
KITSAP COUNTY REAL ESTATE TRENDS

R E P O R T

SPONSORED BY

Kitsap County Consolidated Housing Authority

9264 Bayshore Drive NW Silverdale, WA 98383

Phone: 360/692.5596 • Fax: 360/692.4374

Home Builders Association of Kitsap County

5251 Auto Center Way, Bremerton, WA 98312

Phone: 360/479.5778 • Fax: 360/479.0313

Economic Development Council of Kitsap County

4312 Kitsap Way, Bremerton, WA 98312

Phone: 360/377.9499 • Fax: 360/479.4653

Kitsap County Association of Realtors

3689 Munson Street NW, Silverdale, WA 98383

Phone: 360/692.8852

PREPARED BY

Greg Steiger

Dain Bosworth Inc., Silverdale, WA 98383

Phone: 360/698.5880

Graphic Design/Production

Ferguson Graphics, Port Orchard, WA 98366

Phone: 253/265.8508

TRENDS

COMMITTEE, FALL 1997

Kitsap County Consolidated Housing Authority

Norman McLoughlin, *TRENDS Committee Chair Executive Director*
 Lisa Morrison, *TRENDS Production Coordinator Administrative Assistant*
 Andy Witch, *Self Help Program Director*

Dain Bosworth, Inc.

Greg Steiger, *TRENDS Researcher/Editor*

Economic Development Council of Kitsap County

W Earle Smith, Jr., *President*
 Bonnie Graham McDade, *Director of Business Development & Diversification*

Home Builders Association of Kitsap County

Bill Hilton, *Legislative & Political Affairs*

Kitsap County Association of Realtors

Tim Arnold, *GCIM, President, Bradley Scott, Inc., Commercial Real Estate*
 Jacqui Curtiss, *CRB, Branch Manager, John L. Scott Real Estate*
 Jerry Lyman, *Associate Broker, Coldwell Banker/Park Shore Real Estate*
 Dennis Morrow, *Associate Broker Prudential Real Estate*
 Ron Wood, *John L. Scott*

Subase Bangor Housing Office

Susan DaBell, *Housing Director; Kathy Marsh and Judy Petrillo*

Puget Sound Naval Housing Center

Sandi Peterson and Donna Dahlstrom

Kitsap County

George Hineman, *Assessor's Office, Commercial Department*
 Joanne Peterson, *Community Development, Planning Department*
 Joseph Cappo, *Community Development, Planning Department*

And...

Glenn E. Crelin, *Director, Washington Center for Real Estate Research, WSU*
 Spencer Horning, *President, S.H. Horning Company*
 Gary Lyman, *MAI, Partner Richards & Associates*
 Ron Mott, *Associate Appraiser, Richards & Associates, Inc.*
 Dale Gredler, *Associate Planner City of Poulsbo*
 Ron Dipple, *President, DCI*

TABLE OF CONTENTS

TITLE PAGE

KITSAP REAL ESTATE TRENDS COMMITTEE..... ii

TABLE OF CONTENTS..... iii

Business Climate

- Business Connection 2001..... 1 - 2
- Kitsap Naval Bases..... 3 - 4
- Sinclair Landing..... 5
- Port of Bremerton..... 6
- Growth (GMA) Management Update..... 7 - 8

Population..... 9 - 10

Employment..... 11 - 14

Single-Family Market..... 15 - 17

Housing Affordability..... 18 - 19

Single-Family Vacancy Rates..... 20

Lot Summary Report..... 21

Apartment Market..... 22 - 23

Commercial Real Estate..... 24 - 27

Commercial Building Permits..... 28 - 29

Taxable Retail Sales..... 30

Consumer Price Index..... 31

ACCRA..... 32

COLL..... 33

Business Connection 2001: Focus group helps EDC plan for the future

BUSINESS CONNECTION 2001

BUSINESS CLIMATE

- Since early June of this year, 34 private sector and public sector citizens have been meeting to help the EDC develop a new strategic planning document and work plan.

The EDC's Strategic Work Plan was completed August 28, and Target Market teams were scheduled to be on the street recruiting targeted businesses by late October. This test of our marketing materials will be complete by the first of the year. The buy-in to where we are headed can best be seen when you consider we have had four, one-half day Focus Group sessions with about a 90% participation rate by very busy people!

The five subcommittees as shown below have also met several times and each have reported their accomplishments back to the entire Focus Group.

- 1) DATA COMMITTEE: Chaired by Norm McLoughlin, Kitsap County Consolidated Housing Authority
- 2) MARKETING PLAN COMMITTEE: Chaired by Betsy Brenner, The Sun
- 3) RESEARCH OTHER COMMUNITIES COMMITTEE: Chaired by Robert Schneider, KPS Health Plans
- 4) TARGET MARKET COMMITTEE: Chaired by Bonnie McDade, EDC of Kitsap County
- 5) RECRUITING/PROMOTIONAL PACKAGE COMMITTEE: Chaired by Mike Phillips, The Sun

The EDC is more than pleased with all the efforts to date, and is recruiting volunteers who would bring additional expertise to these committees.

The general steps we have followed in the Focus Group are as follows:

- 1) Identify customers and what they want or need
- 2) Identify the "Key Success Factors" (the absolute most important things that must be done to meet the customer's needs — should not exceed 3-5 major items)
- 3) Develop a strategic action plan (specifics of what will be done, when and by whom)
- 4) Establish "indicators" (what we will measure to keep track of how we're doing)
- 5) Determine what leadership activities are going to be done (personal, hands-on involvement by key individuals to drive the process and get things done)

It was interesting that as we identified what businesses want and what the EDC can provide, there are a number of major "wants" that the EDC cannot provide, e.g., infrastructure, land availability, good schools, quality of life, permitting process, utility rates, and transportation issues. What the EDC board will do is help establish policy and set direction based on customer input and help influence and advocate jurisdictions to work together on these key issues.

by
Earle Smith, Jr.,
President,
Economic Development
Council of Kitsap County

BUSINESS CONNECTION 2001

■ Target market criteria set

The group brainstormed a list of criteria that could be used to target companies and businesses that would fit our needs. We established a premise: All companies considered would be environmentally clean (i.e., no "smoke stacks") and we would focus on our strengths - all the good things we can offer when seeking out a prospective business. A list of three additional criteria we would set for a business targeted for recruitment would be:

- 1) Company would be a "primary employer". This means that the company would be in the type of business that would produce other spin-off business to provide the required support and supplies. Focus is on a product or service producing business, not retail/commercial. Wages and benefits should be able to grow as companies become established and profitable.
- 2) Utilize our available resources and assets. This means that the companies targeted will be able to fit into the available (and upcoming) facilities and land, will not overtax our infrastructure, and will find a ready and able workforce as needed (more specifics to be added to this item)
- 3) Company will be in a growth industry and have a "healthy business posture."

Navy growth result of other closures, area popularity

KITSAP NAVAL BASES

- The Pacific Northwest Navy has grown significantly in the last couple of years, due partially to base closures in California and the popularity of the Puget Sound region as a Navy homeport. The Puget Sound Navy now numbers about 28,000 active duty and about 16,000 civilian employees, making the Northwest the third largest fleet concentration in the United States - after Norfolk, Virginia and San Diego, California.

In January 1997, Naval Station Everett welcomed the aircraft carrier USS Abraham Lincoln, bringing the station to full seven-ship capacity. The carrier USS Carl Vinson reported to the Puget Sound Naval Shipyard in January as well, and Commander, Carrier Group Three completed its move north to Bremerton by early spring.

The carrier USS Nimitz left PSNS in September for an around-the-world deployment and a new home port in Virginia. Additionally, a new ship, the USS Bridge, is scheduled to be homeported at PSNS in the summer of 1998.

Overall, the Navy has a strong, long-term commitment to the Pacific Northwest. The recent Defense Authorization Bill contains funding for important quality of life projects the Navy has been requesting—housing and medical/dental facilities among those. Congress has also set aside any additional rounds of base closures for the near future.

Profiles of Navy bases in Kitsap County

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

MILITARY	5,600	PAYROLL:	
MILITARY FAMILIES	10,000	Military	\$42.2million
CIVILIANS	4,000		(direct mission funded)
		Civilian	\$16 million (direct)

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

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

MILITARY:		PAYROLL:	
Assigned to shipyard	115	Military	\$400 million
Ships in overhaul	131	Civilian	\$500 million
Homeported ships	6,180	School subsidies	\$3.2 million
CIVILIANS	8,925		

by
Captain Steve Slaton,
Naval Base Seattle

KITSAP NAVAL BASES

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

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

- Naval Hospital Bremerton provides medical care to a patient population of about 65,500. They have a staff of over 1,000 with 7 branch clinics in the region. They also function as a family practice teaching hospital. The 101-bed hospital is the largest Navy in-patient facility in the region.

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

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

Sinclair Landing Re-creates Bremerton Waterfront

- Sinclair Landing is a major waterfront redevelopment project underway in downtown Bremerton. It encompasses over eight square blocks, from the waterfront to Pacific Avenue and from the Puget Sound Naval Shipyard to Fourth Street. Significant new public facilities will support \$100+ million of private development.

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

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

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

The overall Sinclair Landing redevelopment project is based in a public/private partnership among local governments, The Commercial Group, and the Howard S. Wright Construction Company. For further information, please call Mary McClure, Executive Director of the Sinclair Landing Association at 360/377.9460 or fax inquiries to 360/297.7762.

SINCLAIR LANDING

by
Mary McClure,
Executive Director,
Sinclair Landing Association

SINCLAIR LANDING MASTER PLAN

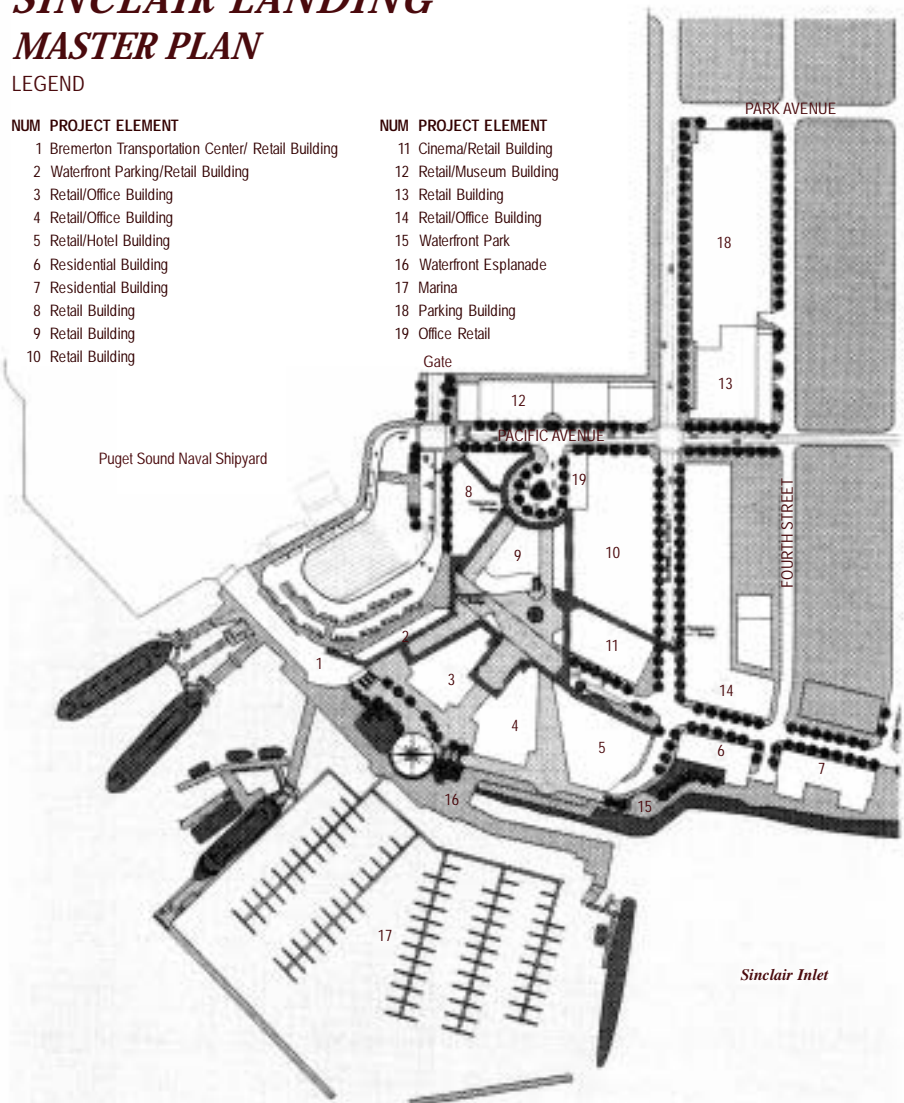
LEGEND

NUM PROJECT ELEMENT

- 1 Bremerton Transportation Center/ Retail Building
- 2 Waterfront Parking/Retail Building
- 3 Retail/Office Building
- 4 Retail/Office Building
- 5 Retail/Hotel Building
- 6 Residential Building
- 7 Residential Building
- 8 Retail Building
- 9 Retail Building
- 10 Retail Building

NUM PROJECT ELEMENT

- 11 Cinema/Retail Building
- 12 Retail/Museum Building
- 13 Retail Building
- 14 Retail/Office Building
- 15 Waterfront Park
- 16 Waterfront Esplanade
- 17 Marina
- 18 Parking Building
- 19 Office Retail Gate



PORT OF BREMERTON

Main job is economic development

- The **Port of Bremerton** is a leader in Kitsap County's economic development and diversification efforts. The Port's jurisdiction covers the south half of Kitsap County. The elected three-member Board of Commissioners represent approximately 100,000 people in the advancement of economic development and transportation services in the district. Job growth, a diversified and healthy expanding economic base, top the priorities of the Commissioners and staff. The Port of Bremerton provides four major facilities to accomplish this mission: **Olympic View Industrial Park, Bremerton National Airport** and the **Port Orchard** and **Bremerton Marinas**. Economic development tools and benefits the Port offer for business development include: **build-to-suit capability, industrial development revenue bonds, land and building leases, developer services and land designated as a foreign trade zone**. The Port is working with local communities and business persons throughout the Northwest and the West coast to seize job creation opportunities for Kitsap County

Olympic View Industrial Park is a 560 acre zoned industrial park and its spectacular views of the Olympic mountain range are located on State Route 3 in southwestern Kitsap County. Over 33 businesses occupying 80 acres and 334,000 square feet of building space now call Olympic View home. With 30 to 75 minute connections to the deep water ports of Seattle and Tacoma, Sea-Tac International Airport and on-site Puget Sound and Pacific rail service, Olympic View is ready for new domestic and international business development. A new master plan is in place for park development.

Bremerton National Airport is a 6,200 foot all-weather airport, also located on State Route 3, capable of accommodating Boeing 727 and 737 aircraft. The 1,200 acre airport is equipped with an instrument landing system, pilot controlled approach lighting, a 24 hour automated weather observing system (AWOS), and a non-directional beacon. Airport businesses offer services to accommodate business and recreational aviation including: hangar space, Avgas (truck and self-service), Jet A fuel, a full service restaurant, FedEx and UPS air parcel service and other fixed base aviation support and maintenance services. The airport has full Federal Aviation Administration certification for its transport class.

Port Orchard and **Bremerton Marinas**, the Port's award-winning recreational marinas, provide both permanent and guest moorage. Over 500 vessels can be accommodated within the breakwaters. With easy state ferry access to Seattle and its cultural and shopping opportunities, these two marinas are known up and down the West Coast as "the place" to rendezvous in Puget Sound.

Foreign Trade Zone designation is provided on over 500 acres of land at the Port's industrial park and airport, as designated by the US Department of Commerce. Users can benefit from delayed and reduced tariffs and, in some cases, no duty payments on a wide variety of import and export activity. Warehousing, repackaging and assembly, and manufacturing activities can benefit from the use of the Foreign Trade Zone.

by
Richard Brandenburg,
*Executive Director,
Port of Bremerton*

GROWTH
MANAGEMENT
ACT (GMA)
UPDATE**County plan declared invalid;
comissioners pledge to fix problem**

- Kitsap County's 1996 Comprehensive Plan was declared invalid by the Central Puget Sound Growth Management Hearings Board. The plan was adopted under the State's 1991 Growth Management Act, with its 13 broad planning goals that include; encourage development in urban areas, preservation of rural lands and natural resource areas, and encourage economic development.

The Board ruled the 1996 Plan's Rural and Land Use Elements invalid, particularly the Urban Growth Area's (UGA's) and the land use map, rural residential densities, the "Grandfathering Clause" and the "Rural Infill" provisions. Kitsap County is instructed to make the appropriate revisions. The Capital Facilities Element and Transportation Element of the Plan were remanded with instruction to meet the GMA internal consistency requirements. Finally, the entire Plan and implementing development regulations must be reviewed and revised achieve internal consistency. The County has until April 3, 1998 to comply with this Order.

Work Tasks - In reviewing this Order, the County will address, at a minimum, the following tasks:

Land Use Element

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

Rural Element

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

Capital Facilities Element

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

Transportation Element

- Review/Revise Transportation Plan to ensure internal consistency.

Implementing Development Regulations

- Review, modify and adopt a Zoning Ordinance;
- Review, modify and adopt a Critical Areas Ordinance.

by
Joseph Coppo

GROWTH MANAGEMENT ACT (GMA) UPDATE

*by
Kay Wilson*

City of Bremerton

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

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

City of Poulsbo

*by
Karla Boughton*

- The City plans to work with Kitsap County as they begin revisiting the urban growth areas, and will provide technical assistance on a future proposed Poulsbo UGA. In addition, the City is working with a team of consultants to update its Comprehensive Sewer, Storm and Water Plans.

POPULATION

POPULATION

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

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

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

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

by
Greg Steiger,
 Dain Bosworth

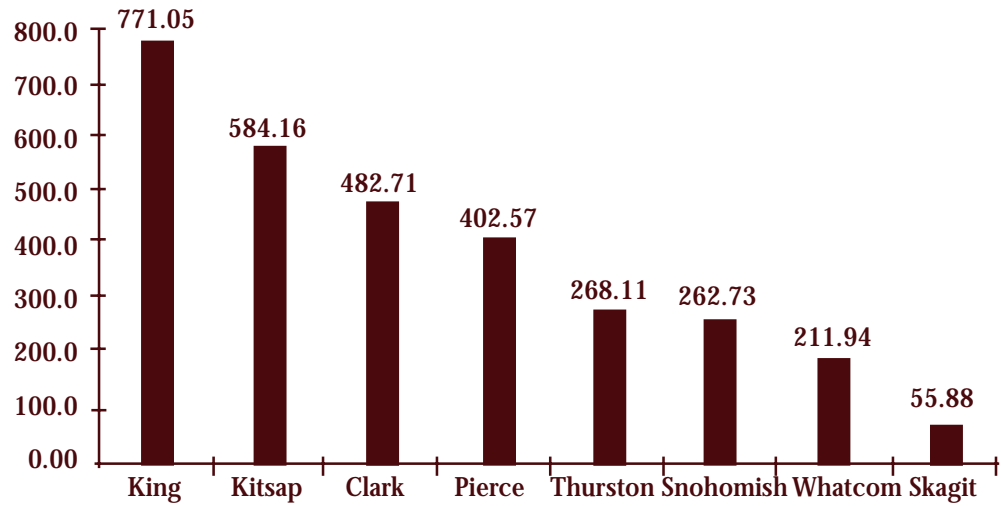
POPULATION

POPULATION

Population density remains high

- A comparison of eight Western Washington Counties shows that Kitsap County is the second most densely populated behind King County.

POPULATION DENSITY FOR SELECTED WESTERN WASHINGTON COUNTIES



County	People/Square Mile	Land Area (Square Miles)	1997 Population
King	771.05	2,135.00	1,646,200
Kitsap	584.16	392.70	229,400
Clark	482.71	656.30	316,800
Pierce	402.57	1,657.00	674,300
Thurston	268.11	737.00	197,600
Snohomish	262.73	2,098.00	551,200
Whatcom	211.94	737.00	156,200
Skagit	55.88	1,734.00	96,900

Non-Agricultural employment decreases by 1,400 from September 1996 to September 1997 due to loss of 1,300 Government jobs; labor force shrinks by 7,700; unemployment rate drops in October 1997 to 5.8%, down from 7.2% in October 1996

EMPLOYMENT

- **Non-Agricultural Employment:** Preliminary estimates for September 1997 from the Employment Security Department, show that total employment is down from the revised September 1996 figures by 1,400, an overall decrease of 2.0%. The reason for this sharp decline is from a loss of 1,300 Government jobs along with losses in Manufacturing (100) Mining (200) and Services (100). This was partially offset by gains in Construction (+100) and Trade (+200).

BREMERTON - KITSAP COUNTY PMSA NON-AGRICULTURAL EMPLOYMENT LEVELS										
Industry	Revised 1995	1995 Industry Share	Percent Change 1994-95	Revised 1996	1996 Industry Share	Percent Change 1995-96	September 1996	Prelim. September 1997	Sept.-97 Industry Share	Percent Change 1996-97
Manufacturing	2,100	2.9%	0.0%	2,000	2.9%	0.0%	2,200	2,100	3.0%	-4.5%
Mining & Misc.	800	1.2%	14.3%	900	1.3%	12.5%	1,000	800	1.2%	-20.0%
Construction	3,400	4.9%	0.0%	3,300	4.7%	-2.9%	3,300	3,400	4.9%	3.0%
T.C.P.U.*	1,800	2.6%	0.0%	1,700	2.4%	-5.6%	1,800	1,800	2.6%	0.0%
Trade	15,300	22.2%	-0.6%	16,000	22.9%	4.6%	16,500	16,700	24.1%	1.2%
FI.R.E.**	2,500	3.6%	-7.4%	2,600	3.7%	4.0%	2,600	2,600	3.7%	0.0%
Services	16,100	23.3%	3.2%	17,000	24.4%	5.6%	17,500	17,400	25.1%	-0.6%
Government	27,100	38.3%	-0.4%	26,300	37.7%	-3.0%	25,900	24,600	35.42%	-5.0%
TOTAL	69,000		0.3%	69,800		1.2%	70,800	69,400		-2.0%
Total New Jobs	200			800				(1,400)		
* Transportation/Communications/Public Utilities			Source: Washington State Employment Security							
** Finance/Insurance/Real Estate			Labor Market & Economic Analysis Branch							

EMPLOYMENT

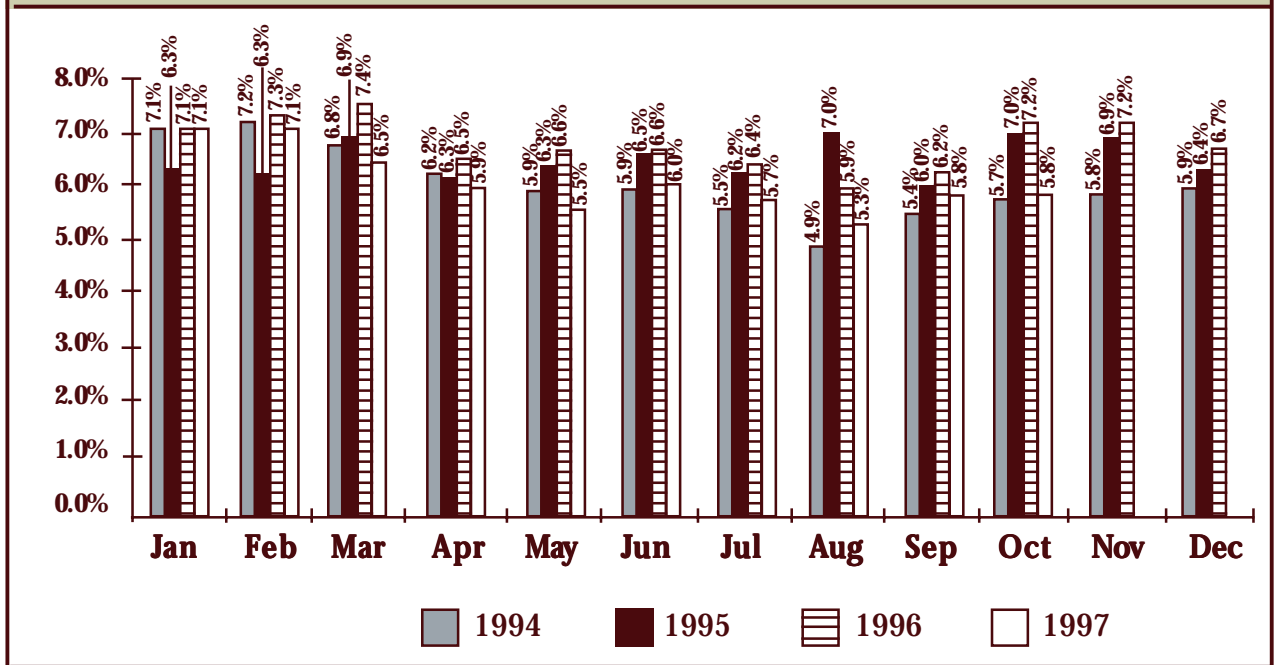
- Labor Force and Unemployment:** The average size of the civilian labor force (sum of the employed and unemployed civilians 16 years and older that reside in the county) shrunk by 7,700 or 8.2%, while the unemployment rate declined to 5.8%, the lowest level since August of 1994.

BREMERTON-KITSAP COUNTY PMSA CIVILIAN LABOR FORCE & UNEMPLOYMENT

	1992	1993	1994	1995	1996	Oct-96	Oct-97	Annual Change	
								Number	Percent
Civilian Labor Force	88,970	90,120	88,600	89,600	93,500	94,000	86,300	(7,700)	-8.2%
Employed Labor Force	83,530	84,080	83,300	83,600	87,200	87,200	81,300	(5,900)	-6.8%
Unemployed Labor Force	5,440	6,040	5,300	6,000	6,300	6,800	5,000	(1,800)	-26.5%
Unemployment Rate	6.1%	6.7%	6.0%	6.7%	6.7%	7.2%	5.8%	(1.4%)	-19.4%

The unemployment rate of 5.8% for the Bremerton-Kitsap County PMSA is at one of the lowest levels in a couple of years. The graph below illustrates monthly unemployment rates for the Kitsap County area over the past few years.

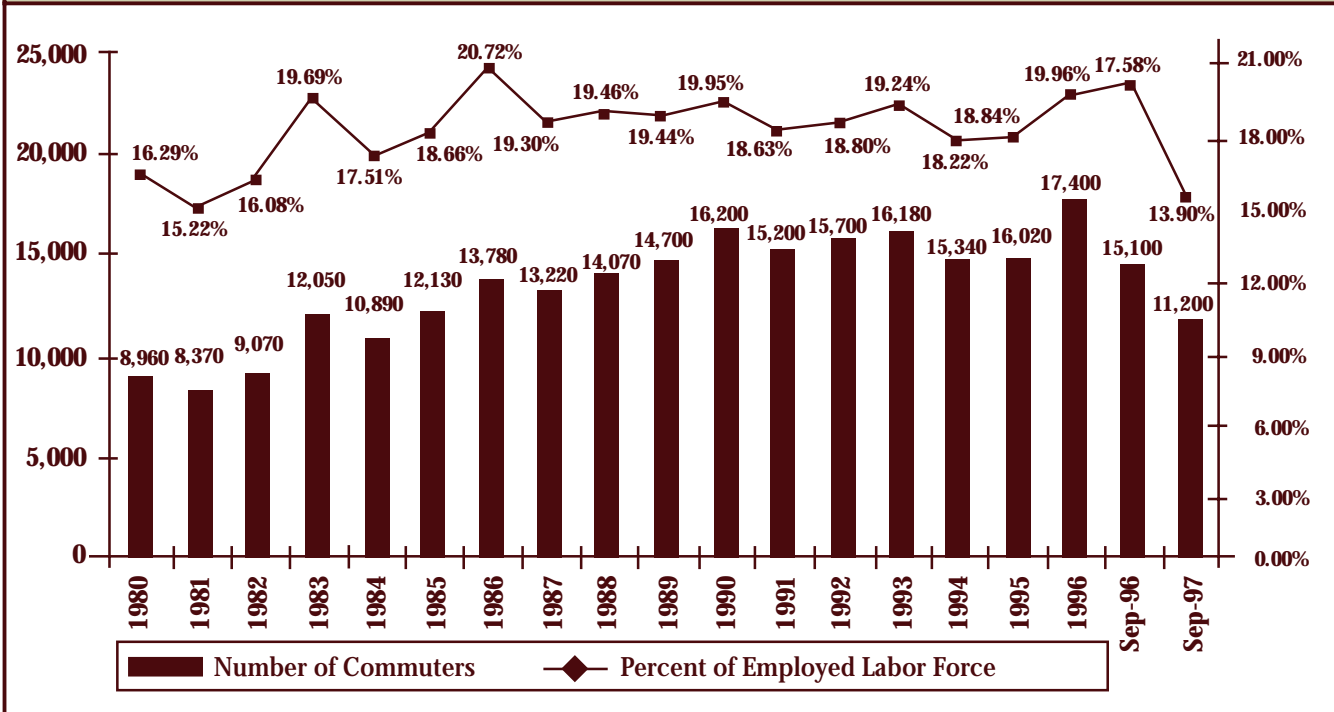
BREMERTON-KITSAP COUNTY PMSA UNEMPLOYMENT



- Workers Commuting Outside of Kitsap County:** Using the employed labor force and non-agricultural employment figures for the county, it can be determined how many people commute outside Kitsap County for work.

EMPLOYMENT

NUMBER OF WORKERS COMMUTING OUTSIDE OF KITSAP COUNTY

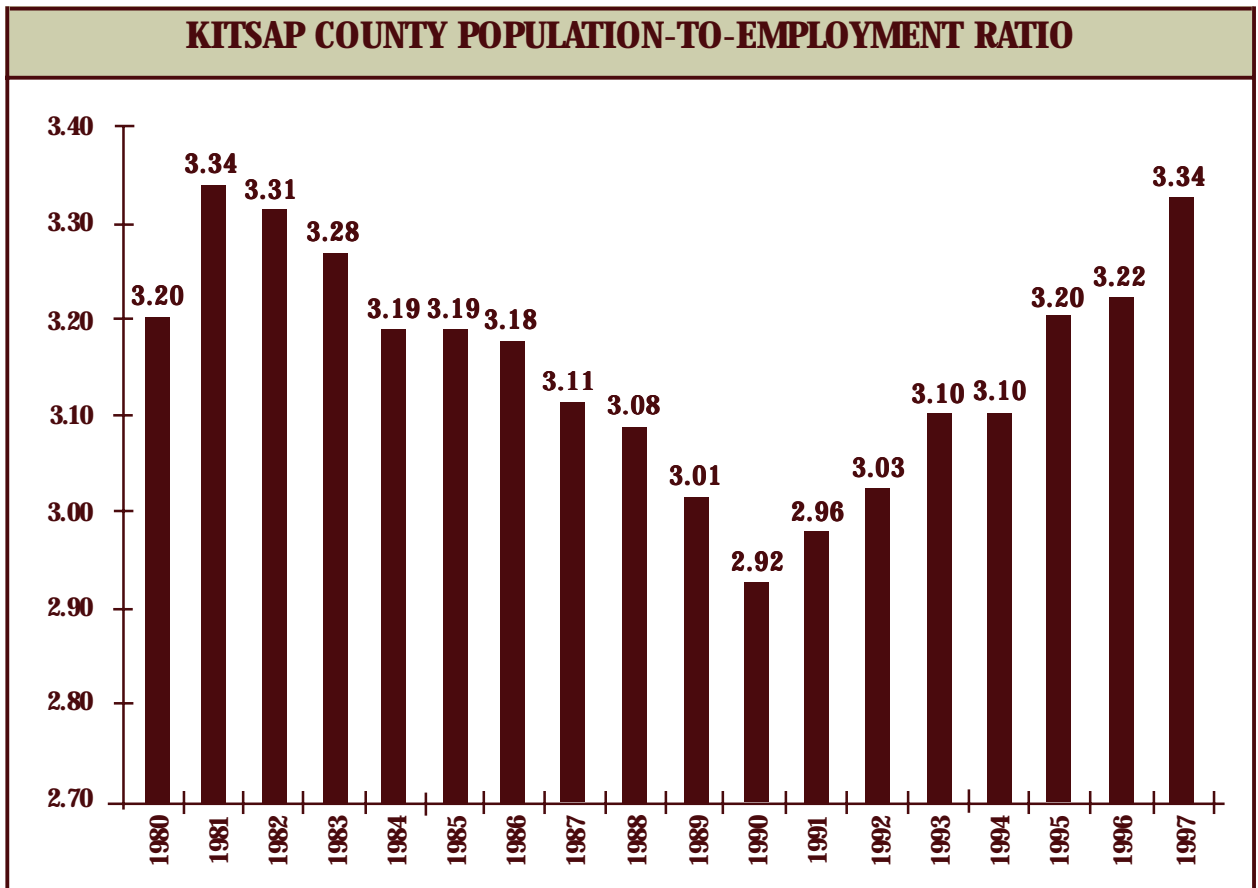


The number of workers commuting out of the county decreased to the lowest level in 10 years due to the big drop in non-agricultural employment. With population continuing to increase at a healthy pace the ratio of population-to-jobs has become wider based on a comparison using the ratio of population with that of non-agricultural jobs in selected counties. The higher the ratio, the less jobs (or workers) that county has.

EMPLOYMENT

County	Population April 1997	Non-Ag Employment April 1997	April 1997 Ratio	April 1996 Ratio
Kitsap	229,400	68,600	3.34	3.28
Pierce	674,300	231,100	2.92	3.04
Clark	316,800	107,200	2.96	2.96
Thurston	197,600	81,300	2.43	2.48
Spokane	409,900	180,500	2.27	2.26
King/Snohomish/Island	2,269,000	1,270,200	1.79	1.86

From the selected counties, it is apparent that Kitsap County has the highest ratio of people to employment, helping support the theory that Kitsap is becoming or is a bedroom community. To help put this into perspective, for Kitsap to be at a ratio of 3.0 there would need to be a total of 76,467 jobs in the County, an increase of 7,867 or 11.47%. The graph below shows the historical trend of the ratio between population and employment in Kitsap County.



The above chart clearly shows the trend of faster population growth compared to employment growth.

Average home prices jump 5.7% through first half 1997; home sales ahead of 1995 and 1996; marketing time continues to climb; active listings remain high

SINGLE-FAMILY MARKET

SINGLE-FAMILY MARKET

- **Average Home Prices (MLS) climb 5.7%:** The average home price through June 1997, including Bainbridge Island climbed to \$159,316 an increase of 5.7%. Excluding Bainbridge Island, the average home price was \$134,658, showing an increase of only 2.8%. Home prices in all areas, with the exception of South Kitsap, experienced increases with Bainbridge Island jumping over 9% and well above the \$300,000 mark.

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

COMPUTER MULTIPLE LISTING SERVICE AVERAGE RESIDENTIAL PRICES

CMLS AREA	1991	1992	1993	1994	1995	1996	June-97
1 South Kitsap	\$101,500	\$117,818	\$120,265	\$123,924	\$126,707	\$130,849	\$129,873
2 Silverdale	\$143,990	\$145,341	\$145,461	\$148,586	\$139,532	\$146,910	\$152,444
3 West Bremerton	\$72,189	\$80,954	\$85,751	\$89,369	\$83,190	\$89,005	\$94,085
4 East Bremerton	\$85,858	\$96,309	\$100,189	\$101,607	\$99,385	\$105,292	\$105,495
5 Central Kitsap	\$106,814	\$115,345	\$115,116	\$119,547	\$118,657	\$119,234	\$120,516
6 North Kitsap	\$119,378	\$130,630	\$140,128	\$143,417	\$143,168	\$156,313	\$159,874
7 Bainbridge Island	\$229,132	\$240,836	\$251,248	\$272,412	\$295,680	\$292,739	\$319,197
County Totals	\$121,175	\$132,488	\$136,504	\$144,019	\$142,875	\$150,706	\$159,316
Excluding Bainbridge Island	\$109,946	\$121,398	\$125,134	\$129,002	\$127,221	\$132,414	\$134,658

COMPUTER MULTIPLE LISTING SERVICE ANNUAL PRICE CHANGES (Average Prices)

CMLS AREA	1991	1992	1993	1994	1995	1996	June-97
1 South Kitsap	15.7%	16.1%	2.1%	3.0%	2.2%	3.3%	-0.8%
2 Silverdale	11.5%	0.9%	0.1%	2.1%	-6.1%	5.3%	3.8%
3 West Bremerton	11.8%	12.1%	5.9%	4.2%	-6.9%	7.0%	5.7%
4 East Bremerton	13.1%	12.2%	4.0%	1.4%	-2.2%	5.9%	0.2%
5 Central Kitsap	16.6%	8.0%	-0.2%	3.8%	-0.7%	0.5%	1.1%
6 North Kitsap	5.2%	9.4%	7.3%	2.3%	-0.2%	9.2%	2.3%
7 Bainbridge Island	-1.5%	5.1%	4.3%	8.4%	8.5%	-1.3%	9.4%
County Totals	8.6%	9.3%	3.0%	5.5%	-0.8%	5.5%	5.7%
Excluding Bainbridge Island	2.1%	10.4%	3.1%	3.1%	-1.4%	4.1%	2.8%

SINGLE-FAMILY MARKET

- **Home Sales (MLS) through July are up from previous two years:** In 1996 the total number of closed listings (homes that sold) for the entire Kitsap County was 2,650, down from 2,855 during 1995 and the lowest level in the five year period from 1992 to 1996. West Bremerton, East Bremerton and Bainbridge Island all experienced increases, whereas the remaining areas showed declines in sales.

MLS CLOSED LISTING BY AREA (Year End)					
Area	1992	1993	1994	1995	1996
South Kitsap	764	827	845	739	700
Silverdale	551	541	580	512	396
West Bremerton	256	232	237	216	243
East Bremerton	144	142	155	136	143
Central Kitsap	381	361	290	334	267
North Kitsap	630	622	646	639	581
Bainbridge Island	279	270	322	279	320
Kitsap County	3,005	2,995	3,075	2,855	2,650

Closed listings through July of this year are ahead of 1995 and 1996, with Silverdale the only area lower this year than last.

KITSAP COUNTY MLS CLOSED LISTING BY AREA (January through July of each year)						
Area	1992	1993	1994	1995	1996	1997
South Kitsap	432	411	475	392	409	409
Silverdale	304	272	324	276	237	230
West Bremerton	154	116	139	123	134	139
East Bremerton	81	70	85	77	73	81
Central Kitsap	209	186	164	187	150	169
North Kitsap	352	329	363	362	318	337
Bainbridge Island	145	130	190	146	192	210
Kitsap County	1,677	1,514	1,740	1,563	1,511	1,575

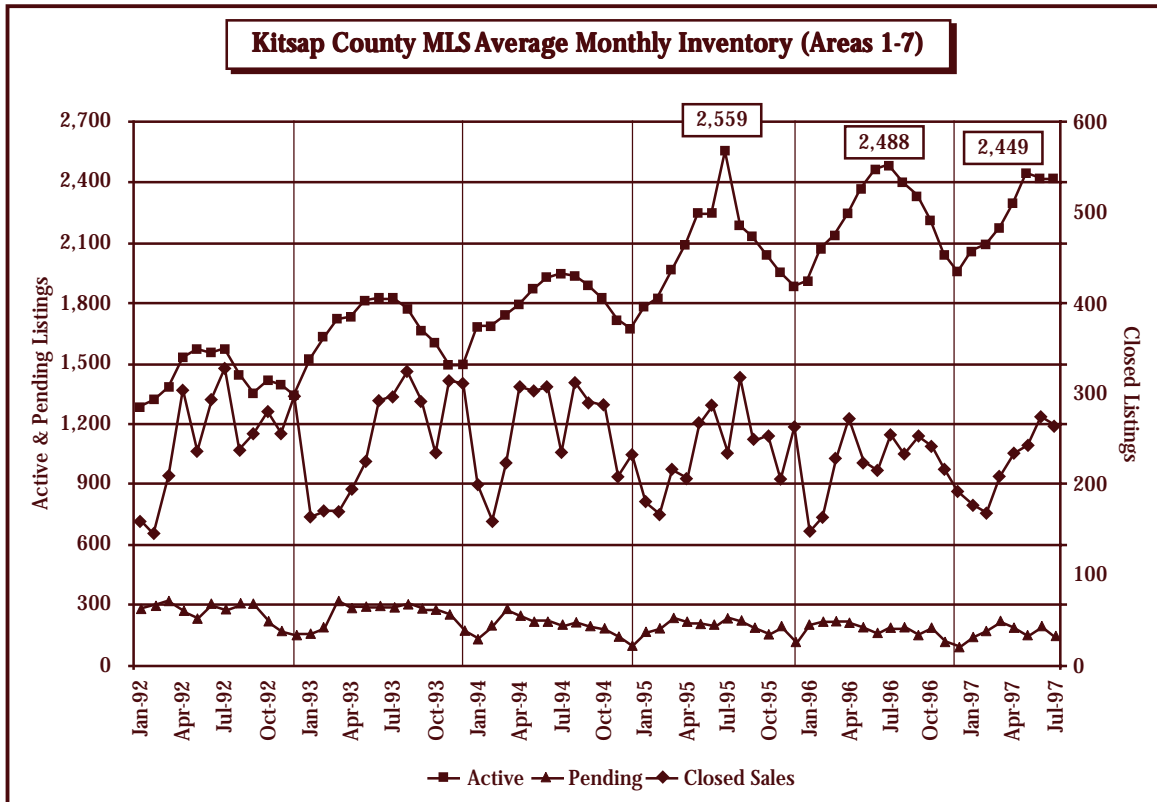
- **Marketing Tune (MIS) to 32%:** The average marketing time or Days on Market (DOM), through 1996 averaged 148 days for the entire county. This is up 36 days from the 112 in 1995, an increase of over 32%. Through the first six-months of 1997, the average marketing time has continued to increase to 151 days, up 4.14%.

KITSAP COUNTY MLS AVERAGE DAYS ON MARKET (DOM)							
Area	1991	1992	1993	1994	1995	1996	Jun-97
South Kitsap	77	80	89	90	105	156	156
Silverdale	80	86	95	98	134	147	152
West Bremerton	71	66	80	85	86	132	124
East Bremerton	62	65	61	63	83	120	145
Central Kitsap	57	65	75	80	88	135	139
North Kitsap	92	100	111	96	108	146	161
Bainbridge Island	131	143	141	115	121	153	160
Kitsap County	83	86	94	96	112	145	151

- MIS Average Monthly Inventory:** The average monthly inventory of Active, Pending and Closed Listings in the MLS are shown in the graph below. **Active listings** reached new heights in July 1996 (2,488) and reaching a high in May 1997 of 2,449. The March 1997 figure for **Pending listings** of 294 showed a 63% increase from February 1997 of 180 and the June 1997 from June 1996 numbers increased over 21%. **Closed listings**, as discussed previously have really come back since February of this year.

SINGLE-FAMILY MARKET

SINGLE-FAMILY MARKET



HOUSING AFFORDABILITY INDEX

(2nd Quarter 1997)

Housing becoming less affordable statewide and in Kitsap County

Housing Market

Home prices increase; mortgage rates stay put; people buying

- Housing markets in Washington State during the first half of 1997 have been responding to strong underlying economics in most parts of the state, combined with in-migration, especially to urban areas in Western Washington, especially greater Seattle and metropolitan Portland. The result has been continued strength in both resale housing market activity and housing construction. This broad-based improvement in housing activity is reflected in upward pressure on home prices. Unlike last year when Kitsap County was less robust than it was a year earlier, 1997 sales have mirrored statewide market strength.

Mortgage rates have remained relatively flat and affordable in the last year. Affordable rates, combined with economic growth, have convinced buyers who were uncertain a year ago, to purchase homes.

Housing Affordability

Kitsap residents react 'good' on ability to buy; 'low' for first-time buyers

- Housing affordability depends on more than just the prices of homes. Other significant factors include the cost of financing, the income of prospective purchasers, and the availability of a down payment.

Affordability is calculated two ways. The "all-buyer" index assumes a purchaser selects the area's median price home, makes a 20% down payment, and takes out a 30-year mortgage at prevailing interest rates. This buyer is assumed to earn a typical or median income for a family (no one-person households) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the second quarter of 1997 the answer remained "Yes." The statewide All-Buyer Affordability index was 106.1, meaning the typical family had 6.1 percent more income than the bare minimum required to qualify for the home. **Housing affordability in Kitsap County** was much better than in most areas of the state, recording an index of 118.4. Urban areas ranged from a low of 104.5 in King County to a high of 157.7 in Benton County (Tri-Cities). It must be noted that housing was uniformly less affordable during the second quarter of 1997 than it was a year earlier.

The real issue of affordability, however, is the ability of households to purchase their first home. The calculation of the "First-time Buyer Index" begins with a less expensive home (85% of median), a 10% down payment, and a 30-year loan with private mortgage insurance. To account for the fact that higher-income households have already made the jump to home ownership, the comparative income level is 70% of the median **household** income (single-persons are more likely to be first-time buyers). The resulting picture of Washington is a place where it is difficult to buy your first home.

The typical renter who might want to own a home has only 64.0 percent of the income required to qualify for a mortgage in the typical starter home. **Kitsap County's first-time buyer affordability** in the second quarter stood at 74.4. Kitsap County first-time affordability statistics indicate problems are developing more rapidly than in many other areas of the state.

by
Glenn E. Cretin,
Director
Washington Center
for Real Estate
Research, WSU
(800) 835-9683
(within Washington)
E-mail:
creiin@mail.wsu.edu

**HOUSING
AFFORDABILITY
INDEX**(2nd Quarter
1997)**HOUSING AFFORDABILITY INDEX****Summary**

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

**Housing Affordability Conditions
Last Seven Quarters**

COUNTY	ALL-BUYER AFFORDABILITY						
	95:Q4	96:Q1	96:Q2	96:Q3	96:Q4	97:Q1	97:Q2
Benton/ Franklin	163.7	168.1	159.0	154.7	145.0	157.2	257.7
Clark	113.9	117.0	113.3	11.6	105.9	114.7	116.5
King	134.2	137.8	127.3	121.3	124.1	123.6	121.5
King	115.2	117.9	110.4	104.3	113.7	110.8	104.5
Kitsap	128.0	132.6	126.8	121.5	122.7	128.1	118.4
Pierce	126.1	126.6	118.5	119.0	120.8	124.4	118.7
Snohomish	121.2	125.6	115.5	113.8	115.2	112.8	108.2
Spokane	142.4	146.9	134.3	128.7	135.5	137.1	131.0
Thurston	132.2	135.1	127.2	128.0	130.3	131.6	124.6
Whatcom	119.2	120.3	114.6	110.3	117.4	118.4	113.9
Statewide	118.3	121.5	109.0	108.5	112.9	109.3	106.1

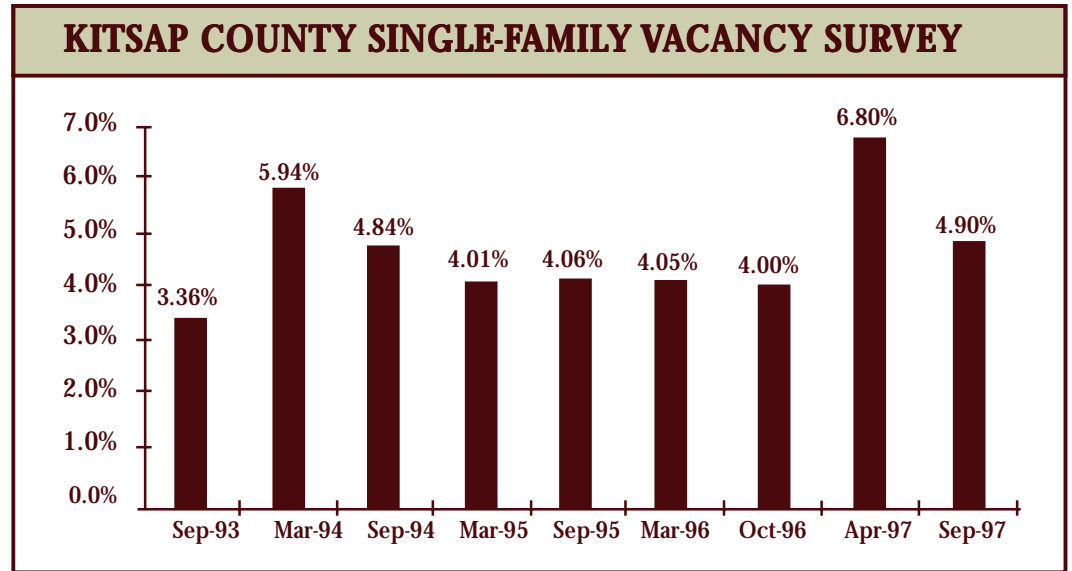
COUNTY	FIRST-TIME BUYER AFFORDABILITY						
	95:Q4	96:Q1	96:Q2	96:Q3	96:Q4	97:Q1	97:Q2
Benton/ Franklin	98.0	100.7	94.8	92.0	86.0	93.3	93.7
Clark	71.9	73.9	72.2	71.4	67.9	73.6	74.9
King	82.2	84.4	78.7	75.3	77.4	77.1	75.8
King	64.1	65.7	62.8	60.0	66.0	64.4	60.8
Kitsap	78.3	81.1	78.6	75.9	77.1	80.5	74.4
Pierce	76.4	76.7	72.2	72.7	74.0	73.7	72.8
Snohomish	74.9	77.6	72.9	72.6	74.2	72.7	69.8
Spokane	78.7	81.2	75.9	73.6	78.2	79.1	75.6
Thurston	79.8	81.5	77.0	77.6	79.1	79.9	75.6
Whatcom	68.0	68.5	65.7	63.4	67.6	68.1	65.5
Statewide	68.1	69.6	65.0	64.9	67.7	65.7	64.0

SINGLE-FAMILY VACANCY RATES

SINGLE-FAMILY VACANCY RATES

Vacancies decline to a more normal level of 4.9%

- The **Subase Bangor Housing Office** conducted a survey of 7,426 single-family homes and duplexes in Kitsap County in September of 1997 and found some 367 vacant units, indicating a vacancy rate of 4.9%, well below the 6.8% in April 1997.



by
Susan DaBell
Kathy Marsh
Judy Petrillo

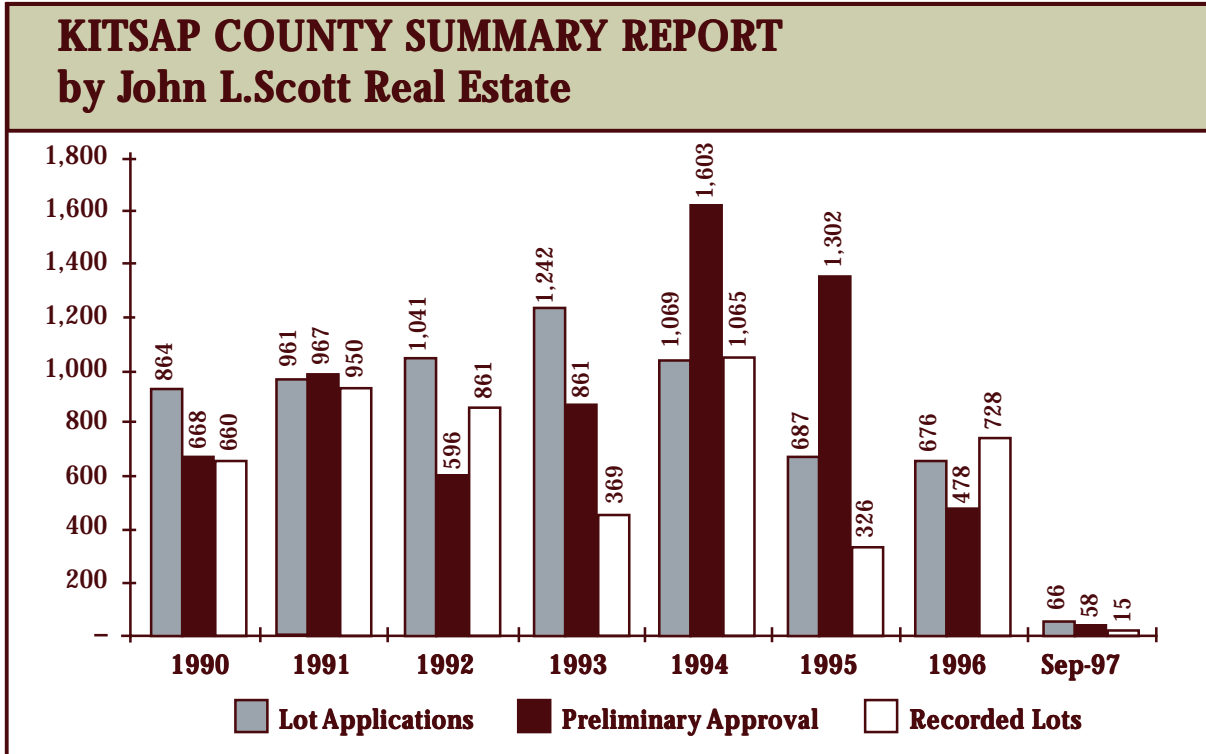
Bangor Subase Housing Office

LOT SUMMARY REPORT

LOT SUMMARY REPORT

Inventory lowest since 1990

- The most recent single-family lot creation report prepared by John L. Scott real estate dated September 1997, shows that lot applications, preliminary approvals and recorded lots are significantly below any levels recorded between 1990 to 1996. The chart below summarizes these findings.



by
Jacqui Curtiss,
John L. Scott Real Estate

APARTMENT MARKET

Apartment vacancies skyrocket to nearly 9%; however rents edge upward

Vacancies hit highest level in years

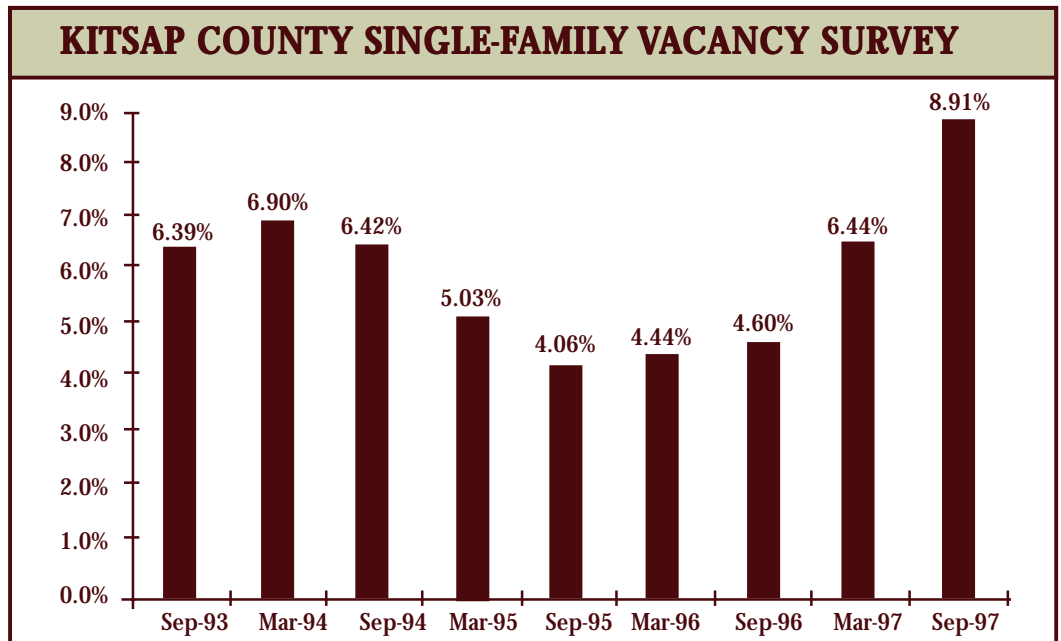
- The **Subase Bangor & PSNS Housing Offices** surveyed 10,672 units in September 1997 and found that apartment vacancies were 8.91%. This is the highest level experienced in the 4 years of data from the Navy; along with the highest number in the nearly 10 years of surveys used by the Trends Report previous to the Navy surveys. The table below summarizes vacancies by area from the Navy survey.

KITSAP COUNTY HISTORICAL APARTMENT VACANCY RATES						
Area	Mar-95	Sep-95	Mar-96	Sep-96	Mar-97	Sep-97
Bainbridge Island	3.21%	7.14%	0.80%	0.40%	2.01%	1.20%
West Bremerton	7.39%	6.24%	7.71%	6.95%	4.27%	8.09%
EastBremerton	5.50%	2.03%	3.19%	2.87%	9.51%	11.46%
South Kitsap	6.02%	4.28%	3.07%	4.69%	10.15%	7.78%
North Kitsap	7.49%	3.35%	2.53%	1.15%	3.69%	3.80%
Central Kitsap	2.36%	3.99%	4.67%	5.22%	4.79%	10.56%
Kitsap County	5.03%	4.06%	4.44%	4.60%	6.44%	8.91%

Source: Subase Bangor Housing Office (10,672 units surveyed September 1997)

Vacancies in Central Kitsap more than doubled from the March 1997 survey and were also up considerably in West Bremerton. Only two areas saw a decline in vacancies—Bainbridge Island and South Kitsap.

The graph below illustrates countywide vacancy rates from September 1993 to present.



Apartment Rents Increase 2%

- Average apartment rental rates tracked by the Navy Housing offices showed that over the past six months rents have increased some 2% with the largest increase coming in the 4-bedroom units.

**APARTMENT
MARKET**

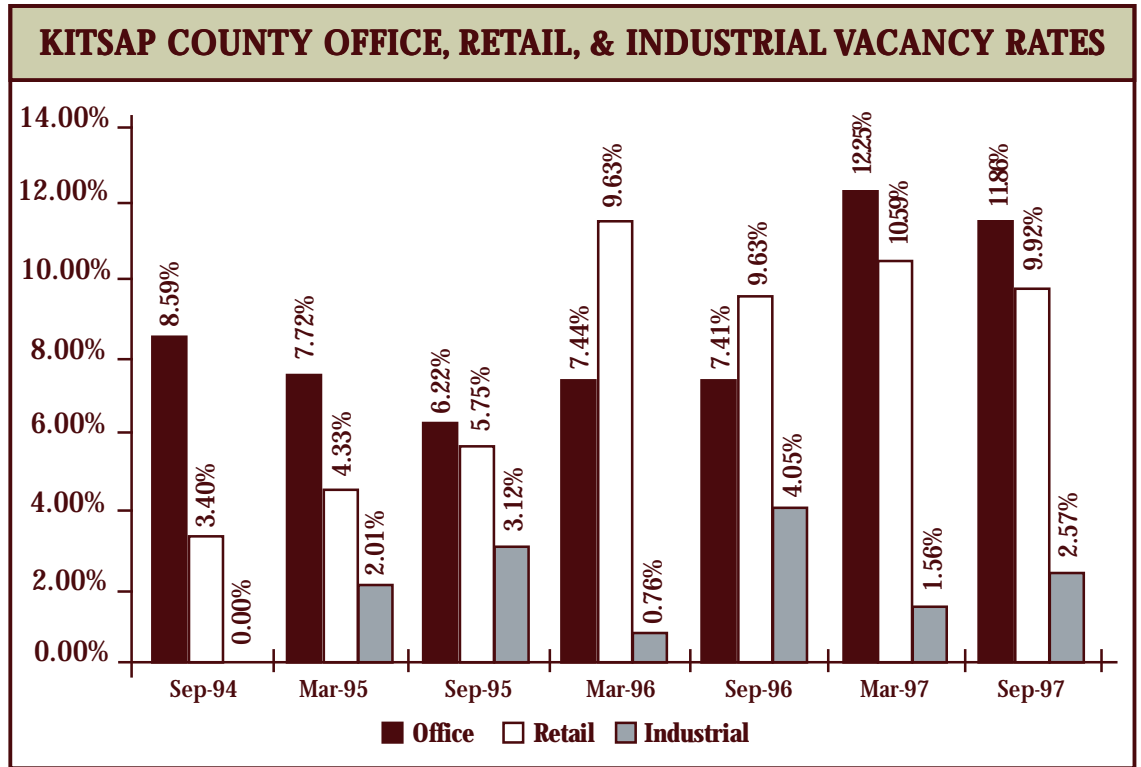
APARTMENT MARKET

KITSAP COUNTY AVERAGE RENTAL RATES			
Unit Type	Mar-97	Sep-97	Percent Change
Studio	\$376	\$374	-1%
One-Bedroom	\$465	\$473	2%
Two-Bedroom	\$563	\$568	1%
Three-Bedroom	\$650	\$661	2%
Four-Bedroom +	\$779	\$809	4%
All Types	\$567	\$577	2%

**COMMERCIAL
REAL ESTATE**

Countywide industrial vacancy rates rise slightly, retail and office vacancies show improvement

■ The **Bradley Scott, Inc.** office, retail and industrial vacancy surveys point to an improving market from the last survey in March 1997. Office and retail vacancies both had declines in vacancies, while industrial vacancies edged up slightly.



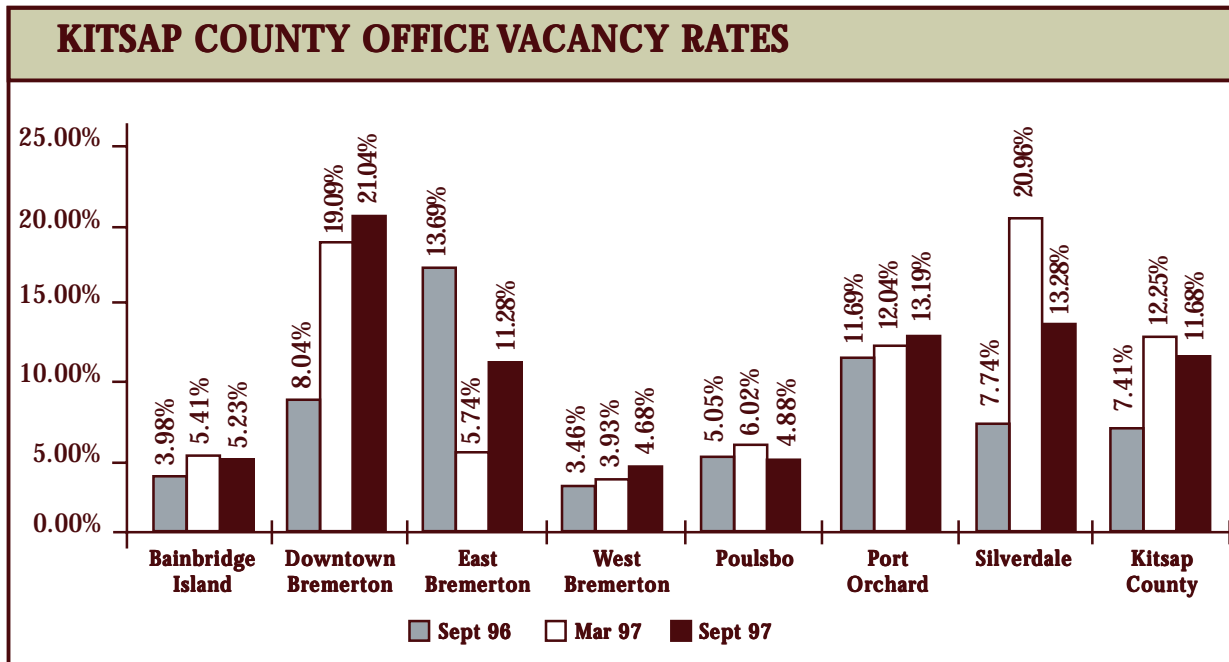
by
Tim Arnold,
President
Bradley Scott, Inc.

Office Vacancy shows decline

- The Bradley Scott, Inc. survey of over 1.7 million square feet of office space indicates vacancies in the office market have decreased to 11.68% from 12.25% in March 1997, but still above the September 1996 figures of 7.4 1%.

KITSAP COUNTY OFFICE VACANCY SURVEY As of September 1997			
Area	OFFICE SPACE		Percent Vacant
	Surveyed	Vacant	
Bainbridge Island	118,440	6,200	5.23%
Downtown Bremerton	437,896	62,139	21.04%
East Bremerton	185,720	20,953	11.28%
West Bremerton	199,609	9,345	4.68%
Poulsbo	368,627	17,972	4.88%
Port Orchard	92,456	12,195	13.19%
Silverdale	318,511	42,313	13.28%
Total	1,721,259	201,117	11.68%

The most improved market was Silverdale with over a 7.6% drop, whereas the East Bremerton market experienced a sharp increase of over 5.5%. Most other areas had slight increases with the exception of Poulsbo.



Source: Bradley Scott Inc., Commercial Real Estate

COMMERCIAL REAL ESTATE

Retail vacancies down slightly

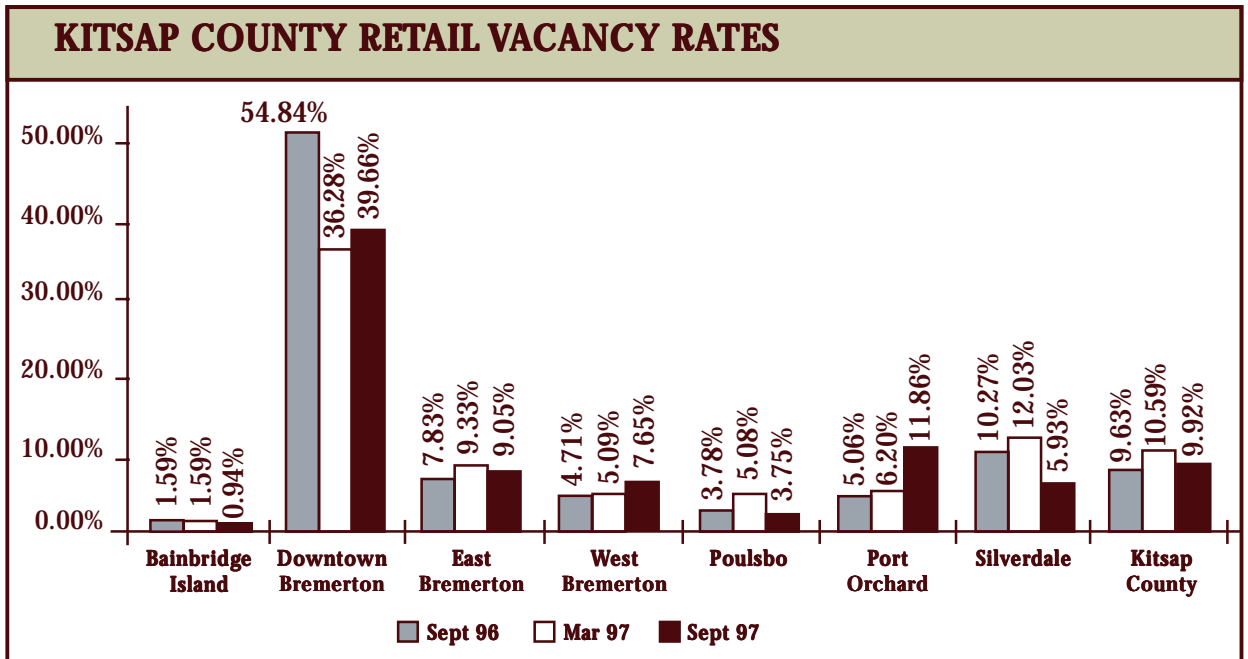
- **Bradley Scott, Inc.** surveyed over 3.9 million square feet of retail space throughout Kitsap County. Vacancies in the retail market declined to just under 10.00% at 9.92%, over half a point lower than the March 1997 survey of 10.59% and slightly up from the September 1996 survey of 9.63%.

KITSAP COUNTY RETAIL VACANCY SURVEY As of September 1997			
Area	RETAIL SPACE		Percent Vacant
	Surveyed	Vacant	
Bainbridge Island	121,795	1,139	0.94%
Downtown Bremerton*	214,916	85,2453	9.66%
East Bremerton	1,127,341	102,010	9.05%
West Bremerton	117,848	9,020	7.65%
Poulsbo	234,554	8,797	3.75%
Port Orchard	870,712	103,299	11.86%
Silverdale	1,346,417	79,829	5.93%
Total	3,911,788	388,200	9.92%

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

Source: Bradley Scott Inc., Commercial Real Estate Services

Silverdale showed the biggest improvement dropping to 5.93% from the previous 12.03% in March 1997. Most areas remained stable with the exception of Port Orchard which shot up to 11.86% from the March 1997 figure of 6.20%.



Source: Bradley Scott Inc., Commercial Real Estate Services

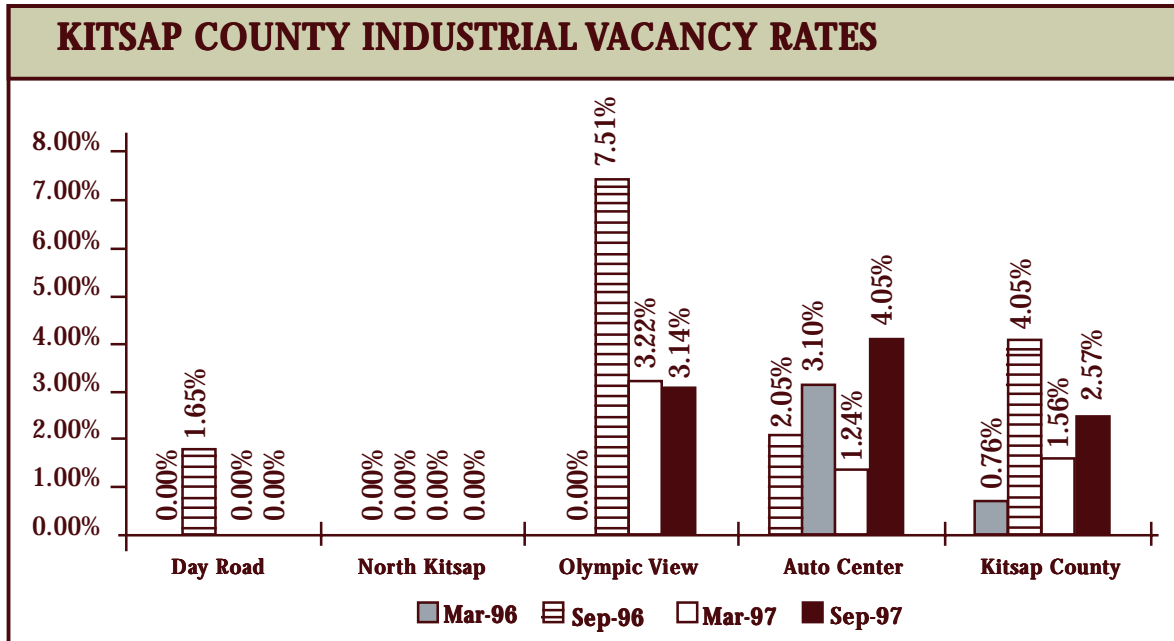
Industrial market vacancies only 2.57%

- The county is currently limited to three major industrial parks, Olympic View (Port of Bremerton), North Kitsap and Day Road on Bainbridge Island, plus the Auto Center area of Bremerton which has the largest concentration in the county. The three major industrial parks in Kitsap County now total 644,800 square feet of building space and the amount of space surveyed in the Auto Center is 378,255 square feet, for a grand total of 1,023,055 square feet surveyed.

KITSAP COUNTY INDUSTRIAL VACANCY SURVEY September 1997				
Industrial Park	Area	INDUSTRIAL SPACE		Percent Vacant
		Surveyed	Vacant	
Day Road	Bainbridge Island	109,000	0	0.00%
North Kitsap	Poulsbo	185,000	0	0.00%
Olympic View	Port Orchard	350,800	11,000	3.14%
Auto Center Area	Bremerton	378,255	15,290	4.04%
Total		1,023,055	26,290	2.57%

Source: Bradley Scott Inc.

From this survey, **Bradley Scott, Inc.** found a total of 15,700 square feet of space available, indicating a countywide vacancy rate of only 1.56% down considerably from 4.05% in September of 1996.



Vacancies were non-existent in the Day Road and North Kitsap parks, while vacancies dropped slightly at Olympic View and the Auto Center area saw a large increase with vacancies all at one building.

COMMERCIAL BUILDING PERMITS

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

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

- Total commercial permits through August 1997 were at \$10.7 million, which is only \$1 million less than the year end total for 1996 of \$11.6 million. Leading the way in commercial permits was the industrial sector (*including mini-storage*) at \$4.9 million, setting another all-time.

KITSAP COUNTY Unincorporated Areas • Commercial Building Permits

Year	INDUSTRIAL		OFFICE & BANK		RETAIL STORES		TOTAL	
	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount
1988	1	\$1,875,000	20	\$2,402,497	82	\$19,488,376	103	\$23,765,873
1989	2	\$50,000	43	\$1,965,350	63	\$8,036,311	108	\$10,051,661
1990	0	\$0	30	\$1,653,208	147	\$14,488,803	177	\$16,142,011
1991	5	\$248,000	30	\$1,728,632	61	\$4,186,607	96	\$6,163,239
1992	1	\$80,850	9	\$1,798,562	26	\$5,307,510	36	\$7,186,922
1993	1	\$100,000	13	\$5,055,000	17	\$3,827,062	31	\$8,982,062
1994	0	\$0	9	\$2,739,700	28	\$14,354,948	37	\$17,094,648
1995	4	\$1,906,216	2	\$1,770,000	9	\$11,445,280	15	\$15,121,496
1996	42	\$4,364,850	9	\$3,774,770	31	\$3,476,936	82	\$11,616,556
Aug-97	16	\$4,905,761	5	\$1,156,300	29	\$4,700,470	50	\$10,762,531
Total	72	\$13,530,677	170	\$24,044,019	493	\$89,312,303	735	\$126,886,999

Source: Kitsap County Department of Community Development

by
Karla Boughton
City of Poulsbo Planning Department

Poulsbo permits up

- Commercial permits in Poulsbo through September 1997 stood at \$2.62 million, already surpassing the \$2.16 million in all of 1996.

CITY OF POULSBO Commercial Building Permits

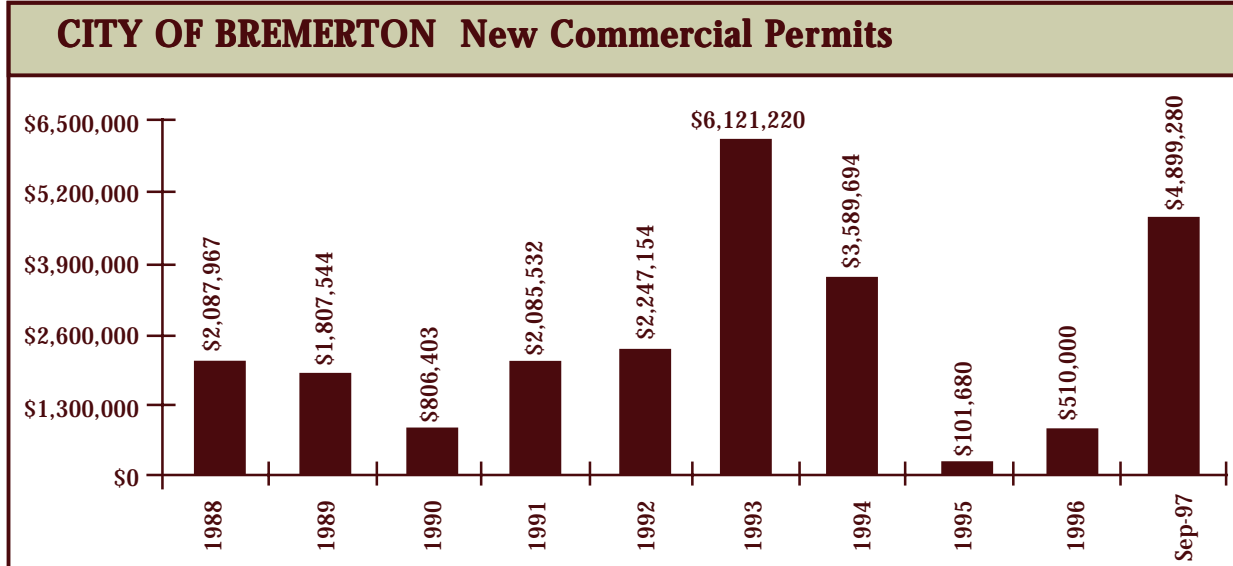
Year	INDUSTRIAL		OFFICE & BANK		RETAIL STORES		TOTAL	
	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount	No.	\$ Amount
1988	0	\$0	2	\$730,000	1	\$175,000	3	\$905,000
1989	0	\$0	1	\$90,000	1	\$125,000	2	\$215,000
1990	1	\$150,000	2	\$1,400,000	0	\$0	3	\$1,550,000
1991	0	\$0	5	\$1,600,000	0	\$0	5	\$1,600,000
1992	1	\$750,000	0	\$0	1	\$325,000	2	\$1,075,000
1993	2	\$836,000	1	\$620,000	0	\$0	3	\$1,456,000
1994	0	\$0	3	\$3,837,000	2	\$944,000	5	\$4,781,000
1995	1	\$371,033	4	\$4,623,000	1	\$2,399,570	6	\$7,393,603
1996	0	\$0	5	\$1,707,000	2	\$457,823	7	\$2,164,823
Sep-97	0	\$0	3	\$1,673,000	3	\$950,000	6	\$2,623,823
Total	5	\$2,107,033	23	\$14,607,000	8	\$4,426,393	36	\$21,140,426

Source: City of Poulsbo Planning Department

COMMERCIAL BUILDING PERMITS

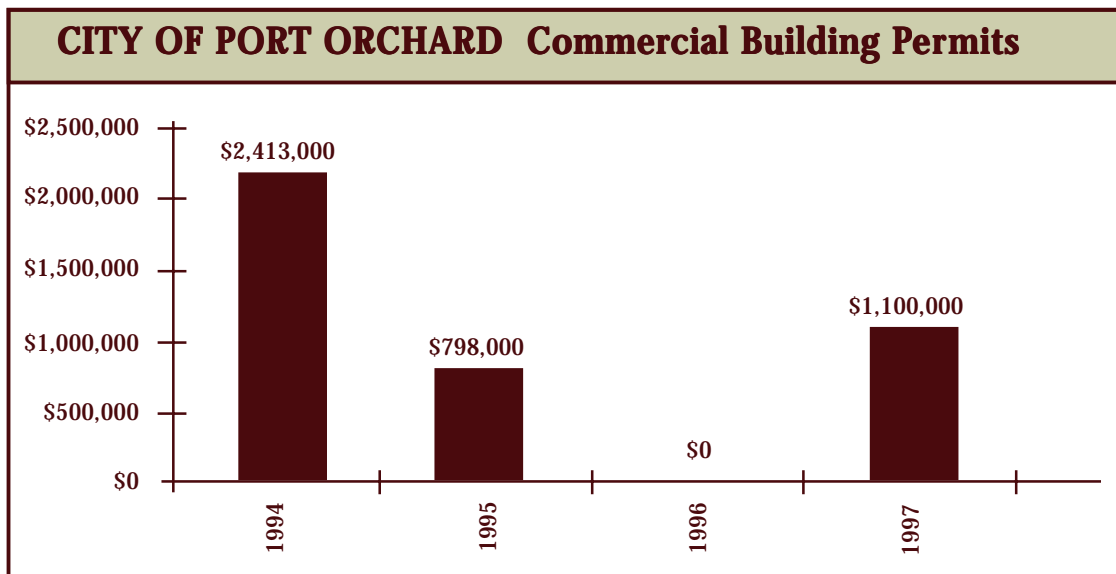
Bremerton permits way up

- Commercial permits in the City of Bremerton through August 1997 have skyrocketed to nearly \$4.9 million, the second highest level in 10 years.



Port Orchard permits also up

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



**TAXABLE
RETAIL SALES****Taxable retail sales up through the
first 9 months of '96**

- Total taxable retail sales for 1996 (*most recent available*) was up 3.84% from 1995, the largest increase coming in the 3rd quarter at 6.53%.

KITSAP COUNTY TAXABLE RETAIL SALES					
Year	Taxable Retail Sales	Percent Change	Qtr/Year	Taxable Retail Sales	Percent Change
1980	\$528,279,347	-----	1st Qtr '94	\$383,711,086	8.53%
1981	\$540,137,202	2.24%	1st Qtr '95	\$393,363,499	2.52%
1982	\$636,833,263	17.90%	1st Qtr '96	\$407,714,593	3.65%
1983	\$707,197,296	11.05%			
1984	\$759,860,882	7.45%	2nd Qtr '94	\$437,606,115	8.21%
1985	\$771,917,590	1.59%	2nd Qtr '95	\$453,926,265	3.73%
1986	\$836,295,919	8.34%	2nd Qtr '96	\$453,979,424	0.01%
1987	\$902,673,726	7.94%			
1988	\$979,921,052	8.56%	3rd Qtr '94	\$458,361,332	0.00%
1989	\$1,138,367,735	16.17%	3rd Qtr '95	\$453,926,265	-0.97%
1990	\$1,329,900,000	16.83%	3rd Qtr '96	\$483,552,508	6.53%
1991	\$1,439,071,000	8.21%			
1992	\$1,551,858,969	7.84%	4th Qtr '94	\$494,506,322	6.39%
1993	\$1,658,975,823	6.90%	4th Qtr '95	\$477,965,000	-3.35%
1994	\$1,774,168,669	6.94%	4th Qtr '96	\$490,952,409	2.72%
1995	\$1,768,303,003	-0.33%			
1996	\$1,836,198,934	3.84%			

Source: Department of Revenue

Total taxable retail sales are made up of eight separate industries, shown in the table below. As the information shows, most industries showed increases in 1996 with only two (manufacturing and wholesaling) showing slight declines. This is much different from the 1995 figures where three industries had big declines.

KITSAP COUNTY TAXABLE RETAIL SALES BY INDUSTRY						
Industry	Change 1994 to 1995			Change 1995 to 1996		
	1995	No.	%	1996	No.	%
Retail Trade	\$1,106,786,158	\$3,406,146	.031%	\$1,143,890,426	\$37,104,268	3.35%
Services	\$164,257,176	\$2,212,892	1.37%	\$173,647,067	\$9,389,891	5.72%
Contracting	\$246,779,908	(\$40,104,062)	-13.98%	\$263,670,105	\$16,890,197	6.84%
Manufacturing	\$25,474,462	\$5,128,761	25.21%	\$25,316,592	(\$157,870)	-0.62%
TCPU	\$69,712,443	\$8,620,481	14.11%	\$73,472,725	\$3,760,282	5.39%
Wholesaling	\$118,566,444	\$20,771,473	21.24%	\$117,843,005	(\$723,439)	-0.61%
FIRE	\$18,602,007	(\$2,673,746)	-12.57%	\$19,944,865	\$1,342,858	7.22%
Other	\$18,124,405	(\$3,227,611)	-15.12%	\$18,414,149	\$289,744	1.60%
TOTAL	\$1,768,303,003	(\$5,865,666)	-0.33%	\$1,836,198,934	\$67,895,931	3.84%

Source: State Department of Revenue

Economy keeps growing at a moderate pace

CONSUMER PRICE INDEX

CONSUMER PRICE INDEX

- The CPI increase in the US City Average for 1996 grew at 3.3%, the largest gain since 1991, but still considered to be under control. The figure from September 1996 to September 1997 shows a slower pace of 2.4%. The Seattle-Tacoma CPI increase for 1996 was 3.4%, similar to the rate just 2 years prior, but the First Half of 1997 compared to the First Half of 1996 was up 4.0%.

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%
<i>September 1997</i>			<i>1st Half 1997</i>		
	<i>161.0</i>	<i>2.4%</i>		<i>161.9</i>	<i>4.0%</i>

Source: U.S. Bureau of Labor Statistics

**ACCRA COST
OF LIVING
INDEX
(1st Quarter
1997)**

Kitsap second highest of seven metro areas

- The Composite Index is the weighted average of the six indexed categories. The information shows that Bremerton/Kitsap is second only to the Seattle-Bellevue-Everett area as having the highest (most expensive) COLI. Our county reported the highest utilities rates of all seven areas surveyed, and ranked second highest overall of the state-wide areas participating in the survey.

However, if the national average Cost of Living is "100", then at 107.1, the Bremerton/Kitsap area is a mere 7.1 % higher than the national average. For more detailed information on the specific items or how the information is gathered, please feel free to contact Judi Grayson at the Economic Development Council by e-mail at grayson@kitsapedc.org, or by phone at (360) 377-3318.

Metropolitan Area	Composite Index (100%)	Grocery Items (16%)	Housing (28%)	Utilities (8%)	Transportation (10%)	Health Care (5%)	Misc. (33%)
Bremerton	107.1	102.9	109.4	108.0	101.8	130.8	104.1
Bellingham	105.6	103.8	116.0	82.8	91.7	125.4	103.5
Seattle	113.5	110.5	123.4	77.1	104.8	145.6	112.0
Yakima	104.8	99.0	119.5	89.8	98.1	121.7	97.5
Tacoma	102.6	107.5	102.4	69.7	102.6	131.9	103.0
Richland	98.9	100.1	91.7	79.0	87.1	132.1	106.4
Wenatchee	104.8	103.4	113.4	51.3	100.3	135.8	106.7

by
Judy Grayson,
*Business Development
Coordinator,
Economic Development
Council of Kitsap County*

Cost of Living Index coming into its own

- Kitsap County continues to have its own cost of living index (COLI), thanks to the efforts of the Economic Development Council. COLI numbers in this issue of Trends reflect the ongoing monitoring of a number of cost of living categories. The ACCRA (American Chambers of Commerce Researchers Association) process for determining COLI is very time consuming and item specific.

The EDC Staff takes the pulse of the community on specific dates and at locations through-out the county, as dictated by the ACCRA process. That process includes gathering data during a three day time period on a quarterly basis; visiting at least five, preferably six or seven, grocery stores for prices posted in those three days. Utility companies are contacted, as well as movie theaters and clothing stores, major appliance repair centers and automobile repair businesses. Mortgage rates are secured along with apartment rental rates. In other words, researching everything from the cost of a bowling game to the cost of a tube of toothpaste.

Two areas, in particular, have required extensive investigation to determine actual costs in Kitsap County - housing and medical care.

In order to accurately compare Kitsap County with other parts of the country, it is not only necessary to find a house that matches the very specific qualifications determined by ACCRA - a home "suitable for a typical mid-management executive" - but also necessary to make sure the lot sizes are comparable with the rest of the country. The stumbling block has been that the lot sizes in Kitsap County are considerably larger than in other parts of the county. Not realizing that when the EDC first started the data gathering process, it was puzzling when county housing results were so much higher than expected. At ACCRA's suggestion, the EDC finally went to the Homebuilders Association of Kitsap County and asked *exactly* what it would cost to build a certain house using those *exact* specs! The resulting figures make more sense in an overall comparison and reflect a more accurate picture of the county.

A similar situation occurs in determining medical care costs. The medical condition targeted for comparison by ACCRA would not warrant admission to the hospital by the medical community in this area, making comparison difficult! Also, Harrison Memorial Hospital is ranked as one of the best hospitals in the nation, a qualification based partly on their extremely reasonable costs. EDC staff does not believe medical costs to be as high, comparatively, as ACCRA says they are and the relative newness of the process in Kitsap-specific data, adds to the imbalance.

The EDC is certain that the process being used with information specific to Kitsap County - will result in a cost-of-living (COLI) that illustrates accurate trends in all areas of the county.

KITSAP COUNTY COLI

BUSINESS CLIMATE