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COMMERCIAL MARKET REPORT

Kitsap County

February 2012

Prepared by the Staff at Bradley Scott, Inc.

This is our third consecutive report showing a decrease in the vacancy rate for Kitsap County. It was a very small decrease, but we continue moving in the right direction. Office activity appears to have slowed considerably. Both the amount of office space leased and the amount vacated are down over 50% from the September 2011 Survey. During the last six months we appear to have been in a holding pattern. Hopefully this is the point where the turnaround begins.

For analysis purposes, Kitsap County is divided into five regions; Bainbridge Island, Poulsbo, Silverdale, Bremerton and Port Orchard. In February, 2012, 272 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 February, 2012 was 3,535,115 square feet. This is 110,885 square feet less than was surveyed in February 2011. Some of this difference is the result of updating information. Much of it is properties that have been taken off the market. Usually very old buildings which have been vacant for a long time. These will probably be demolished or redeveloped when the market conditions are more favorable.

The current county wide office vacancy rate is 16.19%. This is a decrease of 0.26% from the September 2011 vacancy rate of 16.32% and a decrease of 0.92% from the February 2011 vacancy rate of 17.11%. County wide office vacancy decreased from February 2010 to February 2011 by 51,476 square feet. The decrease from September 2011 to February 2012 was only 11,562. The amount of space leased during the last six month period only exceeded the amount of space that became available by 3,928 square feet.

Again, every area of the County showed a decrease over the last year, except Poulsbo. Poulsbo's vacancy rate increased from 12.07% in February 2011 to 14.45% in February 2012. This is an increase of 2.35%. The completion of a new 30,000 square foot medical office building is part of the reason the vacancy rate increased in Poulsbo. The decrease over the last year for both Bremerton and Port Orchard was only 0.81%. Bainbridge Island (2.35%) and Silverdale (2.51%) showed the best decreases in the County. Silverdale still has the lowest vacancy rate in the County at 10.26%. Port Orchard continues to have the highest vacancy rate at 23.62%.

At this point there is nothing to indicate that the next six months will show any substantial improvement. Bremerton could experience a substantial increase in vacancy before the next survey, as two large tenants are expected to vacate their office space. With the uncertainty surrounding the politics and economics on the national and international level, it is almost impossible to make any projections about the future.

Kitsap County Office Vacancy Survey As of February 2012

<i>Area</i>	<i>Office Space</i>		<i>Percent Vacant</i>
	<i>Surveyed</i>	<i>Vacant</i>	
Bainbridge Island	303,670	55,199	18.18%
Bremerton	1,435,580	262,550	18.29%
Poulsbo	659,902	95,324	14.45%
Port Orchard	318,958	75,344	23.62%
Silverdale	817,005	83,846	10.26%
Kitsap County	3,535,115	572,263	16.19%

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

Source: Bradley Scott, Inc.

