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COMMERCIAL MARKET REPORT

Kitsap County

August 2011

Prepared by the Staff at Bradley Scott, Inc.

This is our second consecutive report showing a decrease in the vacancy rate for Kitsap County. It was a small decrease, but we continue moving in the right direction. Leasing activity also appears to be increasing. No single segment of the market is leading this mini-upturn. Hopefully the next few months will show continued improvement.

For analysis purposes, Kitsap County is divided into five regions; Bainbridge Island, Poulsbo, Silverdale, Bremerton and Port Orchard. In August 2011, 277 Office buildings were surveyed in these five areas. Similar surveys have been conducted bi-annually, since 2001. The total square footage of office space surveyed in August 2011 was 3,576,835 square feet. This is 68,649 square feet less than was surveyed in September 2010. Most of the reduction is the result of an effort to update the information on building total square footage. Some of the information we received earlier was inaccurate. We also had a few buildings demolished.

The current county wide office vacancy rate is 16.32%. This is a decrease of 0.79% from the February 2011 vacancy rate of 17.11% and a decrease of 1.38% from the September 2010 vacancy rate of 17.70%. County wide office vacancy decreased from September 2010 to August 2011 by 61,356 square feet. This is the first year since 2005 that office vacancy has decreased. While we are improving, the current vacancy rate is still 9.41% higher than the 2005 vacancy rate of 6.91%.

Every area of the County showed a decrease over the last year, except Poulsbo. Poulsbo's vacancy rate increased from 12.50% in September 2010 to 13.90% in this survey. This is an increase of 1.40%. The completion of a new 30,000 square foot medical office building is a large part of the reason the vacancy rate increased in Poulsbo. The decreases over the last year in Bainbridge Island (0.86%), Bremerton (0.61%), and Port Orchard (0.32%) were all less than one percent. This is better than an increase in vacancy, but is clearly not a significant improvement. The only substantial improvement is in Silverdale. The vacancy rate decreased from 15.73% in September 2010 to 10.38% in August 2011. This is a decrease of 5.35%. Silverdale now has the lowest vacancy rate in the County. Port Orchard has the highest vacancy rate at 22.86%.

Silverdale has always been one of the strongest office areas in Kitsap County. Hopefully the improvement in Silverdale is a indicator of future improvements elsewhere in the County. With the uncertainty surrounding the politics and economics on the national level, it is almost impossible to make any projections about the future.

Kitsap County Office Vacancy Survey As of August 2011

<i>Area</i>	<i>Office Space</i>		<i>Percent Vacant</i>
	<i>Surveyed</i>	<i>Vacant</i>	
Bainbridge Island	303,670	56,039	18.45%
Bremerton	1,458,915	272,656	18.69%
Poulsbo	659,902	91,704	13.90%
Port Orchard	349,719	79,943	22.86%
Silverdale	804,629	83,483	10.38%
Kitsap County	3,576,835	583,825	16.32%

** Does not include Bremer Dept. Store. (42,740sf)*

Source: Bradley Scott, Inc.

