Kitsap County TRENDS Report

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Community Web Sites

Bus Schedules (Kitsap Transit)
www.telebyte.com/kitrans

Chambers of Commerce

Bainbridge Island Chamber of Commerce
www.bicomnet.com/bichamber

Bremerton Area Chamber of Commerce
www.bremertonchamber.org

Kingston Chamber of Commerce
www.kitsap.net/chamber/kingston/kingston.html

Port Orchard Chamber of Commerce
www.portorchard.com/chamber

Greater Poulsbo Chamber of Commerce
www.poulsbo.net/gpcc

Silverdale Chamber of Commerce
www.silverdalechamber.org

Cities

Bainbridge Island
www.bainbridgeisland.com

Bremerton
www.bremertonwa.com

Kingston
www.kingstonwa.com

Port Orchard
www.portorchard.com

Poulsbo
www.cityofpoulsbo.com

Silverdale
www.silverdale.com

Economic Development Council (EDC) of Kitsap County
www.kitsapedc.org

Ferry Schedules
www.wsdot.wa.gov/ferries

Home Builders Association of Kitsap County
www.kitsaphba.com

Hospitals

Harrison Hospital
www.harrisonhospital.org

Naval Hospital Bremerton
http://nh_bremerton.med.navy.mil

Kitsap County Government
www.wa.gov/kitsap

Kitsap County Association of Realtors
www.kitsaprealtors.org

Kitsap County Consolidated Housing Authority
www.kccha.com

Kitsap Peninsula Visitor & Convention Bureau (VCB)
www.visitkitsap.com
www.golfkitsap.com

Newspapers

Kitsap Business Journal newspaper
www.KitsapBusinessJournal.com

Kitsap Newspaper Group
www.bainbridgeislandreview.com
www.bremertonpatriot.com
www.centralkitsapreporter.com
www.northkitsapherald.com
www.portorchardindependent.com
www.pugetsoundnavynews.com

The SUN newspaper
www.thesunlink.com

Olympic College
http://oc.ctc.edu

Port of Bremerton
www.portofbremerton.org

School Districts

Bainbridge Island School District
www.bainbridge.wednet.edu/home

Bremerton School District
www.bremertonwa.com/schools

Central Kitsap School District
www.cksd.wednet.edu

North Kitsap School District
www.poulsbo.net/schools

South Kitsap School District
www.skschools.org

Community Web Sites (continued)

Washington State Department of Revenue
www.dor.wa.gov

Washington State Employment Security Labor Market & Economic Analysis Branch
www.wa.gov/esd/lmea

Washington State Ferries (Schedules & Fares)
www.wsdot.wa.gov/ferries

Washington State Labor Market Analysis
www.access.wa.gov

Washington State Office of Financial Management
www.ofm.wa.gov

Washington State University, Washington Center for Real Estate Research
www.cbe.wsu.edu/~wcrer

A Number of Commercial/Mixed-Use Developments Underway:

In recent years, one of Kitsap County's impediments to growth has been the lack of commercial land and buildings. A number of developments are underway which could alleviate this problem:

1. **Olympic Resource Management's West Hills site** has infrastructure in place for development.
2. The **Northwest Corporate Campus,** a 188-acre business park in South Kitsap, plans to break ground this summer and expects completion of a 40,000-square-foot Class A office building by year end.
3. The **Port of Bremerton's Olympic View Business Park** adjacent to the Bremerton Airport will also begin development this summer.
4. **Port Blakely Communities** is making progress in its mixed-use development near Kitsap Lake, with groundbreaking expected in 2002 on approximately 2 million square feet of commercial space and 900 homes.
5. The **Olhava Master Plan Development** in the northern part of the county is expected to provide 840,000 square feet of commercial floor space and 490 housing units.

E-Commerce Capability is Important to Kitsap County's Economic Development:

James Kendall's section on telecommunications points out that Kitsap County currently has only one high bandwidth carrier and that there are four telephone service areas covered by three different telephone companies. The result is higher cost and the potential for telecommunication choke points.

Fortunately, efforts are underway to strengthen the county's ability to offer improved telecommunication infrastructure. AT&T has acquired local cable companies, telephone companies are upgrading their capability and the legislature has authorized the Kitsap Public Utility District to provide high bandwidth service. Mr. Kendall concludes with the warning that Kitsap County's economic development may suffer if it does not keep pace by providing a competitive communications superhighway.

Housing - A Tale of Two Markets:

Bainbridge Island not only has an area code different from the rest of Kitsap County, but is in another world with regard to its cost of housing. The Multiple Listing Service date for 1999 shows that the average Bainbridge home sold for $382,000. This is 2.5 times the average sale price for the rest of Kitsap County and 1.6 times the median price of all homes sold in King County in the fourth quarter of last year!

Adjusting the fourth quarter median sales prices for the "Bainbridge factor", the median home sale price in the rest of the county was slightly over half of that in King County, 65% of the Snohomish median and 83% of the Pierce County median. This apparent price advantage has not created a new home construction boom in the county. In fact, last year only 361 new homes were sold in the county (excluding Bainbridge) or 11.8% of all home sales. Historically, slightly more than 25% of residential sales have been new homes.

Aftermath of Initiative-695:

On April 27, the State Legislature adopted a supplemental budget for the remainder of the fiscal period ending June 30, 2001. Though a Superior Court judge found I-695 unconstitutional on four counts, the State Legislature chose to implement the Initiative's principal fiscal measure (a reduction in the annual license tab fee to $30). The State Legislature did not, however, fully restore the resulting revenue shortfalls, many of which have a disproportionate impact on the county because of its reliance on the Ferry System. The Ferry System's operating budget was cut by $12 million. By drawing down reserves, ferry service reductions were less than originally feared. But, drawing on reserves this year may create a potential crisis in ferry services next year.

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Business Climate

Economic Opportunities Strong In Kitsap Region:

Economic opportunities remain strong in the Kitsap Region. Available labor, business friendly governments, advances in development designations, and Puget Sound Regional economic pressures have set the stage for expanded economic activity in the West Sound.

Labor Market Strength:

The availability of labor remains the region's strongest economic asset. While unemployment figures paint a picture similar to the rest of Puget Sound, the numbers are deceiving because of a large commuter work force. The access to East Sound jobs requires a significant enough commute that workers are often willing to accept local jobs at lower wages. The strong work ethic of a labor pool associated with military employment continues to attract attention from national employers.

Spouses of military personnel, newly discharged personnel, and retiring personnel are the highly qualified, highly trainable workforce needed by modern businesses. With the addition of well qualified students from local high schools and Olympic College the Kitsap Region is highly desirable at a time of labor shortages in virtually every other nearby job market.

Governmental Cooperation:

County and local governments are committed to job expansion both in word and deed. Almost without exception local officials understand the importance of diversification of the regional economy. The impact of defense downsizing is clear and the desirability of private industry widely acclaimed. Expanding and relocating employers have received firm commitments to shortened permitting timelines.

Agencies are working more closely in advance of submission of plans to reduce delays. Governments are increasingly finding creative ways to provide incentives and make the region more competitive with other locations. Business friendly government with a personal touch has real meaning in the Kitsap region.

Land for Development:

Additional land for development continues to come closer to marketability. By Spring of 2000, three additional developments should be well along in the land designation process.

- Olympic Resource Management's West Hills site has progressed to creation of pads with roads, sewer and other infrastructure immediately accessible. The fully zoned area provides one of the most rapid opportunities to build.

- Northwest Corporate Campus is now available for construction. Final infrastructure issues can be resolved within construction schedules. The campus provides spectacular views on gently sloping land.

- The Port Blakely/ West Kitsap Lake project should complete land use designation in May 2000. It will provide the potential for a large mixed use development of a significant corporate campus. Construction could begin within two years.

- South Kitsap Industrial Lands will provide an additional 1700 acres of flat, well buffered, and highly desirable industrial land on approximately the same time lines.

West Puget Sound has benefits over East Puget Sound:

Economic pressure throughout the eastern Puget Sound region continues to build. Land is becoming more scarce and more expensive. Qualified labor is becoming harder to attract and retain. The west Puget Sound/Kitsap region provides a welcome relief for businesses seeking to remain in the Northwest and gain the advantage of quality labor and available land.

Telecommunications:

Telecommunications provides one of the newest opportunities for business development. Basic infrastructure in the Kitsap region equals that available in the eastern Puget Sound region. SPRINT will be installing a point-of-pressure (POP) on the internet in Poulsbo making it competitive with major metropolitan areas. SPRINT has provided ISDN service at significantly reduced rates to businesses and residences in their greater Poulsbo region. Downtown Bremerton is heavily wired as a result of the Navy presence. Several Sonnet Rings already exist. AT&T@Home is entering the market with some of the most advanced cable infrastructure in the region. Kitsap is a great place to do E-Commerce.

Shortage of Large Existing Buildings:

The most serious regional shortage remains in the inventory of large existing buildings. Several large Call Centers companies have been pleased with the labor availability and returned looking for appropriate real estate to house their business. However, they find very limited choices. Businesses with time to "build to suit" can get the best of both worlds, labor and the perfect building for their business needs.

Ferry Service and Transportation:

The uncertainties generated in ferry service and transportation brought on by the approval of Initiative 695 and the law suit on fast ferry service in Rich Passage have now started to resolve themselves. Courts will allow ferry speed-ups and the legislature seems favorable to sustaining ferry service. Even with the easing of the "transportation crises" the growing perception is that Kitsap's future lies with telecommunications and software.

Kitsap is Undiscovered Gem for Business Success:

A national employer recently commented that their company had almost rejected the Puget Sound area to place their new Call Center because they were under the impression that the entire area had a labor shortage. They were persuaded to visit our Kitsap region and were both shocked and pleased to find such an available resource of qualified labor so close to the economic "heat" of King County. Kitsap remains an undiscovered "gem" for business success.

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Need to Actively Pursue the Extension of E-Commerce Services:

When considering the impacts of technology on the economic development of a community, our thinking must extend well beyond the "Internet Presence" issues of e-commerce. In order to prosper, Kitsap County needs to actively pursue the means to extend service to commercial and non-commercial projects, both existing and planned. Community planners must include e-commerce infrastructure in their plans so both the business parks and our residential areas can enjoy the technology services our high-tech society now demands.

Installation of High Bandwidth Communications:

The semi-rural nature of Kitsap County is an enticement to live here. This semi-rural nature has also hampered the installation of high bandwidth communications throughout the area. Currently, one carrier has the only high bandwidth connection (fiber optic cable) between Seattle and Kitsap County. This carrier transports the majority of all communication to and from the area. Other Kitsap County telecommunication providers lease services from that sole carrier to connect to Seattle and beyond. There are local telecommunications companies who control other available connections including older microwave links normally used for voice circuit connections to Seattle.

Problems Distinct to Kitsap County:

Communications within the county are further complicated by the existence of four distinct service areas served by three telephone companies (US West, Sprint and CenturyTel). Establishing voice or data routes between these service areas inserts additional costs ranging as high as 40-60%, as well as creating management and maintenance problems that would otherwise not occur.

The transportation choke points at the Tacoma Narrows and Kitsap County ferry terminals parallel the problems of inadequate telecomm/data infrastructure. The inability to transport people and goods efficiently to and from the peninsula mandates that a method of relief be found. To fix the transportation issue without spending hundreds of millions of dollars is not possible. One alternative, widely recognized as effective and immediately useful, is upgrading the telecommunications and data delivery infrastructure.

Fiber cable infrastructure has, until now, not been built by large communication companies due to lower financial reward when compared to large business areas such as Seattle and Bellevue. There are additional regulatory restraints on the Incumbent Local Exchange Carrier (ILEC) (the telephone company) that has hampered infrastructure buildout. Other independent providers have reviewed the market area and have chosen not to enter the Kitsap County/West Sound area at this time.

Options Being Considered and Projects Underway:

There are several options to improve Kitsap County's telecommunication services that are under consideration or actually in progress. For example, AT&T has recently acquired local cable companies and is in the process of upgrading and extending cable infrastructure. US West continues to extend fiber through the county and onto the Olympic Peninsula. US West and Sprint have upgraded their interconnect in the county. Smaller companies are extending wireless and DSL services in several areas of the county. A recently passed Washington State bill permits Public Utility Districts to provide facilities in rural underserved areas. All of these projects help but do not fully meet the need.

Competition Effects Pricing:

Once high bandwidth communications infrastructure is built in Kitsap County, the area can experience similar service pricing as areas on the east side of Puget Sound. Seattle, Bellevue and Redmond markets have communication competition. This has helped to drive the end use costs lower. The existing TELCO pricing model used in the West Sound areas imposes the addition of expenses to be added when extending service from Seattle to Kitsap County.

When additional high bandwidth connections cross the sound and fiber cable is constructed throughout Kitsap County, service will be more widely available, the cost will be lower and the new connections will provide the same access to band width as the East Sound. The improvement in cost and availability will make Kitsap County as much a player in attracting business as any east side area. Other demographics will help boost the economic potential in Kitsap County once this project is in place.

What Is High Bandwidth?:

What is this "high bandwidth" we are so concerned about? It is simply "the size of the pipe". The following chart gives you a reference for what it means to have at T-1 or a DS-3 or an OC-3 connection into a neighborhood, a business park, or a community. It is not trivial information.

BANDWIDTH CHART

Connection	Bandwidth	Payload
DS-0 (POTS)*	64Kbps	1 DS-O
DS-1 (T-1)	1.544 Mbps	24 DS-0's
DS-3 (T-3)	44.7 Mbps	28 DS-1's (672 DS-0's)
STS-1/OC-1	51.84 Mbps	1 DS-3 (672 DS-0's)
STS-3/OC-3	155.520 Mbps	3 DS-3's (2016 DS-0's)
STS-12/OC12	622.08 Mbps	12 DS-3's (8064 DS-0's)
STS-48/OC48	2488.32 Mbps	48 DS-3's (32,256 DS-0's)
STS-96/OC96	4976.64 Mbps	96 DS-3's (64,512 DS-0's)
OC-192	9953.28 Mbps	192 DS-3's (129,024 DS-0's)
OC = Optical Carrier (fiber)	*POTS = Plain Old Telephone Service	STS = Electrical Radio

The "Last Mile Link":

The key link to all the wonderful high speed "pipe" that makes it all work is what is known as the "last mile link". This is the link that reaches the end user. With advances in technology, that last mile link will be delivered several ways, including wireless, fiber optic cable, and legacy copper. Wireless technologies have matured remarkably during the past two to three years and now offer a very competitive means to deliver volume voice circuits as well as data.

Kitsap County Needs to Be On the Communications Super-Highway:

With the extending of fiber optic networks, super high speed connections are potentially available. With the accelerating evolution of data technologies, existing copper is being used for higher and higher speed connections. Many of these elements are in place, in construction or in planning. Key will be the old mantra, "location, location, location". Just as communities died when they were bypassed by the railroad, by highways and by the interstate, the health of communities will increasingly depend on not being bypassed by the "communications super-highway". We need to make sure Kitsap County thrives in the continuing telecommunications revolution.

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Harrison Hospital Service Expansion:

Harrison Hospital's new Radiation Oncology Center will open at its main East Bremerton campus by September 2000. This 14,000-square-foot facility will feature a state-of-the-art linear accelerator and space for a second. This will greatly enhance local services and is a valuable step in continued development of a regional cancer program in Kitsap County. Constructed at the hospital, the Center will replace the existing facility on Sheridan Avenue, making treatment more accessible and convenient for our patients. A new parking structure built adjacent to the Center will increase parking at the hospital by 60 spaces.

Silverdale Healthcare Campus:

Harrison's commitment to provide healthcare to our neighbors in all corners of the county continues with the new Silverdale healthcare campus. The centerpiece of this new 125,000-square-foot creation is Harrison Silverdale; featuring a Surgery Center, a Women's and Children's Center (including maternity and pediatrics) plus an Emergency Department available 24-hours a day, all coordinated with Harrison's East Bremerton facilities and services. The Silverdale campus is located south of Waaga Way at the intersection of Myhre Road and Ridgetop Boulevard.

A variety of outpatient services — including a women's breast center; adult and pediatric rehabilitation services, and physicians' office space will be located in a separate but connecting healthcare office building. The two structures make up the first of several phases to be developed on the campus to meet the healthcare needs of a growing Kitsap County and beyond. Medical services at Harrison Silverdale are scheduled to begin on July 10, 2000.

Harrison Hospital Overview:

Harrison Hospital is a 297-bed, not-for-profit, community hospital, which offers a wide array of services, including in-patient, out-patient, emergency, maternity and home health. Harrison is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations, with the outstanding score of 99 out of 100 on their most recent survey. Harrison 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 United States. Harrison also provides Urgent Care and other out-patient services at its South Kitsap Healthcare Campus on Tremont Avenue near Highway 16 in Port Orchard.

Doctors Clinic, Group Health Cooperative, KPS and Westsound Community Health Network:

The Doctors Clinic is a multi-specialty group practice with about fifty of the greater than three hundred civilian physicians who service in Kitsap County. Group Health Cooperative is the largest Health Maintenance Organization (HMO) that services the area, with nearly twenty-five physicians in Kitsap County. Kitsap Physicians Service (KPS) is the locally-based, health insurance provider for many of the residents of Kitsap and adjacent counties. Westsound Community Health Network is a Physician-Hospital Organization which includes over one-hundred physicians in Kitsap and Jefferson Counties.

Naval Hospital Bremerton:

In addition to the civilian medical care system, Naval Hospital Bremerton, with its 139 licensed beds and extensive system of health services, provides care to approximately 60,000 military, family members, and retirees who live in Kitsap County. The hospital moved to its present site in 1980. The hospital provides the following in-patient specialties: Medical/Surgical, Pediatrics, labor/Delivery, Mother/Baby, Level II Nursery, Mental Health, ICU/CCU, as well as an Ambulatory Procedure Unit (APU). Over 90% of their surgical procedures are performed in the APU.

Core out-patient services include: Family Practice, Pediatrics, Internal Medicine, Women's Wellness, OB/GYN, Physical Therapy, Orthopedics and Emergency Room. Medical Clinics are operated at various military bases in Kitsap County and nearby regions. A significant $24 million expansion to the core hospital is scheduled for completion in September 2001. The expansion includes a 60,000-square-foot ambulatory care addition, a 2-level, 250-car parking garage, and major remodeling to the existing facilities.

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, 1998 Supplement. This report was prepared by Bremerton-Kitsap County Health District, Harrison Memorial Hospital, Kitsap Physicians Service, and Group Health Cooperative of Puget Sound.

Life Expectancy at Birth:

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 United States. It compares favorably with Japan, which has the highest life expectancies of any country in the world.

	Kitsap	Washington	United States	Japan
Males	76.2 yrs	74.0 yrs	72.2 yrs	76.4 yrs
Females	81.1 yrs	80.0 yrs	78.8 yrs	82.8 yrs

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 develop services and facilities to meet future health needs based on today's solid foundation.

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Comprehensive Land Use Plan:

Having a valid Comprehensive Land Use Plan returns a level of stability and predictability to land use planning and development throughout Kitsap County. On February 8, 1999, the Central Puget Sound Growth Management Hearings Board (CPSGMHB) issued an order rescinding its September 8, 1997 decision declaring the Kitsap County Comprehensive Plan invalid. The County had been operating under an Interim Zoning Ordinance since the original invalidation order on October 6, 1995. The Hearings Board order remanded a number of issues and directed the County to take action by no later than August 6, 1999.

Two Remand Issues:

The Kitsap County Board of Commissioners (BCC) divided the remand issues into two separate packages for review. The first remand package included revisions to the Zoning Ordinance, joint planning policy language and corrections to the Transportation and Economic Development Appendix and the appropriate designation of the "Screen Property" which were addressed on May 10, 1999.

The second package of remand items included the appropriate designation for the Port Gamble area and updates to the six-year financing plan in the Capital Facilities element of the plan (1998-2004) that the BCC addressed on July 21, 1999.

Port Gamble Designated "Rural Historic Town":

On March 30, 2000 Kitsap County received a ruling from the CPSGMHB that upheld the county's designation of Port Gamble as a "Rural Historic Town" and brought its Comprehensive Plan into full compliance with goals and requirements of the Growth Management Act (GMA). The county developed the designation, along with special development regulations for the historic town, pursuant to language added to the GMA by the legislature in 1998. The county has successfully taken this planning approach with the Suquamish area, with the Port Gamble case being the first time the Hearings Board had considered the GMA requirements for these "limited areas".

The Hearings Board agreed with the county that areas with this designation are "not quite urban, but not quite rural." The decision speaks approvingly of the plan the county developed for Port Gamble and concludes that the mix of uses within the town and its physical form clearly qualify it as the type of "limited area of more intensive rural development" envisioned by the legislature. The Hearings Board upheld both the outer boundary of the town, which includes the area know as Gamble Village, and the range and intensity of uses allowed within the town. The challengers also failed to convince the Hearings Board that there was a problem with the capital facilities planning for the town or with the public process used to adopt the plan for Port Gamble.

This March 30, 2000 decision completed all the challenges and remand items issued on the county's 1998 Comprehensive Plan. The county commissioners expressed relief "to be out from under the cloud of non-compliance after such a long period of time and confidence in the county's planning future" (Commissioner Garrido). The full text from the Hearings Board's decision can be found on the county's web site at http://www.wa.gov/kitsap.

Joint Planning Areas (JPAs):

The Comprehensive Plan outlined a process for addressing the issues of Urban Joint Planning Areas through the development of Subarea Plans and Interlocal Agreements. These areas are contiguous to cities and are subject to coordinated city/county planning in an effort to resolve outstanding land use and capital facility issues.

Seven Joint Planning Areas (JPAs) in Process:

There are currently seven JPAs in process with Subarea Plans being prepared — the City of Poulsbo Urban Growth Area, the Port Blakely Property in Central Kitsap and the South Kitsap Industrial Area including the Bremerton National Airport and Olympic View Industrial Park.

Areas of More Intensive Rural Development (AMIRD):

The Comprehensive Plan recognizes recent amendments to the Growth Management Act (GMA) which allows counties to define "Limited Areas of More Intensive Rural Development" subject to a number of guidelines and criteria (RCW 36.70A.070(5)(d). These areas allow for the recognition and designation of existing areas with established development patterns.

Two Demonstration Projects:

Two demonstration projects were recommended — Suquamish and Manchester — to help develop and test criteria for defining a process that will be used to consider future designations. The "Suquamish Rural Village Subarea Plan" was developed and successfully adopted by the Board of County Commissioners on April 19, 1999. This process established additional guidelines for defining a "Rural Village" concept and is currently being used in the Manchester community planning efforts.

Population & Employment Projections Determines Land Needed:

The Kitsap Regional Coordinating Council (KRCC) has recently developed a recommendation for new population and employment projections for Kitsap County through the year 2017. These projections are used to determine the amount of land needed for residential, commercial and industrial development and to determine the size of the Urban Growth Areas throughout the County. The recommendation that came from the Planning Directors work group stated that "All requests for 2017 population allocation, including Urban Growth Area boundary changes, will be submitted for review at or before the December 2000 meeting of the Kitsap Regional Coordinating Council Policy Board".

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McCormick Woods Conference Center And Inn

Conference Center and Inn:

McCormick Land Company has secured land use approvals to build a Conference Center and Inn at McCormick Woods, a planned community just west of Port Orchard. Like McCormick Woods Golf Course and MaryMac's Restaurant and Clubhouse, the Conference Center, including a new restaurant, will be open to the public. Construction is scheduled to begin sometime in 2000.

State-of-the-Art Facility:

Just an hour from downtown Seattle and SeaTac Airport, the Conference Center and Inn will be the premier meeting destination in the Puget Sound Region. Designed by Bumgardner Architects to fit into the existing Clubhouse, Golf Shop and Cart Barn campus, the Conference Center and Inn will have 200 guest rooms and 20,000 square feet of meeting space.

While sited in the trees at McCormick Woods, with the look and feel of a sophisticated yet comfortable "Pacific Rim Great Camp", the Conference Center will offer state-of-the-art technology and meeting facilities. The management staff of Marriott Conference Centers, a small division of Marriott International, will manage the Conference Center. They currently manage the McCormick Woods Golf Course, Clubhouse and MaryMac's Restaurant. McCormick Land Company feels this will assure that guests will enjoy superior service and a seamless experience from beginning to end.

Expansion of Tourism:

The Conference Center is intended to expand tourism in Kitsap County. Golfers will be within fifteen minutes of four great golf courses — McCormick Woods, the new Trophy Lake Golf Course, the Olympic Golf Course and the Gold Mountain Golf Course. Already, the four courses promote the "Triple Eagle on the Kitsap Peninsula", a cooperative marketing campaign to bring golfers to the Peninsula. In addition to playing golf, conferees and other guests will be able to enjoy the great outdoors of Kitsap county. From walks in the proposed 700-acre McCormick State Preserve adjacent to McCormick Woods, to the waterfront in Port Orchard and Bremerton to the attractions around the entire Olympic Peninsula.

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Northwest Corporate Campus

Ground Breaking in Summer 2000:

Northwest Corporate Campus is a 188-acre business park, which plans to break ground during the summer of 2000. It will provide an environment where people can walk to work and where they will enjoy views of Sinclair Inlet, Puget Sound, and the Olympic and Cascade mountains. The business park will be located on a hill above Sinclair Inlet in South Kitsap, between Highway 16 and Old Clifton Road.

Local Jobs for Local People:

Northwest Corporate Campus hopes to attract businesses that will employ local residents who otherwise commute to jobs in Tacoma, Seattle, and elsewhere. Targeted properties include high-tech companies, corporate headquarters and call centers.

Live Where you Work:

By bringing jobs to where people are living, the Northwest Corporate Campus will significantly improve the quality of life for Kitsap County residents. Fifty-six (56) acres of the property are set aside for residential development. In addition, it is located next to McCormick Woods, an upscale living and golf community.

Five-Year Process Made for an Environmentally Sensitive Project:

The Northwest Corporate Campus has been designed to exist in harmony with environmental issues. During the past five years, the property has been rezoned. Engineering, wetlands, wildlife, geological, and wellhead protection studies have been completed to ensure compliance with environmental concerns. In addition, of the site's 377 total acres, half of the property has been set aside for open space.

Building Scheduled to Open Fall of 2000:

The developer expects to complete a 40,000 square-foot Class A office building by the end of October 2000. The building will be state-of-the-art, featuring fiber-optic cabling, and high-speed data and voice connections and networks. Prospective users will have the options to lease building space, built to suit their needs, and/or to purchase and develop property in the park to suit their needs.

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Olhava Master Plan Development

Mixed Use 215-acre Development:

The Olhava Master Plan Development (MPD) is a 215-acre mixed use project located within the city limits of Poulsbo, WA. It is located at the intersection of State Routes 3 and 305. The development's Master Plan and accompanying Environmental Impact Statement are approved to include commercial, business, residential, and a 20-acre Olympic College branch "campus in the woods". Primary infrastructure development is currently being engineered.

Road Access and Utilities/Services:

Interchange improvements to State Routes 3 and 305 are designated to provide highway access to the Olhava project. Finn Hill Road links the development with historic downtown Poulsbo. Thompson Hill Road and Parnell Place join the project with several of North Kitsap's newer communities and schools. Recently renovated Viking Avenue enables additional access for a 41-acre residential cluster located southeast of the State Route 3/305 interchange. Water, sewer and public services are available from the City of Poulsbo. Other utilities and services include natural gas, public transit and planned high-speed communications lines.

Integrated Land Use Mix:

Commercial and Business

The master plan allows 840,000 square feet of commercial floor space. Commercial sites include a variety of locations and sizes within the project. The Olhava Business Park includes 325,000 square fee of business/office floor space. Business sites are centrally positioned between other commercial areas and the planned Olympic College campus. The development enjoys several viewpoints to Mount Rainier.

Residential and Recreation

The plan allows 420 multi-family and 70 single-family homes. Residential clusters include perimeter privacy buffers and open space park and recreation sites. Bicycle paths and nature trails stimulate non-vehicular access within the development and to an 8-acre community park. Residents are presented with a rare opportunity to enjoy shopping, conduct business or attend college, without traveling outside the development.

Public Education

A branch campus for Olympic Community College is scheduled to break ground during 2001, on a twenty-acre site within the Olhava Master Plan. The proposal includes the construction of a 38,000-square-foot classroom and administration building. Associated parking for vehicles and bicycles will be provided. It will also include a bus stop for Kitsap Transit. And, the community will be able to enjoy an educational nature trail through the beautifully wooded site. The facility will provide extended education for up to 900 full-time-equivalent students.

Development Standards:

Development standards will guide the project to best assure a cohesive and professional appearance. Site standards include landscaping, lighting and signage. Building standards include harmonious building form, height, texture and color. Because of Poulsbo's prevalent Scandinavian culture, soft site and building details will be encouraged.

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Port Blakely Joint Planning Area

Port Blakely Communities:

Port Blakely Communities is a division of Port Blakely Tree Farms, which is a family owned company that has operated tree farms in Kitsap County and throughout Washington state since the turn of the century. They hope to break ground in the Spring of 2002 on a mixed use project in Central Kitsap County, just west of Kitsap Lake.

Planning and Zoning Process:

The 1998 Kitsap County Comprehensive Plan designated 440 acres of property owned by Port Blakely, located west of Kitsap Lake, as an Urban Joint Planning Area for Business and Light Industrial Land uses. The designation was made to achieve the County's goal of having land zoned and available for businesses to locate on and to help create jobs. A Subarea Plan is being prepared by Bremerton and Kitsap County that will identify the zoning for the property and specify the environmental protections that must be included for the project to be built.

Projected Land Use Mix:

The land use being considered for the site, is a mixed use project that would include approximately 900 homes and 2,225,000 square feet of business uses such as offices, light assembly and manufacturing facilities and business park. In addition, retail and commercial services will be included in the project to serve the needs of the community. The project will also include public trails, a public park and a buffer adjacent to neighboring properties.

Environmental Protection:

The project will only proceed if it is demonstrated that there will not be adverse impacts to the productive salmon resources of Chico Creek or to the water quality of Kitsap Lake. A master drainage plan will be prepared at the time there is a specific project that will include the best management procedures for protecting water quality and controlling water runoff.

Annexation to the City of Bremerton:

The Subarea Plan will be reviewed by the City of Bremerton and Kitsap County in the Spring of 2000. If approved, the property could be annexed to the City of Bremerton in 2000. Port Blakely could submit an application to the City for a specific project in the Summer of 2000. Public input and environmental review is scheduled to take place in 2000 and 2001 with construction possibly beginning in the Spring of 2002.

Access and Services:

Access to the site will be from SR 3 to two new access roads to the project. One new access road will be at the north end from Northlake Way. Another new road will be located at the south end and will extend Werner Road to the site. The project will be served with water and sewer by the City of Bremerton.

Other Projects:

Issaquah Highlands is another planned community that the Port Blakely company is currently developing. This project includes 3,000 homes, parks, trails, recreation, a regional retail center and a business center. Port Blakely also developed Montrues, a residential community of 300 homes in the City of Issaquah and has recently started construction of McGarvey Park, a residential community of 500 homes in the Renton area.

Port Blakely is dedicated to developing environmentally sensitive communities and growing sustainable forest to benefit current and future generations.

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Vision:

The adopted vision of the Port of Bremerton is to build, operate and maintain world-class facilities providing recreation and economic development opportunities for aviation, marine and business facilities. The Port of Bremerton's jurisdiction covers portions of the west and south half of Kitsap County, WA.

Bremerton National Airport:

Serving corporate and general aviation, Bremerton National Airport is ideal for general aviation and corporate hangars, aviation business and maintenance operations. Adjacent to Olympic View Industrial Park, Bremerton National's 6,200-ft runway is equipped with an instrument landing system, pilot controlled approach lighting and a non-directional beacon, and is capable of accommodating most Boeing 727, 737 and 757 aircraft.

There are over 600 acres available for corporate maintenance operations to develop. Amenities available include hangar space, Avgas (truck and 24-hour self-service) and Jet A fuel, a full service restaurant, aircraft maintenance, pilot training services, air parcel service and other fixed base aviation support services. Bremerton National is the regional hub for aircraft activities, is home to 125 aircraft, and is a major asset for the future economic development of the Puget Sound region. Bremerton National is only 10 minutes by air from SeaTac and Boeing Field.

The Olympic View Industrial Park:

The Port of Bremerton's Olympic View Industrial Park located west of Bremerton National Airport on State Highway 3 offers 560 acres of zoned industrial property. Rail frontage is available. The existing infrastructure will accommodate 30 more acres of development and will add basic infrastructure which is the primary focus of the Port's work for the year 2000. Additional roads and utility systems will require significant funding in coming years to make the remaining acreage fully available. The industrial park is a stand-alone urban growth area and is zoned light industrial. The park will act as a catalyst to the diversification of the economy by attracting new industries to Kitsap County. Thirty-two businesses occupying 75 acres and 300,000 sq. ft. of building space now call Olympic View Industrial Park home. Competitive operating costs, combined with a supportive building permitting process, assistance with industrial development revenue bonds, developer services and aggressive lease practices are some of the economic development tools and benefits offered by the Port. Designated properties in the industrial park as well as the adjacent Bremerton National Airport, offer the benefits of a Foreign Trade Zone and are just 10 minutes by air to SeaTac International Airport and one hour by interstate highway and ferry systems to any of the deep-water ports at Seattle, Tacoma and Olympia.

Olympic View Business Park:

Olympic View Business Park will be an excellent setting for business and technology-oriented businesses. It is adjacent to a broad bandwidth fiber optics line and is next to Bremerton National Airport. Construction of the 30-acre planned business park will begin in the Summer of 2000 and will be developed on two terraces facing the Olympic Mountain range.

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 duty payments and in some cases, no payments on a wide variety of import and export activity. Warehousing, manufacturing, repackaging and assembly activities can all benefit financially from use of the FTZ.

Port Orchard and Bremerton Marinas:

The Port's award winning recreational marinas provide both permanent and guest moorage. The Port Orchard Marina, reconstructed in 1997-98 after the devastating 1996 winter storms, presents state-of-the-art accommodations and upgraded utilities to both permanent and guest boaters.

Both the Port Orchard and Bremerton Marinas draw high numbers of guest boaters every year and contribute approximately $1.5 million to the local economies. The cities of Port Orchard and Bremerton offer community events on the waterfront such as concerts, farmer's markets and the annual Blackberry Festival. This provides many shopping and entertainment opportunities within walking distance. The promotion of tourism receives great attention in the Port's economic development activities.

The Port of Bremerton has a strong relationship with its neighbors & local government. The Port plans projects and infrastructure that encourage today's businesses to flourish and future businesses to become established in Kitsap County.

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Population Trends

Historical Population Trends:

Kitsap County ranks 15th out of 39 counties in the State as the fastest (percentage) growing from 1990-1999. Growth has been very rapid. Kitsap County's resident population grew from 101,732 in 1970 to 189,731 by 1990, an increase of 87%, representing 88,000 people. By comparison, the state population grew by 42.6% over the same period.

Kitsap County Population Gained 700 in 1999:

The slight (0.31%) population gain in Kitsap County was largely due to increases in Port Orchard and Bainbridge Island. Both cities experienced population increases of approximately 4% in the last year (April 1, 1998 to April 1, 1999).

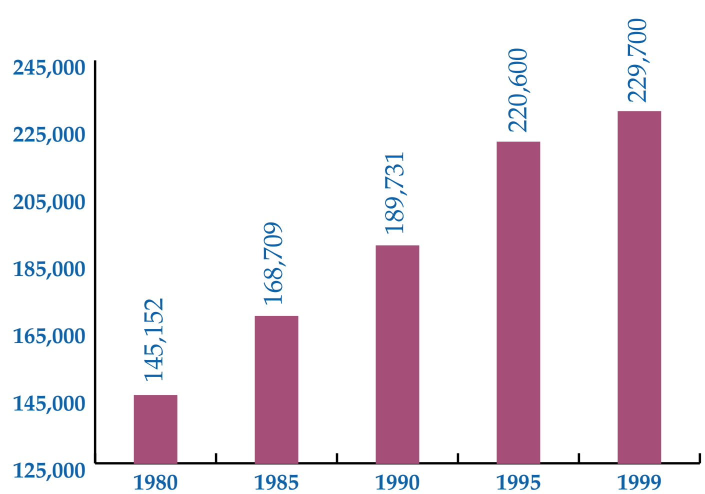
Statistics gathered from the Washington State Office of Financial Management off their web site: www.ofm.wa.gov/, are summarized in the following charts and graphs.

Kitsap County Population

	1980	1990	1995	1996	1997	1998	1999
KITSAP COUNTY	147,152	189,731	220,600	224,700	229.400	229,000	229,700
Annual Growth Rate	-	*2.89%*	*2.38%*	*1.86%*	*2.09%*	*-0.17%*	*0.31%*
BREMERTON	36,208	38,142	39,610	38,370	38,600	37,260	36,260
Annual Growth Rate	-	*0.53%*	*0.77%*	*-3.13%*	*0.60%*	*-3.47%*	*-2.68%*
PORT ORCHARD	4,787	4,984	6,240	6,610	6,965	6,945	7,255
Annual Growth Rate	-	*0.41%*	*5.81%*	*5.93%*	*5.37%*	*-0.29%*	*4.46%*
POULSBO	3,453	4,848	5,765	6,070	6,175	6,590	6,445
Annual Growth Rate	-	*4.04%*	*3.00%*	*5.29%*	*1.73%*	*6,72%*	*-2.20%*
BAINBRIDGE ISLAND	2,196	3,081	17,910	18,530	18,920	19,080	19,840
Annual Growth Rate	-	*4.03%*	*	*3.46%*	*2.10%*	*0.85%*	*3.98%*

**Incorporation of entire Island of Bainbridge Island (1991)*

Kitsap County Historical Population



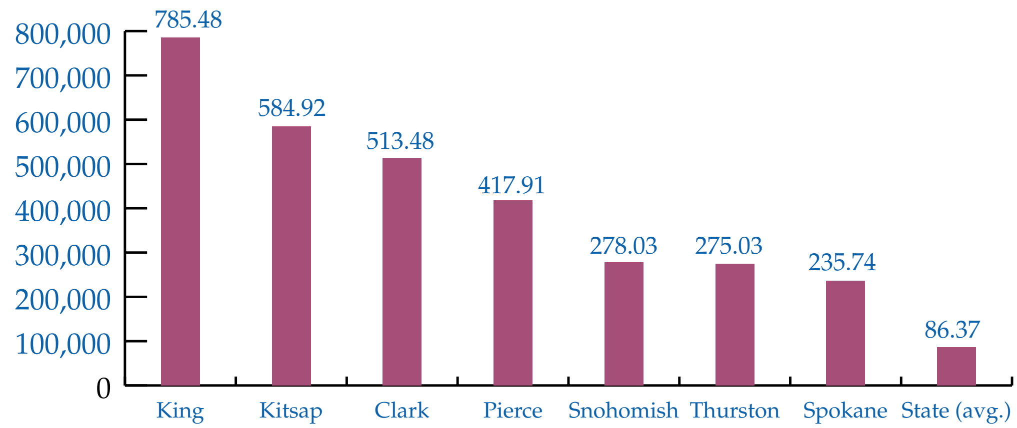
Older Population Has Remained Constant:

Kitsap population aged 65 and over has remained relatively constant as far as a percentage of the total population. In 1990, 10.64% of the population in Kitsap County was aged 65 or over. This percentage represented 10.48% of the total Kitsap population in 1995 and 10.28% in 1998.

Kitsap County Population Density is 2nd Highest out of 39 Counties in the State:

Although the general appearance of Kitsap County seems "rural" due to the vistas of water, mountains and trees, it is, in fact, the second most dense county in the state of Washington, second only to King County.

Seven Most Densely Populated Washington State Counties (1999)



COUNTY	1999 People/Sq. Mi.	LAND AREA (Square Miles)	1999 POPULATION
King	785.48	2,135.001	1,677,000
Kitsap	**584.92**	**392.70**	**229,700**
Clark	513.48	656.30	337,000
Pierce	417.91	1,675.00	700,000
Snohomish	278.03	2,098.00	583,300
Thurston	275.03	737.00	202,700
Spokane	235.74	1,758.30	414,500
State (avg.)	*86.37*	66,662.10	5,757,400

By
Washington State Office of Financial Management
Web Site: www.ofm.wa.gov

Bremerton/Kitsap Employment

Non-Agricultural Employment Increased by 200 from December 1997 to December 1998, an increase of 0.28%. Employment categories that experienced increases were: Manufacturing, Construction, Transportation/Public Utilities, Finance/Insurance/Real Estate and Services. Employment categories that experienced decreases were: Mining/Misc., Wholesale/Retail Trade and Government.

Bremerton-Kitsap County
Primary Metropolitan Service Area (PMSA)
Non-Agricultural Employment Levels

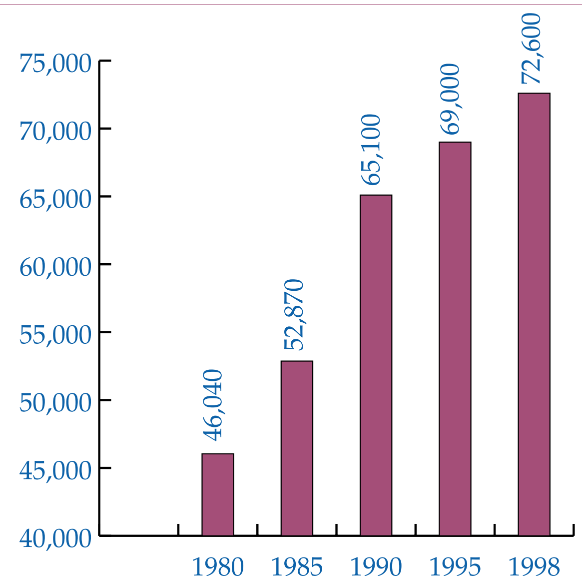
Industry	Dec 1997	Dec 1998	% Change	Industry Share
Manufacturing	2,100	2,200	+4.76%	3.03%
Mining & Misc.	1,000	900	-10.00%	1.24%
Construction	3,200	3,400	+6.25%	4.68%
Trans & Public Utilities	1,700	1,800	+5.88%	2.48%
Wholesale/ Retail Trade	17,300	17,200	-0.58%	23.69%
Finance, Ins/ Real Estate	2,700	2,800	+3.70%	3.86%
Services	18,100	18,500	+2.21%	25.48%
Government	26,300	25,800	-1.90%	35.54%
TOTAL	72,400	72,600	+0.28%	100.00%

Source: Washington State Emp. Security Labor Market & Economic Analysis Branch
www.wa.gov/esd/lmea

Slow but Steady Employment Growth:

The graph below illustrates annual Kitsap County non-agricultural employment levels from 1980 to 1998. Annual growth in non-agricultural employment has been gradual but steadily uphill.

BREMERTON-KITSAP COUNTY
PRIMARY METROPOLITAN SERVICE AREA (PMSA)
NON-AGRICULTURAL EMPLOYMENT



Department of Defense Civilian Employment:

The effect of military downsizing has had a big impact on civilian employment over the years. From it's most recent peak of over 22,500 jobs in 1993 and 1994, Kitsap County has lost some 8,144 jobs and in the past year employment has declined by 1,647.

Unemployment Rate in Kitsap County at 4.3% (November 1999):

DEPARTMENT OF DEFENSE CIVILIAN EMPLOYMENT TRENDS

	1988	1992	1993	1995	1996	1997	1998	1999
Puget Sound Naval Shipyard	11,700	12,245	12,540	10,233	9,620	9,239	8,494	8,194
Naval Submarine Base Bangor	2,630	4,807	4,776	4,764	3,785	5,000	5,000	3,800
Naval Undersea Warefare Center	3,247	4,362	4,254	3,679	2,873	1,950	1,450	1,390
Bremerton Naval Hospital	-	434	459	299	509	452	347	360
Fleet Industrial Supply Center	650	700	484	484	602	657	760	600
TOTAL	18,227	22,548	22,513	19,459	17,389	17,298	16,051	14,404

Unemployment Rate in Kitsap County at 4.3% (November 1999):

Washington's unemployment rate was 4.0% as of November 1999, underscoring very tight labor markets in many parts of the state. Unemployment in Kitsap County was 4.3%.

In Kitsap, 4,000 residents out of a total labor force of 92,200 were unemployed. Seasonal cutbacks take place in many resource-based industries, construction and tourism, as fall weather set in. However, this year the seasonal pull-back was less than normal. Total non-farm wage and salary employment increased by 10,800 workers, far ahead of the 7,700 increase in November 1998.

Wholesale and retail trade were particularly strong, with pre-Christmas hiring of 8,700 people, according to the Washington State Employment Security Department. Seasonal hiring in public and private education added 6,700 workers, and gains also were posted in business services and health care. Construction employment dropped 4,700, manufacturing payrolls fell 3,300 and jobs in aircraft and parts dropped 800. Lodging, amusement and eating places also posted losses. The Seattle-Bellevue-Everett area had an unemployment rate of only 2.9 percent for November 1999.

By
Washington State Labor Market & Economic Analysis Branch
Web Site: www.wa.gov/esd/lmea

Top Employers in Kitsap County (as of April 1999)

Major Manufacturing Firms	FTE
The SUN	190
Net Systems, Inc.	160
Sound Publishing	137
Sage Manufacturing	120
Seattle Orthopedic Group	103
Watson Furniture Systems	65

Major Retail & Service Employers	FTE
Safeway	608
Harrison Hospital	601
Laurier Enterprises (McDonald's)	430
Martha & Mary Nursing Home & Child Ctr	350
The Doctors Clinic	300
Town & Country Markets	252
Belmont Terrace & Ridgemont Terrace	245
Price COSTCO Wholesale	243
KPS	211
Kitsap Mental Health Services	206
Group Health Cooperative	200
Sears Roebuck & Company	185
Kitsap Bank	182
Kitsap Federal Credit Union	156
JC Penney Company	150
Eagle Hardware	145
Westbay Auto Parts	133
All Star Lanes/Casino	129
Bremerton Convalescent & Rehab Center	126
Albertsons	125
Port Orchard Care Center	110
North Sound Bank	99
Oyster Bay Healthcare Center	90
Frances Haddon Morgan Center**	150

Major Private Sector Employers	FTE
Port Madison Enterprises (Suquamish Tribe)	300
EDS Corporation	300
Kitsap Transit	243
Olympic Resource Management	240
Port Gamble S'kallam Tribe	173
USA Waste Management	114
Educational Services District #114	111
Kitsap Community Services	97

Civilian Employers - Defense Contractors	FTE
Johnson Controls World Services (estimate)	800
Lockheed Martin	200
GEC Marconi (formerly Tracor)	370
Ratheon Systems	100
Northrup Grumman	70

Civilian Employment-Govt. Employers	FTE
Puget Sound Naval Shipyard	8,194
Naval Submarine Base Bangor	3,800
Naval Undersea Warfare Center	1,390
Fleet Industrial Supply Center	660
Naval Hospital	360

Active Duty - Government Employers	FTE
Puget Sound Naval Shipyard	9,345
Naval Submarine Base Bangor	6,378
Naval Hospital	697
Naval Undersea Warfare Center	30
Fleet Industrial Supply Center	20

Local & State Public Agency Employers	FTE
Central Kitsap School District	1,637
South Kitsap School District	1,100
Kitsap County	1,050
North Kitsap School District	873
Bremerton School District	750
Olympic College** (Full time only = 250)	610
Washington State Ferries**	350
City of Bremerton	336
Retsil Veterans Home**	280
Bainbridge Island School District	243
City of Bainbridge	114
Department of Social & Health Services**	110
City of Poulsbo	99
Washington State Patrol**	80
Washington State Dept. of Transportation	60
Wash. State Dept. of Employment Security	50
City of Port Orchard	50
Kitsap Co. Consolidated Housing Authority	50
Washington State Department of Ecology**	30
Washington State Dept. of Labor & Industries	30

*** Source: Washington State Employment Security, LMEA - 1st quarter '98 figures*
NOTE: This figure is based on a total of full-time and part-time employees.

NOTE: This section will be updated by the Fall 2000 TRENDS edition.

Kitsap County Building Permit Levels:

Year end 1999 building permit data combines figures for incorporated and unincorporated areas of the Kitsap county, and as detailed in the chart below, totals for 1999 were just slightly lower than the prior two years, but represent the lowest level of activity over the past 16 years. On the positive side, building permit activity relative to single family homes over the first quarter of the year 2000 (unincorporated areas only), total 161 units, and represent a 29% increase over the 125 building permits in the first quarter of 1999.

RESIDENTIAL BUILDING PERMITS
BREMERTON/KITSAP COUNTY AREA

Year	Single-Family #	Single-Family %	Multi-Family #	Multi-Family %	Mobile Home #	Mobile Home %	Total #
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
Total	**21,465**	**58.3%**	**6,542**	**17.8%**	**8,842**	**24.0%**	**36,849**

Source: HUD, Seattle Regional Office (1989-1996); Richards & Associates (1997-1999)

Average Home Prices Climbed 4.3%/ 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 also indicates the average number of days on the market (DOM) it took to sell the homes. 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	*1995*		*1996*		*1997*		*1998*		*1999*	
	Price	DOM	Price	DOM	Price	DOM	Price	DOM	Price	DOM
1 South Kitsap	$126,707	107	$130,849	156	$131,875	146	$147,924	94	$149,754	90
2 West/Central	$139,532	134	$146,910	147	$155,853	138	$159,393	90	$162,472	82
3 W. Bremerton	$83,190	86	$89,005	132	$100,494	115	$97,066	83	$97,810	75
4 E. Bremerton	$99,385	83	$105,292	120	$108,274	119	$117,846	85	$115,871	68
5 East/Central	$118,657	88	$119,234	135	$126,502	127	$132,374	93	$138,806	65
6 North Kitsap	$143,168	108	$156,313	146	$161,365	149	$171,771	94	$188,771	95
7 Bainbridge Isl.	$295,680	121	$291,739	153	$300,480	142	$339,973	97	$382,044	93
CountyAverages	**$143,232**	**112**	**$150,706**	**145**	**$161,212**	**139**	**$175,155**	**92**	**$183,669**	**85**
Less Bainbridge	**$127,087**		**$131,414**		**$138,171**		**$146,791**		**$153,070**	

Takes Fewer Days to Sell a Home:

A positive sign indicated by the data is the recent reduction in the average amount of time that it takes to sell a home, an indication that demand is on the rise. County-wide, 1999 was a great year for home sellers. In all MLS areas the days on market (DOM) declined over 1998 figures.

Appreciation Rates Continue to Decline:

Based on the average prices detailed in the previous chart, county-wide appreciation rates are lower than the prior three years, but within its subareas, the North Kitsap and Bainbridge Island markets have substantially exceeded the average. Appreciation rates by subarea are summarized in the following chart.

MLS SINGLE-FAMILY APPRECIATION RATES (AVERAGE PRICES)

MLS Area	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
1. South Kitsap	11.8%	15.3%	16.0%	3.3%	1.9%	2.3%	3.3%	0.8%	12.2%	1.2%
2. West/Central	21.2%	12.9%	0.3%	1.0%	1.9%	-6.1%	5.3%	6.1%	2.3%	1.9%
3. W. Bremerton	19.8%	11.3%	11.1%	7.6%	3.5%	-6.9%	7.0%	12.9%	-3.4%	0.8%
4. E. Bremerton	9.4%	13.6%	13.2%	2.4%	2.1%	-2.2%	5.9%	2.8%	8.8%	-1.7%
5 East/Central	9.6%	16.7%	7.5%	0.5%	3.5%	-0.7%	0.5%	6.1%	4.6%	4.9%
6. North Kitsap	16.9%	4.4%	8.9%	7.9%	2.3%	-0.2%	9.2%	3.2%	6.4%	9.9%
7. Bainbridge Island	28.4%	-2.5%	5.0%	4.4%	8.4%	8.5%	-1.3%	3.0%	13.1%	12.4%
County Totals	**12.2%**	**8.7%**	**8.5%**	**3.8%**	**5.3%**	**-0.3%**	**5.2%**	**7.0%**	**8.6%**	**4.9%**
Less Bainbridge	**14.6%**	**12.6%**	**9.8%**	**4.1%**	**2.6%**	**-1.4%**	**3.4%**	**5.1%**	**6.2%**	**4.3%**

Bainbridge Island/North Kitsap Experienced Highest Appreciation in 1999:

The data in the prior chart indicates that West and East Bremerton market areas experienced the lowest price gains in single-family homes. The highest appreciation rates were experienced in the Bainbridge Island and North Kitsap market areas.

"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*
North Kitsap	$115,006	$132,431	$130,859	$139,562	$145,562	$163,076	$182,576	$202,517
Bainbridge Island	$236,277	$238,043	$205,725	$249,673	$260,458	$304,735	$348,819	$382,306
Central Kitsap	$142,966	$149,163	$147,284	$149,333	$150,264	$148,161	$145,979	$147,269
Bremerton	$121,987	$127,751	$115,014	$123,596	$126,331	$123,303	$137,049	$136,048
South Kitsap	$126,531	$137,399	$144,870	$140,896	$145,001	$148,424	$160,975	$175,148
County Totals	**$138,463**	**$143,776**	**$143,078**	**$148,880**	**$153,131**	**$162,651**	**$195,219**	**$226,200**

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

Since 1991, new home prices have increased 76% within the North Kitsap market area, far out pacing any other area of the county outside Bainbridge Island. The South Kitsap area has increased 38% over this same time frame while the Central Kitsap and Bremerton areas have been rather stagnant, increasing 3% and 12% respectively. Again, the market appears to be placing greater emphasis on the North Kitsap and Bainbridge Island market areas as they have shorter commutes to the employment center of King County.

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	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
1 South Kitsap	814	692	764	827	845	739	770	671	819	919
2 West/Central	508	412	551	541	580	512	396	382	477	465
3 W. Bremerton	272	233	256	232	237	216	243	240	304	321
4 E. Bremerton	176	133	144	142	155	136	143	131	182	215
5 East/Central	399	327	381	361	290	334	267	288	301	326
6 North Kitsap	480	521	630	622	646	639	581	589	712	814
7 Bainbridge Island	302	259	279	270	322	279	320	359	481	472
Condominiums	99	74	79	85	99	94	88	68	130	160
County Totals Ex. Condo	**2,951**	**2,577**	**3,005**	**2,995**	**3,075**	**2,855**	**2,650**	**2,660**	**3,276**	**3,532**
County Totals Inc. Condo	**3,050**	**2,651**	**3,084**	**3,080**	**3,174**	**2,949**	**2,738**	**2,728**	**3,406**	**3,692**

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 1990 to 1999. The past two years are the highest over the ten year period. A telling figure not shown on the chart, however, is the fact that of the 3,532 home sales that have occurred through the Multiple Listing service in 1999, only 472 involved new homes. Of this total, over half were located within the North Kitsap (143) and Bainbridge Island (111) market areas. Historical data indicates that new homes tend to represent slightly more than 25% of all residential sales transactions, and that the current level of county-wide new home sales (13.4%) falls far below the norm. This lack of sales is clearly a factor in the reduced level of new construction that has occurred and is documented by building permit levels that are presently at modern era lows.

MLS Single-Family Home Inventory Continues to Decline:

The following chart summarizes the average number of active single-family home listings by area of the county for the years 1994 through 1999. Active listings were on the increase in nearly every market area through 1997, but have since declined in all areas. Recent stable sales activity, coupled with limited new construction, still appears to be the cause of this decline. The data continues to indicate that existing supply is slowly being absorbed and that demand for new construction is in the offering.

MLS Single-Family Residential Listings
(Monthly Average)

MLS Area	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
1 South Kitsap	464	586	623	636	532	531
2 Silverdale	257	327	327	336	276	233
3 W. Bremerton	163	179	162	231	176	163
4 E. Bremerton	72	90	123	130	98	93
5 Central Kitsap	162	183	220	230	162	137
6 North Kitsap	379	425	492	547	419	352
7 Bainbridge Isl.	182	269	213	278	227	202
County Totals	**1,679**	**2,059**	**2,160**	**2,388**	**1,890**	**1,711**

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 to assume that the level of new lot creation is also on the decline. This assumption is borne out by the following chart which details the number of plats recorded throughout the county in the years 1994 through 1999, 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 implies that future inventory will be minimized. The market appears to be coming out of a lull, and 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.

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

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Single-Family Lot Availability

First Quarter of 2000 Lots Applied for:

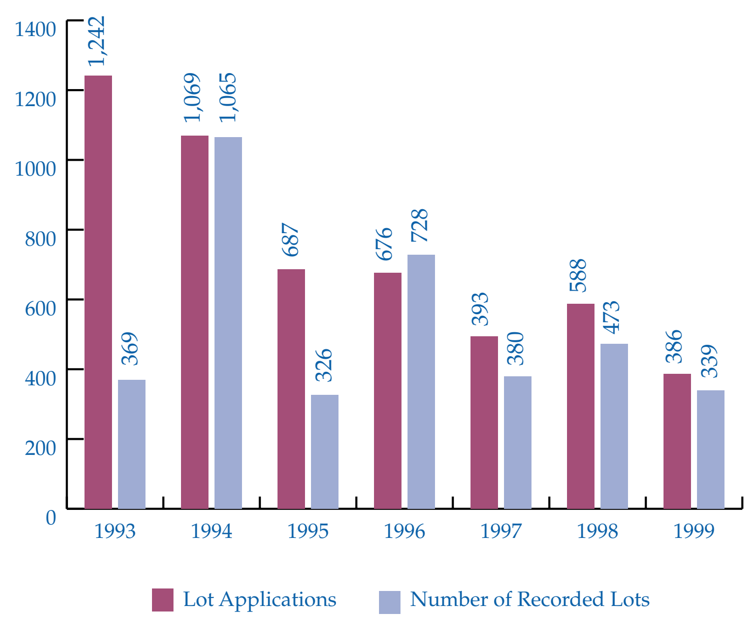
The following chart displays the number of lots applied for by area for the time period of January 1, 2000 through April 7, 2000.

Single Family Lots (First Qtr. 2000)		
Lot Location	# of Lots Applied for	# of Lots Recorded
Bainbridge Island	19	80
Bremerton	5	1
Port Orchard	30	17
Poulsbo	75	10
Kitsap County	12	21
TOTALS	**141**	**129**

Lot Applications and Recorded Lots Down from 1998:

The most recent Single-Family Lot Creation Report shows that lot applications in 1999 were less than in 1998. However, the figures are not that much less than in 1997. The number of recorded lots is also down from the 1998 figures. See Chart below for a summary of Single-Family Lot Applications and numbers of Recorded lots for the last seven (7) years. Note: 1993 had the highest number of lot applications even in the three years prior, ie 1990, 1991 and 1992.

Kitsap County Lot Summary Report



Lots Applied for by Area

Poulsbo - 186 lots applied for
(165 of these were for the downtown Poulsbo Project)
Kitsap County - 85 lots applied for
Bainbridge Island - 21 lots applied for
Port Orchard - 8 lots applied for
Bremerton - 8 lots applied for

Platted Property Breakdown

(Recorded subdivision Activity)

South Kitsap - 166 lots
North Kitsap - 111 lots
Bainbridge Island - 62 lots
Central Kitsap - 6 lots

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Housing Market and Housing Affordability Data Sources:

This analysis of housing markets and housing affordability in Washington was prepared for the Kitsap County TRENDS publication 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.

Mortgage Interest Rates Remained Affordable:

Mortgage interest rates remain very affordable for most of the year, but the fear of inflation frequently expressed by Federal Reserve Chairman Alan Greenspan, and reflected in Federal Reserve Board actions increasing rates late in the year, began to put a damper on the robust housing market.

Home Sales Activity Reached Record Levels in 1999:

Housing markets in Washington State during 1999 responded to strong underlying economics, especially during the first half of the year, in most parts of the state. Home sales activity throughout the state reached record levels in 1999, with the strength being concentrated in the Greater Seattle area. Like 1998, Kitsap county experienced increased housing market activity.

Statewide Home Sales Up By 6.2%/Kitsap County Sales Up By 7.3%:

Statewide home sales performance in 1999 was 6.2 percent above a year earlier and roughly half the growth rate observed in 1998. Kitsap out-performed the state. The 4,140 sales tallied in the county during the year represented an increase of 7.3 percent compared to 1998.

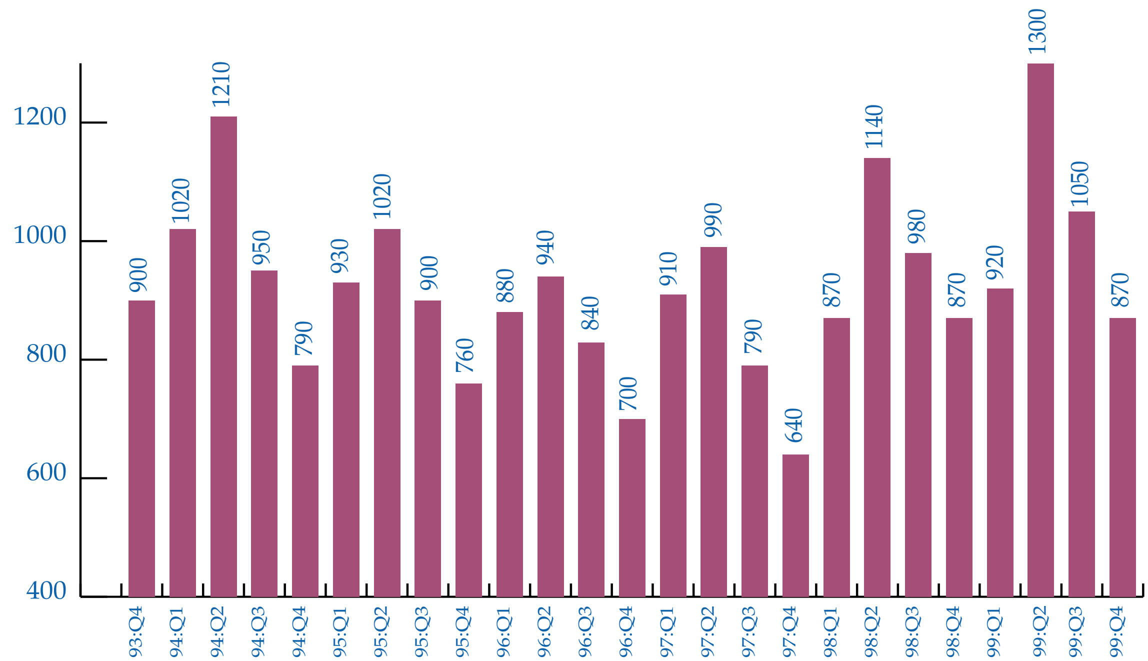
Existing Home Sales in Kitsap County
(Yearly Totals 1994 to 1999)

1994 - 3,970 Homes Sold
1995 - 3,610 Homes Sold
1996 - 3,360 Homes Sold
1997 - 3,330 Homes Sold
1998 - 3,860 Homes Sold
1999 - 4,140 Homes Sold

Washington Center For Real Estate Research:

The Washington Center for Real Estate Research uses data from multiple listing systems and other groups that monitor housing market activity throughout the state to compute measures of existing home sales (housing resales, excluding new homes sold). Since many sales take place outside of multiple listing systems, the data is linked to sales reported in the most recent Census (1990). Accordingly, the sales activity reported by the Center will be higher than other measures, but should be generally consistent in terms of percentage changes.

Kitsap County Existing Home Sales
(4th Qtr 1993 to 4th Qtr 1999)



Resale Housing Activity - 1994-1999
County Annual Totals

County	1994	1995	1996	1997	1998	1999	Percent Change 97-98	Percent Change 98-99
Benton/ Franklin	3,310	2,410	2,560	2,710	2,860	2,750	+5.5%	-3.8%
Clark	4,320	3,760	4,410	4,630	5,160	4,990	+11.4%	-3.3%
King	30,060	27,990	30,310	33,430	35,120	36,890	+5.1%	+5.0%
Kitsap	**3,970**	**3,610**	**3,360**	**3,330**	**3,860**	**4,140**	**+15.9%**	**+7.3%**
Pierce	11,350	11,130	11,210	13,300	17,860	21,970	+34.3%	+23.0%
Snohomish	9,310	8,820	9,830	11,520	12,990	12,910	+12.8%	-0.6%
Spokane	7,100	6,150	6,000	5,960	6,860	6,850	+15.1%	-0.1%
Thurston	2,840	2,420	2,620	2,700	3,140	3,380	+16.3%	+7.6%
Whatcom	2,900	2,510	2,270	2,590	3,250	3,270	+12.8%	+0.6%
Statewide	**97,540**	**89,040**	**92,490**	**101,070**	**113,130**	**120,030**	**+11.8%**	**+6.2%**

Kitsap County Median Price ($143.1K) is $100K Less Than King County:

Only real estate licensees and homeowners who are currently trying to sell homes, or potential buyers who are actively searching for a home are concerned with how many homes are selling and how long it takes to market an individual home. All owners and potential owners, however, have keen interest in trends in housing prices. During periods of rapid appreciation, home values are primary topics of conversation at cocktail parties. During slow markets, apprehension about housing values sets in.

In part reflecting the lingering softness of the local market, even two years of strong sales have not resulted in significant aggregate home price increases. In fact, the median price home sold in Kitsap County in 1999 was actually less expensive than in 1998. None of the other urban communities in the state reported reduced annual prices. Kitsap county's median home price during 1999 was $143,100. Among the six counties in the greater Seattle market, King, Snohomish, Island and Pierce counties reported higher median prices.

A quick note about median prices is needed. Half the homes sell for prices above the median, half below. Both buyers and sellers are sometimes confused by these prices. Suburban sellers often forget that there are many less expensive homes in less desirable (by their standards) neighborhoods which help keep the medians down. Meanwhile, prospective buyers may be frightened out of the market by the unfounded belief they can't buy a home for less than the median.

MEDIAN HOME PRICES - 1995-1999
FOURTH QUARTERS

County	4th Qtr 1995	4th Qtr 1996	4th Qtr 1997	4th Qtr 1998	4th Qtr 1999	Percent Change 97-98	Percent Change 98-99
Benton/ Franklin	$98,600	$111,000	$105,500	$108,300	$111,700	+2.7%	+3.1%
Clark	$120,000	$127,000	$132,900	$137,500	$141,100	+4.5%	+1.6%
King	$169,000	$171,700	$196,400	$217,000	$238,000	+10.5%	+9.7%
Kitsap	**$125,900**	**$129,200**	**$136,800**	**$140,000**	**$146,000**	**+2.3%**	**+4.3%**
Pierce	$121,700	$126,100	$133,700	$137,800	$146,500	+3.1%	+6.3%
Snohomish	$150,600	$154,400	$165,000	$179,500	$187,500	+8.8%	+4.5%
Spokane	$98,400	$100,300	$101,000	$101,300	$104,000	+0.4%	+2.7%
Thurston	$119,300	$120,000	$124,000	$128,000	$126,300	+3.2%	-1.3%
Whatcom	$129,000	$129,800	$134,500	$142,400	$142,000	+5.9%	-0.3%
Statewide	**$138,200**	**$141,900**	**$152,800**	**$161,800**	**$172,400**	**+5.9%**	**$6.6%**

All-Buyer Affordability Index:

Affordability is calculated two ways. The "All-Buyer Affordability 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 house-holds) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the fourth quarter of 1999, the answer remained "Yes", but much less emphatically than in recent quarters.

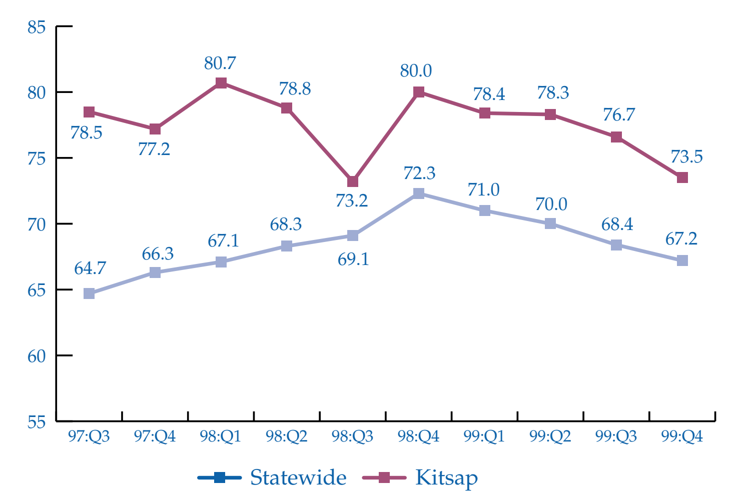
The statewide "All-Buyer Affordability Index" was 113.3, meaning the typical family had 13.3 percent more income than the bare minimum required to qualify for the home. Housing affordability in Kitsap county remained better than in most areas of the state, recording an index of 119.1. Urban areas ranged from lows of 111.3 and 111.6 in King and Snohomish counties, respectively, to a high of 173.8 in Benton county (Tri-Cities area). Higher prices and mortgage interest rates offset increased family incomes, producing the lower affordability statistics for year-end 1999.

First-Time Buyer Index:

The real issue of affordability, however, is the ability of household 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 most higher-income households are already home owners, 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 67.2 percent of the income required to qualify for a mortgage on the typical starter home.

Kitsap County's first-time buyer affordability in the fourth quarter stood at 73.5. This relative affordability for first-time buyers in the county may be the key in attracting new businesses to the community. However, Kitsap County remains less affordable than Clark and Whatcom counties among urban areas in western Washington.

Housing Affordability Index (First-Time Buyers)
(Last 10 Quarters Comparing Statewide to Kitsap County



All-Buyer Index and First-Time Buyer Index Both Show Kitsap is Affordable:

The Chart below illustrates the relative affordability of Single-Family homes in Kitsap County utilizing both ways of calculating affordability (All-buyer Index and First-time Buyer Index).

Housing Affordability Conditions - Last Five Quarters Ending 4th Qtr 99

County	All-Buyer Affordability Index						First-Time Buyer Index				
	98:Q4	99:Q1	99:Q2	99:Q3	99:Q4		98:Q4	99:Q1	99:Q2	99:Q3	99:Q4
Benton/ Franklin	196.3 123.6	195.9 123.4	190.2 126.6	173.6 118.6	173.8 121.9		117.7 75.9	117.5 75.9	113.9 77.4	104.0 72.4	104.0 74.3
Clark	145.8	149.8	143.7	137.5	137.8		88.7	91.2	87.7	84.1	84.4
King	118.9	113.1	115.6	108.5	111.3		67.4	64.2	65.8	61.9	63.5
Kitsap	**129.1**	**126.5**	**126.6**	**124.0**	**119.1**		**80.0**	**78.4**	**78.3**	**76.6**	**73.5**
Pierce	139.3	136.9	134.0	126.1	127.0		83.8	82.4	80.2	75.3	75.7
Snohomish	120.6	120.1	116.9	111.6	111.6		74.8	74.5	72.9	69.9	70.1
Spokane	171.7	169.1	167.1	153.2	161.9		95.9	94.5	93.5	85.8	90.7
Thurston	150.0	155.0	146.6	138.7	145.7		89.5	92.5	87.1	82.3	86.3
Whatcom	130.0	132.2	128.3	124.0	127.3		73.3	74.5	72.5	70.2	72.1
Stavewide	**128.6**	**126.1**	**121.0**	**116.7**	**113.3**		**72.3**	**71.0**	**70.0**	**68.4**	**67.2**

Affordable Housing Access Quotient (AHAQ):

In 1998, WCRER introduced a new measure of housing affordability call the "Affordable Housing Access Quotient". This statistic (actually a group of related statistics) addresses the availability of affordable ownership housing to households at key income levels. It has been asserted that below 80% of median income that home ownership becomes an unattainable dream, but with 40 percent of households with incomes below this threshold, home ownership rates will fall significantly unless these low income households can attain home ownership.

Income Levels (60% of Median/ 80% of Median/ 115% of Median):

The analysis keys on income levels which are referenced in Federal housing programs — 60% of median, 80% of median, and 115% of median. These levels represent low income, the low threshold of moderate income, middle income, and the upper threshold of moderate income. At each income level, the proportion of households in a county at or below the income are compared to the proportion of homes which theoretically would be affordable to a household at the income break. As expected, there is considerable competition for the most affordable units, but individual counties are very different in terms of the access their residents have to housing they can afford. The issue of choice also plays a role. The more options a household has in the housing market, the more satisfied they will be with their decision to purchase. If there is only one home in your price range, frustrations with the limitations of the unit may outweigh the desire to own, but if several options are available, consumers feel they are in charge of the decision to own and are more likely to joint the ranks of home owners.

Affordable Housing Access Quotient (AFAQ) - 1999

County	%HH	60% of Median % homes	AHAQ	%HH	80% of Median % homes	AHAQ	%HH	60% of Median % homes	AHAQ
Benton/	29.6	34.9	117.8	40.5	61.6	152.0	57.0	84.8	148.8
Franklin	30.3	15.5	51.2	41.0	33.3	81.1	56.8	63.2	111.3
King	27.9	3.7	13.3	39.3	17.7	44.9	57.2	48.9	85.4
Kitsap	**26.4**	**11.8**	**44.9**	**38.8**	**29.2**	**75.4**	**58.5**	**61.6**	**105.4**
Pierce	28.1	10.8	38.4	39.7	27.6	69.6	57.1	67.7	118.7
Snohomish	26.3	2.3	8.7	38.5	16.8	43.5	59.2	61.4	103.8
Spokane	29.8	22.1	74.1	40.3	45.7	113.4	56.8	75.7	133.3
Thurston	27.2	11.0	40.3	39.2	31.6	116.0	57.7	71.2	123.5
Whatcom	28.2	7.1	25.1	39.3	22.3	56.8	57.0	59.3	104.0
Statewide	**29.0**	**13.6**	**46.8**	**39.9**	**27.3**	**68.4**	**56.9**	**55.7**	**98.0**

Middle-Income Households Are Pressed to Find Affordable Housing in Kitsap County:

The most limited access to affordable housing by low-income households was found in Snohomish and Whatcom counties. At 80% of median income, the least access was in Snohomish county, while King county was a close second. At the higher end of moderate income the least access was still in King, while Snohomish, Whatcom and Kitsap counties were clustered together, each with barely enough affordable homes to satisfy moderate income demand. This means Kitsap's most pressing affordability problems are for middle-income households, the ones which are key to achieving high levels of home ownership and the corresponding community stability and investment in safe and pleasant neighborhoods.

Month's Supply of Housing/ Appreciation Potential:

The newest housing market measure introduced by WCRER is the comparison between sales during 1999 to the inventory of homes available for sale in selected price ranges in each market. If it is assumed that a "normal" market provides roughly a 5-month supply of homes, values significantly lower than five indicated the market is primed for rapid price increases in that market segment, while values significantly higher than five imply the owners of properties may need to be flexible in their pricing in order to sell the property in a reasonable time. Based on these statistics, the market in Kitsap County is currently well balanced, with only a slight over supply of homes priced above $500,000 and a minimal shortage of homes priced between $80,000 and $159,000. This means the local market will likely continue to experience relatively little change in home sale prices, at least during the opening months of 2000.

Month's Supply of Homes by Price Range - Year-End 1999

County	Under $80,000	$80,000-$159,000	$160,000-$249,999	$250,000-$499,999	$500,000 and above	Total Market
Benton/Franklin	5.7	4.3	5.1	9.3	24.0	5.0
King	1.3	1.0	1.6	2.9	4.8	2.2
Kitsap	**5.1**	**3.8**	**4.9**	**6.1**	**7.6**	4.7
Pierce	2.8	2.8	5.5	8.6	16.7	4.1
Snohomish	2.0	2.3	3.1	6.5	13.2	3.7
Spokane	8.3	5.8	8.3	9.8	25.2	7.0
Whatcom	8.6	7.6	11.3	18.1	38.0	9.0
Statewide	**6.5**	**3.8**	**3.9**	**4.9**	**6.5**	**4.4**

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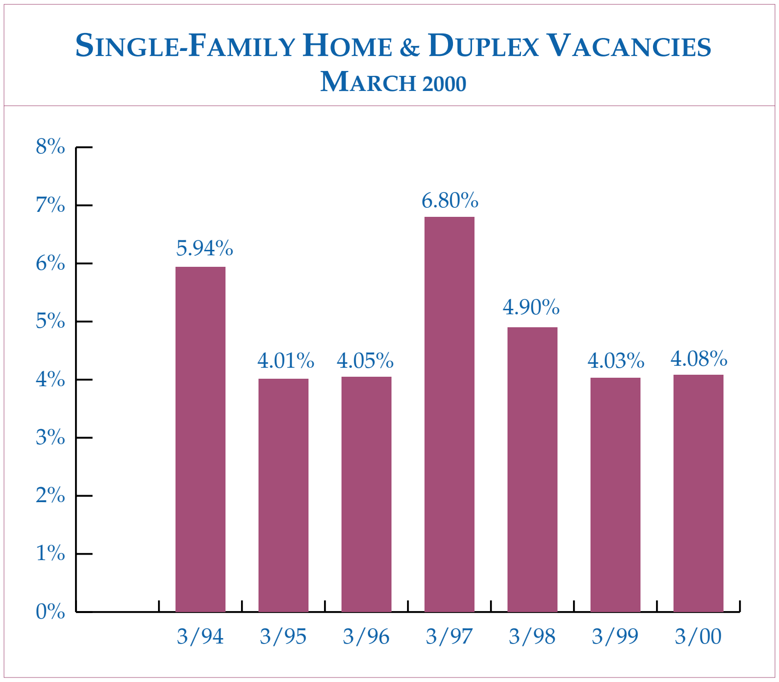
Single-Family Vacancies

Vacancies Remain Low:

The Naval Housing Office conducted a survey of 14,184 single-family homes and duplexes in Kitsap County in March of 2000 and found 578 vacant units. This is a vacancy rate of 4.08%.



By
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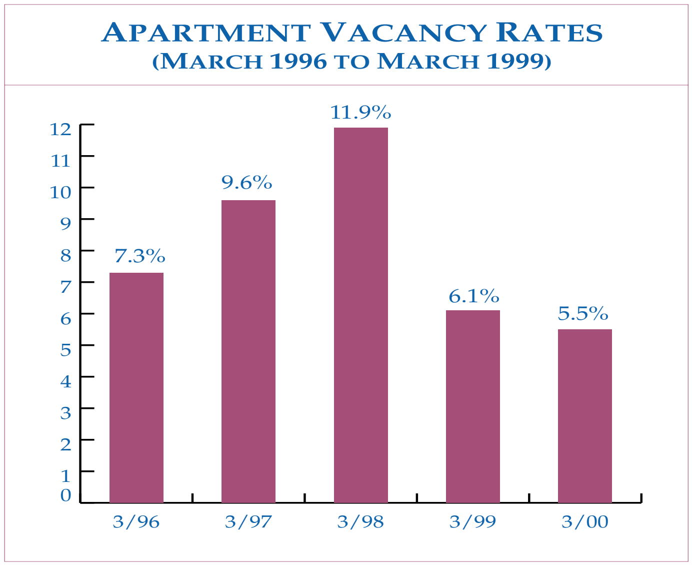
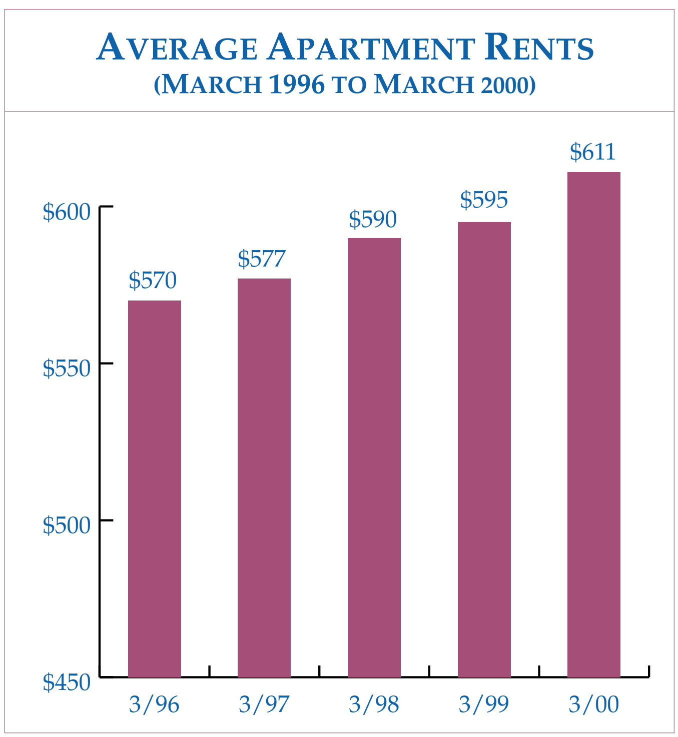
Apartment Vacancies/Average Rents

Vacancies Are Down/ Rents Are Up:

As of March 2000, only 5.5% of all available apartments in Kitsap County were vacant. This is the lowest vacancy rate in the last five years.



As of March 2000, the average apartment in Kitsap County rented for $611/month. Studio apartments rented for an average of $496/month, 1-bedroom apartments rented for an average of $526/month, 2-bedroom apartments rented for an average of $570/month, 2-bedroom apartments that had two bathrooms rented for an average of $680/month and 3-bedroom apartments that had two bathrooms rented for an average of $746/month



Average Rents/Vacancy Rates By Area (March 2000)

Bremerton	**$582/mo**	**(4.3% vacancy rate)**
Port Orchard	**$589/mo**	**(6.1% vacancy rate)**
Poulsbo	**$698/mo**	**(5.7% vacancy rate)**
Silverdale	**$659/mo**	**(7.0% vacancy rate**

The vacancy and rental rate surveys were supplied by Dupre + Scott Apartment Advisors, Inc. of Seattle, Washington. Contact Dupre + Scott for more detailed information like Average Days Vacant and % Turnover.

By
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Retail & Industrial Vacancy Rates Increased, While Office Vacancies Declined:

The surveys taken by the Bradley Scott Commercial Real Estate Office on retail and industrial vacancies showed some mixed results. Retail and industrial vacancies increased, while the office sector showed occupancy improvement.

Office Space:

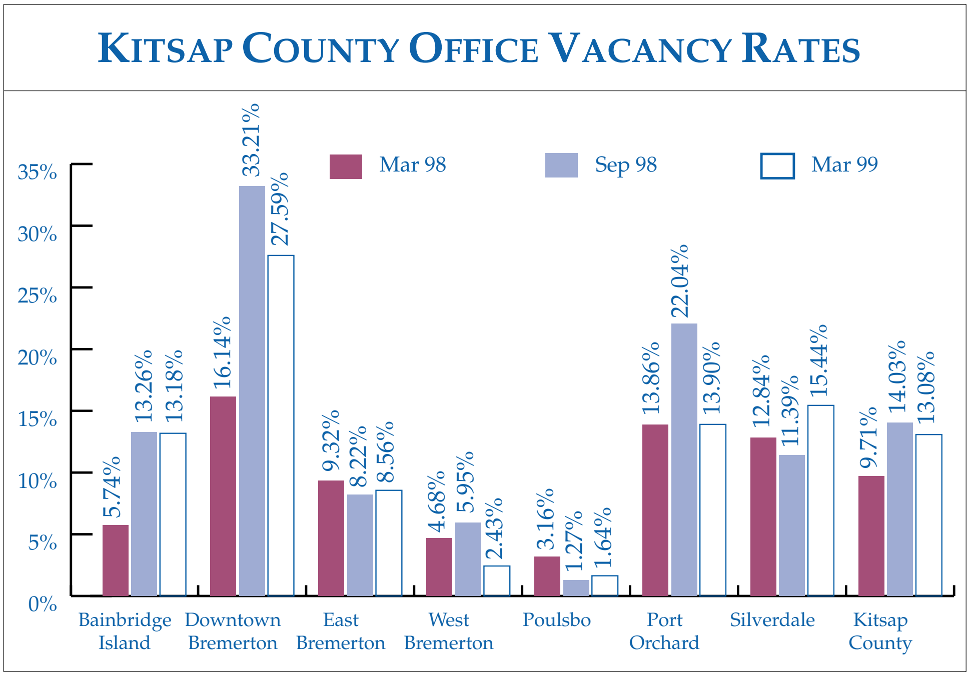
The Bradley Scott survey of over two million square feet of office space showed that vacancies in the office market have decreased.

KITSAP COUNTY OFFICE VACANCY SURVEY AS OF MARCH 1999

Area	Office Space (sq. ft.)		*Percent Vacant*
	Surveyed	*Vacant*	
Bainbridge Island	165,874	21,859	13.18%
Downtown Bremerton*	486,682	134,349	27.59%
East Bremerton	229,785	19,669	8.56%
West Bremerton	210,216	5,099	2.43%
Poulsbo	432,909	7,086	1.64%
Port Orchard	104,866	14,578	13.90%
Silverdale	452,985	69,937	15.44%
Total	**2,083,497**	**272,577**	**13,08%**

Source: Bradley Scott, Inc.

Downtown Bremerton showed some improvement with vacancies dropping nearly 6%. Port Orchard also experienced a drop in vacancies of over 8%. West Bremerton vacancies dropped nearly 3.5%.



Retail Space:

Bradley Scott surveyed over 4.6 million square feet of retail space throughout Kitsap County. Vacancies in the retail market climbed nearly 1% to 6.62%.

Kitsap County Retail Vacancy Survey As of March 1999

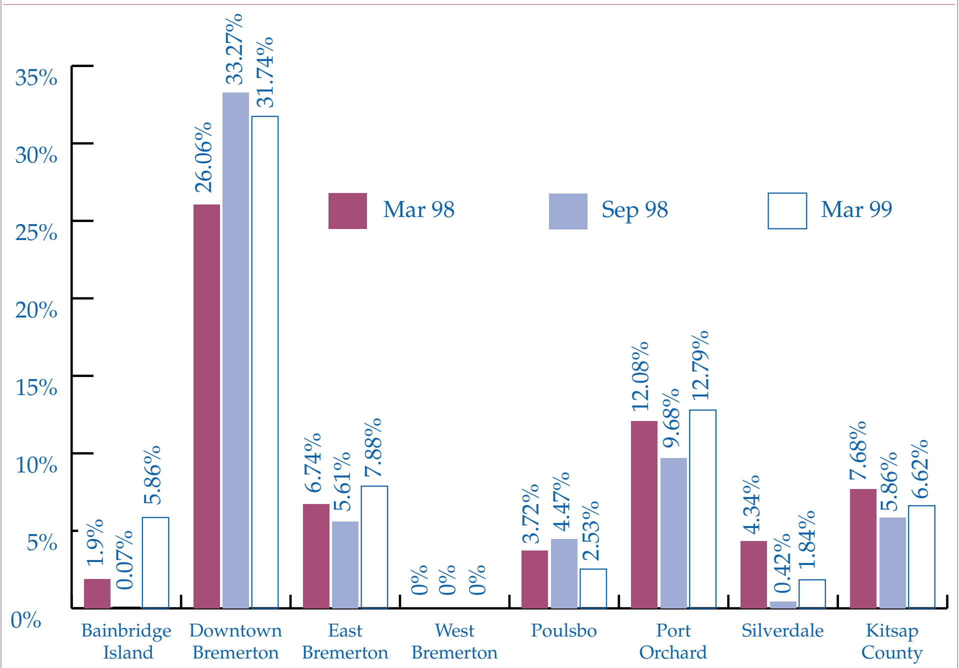
Area	Office Space (sq. ft.)		*Percent Vacant*
	Surveyed	*Vacant*	
Bainbridge Island	144,795	8,489	5.86%
Downtown Bremerton*	227,267	72,138	31.74%
East Bremerton	976,332	76,908	7.88%
West Bremerton	120,428	0	0.00%
Poulsbo	249,354	6,302	2.53%
Port Orchard	866,932	110,874	12.79%
Silverdale	2,191,419	40,239	1.84%
Total	**4,631,732**	**306,461**	**6.62%**

**Does not include 173,102 sf of the Penney's & Sears Bldgs.*

Source: Bradley Scott, Inc.

Major moves in the retail market came in Bainbridge where vacancies increased from 1.07% to 5.86%. Port Orchard experienced a 3% increase in their retail market vacancies. Poulsbo bucked the trend with vacancies declining by 2%.

KITSAP COUNTY RETAIL VACANCY RATES



Industrial:

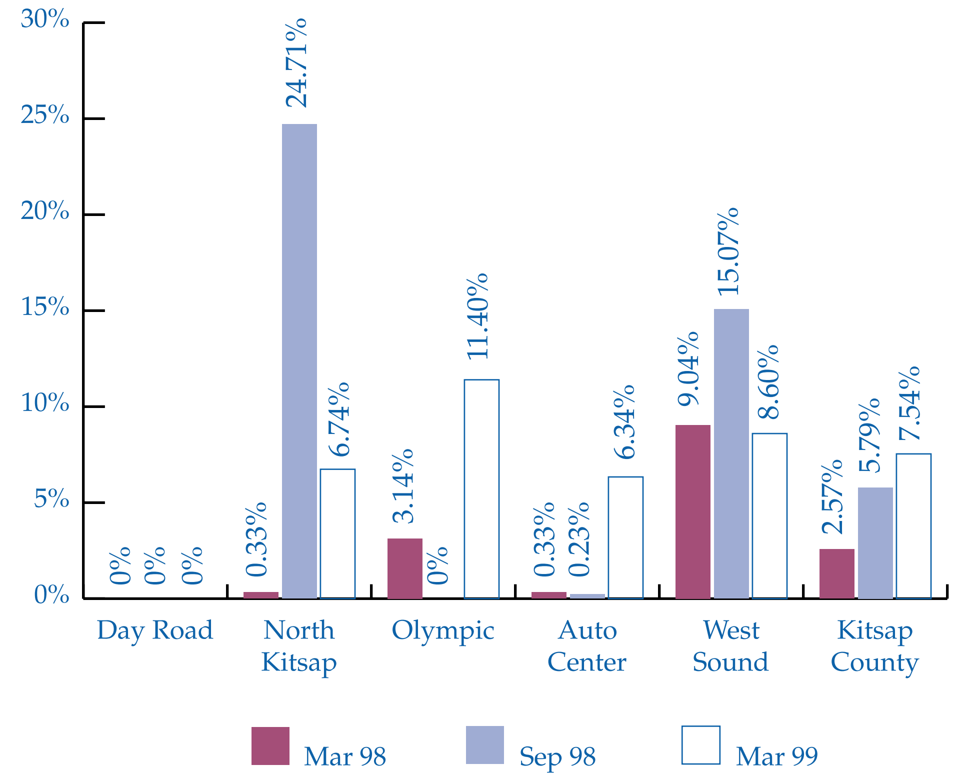
Kitsap County is currently limited to three major industrial parks (Port of Bremerton's Olympic View, North Kitsap and Day Road on Bainbridge Island). The Auto Center area of Bremerton has the largest concentration of industrial space in the county. The West Sound Business Park was included in the survey to provide a look at the East Bremerton market.

KITSAP COUNTY
INDUSTRIAL VACANCY SURVEY
AS OF MARCH 1999

		Industrial Space (Sq. ft.)		Percent Vacant
Industrial Park	*Area*	*Surveyed*	*Vacant*	
Day Road	Bainbridge	109,000	0	0.00%
North Kitsap	Poulsbo	222,538	15,000	6.74%
Olympic View	Port Orchard	350,800	40,000	11.40%
Auto Center Area	Bremerton	339,755	21,547	6.34%
West Sound BP	East Bremerton	46,500	4,000	8.60%
Total		**1,068,593**	**80,547**	**7.54%**

Source: Bradley Scott, Inc.

KITSAP COUNTY INDUSTRIAL VACANCY SURVEY



By
Tim Arnold, President
and **Gary Gartin**
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School District Enrollment

School Enrollment Down for 1999/2000 School Year:

The enrollment of the five school districts of Kitsap County is summarized in the table below. Enrollment has declined in all but the Bainbridge Island School District which grew by 2.7%. Bremerton experienced the greatest school enrollment decline (18.8%).

Kitsap County
School District Headcount Enrollment

District	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
Bremerton	**6,000**	**5,869**	**5,979**	**6,157**	**5,991**	**4,862**
% Change		*-2.2%*	*+1.9%*	*+3.0%*	*-2.7%*	*-18.8%*
Elementary	4,234	4,116	4,151	4,181	3,987	2,914
Junior High	716	743	813	915	868	805
High School	1,050	1,010	1,015	1,061	1,136	1,143
Central Kitsap	**13,035**	**13,148**	**13,547**	**13,643**	**13,606**	**12,841**
% Change		*-1.2%*	*3.0%*	*0.7%*	*-03%*	*-5.6%*
Elementary	7,332	7,113	7,290	7,262	7,161	6,572
Junior High	3,089	3,115	3,306	3,343	3,357	3,287
High School	2,884	2,920	2,951	3,038	3,088	3,027
North Kitsap	**6,480**	**6,815**	**6,861**	**6,922**	**7,007**	**6,840**
% Change		*+5.2%*	*+0.7%*	*+0.9%*	*+1.2%*	*-2.4%*
Elementary	3,634	3,837	3,770	3,776	3,704	3,622
Junior High	1,499	1,576	1,661	1,653	1,694	1,639
High School	1,347	1,402	1,430	1,493	1,609	1,579
South Kitsap	**N/A**	**11,134**	**11,421**	**11,671**	**11,533**	**10.998**
% Change			*+2.6%*	*+2.2%*	*-1.2%*	*-4.6%*
Elementary	N/A	6,036	6,267	6,316	6,217	5,599
Junior High	N/A	2,748	2,816	2,846	2,797	2,837
High School	N/A	2,350	2,338	2,509	2,519	2,562
Bainbridge Island	**3,155**	**3,207**	**3,407**	**3,544**	**3,644**	**3,763**
% Change		*+1.6%*	*+6.2%*	*+4.0%*	*+3.4%*	*+2.7%*
Elementary (K-6)	1,642	1,699	1,763	1,828	1,894	1,941
Mid School (7-8)	497	550	583	577	589	588
High School (9-12)	1,016	958	1,061	1,139	1,181	1,234
Kitsap County	**28,940**	**29,039**	**29,794**	**30,266**	**30,268**	**28,306**
% Change		*+0.3%*	*+2.6%*	*+1.6%*	*0.0%*	*-6.5%*
Elementary	16,842	16,765	16,974	17,047	16,746	15,004
Junior High	5,801	5,984	6,363	6,488	6,508	6,319
High School	6,297	6,290	6,457	6,731	7,014	6,983

Gasoline Prices push Consumer Price Index (CPI) Up:

The Labor Department's closely watched index for tracking inflation, the consumer-price index (CPI), increased 0.8% in March, before seasonal adjustment, to a level of 171.1 With gasoline prices surging upward, the Consumer Price Index has steadily increased. For the 12-month period ending in March 2000, the CPI increased 3.7%. The index for petroleum-based energy increased 9.1%.

Consumer Price Index
All Urban Consumers

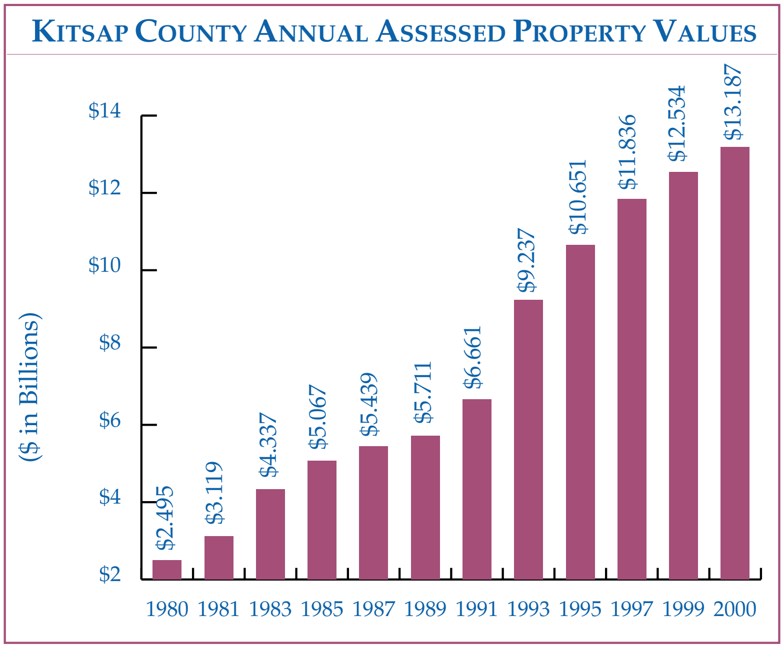
U.S. City Average			Seattle-Tacoma		
Year	CPI	Annual Change %	Year	CPI	Annual Change %
1980	82.4	13.5%	1980	82.7	16.6%
1981	90.9	10.3%	1981	91.8	11.0%
1982	97.6	7.4%	1982	97.7	6.4%
1983	101.3	3.8%	1983	99.3	1.6%
1984	105.3	3.9%	1984	103.0	3.7%
1985	109.3	3.8%	1985	105.6	2.5%
1986	110.5	1.1%	1986	106.7	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%
1998	163.9	1.6%	1998	167.8	6.5%
1999	168.3	2.7%	1999	174.4	3.9%
Feb. 2000	*169.7*		*Feb. 2000*	*176.0*	

Source: U.S. Bureau of Labor Statistics

A wealth of statistics can be obtained by going to the web site for the U.S. Bureau of Labor Statistics. That web site is: http://stats.bls.gov/.

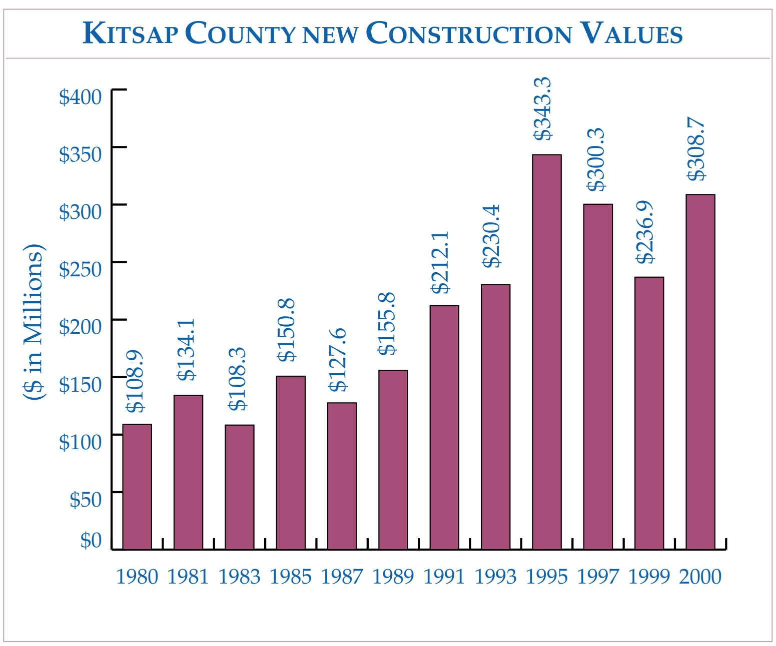
Assessed Property Values Continue to Grow:

The total assessed value of all properties in Kitsap County for the year 2000 was $13.187 billion. This is an increase of 5.2% over 1999.



New Construction Property Values Did a Turn Around:

The property values of New Construction in Kitsap County had been decreasing since peaking in 1994 and 1995. New construction for 2000 was $308.6 million. This is an increase of 30.3% over 1999.



By **George Hineman**
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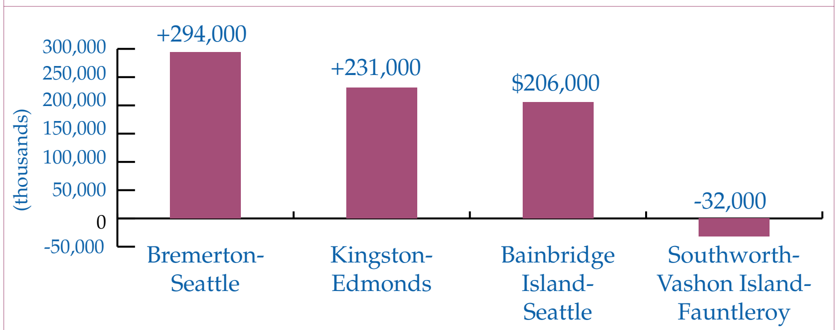
Ferry Ridership to Bremerton, Kingston & Bainbridge Island Is Up/Ferry Ridership to Port Orchard is Down:

Bremerton-Seattle (passenger-only and auto) ferry ridership is up 10% from 1998 to 1999. Kingston-Edmonds ferry ridership is up 5.2% from 1998 to 1999. Bainbridge Island-Seattle ferry ridership is up 2.9% from 1998 to 1999. Southworth (Port Orchard)-Vashon Island-Fauntleroy (West Seattle) is down 0.9% from 1998 to 1999.

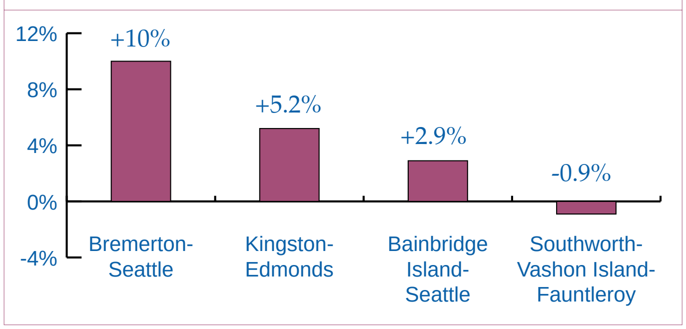
In 1999, 24 million rode Washington State Ferries/Bainbridge Island Route is Most Used:

Ferry ridership in 1999 for all Puget Sound ferry routes grew by more than 600,000 to 24 million riders over the last year. The Seattle-Bainbridge Island route remained the most used route with almost 7.3 million riders.

Kitsap County Ferry Ridership increase/Decrease
(1998 TO 1999)



Percent of Ferry Ridership Increases/Decreases (1998 TO 1999)



Ferry Ridership in the 1990s Showed an Increase of 34% Over the 1980s:

For the decade as a whole, ferry ridership in the 1990s surpassed 214 million riders in the Puget Sound area. This is a 34% increase over ferry ridership in the 1980s. Two major cross-Sound routes, Bainbridge Island-Seattle (72% increase) and Kingston-Edmonds (33% increase), experienced the greatest increases during the decade.

by
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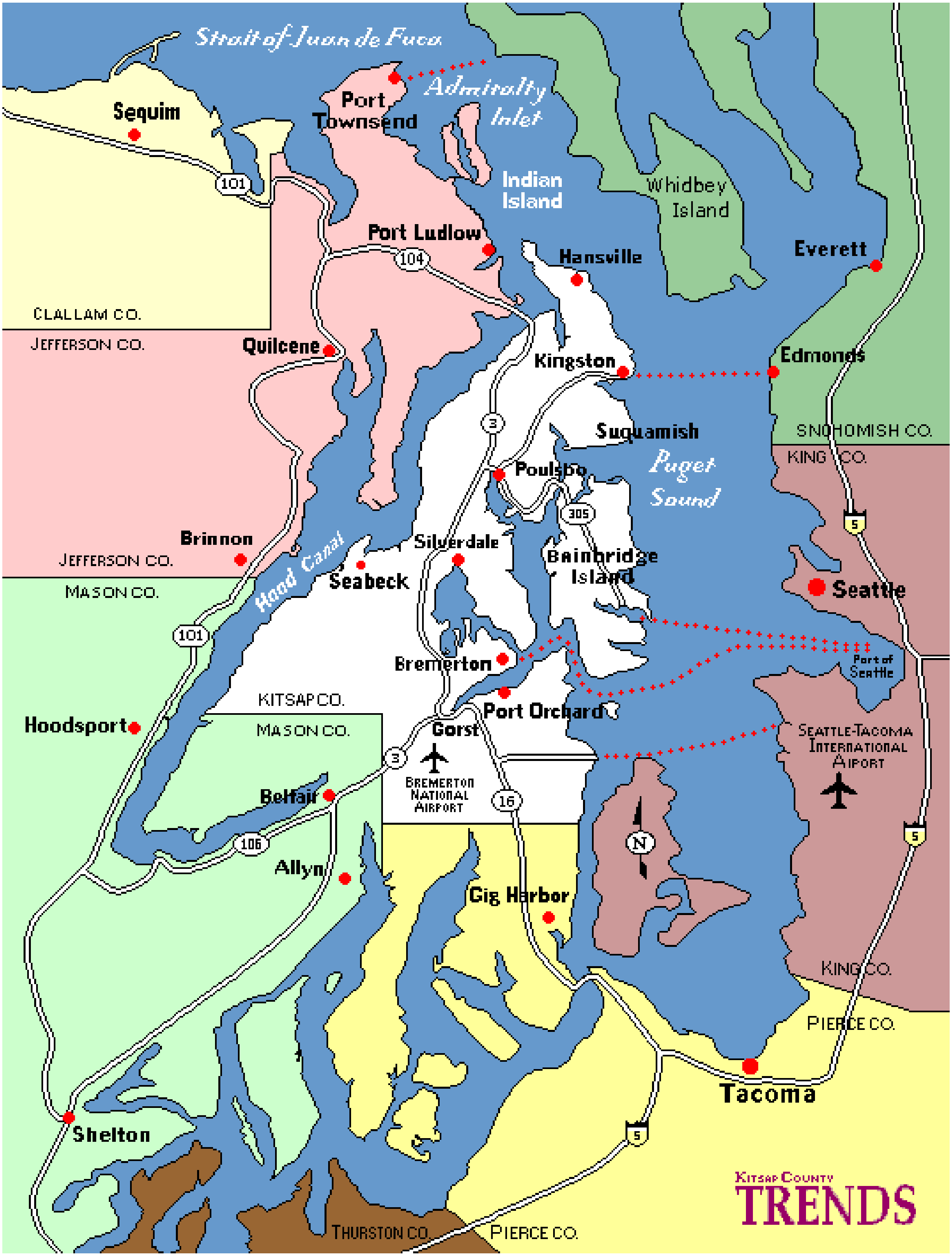
Strait of Juan de Fuca
Admiralty Inlet
Port Townsend
Sequim
101
Indian Island
Whidbey Island
Port Ludlow
104
Hansville
Everett
CLALLAM CO.
JEFFERSON CO.
Quilcene
Kingston
Edmonds
3
Suquamish
SNOHOMISH CO.
KING CO.
Poulsbo
Puget Sound
305
5
Brinnon
JEFFERSON CO.
Hood Canal
Silverdale
Bainbridge Island
Seabeck
MASON CO.
Seattle
101
Port of Seattle
Bremerton
KITSAP CO.
Port Orchard
Hoodsport
MASON CO.
Gorst
SEATTLE-TACOMA INTERNATIONAL AIRPORT
3
BREMERTON NATIONAL AIRPORT
Belfair
16
106
N
5
Allyn
Gig Harbor
KING CO.
PIERCE CO.
Tacoma
Shelton
5
THURSTON CO.
PIERCE CO.