

KITSAP COUNTY REAL ESTATE TRENDS

R E P O R T



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KITSAP COUNTY REAL ESTATE TRENDS

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TRENDS

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The Spring 1998 edition of TRENDS reports a mixed bag of results, both in the effort to attract new business to the Kitsap area and in the actual economic conditions experienced recently in the County.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Report from the EDC

- The lead article is written by Bonnie Graham McDade, the Economic Development Council's Director for Business Development & Diversification. Bonnie relates how community leaders continue to push the effort to attract new employers. Along with EDC staff, they visited Seattle-area companies which fit the profile of businesses that should be good candidates to help diversify the Kitsap economy. The results were eye opening.
 - few had a thorough knowledge about the County as a whole,
 - transportation access to the County via ferry or the Narrows Bridge is viewed as a major hindrance,
 - the County's workforce is perceived as "lacking in private-sector work ethics and entrepreneurial spirit"

Positive aspects of the County's business environment was identified, however, and the EDC will focus on improving the availability of information about the County.

Economic Conditions

- Preliminary estimates of employment in the county for December 1997 are encouraging. They show 1,200 jobs were added since December 1996. This compares to an employment increase of only 1,000 in the previous two years (1995-1996).

Housing numbers are sobering. Residential building permits in 1997 hit a 15 year low. All sectors were weak, but new multifamily starts were down most dramatically. Single family home sales continue to be slow with the average time to sell a home, roughly 50% higher than in 1993 and 1994. Average sale prices did increase by 7%, however. Reported apartment vacancies remain over 8%, although the northern part of the County continues to experience average vacancy well under 5%. The County's housing is still more affordable than the State average, but the relative affordability for "all buyers" actually dropped during 1997 in comparison to King, Pierce and Snohomish Counties.

On a brighter note, estimated 1998 median household income for the County jumped 10% to \$48,100 (though the magnitude of the increase may be inflated by a 1997 income number which was reported as 3.3% below 1996). The County's current average income level is, however 18.5% below the average for the Seattle PMSA and almost 2% below the State as a whole. Another sign of a strengthening local economic picture is taxable retail sales with for the first nine months of 1997 grew at more than 5%, compared to growth well under that level in the preceding two years. On the other hand, 1998 property values grew only 3.5%, compared to 6.5% the previous year.

In summary, the County's economy exhibits some bright spots, but in some areas, particularly housing, it lags far behind the superheated growth on the east side of Puget Sound.

by
Ned Palmer,
BancAmerica
Robertson Stephens

EDC test marketing shows strengths, weaknesses

- Sometimes looking in the mirror has its sobering moments. So was the case when the Economic Development Council restructured its business recruitment program (attracting new businesses to the Kitsap County area).

When it came time to test the new ideas and marketing materials that were developed, all the best of intentions and the positive attitudes by the community leaders who gathered together to determine that new direction met with some reckoning.

We took our ideas to the people who would make the final decisions to move or expand to West Sound, CEOs of target industry businesses. We asked these industry leaders what they thought about Kitsap County, and they told us.

Process pinpoints assets, liabilities

- To recruit new businesses, it is necessary to know what those businesses need. In order to meet their needs, it is necessary to know what the County has to offer, and what the County doesn't have to offer. Determining community assets and liabilities is vital to success in any marketing campaign.

It is prudent to play to your assets. Just like any team, any strategy, you work with and enhance your strong points. You recognize and mitigate your liabilities.

That process was thoroughly examined during the six-month intensive work sessions by the 30+ community leaders who dedicated themselves to diversifying the economy of Kitsap County.

Assets were found to be many. Potential new private-sector businesses are interested in the County's qualified and available work force, affordable housing, work force training capabilities, and quality of life.

The other side of the ledger gathered a list too, however. Potential businesses are also interested in a business-friendly community, speedy permitting processes, in-place zoning ordinances, funding incentives, quality properties with development standards, transportation infrastructure, and competitive or lower property costs. Kitsap County doesn't fare as well in these categories.

Target industries must fit County resources

- The next step was to identify industries that would be targeted for recruitment efforts. The Focus Group decided those industries should fit current County resources. There were a number of categories that needed fixing such as, speeding up the permitting process, developing more traditional transportation linkages (fast ferries, better bridge access, airline service, for example), and secure zoning (an approved county-wide comprehensive plan).

But the group realized that these would take time. And time is now of the essence. Business recruitment efforts had to be launched now. Therefore, they decided to put the County's best foot forward. Play to the current assets.

by
Bonnie Graham McDade,
Director,
Business Development &
Diversification

So, what industries fit the County's current resources?

And, to meet the other two major criteria, what industries were growth industries and what industries provided primary wage jobs (those of \$15 to \$50+ an hour) ?

On a matrix using the three criteria, the target industries emerged:

- 1) **Aviation**, (both airline service and aircraft maintenance), a perfect match for the County's well appointed Bremerton National Airport;
- 2) **Biotechnology**, the third fastest growing industry in Washington State and in the nation;
- 3) **Electronics**, which supports all of the emerging technology industries;
- 4) **Environmental science**, a growth industry that fits community desires for clean industry as well as cutting edge development;
- 5) **Marine science**, a match with Kitsap's water oriented community, businesses and technology, especially at Keyport;
- 6) **Maritime**, from boat building to diving to tourism, this industry is a natural fit;
- 7) **Regional headquarters, another** rapidly growing industry requiring little traditional infrastructure;
- 8) **Software manufacturers**, one of the fastest growing industries in the nation, and surely in the Pacific Northwest's 1-5 corridor;
- 9) **Telecommunications**, a natural for communities close to large population areas, with available work force, and adequate bandwidth;
- 10) **Telemarketing**, including 'call centers', another natural for ease of movement and need for little infrastructure expect strong bandwidth;

With those industries identified, marketing materials were prepared to begin the dialog with specific businesses within those industries. But, the Focus Group asked, do we truly KNOW what these industries want? Do we truly know what they think of Kitsap? Let's find out for sure.

Test marketing reveals inaccurate perceptions that need correcting

- We identified nine companies that represented the target industries. Appointments were made with CEOs or management leaders in each company. Several Focus Group members along with myself, visited the selected companies. All but one were in the Greater Seattle area. The company leaders were asked several things: What was their impression of Kitsap County? Did they think companies such as theirs would be interested in moving or expanding to Kitsap County? Did they have any ideas of other companies in their industry that might be interested? We then asked them again what they thought of Kitsap County.

The answers were interesting and, as mentioned before, sobering.

Basically the answers from all of the company leaders fell into specific categories.

- 1) Identity and image: Few really knew where Kitsap County was exactly. They knew Bremerton, however; and equated it with the Puget Sound Naval Shipyard and the USS Missouri. Most admitted they either did not know where it was or hadn't been here very many times. Bremerton, on the other hand, was identifiable. But Bremerton also brought up other perceptions many of them inaccurate. For example, some thought Bremerton was "on the decline because of base closures". And although there were no base closures in Kitsap, that perception is alive and growing. Others thought of Bremerton as old, run down, and decaying. "Not much going on there." Unfortunately that perception expanded to the rest of the county. Few recognized that Bainbridge Island was part of Kitsap County.
- 2) Difficult to get to: The ferry crossings and the Puget Sound loomed large, almost like the Great Wall of China as a barrier to locating a business here. It seemed to these decision makers that it was easier to get to North Bend or Roslyn than it was to get to cities in Kitsap County. The Narrows Bridge and the lack of other transportation infrastructure, indicated to them that access for both employees and distribution was cumbersome at best.
- 3) Less than desirable workforce attitudes. This was the surprise. While we at the EDC are marketing our qualified, available and skilled workforce as one of the county's most desirable assets, these company leaders thought just the opposite. They viewed our military and governmental employees as lacking in private-sector work ethics and entrepreneurial spirit. They presumed that the training did not provide an aggressive "out of the box" type of thinking and creativity.

Positive side shows through, too

- On the positive side, Kitsap County, once identified, was recognized to have a very desirable quality of life; close to the Olympic Peninsula, pretty scenery, a small, rural atmosphere. Many companies today are looking for places to expand that are not in busy metropolitan areas where property rates are high, traffic congestion interferes with their ability to get work done, and other quality of life factors have deteriorated.

So what are we going to do about all of this?

- The basic problem seems to be a lack of correct information. And fortunately, that problem is a relatively easy one to fix. Therefore an aggressive public information program, both "at home" and "abroad" will be mounted to correct the misconceptions as well as provide a strong, assertive base upon which to build the marketing/recruitment program.

The marketing materials are ready for distribution. They will be continuously updated (since they are produced "in-house" from templates and the color printer) and added to as other sections come on line.

The web site is being improved with a completely new approach to its design and content.

BUSINESS CLIMATE

In-person presentations will be made in the Greater Seattle area to companies that network with other companies looking to expand or relocate. And in-County presentations are being made to better inform local businesses and citizens on the values and efforts of economic development.

Questions? Want to help? Just call.

- Anyone who is interested in being a part of this new business recruitment process is welcome to call me at 360/479-3712. We have a number of exciting projects in the works and need people who can become part of the 'marketing team' to help diversify and balance Kitsap County's economic base.

The Navy In The Pacific Northwest

- The Pacific Northwest Navy has grown significantly in the last couple of years due partially to base closures in California and the popularity of the Puget Sound region as a Navy homeport. The Puget Sound Navy now numbers about 26,000 active duty and about 16,000 civilian employees, second only to Boeing in the size of the work force employed in Washington state and contributing over \$2.7 billion to the local economies.

In January 1997, Naval Station Everett welcomed the aircraft carrier USS Abraham Lincoln, bringing the station to full seven-ship capacity. The carrier USS Carl Vinson reported to the Puget Sound Naval Shipyard in January as well, and Commander, Carrier Group Three completed its move north to Bremerton by early spring. The carrier USS Nimitz left PSNS in September 1997 for an around the world deployment and a new home port in Virginia. Additionally, a new ship, the USS Bridge is scheduled to be homeported at PSNS in the summer of 1998. Overall the Navy has a strong long-term commitment to the Pacific Northwest. The recent Defense Authorization Bill contains funding for important quality of life projects the Navy has been requesting; housing and medical/dental facilities among those. Congress has also set aside any additional rounds of base closures for the near future.

Profiles of Navy Bases in Kitsap County

- Naval Submarine Base Bangor is homeport for eight Trident missile submarines and the USS Parche, a specially modified fast attack submarine. It is also home to various Trident support commands. Subbase Bangor encompasses over 7,000 acres of land.

Military.....	5,900	Payroll:	
Military Families.....	10,000	Military.....	\$225.4 million
Civilians.....	2,575		<i>(direct mission funded)</i>
		Civilian.....	\$133.9 million
			<i>(direct)</i>

Subbase Bangor provides \$50 million per year in reimbursable services to over 90 customers on the Bangor complex and the surrounding area.

Puget Sound Naval Shipyard performs overhaul and repair of Naval ships and submarines and recycles nuclear-powered ships and submarines that have been decommissioned. The shipyard is currently homeport to seven ships including the aircraft carriers USS Carl Vinson. The shipyard is the largest Navy employer in Washington state.

Military.....	7,000	Payroll:	
Civilians.....	8,925	Military.....	\$220.4 million
		Civilian.....	\$500 million
		School subsidies....	\$3.2 million

Naval Undersea Warfare Center, Division Keyport provides test and evaluation, in service engineering, maintenance and repair, fleet material readiness and industrial-base support for undersea weapon systems, countermeasures and sonar systems.

Military.....	32	Payroll:	\$95 million
Civilians.....	1,520		

by
Captain Steve Slaton,
Naval Base Seattle

KITSAP NAVAL BASES

Naval Hospital Bremerton provides medical care to a patient population of about 65,500. They have a staff of over 1,000 with seven branch clinics in the region. They also function as a family practice teaching hospital. The 101-bed hospital is the largest Navy in-patient facility in the region.

Projected to begin in fiscal year 1999, is a construction project designed to provide an addition, renovation and parking garage, that will create a patient-focused healing environment integrating the existing building. It will create a three-tiered underground parking complex and provide a one-stop health and wellness area for out-patient care. The project is expected to be completed in 2001.

Military.....	746	Payroll:	
Military Families.....	2,500	Military.....	\$15 million
Civilians.....	368	Civilian.....	\$38.5 million
		Annual operating budget	\$42 million

Sinclair Landing Re-creates Bremerton Waterfront

Sinclair Landing is a major waterfront re-development project underway in downtown Bremerton. It encompasses over eight square blocks, starting at the waterfront continuing to Pacific Avenue, then from the Puget Sound Naval Shipyard to Fourth Street. Significant new public facilities will support \$1 50+ million of private development.

Transportation linkage is the key public investment in Sinclair Landing. The new Bremerton Transportation Center, scheduled to open in 1999, will serve ferry, bus, bicycle and pedestrian commuters and travelers on their way to Seattle and mosquito fleet-style to Port Orchard. Expanded ferry service is also on the way: high-speed 30 minute passenger ferries between Bremerton and Seattle begin service in 1998 and a 30% increase in car capacity is scheduled by 2000. New parking garages will accommodate foot ferry passengers and visitors coming to enjoy and do business at Sinclair Landing.

The private development of Sinclair Landing will create a vital mixed use urban center with new office space, residential condominiums, waterfront inn and plenty of active retail. The project developer expects to attract national, quality retailers that will provide a high-volume retail environment for local entrepreneurs. The development's architecture will reflect a strong art deco theme.

Demographically, Kitsap County is home to professional families and young Navy personnel. Entertainment for all ages will be a strong part of Sinclair Landing. A multiplex movie theater will complement the existing cultural spots also within walking distance, such as the Admiral Theater, Amy Burnett Gallery and local museums. Waterfront restaurants and meeting spaces round out an afternoon or evening in downtown Bremerton. And taking advantage of the superb waterfront location, the development team anticipates expansion of Bremerton's marina facilities.

The overall Sinclair Landing re-development project is based in a public/private partnership among local governments, The Commercial Group LLC, and the Howard S. Wright Construction Company. For further information please call **The Commercial Group** at (206) 855-9423.

SINCLAIR LANDING

by
Mary McClure,
Executive Director,
Sinclair Landing
Association

BUSINESS CLIMATE

SINCLAIR LANDING MASTER PLAN

LEGEND

NUM	PROJECT ELEMENT	NUM	PROJECT ELEMENT
1	Bremerton Transportation Center/ Retail Building	11	Cinema/Retail Building
2	Waterfront Parking/Retail Building	12	Retail/Museum Building
3	Retail/Office Building	13	Retail Building
4	Retail/Office Building	14	Retail/Office Building
5	Retail/Hotel Building	15	Waterfront Park
6	Residential Building	16	Waterfront Esplanade
7	Residential Building	17	Marina
8	Retail Building	18	Parking Building
9	Retail Building	19	Office Retail
10	Retail Building		



THE PORT OF BREMERTON

- The Port of Bremerton's jurisdiction covers portions of the west and south half of Kitsap County, Washington. The elected three-member Board of Commissioners represent approximately 100,000 people in the advancement of economic development, transportation and water recreation services in the district. Job growth, a diversified, healthy and expanding economic base top the priorities of the Commissioners and staff. The Port provides four major facilities to accomplish this mission: **Olympic View Industrial Park, Bremerton National Airport, and the Port Orchard and Bremerton Marinas.** Economic development tools and benefits the Port offers for business development include: build to suit capability, industrial development revenue bonds, land and building leases, developer services and foreign trade zone designation. The Port has a strong relationship with local government which greatly facilitates the development process for business. Kitsap County's productive and skilled labor force and quality of life (4th best place in the US to raise a family according to Readers Digest, April, 1997) will be there for the taking by new businesses choosing Port of Bremerton properties. The Port is working with local communities and business persons throughout the Northwest and the West Coast to seize job creation opportunities for Kitsap County. **Olympic View Industrial Park:** This 560-acre industrial park with its spectacular views of the Olympic Mountain range is located on State Route 3 in southwestern Kitsap County.

Olympic View Industrial Park is zoned industrial, light manufacturing. Over 35 businesses occupying 80 acres and 334,000 sq. ft. of building space now call Olympic View home. With on-site Puget Sound and Pacific rail service, Bremerton National Airport adjacent to the industrial park and a 30 to 75 minute connection to either the deep water ports of Seattle, Tacoma and Olympia or Sea-Tac International Airport, Olympic View is ready for new domestic and international business development.

Bremerton National Airport: This 6,200-foot all-weather airport, also located on State Route 3 and adjacent to Olympic View Industrial Park, is capable of accommodating Boeing 727 and 737 aircraft. The 1,200-acre airport is equipped with an instrument landing system, pilot controlled approach lighting and a nondirectional beacon. Airport businesses offer services to accommodate business and recreational aviation including: hangar space, Avgas (truck and 24-hour self-service), Jet A fuel, inter-connect airline service, air charter and pilot training services, a full service restaurant, FedEx and UPS air parcel service and other fixed base aviation support services. Scheduled air carrier service to SeaTac began in April 1998. Foreign Trade

Zone Designation: Over 500 acres of land at the Port's industrial park and airport are designated by the US Department of Commerce as a foreign trade zone (FTZ). Users can benefit from delayed and reduced tariffs and in some cases, no duty payments on any variety of import and export activity. Warehousing, repackaging and assembly, and manufacturing activities can benefit from use of the FTZ.

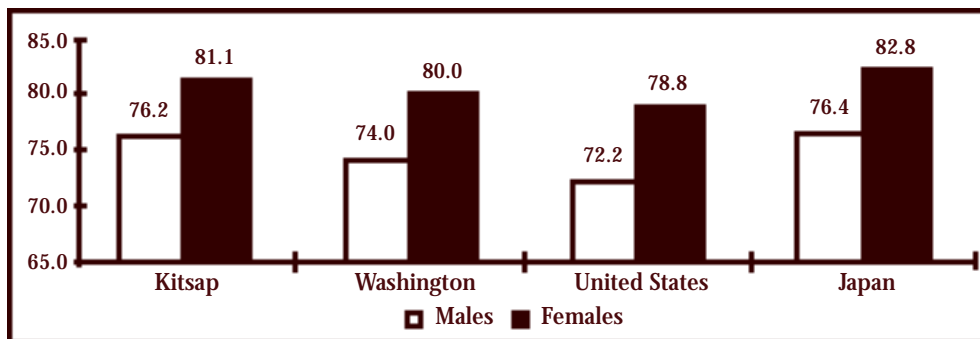
Port Orchard and Bremerton Marinas: The Port's award winning recreational marinas provide both permanent and guest moorage. The new 1998 Port Orchard Marina presents state-of-the art accommodations to both permanent and guest boaters. Over 500 vessels can be accommodated within their breakwaters. The host cities offer many shopping and entertainment opportunities within walking distance. With easy state ferry access to Seattle and its cultural and shopping opportunities, these two marinas are known up and down the West Coast as "the place" to rendezvous on Puget Sound.

by
Richard Brandenburg,
Executive Director,
Port of Bremerton

A Healthy Community

- Many indices reflecting the fact that Kitsap County residents experience a relatively high level of individual health can be found in Health Status of Kitsap County, 1995. This report was prepared by Bremerton-Kitsap County Health District, Harrison Memorial Hospital, Kitsap Physicians Service and Group Health Cooperative of Puget Sound. (it is being updated in mid-1998). This group then expanded to include United Way of Kitsap County, Kitsap Community Health Centers, Kitsap County Department of Personnel and Human Services, and the Kitsap Public Utilities District, along with over one hundred individuals from these and other agencies in the community. Together they developed Community Health Partners Priorities & Strategies 1997 in Kitsap County. This provides a framework for addressing some of the key areas where residents' health status can be further enhanced and supported in the future.

Life expectancy at birth is generally regarded as a key indicator of overall community health status. As shown below, Kitsap County residents' life expectancy is significantly higher than that of other residents of Washington or the U.S. and compares favorably with Japan, which has the highest life expectancies of any country in the world.



A Healthcare Community

- When residents of Kitsap County do need healthcare, they are fortunate to have healthcare organizations with long-standing commitments to the community, including over fifty years of service by Bremerton-Kitsap County Health District, Harrison Memorial Hospital, Kitsap Physicians Service and The Doctors Clinic.

Harrison is a 297 bed, not-for-profit, community hospital, which offers a wide array of services, including inpatient, outpatient, emergency, maternity, and home health. Harrison is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations. Harrison was selected as one of the top one hundred hospitals in the U.S. in 1996 and consistently offers its quality services at some of the lowest costs of any hospital in Washington State, which has among the lowest hospital costs of any state in the U.S. Harrison provides urgent care and other outpatient services at its South Kitsap Healthcare Campus in Port Orchard. Harrison is planning to construct another healthcare campus in Silverdale to enhance its maternity, women's, children's, and other health services. Harrison also plans to build a new Radiation Therapy Center at its East Bremerton hospital to consolidate and enhance its regional cancer treatment services.

by
David Olson,
Director of Planning,
Harrison Memorial Hospital

A Healthcare Community (continued)

KPS is the locally-based, health insurance provider for many of the residents of Kitsap and adjacent counties. The Doctors Clinic is a multi-specialty group practice. They have about fifty of the greater than three hundred civilian physicians who serve in Kitsap County. Group Health Cooperative is the largest health maintenance organization that serves the area, with nearly twenty-five physicians in Kitsap County. In addition to the civilian medical care system, Naval Hospital Bremerton, with its 139 acute care beds and extensive system of health services, provides care to approximately 50,000 military, dependents, and retirees who live in Kitsap County. Military construction funds have been allocated by the Federal Government for a substantial expansion of the clinic and parking facilities at Naval Hospital Bremerton. This will enable them to continue supporting the significant military operations in Kitsap County and the Puget Sound region.

A Healthy Future

- Kitsap County has a relatively young and healthy population. The region has an environment that beckons with a myriad of recreational activities. The community has a track record of creative, collaborative, and successful efforts to improve residents' quality of life and provide quality, cost-effective healthcare. Vision and leadership continue to build for future needs on today's solid foundation.

Kitsap County (Spring 1998)

- Kitsap County's 1996 Comprehensive Plan was declared invalid by the Central Puget Sound Growth Management Hearings Board. The plan was adopted under the State's 1991 Growth Management Act, with its 13 broad planning goals that include encouraging development in urban areas, preservation of rural lands and natural resource areas, and encourage economic development. The Board ruled the 1996 Plan's Rural and Land Use Elements invalid, particularly the Urban Growth Area's (UGA's) and the land use map, rural residential densities, the "Grandfathering Clause" and the "Rural Infill" provisions. Kitsap County was instructed to make the appropriate revisions. The Capital Facilities Element and Transportation Element of the Plan were remanded with instruction to meet the GMA internal consistency requirements. Finally, the entire Plan and implementing development regulations must be reviewed and revised to achieve internal consistency. The County submitted its revised Comprehensive Plan in May 1998. Work Tasks - In reviewing this Order, the County will address, at a minimum, the following tasks:

Land Use Element

- Recalculate and redesignate UGA's as necessary;
- Review Ground Water Issues;
- Review Commercial/Business Park/Industrial land use designations.

Rural Element

- Review/Revise Rural Densities;
- Reconsider Forest Land Designations.

Capital Facilities Element

- Review/Revise Water System section to include Class I and III Group systems;
- Review/Revise Sewer System section to ensure internal consistency.

Transportation Element

- Review/Revise Transportation Plan to ensure internal consistency.

Implementing Development Regulations

- Review, modify and adopt a Zoning Ordinance;
- Review, modify and adopt a Critical Areas Ordinance;
- Review, modify and adopt a Shoreline Management Master Program.

City of Bremerton

- Bremerton's Comprehensive Plan has been updated annually since its adoption in 1995. Processing begins on each year's 'docket' of proposed amendments on April 1st and the City anticipates adoption by the City Council in August or September, depending on their complexity.

The City adjusted and re-adopted its citywide Zoning Map to be consistent with the Comprehensive Plan and has amended key sections of the Zoning Code to incorporate procedural changes, SEPA/GMA integration, and other improvements required by ESHB 1724, the Regulatory Reform Act.

GROWTH MANAGEMENT ACT (GMA) UPDATE

by
Joseph Coppo,
*Kitsap County
Department of
Community
Development*

BUSINESS CLIMATE

by
Ron Hough,
*City of Bremerton
Department of Community
Development*

GROWTH MANAGEMENT ACT (GMA) UPDATE

City of Bremerton (continued)

Bremerton has completed several neighborhood plans which have been adopted as amendments to, and consistent with, the Comprehensive Plan. The most recent of those was the Charleston Community Plan, a combination CDBG and PERF grant project that integrated the SEPA process (EIS) into the neighborhood planning process. This plan was adopted in 1997. Due to budget and staff constraints, Bremerton intends to use consultant services in 1998 to prepare a plan for the Manette Business District.

Under the direction of its newly-hired Director of Economic and Community Development, Bremerton also expects to initiate some major adjustments to its Comprehensive Plan in 1998. Following Kitsap County's establishment of Bremerton's Urban Growth Areas, Bremerton will more specifically address land use, services and other planning matters within those areas and amend their Plan accordingly to maintain City/County Plan consistency as well as internal consistency. There will be a strong need for the City and County to fine-tune their respective growth plans following the anticipated approval of the County's Plan by the Growth Hearings Board this year.

The City has just completed its annual update of the Bremerton Comprehensive Plan. The revisions consist primarily of several site specific changes to the plan map, along with revisions to the Capital Facilities Element. The map revisions were followed by corresponding amendments to the zoning code and map. The amendments will become effective in October 1997. Applications for the next round of Comprehensive Plan amendments must be submitted by April 1, 1998.

In addition, the City recently adopted the Charleston Community Plan and corresponding zoning code amendments, effective in August 1997. This new neighborhood plan establishes a vision for a revitalized business district, establishes a new "Charleston District Zone" tailored to the needs of the district, and sets the stage for adoption of design guidelines to help bring the vision to life. Copies of the plan, a poster-brochure, a video, and draft design guidelines are expected to be available in October.

City of Poulsbo

- The City of Poulsbo proposed an urban growth area to Kitsap County for inclusion in their Comprehensive Plan due in April 1998. Kitsap County has not responded specifically to the City's proposal, but has indicated all city UGA's will be deferred until after the April plan is completed. In addition, the City is continuing to work with a team of consultants in updating its Comprehensive Sewer, Storm and Water Plans.

by
Karla Boughton,
City of Poulsbo,
Department of
Community Development

County population grows by 4,700 in past year, biggest increases in Port Orchard and Unincorporated Areas

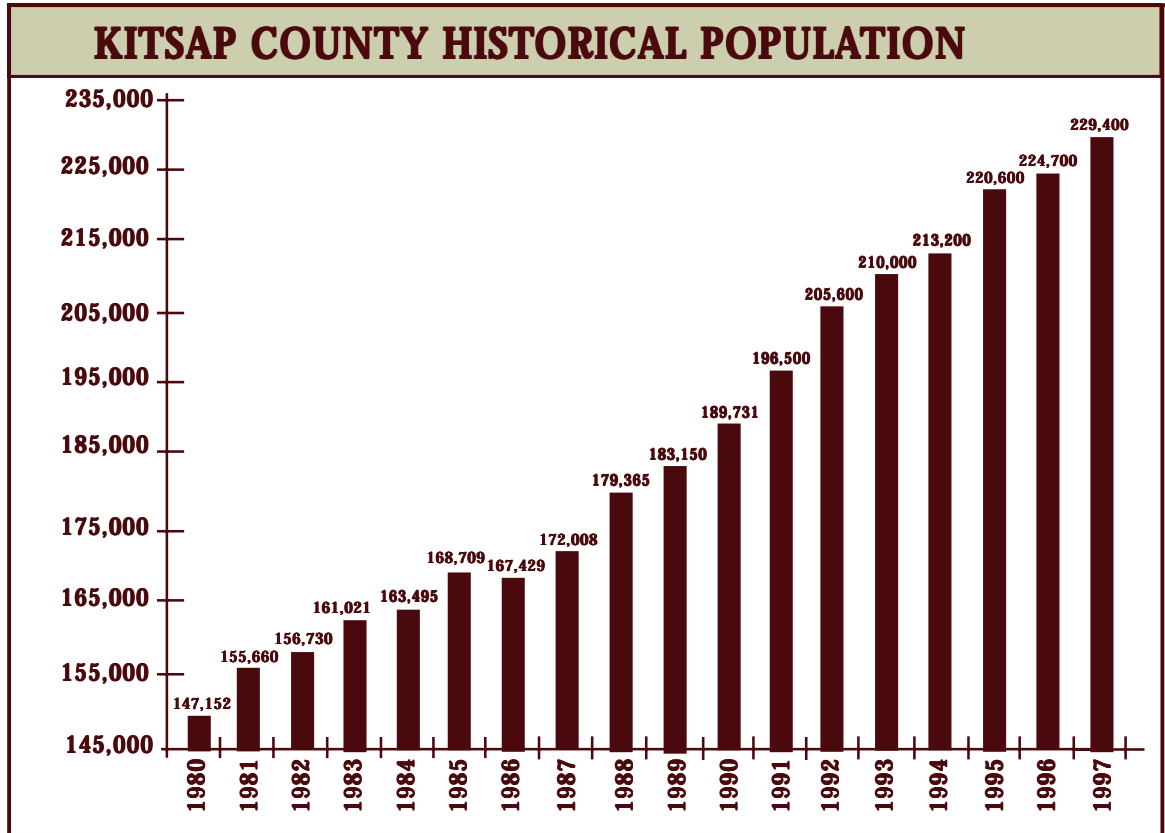
- As of April 1, 1997, Kitsap County population reached 229,400 according to estimates by the Washington State Office of Financial Management. The 1997 figure represents a 2.09% increase over the 1996 estimate and indicates an average annual increase in the county population of 2.99% from 1990. Over this seven year period (1990-1997) the population has grown by 39,669 people or 20.9%.

KITSAP COUNTY POPULATION								
	1980	1990	1992	1993	1994	1995	1996	1997
Kitsap County	147,152	189,731	205,600	210,000	213,200	220,600	224,700	229,400
<i>Annual Growth Rate</i>	<i>2.89%</i>	<i>3.57%</i>	<i>2.14%</i>	<i>1.52%</i>	<i>3.47%</i>	<i>1.86%</i>	<i>2.09%</i>	
Bremerton	36,208	38,142	38,990	36,380	35,920	39,610	38,370	38,600
<i>Annual Growth Rate</i>	<i>0.53%</i>	<i>-2.89%</i>	<i>-6.69%</i>	<i>-1.26%</i>	<i>10.27%</i>	<i>-3.13%</i>	<i>0.60%</i>	
Port Orchard	4,787	4,984	5,275	5,610	5,700	6,240	6,610	6,965
<i>Annual Growth Rate</i>	<i>0.41%</i>	<i>2.51%</i>	<i>6.35%</i>	<i>1.60%</i>	<i>9.47%</i>	<i>5.93%</i>	<i>5.37%</i>	
Poulsbo	3,453	4,848	5,280	5,350	5,415	5,765	6,070	6,175
<i>Annual Growth Rate</i>	<i>4.04%</i>	<i>6.02%</i>	<i>1.33%</i>	<i>1.21%</i>	<i>6.46%</i>	<i>5.29%</i>	<i>1.73%</i>	
Bainbridge Island	2,196	3,081	16,850*	17,200	17,510	17,910	18,530	18,920
<i>Annual Growth Rate</i>	<i>4.03%</i>	<i>N/A</i>	<i>2.08%</i>	<i>1.80%</i>	<i>2.28%</i>	<i>3.46%</i>	<i>2.10%</i>	
* Incorporation of entire Island & City of Winslow (1991 population: 16,390)								

The four incorporated areas of Bremerton, Port Orchard, Poulsbo and Bainbridge Island had a combined increase in population of 1,080 (1.55%), whereas the unincorporated areas of the county experienced an increase of 3,620 or 2.33%.

continued

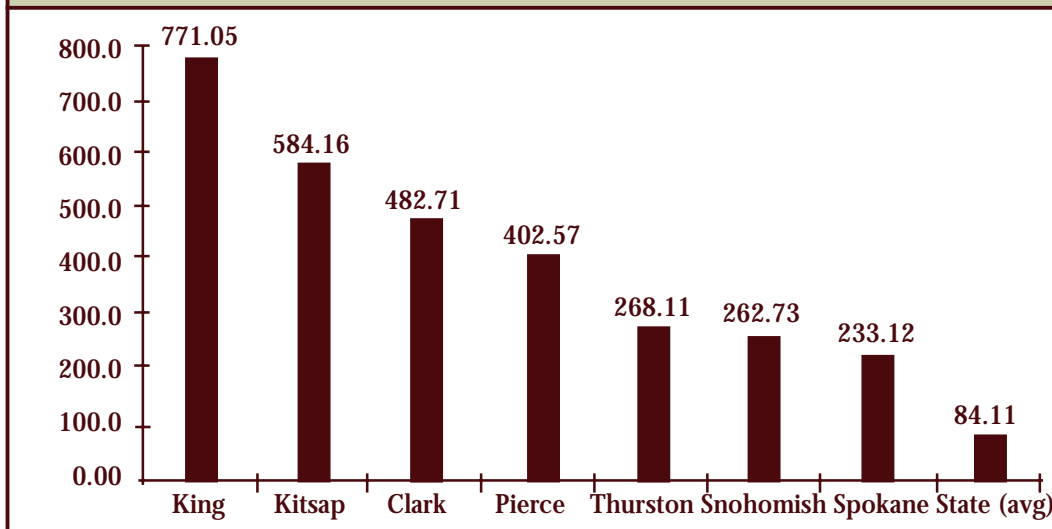
POPULATION



Population density second highest in State

- Of the 39 counties in Washington State, Kitsap County ranks as the second most densely populated at 584.16 people per square mile, behind King County with a density of 771.05. The State average is 84.11 people per square mile.

SEVEN MOST DENSELY POPULATED WASHINGTON STATE COUNTIES

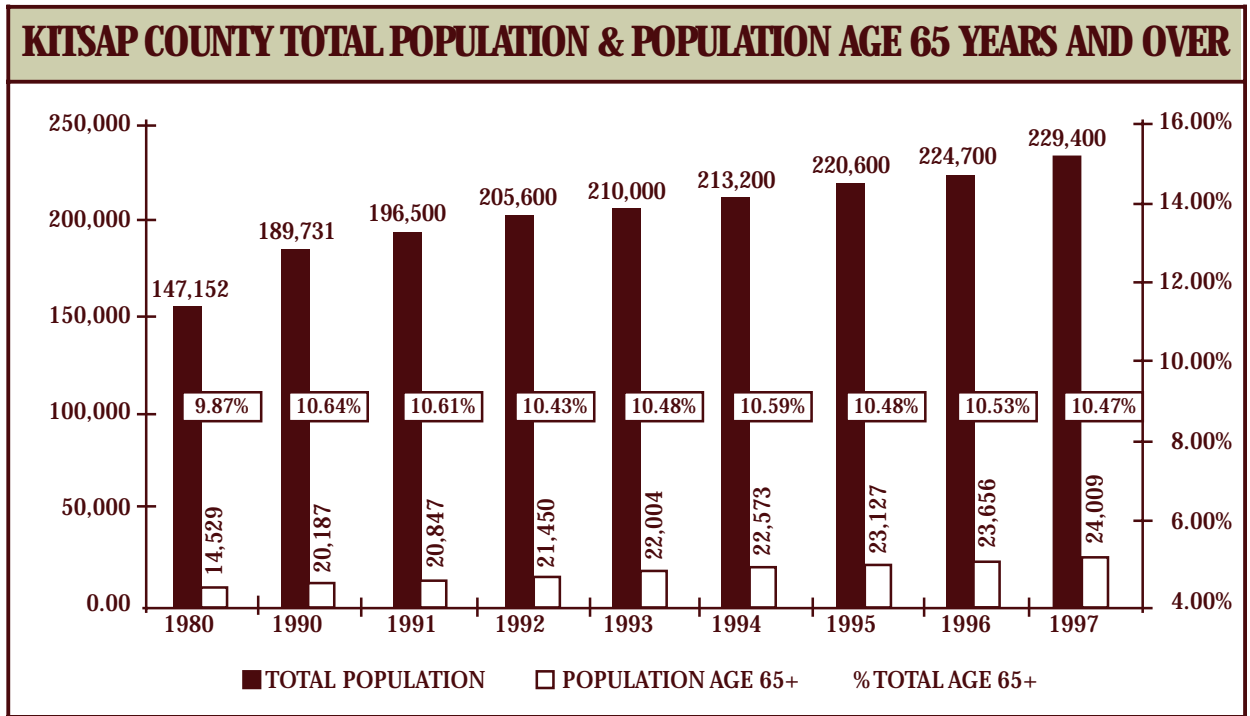


County	People/Square Mile	Land Area (sq mi)	1997 Population
King	771.05	2,135.00	1,646,200
Kitsap	584.16	392.70	229,400
Clark	482.71	656.30	316,800
Pierce	402.57	1,657.00	674,300
Thurston	268.11	737.00	197,600
Snohomish	262.73	2,098.00	551,200
Spokane	233.12	1,758.30	409,900
<i>State (average)</i>	<i>84.11</i>	<i>66,662.10</i>	<i>5,606,800</i>

POPULATION

Aging of the population

Statistics generated by the Washington State Office of Financial Management shows the population of persons age 65 and older in the County continues to increase, however it continues to make up only about 10.5% of the total population.



**Non-Agricultural employment decreases by 300
from 1996 to 1997 due to loss of
600 Government jobs; March 1998
unemployment rate remains low at 5.0%
(close to lowest level in 4 years)**

- **Non-Agricultural Employment:** Preliminary estimates for 1997 from the Employment Security Department, show that total employment is down from the revised 1996 figures by 300, an overall decrease of -0.4%. The reason for this decrease is from a loss of 600 **Government** jobs along with losses in **Trade, F.I.R.E. and Services**. During this period there was a loss of jobs in **Manufacturing T.C.P.U and Construction**.

**BREMERTON - KITSAP COUNTY PMSA
NON-AGRICULTURAL EMPLOYMENT LEVELS**

Industry	Revised 1995	1995 Industry Share	Percent Change 1994-95	Revised 1996	1996 Industry Share	Percent Change 1995-96	Prelim. 1997	1997 Industry Share	Change 1996-97	
									No.	%
Manufacturing	2,000	2.9%	0.0%	2,000	2.8%	0.0%	2,100	3.0%	100	5.0%
Mining & Misc.	800	1.2%	14.3%	900	1.3%	12.5%	900	1.3%	0	0.0%
Construction	3,400	4.9%	0.0%	3,300	4.7%	-2.9%	3,100	4.4%	(200)	-6.1%
T.C.P.U.*	1,800	2.6%	0.0%	1,800	2.6%	0.0%	1,600	2.3%	(200)	-11.1%
Trade	15,300	22.2%	-0.6%	16,000	22.7%	4.6%	16,300	23.3%	300	1.9%
F.I.R.E.**	2,500	3.6%	-7.4%	2,600	3.7%	4.0%	2,600	3.7%	0	0.0%
Services	16,100	23.3%	3.2%	17,000	24.1%	5.6%	17,300	24.7%	300	1.8%
Government	27,100	39.3%	-0.4%	26,800	38.1%	-1.1%	26,200	37.4%	(600)	-2.2%
TOTAL	69,000		0.3%	70,400		2.0%	70,100			-0.4%
Total New Jobs	200			1,400			(300)			

* Transportation/Communications/Public Utilities

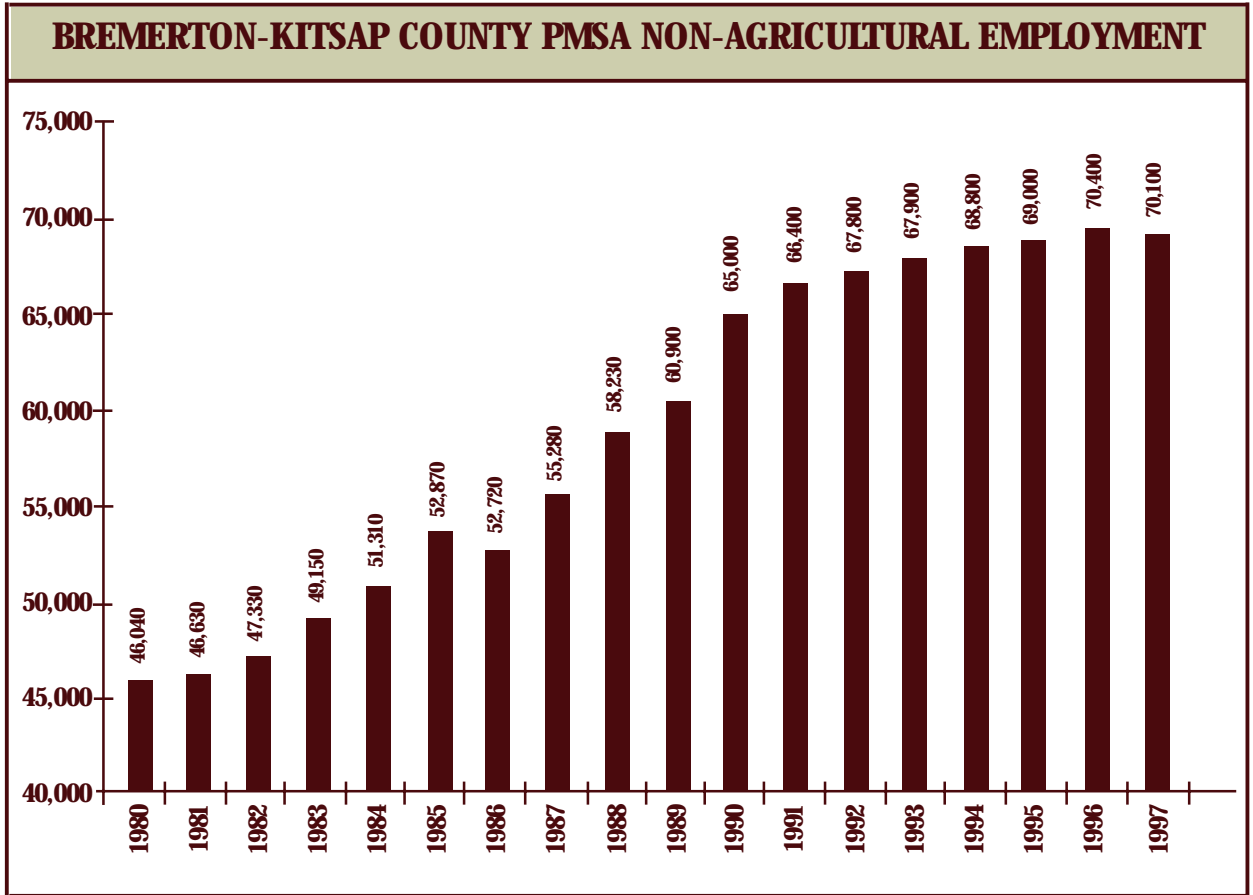
** Finance/Insurance/Real Estate

Source: Washington State Employment Security
Labor Market & Economic Analysis Branch

EMPLOYMENT

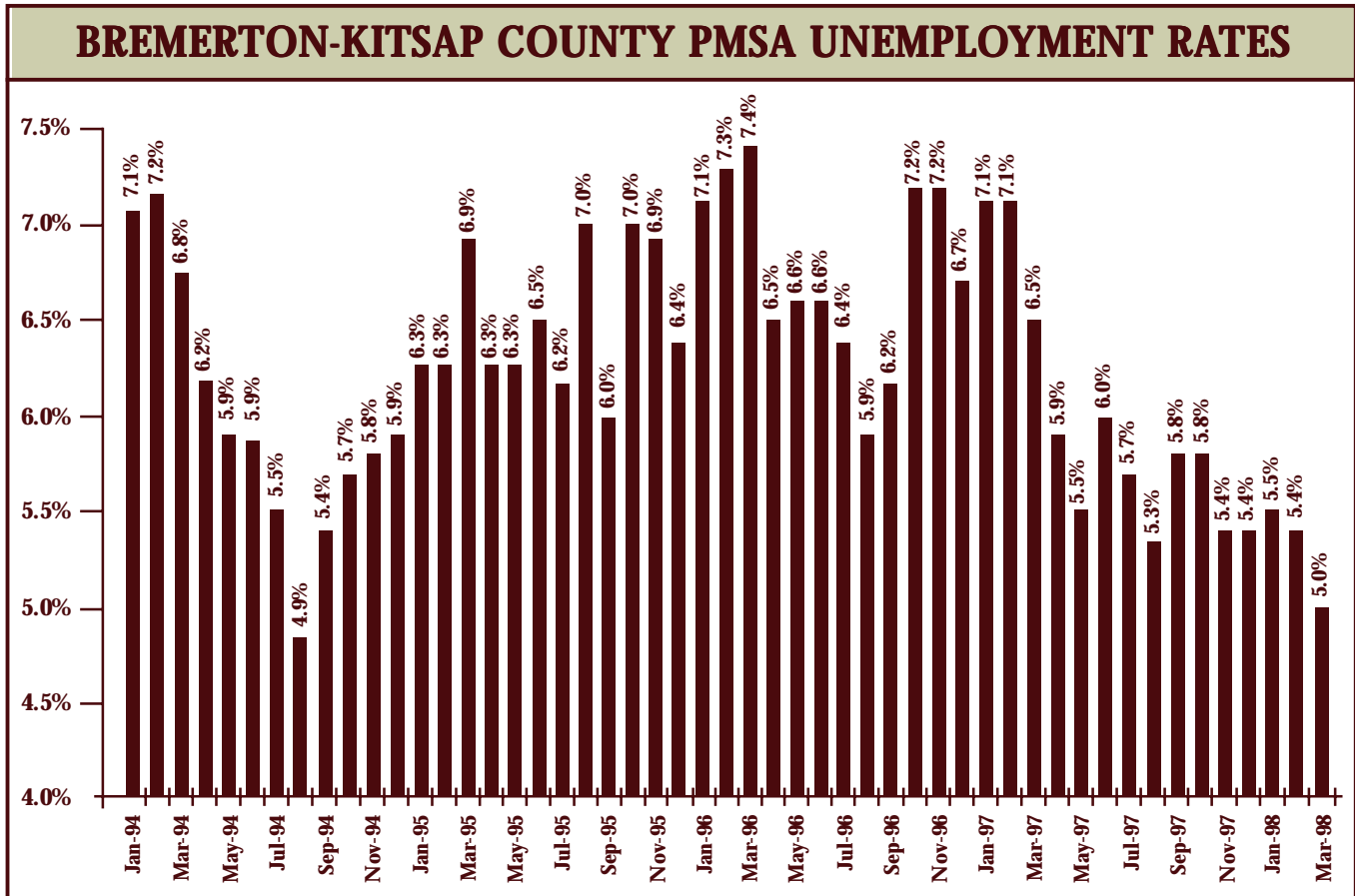
EMPLOYMENT

- The graph below illustrates Kitsap County non-agricultural employment levels from 1980 to 1997. Overall non-ag employment has been stagnant over the past several years, but showed a surprising increase in 1997.



EMPLOYMENT

- **Unemployment:** The unemployment rate in March 1998 of 5.0% for the Bremerton-Kitsap County PMSA is at one of the lowest levels in many years. The graph below illustrates monthly unemployment rates for the Kitsap County area over the past few years.



EMPLOYMENT Top Employers in Kitsap County:

The tables below summarize the top public & private employers in Kitsap County. The survey was completed by the Kitsap County EDC.

PRIVATE SECTOR EMPLOYERS (December 1997)

Harrison Memorial Hospital	1,307
Johnson Controls World Services* (est)	800
Safeway	614
Wal-Mart.....	549
Tracor*	446
Rj. Roth Mgmt. (McDonald's)	375
Fred Meyer	364
Town & Country Markets	358
Group Health Cooperative	357
The Doctors Clinic	320
Belmont Terrace & Ridgemont Terrace	248
The SUN Newspaper	225
Kitsap Physicians Service	225
EDS	200

Total 6,388

* Private companies handling major contracts with the D.O.D.

TOP LOCAL & STATE PUBLIC AGENCY EMPLOYERS (December 1997)

State Agencies	1,740
<i>(Dept. of Revenue, Employment Security, Social & Health Services, Transportation, State Patrol)</i>	
Central Kitsap School District	1,560
South Kitsap School District.....	1,195
North Kitsap School District	1,000
Kitsap County	980
Bremerton School District	750
Bainbridge Island School District	397
Olympic College	257
EDS	200

Total 7,879

TOP FEDERAL GOVERNMENT EMPLOYERS (December 1997)

	Civilian	Active Duty
Puget Sound Naval Shipyard	8,917	10,000
Naval Submarine Base Bangor	4,346	5,600
Naval Undersea Warfare Center	1,564	180
Fleet Industrial Supply Center	591	0
Naval Hospital	372	750
Subtotal.....	15,790	16,530

Total 32,320

SINGLE-FAMILY
MARKETSINGLE-FAMILY
MARKET

Residential permits at 15 year low; average home prices climb 6.97% in 1997; home sales in 1997 similar to 1996; active listings remain high

County Wide Residential Building Permits Hit A 15 Year Low!

- Residential building permits issued in 1997 hit at least a 15 year low when only 1,541 units were permitted. This represents a 24.31% drop from the prior year and falls 55.57% below the peak year of 1990.

BREMERTON MSA RESIDENTIAL BUILDING PERMITS							
Year	Single-Family		Multifamily		Mobile Home		Total
	No.	%	No.	%	No.	%	
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	20.7%	836	24.1%	3,468
1991	1,660	59.9%	839	30.3%	707	25.5%	2,770
1992	1,892	65.3%	290	10.0%	690	23.8%	2,898
1993	1,611	55.6%	667	23.0%	536	18.5%	2,898
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
Total	19,363	57.3%	6,347	18.8%	8,073	23.9%	33,783

Average Home Sale Price and Days-on-Market (DOM) - MLS Data

- According to the Multiple Listing Service, the average home price throughout Kitsap County continues to rise, with the highest appreciation rate over the past full year experienced in the West Bremerton market area which was up 12.91%. Average appreciation county wide was substantially lower and stood at 5.14%.

The Multiple Listing Service also indicates that the average Days-on-Market (DOM) declined slightly over the past year from 145 to 139 days. It should be noted, however, that the recent merger between Kitsap County's Computer Multiple Listing Service (CMLS) with the region's much larger Northwest Multiple Listing Service (NWMLS) may have had an impact on the accuracy of the data during the conversion period.

by
Gary Lyman, MAI
Ron Mott, Associate
Richards & Associates
Real Estate Appraisers

TRENDS

R E P O R T

**SINGLE-FAMILY
MARKET****COMPUTER MULTIPLE LISTING SERVICE AVERAGE RESIDENTIAL PRICES**

CMLS AREA	1993		1994		1995		1996		1997	
	Price	DOM	Price	DOM	Price	DOM	Price	DOM	Price	DOM
1 South Kitsap	\$121,636	89	\$123,924	90	\$126,707	105	\$130,849	156	\$131,875	146
2 Silverdale	\$145,848	95	\$148,586	98	\$139,532	134	\$146,910	147	\$155,853	138
3 West Bremerton	\$86,310	80	\$89,369	85	\$83,190	86	\$89,005	132	\$100,494	115
4 East Bremerton	\$99,484	61	\$101,607	63	\$99,385	83	\$105,292	120	\$108,274	119
5 Central Kitsap	\$115,116	75	\$119,547	80	\$118,657	88	\$119,234	135	\$126,502	127
6 North Kitsap	\$140,262	111	\$143,417	96	\$143,168	108	\$156,313	146	\$161,365	149
7 Bainbridge Island	\$251,249	141	\$272,412	115	\$295,680	121	\$291,739	153	\$300,480	142
County Averages	\$136,505	94	\$143,710	96	\$143,232	112	\$150,706	145	\$161,212	139
Less Bainbridge	\$125,677		\$128,916		\$127,087		\$131,414		\$138,171	

MLS SINGLE-FAMILY APPRECIATION RATES (AVERAGE PRICES)

CMLS AREA	1990	1991	1992	1993	1994	1995	1996	1997
1 South Kitsap	11.8%	15.3%	16.0%	3.3%	1.9%	2.3%	3.27%	0.78%
2 Silverdale	21.2%	12.9%	0.3%	1.0%	1.9%	-6.1%	5.29%	6.09%
3 West Bremerton	19.8%	11.3%	11.1%	7.6%	3.5%	-6.9%	6.99%	12.91%
4 East Bremerton	9.4%	13.6%	13.2%	2.4%	2.1%	-2.2%	5.94%	2.83%
5 Central Kitsap	9.6%	16.7%	7.5%	0.5%	3.5%	-0.7%	0.49%	6.10%
6 North Kitsap	16.9%	4.4%	8.9%	7.3%	2.3%	-0.2%	9.2%	3.23%
7 Bainbridge Island	28.4%	-2.5%	5.0%	4.3%	8.4%	8.5%	-1.3%	3.00%
County Totals	12.2%	8.7%	8.5%	3.8%	5.3%	-0.3%	5.22%	6.97%
Less Bainbridge	14.6%	12.6%	9.8%	4.1%	2.6%	-1.4%	3.40%	5.14%

**SINGLE-FAMILY
MARKET****SINGLE-FAMILY
MARKET****Single Family Inventory**

- The charts below summarize the average number of active single family residential listings by area for the years 1993 through ten months of 1997, in addition to the number of closed listings over this same period. Two months of data were not available as a result of the Multiple Listing Service merger, and the closed listing chart includes figures for the ten months that are available, in addition to projected year end totals if the ten month data is annualized on a straight-line basis. As the charts indicate, for the 10 months of available data, active listings remained at all time highs, while closed listings were more than 10% below the average rate for 1993-95.

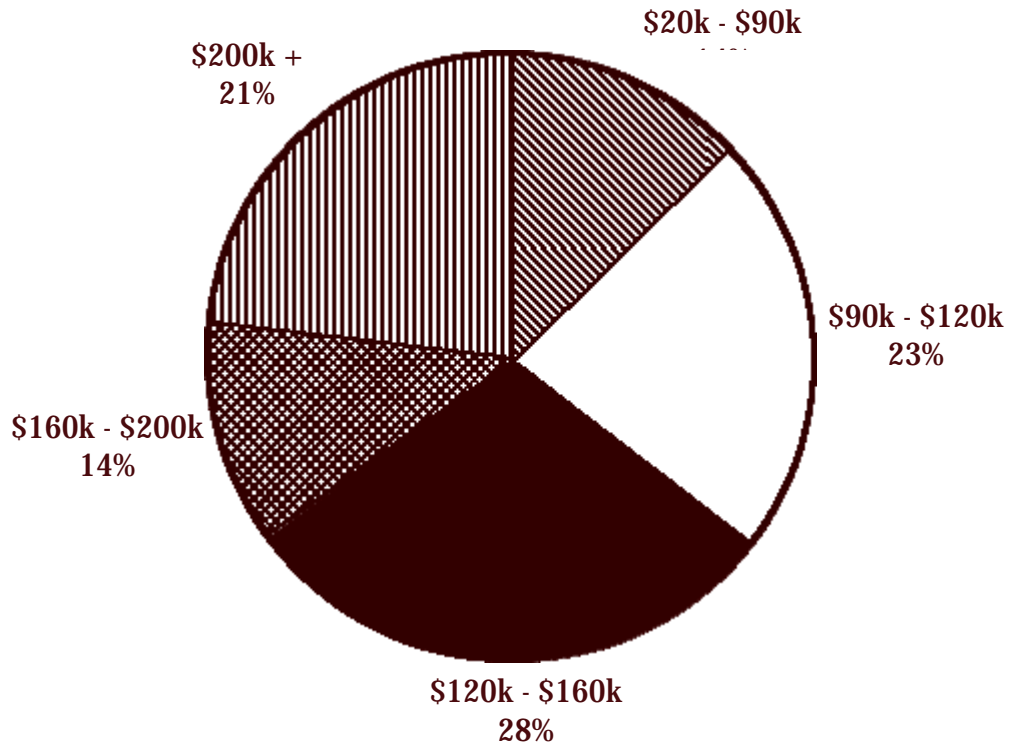
MLS ACTIVE SINGLE-FAMILY RESIDENTIAL LISTING (Monthly Average)					
CMLS Area	1993	1994	1995	1996	1997 10. mo.
1 South Kitsap	450	464	586	623	581
2 Silverdale	260	257	327	327	342
3 West Bremerton	140	163	179	162	193
4 East Bremerton	47	72	90	123	106
5 Central Kitsap	122	162	183	220	207
6 North Kitsap	311	379	425	492	486
7 Bainbridge Island	169	182	269	213	254
Kitsap County	1,499	1,679	2,059	2,160	2,169

MLS CLOSED RESIDENTIAL LISTING						
CMLS Area	1993	1994	1995	1996	1997 10. mo. Annualized	
1 South Kitsap	827	845	739	700	559	671
2 Silverdale	541	580	512	396	318	382
3 West Bremerton	232	237	216	243	200	240
4 East Bremerton	142	155	136	143	109	131
5 Central Kitsap	361	290	334	267	240	288
6 North Kitsap	622	646	639	581	491	589
7 Bainbridge Island	270	322	279	320	299	359
County Totals	2,995	3,075	2,855	2,650	2,659	

SINGLE-FAMILY HOUSING

- Home sales in 1997 were fairly evenly spread across five price ranges. The majority of home sales (28%) fell within the \$120,000 to \$160,000 range.

**KITSAP COUNTY
1997 SINGLE-FAMILY HOME SALES BY PRICE RANGE**

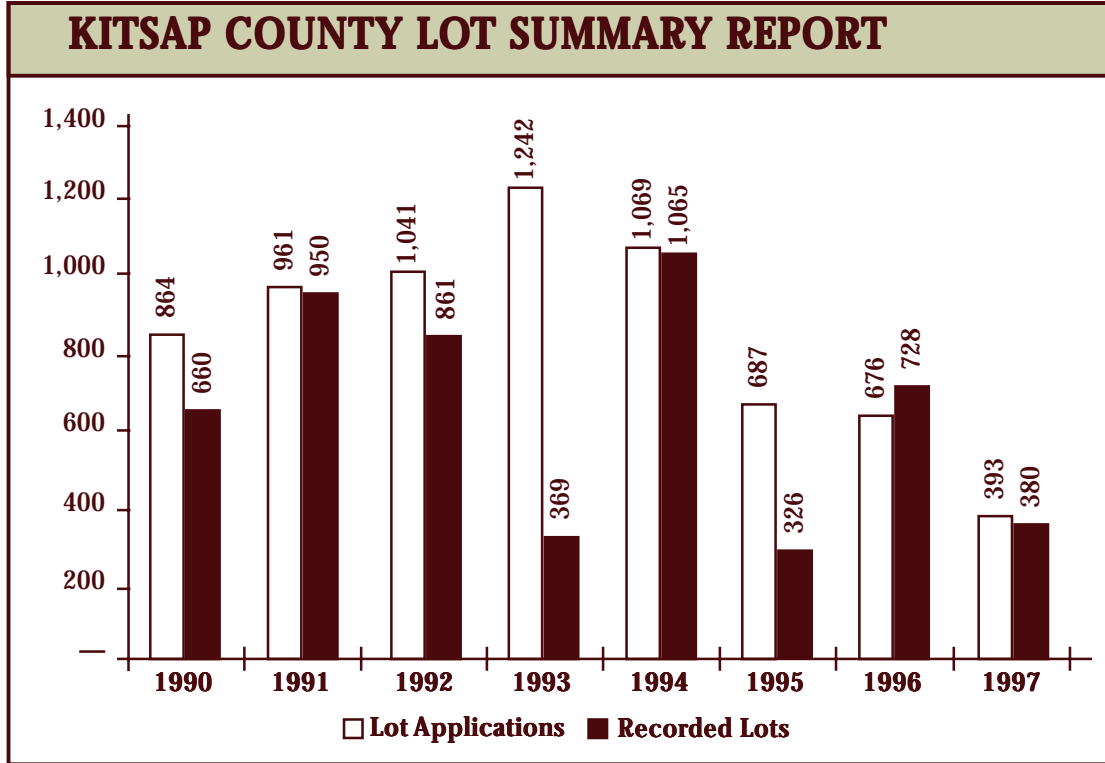


by
Ron Wood,
John L. Scott Real Estate
Peter McConville,
Pacific Northwest Title

- The most recent single-family lot creation report shows that lot applications continue to sink to new lows. Recorded lots in 1997, while nearly half of levels experienced in 1996, are above 1993 and 1995. The chart below summarizes these findings.

LOT AVAILABILITY

LOT AVAILABILITY



by
Ron Wood,
John L. Scott Real Estate
Peter McConville,
Pacific Northwest Title

HOUSING

AFFORDABILITY

INDEX

(4th Quarter 1997)

Kitsap County ranks well in affordability**SUMMARY**

- This analysis of housing markets and housing affordability in Washington was prepared for the *Kitsap County Real Estate TRENDS Committee* by the Washington Center for Real Estate Research at Washington State University. It is based on a quarterly report published by the Center which examines county-by-county housing markets across the state. Data estimates are based on data from the U.S. Department of Commerce, multiple listing services, local REALTOR® associations and private data vendors.

Housing Affordability

- Sluggish home sales during a period of increasing prices is often attributed to "housing affordability" issues. Obviously home prices alone do not determine whether housing is affordable to a particular household. Since those homes are financed, interest rates are a factor, as are incomes.

Affordability is calculated two ways. The "all-buyer" index assumes a purchaser selects the area's median price home, makes a 20% down payment, and takes out a 30-year mortgage at prevailing interest rates. This buyer is assumed to earn a typical or median income for a **family** (no one-person households) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the fourth quarter of 1997 the answer was "Yes." The statewide All-Buyer Affordability index was 117.6, meaning the typical family had 17.6 percent more income than the bare minimum required to qualify for the home. Housing affordability in *Kitsap County* was much better than in most areas of the state, recording an index of 125.3. Urban areas ranged from a low of 113.6 in King County to a high of 196.5 in Benton County (Tri-Cities). Housing was more affordable at the end of 1997 than it had been a year earlier in most (but not all) urban areas of the state. Lower mortgage interest rates and increasing incomes served to overcome home price increases in most communities, but areas where prices increased substantially present severe housing affordability challenges for all buyers.

The real issue of affordability, however, is the ability of households to purchase their first home. The calculation of the "First-time Buyer Index" begins with a less expensive home (85% of median), a 10% down payment, and a 30-year loan with private mortgage insurance. To account for the fact that higher-income households have already made the transition to home ownership, the comparative income level is 70% of the median **household** income (single-persons are more likely to be first-time buyers). The resulting picture of Washington is a place where it is difficult to buy your first home. The typical renter who might want to own a home has only 66.3 percent of the income required to qualify for a mortgage in the typical starter home. *Kitsap County's* first-time buyer affordability in the fourth quarter of 1997 stood at 72.5. This relative affordability for first-time buyers in the county may be the key to helping the area achieve the appropriate relative share of statewide housing market activity, and should be a factor emphasized in the process of attracting new employers to the county.

by
Karla Boughton,
City of Poulsbo,
Department of
Community Development

**HOUSING
AFFORDABILITY
INDEX**

(4th Quarter 1997)

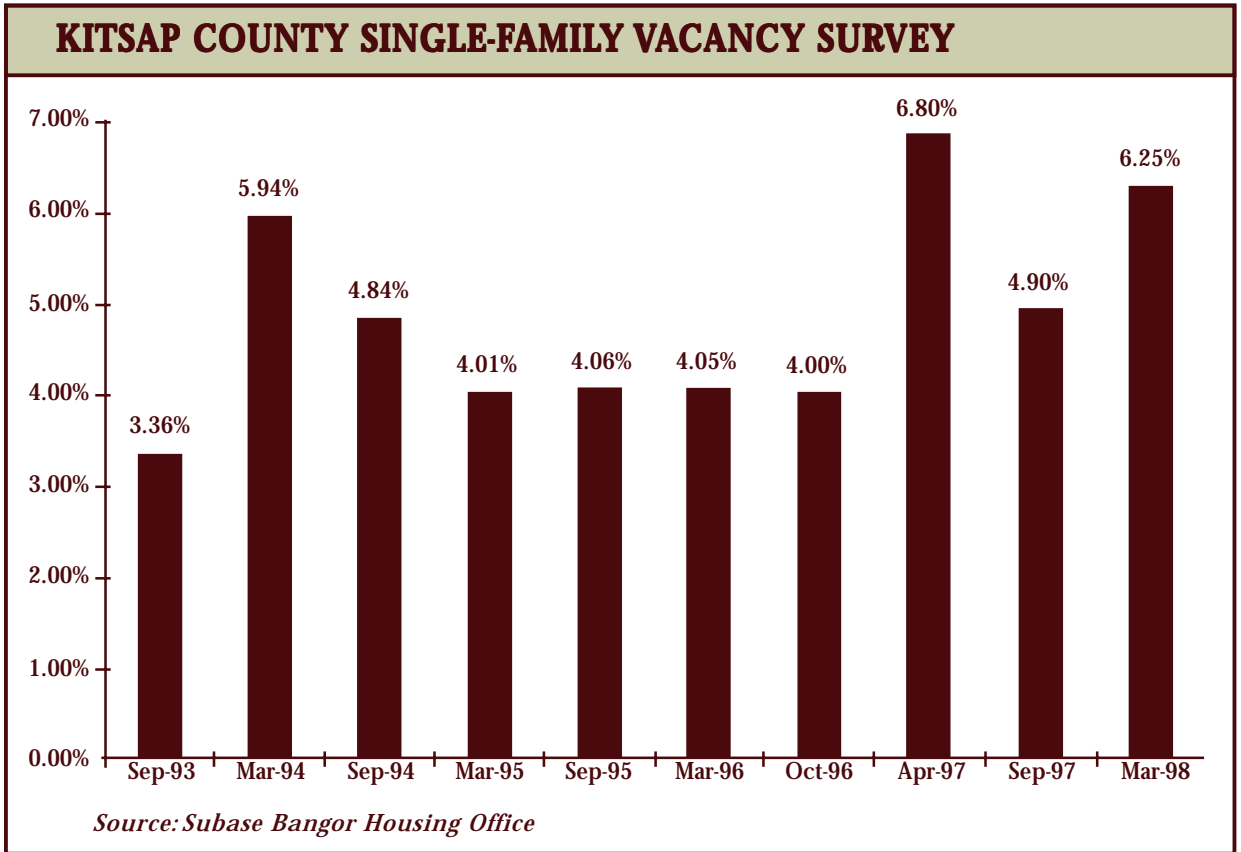
**Housing Affordability Conditions
Last Five Quarters**

COUNTY	ALL-BUYER AFFORDABILITY					FIRST-TIME BUYER AFFORDABILITY				
	96:Q4	97:Q1	97:Q2	97:Q3	97:Q4	96:Q4	97:Q1	97:Q2	97:Q3	97:Q4
Benton/ Franklin	145.0 105.9	157.2 114.7	157.7 116.5	187.6 128.4	196.5 132.2	86.0 67.9	93.3 73.6	93.7 74.9	112.1 79.3	117.6 80.7
Clark	124.1	123.6	121.5	126.7	132.4	77.4	77.1	75.8	78.1	81.4
King	113.7	110.8	104.5	111.1	113.6	66.0	64.4	60.8	63.0	63.9
Kitsap	122.7	128.1	118.4	126.8	125.3	77.1	71.7	63.6	83.5	72.5
Pierce	120.8	120.4	118.7	121.6	130.0	74.0	73.7	72.8	73.3	78.0
Snohomish	115.2	112.8	108.2	116.4	121.8	74.2	72.7	69.8	72.9	75.7
Spokane	135.5	137.1	131.0	142.3	155.7	78.2	79.1	75.6	80.3	87.3
Thurston	130.3	131.6	124.6	133.6	142.3	79.1	79.9	75.6	80.4	85.5
Whatcom	117.4	118.4	113.9	122.4	129.9	67.6	68.1	65.5	69.4	73.2
Statewide	112.9	109.3	106.1	113.0	117.6	76.7	65.7	64.0	64.7	66.3

SINGLE-FAMILY VACANCY RATES

Vacancies show another rise in Spring to 6.25%

- The Subase Bangor Housing Office conducted a survey of 6,180 single-family homes and duplexes in Kitsap County in March of 1998 and found some 386 vacant units, indicating a vacancy rate of 6.25%. Vacancies in single-family units continue the trend of higher vacancy rates in the Spring, as indicated in the chart below.



by
Susan DaBell
Kathy Marsh
Diane Wisniewski
 Bangor Subase Housing Office

Apartment vacancies remain high

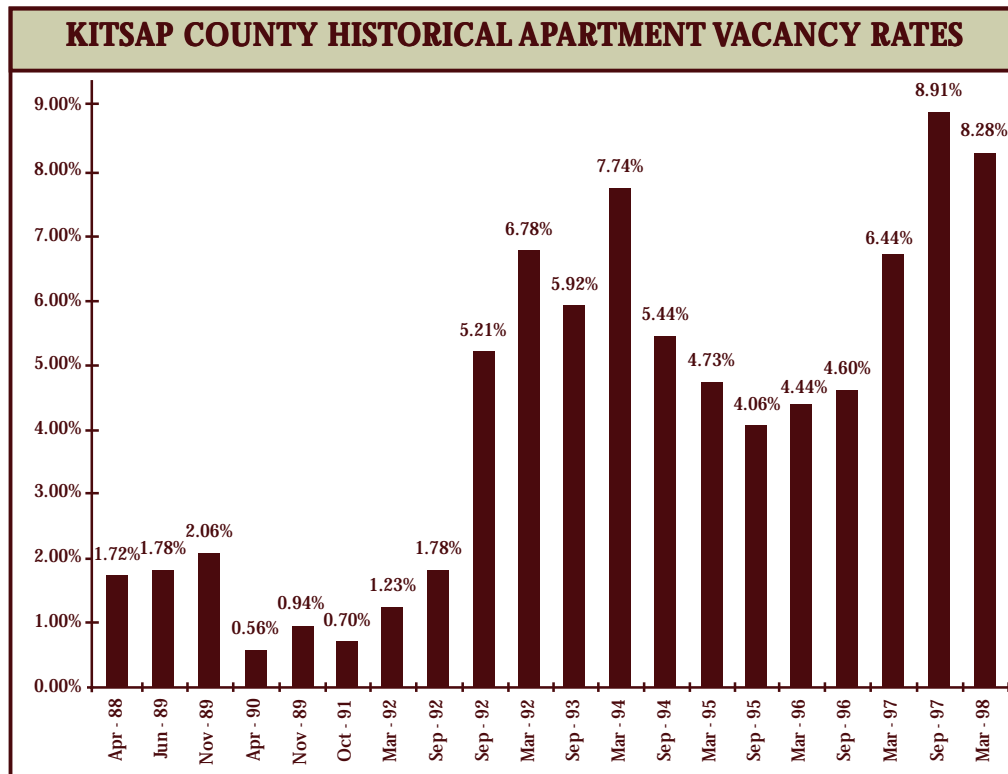
Vacancies: The Subase Bangor & PSNS Housing Offices surveyed 10,533 units in March 1998 and found that apartment vacancies were 8.28%. This is the second highest level experienced in the 4 years of data from the Navy along with the second highest number in the nearly 10 years of surveys used by the Trends Report previous to the Navy surveys. The table below summarizes vacancies by area from the Navy survey.

KITSAP COUNTY HISTORICAL APARTMENT VACANCY RATES						
Area	Sep-95	Mar-96	Sep-96	Mar-97	Sep-97	Mar-98
Bainbridge Island	7.14%	0.80%	0.40%	2.01%	1.20%	2.01%
West Bremerton	6.24%	7.71%	6.95%	4.27%	8.09%	7.33%
EastBremerton	2.03%	3.19%	2.87%	9.51%	11.46%	11.09%
South Kitsap	4.28%	3.07%	4.69%	10.15%	7.78%	8.40%
North Kitsap	3.35%	2.53%	1.15%	3.69%	3.80%	3.69%
Central Kitsap	3.99%	4.67%	5.22%	4.79%	10.56%	8.99%
Kitsap County	4.06%	4.44%	4.60%	6.44%	8.91%	8.28%

Source: Subase Bangor Housing Office (10,533 units surveyed March 1998)

Vacancies in the East Bremerton area continue to be the highest in the county at 11.09%, but are down slightly from September 1997. All areas, with the exception of Bainbridge Island and South Kitsap, saw a decline in vacancies.

The graph below illustrates countywide vacancy rates from April 1988 to present.



by
Diane Wisniewski
Kathy Marsh,
Subase Bangor Housing Office
Greg Steiger,
Dam Rauscher, Inc.

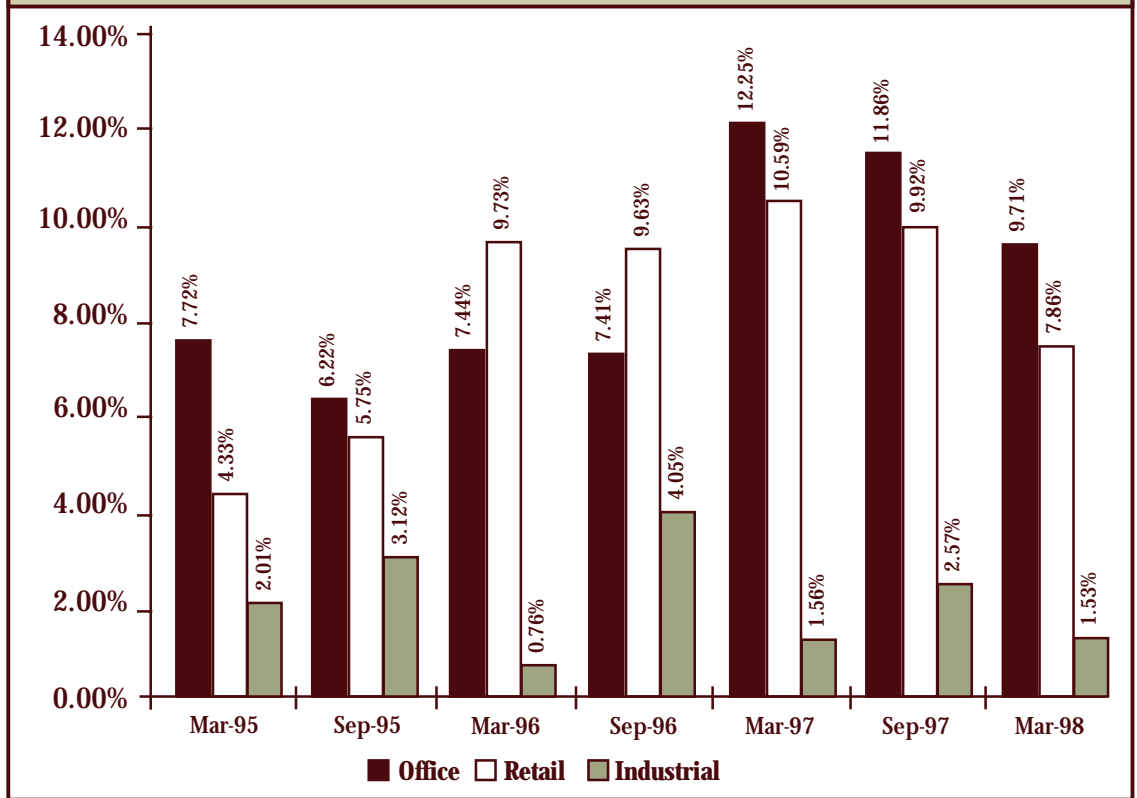
Source:
Bradley Scott Inc. and
Subase Bangor Housing Office

COMMERCIAL
REAL ESTATE

Countywide vacancy rates continue decline in industrial, retail and office markets

■ The Bradley Scott, Inc. office, retail and industrial vacancy surveys show the commercial markets continue to improve. The surveys point to an improving market from the last survey in September 1997. Office and retail vacancies both declined by 2% or more and the industrial vacancies dropped to nearly 1%.

KITSAP COUNTY OFFICE, RETAIL, & INDUSTRIAL VACANCY RATES



by
Tim Arnold,
President
Bradley Scott, Inc.
Commercial Real Estate

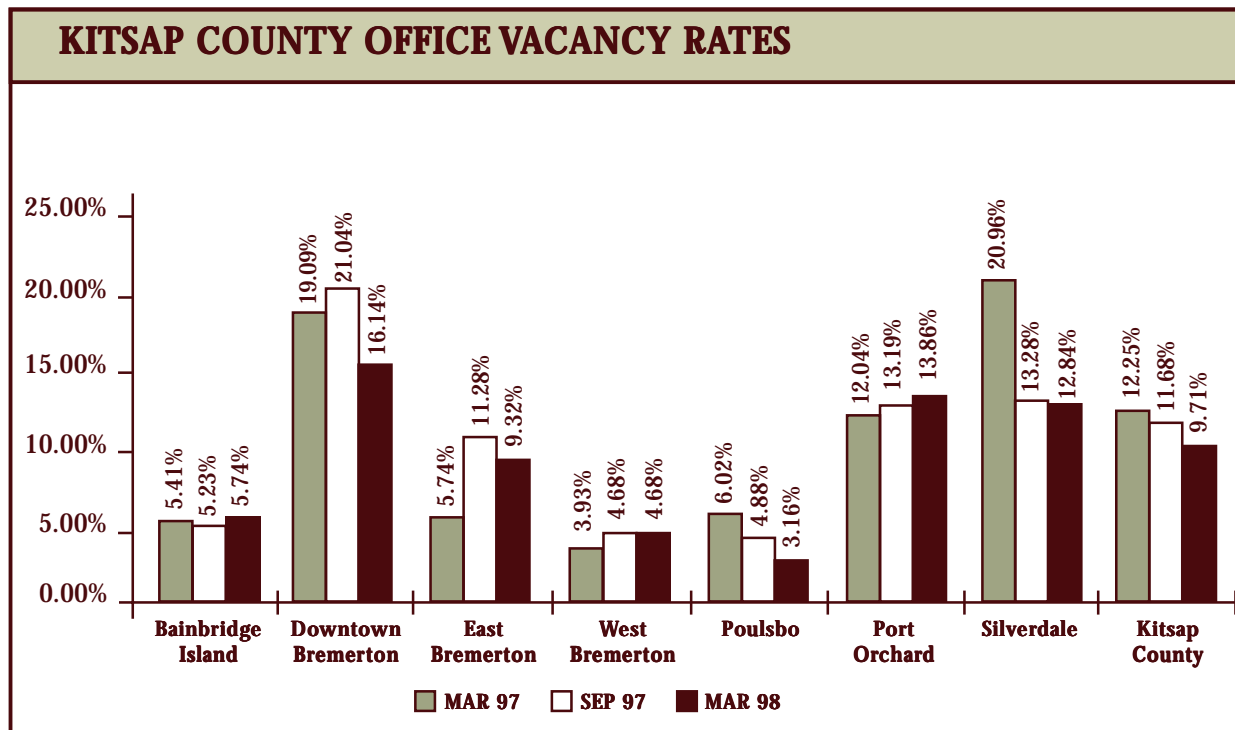
Gary Gartin,
Bradley Scott, Inc.
Commercial Real Estate

Office Market: The Bradley Scott, Inc. survey of over 1.7 million square feet of office space indicates vacancies in the office market have decreased to 9.71%.

KITSAP COUNTY OFFICE VACANCY SURVEY As of March 1998			
Area	OFFICE SPACE (sq. ft.)		Percent Vacant
	Surveyed	Vacant	
Bainbridge Island	118,440	6,800	5.74%
Downtown Bremerton	431,477	69,652	16.14%
East Bremerton	188,235	17,535	9.32%
West Bremerton	197,016	9,224	4.68%
Poulsbo	413,627	13,072	3.16%
Port Orchard	92,456	12,810	13.86%
Silverdale	345,521	44,357	12.84%
Total	1,786,772	173,450	9.71%

Source: Bradley Scott Inc.

The most improved market was Downtown Bremerton with nearly a 5% drop, however, this will be short lived since the Navy will be vacating some 70,000 square feet of space shortly and moving these workers into the shipyard. East Bremerton market experienced a decrease of almost 2%, with The Doctors Clinic occupying 12,000 square feet of space and Poulsbo dropped by more than 1.5%.



Source: Bradley Scott Inc., Commercial Real Estate Services

COMMERCIAL REAL ESTATE

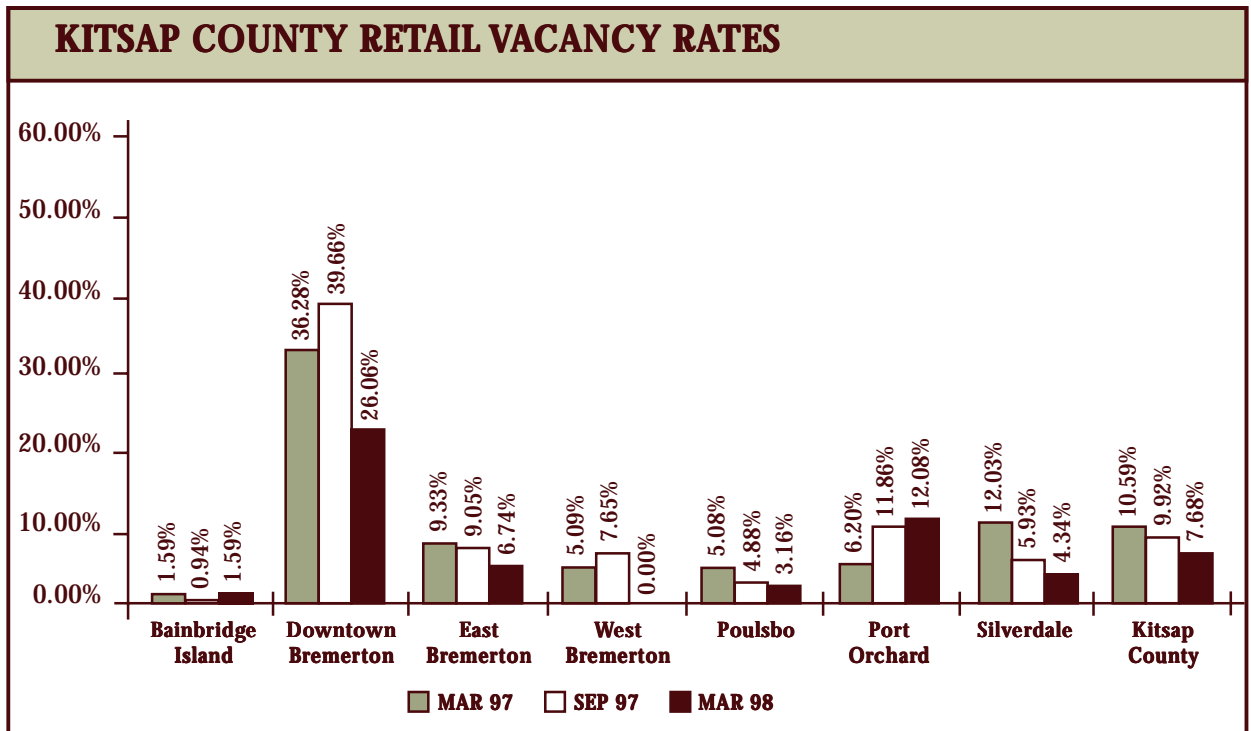
Retail Market: Bradley Scott, Inc. surveyed over 3.9 million square feet of retail space throughout Kitsap County. Vacancies in the retail market declined by more than 2% to 7.68%, the lowest level in two years.

KITSAP COUNTY RETAIL VACANCY SURVEY			
As of March 1998			
Area	RETAIL SPACE (sq. ft.)		Percent Vacant
	Surveyed	Vacant	
Bainbridge Island	121,795	1,939	1.59%
Downtown Bremerton*	204,731	53,360	26.06%
East Bremerton	1,139,732	76,873	6.74%
West Bremerton	126,648	0	0.00%
Poulsbo	242,367	9,020	3.72%
Port Orchard	866,932	104,712	12.08%
Silverdale	1,377,690	59,823	4.34%
Total	3,958,100	303,788	7.68%

**Does not include 173,102 square feet of the Penney's & Sears Buildings*

Source: Bradley Scott Inc.

Downtown Bremerton displayed a huge drop of over 13% in vacancies due to the leasing of the former Woolworth's building and West Bremerton declined 7.6% to 0.0%.



Source: Bradley Scott Inc., Commercial Real Estate Services

COMMERCIAL REAL ESTATE

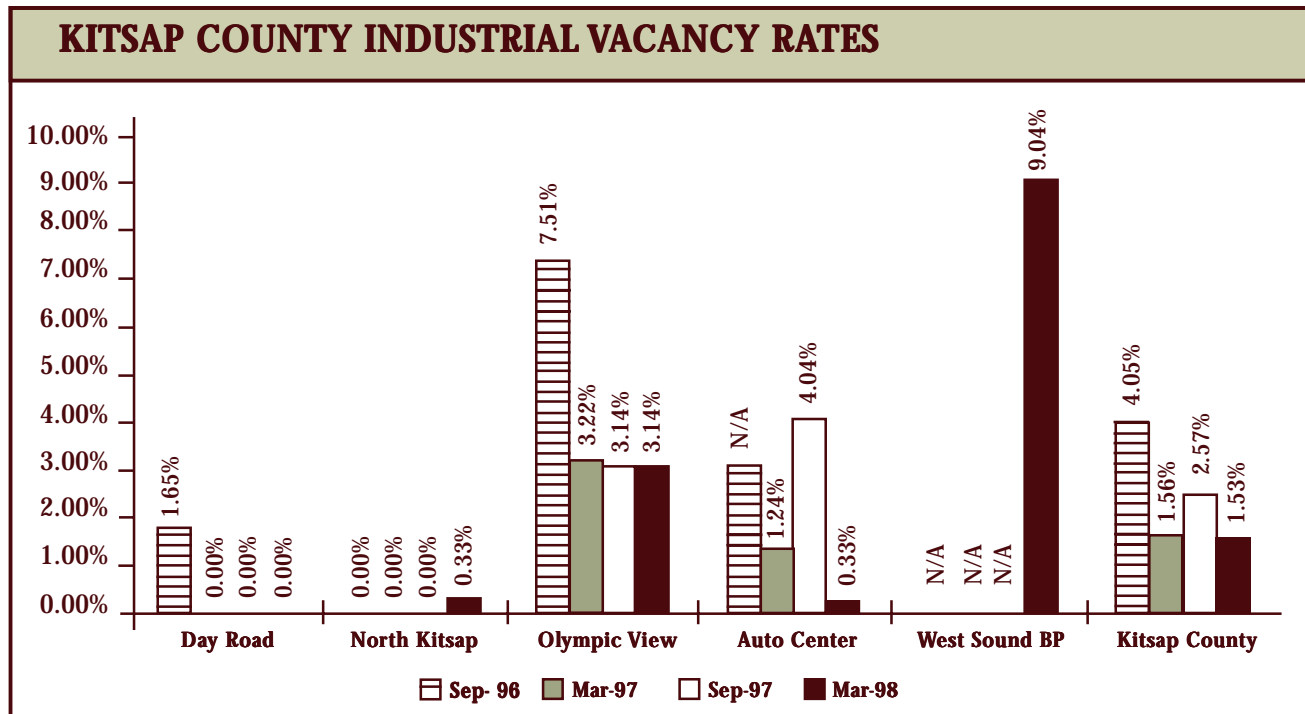
COMMERCIAL REAL ESTATE

Industrial Market: Kitsap County is currently limited to three major industrial parks, Olympic View (Port of Bremerton), North Kitsap and Day Road on Bainbridge Island. The Auto Center area of Bremerton is also surveyed, which has the largest concentration of industrial space in the county. Included for the first time is the WestSound Business Park in East Bremerton.

KITSAP COUNTY INDUSTRIAL VACANCY SURVEY				
As of March 1998				
Industrial Park	Area	INDUSTRIAL SPACE (sq. ft.)		Percent Vacant
		Surveyed	Vacant	
Day Road	Bainbridge Island	109,000	0	0.00%
North Kitsap	Poulsbo	222,538	738	.33%
Olympic View	Port Orchard	350,800	11,000	3.14%
Auto Center Area	Bremerton	339,755	1,120	.33%
West Sound BP	East Bremerton	36,500	3,300	9.04%
Total		1,058,593	16,158	1.53%

Source: Bradley Scott Inc.

From this survey, Bradley Scott, Inc. found a total of 16,158 square feet of space available, indicating a countywide vacancy rate of only 1.53%, which is the lowest rate in the last three years.



COMMERCIAL BUILDING PERMITS

by
Geoige Hineman and Joanne Peterson
Kitsap County Assessor's Office

Overall permit activity is down; industrial permits in unincorporated areas at all-time high

- Kitsap County (unincorporated): Total commercial permits through 1997 totaled \$12.5 million, nearly \$1 million more than 1996. Industrial and retail permits both showed strong growth, whereas office & bank permits were down from last year.

KITSAP COUNTY Unincorporated Areas • Commercial Building Permits

Year	INDUSTRIAL		OFFICE & BANK		RETAIL STORES		TOTAL	
	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount
1988	1	\$1,875,000	20	\$2,402,497	82	\$19,488,376	103	\$23,765,873
1989	2	\$50,000	43	\$1,965,350	63	\$8,036,311	108	\$10,051,661
1990	0	\$0	30	\$1,653,208	147	\$14,488,803	177	\$16,142,011
1991	5	\$248,000	30	\$1,728,632	61	\$4,186,607	96	\$6,163,239
1992	1	\$80,850	9	\$1,798,562	26	\$5,307,510	36	\$7,186,922
1993	1	\$100,000	13	\$5,055,000	17	\$3,827,062	31	\$8,982,062
1994	0	\$0	9	\$2,739,700	28	\$14,354,948	37	\$17,094,648
1995	4	\$1,906,216	2	\$1,770,000	9	\$11,445,280	15	\$15,121,496
1996	42	\$4,364,850	9	\$3,774,770	31	\$3,476,936	82	\$11,616,556
1997	24	\$5,256,262	8	\$1,590,020	41	\$5,693,270	73	\$12,539,552
Total	80	\$13,881,178	173	\$24,477,739	505	\$90,305,103	758	\$128,664,020

Source: Kitsap County Department of Community Development

by
Karla Boughton
City of Poulsbo Planning Department

Poulsbo

- Commercial permits in Poulsbo through 1997 totaled \$2.62 million, surpassing the \$2.16 million in all of 1996.

CITY OF POULSBO Commercial Building Permits

Year	INDUSTRIAL		OFFICE & BANK		RETAIL STORES		TOTAL	
	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount
1988	0	\$0	2	\$730,000	1	\$175,000	3	\$905,000
1989	0	\$0	1	\$90,000	1	\$125,000	2	\$215,000
1990	1	\$150,000	2	\$1,400,000	0	\$0	3	\$1,550,000
1991	0	\$0	5	\$1,600,000	0	\$0	5	\$1,600,000
1992	1	\$750,000	0	\$0	1	\$325,000	2	\$1,075,000
1993	2	\$836,000	1	\$620,000	0	\$0	3	\$1,456,000
1994	0	\$0	3	\$3,837,000	2	\$944,000	5	\$4,781,000
1995	1	\$371,033	4	\$4,623,000	1	\$2,399,570	6	\$7,393,603
1996	0	\$0	5	\$1,707,000	2	\$457,823	7	\$2,164,823
1997	0	\$0	3	\$1,673,000	3	\$950,000	6	\$2,623,000
Total	5	\$2,107,033	26	\$16,280,000	11	\$5,376,393	42	\$23,763,426

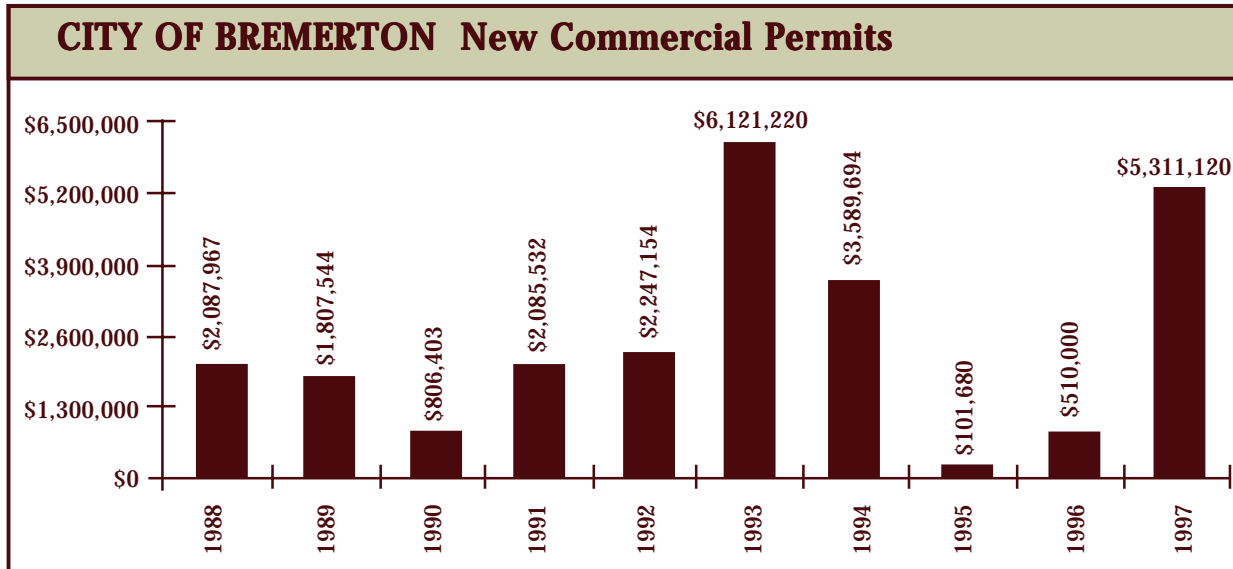
Source: City of Poulsbo Planning Department

COMMERCIAL BUILDING PERMITS

COMMERCIAL BUILDING PERMITS

Bremmerton

- Commercial permits in the City of Bremerton for 1997 have skyrocketed to \$5.3 million, the second highest level in 10 years.



by
Deborah Peavler-Stewart
City of Bremerton
Planning Department

Port Orchard

- Total commercial permits for Port Orchard through 1997 were at \$1.1 million not including the rebuilding of the marina (\$4.5 million).

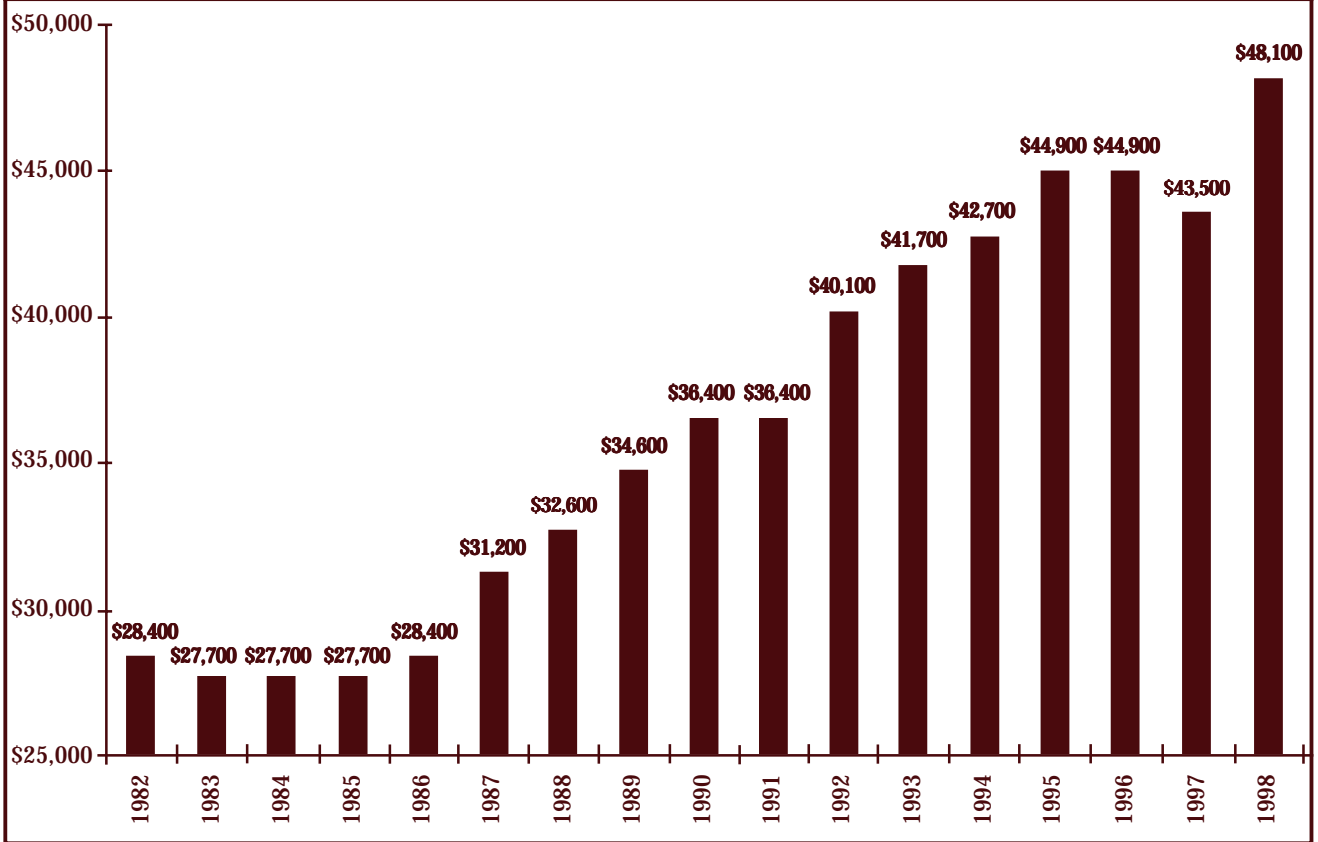
Year	1994	1995	1996	1997
Permits (\$)	\$2,413,000	\$798,000	\$0-	\$1,100,000

MEDIAN FAMILY INCOME

Median family income jump to \$48,100

- HUD estimates median family income for metropolitan areas and non-metropolitan areas annually. These estimates are based on 1990 Census median family income estimates updated to the current year with a combination of Bureau of Labor Statistics earning and employment data and Census Divisional P-60 median family income data.

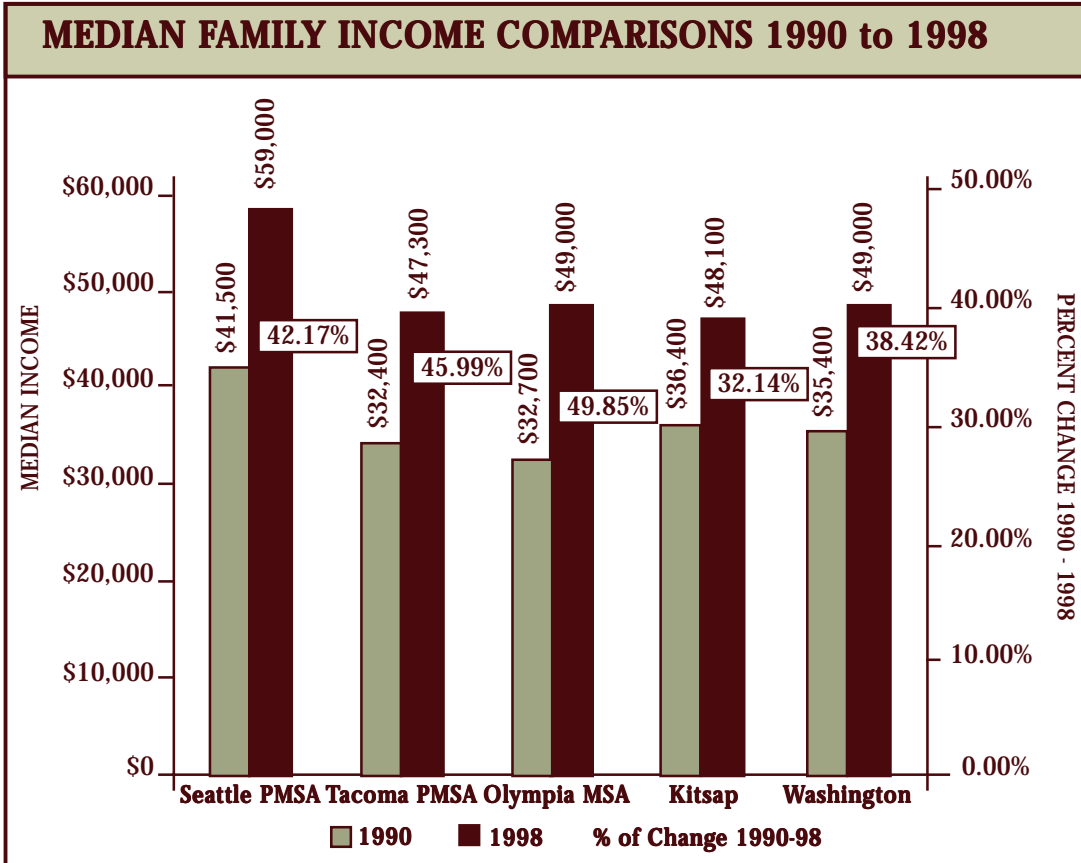
**KITSAP COUNTY-BREMERTON PMSA
HUD ESTIMATED MEDIAN FAMILY INCOME**



**MEDIAN
FAMILY
INCOME**

MEDIAN FAMILY INCOME

The median family income has increased 32.1% from the 1990 level of \$38,400 to the 1998 figure of \$48,100. While this does exhibit strong growth, it is below that of surrounding counties and also below the State average.



Ridership up 4.6%

- Total passenger ridership on the four Kitsap County runs increased by over 432,000 or 4.6% in 1997. The Bremerton-Seattle run experienced the largest increase with nearly 200,000 more riders or 11.7%.

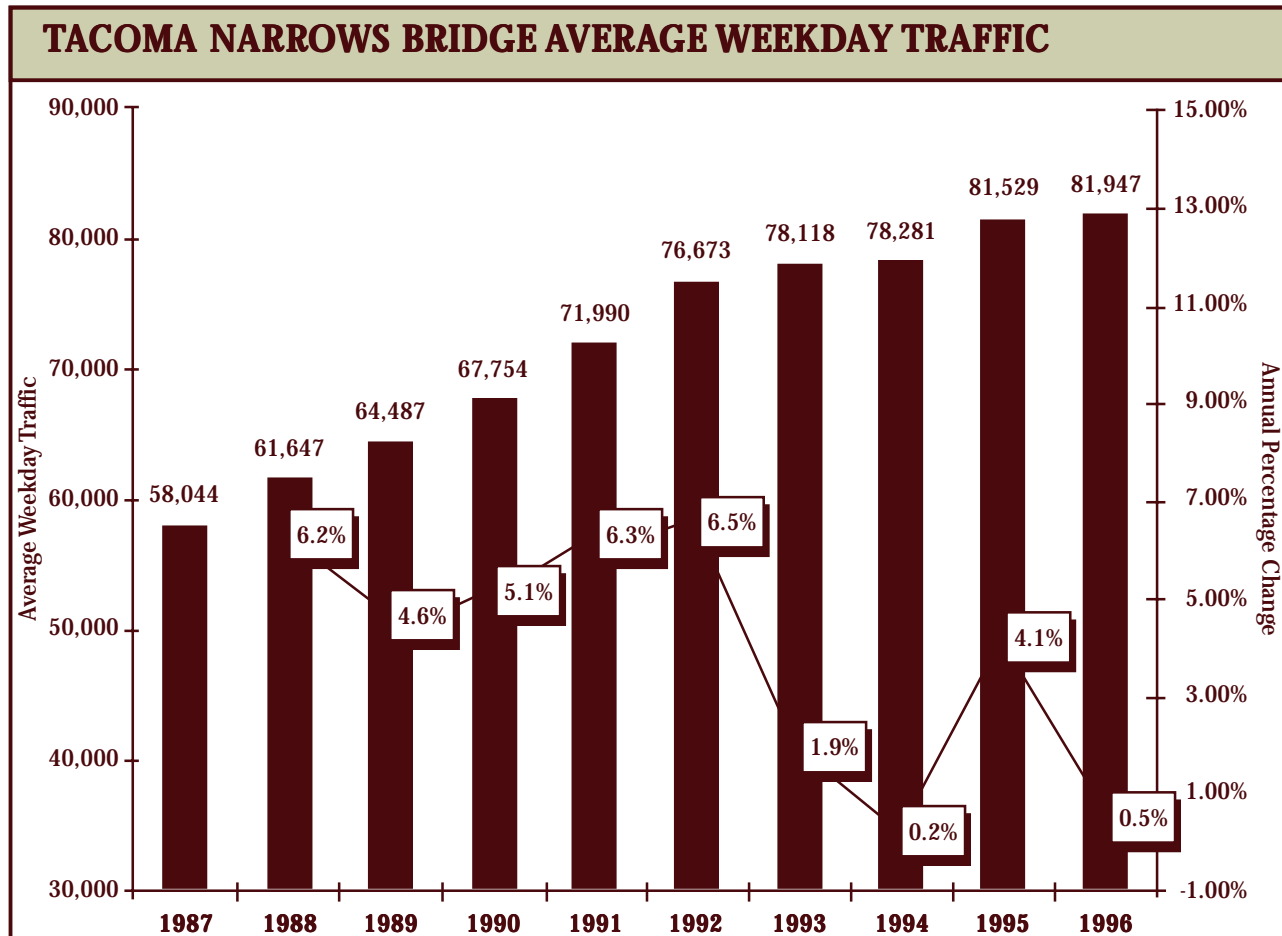
TOTAL NUMBER OF PASSENGERS						
	1992	1993	1994	1995	1996	1997
Bremerton-Seattle	1,493,650	1,399,354	1,456,706	1,545,417	1,577,548	1,762,057
Percent Change	0.6%	-6.3%	4.1%	6.1%	2.1%	11.7%
Winslow-Seattle	4,059,040	4,075,548	4,072,258	4,377,085	4,512,489	4,595,961
Percent Change	6.2%	0.4%	-0.1%	7.5%	3.1%	1.8%
Southworth-Fauntleroy	1,380,046	1,336,144	1,330,194	1,397,301	1,368,775	1,405,032
Percent Change	1.1%	-3.2%	-0.4%	5.0%	-2.0%	2.6%
Kingston Edmonds	1,892,836	1,893,260	1,967,178	1,925,848	2,021,513	2,149,764
Percent Change	10.2%	0.0%	3.9%	-2.1%	5.0%	6.3%
Total Ridership	8,825,572	8,704,306	8,826,336	9,245,651	9,480,325	9,912,814
Percent Change	5.2%	-1.4%	1.4%	4.8%	2.5%	4.6%

**TACOMA
NARROWS
BRIDGE
TRAFFIC**

TACOMA
NARROWS
BRIDGE

**Average weekday traffic continues to increase,
but at slower rate**

- Traffic studies completed by the Washington State Department of Transportation (WSDOT), concludes that the Average Weekday Traffic using the Tacoma Narrows Bridge increased in 1996 (most recent data available) to 81,947, a change of only 418 cars or 0.5%.



Another study completed by the WSDOT in the Fall of 1997, shows that Kitsap County made up 32% of all eastbound morning commuters using the bridge. Gig Harbor residents totaled 61% of commuters, Mason County had 4% and North Olympic residents made up 3%. For more information on the Narrows Bridge, visit the website at www.wsdot.wa.gov/solve-16. www.wsdot.wa.gov/projects/sr16narrowsbridge

TAXABLE RETAIL SALES

Taxable retail sales up through the first 9 months of '97

- Total taxable retail sales for the first 3 quarters of 1997 (most recent data available) was up 5.67% from 1996, each of the quarters in 1997 were up over 5% from the previous year.

KITSAP COUNTY TAXABLE RETAIL SALES					
Year	Taxable Retail Sales	Percent Change	Qtr/Year	Taxable Retail Sales	Percent Change
1980	\$528,279,347	-----	1stQtr '95	\$393,363,499	2.52%
1981	\$540,137,202	2.24%	1stQtr '96	\$407,714,593	3.65%
1982	\$636,833,263	17.90%	1stQtr '97	\$431,160,482	5.75%
1983	\$707,197,296	11.05%			
1984	\$759,860,882	7.45%	2nd Qtr '95	\$453,926,265	3.73%
1985	\$771,917,590	1.59%	2nd Qtr '96	\$453,979,424	0.01%
1986	\$836,295,919	8.34%	2nd Qtr '97	\$478,529,936	5.41%
1987	\$902,673,726	7.94%			
1988	\$979,921,052	8.56%	3rd Qtr '95	\$453,926,265	-0.97%
1989	\$1,138,367,735	16.17%	3rd Qtr '96	\$483,552,508	6.53%
1990	\$1,329,900,000	16.83%	3rd Qtr '97	\$511,798,089	5.84%
1991	\$1,439,071,000	8.21%			
1992	\$1,551,858,969	7.84%			
1993	\$1,658,975,823	6.90%			
1994	\$1,774,168,669	6.94%			
1995	\$1,768,303,003	-0.33%			
1996	\$1,836,198,934	3.84%			

THROUGH THE FIRST THREE QUARTERS		
9 mo. 1994	\$1,301,216,029	1.68%
9 mo. 1995	\$1,345,246,525	3.38%
9 mo. 1996	\$1,421,488,507	5.67%

Source: Department of Revenue

**CONSUMER
PRICE INDEX****CONSUMER PRICE INDEX****Inflation at lowest rate in 10 years**

- The CPI increase in the US City Average for 1997 grew at 1.7%, the smallest gain since 1986. The figure from February 1997 to February 1998 show even a slower pace of 1.4%. The Seattle-Tacoma CPI increase for 1997 was 3.5%, however, the most recent data (2nd Half of 1997) shows that prices are increasing at a slower pace of 2.9%.

CONSUMER PRICE INDEX • All Urban Consumers					
U.S. City Average			Seattle-Tacoma		
Year	CPI	Annual % Change	Year	CPI	Annual % Change
1980	82.4	13.5%	1980	82.7	16.6%
1981	90.9	10.3%	1981	91.8	11.0%
1982	97.6	7.4%	1982	97.7	6.4%
1983	101.3	3.8%	1983	99.3	1.6%
1984	105.3	3.9%	1984	103.0	3.7%
1985	109.3	3.8%	1985	105.6	2.5%
1986	110.5	1.1%	1986	106.7	1.0%
1987	115.4	4.4%	1987	109.2	2.3%
1988	120.5	4.4%	1988	112.9	3.4%
1989	126.1	4.6%	1989	118.2	4.7%
1990	133.8	6.1%	1990	126.8	7.3%
1991	137.9	3.1%	1991	134.1	5.8%
1992	141.9	2.9%	1992	139.0	3.7%
1993	145.8	2.7%	1993	142.9	2.8%
1994	149.7	2.7%	1994	147.8	3.4%
1995	153.5	2.5%	1995	152.3	3.0%
1996	158.6	3.3%	1996	157.5	3.4%
1997	161.3	1.7%	1997	163.0	3.5%
<i>Feb</i>			<i>2nd Half</i>		
<i>1998</i>	<i>161.9</i>	<i>1.4%</i>	<i>1997</i>	<i>164.1</i>	<i>2.9%</i>

Source: U.S. Bureau of Labor Statistics

KITSAP COUNTY ASSESSED PROPERTY VALUES

Property values continue to grow

- The total assessed value of all properties in Kitsap County for 1998 increased by 10.25% over 1996 to \$12,252 billion. This is the largest increase in 4 years.

