

# COMMERCIAL REAL ESTATE

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**Office and Industrial Vacancy Rates Increased/ Retail Vacancy Rates Decreased:**

The Bradley Scott, Inc. "Office, Retail and Industrial Vacancy Survey" shows a small increase in office and industrial vacancies over the last six months. Given the very negative market conditions in the Puget Sound area, a "small" increase is good news. Office vacancies increased by only 0.54%. Industrial vacancies increased by 3.66%. If two large warehouses in the county were not vacated, there would have been a decrease in industrial vacancy. Retail vacancies decreased by 0.40%. Kitsap County's Naval Bases provide a stable foundation for our economy. However, the large amount of office sublease space currently on the market, suggests that unless the national and regional economy improves, we can expect our office vacancy rates to continue to increase. Because much of the vacancy, especially in retail and industrial space, is in a few large buildings, there will be a significant improvement if even one of these is lease. Unfortunately, there are currently very few businesses looking for lease space.

**Office Vacancy Rate Increased Slightly:**

The Bradley Scott, Inc. survey of over 2.5 million square feet of office space indicates vacancies increased slightly, from 10.28% to 10.82% (see **TABLE #1**).

**TABLE 1**

<b>KITSAP COUNTY OFFICE VACANCY SURVEY</b>			
<b>(AS OF OCTOBER 2002)</b>			
<i>Area</i>	<i>Office Space (sq. ft.)</i>		<i>Percent</i>
	<i>Surveyed</i>	<i>Vacant</i>	<i>Vacant</i>
Bainbridge Island	233,558	21,272	9.11%
Downtown Bremerton*	445,887	64,378	14.44%
East Bremerton	340,118	45,369	13.34%
West Bremerton	244,732	12,679	5.18%
Poulsbo	501,193	54,206	10.82%
Port Orchard	186,887	22,411	12.01%
Silverdale	551,356	50,451	9.15%
<b>Total</b>	<b>2,503,731</b>	<b>270,796</b>	<b>10.82%</b>
<i>*Does not include Bremer Dept. Store (42,740 sq. ft.)</i>			
<i>Source: Bradley Scott, Inc.</i>			

As can be seen in **TABLE #2**, Port Orchard had no change in office vacancy rate. East Bremerton and West Bremerton experienced very slight increases. Silverdale actually experienced a 1% drop in office vacancies, primarily as the result of one large lease. The Navy and government contractors pulled back on their leases in Bremerton and Poulsbo, which caused some of the increase in vacancy rates in those two locations (Bremerton, 5.2% increase/ Poulsbo, 2.48% increase). This may turn around in the future if the passage of a larger military budget creates a need for space by government contractors. The Navy, however, is not expected to return to leasing office space out in the community. They appear to be pulling back inside the base fences for security reasons. Bainbridge Island showed the largest improvement, with a drop in vacancy of 7.52%. It should be noted that almost half of the space leased went to a physical fitness center.

TABLE 2

KITSAP COUNTY OFFICE VACANCY RATES (AS OF OCTOBER 2002)			
Office Space Location	Sep 2001	Apr 2002	Oct 2002
Bainbridge Island	8.60%	16.63%	9.11%
Downtown Bremerton	8.65%	9.28%	14.44%
East Bremerton	10.94%	13.21%	13.34%
West Bremerton	9.84%	5.09%	5.18%
Poulsbo	11.20%	8.34%	10.82%
Port Orchard	9.10%	12.01%	12.01%
Silverdale	8.76%	10.19%	9.15%
<b>Kitsap County</b>	<b>9.22%</b>	<b>10.28%</b>	<b>10.82%</b>

**Retail Vacancy Space Decreased by 16,396 Sq. Ft.:**

The Bradley Scott, Inc. survey of almost 5.7 million square feet of retail space indicates the amount of vacant space decreased by 16,396 square feet. The decrease was from 9.11% to 8.71%. The retail change on Bainbridge Island, Downtown Bremerton, Poulsbo, Port Orchard and Silverdale were each about 1% or less. **TABLE #3** shows the retail space available by area within Kitsap County.

TABLE 3

KITSAP COUNTY RETAIL VACANCY SURVEY (AS OF OCTOBER 2002)			
Area	Office Space (sq. ft.)		Percent Vacant
	Surveyed	Vacant	
Bainbridge Island	153,995	850	0.55%
Downtown Bremerton*	172,931	26,508	15.33%
East Bremerton	1,033,716	69,062	6.68%
West Bremerton	347,476	22,135	6.37%
Poulsbo	310,263	4,419	1.42%
Port Orchard	1,240,607	129,393	10.43%
Silverdale	2,416,035	241,937	10.01%
<b>Total</b>	<b>5,675,023</b>	<b>494,304</b>	<b>8.71%</b>
*Does not include Penneys, Payless & Sears Buildings (55,055 sf) Source: Bradley Scott, Inc.			

**West Bremerton Experienced the Highest Increase in Retail Vacancies:**

The largest increase was in West Bremerton where the retail vacancy rate increased by 3.20% (see **TABLE #4**). This increase is almost entirely attributable to the addition to the survey of one large vacant building. The largest decrease in retail vacancies was in East Bremerton where the vacancy rate dropped by 2.10%. Most of this decrease was the result of the reopening of the Redwood Theater. As with the rest of the country, it appears that the consumer in Kitsap County is continuing to hold up the economy.

TABLE 4

KITSAP COUNTY RETAIL VACANCY RATES (AS OF OCTOBER 2002)			
Office Space Location	Sep 01	Apr 02	Oct 02
Bainbridge Island	2.01%	0.55%	0.55%
Downtown Bremerton	14.02%	14.25%	15.33%
East Bremerton	5.74%	8.78%	6.68%
West Bremerton	4.81%	3.17%	6.37%
Poulsbo	1.27%	1.46%	1.42%
Port Orchard	6.82%	11.02%	10.43%
Silverdale	8.75%	10.25%	10.01%
<b>Kitsap County</b>	<b>7.22%</b>	<b>9.11%</b>	<b>8.71%</b>

**Industrial/ Warehouse Vacancy Rates Increased:**

The Bradley Scott, Inc. survey of over 1.2 million square feet of industrial space indicates the vacancy rate has increased to 10.16% from 6.50% (see **TABLE #5**). This is a increase over the last six months of 3.66% (see **TABLE #6**). The vacancy rate actually decreased in both the Poulsbo/North Kitsap area and the Port Orchard/Olympic View/South Kitsap area. Brainbridge Island currently has the highest vacancy rate (28.29%). Almost all of this is in two large buildings. Also, the 9.08% increase in the Bremerton Auto Center area is the result of the vacating of the 33,234 square foot Anheuser-Busch warehouse. Three large warehouses account for over half of the industrial vacancy in Kitsap County. There is still a demand for smaller warehouse space.

TABLE 5

KITSAP COUNTY INDUSTRIAL VACANCY SURVEY (AS OF OCTOBER 2002)				
		Industrial Space (Sq. ft.)		Percent Vacant
Industrial Park	Area	Surveyed	Vacant	
Day Road	Bainbridge	129,680	36,680	28.29%
North Kitsap	Poulsbo	342,538	11,615	3.39%
Olympic View	Port Orchard	369,384	27,384	7.41%
Auto Center Area	Bremerton	385,055	48,963	12.72%
<b>Total</b>		<b>1,226,657</b>	<b>124,642</b>	<b>10.16%</b>
<i>Source: Bradley Scott, Inc.</i>				

TABLE 6

