Kitsap County Building Permit Levels:

Statistics for year end 2000 indicate that the Kitsap County residential market remains depressed. The residential market, as a whole, was relatively active in the years 1989 through 1944, with its peak year for new construction occurring in 1990. Since 1994, however, the market has slowed considerably, and new construction has been dramatically reduced. Moreover, much of this new construction involves custom homes, and the level of "spec" construction is severely limited. New home sales through the Multiple Listing service totaled only 543 for 2000, and nearly 50% of these were located in the North Kitsap and Bainbridge Island market areas.

Despite the decline in new construction, prices for both new and used homes throughout the County continue to rise. The average number of day (DOM) that it takes to sell these homes has also decreased from 145 days in 1996 to 84 days in 2000, and the inventory of unsold homes is declining slightly. As inventory continues to decline, pressure should mount for more new construction and lot development. Acquisition of land and platting of new lots, however, have also declined sharply in recent years, and reached a ten-year low in 2000. It is reasonable to predict that once a turnaround in the market occurs, the available competition should be limited.

Building Permit Activity:

The chart below summarizes the total residential building permit activity within Kitsap County for each year between 1984 and 2000, and breaks down new construction into three categories (i.e. Single-Family Homes, Multi-Family Units, and Mobile Homes).

Residential Building Permits
Bremerton/Kitsap County Area

Year	Single-Family		Multi-Family		Mobile Home		Total
	#	%	#	%	#	%	#
1984	986	47.7%	462	22.4%	617	29.9%	2,065
1985	1,430	57.8%	454	18.3%	591	23.9%	2,475
1986	1,009	58.5%	140	8.1%	576	33.4%	1,725
1987	1,056	45.9%	705	30.7%	538	23.4%	2,299
1988	930	51.7%	384	21.3%	485	27.0%	1,799
1989	1,347	54.0%	526	21.1%	623	25.0%	2,496
1990	1,914	55.2%	718	2.07%	836	24.1%	3,468
1991	1,660	59.9%	839	30.3%	707	25.5%	3,206
1992	1,892	65.3%	290	10.0%	690	23.8%	2,872
1993	1,611	55.6%	667	23.0%	536	18.5%	2,814
1994	1,766	64.5%	573	20.9%	539	19.7%	2,739
1995	1,387	65.8%	274	13.0%	448	21.2%	2,109
1996	1,345	66.1%	250	12.3%	441	21.7%	2,036
1997	1,030	66.8%	65	4.2%	446	28.9%	1,541
1998	970	62.2%	175	11.2%	415	26.6%	1,560
1999	1,132	75.2%	20	1.3%	354	23.5%	1,506
2000	1,107	73.6%	83	5.5%	314	20.9%	1,504
Total	**22,572**	**58.8%**	**6,631**	**17.3%**	**9,155**	**23.9%**	**38,358**

Source: HUD, Seattle Regional Office (1989-1996); Richards & Associates (1997-2000)

The "Building Permit Activity" table indicates that of the 38,358 residential units permitted between 1984 and 2000, roughly 59% have been for Single-Family, 17% for Multi-Family, and 24% for Mobile Homes. Total activity peaked in 1990 when 3,468 units were issued permits, and the overall number of units permitted remained rather steady between 1991 and 1994 before beginning a substantial decline. Permits issued in 2000 were lower than any other time in more than fifteen years.

Single-Family homes with Kitsap County have historically been more affordable than neighboring King, Snohomish, and Pierce Counties, and for this reason many people have chosen to move to Kitsap County and endure the commuting distances to other employment markets. Following periods of high price appreciation in these adjacent areas, the local Kitsap market has historically experienced spikes in its development activity due to increased demand. Although the neighboring markets have experienced a period of strong price appreciation and demand over the past four years, only specific areas of the county — Bainbridge Island and parts of North Kitsap — have benefited from the "spill-over" effect.

Mobile Home Units Up/ Single-Family and Muti-Family Units Are Down:

The table below shows the distribution of types of housing units (i.e. Single-Family, Multi-Family and Mobile Home) in Kitsap County as derived from the U.S. Census data in the years 1980, 1990 and 1999. The 1999 figures are estimates made by the Washington State Office of Financial Management. The Year 2000 numbers were not available for the Spring 2001 edition of the Kitsap TRENDS .

KITSAP COUNTY HOUSING DISTRIBUTION

	1980		1990		1999		Change 1990-1999	
Housing Type	# of Units	% of Total	# of Units	% of Total	# of Units	% of Total	# of Units	% of Total
Single-Family	41,834	73.0%	51,170	69.1%	64,221	67.4%	13,051	61.4%
Multi-Family	11,728	20.5%	13,959	18.9%	17,326	18.2%	3,367	15.8%
Mobile Homes	3,765	6.6%	8,909	12.0%	13,758	14.4%	4,849	22.8%
TOTAL	**57,327**	**100%**	**74,038**	**100%**	**95,305**	**100%**	**21,267**	**100%**

As indicated, both the Single-Family and Multi-Family share, as a percent of total housing, declined from 1980 to 1990, while the percent of mobile homes increased. This trend continued in the period between 1990 and 1999. Mobile Homes now make up roughly 14.4% of all housing types, while Single-Family homes have decreased to 67.4% and Multi-Family units have decreased to 18.2%. Despite this trend toward the more affordable mobile homes, Single-Family housing is still Kitsap County's predominant form of shelter, and represents nearly 2 out of every 3 housing units in the county. Based on the level of building permits issued over the past five years, the trend away from Multi-Family development is confirmed by the fact that 68.5% of the total permits were for Single-Family homes, 24.1% were for Mobile homes, and only 7.4% were for Multi-Family units.

Average Home Prices Climbed 1.4%/ Days on Market (DOM) Declined:

The following chart summarizes average home sales prices by area of the county, as indicated by the Computer Multiple Listing Service (CMLS) data and the Northwest Multiple Listing Service (NWMLS) data. These sources are not all-inclusive, since they cover only properties that were marketed by member real estate firms, but the data is considered to be a good indication of price and days-on-the-market trends.

The bottom two rows of the chart display the average home sale price with and without Bainbridge Island included, an area which is heavily influenced by ferry access to King County and historically has the highest priced homes in the county. As the chart indicates, average home prices have steadily increased over the past five years, both on and off Bainbridge Island, while the days on market (DOM) have declined.

MULTIPLE LISTING SERVICE AVERAGE PRICES (ALL HOMES BY AREA)

CMLS Area	*1996*		*1997*		*1998*		*1999*		*2000*	
	Price	DOM	Price	DOM	Price	DOM	Price	DOM	Price	DOM
1 South Kitsap	$130,849	156	$131,875	146	$147,924	94	$149,754	90	$149,594	82
2 West/Central	$146,910	147	$155,853	138	$159,393	90	$162,472	82	$168,894	77
3 W. Bremerton	$89,005	132	$100,494	115	$97,066	83	$97,810	75	$108,358	77
4 E. Bremerton	$105,292	120	$108,274	119	$117,846	85	$115,871	68	$124,236	81
5 East/Central	$119,234	135	$126,502	127	$132,374	93	$138,806	65	$140,272	72
6 North Kitsap	$156,313	146	$161,365	149	$171,771	94	$188,771	95	$190,273	87
7 Bainbridge Isl.	$291,739	153	$300,480	142	$339,973	97	$382,044	93	$416,975	112
CountyAverages	**$150,706**	**145**	**$161,212**	**139**	**$175,155**	**92**	**$183,669**	**85**	**$186,214**	**84**
Less Bainbridge	**$131,414**		**$138,171**		**$146,791**		**$153,070**		**$154,285**	

This data indicates a county-wide average home sales price of $186,214 for 2000, which was a 1.4% increase from the $183,669 average for 1999. Bainbridge Island always achieves the highest prices, while the remainder of the county brackets a substantially reduced price level that ranges from almost $110,000 in West Bremerton to slightly more than $190,000 in North Kitsap County. The county-wide average, excluding Bainbridge Island, now stands at $154,285, which was up 0.8% from the prior year.

Takes Fewer Days to Sell a Home:

A somewhat positive sign indicated by the data is the general reduction in the average amount of time that it takes to sell a home, an indication that demand may be on the rise. County-wide, the number of Day-On-Market (DOM) had been steadily increasing, and had reached 145 days for year-end 1996. The 1998 - 2000 figures are dramatically lower, and the average ranges from 84 to 92 days over this three year period. This reduction may be due in part to record keeping associated with the change over of the CMLS to the NWMLS at the end of 1997, and it should be remembered that this data is utilized to demonstrate trends over time, and does not necessarily represent the amount of time that it might take to sell an individual home in today's market. These figures tend to be slightly understated since some homes do not sell within the time frame stipulated within the listing agreement and are re-entered into the computer system upon renewal of the listing, while others are transferred to alternative real estate firms at lower prices. These and other conditions tend to minimize the Days-On-Market reported by the MLS, but despite these limitations, as stated before, the data is considered to be an acceptable indicator of market trends and implies that demand is relatively steady.

Appreciation Rates:

As can be seen in the chart below, county-wide appreciation rates are lower than the prior four years. But, the West Bremerton, East Bremerton and Bainbridge Island markets substantially exceeded the average county-wide Appreciation Rate.

MLS SINGLE-FAMILY APPRECIATION RATES (AVERAGE PRICES)

MLS Area	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
1. South Kitsap	15.3%	16.0%	3.3%	1.9%	2.3%	3.3%	0.8%	12.2%	1.2%	-0.1%
2. West/Central	12.9%	0.3%	1.0%	1.9%	-6.1%	5.3%	6.1%	2.3%	1.9%	4.0%
3. W. Bremerton	11.3%	11.1%	7.6%	3.5%	-6.9%	7.0%	12.9%	-3.4%	0.8%	10.8%
4. E. Bremerton	13.6%	13.2%	2.4%	2.1%	-2.2%	5.9%	2.8%	8.8%	-1.7%	7.2%
5 East/Central	16.7%	7.5%	0.5%	3.5%	-0.7%	0.5%	6.1%	4.6%	4.9%	1.1%
6. North Kitsap	4.4%	8.9%	7.9%	2.3%	-0.2%	9.2%	3.2%	6.4%	9.9%	0.8%
7. Bainbridge Island	-2.5%	5.0%	4.4%	8.4%	8.5%	-1.3%	3.0%	13.1%	12.4%	9.1%
County Totals	**8.7%**	**8.5%**	**3.8%**	**5.3%**	**-0.3%**	**5.2%**	**7.0%**	**8.6%**	**4.9%**	**1.4%**
Less Bainbridge	**12.6%**	**9.8%**	**4.1%**	**2.6%**	**-1.4%**	**3.4%**	**5.1%**	**6.2%**	**4.3%**	**0.8%**

East & West Bremerton Showed A "Turn Around" in 2000:

The data in the prior chart indicates that West and East Bremerton market areas experienced a turn around from the previous stagnant appreciation rates. In fact, West Bremerton homes appreciated at a higher rate (10.8%) than even Bainbridge Island homes (9.1%).

Bainbridge Island & North Kitsap Homes Appreciated the Most Over Five-Year Period:

Over the past five years, the South Kitsap, Silverdale, and Central Kitsap market areas have posted the lowest price gain. The highest appreciation rates were experienced in the Bainbridge Island and North Kitsap areas. Again, proximity to ferry service is probably a major contributing factor in this trend.

"New Home" Prices Continue to Increase:

The Digest is a publication that formerly compiled data on "all" property sales that occurred within Kitsap County. This company terminated their services in Kitsap County in early 1997, so figures are only available through the end of 1996. The Northwest Multiple Listing Service, on the other hand, does track "new home" sales that occur through their member brokers, but their data is available only as of January 1998. Further complicating the matter is the fact that sales areas from each of these data sources are not identical. Despite these limitations, we have attempted to match sales areas as closely as possible and the data is summarized in the following chart.

AVERAGE "NEW HOME" PRICES
BASED ON THE DIGEST AND NWMLS DATA

Digest Area	*1991*	*1992*	*1992*	*1994*	*1995*	*1996*	*1998*	*1999*	*2000*
North Kitsap	$115,006	$132,431	$130,859	$139,562	$145,562	$163,076	$182,576	$202,517	$214,040
Bainbridge Island	$236,277	$238,043	$205,725	$249,673	$260,458	$304,735	$348,819	$382,306	$410,050
Central Kitsap	$142,966	$149,163	$147,284	$149,333	$150,264	$148,161	$145,979	$147,269	$150,782
Bremerton	$121,987	$127,751	$115,014	$123,596	$126,331	$123,303	$137,049	$136,048	$155,137
South Kitsap	$126,531	$137,399	$144,870	$140,896	$145,001	$148,424	$160,975	$175,148	$178,600
County Totals	**$138,463**	**$143,776**	**$143,078**	**$148,880**	**$153,131**	**$162,651**	**$195,219**	**$226,200**	**$232,136**
Less Bainbridge Isl.	**$129,666**	**$115,054**	**$139,674**	**$141,826**	**$146,819**	**$150,911**	**$165,298**	**$178,201**	**$182,202**

"New Home" Prices Increased the Most in North Kitsap & Bainbridge Island:

The data indicates that, beginning in 1996, the North Kitsap market area generated the highest new home prices in the county, excluding Bainbridge Island. South Kitsap also surpassed the Central Kitsap area during this same year. Since 1990, new home prices have increased at an annual compound appreciation rate of 7.4% within the North Kitsap market area, which outpaces all other areas of the county, including Bainbridge Island, which increased at a rate of 7.3% per year. The South Kitsap area increased at a rate of 5.1% per year over this same time frame while the Central Kitsap and Bremerton areas have lagged, increasing 1.5% and 4.1% respectively. Again, the market appears to place greater emphasis on the North Kitsap and Bainbridge Island market areas as they have shorter commutes to the employment center of King County. A similar condition associated with commuting to the Pierce County area may also exist within the South Kitsap market area.

Total Home Sales Continue to Increase, While "New Home" Sales Remain Below Normal:

An indication of the level of sales actively within each area of the County is obtained from Multiple Listing Service data and is summarized in the following chart. The data reflects the number of closed sales in each area, in addition to the total number of condominium sales county wide. Please also note that figures for 1997 have been annualized based on data for only 10 months of the year.

NUMBER OF RESIDENTIAL SALES BY AREA
MULTIPLE LISTING SERVICE DATA

MLS Area	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1 South Kitsap	692	764	827	845	739	770	671	819	919	914
2 West/Central	412	551	541	580	512	396	382	477	465	480
3 W. Bremerton	233	256	232	237	216	243	240	304	321	359
4 E. Bremerton	133	144	142	155	136	143	131	182	215	232
5 East/Central	327	381	361	290	334	267	288	301	326	331
6 North Kitsap	521	630	622	646	639	581	589	712	814	705
7 Bainbridge Island	259	279	270	322	279	320	359	481	472	418
Total Single Family	**2,577**	**3,005**	**2,995**	**3,075**	**2,855**	**2,650**	**2,660**	**3,276**	**3,532**	**3,439**
Condos	**74**	**79**	**85**	**99**	**94**	**88**	**68**	**130**	**160**	**134**
Total Residential	**2,651**	**3,084**	**3,080**	**3,174**	**2,949**	**2,738**	**2,728**	**3,406**	**3,692**	**3,573**

Single-Family Home Sales In Last Two Years Are Highest In Last Ten Years:

The data indicates that Single-Family home sales have ranged from 2,577 to 3,692 units from 1991 to 2000, with the highest number of sales occurring in 1999. Sales for 2000 totaled 3,439 homes, and each of the past three years have generated more sales activity than at any other time during the past decade. A telling statistic not shown on the table, however, is that the number of new home sales over the past three years represent only a fraction of the total sales.

New & Used Home Sales:

The following table breaks down the total sales by location and by new and used home categories. New home sales have ranged from 8.42% to 15.79% of the total sales over the past three years.

NUMBER OF NEW & USED HOME SALES BY AREA
MULTIPLE LISTING SERVICE DATA

	1998			1999			2000		
MLS Area	New	Used	Total	New	Used	Total	New	Used	Total
S. Kitsap	57	762	819	126	793	919	164	750	914
Silverdale	44	433	477	54	411	465	38	442	480
W. Bremerton	7	297	304	13	308	321	11	348	359
E. Bremerton	7	175	182	9	206	215	25	207	232
Central Kitsap	14	287	301	16	310	326	50	281	331
N. Kitsap	102	610	712	143	671	814	136	569	705
Bainbridge Island	45	436	481	111	361	472	119	299	418
TOTALS	**276** **8.42%**	**3,000** **91.58%**	**3,276** **100%**	**472** **13.36%**	**3,060** **86.64%**	**3,532** **100%**	**543** **15.79%**	**2,896** **84.21%**	**3,439** **100%**

MLS Single-Family Home Inventory Continues to Decline:

The MLS tracks the number of Single-Family listings that are Active, Pending and Closed for each month. This information not only helps determine the current activity in the market, but it provides a window into what is likely to occur in the next few months. The following table summarizes the average number of active Single-Family home listings by area for the years 1995 through 2000. Active listings were on the increase in nearly every market area through 1997, but have since declined in all areas. This corresponds to the increase in residential sales during the same period. Although inventory fluctuations on their own do not necessarily indicate changes in the market, the fact that inventories are decreasing while sales activity is at the highest levels since 1990, suggests that existing supply is slowly being absorbed and that demand for new construction may be on the horizon.

MLS SINGLE-FAMILY RESIDENTIAL LISTINGS
(MONTHLY AVERAGE)

MLS Area	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
1 South Kitsap	586	623	636	532	531	504
2 Silverdale	327	327	336	276	233	205
3 W. Bremerton	179	162	231	176	163	155
4 E. Bremerton	90	123	130	98	93	93
5 Central Kitsap	183	220	230	162	137	131
6 North Kitsap	425	492	547	419	352	360
7 Bainbridge Isl.	269	213	278	227	202	204
County Totals	**2,059**	**2,160**	**2,388**	**1,890**	**1,711**	**1,652**

RESIDENTIAL LOTS CREATED

Year	Plats Recorded	Lots Created
1994	24	723
1995	3	78
1996	25	825
1997	16	373
1998	16	445
1999	17	388
2000	7	196

Residential Lot Development Also Declines:

Given the limited level of new home sales, which has resulted in a substantially reduced level of new home construction, it is only logical that demand for new lots is also reduced. The following chart details the number of plats recorded throughout the county in the years 1994 - 2000, in addition to the total number of building sites that were created. As the chart indicates, plat recordings dropped substantially from the level of 1996 and reached a five-year low in 2000. The fact that new inventory is not being created suggests that plats with standing inventory will be best positioned to capitalize on market demand *once it materializes*. This appraiser's search of the market also indicates that a very limited number of acreage tracts have been acquired by developers in recent years and once the market turns, a substantial lag time for new plat construction is likely to occur. This also bodes well for existing or ongoing developments with a standing inventory of lots.

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