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**THE 2008
CITY OF PASO ROBLES
ECONOMIC FORECAST**

by

UC SANTA BARBARA ECONOMIC FORECAST

Volume 7 • June 2008

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The **Paso Robles Chamber of Commerce** is an active organization of more than 1,100 members. It is a diverse association of professionals working together for a healthy business climate. Through the Chamber's work, we are proud to be a voice for business and an integral part of the Paso Robles community.

Paso Robles is, in two words, "business friendly." The City of Paso Robles has enticed many new business ventures. Our strong local economy, safe streets, clean environment and charming downtown are the community attributes most frequently cited for attracting new businesses and residents.

UC Santa Barbara Economic Forecast was established in 1981 by the Department of Economics. It is now a research program of UC Santa Barbara administered by the Office of the Vice Chancellor, Institutional Advancement. Research funding for the Economic Forecast comes principally from the local community in the form of *sponsorships*. The Economic Forecast regularly provides current economic and business information to participating sponsors.

The UC Santa Barbara Economic Forecast proudly presents our seventh annual *City of Paso Robles Economic Forecast*, published in conjunction with the Paso Robles Chamber of Commerce.

This publication is significantly different than our *San Luis Obispo County Economic Outlook*. It is focused on Paso Robles, its economy, its demographics, and its community. For each data series, we provide historical data and a short-term forecast. The city level data is either for the City defined by its incorporation limits or defined as a metropolitan area, (the city limits and nearby areas). We provide State, Tri-County, and County level data for perspective.

Please forward any questions or comments about the data to the UC Santa Barbara Economic Forecast.

Paso Robles City Forecast Highlights

California and National

The United States economy continues to show remarkable resilience. While many have predicted a recession of biblical proportion, the economy continues to grow, slowly, very slowly. We expect that the national economy will avoid a recession, but we're not quite sure that is the best thing. Recessions are a form of reallocating assets, and they set up new, extended, growth possibilities. By contrast, the current situation has remarkable similarities to the 1970s. Even without the Nehru jackets and discos, most of us would want to avoid a rerun of the 1970s. Inflation climbed throughout the decade as the Fed attempted to combat rising commodities prices and recessions with evermore expansionary monetary policy. Eventually, the house of cards had to collapse. The decade ended with the most severe recession since the depression.

California's economy will grow more slowly than will the United States economy. In part this is due to a disproportionately large impact from real estate market weaknesses. There are other causes though. The State budget crisis implies both a smaller government sector and increased uncertainty for businesses. California is a more expensive place for businesses to operate, and State-specific environmental regulation will decrease California's ability to generate economic growth.

County

San Luis Obispo County's economy is seeing new weakness, as growth in the North County slows. While the South County's growth, normally slow, remains relatively stable, the North County economy has seen a remarkable change in trend. At least part of the change in trend is likely to have long-term impacts.

City

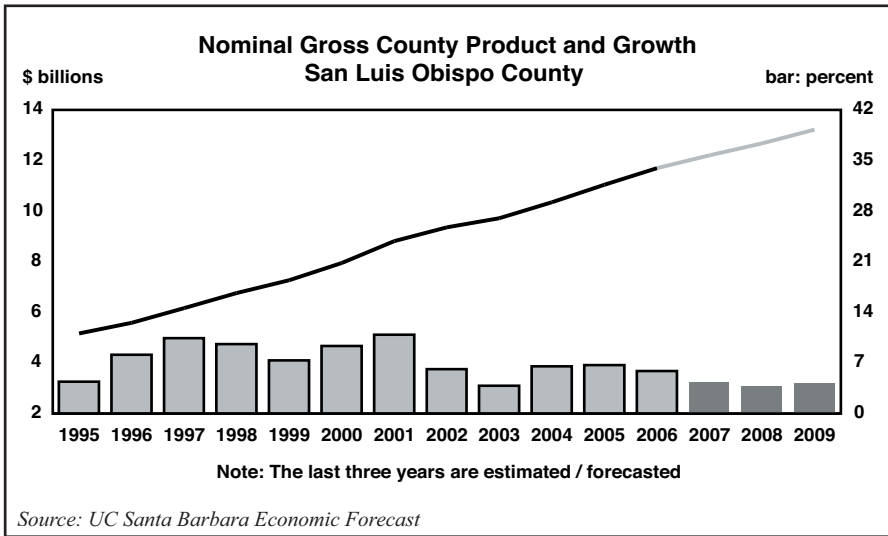
For years Paso Robles has been the economic growth engine of San Luis Obispo County. However, with the slowdown in residential real estate, the City's economic growth rate has slowed dramatically. While it may take a few years for Paso Robles' above-average growth rates to return, we are confident they will.

TABLE 1: GROSS REGIONAL PRODUCT

	1998	1999	2000	2001	2002
California					
Gross State Product (\$ billions)	1,085.9	1,180.6	1,287.1	1,301.1	1,340.4
Gross State Product (\$ 2000 billions)	1,108.7	1,196.6	1,287.1	1,281.7	1,298.8
percent change	4.1	7.9	7.6	-0.4	1.3
Per Worker Gross State Product (\$ thousands)	77.6	82.0	86.4	86.8	90.4
Per Worker Gross State Product (\$ 2000 thousands)	79.2	83.1	86.4	85.6	87.6
percent change	0.6	5.0	3.9	-1.0	2.4
The Tri-Counties					
Gross County Product (\$ billions)	46.6	53.5	59.4	64.3	68.0
Gross County Product (\$ 2000 billions)	48.8	55.5	59.4	62.2	63.8
percent change	9.3	13.6	7.0	4.7	2.6
All Industries Payroll (\$ billions)	15.7	17.0	19.1	19.9	20.4
All Industries Payroll (\$ 2000 billions)	16.6	17.6	19.1	19.2	19.2
percent change	5.9	6.2	8.5	0.8	-0.3
Per Capita Gross County Product (\$ thousands)	34.4	39.0	42.6	45.3	47.2
percent change (\$ 2000)	8.0	12.3	5.3	2.9	1.0
San Luis Obispo County County					
Gross County Product (\$ billions)	6.8	7.3	7.9	8.8	9.4
Gross County Product (\$ 2000 billions)	7.1	7.6	7.9	8.5	8.7
percent change	8.0	6.4	5.1	6.9	2.5
All Industries Payroll (\$ billions)	2.3	2.5	2.7	2.8	3.0
All Industries Payroll (\$ 2000 billions)	2.4	2.6	2.7	2.7	2.8
percent change	8.2	4.8	3.8	3.2	2.0
Per Capita Gross County Product (\$ thousands)	28.3	30.0	32.3	35.2	36.9
percent change (\$ 2000)	6.5	5.1	3.5	5.1	1.2
Per Worker Gross County Product (\$ thousands)	74.3	76.7	81.6	86.8	91.0
percent change (\$ 2000)	3.2	2.3	2.2	2.6	1.1
Paso Robles Metropolitan Area					
Gross City Product (\$ billions)	1.0	1.1	1.3	1.4	1.5
Gross City Product (\$ 2000 billions)	1.1	1.1	1.3	1.3	1.4
percent change	8.1	8.2	10.6	4.4	4.2
All Industries Payroll (\$ billions)	0.3	0.3	0.3	0.3	0.4
All Industries Payroll (\$ 2000 billions)	0.3	0.3	0.3	0.3	0.3
percent change	9.6	5.7	8.2	5.9	2.0
Per Worker Gross City Product (\$ thousands)	97.2	97.7	103.3	107.7	111.1
percent change (\$ 2000)	0.1	0.6	2.6	1.3	0.6

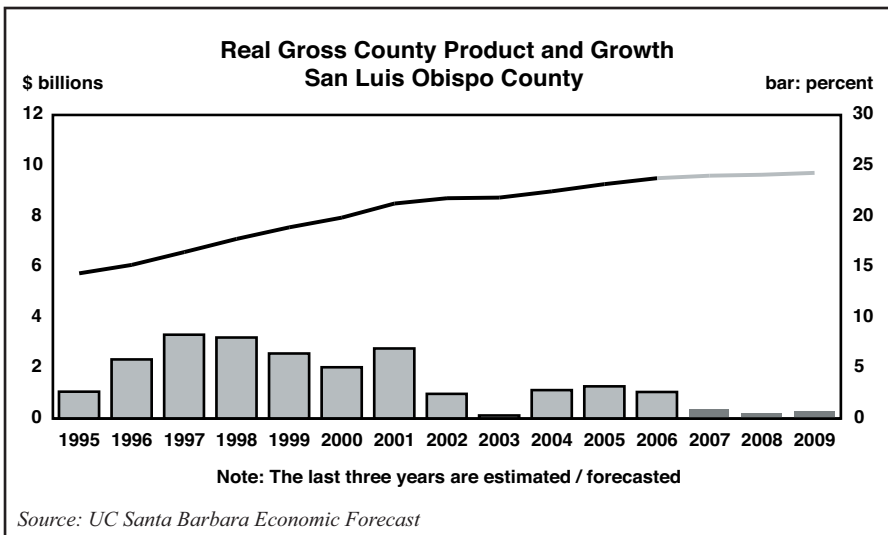
Source: U.S. Bureau of Economic Analysis, CA Employment Development Department, UC Santa Barbara Economic Forecast

2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
1,406.5	1,515.5	1,616.4	1,727.4	1,830.1	1,897.7	1,991.3
1,337.8	1,403.4	1,457.1	1,518.9	1,563.9	1,555.4	1,574.5
3.0	4.9	3.8	4.2	3.0	-0.5	1.2
95.2	101.6	106.5	111.9	117.7	122.8	128.7
90.6	94.1	96.0	98.4	100.6	100.6	101.7
3.4	3.8	2.0	2.5	2.2	0.1	1.1
72.3	76.9	82.3	87.7	91.4	94.8	98.5
65.8	68.1	70.7	73.2	74.2	74.9	75.7
3.2	3.4	3.8	3.7	1.3	1.0	1.0
21.6	23.0	24.5	25.5	26.2	26.9	27.6
19.8	20.4	20.9	20.8	20.7	20.2	19.9
3.1	3.3	2.1	-0.2	-0.6	-2.3	-1.8
49.5	52.1	55.3	58.5	60.3	62.1	64.1
1.8	2.2	3.0	2.9	0.3	0.2	0.3
9.7	10.4	11.1	11.7	12.2	12.7	13.2
8.7	9.0	9.3	9.5	9.6	9.6	9.7
0.3	2.8	3.2	2.6	0.9	0.5	0.7
3.0	3.2	3.4	3.6	3.7	3.8	4.0
2.8	2.9	2.9	2.9	2.9	2.9	2.9
-0.1	2.1	0.2	2.2	-0.3	-1.4	-0.3
38.0	40.1	42.4	44.5	46.1	47.5	49.0
-0.5	1.8	2.2	1.8	0.1	-0.4	-0.2
95.6	101.0	107.2	111.9	117.1	121.7	126.4
1.5	2.0	2.6	1.2	1.2	0.6	0.4
1.5	1.6	1.8	1.9	2.0	2.0	2.1
1.4	1.5	1.6	1.6	1.7	1.7	1.7
1.0	5.4	5.5	5.5	2.9	-0.8	0.1
0.4	0.4	0.4	0.5	0.5	0.5	0.5
0.3	0.3	0.4	0.4	0.4	0.4	0.4
-3.0	5.8	3.8	4.5	2.9	-1.0	-0.2
117.0	121.5	124.5	129.0	132.5	133.2	134.6
2.8	1.3	-0.2	1.1	0.4	-1.4	-1.1

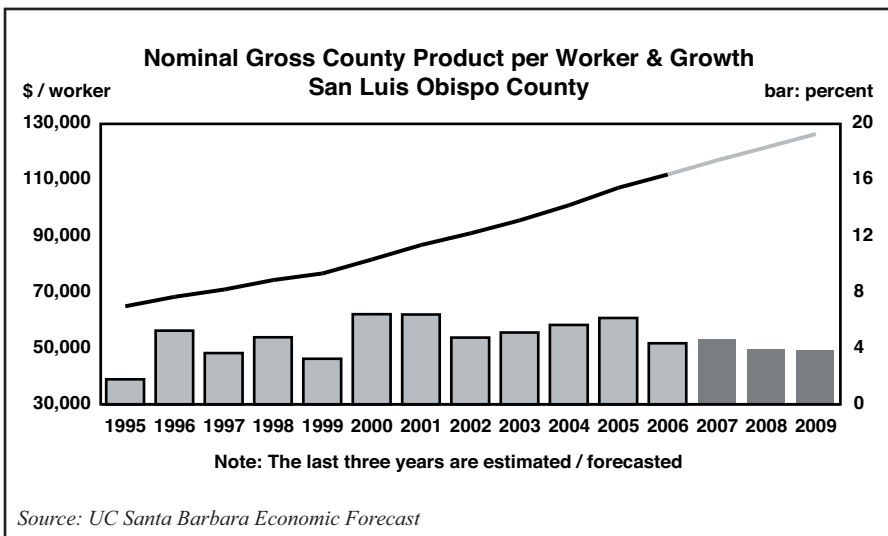


- San Luis Obispo County's Gross Product has shown weaknesses, primarily due to slower North San Luis Obispo County economic growth.

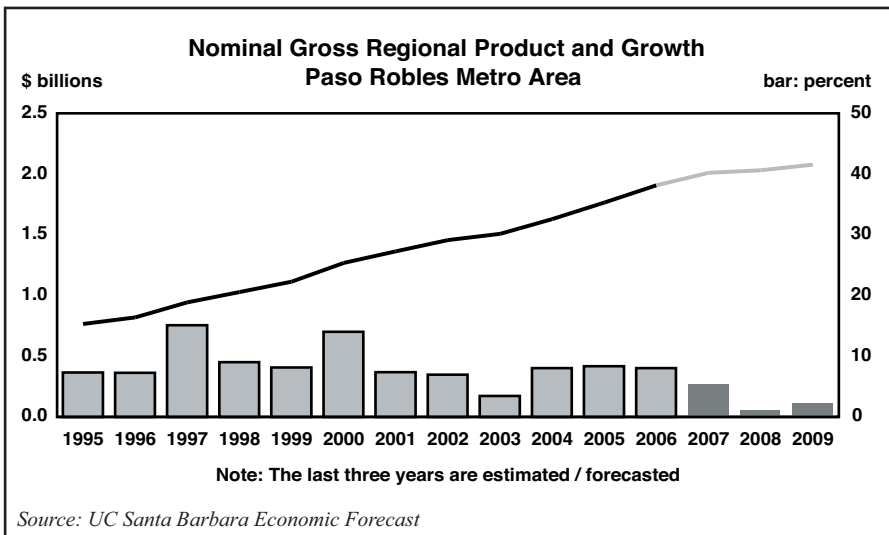
Gross product, the total value of all goods and services produced, is the primary indicator of the health of the County's economy. It is a summary measure that reflects job growth and productivity trends.



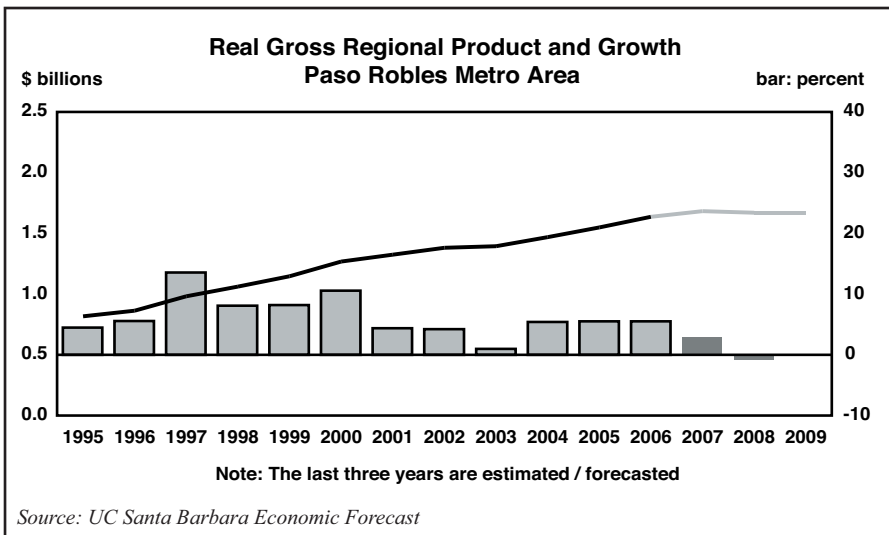
- San Luis Obispo County's real Gross Product has not been particularly strong this decade. We expect real economic weakness throughout the forecast horizon.



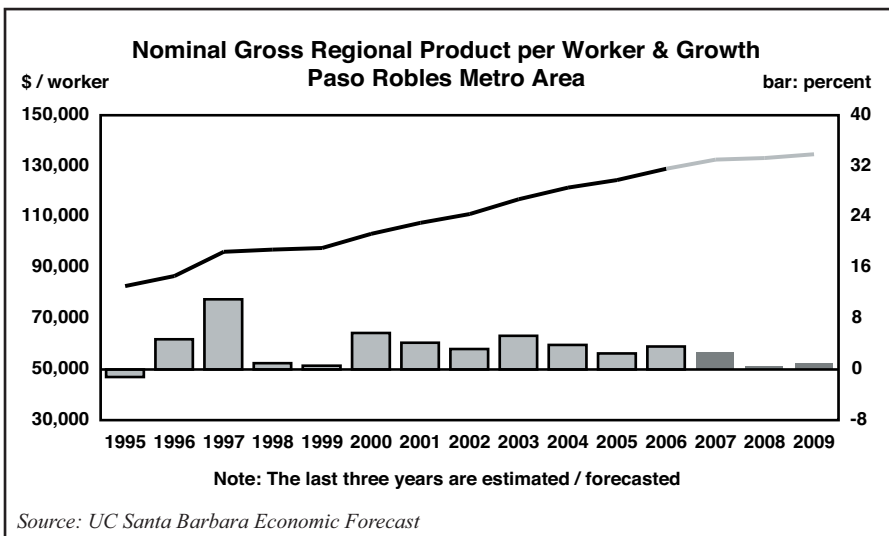
- Changes in the Gross Product Per Worker represent productivity gains. Current trends, while not as good as in the recent past are relatively strong. These represent compositional changes in the County's jobs.



- After years of extraordinary growth, Paso Robles City's Nominal Gross Product growth has slowed to a rate not seen in over 15 years.



- After adjustment for inflation, Paso Robles real economic growth rate is currently negative. We expect tourism and the wine industry to moderate the negative tendency.



- Paso Robles City's nominal output per worker, a measure of productivity, continues to increase. However, adjusted for inflation, output per worker declined.

TABLE 2: INDUSTRIAL STRUCTURE

	1998	1999	2000	2001	2002
<i>Percent of Total Output</i>					
The Tri-Counties					
Agriculture	6.2	5.4	5.4	5.4	5.4
Mining & Quarrying	1.6	1.8	1.7	1.6	1.5
Construction	4.4	4.4	4.1	4.1	4.2
Durable Goods Manufacturing	8.6	9.1	8.8	8.4	8.0
Non-Durable Goods Manufacturing	3.6	7.0	8.9	9.6	10.1
Transportation	1.4	1.4	1.3	1.4	1.4
Communications	2.8	2.5	2.3	2.4	2.3
Utilities	2.8	2.5	2.5	2.6	2.6
Retail Trade	11.3	11.0	10.6	10.4	10.2
Wholesale Trade	5.3	5.1	5.4	5.2	5.0
Finance, Insurance & Real Estate	18.2	17.4	17.4	17.4	17.5
Services	20.4	19.8	19.4	19.6	19.8
Public Sector	13.5	12.8	12.2	11.9	12.0
San Luis Obispo County County					
Agriculture	5.1	4.6	4.8	4.7	4.6
Mining & Quarrying	0.5	0.6	0.7	0.7	0.9
Construction	5.4	5.7	6.0	5.8	6.1
Durable Goods Manufacturing	4.0	3.9	3.6	3.4	3.3
Non-Durable Goods Manufacturing	4.5	4.5	4.7	4.9	4.7
Transportation	1.7	1.8	1.7	1.7	1.6
Communications	1.7	1.7	2.1	2.0	1.9
Utilities	10.9	10.7	10.5	10.4	10.0
Retail Trade	14.6	15.0	14.7	13.9	13.6
Wholesale Trade	3.6	3.3	3.4	3.1	2.9
Finance, Insurance & Real Estate	12.8	13.5	13.2	14.5	14.9
Services	17.1	16.9	17.8	18.8	19.4
Public Sector	18.1	17.6	16.8	16.2	16.1
Paso Robles Metropolitan Area					
Agriculture	7.7	8.7	9.2	9.2	9.2
Mining & Construction	6.8	9.0	9.4	9.9	10.4
Durable Goods Manufacturing	15.4	13.9	12.2	11.9	11.8
Non-Durable Goods Manufacturing	9.6	8.9	9.3	9.6	9.5
Transportation, Communication & Utilities	6.4	4.1	4.8	4.7	4.7
Retail Trade	18.7	18.4	19.1	18.7	18.3
Wholesale Trade	4.4	4.7	4.2	4.0	3.9
Finance, Insurance & Real Estate	9.6	11.1	11.3	11.7	12.1
Services	9.1	9.5	9.3	9.4	9.7
Public Sector	12.2	11.7	11.1	10.8	10.6

Source: UC Santa Barbara Economic Forecast

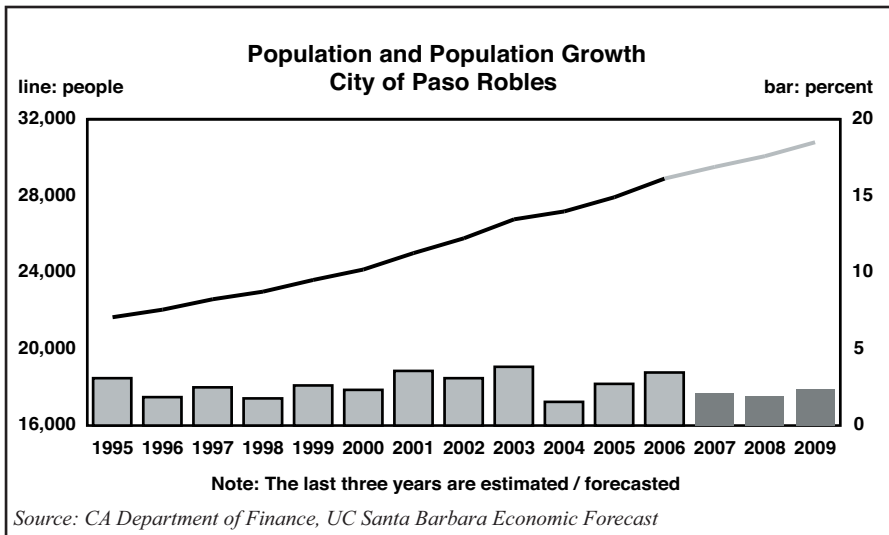
2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
5.5	5.5	5.4	5.2	5.1	5.1	5.1
1.5	1.5	1.6	1.7	1.8	1.8	1.9
4.3	4.4	4.6	4.6	4.7	4.8	4.9
7.8	7.6	7.3	7.0	6.7	6.6	6.4
10.1	10.2	10.1	10.0	9.5	9.2	8.9
1.4	1.3	1.3	1.3	1.3	1.3	1.3
2.1	2.0	2.0	1.9	2.0	2.0	2.0
2.5	2.5	2.4	2.5	2.5	2.5	2.6
10.0	9.9	9.9	10.0	10.1	10.1	10.2
4.8	4.7	4.5	4.4	4.3	4.2	4.2
17.9	17.9	18.1	18.2	18.0	17.5	16.8
20.4	20.9	21.4	22.1	23.0	23.7	24.5
11.8	11.5	11.4	11.1	11.2	11.2	11.2
4.3	4.4	4.3	4.2	3.9	3.9	3.8
1.0	1.3	1.5	1.2	1.2	1.3	1.4
6.2	6.3	6.5	6.0	5.9	5.9	6.0
3.1	2.9	2.9	2.8	2.7	2.6	2.5
4.5	4.4	4.1	3.9	3.9	3.8	3.8
1.5	1.5	1.5	1.5	1.5	1.5	1.5
1.7	1.7	1.6	1.7	1.7	1.7	1.7
9.5	9.7	9.6	10.0	10.2	10.3	10.3
13.3	13.0	12.9	13.0	12.8	12.5	12.4
2.8	2.6	2.6	2.5	2.5	2.5	2.5
15.7	16.2	16.7	17.1	16.7	16.6	16.5
20.4	20.6	21.2	21.6	22.3	22.8	23.6
16.0	15.4	14.7	14.4	14.5	14.5	14.1
8.5	8.3	8.0	7.8	7.3	7.5	7.6
10.3	11.2	11.7	12.2	12.3	11.8	11.6
11.6	11.4	11.1	11.0	10.9	11.1	11.1
9.3	8.8	8.5	8.1	8.1	8.3	8.5
4.3	4.7	4.7	4.6	4.7	4.9	5.0
18.5	18.1	17.6	17.4	17.1	16.7	16.2
3.8	4.1	4.2	4.2	4.2	4.3	4.3
12.7	12.7	13.2	13.5	13.7	13.5	13.2
10.0	10.1	10.6	10.9	11.4	11.8	12.3
11.1	10.7	10.4	10.2	10.2	10.3	10.3

TABLE 3: DEMOGRAPHICS AND INCOME

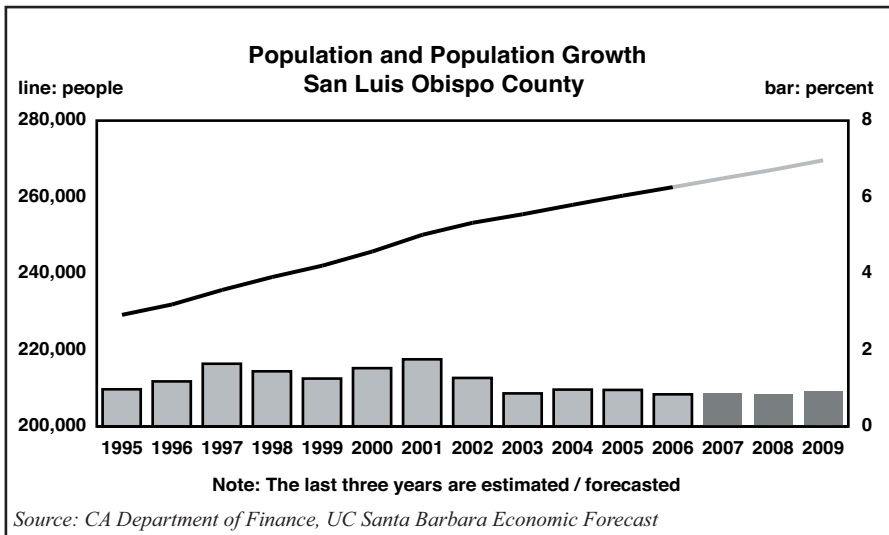
	1998	1999	2000	2001	2002
Population					
County Population (Jan) (thousands of people)	239.1	242.1	245.8	250.1	253.3
percent change	1.4	1.3	1.5	1.8	1.3
City Population (thousands of people)	23.0	23.6	24.2	25.0	25.8
percent change	1.8	2.6	2.3	3.6	3.1
City Population Density (people per household)	2.7	2.7	2.7	2.7	2.7
Enrollments					
All County, K-12 (thousands of students)	37.1	37.6	37.6	37.7	37.4
percent change	2.1	1.3	-0.2	0.4	-0.8
City, K-12 (thousands of students)	6.2	6.3	6.4	6.8	6.9
percent change	2.1	2.1	1.3	5.8	1.4
Population Components of Change					
County (July) (thousands of people)	240.4	243.7	248.2	252.4	254.8
percent change	1.1	1.4	1.8	1.7	1.0
Births	2.4	2.3	2.4	2.4	2.3
percent change	-6.5	-2.0	2.7	1.8	-4.8
Deaths	1.9	2.0	2.0	2.1	2.0
percent change	0.4	3.5	-1.4	5.0	-3.4
Natural Increase	0.5	0.3	0.4	0.4	0.3
percent change	-27.9	-25.4	26.9	-12.9	-12.4
Net In-Migration	2.1	3.0	4.0	3.9	2.1
San Luis Obispo County					
Unemployment Rate (percent)	4.2	3.3	4.0	4.0	4.7
Civilian Labor Force (thousands of people)	108.2	111.3	122.4	126.2	129.0
percent change	2.7	2.8	10.0	3.1	2.3
Total, All Employed (thousands of people)	103.7	107.6	117.5	121.1	123.0
percent change	3.4	3.8	9.1	3.1	1.6
San Luis Obispo County County Income					
Wage & Salary (\$ billions)	2.5	2.7	2.9	3.2	3.4
Non-Wage (\$ billions)	2.4	2.5	2.7	3.0	2.9
Dividends, Interest, and Rent (\$ billions)	1.6	1.7	1.8	2.0	1.9
Transfer Payments (\$ billions)	0.8	0.8	0.9	0.9	1.0
Residential Adjustment (\$ billions)	0.2	0.2	0.3	0.3	0.3
Proprietor's Income (\$ billions)	0.8	0.8	0.9	0.8	0.9
Personal Income (\$ billions)	5.9	6.3	6.8	7.2	7.4
Personal Income (\$ 2000 billions)	6.3	6.5	6.8	7.0	7.0
percent change	6.7	3.0	5.3	2.6	0.3
Median Family Income* (\$ thousands)	46.2	48.0	48.0	50.2	50.3
Median Family Income (\$ 2000 thousands)	48.8	49.6	48.0	48.6	47.4
percent change	4.0	1.5	-3.2	1.2	-2.5

Source: U.S. Bureau of Economic Analysis, CA Department of Finance, CA Department of Education, U.S. Department of Housing and Urban Development, UC Santa Barbara Economic Forecast * Fiscal Year data.

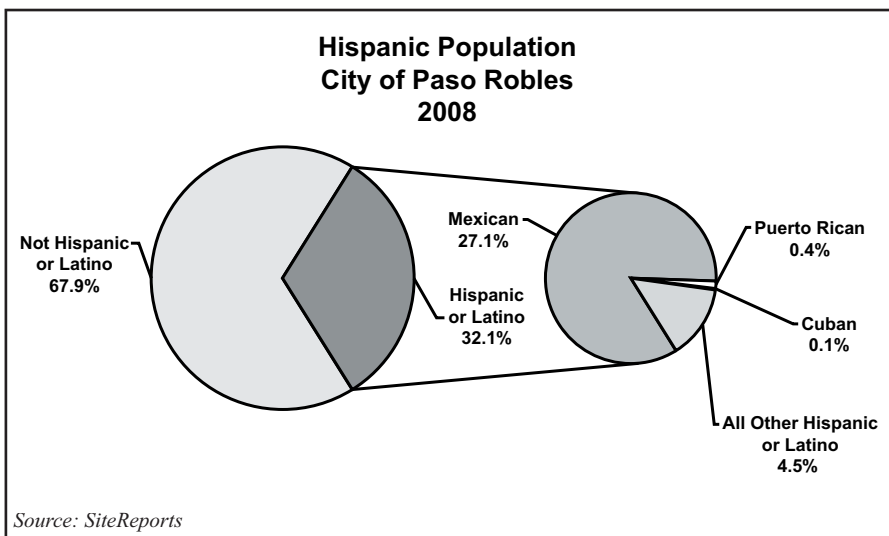
2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
255.5	257.9	260.4	262.6	264.9	267.1	269.6
0.9	1.0	1.0	0.8	0.9	0.8	0.9
26.8	27.2	27.9	28.9	29.5	30.1	30.8
3.8	1.5	2.7	3.5	2.1	1.9	2.4
2.7	2.7	2.7	2.7	2.6	2.6	2.6
36.8	36.4	36.0	35.6	35.7	34.1	33.6
-1.6	-1.2	-1.1	-1.2	0.4	-4.5	-1.3
6.8	6.8	6.8	6.8	6.8	6.8	6.8
-1.9	0.0	0.5	0.5	-0.1	-0.6	0.2
257.0	260.1	262.5	265.0	267.2	269.4	271.9
0.9	1.2	0.9	1.0	0.8	0.8	0.9
2.6	2.7	2.6	2.7	2.7	2.8	2.8
10.4	4.0	-1.2	1.3	2.4	0.8	0.9
2.1	2.1	1.9	2.1	2.1	2.1	2.1
2.3	2.2	-9.0	8.9	0.3	0.8	0.9
0.5	0.6	0.7	0.6	0.7	0.7	0.7
60.2	11.2	27.4	-18.2	9.5	1.0	1.1
1.7	2.5	1.6	1.9	1.5	1.6	1.9
4.7	4.6	4.3	4.0	4.1	5.6	6.6
129.0	130.8	133.1	134.5	136.3	137.9	139.9
-0.0	1.4	1.8	1.1	1.3	1.1	1.5
122.9	124.8	127.4	129.2	130.7	130.1	130.6
-0.1	1.5	2.1	1.4	1.1	-0.4	0.4
3.5	3.8	4.0	4.3	4.4	4.6	4.8
2.9	3.2	3.3	3.5	3.8	4.1	4.4
1.8	2.1	2.1	2.3	2.4	2.6	2.9
1.1	1.1	1.2	1.2	1.3	1.4	1.5
0.3	0.3	0.3	0.3	0.4	0.4	0.5
1.0	1.1	1.1	1.2	1.3	1.4	1.4
7.7	8.4	8.8	9.4	9.8	10.4	11.1
7.1	7.4	7.5	7.6	7.7	7.8	7.9
0.9	5.4	0.1	2.6	1.1	1.1	1.7
57.7	61.7	61.7	63.8	64.2	67.0	69.1
52.9	54.8	52.4	52.0	50.7	50.3	49.7
11.8	3.5	-4.3	-0.8	-2.5	-0.7	-1.3



- Paso Robles City's population growth continues to exceed that of much of Coastal California. This is a sign people expect long-term economic opportunity and relative housing affordability in the community.



- San Luis Obispo County's population growth rate will likely remain about where it has been in recent years, but well below the growth rates of the 1990s.



- Paso Robles Hispanic/Latino population much more closely resembles the composition of California than San Luis Obispo County. The City's Hispanic population is about twice the relative size of the County's Hispanic/Latino population.

D E M O G R A P H I C S

	San Luis Obispo County	Paso Robles
Population		
2008 Estimate	263,431	28,926
2000 Census	246,681	24,297
1990 Census	216,986	19,201
Growth 2000-2008	6.79%	19.05%
Growth 1990-2000	13.69%	26.54%
2008 Est. Population Hispanic or Latino by Origin		
Not Hispanic or Latino	263,431	28,926
Hispanic or Latino:	214,456	19,638
Mexican	48,975	9,288
Puerto Rican	39,415	7,844
Cuban	706	121
All Other Hispanic or Latino	260	33
All Other Hispanic or Latino	8,594	1,290
2008 Est. Population by Sex		
Male	263,431	28,926
Female	134,989	14,644
	128,442	14,282
2008 Est. Median Age		
	37.60	33.22
2008 Est. Pop. Age 25+ by Educational Attainment		
Less than 9th grade	174,515	17,481
Some High School, no diploma	8,595	1,699
High School Graduate (or GED)	16,352	1,891
Some College, no degree	38,053	4,270
Associate Degree	48,962	4,814
Bachelor's Degree	16,003	1,643
Master's Degree	30,359	2,133
Professional School Degree	10,082	655
Doctorate Degree	3,976	313
	2,133	63
2008 Est. Households by Household Income		
Income Less than \$15,000	102,105	10,491
Income \$15,000 - \$24,999	12,165	1,270
Income \$25,000 - \$34,999	10,391	1,021
Income \$35,000 - \$49,999	10,452	1,264
Income \$50,000 - \$74,999	15,512	1,892
Income \$75,000 - \$99,999	20,003	2,229
Income \$100,000 - \$149,999	13,233	1,293
Income \$150,000 - \$249,999	12,685	1,001
Income \$250,000 - \$499,999	5,571	389
Income \$500,000 and more	1,543	107
	550	25
2008 Est. Median Household Income		
	53,166	48,399
2008 Est. Per Capita Income		
	28,088	22,721
2008 Est. Families by Poverty Status		
	64,578	7,369
2008 Est. Households With Income Below Poverty Level		
Married-Couple Family, own children	1,323	260
Married-Couple Family, no own children	895	141
Male Householder, own children	393	45
Male Householder, no own children	118	0
Female Householder, own children	1,489	239
Female Householder, no own children	293	53
2008 Est. Pop Age 16+ by Employment Status		
In Armed Forces	219,796	22,396
Civilian - Employed	352	73
Civilian - Unemployed	120,752	12,409
Not in Labor Force	7,562	800
	91,130	9,114
2008 Est. Average Travel Time to Work in Minutes		
	22.58	22.07
2008 Est. Tenure of Occupied Housing Units		
Owner Occupied	102,105	10,491
Renter Occupied	63,816	6,378
	38,289	4,113
2008 Est. Median All Owner-Occupied Housing Value		
	530,337	413,957

Source: SiteReports

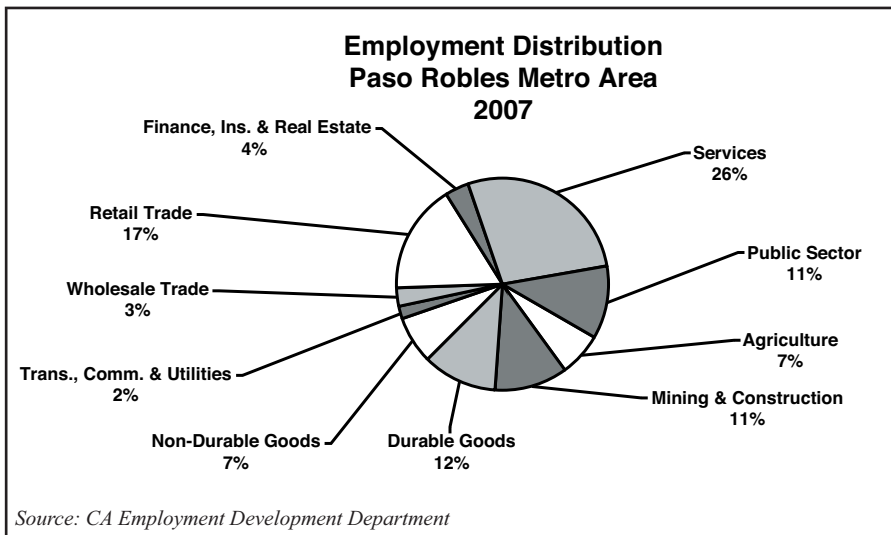
TABLE 4: EMPLOYMENT AND SALARY

	1998	1999	2000	2001	2002
Paso Robles Metro Area Employment by Industry (# of people)					
Agriculture	924	1,266	1,538	1,225	1,133
percent change	-5.7	37.0	21.5	-20.4	-7.5
98145.451	644	846	1,014	1,351	1,448
percent change	17.5	31.4	19.9	33.2	7.2
Durables Manufacturing	1,682	1,572	1,644	1,580	1,635
percent change	28.4	-6.5	4.6	-3.9	3.5
Non-Durables Manufacturing	843	742	868	970	874
percent change	6.3	-12.0	17.0	11.8	-9.9
Trans., Comm., & Utilities*	284	235	279	270	206
percent change	-12.1	-17.3	18.7	-3.2	-23.7
Finance, Insurance & Real Estate*	315	373	395	442	533
percent change	9.4	18.4	5.9	11.9	20.6
Retail Trade*	2,643	2,787	2,915	2,254	2,118
percent change	10.3	5.4	4.6	-22.7	-6.0
Wholesale Trade	361	439	443	315	247
percent change	12.8	21.6	0.9	-28.9	-21.6
Services*	1,359	1,578	1,559	2,577	3,164
percent change	-0.3	16.1	-1.2	65.3	22.8
Public Sector	1,534	1,551	1,627	1,670	1,752
percent change	3.2	1.1	4.9	2.6	4.9
Private Sector	9,055	9,838	10,655	10,984	11,358
percent change	8.8	8.6	8.3	3.1	3.4
Total, All Industries	10,589	11,389	12,282	12,654	13,110
percent change	8.0	7.6	7.8	3.0	3.6
Paso Robles Metro Area Average Salary by Industry (dollars)					
Agriculture	17,591	16,622	16,185	15,460	15,013
percent change	15.5	-5.5	-2.6	-4.5	-2.9
Mining and Construction	29,464	31,289	30,945	33,215	34,540
percent change	-2.4	6.2	-1.1	7.3	4.0
Durables Manufacturing	29,750	31,079	31,951	33,032	33,895
percent change	0.4	4.5	2.8	3.4	2.6
Non-Durables Manufacturing	28,070	31,780	32,572	31,760	31,906
percent change	-2.3	13.2	2.5	-2.5	0.5
Trans., Comm., & Utilities*	33,390	28,394	31,018	32,433	33,232
percent change	6.6	-15.0	9.2	4.6	2.5
Finance, Insurance & Real Estate*	26,963	28,603	30,386	33,481	32,435
percent change	5.0	6.1	6.2	10.2	-3.1
Retail Trade*	16,543	16,886	18,276	21,447	23,163
percent change	5.1	2.1	8.2	17.4	8.0
Wholesale Trade	28,363	27,572	27,354	30,400	33,771
percent change	-8.4	-2.8	-0.8	11.1	11.1
Services*	20,600	20,219	21,927	20,614	20,125
percent change	1.0	-1.9	8.4	-6.0	-2.4
Public Sector	31,607	32,342	33,201	35,604	35,330
percent change	3.4	2.3	2.7	7.2	-0.8
Private Sector	23,066	23,212	24,149	25,619	26,020
percent change	3.2	0.6	4.0	6.1	1.6
Total, All Industries	24,304	24,456	25,348	26,937	27,264
percent change	3.0	0.6	3.6	6.3	1.2

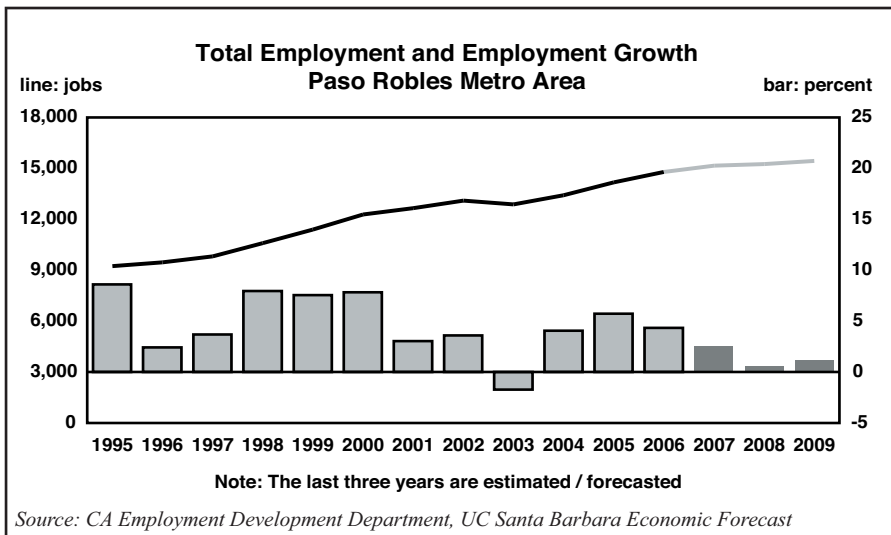
Source: CA Employment Development Department, UC Santa Barbara Economic Forecast

* These sectors had significant changes in classification in 2001. Please contact us for details.

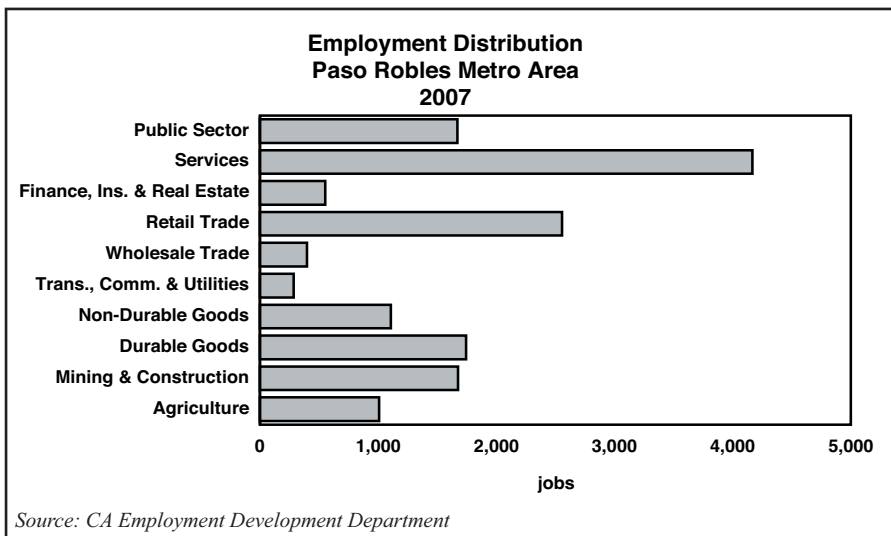
2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
1,110	1,172	1,088	1,052	1,008	992	997
-2.0	5.6	-7.2	-3.3	-4.2	-1.6	0.5
1,260	1,422	1,517	1,629	1,676	1,668	1,664
-13.0	12.9	6.7	7.4	2.9	-0.5	-0.2
1,498	1,474	1,514	1,706	1,745	1,767	1,787
-8.4	-1.6	2.7	12.7	2.3	1.2	1.1
898	958	1,031	1,083	1,108	1,131	1,165
2.7	6.7	7.6	5.0	2.3	2.1	3.0
184	225	264	272	286	289	295
-10.7	22.3	17.3	3.0	5.1	1.0	2.0
488	494	524	544	552	550	551
-8.4	1.2	6.1	3.8	1.5	-0.4	0.1
2,159	2,206	2,386	2,505	2,556	2,574	2,621
1.9	2.2	8.2	5.0	2.0	0.7	1.8
221	287	372	384	399	411	422
-10.5	29.9	29.6	3.2	3.9	3.0	2.7
3,372	3,552	3,895	3,966	4,166	4,189	4,253
6.6	5.3	9.7	1.8	5.1	0.5	1.5
1,695	1,618	1,584	1,648	1,670	1,684	1,680
-3.3	-4.5	-2.1	4.0	1.3	0.8	-0.2
11,190	11,790	12,591	13,141	13,496	13,570	13,754
-1.5	5.4	6.8	4.4	2.7	0.6	1.4
12,885	13,408	14,175	14,789	15,166	15,254	15,433
-1.7	4.1	5.7	4.3	2.5	0.6	1.2
15,009	15,141	16,123	16,631	16,946	17,351	17,836
-0.0	0.9	6.5	3.2	1.9	2.4	2.8
35,857	39,316	39,270	43,454	45,110	45,974	47,543
3.8	9.6	-0.1	10.7	3.8	1.9	3.4
36,504	39,407	39,758	44,507	46,486	49,008	51,735
7.7	8.0	0.9	11.9	4.4	5.4	5.6
31,721	33,398	35,096	34,018	35,563	36,428	37,106
-0.6	5.3	5.1	-3.1	4.5	2.4	1.9
32,756	42,771	44,985	44,046	43,972	45,909	47,501
-1.4	30.6	5.2	-2.1	-0.2	4.4	3.5
32,974	34,995	38,076	38,519	39,747	40,259	40,596
1.7	6.1	8.8	1.2	3.2	1.3	0.8
23,505	23,754	24,078	25,600	26,537	27,179	27,727
1.5	1.1	1.4	6.3	3.7	2.4	2.0
33,598	37,043	41,135	41,894	43,441	45,524	47,871
-0.5	10.3	11.1	1.8	3.7	4.8	5.2
20,416	20,782	20,812	20,677	21,211	22,126	23,189
1.4	1.8	0.1	-0.7	2.6	4.3	4.8
36,354	37,978	39,440	42,663	44,339	45,912	46,248
2.9	4.5	3.8	8.2	3.9	3.5	0.7
26,286	27,777	28,523	29,739	30,777	31,854	33,001
1.0	5.7	2.7	4.3	3.5	3.5	3.6
27,611	29,008	29,743	31,137	32,226	33,360	34,400
1.3	5.1	2.5	4.7	3.5	3.5	3.1



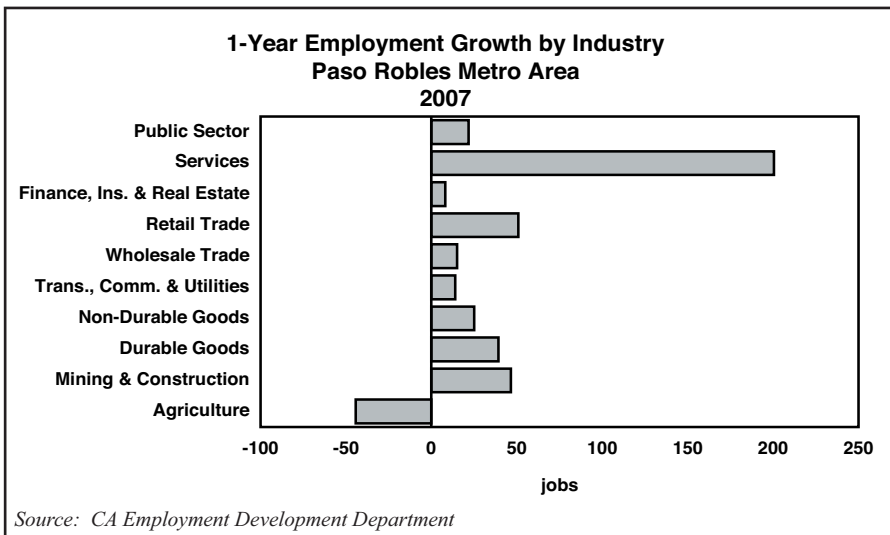
- Paso Robles economy is very balanced for San Luis Obispo County, with a particularly small government sector. Still, California's budget issues may generate the City's most significant negative shock.



- Even though Paso Robles' economy is slightly contracting, it appears to still be generating a little job growth.

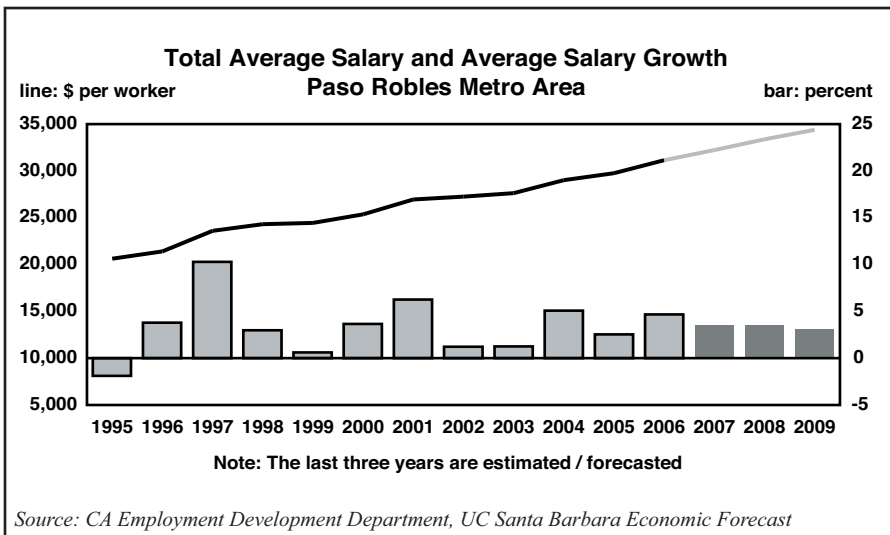


- Paso Robles' largest Service sector is becoming relatively more prominent. This is consistent with California trends.

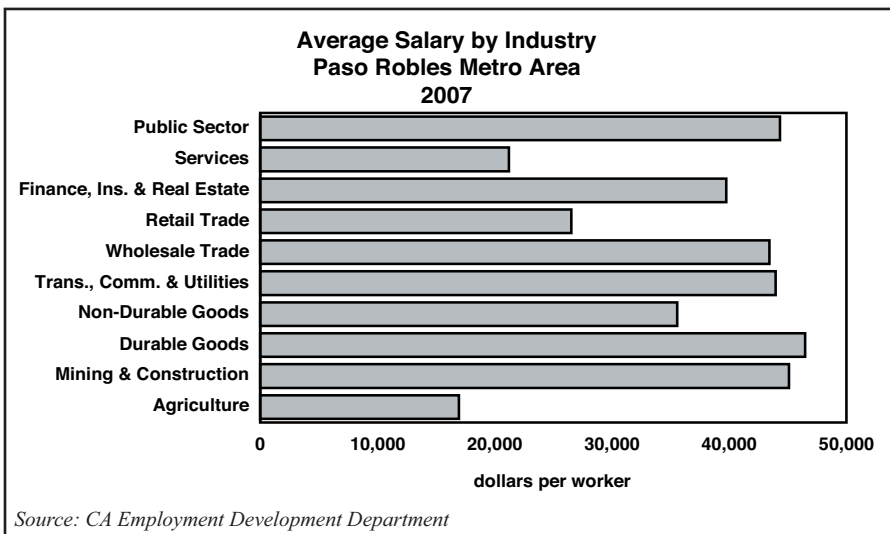


- Paso Robles' Service sector again dominated the City's job creation. Given modern communications and computer technology, its existing companies, and the City's amenities, Paso Robles is well placed to generate tradable services. In general, tradable services represent Coastal California's best opportunity to significantly increase per-capita economic growth.

Remarkably, only Paso Robles' Agricultural sector showed job losses in 2007.



- While recent data show increasing nominal salaries, inflation-adjusted salaries appear to be currently very close to zero.



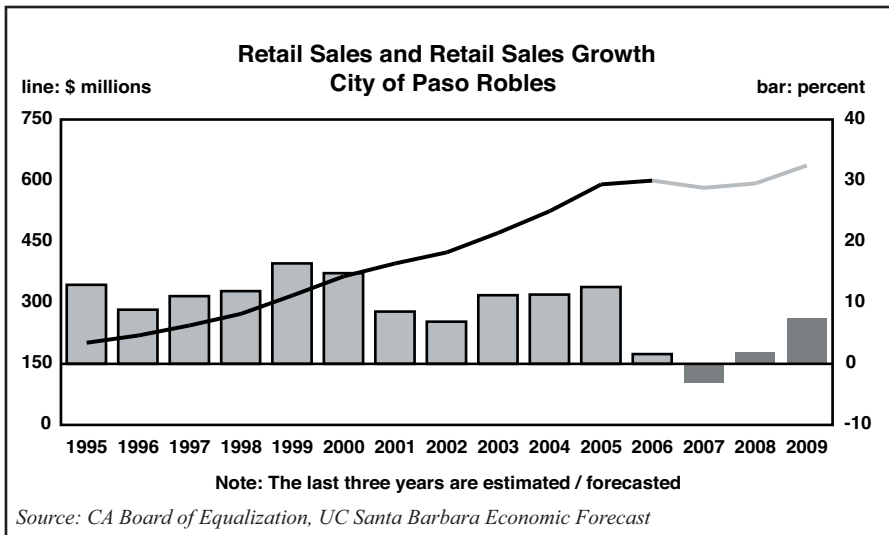
- Paso Robles' Service sector continues to be the City's lowest paying sector outside of the Agriculture sector.

TABLE 5: RETAIL SALES

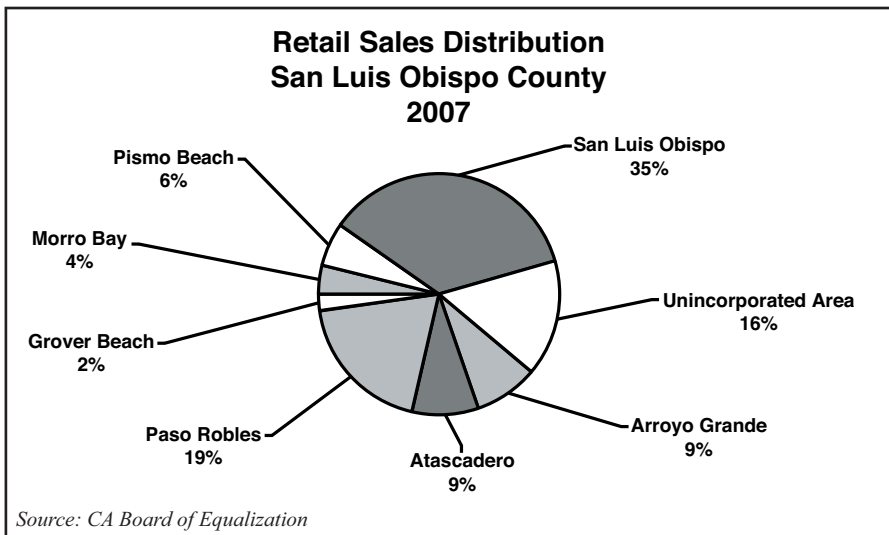
	1998	1999	2000	2001	2002
San Luis Obispo County Retail Sales					
Retail Sales (\$ billions)	1.6	1.9	2.1	2.2	2.4
Retail Sales (\$ 2000 billions)	1.7	1.9	2.1	2.2	2.2
percent change	5.0	10.1	8.8	4.3	2.5
Paso Robles City Taxable Sales					
Total Taxable Sales (\$ millions)	326.0	381.8	431.8	469.1	493.8
Total Taxable Sales (\$ 2000 millions)	344.7	394.4	431.8	453.8	464.8
percent change	9.1	14.4	9.5	5.1	2.4
Retail Sales (\$ millions)	273.1	318.0	365.1	396.4	423.8
Retail Sales (\$ 2000 millions)	288.7	328.5	365.1	383.5	398.9
percent change	10.3	13.8	11.2	5.0	4.0
Apparel Sales (\$ millions)	4.3	4.5	5.0	6.2	7.8
Apparel Sales (\$ 2000 millions)	4.5	4.7	5.0	6.0	7.3
percent change	3.3	2.8	7.5	18.9	22.4
Bldg. Mat'l. & Farm (\$ millions)	25.8	31.8	35.3	42.5	47.5
Bldg. Mat'l. & Farm (\$ 2000 millions)	27.2	32.9	35.3	41.1	44.7
percent change	-8.7	20.7	7.4	16.4	8.7
Autos/supplies (\$ millions)	43.5	51.9	67.9	83.1	85.1
Autos/supplies (\$ 2000 millions)	46.0	53.7	67.9	80.4	80.1
percent change	5.8	16.6	26.5	18.5	-0.4
Eating and Drinking (\$ millions)	30.2	34.0	41.8	44.4	49.9
Eating and Drinking (\$ 2000 millions)	32.0	35.1	41.8	42.9	47.0
percent change	14.0	9.8	19.0	2.7	9.5
Food Stores (\$ millions)	19.6	20.9	22.1	22.3	22.8
Food Stores (\$ 2000 millions)	20.7	21.6	22.1	21.5	21.5
percent change	1.5	4.2	2.5	-2.6	-0.4
Service Stations (\$ millions)	27.9	33.6	39.7	38.3	35.9
Service Stations (\$ 2000 millions)	29.5	34.7	39.7	37.1	33.8
percent change	-15.5	17.4	14.6	-6.7	-8.9
General Merchandise (\$ millions)	77.1	84.1	91.0	96.2	104.4
General Merchandise (\$ 2000 millions)	81.5	86.9	91.0	93.1	98.3
percent change	30.0	6.6	4.8	2.3	5.6
Home Furnish./Appl. (\$ millions)	8.9	10.5	12.0	12.7	15.4
Home Furnish./Appl. (\$ 2000 millions)	9.4	10.8	12.0	12.2	14.5
percent change	11.3	15.3	10.8	2.2	18.7
Other Retail (\$ millions)	35.8	46.7	50.3	50.8	55.0
Other Retail (\$ 2000 millions)	37.9	48.2	50.3	49.2	51.8
percent change	28.5	27.4	4.3	-2.3	5.4
Other Taxable (\$ millions)	52.9	63.8	66.6	72.6	69.9
Other Taxable (\$ 2000 millions)	55.9	65.9	66.6	70.3	65.8
percent change	2.9	17.8	1.1	5.4	-6.3

Source: CA Board of Equalization, UC Santa Barbara Economic Forecast

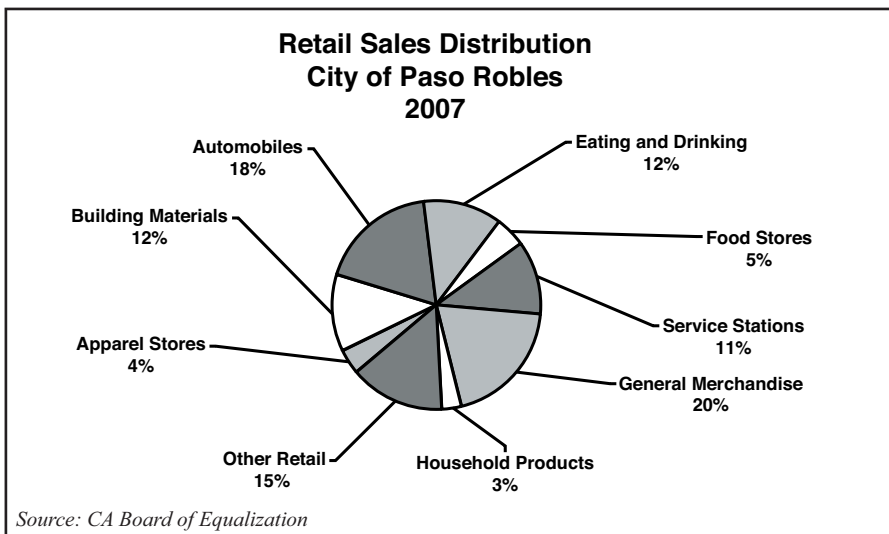
2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
2.6	2.8	3.0	3.1	3.1	3.2	3.4
2.3	2.5	2.6	2.6	2.4	2.4	2.5
5.2	4.8	4.2	-0.2	-4.7	-0.9	2.2
540.4	603.9	681.9	719.7	701.3	715.0	766.4
495.8	536.2	579.6	586.7	554.0	537.2	551.1
6.7	8.1	8.1	1.2	-5.6	-3.0	2.6
471.4	524.8	590.8	600.2	582.0	593.1	636.9
432.6	466.0	502.1	489.3	459.8	445.6	457.9
8.4	7.7	7.8	-2.6	-6.0	-3.1	2.8
8.8	9.6	24.0	23.9	23.2	23.4	24.9
8.1	8.5	20.4	19.5	18.3	17.6	17.9
10.4	5.3	139.8	-4.5	-5.7	-4.1	1.7
55.7	68.5	73.5	71.2	68.5	69.4	74.8
51.1	60.8	62.4	58.1	54.1	52.1	53.8
14.2	19.0	2.7	-7.0	-6.8	-3.7	3.2
97.7	107.7	120.6	116.8	107.7	108.5	117.8
89.7	95.7	102.5	95.2	85.1	81.5	84.7
12.0	6.7	7.2	-7.1	-10.7	-4.1	3.9
56.0	61.2	65.7	72.0	70.2	71.0	76.3
51.4	54.3	55.9	58.7	55.4	53.3	54.9
9.3	5.7	2.9	5.1	-5.6	-3.8	2.8
24.2	25.4	28.0	28.2	27.9	28.6	30.6
22.2	22.5	23.8	23.0	22.0	21.5	22.0
3.5	1.4	5.8	-3.6	-4.2	-2.5	2.3
42.2	51.3	65.1	68.3	66.3	67.8	72.7
38.7	45.6	55.3	55.7	52.4	50.9	52.3
14.6	17.9	21.3	0.7	-5.9	-2.8	2.7
109.3	116.2	116.9	119.4	115.4	117.4	126.4
100.3	103.1	99.4	97.3	91.2	88.2	90.8
2.1	2.8	-3.7	-2.0	-6.3	-3.2	3.0
14.5	15.5	17.8	18.6	17.9	18.1	19.3
13.3	13.8	15.1	15.2	14.2	13.6	13.9
-8.4	3.3	10.0	0.1	-6.6	-4.0	2.1
63.1	69.5	79.2	81.8	84.9	88.8	94.1
57.9	61.7	67.3	66.7	67.1	66.8	67.6
11.7	6.6	9.1	-1.0	0.6	-0.5	1.3
68.9	79.1	91.1	119.5	119.3	121.9	129.6
63.3	70.2	77.4	97.5	94.3	91.6	93.2
-3.9	11.0	10.3	25.8	-3.3	-2.8	1.7



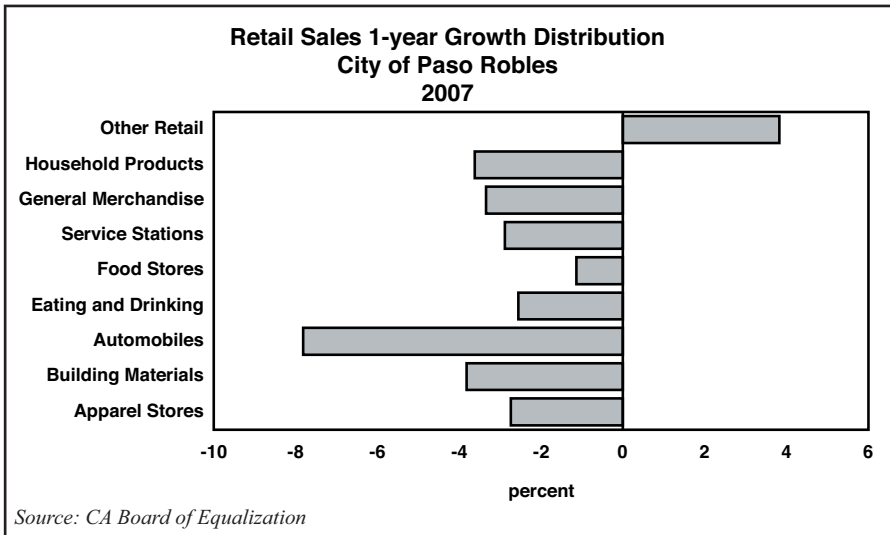
- Paso Robles City's real retail sales dropped in 2006 and became negative in 2007. This is consistent with most California communities. A weak national auto market and the slowdown in home sales are major causes of the decline. We expect the weak dollar to bring increased tourism to the City. This should help retail sales recover.



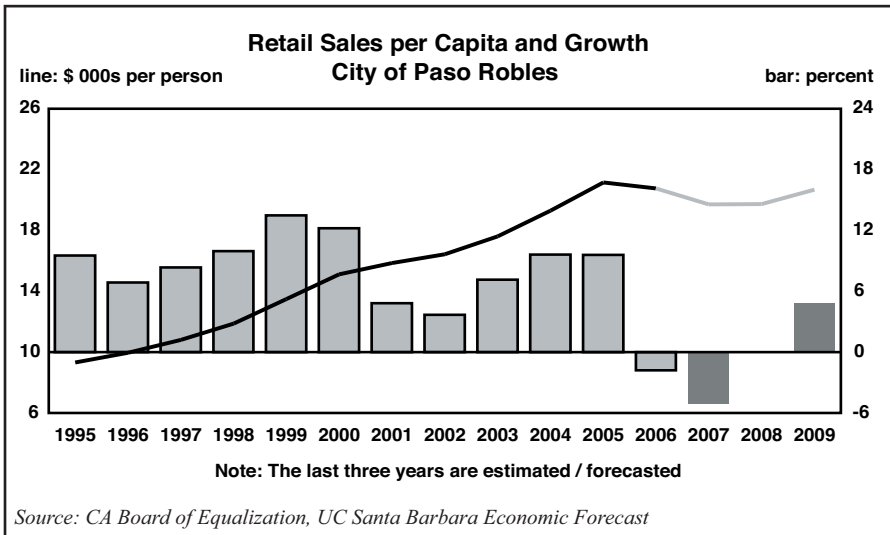
- Paso Robles City's retail sales are the second highest in San Luis Obispo County. This reflects the City's strong tourism sector and the fact that the city is a regional shopping location.



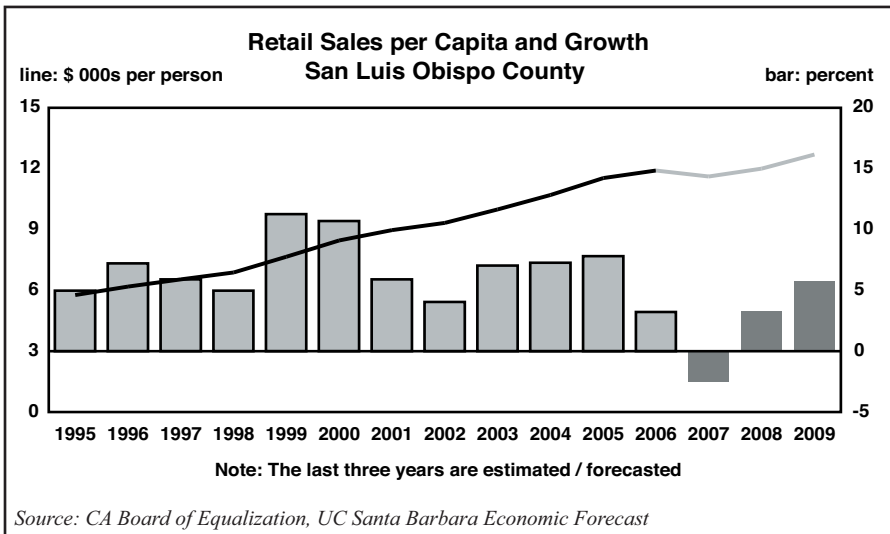
- Automobiles share of Paso Robles retail sales declined two percentage points from 2006. Other Retail, a catchall category, gained two percentage points. All other sectors maintained relative proportions.



- Every Paso Robles Retail sector, except Other Retail, shared in the bleeding.



- Adjusted for population growth, Paso Robles retail sales growth has declined for two consecutive years.



- San Luis Obispo County also saw a per-capita retail sales decline in 2007. This is a shorter duration drop than we are seeing in Paso Robles and other North County communities.

TABLE 6: REAL ESTATE & FINANCIAL

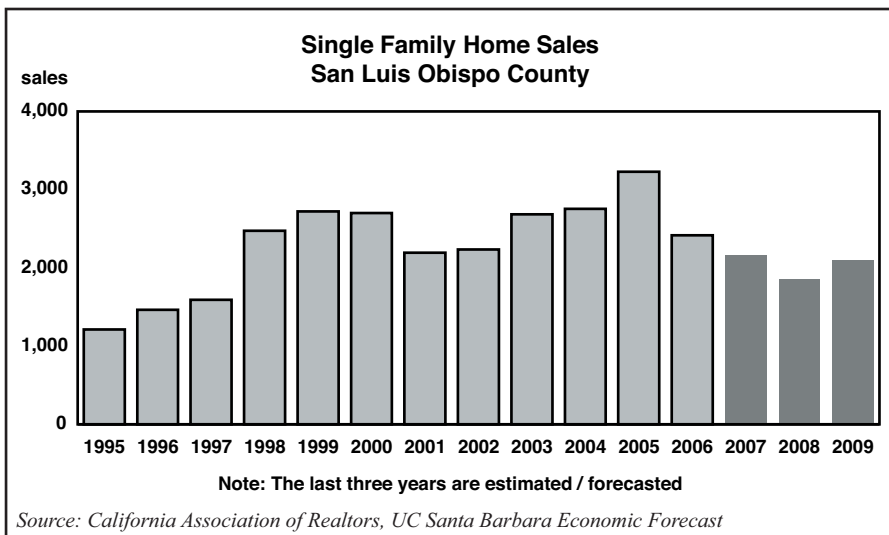
	1998	1999	2000	2001	2002
San Luis Obispo County					
Median Home Price (\$ thousands) *	180.9	208.3	248.3	282.2	326.7
Median Home Price (\$ 2000 thousands)	191.2	215.2	248.3	273.0	307.6
percent change	-0.5	12.5	15.4	9.9	12.7
Number of Homes Sold (# of homes) *	2,473	2,722	2,701	2,193	2,236
Number of Units Permitted (# of permits)	1,730	1,664	1,637	2,017	1,937
Residential Building Value (\$ millions)	269.4	270.1	290.8	357.8	354.8
Nonresidential Building Value (\$ millions)	74.7	93.1	116.6	83.9	122.1
Total Building Value (\$ millions)	344.1	363.1	407.3	441.6	476.9
Residential Vacancy Rate (percent)	11.1	11.1	9.3	9.3	9.3
Housing Stock (thousands of homes)	98.5	99.9	102.3	103.5	105.4
City of Paso Robles					
Median Home Price (\$ thousands) **	142.0	151.1	176.9	214.3	251.1
Median Home Price (\$ 2000 thousands)	150.1	156.1	176.9	207.3	236.4
percent change	6.5	4.0	13.3	17.2	14.0
Average Home Price (\$ thousands) **	300.7	173.4	196.2	220.7	253.7
Maximum Home Price (\$ thousands) **	1,101.2	825.0	666.6	550.5	509.0
Minimum Home Price (\$ thousands) **	11.5	20.2	46.6	78.6	96.4
Number of Homes Sold (# of homes) **	746	675	580	522	606
Single Family Units Permitted	269	231	371	419	305
Multiple Family Units Permitted	0	0	12	9	10
Total, All Residential Permits	269	231	383	428	315
Residential Building Value (\$ millions)	34.6	33.1	55.5	64.2	49.6
Nonresidential Building Value (\$ millions)	7.1	10.0	19.9	11.2	16.9
Retail Building Value (\$ millions)	2.6	1.5	5.3	3.6	3.7
Industrial Building Value (\$ millions)	0.6	1.4	9.8	2.6	3.3
Office Building Value (\$ millions)	0.0	0.4	0.3	0.0	0.4
Total Building Value (\$ millions)	41.7	43.0	75.3	75.4	66.5
Residential Vacancy Rate (percent)	8.1	8.1	2.7	2.7	2.7
Housing Stock (thousands of homes)	8.5	8.8	8.8	9.1	9.4
Financial					
United States Consumer Sentiment Index(1966Q1=100)	104.6	105.8	107.6	89.2	89.6
Federal Funds Rate (percent)	5.4	5.0	6.2	3.9	1.7
Conventional 30-yr Mortgage Rate, US (percent)	6.9	7.4	8.1	7.0	6.5
United States Consumer Price Index (2000=100)	94.7	96.7	100.0	102.8	104.5
percent change	1.6	2.2	3.4	2.8	1.6
Southern California Consumer Price Index (2000=100)	94.6	96.8	100.0	103.4	106.2
percent change	1.4	2.3	3.3	3.4	2.8

Sources: California Association of Realtors, Construction Industry Research Board, First American Real Estate Solutions, CA Department of Finance, University of Michigan, Board of Governors of the U.S. Federal Reserve, U.S. Bureau of Labor Statistics, UC Santa Barbara Economic Forecast

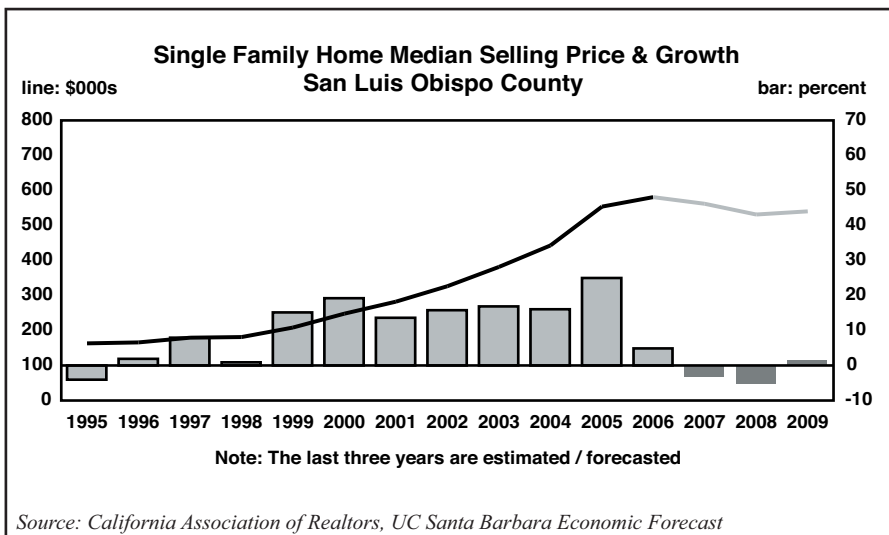
* Existing Single-Family Homes

**Includes single family and multiple family units; and includes new as well as existing units.

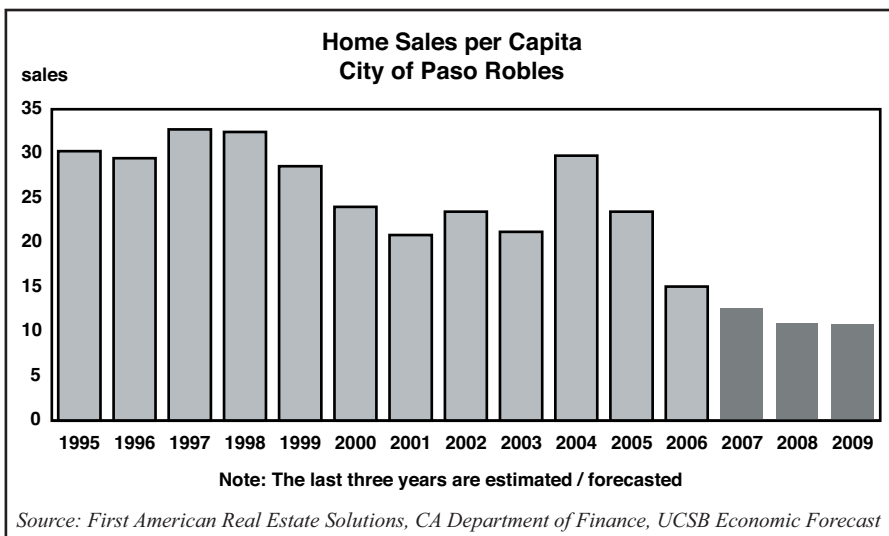
2003	2004	2005	2006	2007	2008	2009
				<i>estimate</i>	<i>forecast</i>	
381.8	443.1	553.8	580.8	562.1	531.5	540.1
350.3	393.4	470.7	473.5	444.1	399.4	388.3
13.9	12.3	19.6	0.6	-6.2	-10.1	-2.8
2,684	2,755	3,229	2,415	2,167	1,853	2,105
2,243	2,110	1,944	1,599	1,042	832	989
446.6	439.1	415.7	350.8	236.8	221.7	239.4
114.5	116.5	124.3	136.2	121.6	104.9	111.6
561.1	555.6	539.9	486.9	358.4	326.6	351.0
9.3	9.3	9.3	9.3	9.3	9.3	9.2
107.3	108.6	110.8	112.6	114.7	115.6	116.6
306.4	368.3	437.0	445.5	441.0	419.3	446.1
281.2	327.0	371.5	363.2	348.4	315.0	320.8
19.0	16.3	13.6	-2.2	-4.1	-9.6	1.8
313.4	394.1	457.8	461.2	475.7	428.4	434.5
712.2	1,397.1	1,527.6	943.4	1,167.3	1,051.3	1,066.1
118.8	149.1	153.3	213.8	204.0	175.6	171.0
568	810	656	435	372	328	335
416	431	285	171	44	38	66
46	80	88	67	2	12	12
462	511	373	238	46	50	78
83.6	109.5	69.3	47.9	14.0	12.1	16.1
14.4	20.0	32.2	35.8	26.2	13.1	13.9
2.6	6.6	5.3	3.4	2.1	1.1	1.1
0.0	0.3	2.4	0.4	5.0	1.6	1.8
2.5	1.3	4.8	3.0	4.0	1.3	1.4
98.0	129.5	101.5	83.6	40.2	25.1	30.0
2.7	2.7	2.7	2.7	2.7	2.7	2.7
10.0	10.2	10.6	11.1	11.5	11.5	11.6
87.6	95.2	88.6	87.3	85.6	83.5	85.4
1.1	1.4	3.2	5.0	5.0	1.8	2.1
5.8	5.8	5.9	6.4	6.3	6.4	6.3
106.8	109.7	113.4	117.1	120.4	126.3	131.7
2.3	2.7	3.4	3.2	2.9	4.9	4.3
109.0	112.6	117.7	122.7	126.6	133.1	139.1
2.6	3.3	4.5	4.3	3.2	5.1	4.5



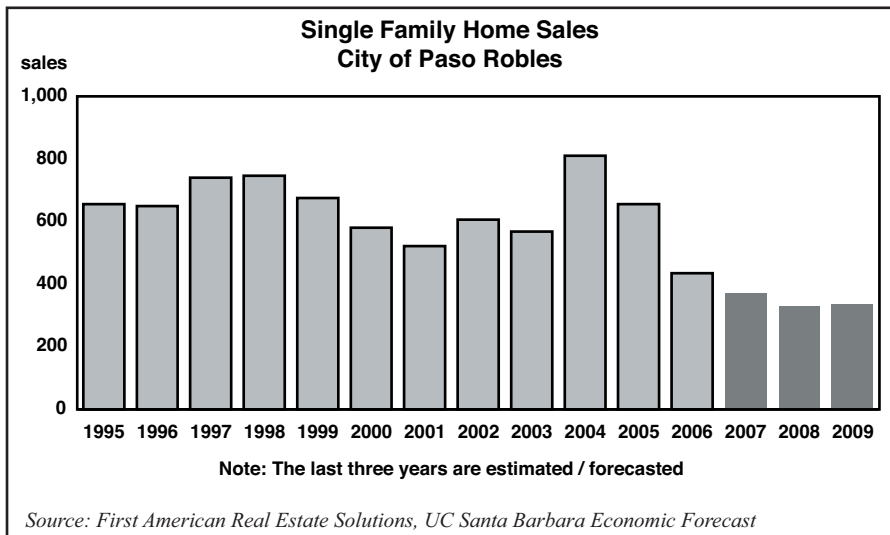
- San Luis Obispo County's existing single-family home sales, while declining significantly, have not been as weak as in many California counties.



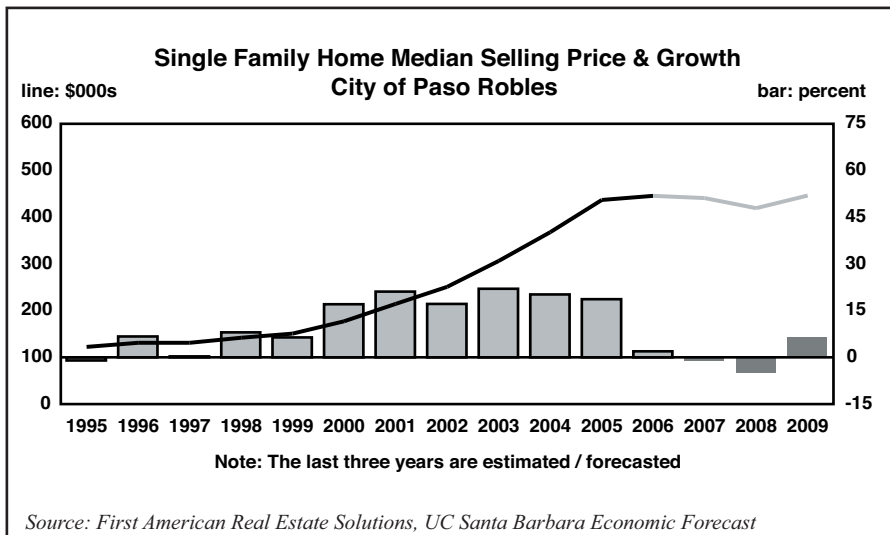
- Weak home sales have finally impacted price. However, as is the case in sales, San Luis Obispo County's existing single-family real median home prices are not as weak as in many California communities. Part of the relative strength reflects low construction activity in much of the County prior to 2006.



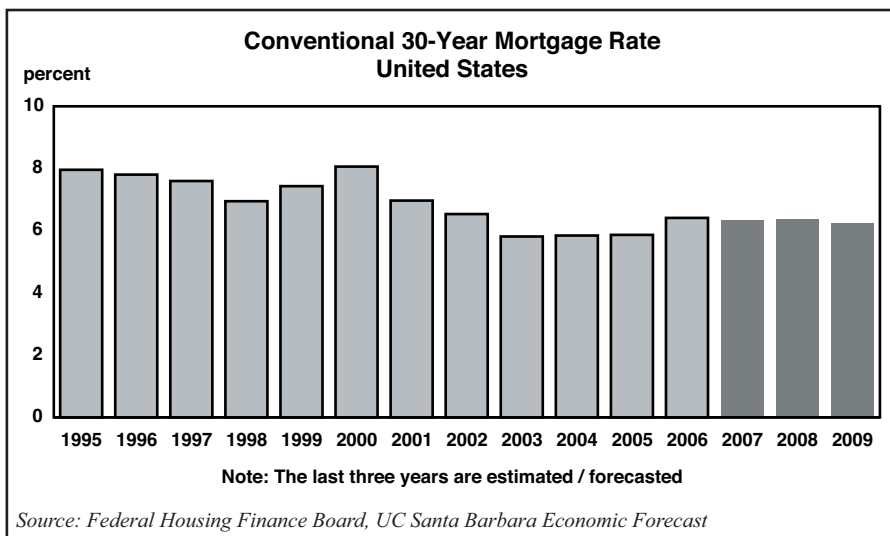
- Paso Robles' Per-Capita Home Sales just continue to fall. We expect them to stabilize in 2009, if for no other reason that they are currently so low that additional declines are increasingly difficult to generate.



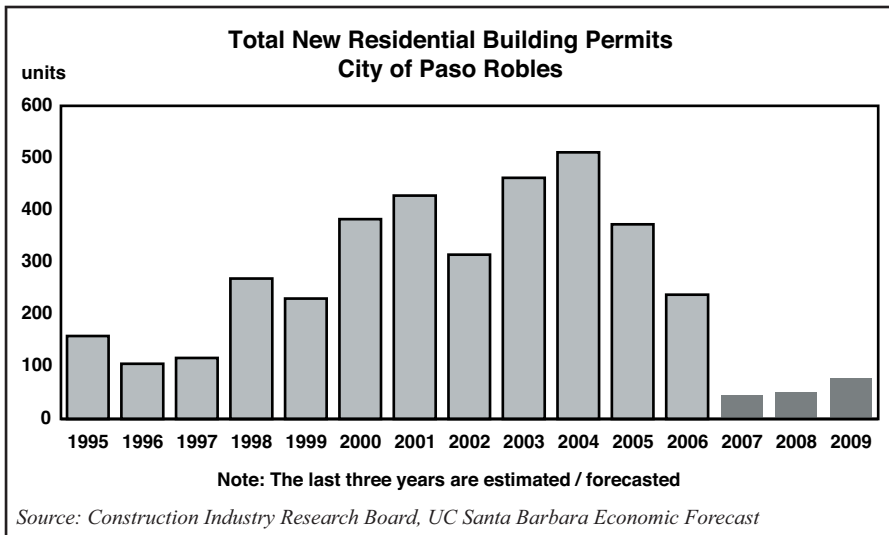
- Paso Robles saw 810 home sales in 2004. We expect that the City will see 328 home sales in 2008. That about says it all.



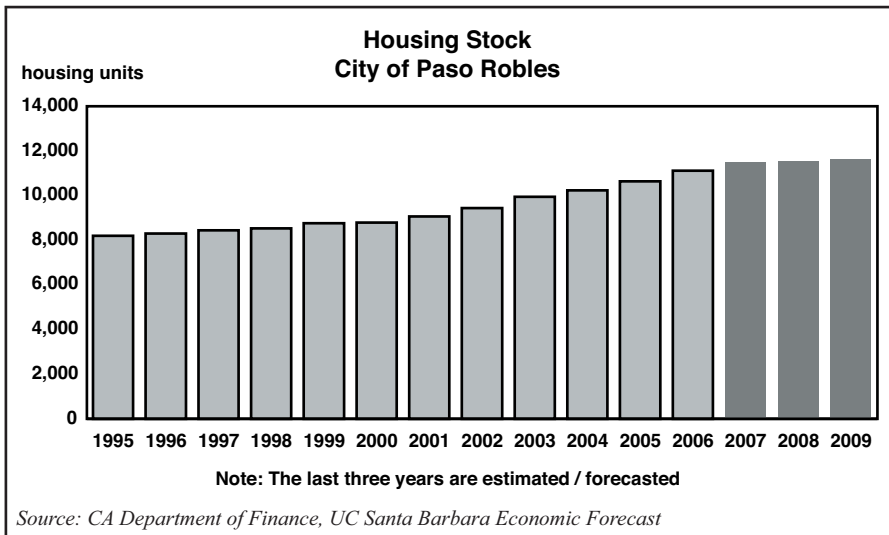
- Paso Robles nominal median home price finally fell in 2007. We expect another decline in 2008. While we know that at least some of the decline is compositional, we can't be sure of the extent of composition changes.



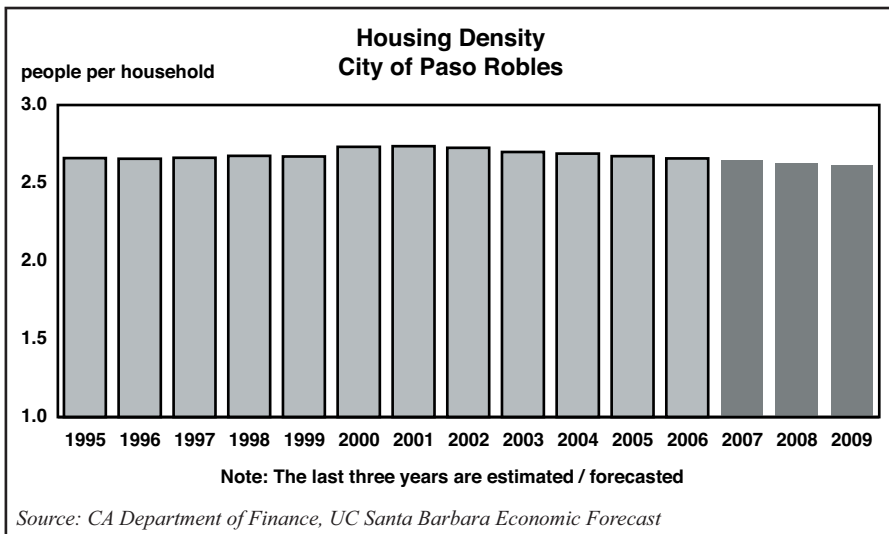
- We expect mortgage rates to remain relatively unchanged throughout the forecast horizon. Lending standards, by contrast, have shown extreme volatility recently.



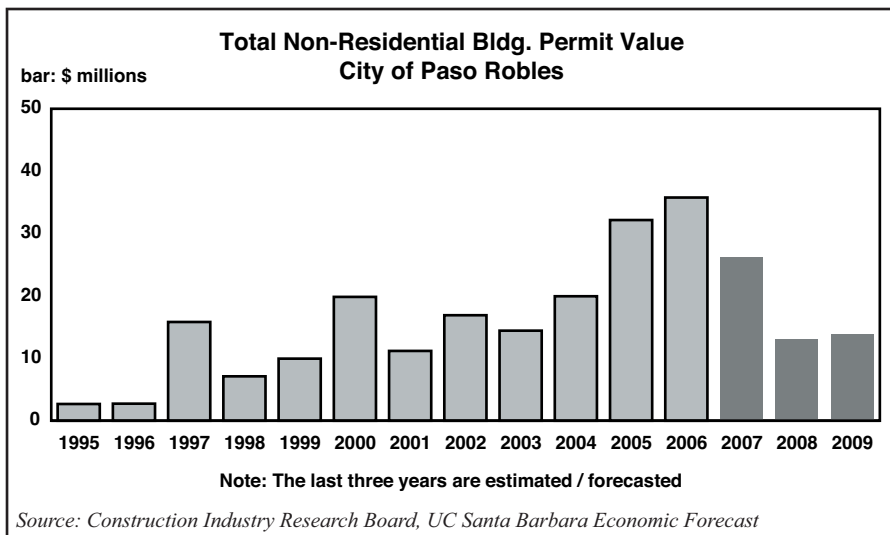
- Paso Robles new housing permits have fallen to record lows. We expect a very modest recovery in 2009.



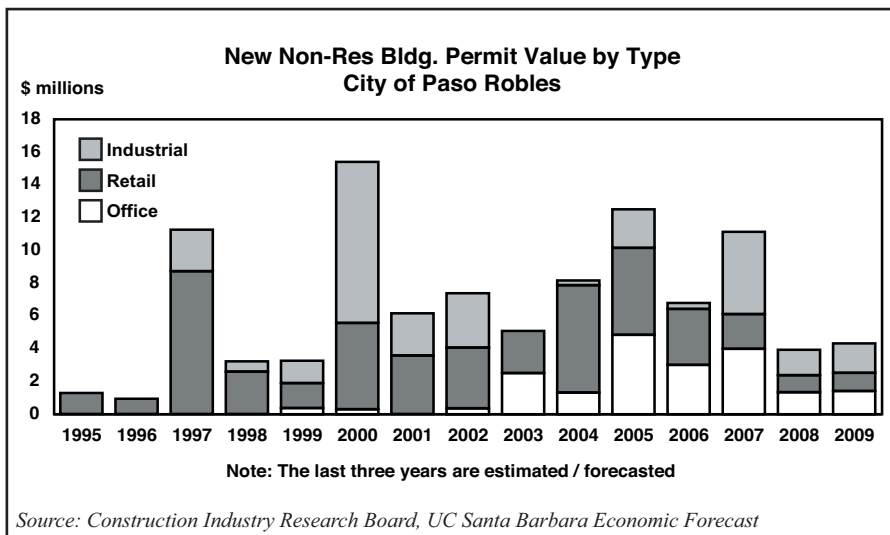
- With record low new construction, Paso Robles housing units remain essentially unchanged.



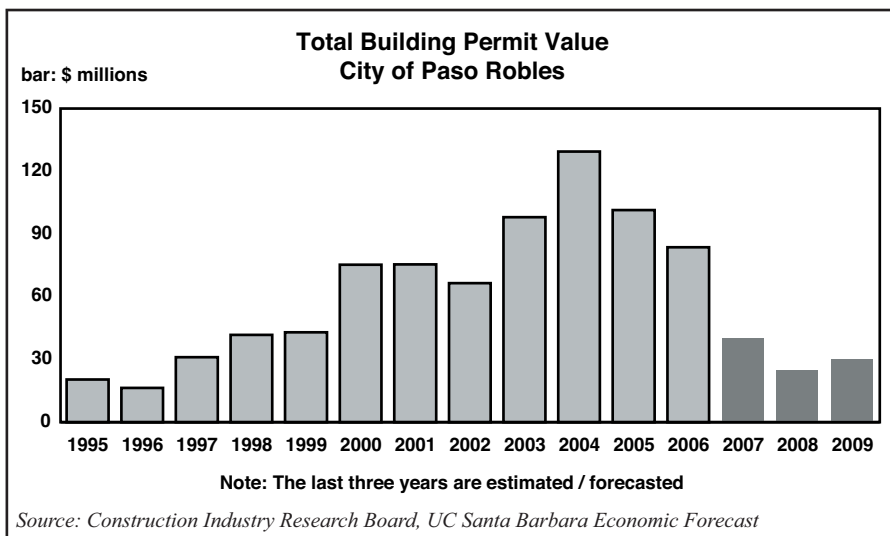
- Demographics, wealth accumulation and migratory trends all contribute to Paso Robles declining housing density.



- While delayed relative to Paso Robles' residential market, the City's non-residential building permits have recently declined rapidly.



- Industrial space, Paso Robles most volatile new construction, has led the decline in non-residential building permit value. However, Retail and Office have also seen large declines.



- We expect Paso Robles' 2008 total building permit values to be the lowest since 1996.

