**	**66.74**						**1,051**	**402**	**149**	**63**	**586**	**649**	
Average Per Development	**5.88**	**6.07**												

Today, Commuters Employed in Pala CMA Would Most Likely Commute into Riverside County Where They Could Get a Lot More Home For The Money Than in Chula Vista



The largest concentration of new home projects within relatively close proximity of the Pala CMA offering homes affordable to workforce households employed in the Pala CMA are not located in San Diego County at all, but are found north of the CMA in southern Riverside County. The negative implication of having southern Riverside County providing workforce housing alternatives for the Pala CMA is the drain of property tax dollars and sales tax dollars out of San Diego County into Riverside County as employees tend to spend more dollars closer to home than work.

Where Pala CMA Workers Live	2013
Escondido city, CA	1,516
Temecula city, CA	823
Valley Center CDP, CA	668
San Diego city, CA	468
Murrieta city, CA	456
Fallbrook CDP, CA	330
Oceanside city, CA	313
Menifee city, CA	264
San Marcos city, CA	235
Vista city, CA	233
Hidden Meadows CDP, CA	162
French Valley CDP, CA	145

According to LEHD statistics, of 7,392 workers that commute into the Pala CMA for employment, 2,235 commute in from Riverside County, with the highest concentration commuting from Temecula, Murrieta, Menifee and French Valley.

Those employees commuting into southwest Riverside County get a lot more home for their commute for the money. All of the new homes currently available in San Diego County under $400,000 are either townhomes on detached condominiums built on 1500 square foot lots offering relatively small homes, some 40 miles away. Those commuters heading north to southwest Riverside County on the other hand can purchase a new home with over 2000 square feet of living space on 6,000 plus square foot lots for less money within 20 miles of the CMA.

San Diego County vs Southwest Riverside County
Average Pricing and Home Size
Q2 2015

			Style		
Region	Submarket	Data	SFA	SFD	Grand Total
SAN DIEGO COUNTY	EAST COUNTY	Weighted Avg Price	$397,490	$0	$397,490
		Weighted Avg Sqft	1,492	0	1,492
		Weighted Avg $/Sqft	$266.38	$0.00	$266.38
		CurQtrSold	5		5
		Average LotSize	0		0
	HIGHWAY 78 CORRIDOR	Weighted Avg Price	$399,990	$0	$399,990
		Weighted Avg Sqft	1,690	0	1,690
		Weighted Avg $/Sqft	$236.68	$0.00	$236.68
		CurQtrSold	1		1
		Average LotSize	0		0
	SOUTH COUNTY	Weighted Avg Price	$343,352	$360,490	$343,624
		Weighted Avg Sqft	1,412	1,060	1,407
		Weighted Avg $/Sqft	$243.10	$340.08	$244.26
		CurQtrSold	124	2	126
		Average LotSize	0	1,500	281
SAN DIEGO COUNTY Weighted Avg Price			$345,870	$360,490	$346,092
SAN DIEGO COUNTY Weighted Avg Sqft			1,418	1,060	1,412
SAN DIEGO COUNTY Weighted Avg $/Sqft			$243.99	$340.08	$245.08
SAN DIEGO COUNTY CurQtrSold			130	2	132
SAN DIEGO COUNTY Average LotSize			0	1,500	257
WEST RIVERSIDE COUNTY	LAKE ELSINORE	Weighted Avg Price	$0	$333,084	$333,084
		Weighted Avg Sqft	0	2,137	2,137
		Weighted Avg $/Sqft	$0.00	$155.85	$155.85
		CurQtrSold		145	145
		Average LotSize		6,243	6,243
	MENIFEE/PERRIS	Weighted Avg Price	$0	$344,723	$344,723
		Weighted Avg Sqft	0	2,619	2,619
		Weighted Avg $/Sqft	$0.00	$131.63	$131.63
		CurQtrSold		188	188
		Average LotSize		8,474	8,474
	TEMECULA/MURRIETA	Weighted Avg Price	$306,728	$375,617	$346,541
		Weighted Avg Sqft	1,659	2,380	2,076
		Weighted Avg $/Sqft	$184.87	$157.81	$166.94
		CurQtrSold	65	88	153
		Average LotSize	0	6,519	5,132
WEST RIVERSIDE COUNTY Weighted Avg Price			$306,728	$347,206	$341,815
WEST RIVERSIDE COUNTY Weighted Avg Sqft			1,659	2,402	2,303
WEST RIVERSIDE COUNTY Weighted Avg $/Sqft			$184.87	$144.52	$148.39
WEST RIVERSIDE COUNTY CurQtrSold			65	421	486
WEST RIVERSIDE COUNTY Average LotSize			0	7,280	6,900

MarketPointe REALTY ADVISORS

Southwest Riverside County
Development Summary Table Alpha By Project
Homes Priced Primarily Under $400,000
2nd Quarter 2015

Development/Developer	Sales/Mo CurQtr	Sales/Mo Cum	Ranges Price	Ranges Sqft	Ranges $/Sqft	Sales Start Map/Page #	LotSize/ Concept	Total Units	Total Sold	CurQtr Sold	Unsold	Future Phases	Total Inventory	Community/ MasterPlan
SUNRISE @ MORNINGSTAR RANCH	2.97	3.05	$381,925	2,560	$132.35	29-Mar-14	7800	87	47	9	9	31	40	FRENCH VALLEY
STANDARD PACIFIC			$396,815	2,998	$153.96	104	DETACHED							MORNINGSTAR RANCH
CAPISTRANO II	3.91	2.02	$379,990	2,346	$127.06	12-Jul-14	8000	60	24	11	16	20	36	FRENCH VALLEY
MERITAGE HOMES			$436,990	3,439	$161.97	89	DETACHED							
KONA ROAD II	3.23	2.75	$357,990	2,217	$122.46	28-Mar-15	7200	10	9	9	1	0	1	FRENCH VALLEY
MERITAGE HOMES			$398,990	3,258	$161.47	94	DETACHED							
SWEETWATER RANCH II	0.34	4.60	$352,990	2,217	$120.93	23-Mar-13	7000	128	128	1	0	0	0	FRENCH VALLEY
MERITAGE HOMES			$393,990	3,258	$159.21	105	DETACHED							
THE TERRACES @ ALBERHILL RANCH	2.84	3.66	$321,990	1,846	$128.66	1-May-14	7500	66	52	8	10	4	14	LAKE ELSINORE
KB HOME			$372,990	2,899	$174.71	122	DETACHED							ALBERHILL RANCH
AMBERLEAF @ CANYON HILLS	7.61	6.11	$313,450	1,646	$133.13	28-Jun-14	5000	154	74	22	5	75	80	LAKE ELSINORE
PARDEE HOMES			$350,000	2,629	$194.41	110	DETACHED							CANYON HILLS
CYPRESS @ CANYON HILLS	1.08	1.94	$242,450	1,663	$105.57	18-Dec-10	6000	109	108	3	1	0	1	LAKE ELSINORE
RICHMOND AMERICAN			$426,000	2,993	$173.34	111	DETACHED							CANYON HILLS
MEADOW GLEN @ CANYON HILLS	4.30	5.85	$344,200	2,021	$126.84	14-Mar-14	7000	140	93	12	14	33	47	LAKE ELSINORE
PARDEE HOMES			$409,990	3,134	$170.41	114	DETACHED							CANYON HILLS
MEADOW RIDGE @ CANYON HILLS	5.38	4.00	$359,950	2,383	$107.98	1-Jun-13	7000	141	101	15	9	31	40	LAKE ELSINORE
PARDEE HOMES			$457,950	4,241	$152.01	115	DETACHED							CANYON HILLS
SUMMERFIELD @ CANYON HILLS	11.44	11.27	$298,950	1,538	$160.39	10-Mar-15	5000	85	42	32	4	39	43	LAKE ELSINORE
PARDEE HOMES			$312,450	1,948	$194.37	120	DETACHED							CANYON HILLS
MADISON II @ ROSETTA CANYON	3.91	3.01	$302,490	1,998	$101.20	18-Aug-12	7000	109	105	11	4	0	4	LAKE ELSINORE
RICHMOND AMERICAN			$375,159	3,463	$170.06	113	DETACHED							ROSETTA CANYON
DAY BREAK @ SUMMERLY	2.06	2.54	$333,990	2,482	$132.51	20-Jul-13	7800	74	60	6	6	8	14	LAKE ELSINORE
MCMILLIN COMMUNITIES			$387,381	2,881	$134.78	112	DETACHED							SUMMERLY
MERIDIAN @ SUMMERLY	3.44	2.75	$314,990	2,182	$128.96	21-Sep-13	6200	76	59	10	6	11	17	LAKE ELSINORE
MERITAGE HOMES			$339,990	2,551	$144.35	116	DETACHED							SUMMERLY
MONARCH GROVE @ SUMMERLY	1.72	1.98	$370,280	2,589	$123.71	28-Mar-15	5500	64	6	5	9	49	58	LAKE ELSINORE
RYLAND HOMES			$393,915	3,184	$143.02	117	DETACHED							SUMMERLY
ST. ANDREWS @ SUMMERLY	4.99	3.44	$323,400	1,832	$152.68	30-Nov-14	5200	78	24	14	6	48	54	LAKE ELSINORE
WOODSIDE HOMES			$335,900	2,200	$176.52	119	DETACHED							SUMMERLY
SUNRISE SPRINGS @ SUMMERLY	6.06	5.55	$288,990	1,520	$163.09	4-Jan-14	5000	106	100	17	1	5	6	LAKE ELSINORE
RYLAND HOMES			$307,990	1,870	$190.12	121	DETACHED							SUMMERLY
BIG SKY @ AUDIE MURPHY RANCH	1.98	2.75	$381,700	2,794	$109.19	23-Feb-13	8000	93	80	6	5	8	13	MENIFEE
BROOKFIELD HOMES			$419,000	3,837	$136.61	40	DETACHED							AUDIE MURPHY RANCH
HORSESHOE RIDGE @ AUDIE MURPHY RANCI	6.28	4.00	$391,990	2,805	$109.47	2-Aug-14	8200	117	46	19	17	54	71	MENIFEE
RICHMOND AMERICAN			$415,990	3,800	$144.38	46	DETACHED							AUDIE MURPHY RANCH

Southwest Riverside County

Development Summary Table Alpha By Project

Homes Priced Primarily Under $400,000

2nd Quarter 2015

Development/Developer	Sales/Mo CurQtr	Sales/Mo Cum	Ranges Price	Ranges Sqft	Ranges $/Sqft	Sales Start Map/Page #	LotSize/ Concept	Total Units	Total Sold	CurQtr Sold	Unsold	Future Phases	Total Inventory	Community/ MasterPlan
PALOMINO @ AUDIE MURPHY RANCH	3.61	3.70	$367,219	2,300	$122.20	16-Mar-13	7500	112	105	11	7	0	7	MENIFEE
RICHMOND AMERICAN			$387,574	3,100	$159.66	54	DETACHED							AUDIE MURPHY RANCH
REMINGTON @ AUDIE MURPHY RANCH	3.27	2.49	$363,990	2,351	$122.53	1-Nov-14	7500	69	21	10	6	42	48	MENIFEE
WOODSIDE HOMES			$391,990	3,199	$154.82	55	DETACHED							AUDIE MURPHY RANCH
SILVER CREEK @ AUDIE MURPHY RANCH	1.98	2.58	$323,990	1,698	$132.36	28-Mar-15	6000	94	9	6	12	73	85	MENIFEE
KB HOME			$356,990	2,697	$190.80	57	DETACHED							AUDIE MURPHY RANCH
CARMEL @ HERITAGE LAKE	1.63	2.84	$361,340	2,320	$132.38	1-Jul-14	8900	110	35	5	8	67	75	MENIFEE
STANDARD PACIFIC			$396,900	2,998	$155.75	44	DETACHED							HERITAGE LAKE
LAKEVIEW @ HERITAGE LAKE	2.62	3.57	$331,900	1,869	$133.39	4-Jan-14	6500	97	66	8	7	24	31	MENIFEE
STANDARD PACIFIC			$365,900	2,743	$177.58	47	DETACHED							HERITAGE LAKE
NEWBRIDGE @ HERITAGE LAKE	5.29	2.75	$388,900	2,785	$112.02	5-Jun-14	9000	116	37	16	5	74	79	MENIFEE
STANDARD PACIFIC			$421,890	3,766	$141.42	52	DETACHED							HERITAGE LAKE
MERIDIAN @ MENIFEE HILLS	1.63	1.89	$348,497	2,033	$124.13	31-May-14	8100	66	26	5	2	38	40	MENIFEE
LENNAR HOMES			$381,740	2,999	$171.42	50	DETACHED							MENIFEE HILLS
SUMMIT @ MENIFEE HILLS	3.23	1.89	$381,990	2,686	$117.44	1-Jun-14	9500	81	26	9	3	52	55	MENIFEE
LENNAR HOMES			$405,940	3,404	$151.13	60	DETACHED							MENIFEE HILLS
SUMMERHOUSE @ THE LAKES	0.99	6.11	$303,990	1,492	$159.07	15-Feb-12	6000	252	252	3	0	0	0	MENIFEE
CENTEX HOMES			$469,990	2,816	$261.38	59	DETACHED							MENIFEE LAKES
ORCHID @ PACIFIC MAYFIELD	1.98	0.39	$270,990	1,514	$113.00	11-Jul-08	7200	156	35	6	15	106	121	MENIFEE
PACIFIC COMMUNITIES BUILDER, INC.			$309,990	2,398	$194.18	53	DETACHED							PACIFIC MAYFIELD
COTTONWOOD @ PACIFIC MAYFIELD	1.63	0.82	$267,990	2,008	$95.24	3-Feb-07	6000	190	87	5	4	99	103	MENIFEE
PACIFIC COMMUNITIES BUILDER, INC.			$442,990	4,651	$159.35	45	DETACHED							PACIFIC PALMS
CALDER RANCH	0.00	0.47	$370,990	2,583	$103.43	1-Dec-07	43560	70	45	0	0	25	25	MENIFEE
CAPITOL PACIFIC HOMES			$500,000	4,247	$147.35	42	DETACHED							
MAHOGANY CREEK	7.14	3.87	$379,990	2,798	$118.67	28-Sep-13	7200	108	84	20	6	18	24	MENIFEE
D.R. HORTON			$450,263	3,794	$148.20	48	DETACHED							
MARIGOLD II - MENIFEE	4.30	2.58	$364,930	2,310	$127.30	18-Nov-14	7200	42	20	13	3	19	22	MENIFEE
WOODSIDE HOMES			$384,510	2,922	$157.97	49	DETACHED							
MOUNTAIN GATE	4.73	4.73	$280,990	1,732	$125.80	1-May-15	6000	112	11	11	1	100	101	MENIFEE
WOODSIDE HOMES			$310,990	2,472	$162.23	51	DETACHED							
CAMELLIA @ THE LAKES	3.61	5.81	$352,290	2,077	$136.01	1-Apr-15	6000	143	19	11	5	119	124	MENIFEE
LENNAR HOMES			$378,790	2,785	$169.61	43	DETACHED							THE LAKES
ACACIA @ MAHOGANY HILLS	4.30	3.91	$362,990	2,343	$134.06	1-Mar-14	7200	140	64	12	7	69	76	MURRIETA
KB HOME			$387,990	2,894	$154.92	82	DETACHED							MAHOGANY HILLS
HAWTHORNE @ MAHOGANY HILLS	3.57	4.13	$331,990	1,698	$126.49	13-Dec-14	8000	48	28	10	6	14	20	MURRIETA
KB HOME			$369,990	2,925	$195.51	91	DETACHED							MAHOGANY HILLS

Southwest Riverside County

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Homes Priced Primarily Under $400,000

2nd Quarter 2015

Development/Developer	Sales/Mo CurQtr	Sales/Mo Cum	Ranges Price	Ranges Sqft	Ranges $/Sqft	Sales Start Map/Page #	LotSize/ Concept	Total Units	Total Sold	CurQtr Sold	Unsold	Future Phases	Total Inventory	Community/ MasterPlan
IRONWOOD @ MAHOGANY HILLS	3.23	4.47	$367,990	2,628	$97.86	1-Mar-14	8100	136	73	9	12	51	63	MURRIETA
KB HOME			$440,990	4,506	$140.02	93	DETACHED							MAHOGANY HILLS
ALICANTE II @ RANCHO BELLA VISTA	2.97	4.52	$350,290	1,672	$180.21	21-Sep-13	6100	108	98	9	4	6	10	MURRIETA
LENNAR HOMES			$403,690	2,240	$209.50	86	DETACHED							RANCHO BELLA VISTA
CAMBRIA @ RANCHO BELLA VISTA	3.44	3.78	$391,990	1,940	$126.73	21-Sep-13	6100	88	83	11	5	0	5	MURRIETA
LENNAR HOMES			$484,490	3,823	$202.05	87	DETACHED							RANCHO BELLA VISTA
PALOMA II @ RANCHO BELLA VISTA	6.28	4.99	$383,640	1,940	$146.20	21-Sep-13	6100	119	108	19	6	5	11	MURRIETA
LENNAR HOMES			$460,990	3,153	$197.75	99	DETACHED							RANCHO BELLA VISTA
ADDISON POINTE	5.16	5.16	$357,490	2,212	$141.79	6-Jun-15	6000	82	6	6	8	68	76	MURRIETA
D.R. HORTON			$393,490	2,775	$161.61	83	DETACHED							
SENECA	2.15	2.15	$354,990	1,649	$160.70	11-Apr-15	2000	54	6	6	6	42	48	MURRIETA
KB HOME			$372,990	2,321	$215.27	102	ZERO-LOT-LINE							
THE RIDGE AT CAL OAKS	6.32	4.56	$323,990	1,851	$152.70	29-Nov-14	0	102	33	19	9	60	69	MURRIETA
D.R. HORTON			$349,990	2,292	$175.03	101	TOWNHOMES							
CABRILLO @ MONUMENT PARK	9.29	6.88	$276,490	1,848	$110.48	28-Sep-13	7200	184	149	26	16	19	35	PERRIS
KB HOME			$324,490	2,937	$149.61	41	DETACHED							MONUMENT PARK
SEQUOIA @ MONUMENT PARK	0.00	4.86	$313,990	2,390	$106.96	20-Jul-13	7200	119	117	0	2	0	2	PERRIS
KB HOME			$384,990	3,085	$138.33	56	DETACHED							MONUMENT PARK
AVELINA	7.53	10.62	$278,990	1,959	$104.98	14-Nov-14	7200	300	84	21	16	200	216	PERRIS
PULTE HOMES			$344,990	3,286	$142.41	39	DETACHED							
STEEPLECHASE	9.29	6.06	$303,990	2,320	$103.69	15-May-14	6500	137	85	26	7	45	52	PERRIS
RICHMOND AMERICAN			$358,990	3,462	$131.03	58	DETACHED							
LEGACY @ HERITAGE RANCH	2.49	4.34	$344,990	1,691	$145.33	1-Mar-14	7200	77	71	7	1	5	6	TEMECULA
BEAZER HOMES			$409,990	2,821	$204.01	95	DETACHED							HERITAGE RANCH
ALDEA @ PASEO DEL SOL	7.27	4.73	$263,900	1,218	$192.59	23-May-14	0	96	64	22	14	18	32	TEMECULA
TRI POINTE HOMES			$298,900	1,552	$216.66	84	TOWNHOMES							PASEO DEL SOL
ALEGRE @ PASEO DEL SOL	7.91	5.55	$297,900	1,512	$180.65	23-May-14	0	96	75	24	15	6	21	TEMECULA
TRI POINTE HOMES			$332,900	1,734	$200.33	85	TOWNHOMES							PASEO DEL SOL
THE PINNACLE @ RORIPAUGH RANCH	4.95	4.09	$399,990	2,054	$122.15	3-Aug-13	5200	197	95	15	11	91	102	TEMECULA
KB HOME			$514,990	4,216	$194.73	100	DETACHED							RORIPAUGH RANCH
VERONA @ RORIPAUGH RANCH	0.30	2.62	$391,990	2,407	$127.17	12-Oct-13	5200	56	55	1	1	0	1	TEMECULA
VAN DAELE DEVELOPMENT			$427,445	3,361	$162.85	106	DETACHED							RORIPAUGH RANCH
74 Total Projects	**340.53**	**343.36**						**7,693**	**4,120**	**882**	**468**	**3,105**	**3,573**	
Average Per Development	**5.24**	**5.28**												

The above analysis focused on new home pricing averages from our **Residential*Trends*** database while an analysis presented earlier focused on home values within the Redfin database which primarily looked at resale home values, though some new home sales data was incorporated into that database. Another dataset looking at housing values for the Pala CMA based on U.S. Census data that focuses on owner occupied units. This analysis reveals that the even though the recessionary cycle of the past several years has had a negative impact on housing values, with the median price of a home in the Pala CMA dropping from an average of $540,377 in 2010 to $417,057 in 2013. Even with that re-alignment in values, the CMA is still far from being affordable to workforce households in the CMA.

Pala CMA
OWNER OCCUPIED HOUSING VALUES

	Pauma Valley CCD					Valley Center CCD					PALA CMA				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
<$50,000	40	51	72	86	103	113	93	89	108	199	153	144	161	194	302
$50,000-99,999	12	12	21	21	23	242	261	258	239	247	254	273	279	260	270
$100,000-149,999	43	48	34	28	18	239	168	86	86	61	282	216	120	114	79
$150,000-199,999	26	48	54	44	79	102	138	145	162	167	128	186	199	206	246
$200,000-299999	166	316	310	407	317	412	407	520	603	633	578	723	830	1010	950
$300,000-399,999	180	162	326	441	500	516	856	1166	1398	1511	696	1018	1492	1839	2011
$400,000-499,999	212	190	215	156	125	843	1081	1140	1374	1581	1055	1271	1355	1530	1706
$500,000-999,999	493	553	459	395	294	3626	3644	3152	2617	2255	4119	4197	3611	3012	2549
$1,000,000+	119	95	102	56	52	525	478	425	314	133	644	573	527	370	185
TOTAL	1291	1475	1593	1634	1511	6618	7126	6981	6901	6787	7909	8601	8574	8535	8298
MEDIAN	$484,200	$452,900	$393,700	$352,400	$343,100	$584,200	$555,300	$509,300	$462,200	$436,400	$570,231	$540,377	$489,004	$442,124	$417,057

For those households not interested in “for sale” housing there are a minimum of 146 market rate rental projects within 20 miles of the site providing 18,339 units of which less than two percent were designated as vacant as the rental market has become extremely tight in recent years as rising for sale housing prices have forced more and more households into the rental market or eliminated others from qualifying to purchase a home. Rental rate averages among these complexes have increased over 13 percent since our initial study with the current average standing at $1,344 per month.

San Diego County
Rental Complexes in Within Proximity of Pala CMA

Audit	City	# Complexes	Total Units	Leased	Vacant	Vacancy Rate	Avg Rents	Avg Sqft	Avg $/Sqft
2012/Sep	BONSALL	2	82	82	0	0.0%	$845	796	$1.06
	ESCONDIDO	49	6,536	6,279	257	3.9%	$1,123	839	$1.34
	FALLBROOK	20	1,286	1,213	73	5.7%	$971	823	$1.18
	SAN MARCOS	22	2,985	2,817	168	5.6%	$1,360	926	$1.47
	VISTA	52	7,053	6,714	339	4.8%	$1,209	877	$1.38
2012/Sep Total		145	17,942	17,105	837	4.7%	$1,184	867	$1.37
2013/Mar	BONSALL	2	82	78	4	4.9%	$845	796	$1.06
	ESCONDIDO	49	6,584	6,220	364	5.5%	$1,127	842	$1.34
	FALLBROOK	20	1,286	1,181	105	8.2%	$959	823	$1.16
	SAN MARCOS	23	3,093	2,782	311	10.1%	$1,410	923	$1.53
	VISTA	52	7,053	6,753	300	4.3%	$1,217	877	$1.39
2013/Mar Total		146	18,098	17,014	1,084	6.0%	$1,197	868	$1.38
2013/Sep	BONSALL	2	82	80	2	2.4%	$879	796	$1.10
	ESCONDIDO	49	6,584	6,333	251	3.8%	$1,170	842	$1.39
	FALLBROOK	20	1,286	1,201	85	6.6%	$985	823	$1.20
	SAN MARCOS	23	3,094	2,869	225	7.3%	$1,474	923	$1.60
	VISTA	52	7,053	6,762	291	4.1%	$1,262	877	$1.44
2013/Sep Total		146	18,099	17,245	854	4.7%	$1,243	868	$1.43
2014/Mar	BONSALL	2	82	81	1	1.2%	$879	796	$1.10
	ESCONDIDO	49	6,584	6,402	182	2.8%	$1,178	842	$1.40
	FALLBROOK	20	1,286	1,249	37	2.9%	$967	823	$1.18
	SAN MARCOS	23	3,094	2,868	226	7.3%	$1,449	923	$1.57
	VISTA	52	7,053	6,693	360	5.1%	$1,251	877	$1.43
2014/Mar Total		146	18,099	17,293	806	4.5%	$1,237	868	$1.43
2014/Sep	BONSALL	2	82	82	0	0.0%	$879	796	$1.10
	ESCONDIDO	49	6,584	6,456	128	1.9%	$1,209	842	$1.44
	FALLBROOK	20	1,286	1,274	12	0.9%	$1,018	823	$1.24
	SAN MARCOS	23	3,094	2,986	108	3.5%	$1,525	923	$1.65
	VISTA	52	7,053	6,855	198	2.8%	$1,298	877	$1.48
2014/Sep Total		146	18,099	17,653	446	2.5%	$1,283	868	$1.48
2015/Mar	BONSALL	2	82	80	2	2.4%	$886	796	$1.11
	ESCONDIDO	49	6,584	6,506	78	1.2%	$1,257	843	$1.49
	FALLBROOK	19	1,185	1,176	9	0.8%	$1,031	821	$1.26
	SAN MARCOS	24	3,435	3,353	82	2.4%	$1,630	933	$1.75
	VISTA	52	7,053	6,931	122	1.7%	$1,343	877	$1.53
2015/Mar Total		146	18,339	18,046	293	1.6%	$1,344	871	$1.54

As noted earlier, there are not rental projects in the Pala/Pauma submarket and the average rental rate of the 146 rental units identified in Valley Center was $1,505 per month. The aggregated rental rate average of the defined rental units located in Northeast San Diego County is $1,344 per month far below the Valley Center average. However when we focus on more family oriented two- and three-bedroom units, especially if those units are located in projects built since 2000, the average rental rate is markedly closer to the Valley Center average and even approaches the monthly mortgage payment associated with the home planned for Warner Ranch.

The following tables summarize the average base prices for each of the product lines planned for the Warner Ranch and their estimated monthly principle and interest payments as of our original study and this update. The six-plex product's monthly mortgage today would be $1,375 per month, on par with what one would pay in rent for much smaller older two-bedroom apartment, but well below what one would generally have to pay in rent for a still smaller newer two-bedroom apartment.

Rental rate averages at newer apartment complexes which features somewhat larger units rent for an average $1,700 to $2,400 would afford many of the worker who may be commuting out of the CHMA to the rental housing projects located upwards of 20 miles away from the Pala CHMA the ability to buy their own home at Warner Ranch.

Warner Ranch
Calculated Monthly Payments
Nov-11

CONCEPT	AVG PRICE	Month P&I @ 5.5% Interest Rate	Average Square Footage
Six-Plex Courtyard TH	$200,000	$1,078	1,300
Duplex	$245,000	$1,321	1,650
Samll Lot Detached	$287,500	$1,550	1,800
Detached 4,000	$332,500	$1,793	2,100
Detached 5,000	$372,500	$2,009	2,375
Detached 6,000	$432,500	$2,333	2,700
Detached 7,000	$500,000	$2,368	3,400

Warner Ranch
Calculated Monthly Payments
August 2015

CONCEPT	AVG PRICE	Month P&I @ 5.5% Interest Rate	Average Square Footage
Six-Plex Courtyard TH	$240,000	$1,375	1,300
Duplex	$294,000	$1,683	1,650
Samll Lot Detached	$345,000	$1,971	1,800
Detached 4,000	$399,000	$2,279	2,100
Detached 5,000	$447,000	$2,545	2,375
Detached 6,000	$519,000	$2,956	2,700
Detached 7,000	$600,000	$3,408	3,400

Northeast San Diego County

Rental Rate Averages by Community, Age & Bedroom

March 2015

			Bdrms				
City	YearOpen	Data	0	1	2	3	Grand Total
BONSALL	Pre 1993	Weighted Avg Rent		$874	$975		$886
		Weighted Avg Sqft		789	850		796
		Weighted Avg $/Sqft		$1.11	$1.15		$1.11
		Units	0	72	10	0	82
ESCONDIDO	Pre 1993	Weighted Avg Rent	$836	$1,067	$1,339	$1,554	$1,226
		Weighted Avg Sqft	445	682	937	1,148	830
		Weighted Avg $/Sqft	$1.88	$1.57	$1.43	$1.35	$1.48
		Units	324	2,332	3,221	407	6,284
	2000	Weighted Avg Rent		$1,555	$1,664	$2,235	$1,650
		Weighted Avg Sqft		759	1,006	1,432	956
		Weighted Avg $/Sqft		$2.05	$1.65	$1.56	$1.73
		Units	0	24	76	2	102
	2012	Weighted Avg Rent		$1,678	$1,974	$2,523	$2,036
		Weighted Avg Sqft		911	1,157	1,474	1,183
		Weighted Avg $/Sqft		$1.84	$1.71	$1.71	$1.72
		Units	0	24	139	35	198
ESCONDIDO Weighted Avg Rent			$836	$1,078	$1,372	$1,634	$1,257
ESCONDIDO Weighted Avg Sqft			445	685	947	1,175	843
ESCONDIDO Weighted Avg $/Sqft			$1.88	$1.57	$1.45	$1.39	$1.49
ESCONDIDO Units			324	2,380	3,436	444	6,584
FALLBROOK	Pre 1993	Weighted Avg Rent	$826	$951	$1,065	$1,345	$1,031
		Weighted Avg Sqft	438	688	894	1,106	821
		Weighted Avg $/Sqft	$1.89	$1.38	$1.19	$1.22	$1.26
		Units	50	354	739	42	1,185
SAN MARCOS	Pre 1993	Weighted Avg Rent		$1,278	$1,412	$1,985	$1,459
		Weighted Avg Sqft		689	909	1,052	871
		Weighted Avg $/Sqft		$1.86	$1.55	$1.89	$1.67
		Units	0	541	1,207	291	2,039
	2003	Weighted Avg Rent		$1,495	$1,667	$1,662	$1,660
		Weighted Avg Sqft		625	1,049	1,058	1,036
		Weighted Avg $/Sqft		$2.39	$1.59	$1.57	$1.60
		Units	0	20	413	135	568
	2006	Weighted Avg Rent		$2,019	$2,188	$2,444	$2,208
		Weighted Avg Sqft		770	1,043	1,401	1,062
		Weighted Avg $/Sqft		$2.62	$2.10	$1.75	$2.08
		Units	0	80	190	80	350
	2012	Weighted Avg Rent		$1,692	$2,181		$1,883
		Weighted Avg Sqft		677	1,109		845
		Weighted Avg $/Sqft		$2.50	$1.97		$2.23
		Units	0	66	42	0	108
	2015	Weighted Avg Rent		$1,629	$2,084	$2,571	$1,913
		Weighted Avg Sqft		743	1,205	1,609	1,021
		Weighted Avg $/Sqft		$2.19	$1.73	$1.60	$1.87
		Units	0	186	140	44	370
SAN MARCOS Weighted Avg Rent				$1,453	$1,603	$2,019	$1,630
SAN MARCOS Weighted Avg Sqft				705	976	1,149	933
SAN MARCOS Weighted Avg $/Sqft				$2.06	$1.64	$1.76	$1.75
SAN MARCOS Units			0	893	1,992	550	3,435
VISTA	Pre 1993	Weighted Avg Rent	$1,016	$1,167	$1,404	$1,601	$1,322
		Weighted Avg Sqft	483	735	944	1,191	873
		Weighted Avg $/Sqft	$2.11	$1.59	$1.49	$1.34	$1.51
		Units	178	2,400	3,738	423	6,739
	2004	Weighted Avg Rent		$1,561	$1,870	$2,395	$1,789
		Weighted Avg Sqft		731	1,092	1,432	968
		Weighted Avg $/Sqft		$2.14	$1.71	$1.67	$1.85
		Units	0	140	140	34	314
VISTA Weighted Avg Rent			$1,016	$1,189	$1,421	$1,660	$1,343
VISTA Weighted Avg Sqft			483	735	949	1,208	877
VISTA Weighted Avg $/Sqft			$2.11	$1.62	$1.50	$1.37	$1.53
VISTA Units			178	2,540	3,878	457	7,053
Total Weighted Avg Rent			$893	$1,167	$1,414	$1,776	$1,344
Total Weighted Avg Sqft			457	709	949	1,174	871
Total Weighted Avg $/Sqft			$1.96	$1.65	$1.49	$1.51	$1.54
Total Units			552	6,239	10,055	1,493	18,339

Northeast San Diego County
Rental Rate Averages by Age, Community & Bedroom
March 2015

			Bdrms				
YearOpen	City	Data	0	1	2	3	Grand Total
Pre 1993	BONSALL	Weighted Avg Rent		$874	$975		$886
		Weighted Avg Sqft		789	850		796
		Weighted Avg $/Sqft		$1.11	$1.15		$1.11
		Units	0	72	10	0	82
	ESCONDIDO	Weighted Avg Rent	$836	$1,067	$1,339	$1,554	$1,226
		Weighted Avg Sqft	445	682	937	1,148	830
		Weighted Avg $/Sqft	$1.88	$1.57	$1.43	$1.35	$1.48
		Units	324	2,332	3,221	407	6,284
	FALLBROOK	Weighted Avg Rent	$826	$951	$1,065	$1,345	$1,031
		Weighted Avg Sqft	438	688	894	1,106	821
		Weighted Avg $/Sqft	$1.89	$1.38	$1.19	$1.22	$1.26
		Units	50	354	739	42	1,185
	SAN MARCOS	Weighted Avg Rent		$1,278	$1,412	$1,985	$1,459
		Weighted Avg Sqft		689	909	1,052	871
		Weighted Avg $/Sqft		$1.86	$1.55	$1.89	$1.67
		Units	0	541	1,207	291	2,039
	VISTA	Weighted Avg Rent	$1,016	$1,167	$1,404	$1,601	$1,322
		Weighted Avg Sqft	483	735	944	1,191	873
		Weighted Avg $/Sqft	$2.11	$1.59	$1.49	$1.34	$1.51
		Units	178	2,400	3,738	423	6,739
1992 Weighted Avg Rent			$893	$1,120	$1,353	$1,672	$1,279
1992 Weighted Avg Sqft			457	706	932	1,138	852
1992 Weighted Avg $/Sqft			$1.96	$1.58	$1.45	$1.47	$1.50
1992 Units			552	5,699	8,915	1,163	16,329
2000	ESCONDIDO	Weighted Avg Rent		$1,555	$1,664	$2,235	$1,650
		Weighted Avg Sqft		759	1,006	1,432	956
		Weighted Avg $/Sqft		$2.05	$1.65	$1.56	$1.73
		Units	0	24	76	2	102
2003	SAN MARCOS	Weighted Avg Rent		$1,495	$1,667	$1,662	$1,660
		Weighted Avg Sqft		625	1,049	1,058	1,036
		Weighted Avg $/Sqft		$2.39	$1.59	$1.57	$1.60
		Units	0	20	413	135	568
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		Weighted Avg Sqft		731	1,092	1,432	968
		Weighted Avg $/Sqft		$2.14	$1.71	$1.67	$1.85
		Units	0	140	140	34	314
2006	SAN MARCOS	Weighted Avg Rent		$2,019	$2,188	$2,444	$2,208
		Weighted Avg Sqft		770	1,043	1,401	1,062
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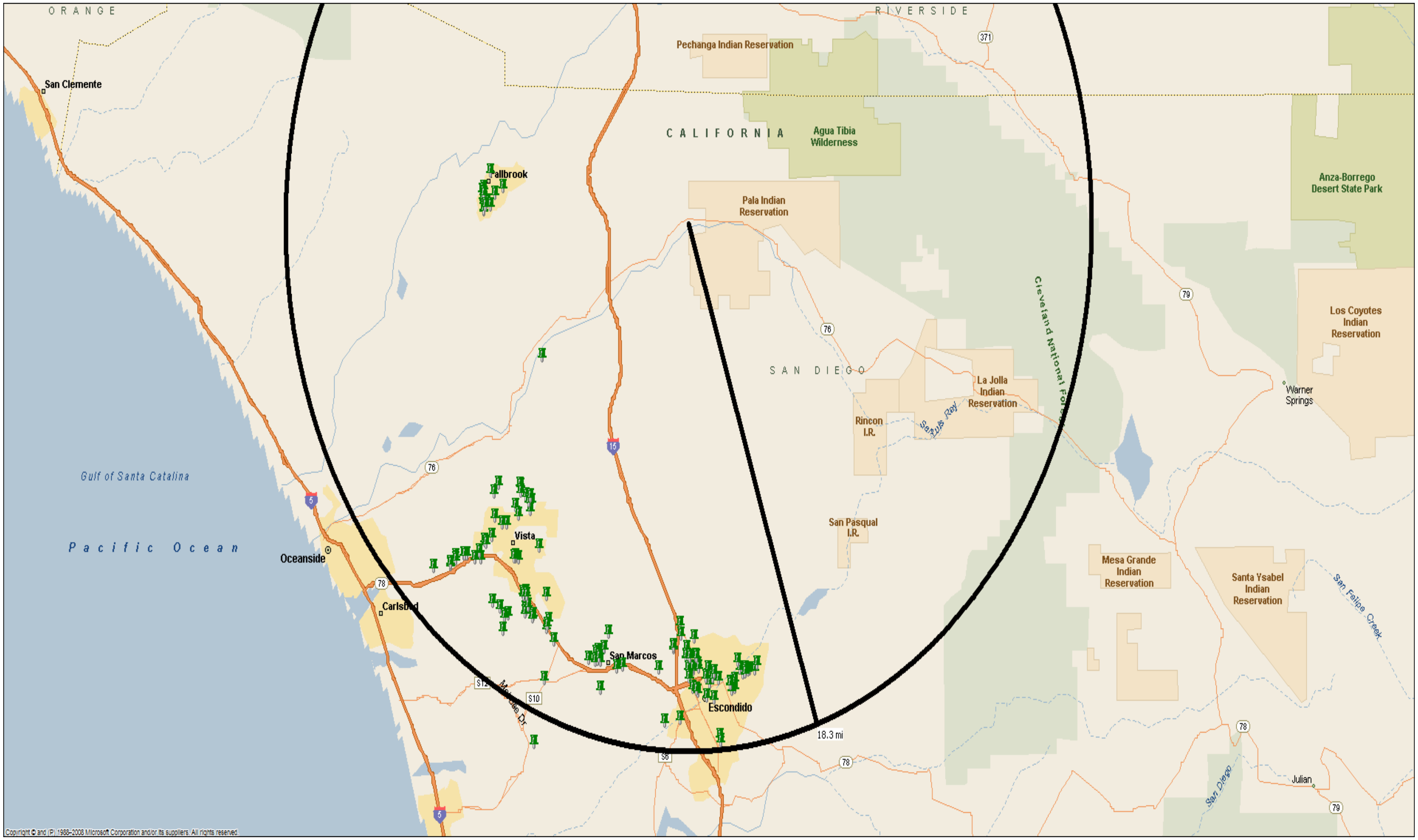
		Weighted Avg Sqft		911	1,157	1,474	1,183
		Weighted Avg $/Sqft		$1.84	$1.71	$1.71	$1.72
		Units	0	24	139	35	198
	SAN MARCOS	Weighted Avg Rent		$1,692	$2,181		$1,883
		Weighted Avg Sqft		677	1,109		845
		Weighted Avg $/Sqft		$2.50	$1.97		$2.23
		Units	0	66	42	0	108
2012 Weighted Avg Rent				$1,689	$2,022	$2,523	$1,982
2012 Weighted Avg Sqft				739	1,146	1,474	1,064
2012 Weighted Avg $/Sqft				$2.28	$1.77	$1.71	$1.86
2012 Units			0	90	181	35	306
2015	SAN MARCOS	Weighted Avg Rent		$1,629	$2,084	$2,571	$1,913
		Weighted Avg Sqft		743	1,205	1,609	1,021
		Weighted Avg $/Sqft		$2.19	$1.73	$1.60	$1.87
		Units	0	186	140	44	370
2015 Weighted Avg Rent				$1,629	$2,084	$2,571	$1,913
2015 Weighted Avg Sqft				743	1,205	1,609	1,021
2015 Weighted Avg $/Sqft				$2.19	$1.73	$1.60	$1.87
2015 Units			0	186	140	44	370
Total Weighted Avg Rent			$893	$1,167	$1,414	$1,776	$1,344
Total Weighted Avg Sqft			457	709	949	1,174	871
Total Weighted Avg $/Sqft			$1.96	$1.65	$1.49	$1.51	$1.54
Total Units			552	6,239	10,055	1,493	18,339

Most of the rental units in Northeast San Diego County are concentrated between Vista and Escondido



PALA CMA FUTURE HOUSING SUPPLY

Excluding the Warner Ranch from the analysis there are no units proposed in the community of Pala which might be deemed workforce housing as the one project planned for Pala features two plus acre lots and large lot projects seldom if ever provide homes in the range workforce households can afford, i.e. housing priced under $400,000. In Pauma Valley and Valley Center there are 94 units in the entitlement process on 10,000 square foot or larger lots which most likely won't be targeting workforce households.

Assuming the relationship between lot size and home prices and assuming that homes developed on 8,000 plus square foot lot are not targeting workforce households, at present it appears that about 67 percent of the units planned for the overall CMA could effectively target workforce households, however that number is really much smaller as conversations with developer at Accretive Valley Center indicates that few homes at this project will be priced under $400,000. Thus as has been the case in the past, workforce households employed in the Pala CMA will most likely be forced into southwestern Riverside County in order to fulfill their housing needs.

Pala CMA
Proposed Development Summary by Community and Lot Size
Q2 2015

			lotsize										
city	masterplan	Data	ATTACHED	3000-3999	4000-4999	5000-5999	6000-6999	8000-89999	10000-19999	20000-43559	43560-87119	87120+	Grand Total
PALA	STAND-ALONE	Sum of units										37	37
		Number of Projects										1	1
	WARNER RANCH	Sum of units	226	132	222	125	61	15					781
		Number of Projects	2	1	2	1	1	1					8
PALA Sum of units			226	132	222	125	61	15				37	818
PALA Number of Projects			2	1	2	1	1	1				1	9
PAUMA VALLEY	STAND-ALONE	Sum of units							40			54	94
		Number of Projects							2			1	3
PAUMA VALLEY Sum of units									40			54	94
PAUMA VALLEY Number of Projects									2			1	3
VALLEY CENTER	ACCRETIVE VALLEY CENTER	Sum of units	175			1,413	145				12		1,745
		Number of Projects	1			1	1				1		4
	ORCHARD RUN	Sum of units	52		96			59	16	31			254
		Number of Projects	1		1			1	1	1			5
	STAND-ALONE	Sum of units	71							396	177	475	1,119
		Number of Projects	1							1	2	17	21
VALLEY CENTER Sum of units			298		96	1,413	145	59	16	427	189	475	3,118
VALLEY CENTER Number of Projects			3		1	1	1	1	1	2	3	17	30
Total Sum of units			524	132	318	1,538	206	74	56	427	189	566	4,030
Total Number of Projects			5	1	3	2	2	2	3	2	3	19	42

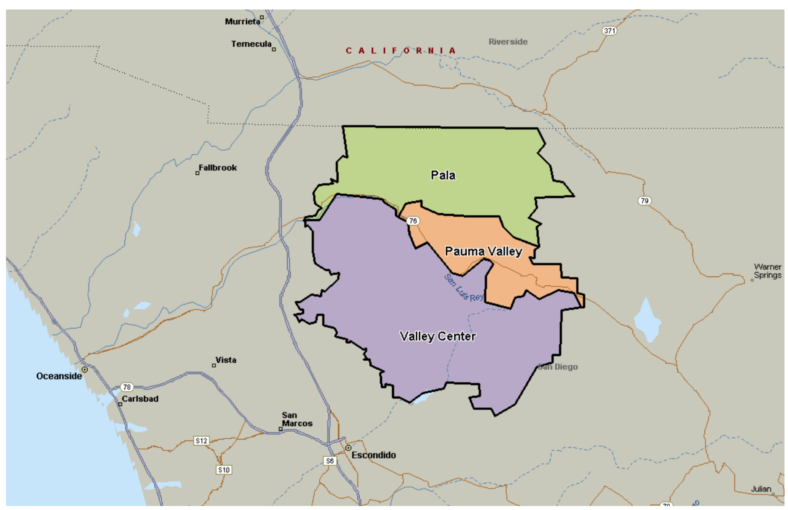
September 19, 2011

In response to the Pala/Pauma Subregional Plan adopted Auguest 3, 2011 the following report addresses the requirement for market feasibility study for the Warner Ranch Special Study Area (SSA). The proposed Warner Ranch Project is intended to provide a range of workforce housing opportunities consistent with the Job/Housing Balance goals and policies of the San Diego County General Plan. The recently adopted General Plan and associated Pala/Pauma Community Plan provides for the implementation of this project by designating this 513.6-acre property as a Special Study Area (SSA). The SSA requires preparation of specific studies relative to Job/Housing Balance, Infrastructure, and Community Compatibility as part of an upcoming General Plan Amendment to allow for higher density residential development within this SSA. The purpose of this study is to provide the necessary socioeconomic framework that will guide the proposed project in providing the needed housing for the existing and upcoming job market in this subregion, consistent with the SSA requirements. In accordance to the goals of the County's General Plan, the provision of suitable housing for the existing and upcoming employment market will allow an overall reduction of automobile travel and promote a more sustainable community, which will contribute to the overall quality of life in the northern San Diego County.

As denoted in the Warner Ranch Special Study Area documentation, this study:

- Shall identify the existing employment centers within the general area of the project site.

- The Study should review appropriate housing opportunities that could accommodate existing and future employees based upon income levels and the employee's proximity to the employment center.



- For the purpose of this analysis, the Special Study Area is defined as northwestern San Diego County in a region heretofore defined as the Pala Competitive Market Area (CMA) an area that encompasses the communities and/or cities of Pala, Pauma Valley and Valley Center.

The overriding purpose of this analysis is to determine:

- If a jobs housing imbalance exists within the Pala CMA
- If so, to what extent
- Potential causes of the imbalance

Methodology

- A review of employment statistics within the defined Pala CMA utilizing employment numbers from the California Employment Development Department to determine the extent of existing employment within the general area of the project site.

- A review of labor force data within the Pala CMA versus the number of jobs within the CMA to determine the potential number of workers that are commuting into the CMA for work.

- An income analysis associated with jobs within the CMA to determine their purchasing power relative to housing.

- A review and evaluation of new and resale sale housing cost to determine the depth of housing within the CMA that would be affordable to workforce households.

- An evaluation of the geographical areas within proximity of the CMA in San Diego County that can provide workforce housing positioned under $400,000.

- A determination of were outside of San Diego County workforce households can find workforce housing primarily priced under $400,000.

- A review of proposed development activity within the CMA to determine the potential if exist supply in the entitlement process can provide workforce housing.

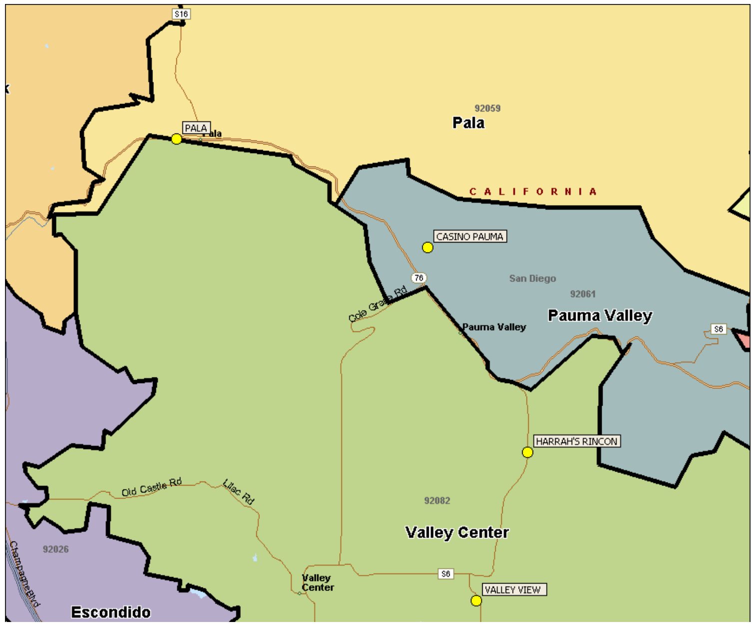
We appreciate the opportunity of preparing this analysis for your review and remained available to answer any question that may arise.

Sincerely,

MarketPointe Realty Advisor

Russell T. Valone II
President

THE EMPLOYMENT BASE

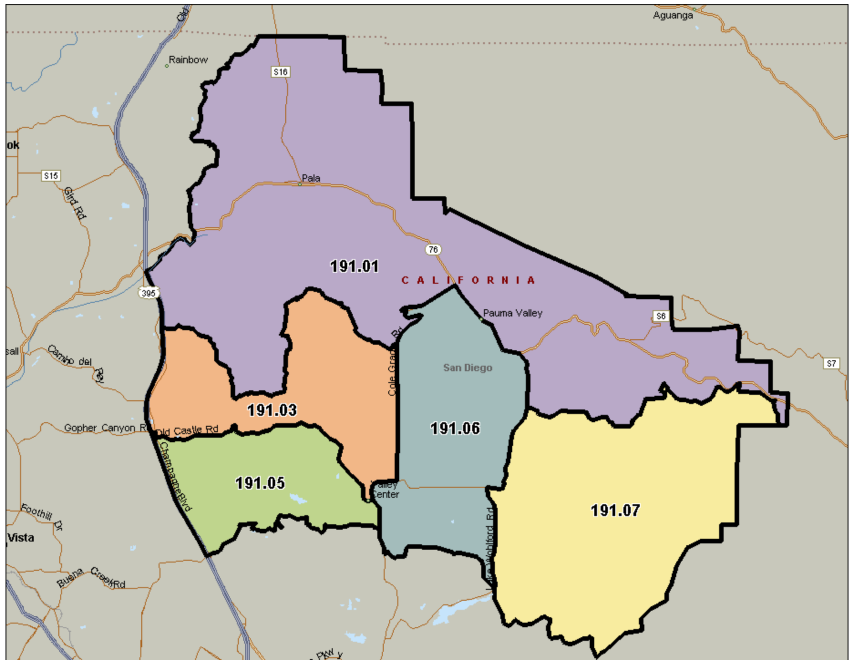


The first step in the analysis was to contact the California Employment Development Department (EDD) to determine the number of jobs within the defined Pala CMA. A report generated by EDD identified a total 8,654 jobs in the Pala CMA as of 2010. That total is down 934 jobs from 2007, with the greatest number job losses noted in the construction, an employment sector which has been hard hit by the recession. Due to privacy policies, three major employment sectors Agriculture, Utilities and Accommodations & Food Service have their job numbers withheld, however their numbers are included in the totals. Utilizing total jobs numbers and subtracting known job numbers by sector, we have identified a total of 2,494 jobs in these three employment sector, with many of those jobs in the Accommodation and Food Service sector which include employment at nearby Indian Casinos. Another large employment sector that needs explanation is the Government Sector. In addition to jobs we normally associate with government, this sector in the CMA also include casino job at the nearby Pala Casino and Casino Pauma. Although official estimates are not available for EDD due to privacy policies, we estimated that between 4,500 and 5,000 jobs in the CMA are associated with the five Indian Casinos in the CMA based upon articles published in Union Tribune and San Diego Business Journal.

Pala CMA
Employment by Secctor
2007 - 2010
Source: California Department of Employment Development

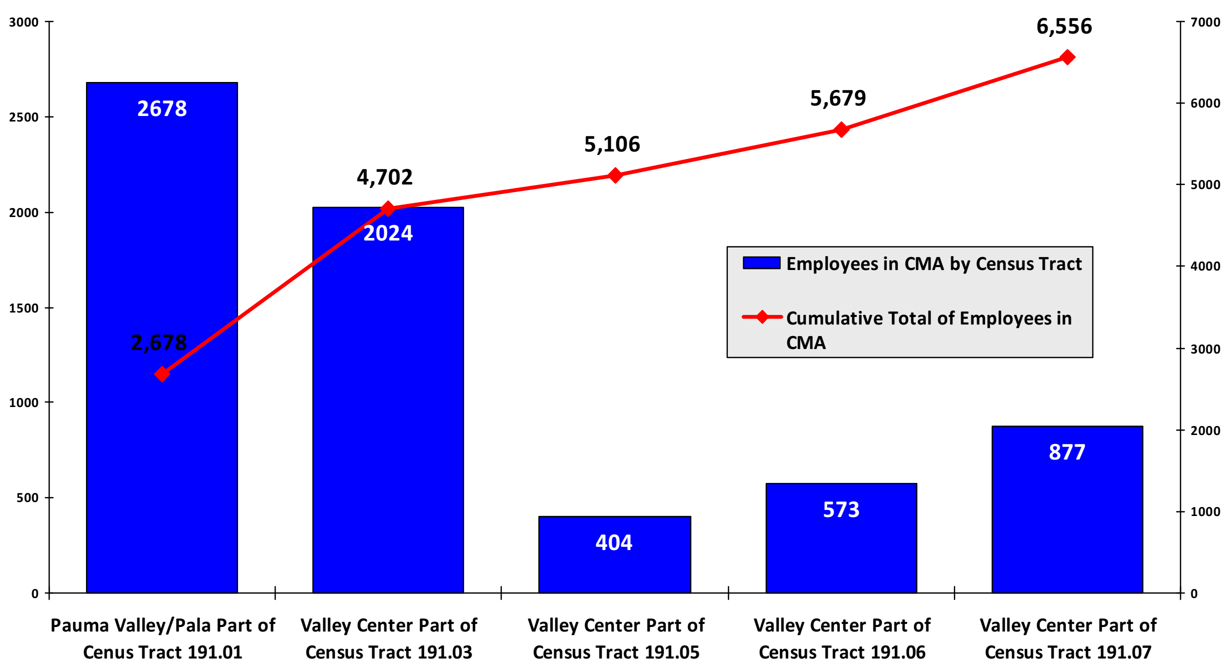
EMPLOYMENT SECTOR	2010	2009	2008	2007
Agriculture, Forestry, Fishing and Hunting Utilities Accommodation and Food Services	2,494	2,557	2,826	2,926
Construction	354	494	653	826
Manufacturing	80	80	80	70
Wholesale Trade	105	101	111	123
Retail Trade	171	169	192	193
Transportation and Warehousing	31	42	77	101
Information	26	40	46	24
Finance and Insurance	26	28	30	31
Real Estate and Rental and Leasing	50	57	54	58
Professional, Scientific, and Technical Services	153	159	174	174
Administrative and Support and Waste Management and Remediation Services	189	104	141	159
Educational Services	34	32	38	33
Health Care and Social Assistance	255	256	261	246
Arts, Entertainment, and Recreation	112	118	136	104
Other Services (except Public Administration)	61	61	61	60
Not Classified	15	15	21	6
Government	4,498	4,601	4,657	4,454
TOTAL, ALL INDUSTRIES	**8,654**	**8,914**	**9,558**	**9,588**

THE LABOR FORCE



The US Census Bureau in their analysis of employees by occupation (C24030. SEX BY INDUSTRY FOR THE CIVILIAN EMPLOYED POPULATION 16 YEARS AND OVER; 2005-2009 American Community Survey 5-Year Estimates) reported 6,566 persons within the Pala CMA were gainfully employed. The highest concentration of these employees is focused in census tracts 191.01 and 191.03; the census tracts that encompass the Pala and Pauma Casinos and the Warner Ranch subject site. Note: employee numbers presented for census tract 191.01, 191.03 and 191.05 do not include portions of these census tracts adjacent to Interstate 15 which are generally considered either Escondido or Fallbrook.

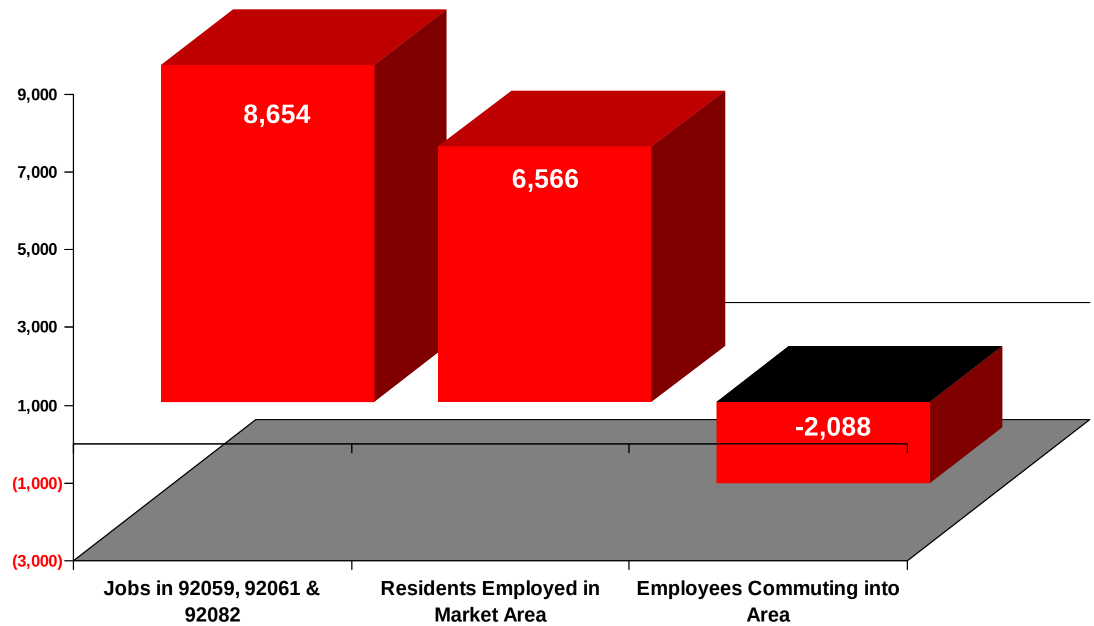
The US Census Bureau Reports that 6,556 of the Pala CMA Residents Were Employed



THE JOBS HOUSING IMBALANCE

With 6,566 persons within the CMA employed and 8,654 jobs in the CMA, the CMA has at least 2,088 persons commuting into the CMA to fill existing jobs within the CMA indicating at that least 25 percent of the employees at jobs in the CMA must commute into the CMA for work.

A Minimum of 25% of Residents of Pala/Pauma/Valley Center Market Area Do Not Live in the Area, However With

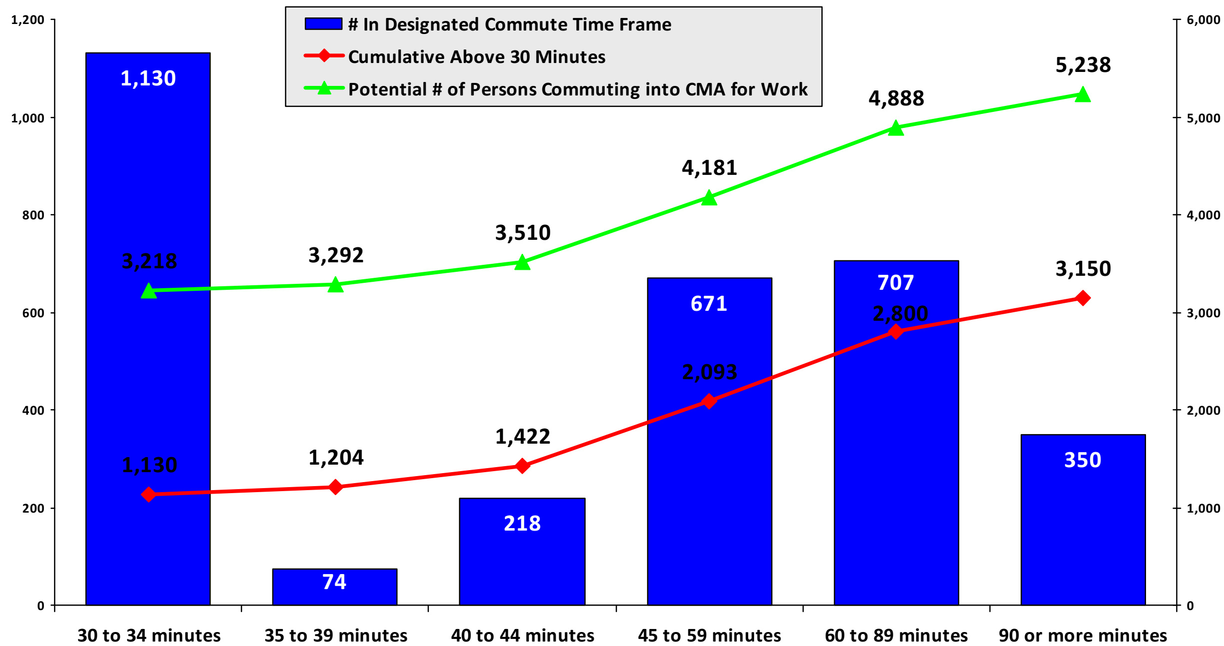


However since it is highly unlikely that all 6,566 persons employed in the CMA actually work in the CMA, the numbers of individuals commuting into the CMA is probably significantly higher than the simple mathematical equation indicates.

The US Census Bureau in their report (B08303. TRAVEL TIME TO WORK - Universe: WORKERS 16 YEARS AND OVER WHO DID NOT WORK AT HOME) demonstrated that a significant portion of the 5,704 workers in the CMA who do not work at home, commute more than 30 minutes to work, which would definitely indicate that they worked outside of the Pala CMA.

The following exhibit demonstrates the commute time traveled by residents of the Pala CMA that commute over 30 minutes to work. As this exhibit demonstrates; up to 3,150 of the employed residents of the CMA commute over 30 minutes to work. Add that total to the 2,088 commuters indicated above and the total number of persons commuting into the CMA for employment could climb to as high as 5,238.

Distances Commuted to Work by Residents of Pala CMA & Potential Numbers of Employees Commuting into CMA for Work



INCOMES AND HOUSING COST

A potential cause for the disconnect between the number of jobs in the Pala CMA and the numbers of persons potentially commuting into the CMA for those jobs may be the relationship of incomes to housing cost.

The report prepared for us by the California Employment Development Department (EDD) which identified the number of jobs within the CMA also provided corresponding information regarding incomes associated with those jobs. According to EDD the average annual per person income within the CMA as of 2010 was $37,614 with a minimum average of $17,521 and a maximum average of $55,646.

Assuming that a single income household in the CMA earns an average of $37,514, that household would have the purchasing power to afford an $185,000 home, with 5% down and a loan balance of $175,750 amortized over 30 years. Assuming a dual income household with each income earner earning the CMA's average annual income, workers residing in the Submarket would have the purchasing power to afford a $370,000 home.

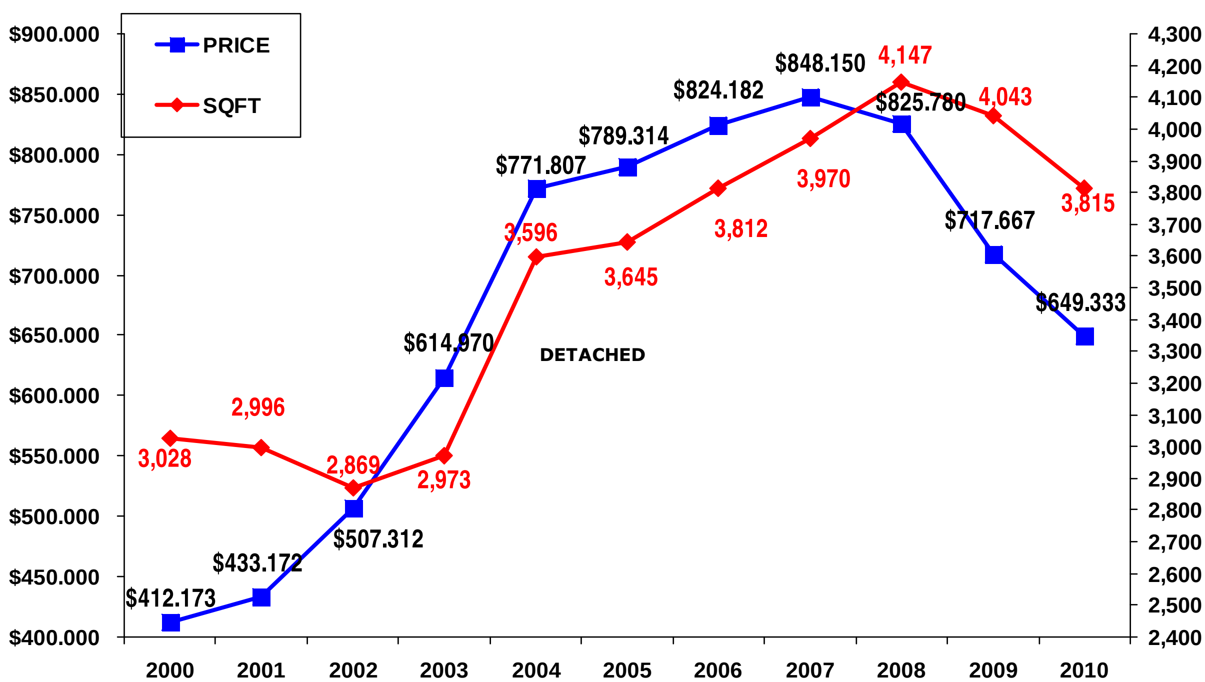
Focusing on the households earning the maximum average income at a job within the Pala CMA the supportable housing prices are $275,000 for a single income household and $550,000 for a dual income household.

	Average	Maximum
Annual Salary Within Pala CMA	$37,614	$55,646
Allocation for Housing Assuming 30% of Income for Principal & Interest Payments	$940	$1,391
Single Income Household Purchasing Pow er for Principal & Interest Payments	$185,000	$275,000
Household Housing Allocation of 30% Assuming Dual Income Household	$1,881	$2,782
Purchasing Pow er Assuming 5% Interest Rate Over 30 Years	$370,000	$550,000

The problem in the CMA is that very little new housing if any has been provided in the CMA over the past decade which could be deemed affordable to households working within the Pala CMA. The following graphic depicts annual new for sale housing prices in the CMA since 2000 from our Residential Trends new home database.

Back in 2000 and 2001 the average price of a new home sold in the CMA was concentrated in the low-to-mid-$400,000. Due to large lot character of most of the new housing built in the CMA, with 67 percent of the new homes built in the CMA developed on 20,000 square foot or larger lots, new home prices have averaged above $600,000 since 2003, a range unaffordable to workforce households in the CMA.

Due to Large Lot Characteristics of Most New Homes Built in Valley Center New Home Prices Have Averaged Well Above $500,000 Since 2000

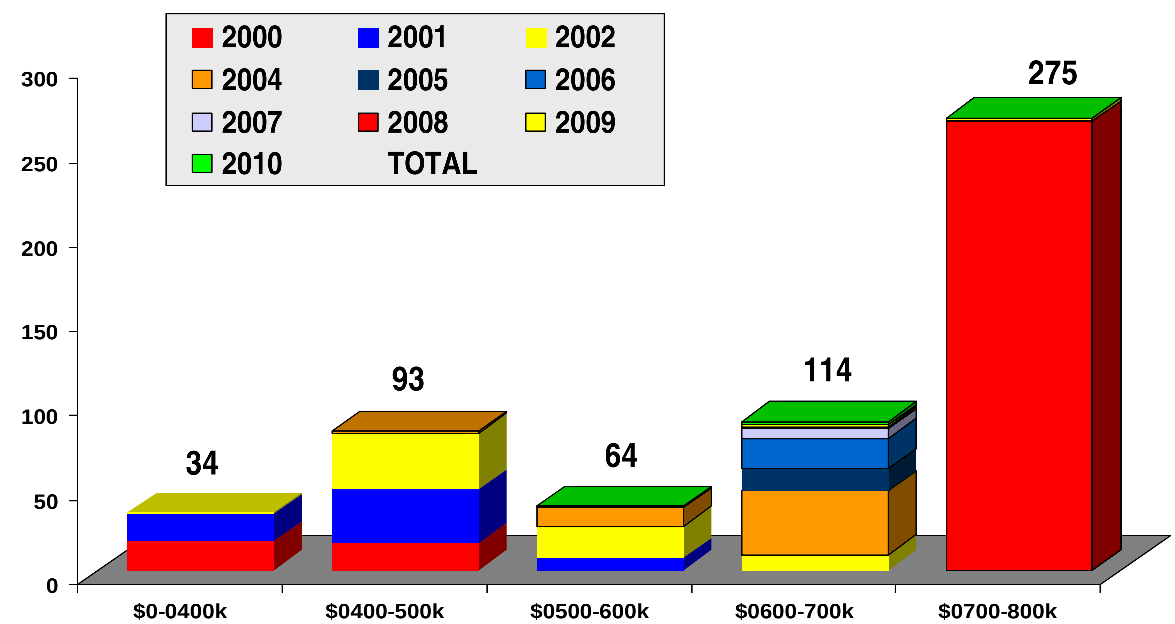


Valley Center
Sales by Lot Size
2000 - 2010

Sum of CurSold	Year											
LotRange	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Grand Total
06000-99				10	32	12						54
10000-99					39	63	35	6				143
20000-99					20	20	16	1				57
40000-99	11	17	28	27	3							86
80000-99	22	38	35	36	54	20	29	-4	4	3	3	240
Grand Total	33	55	63	73	148	115	80	3	4	3	3	580

Of the total 580 new homes sold in CMA since 2000 only 6 percent were priced under $400,000, with all of those homes sold in Valley Center since there has been no production oriented new housing activity in Pala or Pauma Valley during the 2000's.

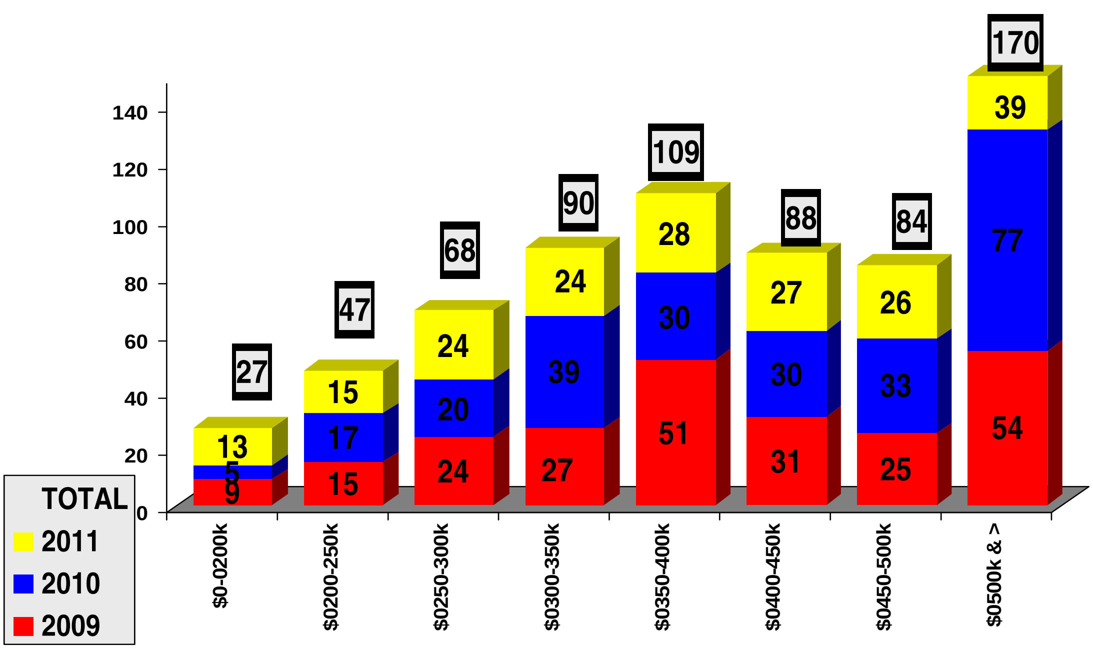
Less Than 6% of the New Homes Sold in Valley Center Since 2000 Have Been Priced Under $400,000



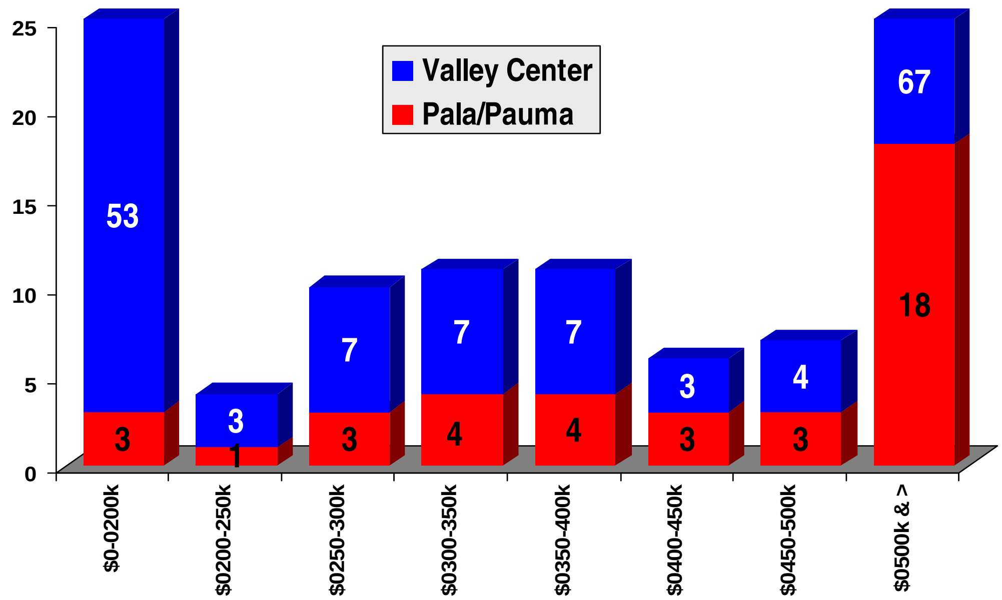
An analysis of resale market activity generated through the Redfin website which tracks resales and listings indicates that although detached resale value are somewhat more affordable than new home product in the CMA, very few resale homes turn over in Pala or Pauma Valley, with most of the activity in Valley Center. Though about half of the resales in Valley Center are priced under $400,000, many of these units are sold for the land value as many of the homes sold and listed under $400,000 and especially those homes listed and sold under $200,000 are bought with the mind set of demolishing the home and building a new one in its place.

	Column Labels			
Row Labels	2009	2010	2011	TOTAL
Past Sale				
Pala				
# Sales	5	7	2	14
Average of PRICE	$478,960	$480,543	$407,500	$469,543
Pauma Valley				
# Sales	21	19	17	57
Average of PRICE	$374,081	$502,858	$410,353	$427,825
Valley Center				
# Sales	210	225	177	612
Average of PRICE	$414,288	$429,778	$396,627	$414,875
Past Sale # Sales	236	251	196	683
Past Sale Average of PRICE	$412,080.7	$436,725.7	$397,928.6	$417,076.4
Total # Sales	236	251	196	683
Total Average of PRICE	$412,081	$436,726	$397,929	$417,076

The Highest Volume of Resale Market Activity in the Submarket Since 2009 is Priced Above $500,000



52% of Homes Listed in Pala/Pauma Valley/Valley Center Are Listed Over $400,000



The graphic on page 12 depicts new home subdivisions featuring product primarily priced under $400,000 as of the second quarter of 2011. Blue dots represent new detached projects while the green dots represent new condominiums and/or townhome projects.

As this exhibit demonstrates there is currently only one project in San Diego County within 10 miles of the subject site (as the crow flies) offering homes priced primarily under $400,000 which would make them affordable to workforce households employed within the Pala CMA. That one project Oakmont at Shady Grove is a 33 unit project with only nine units left in inventory.

	Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	Price	Sqft	$/Sqft	Map/Page #	Concept	Units	Sold	Sold	Unsold	Phases	Inventory	MasterPlan
OAKMONT @ SHADY GROVE	$359,990	1,687	$169.18	2-Jan-10	14520	33	24	2	9	0	9	FALLBROOK
KB HOME	$379,990	2,246	$213.39	19	DETACHED							SHADY GROVE

To find projects offering product under $400,000 in San Diego County employees in the Pala CMA would need to commute a minimum of 20 plus miles into San Marcos or Vista, there to find only a limited number projects offering workforce housing.

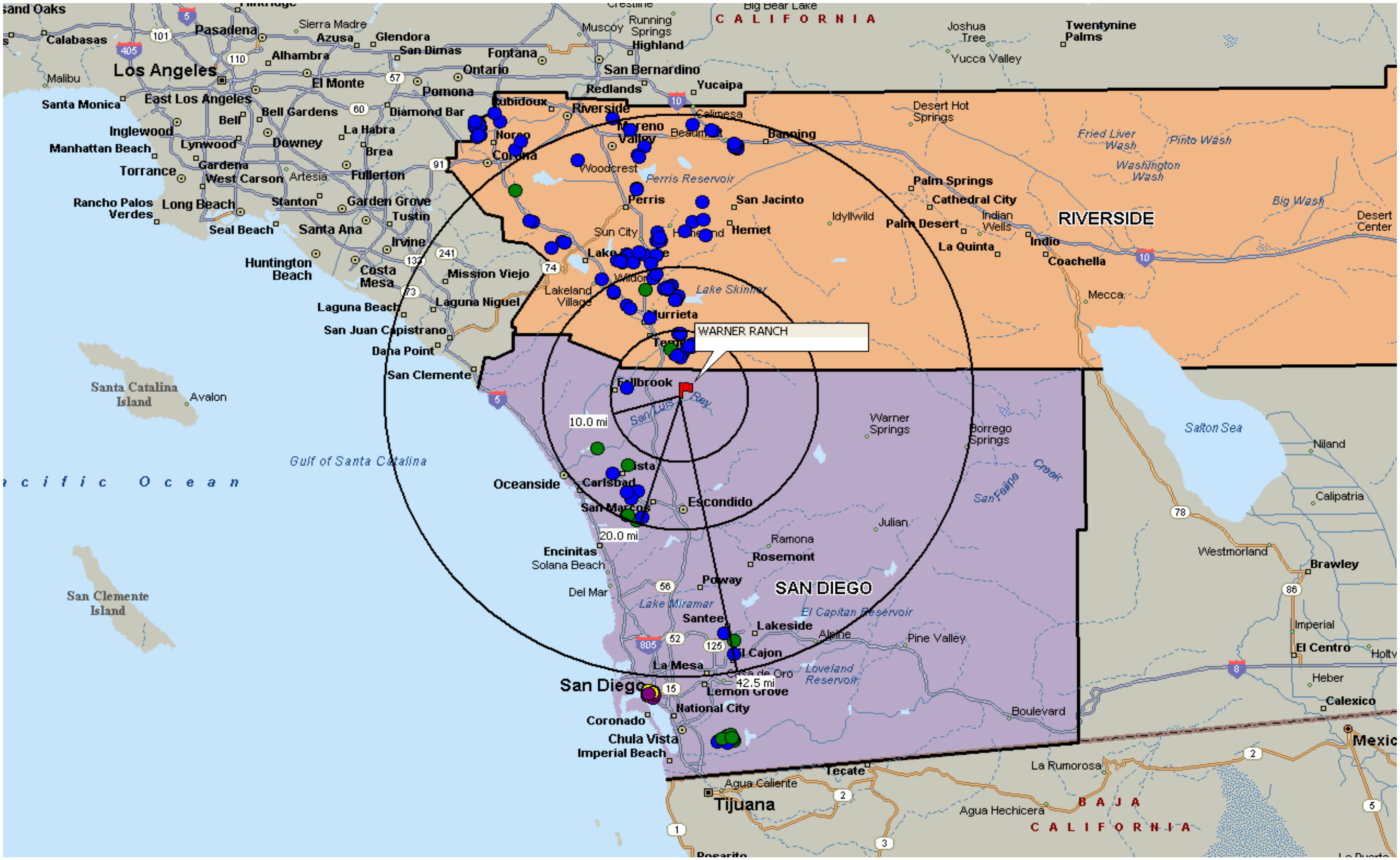
San Marcos/Vista
Development Summary Table By Community
Projects Featuring Primarily Under $400,000 New Homes
Q2 2011

	Sales/Week		Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	**CurQtr**	**Cum**	**Price**	**Sqft**	**$/Sqft**	**Map/Page #**	**Concept**	**Units**	**Sold**	**Sold**	**Unsold**	**Phases**	**Inventory**	**MasterPlan**
LAUREL @ OLD CREEK RANCH	0.16	0.29	$363,990	1,650	$212.38	29-May-10	0	98	17	2	7	74	81	SAN MARCOS
CORNERSTONE COMMUNITIES			$376,990	1,775	$220.60	10	DUPLEX							OLD CREEK RANCH
MAGNOLIA @ OLD CREEK RANCH	0.00	0.16	$278,990	1,173	$201.32	27-Nov-10	0	193	5	0	10	178	188	SAN MARCOS
CORNERSTONE COMMUNITIES			$331,990	1,649	$237.84	12	TOWNHOME OVER GARAGE							OLD CREEK RANCH
HACIENDAS II @ RANCHO SANTALINA NORTH	0.16	0.15	$379,000	2,238	$156.78	26-Jun-10	4000	17	8	2	9	0	9	SAN MARCOS
FIELDSTONE COMMUNITIES			$418,000	2,666	$169.34	8	DETACHED							RANCHO SANTALINA NORTH
BELMONT @ SAN ELIJO HILLS	0.00	0.00	$389,990	1,447	$214.99	21-Jun-11	3000	131	0	0	7	124	131	SAN MARCOS
LENNAR HOMES			$449,990	2,093	$269.51	3	DETACHED							SAN ELIJO HILLS
ARBOR RANCH	1.25	1.92	$367,374	1,826	$155.90	2-Apr-11	6000	57	25	15	13	19	32	SAN MARCOS
CENTEX HOMES			$412,990	2,649	$201.19	2	DETACHED							
AMBER WOODS II	0.91	0.44	$369,900	2,004	$159.63	30-Apr-10	4100	44	27	11	10	7	17	VISTA
WATT COMMUNITIES			$429,900	2,693	$184.58	1	DETACHED							
OAK DRIVE VILLAS	0.16	0.40	$249,900	1,247	$198.89	27-Aug-10	0	42	18	2	6	18	24	VISTA
HALLMARK DEVELOPMENT			$271,900	1,357	$200.51	18	TOWNHOMES							
TESORO - VISTA	0.00	0.00	$339,990	1,800	$171.82	22-May-11	3500	55	0	0	6	49	55	VISTA
A&S DEVELOPMENT			$365,990	2,130	$188.88	25	DETACHED							
8 Total Projects	**2.64**	**3.36**						**637**	**100**	**32**	**68**	**469**	**537**	
Average Per Development	**0.33**	**0.42**												

The largest concentration of new home project within relatively close proximity of the Pala CMA offering homes affordable to workforce households employed in the Pala CMA are not located in San Diego County at all, they are found north of the CMA the southern Riverside County. The negative implication of having southern Riverside County providing workforce housing alternatives for the Pala CMA is the drain of property tax dollars and sales tax dollar out of San Diego County into Riverside County as employees tend to spend more dollars closer to home than work.

MarketPointe REALTY ADVISORS

With Only One Actively Selling New Home Project in San Diego County Offering Homes Under $400,000 Within 10 Miles of the Site, Workforce Households Employed in Pala Area are Forced into Riverside County to Purchase a New Home



Temecula
Development Summary Table By Community
Projects Featuring Primarily Under $400,000 New Homes
Q2 2011

	Sales/Week		Ranges			Sales Start	LotSize/	Total	Total	CurQtr		Future	Total	Community/
Development/Developer	**CurQtr**	**Cum**	**Price**	**Sqft**	**$/Sqft**	**Map/Page #**	**Concept**	**Units**	**Sold**	**Sold**	**Unsold**	**Phases**	**Inventory**	**MasterPlan**
BARRINGTON II @ HARVESTON	0.53	0.48	$289,950	2,034	$119.22	3-Sep-10	5300	87	21	7	8	58	66	TEMECULA
RICHMOND AMERICAN			$325,950	2,734	$145.50	73	DETACHED							HARVESTON
EMERY PLACE II @ HARVESTON	0.00	0.50	$254,950	1,850	$132.05	12-Feb-11	3300	29	10	0	9	10	19	TEMECULA
RICHMOND AMERICAN			$283,910	2,150	$137.81	76	DETACHED							HARVESTON
MONTEVINA II @ MORGAN HILL	0.23	0.91	$339,990	2,524	$120.88	20-Feb-10	5700	65	65	3	0	0	0	TEMECULA
MERITAGE HOMES			$496,489	3,302	$150.36	87	DETACHED							MORGAN HILL
RUFFINO II @ MORGAN HILL	0.61	0.77	$332,239	2,102	$135.95	17-Apr-10	7000	56	49	8	7	0	7	TEMECULA
RICHMOND AMERICAN			$346,950	2,552	$158.05	93	DETACHED							MORGAN HILL
VILLAS @ MORGAN HILL	1.00	0.92	$323,400	2,384	$129.09	26-Mar-11	5500	20	13	13	7	0	7	TEMECULA
STANDARD PACIFIC			$371,400	2,877	$135.65	100	DETACHED							MORGAN HILL
ARROYO @ PASEO DEL SOL	0.46	1.00	$321,000	2,129	$128.14	23-Oct-10	6000	73	37	6	2	34	36	TEMECULA
LENNAR HOMES			$366,500	2,860	$150.77	72	DETACHED							PASEO DEL SOL
MANZANITA @ PASEO DEL SOL	1.76	1.27	$256,990	1,628	$132.63	16-Oct-10	5000	118	47	23	10	61	71	TEMECULA
KB HOME			$294,990	2,224	$157.85	84	DETACHED							PASEO DEL SOL
THE RESERVE @ PASEO DEL SOL	2.00	2.00	$383,900	2,875	$120.39	25-Jun-11	7000	100	2	2	7	91	98	TEMECULA
STANDARD PACIFIC			$404,900	3,363	$133.53	92	DETACHED							PASEO DEL SOL
HEMMINGWAY II @ REDHAWK	0.50	0.50	$361,900	2,877	$122.07	7-May-11	5000	59	4	4	10	45	55	TEMECULA
STANDARD PACIFIC			$400,400	3,280	$125.79	80	DETACHED							REDHAWK
STRATFORD II @ REDHAWK	0.25	0.42	$285,950	1,700	$130.65	7-Aug-10	4500	57	20	3	3	34	37	TEMECULA
RICHMOND AMERICAN			$339,712	2,600	$168.20	95	DETACHED							REDHAWK
REFLECTIONS @ TEMECULA LANE	1.23	0.84	$177,990	1,071	$136.81	16-Dec-06	0	236	202	16	6	28	34	TEMECULA
D.R. HORTON			$235,990	1,586	$169.92	91	FOURPLEX							TEMECULA LANE
IRONWOOD @ WOLF CREEK	0.46	0.45	$377,090	2,898	$123.25	1-Jul-06	6500	133	120	6	11	2	13	TEMECULA
WOODSIDE HOMES			$405,890	3,293	$130.12	81	DETACHED							WOLF CREEK
SYCAMORE @ WOLF CREEK	0.53	0.44	$346,040	2,727	$116.19	2-Nov-06	5610	126	108	7	7	11	18	TEMECULA
WOODSIDE HOMES			$364,040	3,133	$126.89	96	DETACHED							WOLF CREEK
TAMARACK @ WOLF CREEK	0.30	0.55	$239,990	1,650	$129.86	14-Jul-07	2000	139	115	4	6	18	24	TEMECULA
WOODSIDE HOMES			$279,990	2,156	$145.44	97	CLUSTER DETACHED							WOLF CREEK
14 Total Projects	**9.86**	**11.05**						**1,298**	**813**	**102**	**93**	**392**	**485**	
Average Per Development	**0.70**	**0.79**												

PALA CMA FUTURE HOUSING SUPPLY

Excluding the Warner Ranch from the analysis there are no units proposed in the community of Pala which might be deemed workforce housing as the one project planned for Pala features two plus acre lots and large lot projects seldom if ever provide homes in the range workforce households can afford, i.e. housing priced under $400,000.

Assuming the relationship between lot size and home prices and assuming that homes developed on 8,000 plus square foot lot are not targeting workforce households, at present there appears that only 18 percent of the units planned for the overall CMA could effectively target workforce households, thus as has been the case in the past, workforce households employed in the Pala CMA will most likely be forced into southwestern Riverside County in order to fulfill their housing needs.

PALA CMA
Proposed Summary by Community & Lot Size Category
Q2 2011

			lotrange2							
city	masterplan	Data	ATTACHED	04000-4999	08000-8999	10000-19999	20000-39999	40000-79999	800000+	Grand Total
PALA	STAND-ALONE	Sum of units							37	37
		Number of Projects							1	1
PALA Sum of units									37	37
PALA Number of Projects									1	1
PAUMA VALLEY	STAND-ALONE	Sum of units		46			16		54	116
		Number of Projects		1			1		1	3
PAUMA VALLEY Sum of units				46			16		54	116
PAUMA VALLEY Number of Projects				1			1		1	3
VALLEY CENTER	ORCHARD RUN	Sum of units	52	96	59	16	31			254
		Number of Projects	1	1	1	1	1			5
	STAND-ALONE	Sum of units	71				396	152	453	1,072
		Number of Projects	1				1	2	16	20
VALLEY CENTER Sum of units			123	96	59	16	427	152	453	1,326
VALLEY CENTER Number of Projects			2	1	1	1	2	2	16	25
Total Sum of units			123	142	59	16	443	152	544	1,479
Total Number of Projects			2	2	1	1	3	2	18	29

The Warner Ranch with its diversity of densities and lot sizes is targeting the very workforce households that are currently underserved by the CMA. The following table demonstrates the proposed generic product and pricing guidelines being considered for the Warner Ranch. With anticipated pricing to begin under $200,000 and most of the proposed product anticipated to be positioned under $400,000 the Warner Ranch will be providing the very workforce housing needed within the CMA enabling it to compete with areas such as southern Riverside County were new home prices are currently averaging in the low-to-mid-$300,000's.

Warner Ranch
Proposed Product Summary

Concept	Lot Size	Mix	% of Total	Unit Size Range	Base Price Range
SIxPlex Courtyard TH		174	22%	1000 - 1600	$175,000 - $225,000
Duplex SFD	3000	50	6%	1500 - 1800	$235,000 - $255,000
Small Lot SFD\	3000	132	17%	1600 - 2000	$275,000 - $300,000
Detached 4,000	4000	224	29%	1800 - 2400	$315,000 - $350,000
Detached 5,000	5000	125	16%	2000 - 2750	$350,000 - $395,000
Detached 6,000	6000	60	8%	2400 - 3000	$415,000 - $450,000
Detached 7,000	7000	15	2%	3000 - 3800	$475,000 - $525,000
		780			