Land Use Appendix A

4. *Winslow Tomorrow* Update of Market and Economic Findings, Property Counselors, January 2005

WINSLOW TOMORROW

UPDATE OF MARKET AND ECONOMIC FINDINGS

PROPERTY COUNSELORS

JANUARY 2005

INTRODUCTION AND SUMMARY

BACKGROUND AND PURPOSE

The City of Bainbridge Island has initiated Winslow Tomorrow to create a vision and plan for Downtown Winslow. The Community Congress is a diverse group of citizen volunteers working together toward that vision and plan. Together with their own experience and desires, the Congress will rely on factual information about economic and physical opportunities. In particular, the plan must reflect market demand for various potential uses in Winslow. Property Counselors, a real estate research consulting firm, prepared a market analysis in 1996 as part of the original Winslow Master Plan. This report provides an update to the 1996 Market and Economic Findings in order to determine how recent development has compared to the 1996 projections and whether the opportunities identified then still exist.

This report is organized in six sections:

Employment and Population

Retail Development

Office Development

Residential Development

Lodging Development

Conclusions

SUMMARY OF CONCLUSIONS

1. There has been strong population and employment growth in City of Bainbridge Island since 1996.

2. Retail development has fallen short of previous projections.

- There has been growth in capture of neighborhood scale retail purchases.

- There has been a loss in capture of regional scale purchases.

- There has been strong performance and low vacancy in the retail core, but little new development. Redevelopment is not feasible given site constraints, development regulations, development costs, and potential revenue.

3. Office development has exceeded projections. Despite current high vacancies, long-term outlook is good.

4. Multifamily development has been strong in Winslow although Winslow is short of the target of 50 percent of Island-wide population growth.

   - Most multifamily is condominium.

   - Many condominiums are cottage style.

   - There is not much apartment or moderate to high density housing.

5. Lodging development continues to be constrained by a limited employment base and year-round visitor industry.

EMPLOYMENT AND POPULATION

EMPLOYMENT

SOURCES OF DATA:

Employment is one measure of economic activity, and the underlying source of demand for certain types of land uses. Employment data by broad sectors are published at the city and county level by Puget Sound Regional Council based on State Department of Employment Security records.

Bainbridge Island Employment

	1995	2000	2001	2002	Avg. Ann. Growtl
Const/Res*	541	426	614	550	0.2%
FIRES*	1,671	1,947	2,298	2,227	4.2%
Manufacturing	388	510	522	412	0.9%
Retail	972	1,020	1,097	1,127	2.1%
WTCU*	254	243	295	332	3.9%
Education	560	684	538	493	-1.8%
Government	339	282	440	465	4.6%
Total	4,724	5,112	5,803	5,606	2.5%

Bainbridge Island as % of Kitsap County

	1995	2000	2001	2002
Const/Res*	14.2%	9.9%	12.8%	11.8%
FIRES*	9.2%	9.3%	10.9%	10.1%
Manufacturing	19.5%	23.1%	22.5%	20.4%
Retail	7.0%	6.7%	7.4%	7.6%
WTCU*	9.6%	8.4%	9.0%	9.2%
Education	9.3%	9.6%	8.0%	7.0%
Government	1.6%	1.5%	2.3%	2.3%
Total	6.9%	7.2%	8.0%	7.5%

* Constr/Res.: Construction and Resources
FIRES: Finance Insurance Real Estate Services
WCTU: Wholesale Communications Transportation Utilities

Source: Puget Sound Regional Council

FINDINGS AND CONCLUSIONS

- The fastest employment growth is in the Finance Insurance Real Estate and Services sectors.
- Bainbridge Island increased its share of County-wide employment overall, with largest increases in FIRES, Retail and Government.
- There are only six employers on Island with 100 more employees.

Manufacturing	2
Retail Trade	2
Health Care	1
Arts, Entertainment and Recreation	1

POPULATION

SOURCES OF DATA:

Population growth is the underlying determinant of demand for housing, and also strongly affects demand for retail and services uses. Population estimates are provided annually for counties and cities by the Washington State Office of Financial Management (OFM). Further, the City of Bainbridge has estimated population changes for Winslow Master Plan Study Area (MPSA) and the rest of the island. The OFM data differ somewhat from the City data, because the OFM estimates are for April 1 of each year. Finally, both PSRC and the City have prepared population projections through 2030.

TRENDS AND CONDITIONS

Kitsap County and Cities Population Growth

Population

	1990	2000	2001	2002	2003	2004
Unincorporated	138,676	159,896	160,625	161,345	162,000	164,960
Bainbridge Island	3,081 *	20,308	20,740	20,920	21,350	21,760
Bremerton	38,142	37,259	37,260	37,530	38,730	37,520
Port Orchard	4,984	7,693	7,810	7,900	7,910	8,060
Poulsbo	4,848	6,813	6,965	7,005	7,010	7,200
Total	189,731	231,969	233,400	234,700	237,000	239,500

Average Annual Growth

	1990-2000	2000-2001	2001-2002	2002-2003	2003-2004
Unincorporated	1.4%	0.5%	0.4%	0.4%	1.8%
Bainbridge Island	N/A	2.1%	0.9%	2.1%	1.9%
Bremerton	-0.2%	0.0%	0.7%	3.2%	-3.1%
Port Orchard	4.4%	1.5%	1.2%	0.1%	1.9%
Poulsbo	3.5%	2.2%	0.6%	0.1%	2.7%
Total	2.0%	0.6%	0.6%	1.0%	1.1%

* Population in 1990 was for Winslow only. Remainder of island annexed prior to 2000.
N/A Not applicable. Most population growth due to annexation.

Source: State of Washington Office of Financial Management

City of Bainbridge Island
Population Changes 1996 - 2004

Year	Winslow MPSA		Rest of Island		Total Population
	SFR	MF	SFR	MF	
1996	72	10	394		476
1997	113	30	413		556
1998	139	119	367		625
1999	169	0	472		641
2000	123	63	456		642
2001	67	20	354	17	458
2002	110	89	252	33	484
2003	134	91	381		606
To 7/2004	40	142	175		357
1996 to Mid 2004	967	564	3,264	50	4,845

Population Changes – 1996 to July 2004
people per household from 2000 OFM estimates
SFR – Single family residence, MF – multifamily
Source: City of Bainbridge Island, August 2004

Bainbridge Island Population Projections

	1990	2000	2010	2020	2030
Puget Sound Regional Council Projections					
Population	15,846	20,308	22,407	25,073	27,769
Households	6,131	7,979	9,027	10,304	11,488
Single Family Households	5,320	6,928	7,593	8,668	9,682
Population per HH	2.58	2.55	2.48	2.43	2.42
% Single Family	86.8%	86.8%	84.1%	84.1%	84.3%
City Population Projections			23,450	26,920	30,400

Source: Puget Sound Regional Council, Small Area Forecasts, 2003
City forecasts are average of linear projections and PSRC.

Findings and Conclusions

- Bainbridge Island has grown faster than Kitsap County as a whole, and its growth rate is second only to Poulsbo among Kitsap County Cities.

- The Winslow Master Plan study area has absorbed 1,531 estimated population since 1996, 31.6 percent of the City total, short of the 50 percent target.
- PSRC projects growth at 1 percent per year versus City projected growth of 1.4 percent.
- PSRC projects stabilized levels of population per household and single family share of total households.

DEMOGRAPHIC CHARACTERISTICS

SOURCES OF DATA

The characteristics of the population will affect the type and amount of demand for various land uses. The 2000 United States Census provides detail on the age distribution of the population and the income distribution of households. The age distribution will affect demand for certain types of housing. The income distribution will affect demand for retail development.

TRENDS AND CONDITIONS

Bainbridge Island, Kitsap County and Washington State
Population Age Comparison-2000

	Washington		Kitsap Co.		Bainbridge Island	
Under 5 years	394,306	6.7%	15,536	6.7%	1,036	5.1%
5 to 9 years	425,909	7.2%	17,468	7.5%	1,538	7.6%
10 to 14 years	434,836	7.4%	18,194	7.8%	1,791	8.8%
15 to1 9 years	427,968	7.3%	17,170	7.4%	1,421	7.0%
20 to 24 years	390,185	6.6%	15,047	6.5%	378	1.9%
25 to 34 years	841,130	14.3%	29,878	12.9%	1,410	6.9%
35 to 44 years	975,087	16.5%	38,877	16.8%	3,415	16.8%
45 to 54 years	845,972	14.4%	35,334	15.2%	4,426	21.8%
55 to 59 years	285,505	4.8%	11,723	5.1%	1,430	7.0%
60 to 64 years	211,075	3.6%	8,189	3.5%	868	4.3%
65 to 74 years	337,166	5.7%	12,581	5.4%	1,271	6.3%
75 to 84 years	240,897	4.1%	8,891	3.8%	940	4.6%
85 years and older	84,085	1.4%	3,081	1.3%	384	1.9%
	5,894,121	100.0%	231,969	100.0%	20,308	100.0%
Median Age	35.3		35.8		43.0	

Source: 2000 Census Demographic Profile

Bainbridge Island, Kitsap County and Washington State Household Income Comparison-1999

	Washington		Kitsap Co.		Bainbridge Island	
Less than $10,000	171,863	7.6%	5,352	6.2%	327	4.1%
$10,000 to $14,999	124,848	5.5%	4,368	5.1%	233	2.9%
$15,000 to $24,999	265,131	11.7%	9,715	11.2%	582	7.3%
$25,000 to $34,999	284,630	12.5%	10,975	12.7%	752	9.4%
$35,000 to $49,999	389,434	17.1%	15,815	18.3%	920	11.5%
$50,000 to $74,999	486,392	21.4%	19,337	22.4%	1,409	17.7%
$75,000 to $99,999	264,498	11.6%	10,780	12.5%	1,282	16.1%
$100,000 to $149,999	188,513	8.3%	6,988	8.1%	1,310	16.4%
$150,000 to $199,999	47,615	2.1%	1,499	1.7%	509	6.4%
$200,000 or more	49,337	2.2%	1,564	1.8%	645	8.1%
	2,272,261	100.0%	86,393	100.0%	7,969	100.0%
Median Household Inc	45,776		46,840		70,110	

Source: 2000 Census Demographic Profile

Findings and Conclusions

- The Bainbridge population is significantly older on average than that for the County or the State with a particularly high percentage in the 45 to 54 years interval. This interval represents highest income generating stage of life.
- The Bainbridge median household income is significantly higher than that for the County and State, with 47 percent of households at $75,000 or higher.

RETAIL DEVELOPMENT

RETAIL SALES TRENDS

SOURCES OF DATA:

The Washington State Department of Revenue publishes data on taxable retail sales by industry sector. The data include the typical retail trade sectors, as well as services, and other sectors such as construction and manufacturing. Retail trade, services, and contracting are major sources of taxable retail sales. Other sectors are largely exempt from this tax. Certain sectors of retail trade are also exempt, notably many items in the food sector.

TRENDS AND CONDITIONS:

Bainbridge Island
Taxable Retail Sales 1994 to 2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	vg. Ann. Grow
Retail Trade											
Building Materials/Harc	11,323,571	10,758,453	10,907,269	12,779,291	14,312,577	15,086,839	15,829,131	14,986,004	15,999,921	17,584,302	5.0%
General Merchandise	-	-	-	128,115	114,976	221,896	279,714	4,942,192	213,367	141,107	1.6%
Food	12,808,371	13,732,318	14,206,221	15,245,203	15,549,597	15,994,270	17,375,168	17,805,718	18,171,356	18,819,097	4.4%
Auto Dealers/Gas Statio	1,751,121	1,437,321	1,274,037	1,348,496	1,600,774	2,591,889	2,450,130	2,073,434	2,513,209	2,247,395	2.8%
Apparel/Accessories	1,449,940	1,194,831	976,365	1,068,431	1,791,729	2,019,030	2,346,528	2,406,522	2,356,596	2,590,720	6.7%
Furniture/Furnishings	4,762,981	4,702,631	4,459,993	5,782,881	5,888,279	7,303,826	5,260,983	7,144,699	7,412,943	7,811,268	5.7%
Eating/Drinking Places	9,540,512	10,340,204	10,439,640	10,924,173	10,409,426	11,363,772	13,251,263	13,755,141	13,897,386	15,504,063	5.5%
Misc. Retail	10,687,053	10,054,213	10,766,461	11,236,939	12,338,490	13,026,591	16,633,739	15,469,727	17,709,160	19,258,030	6.8%
Total Retail Trade	52,323,549	52,219,971	53,029,986	58,513,529	62,005,848	67,608,113	73,426,656	78,583,437	78,273,938	83,955,982	5.4%
Services											
Hotels/Motels	771,327	990,406	962,809	988,726	1,028,747	1,178,667	1,185,124	1,167,311	1,228,835	1,200,224	5.0%
Personal Services	1,448,452	1,506,159	1,641,759	1,629,765	1,660,479	1,883,203	1,869,860	2,118,878	2,806,718	3,290,721	9.5%
Business Services	4,959,300	4,173,292	4,879,683	5,191,123	5,327,339	6,803,090	7,366,693	8,502,968	9,125,852	7,110,741	4.1%
Computer Services	416,868	529,407	8,196	733,237	443,501	601,115	570,869	1,517,821	643,217	600,979	4.1%
Automotive Repair Serv	4,545,218	5,209,192	5,808,905	6,452,803	7,380,881	8,549,901	8,385,722	9,379,231	8,936,355	9,762,861	8.9%
Other	5,550,731	4,796,784	5,742,876	6,074,343	6,855,057	7,858,753	8,061,200	10,156,019	8,301,488	7,966,871	4.1%
Total Services	17,275,028	16,675,833	19,036,032	20,336,760	22,252,503	26,273,614	26,868,599	31,324,407	30,399,248	29,331,418	6.1%
Contracting	41,864,325	38,205,362	41,931,086	53,528,290	80,426,304	84,113,770	74,600,732	92,102,201	79,070,158	81,130,337	7.6%
Manufacturing	3,112,959	3,077,381	4,692,392	6,952,704	6,104,306	5,774,987	5,768,099	5,549,760	4,619,060	5,731,379	7.0%
Transportation/Com	5,751,233	7,475,653	6,568,072	6,755,040	5,165,133	9,197,450	10,156,158	11,053,055	16,785,556	13,520,549	10.0%
Wholesale Trade	4,145,868	4,891,170	6,564,934	6,936,614	8,317,080	9,310,768	10,037,827	8,736,276	7,570,450	8,673,583	8.5%
Finance/Insur./Real I	785,556	833,864	1,154,149	1,657,832	2,432,922	3,462,251	3,466,524	3,569,312	3,559,907	3,797,585	19.1%
Other Business	3,671,785	3,095,948	3,277,425	3,649,595	4,404,304	5,348,298	6,768,871	6,874,446	7,317,986	7,940,625	8.9%
Total	128,930,303	126,475,182	136,254,076	158,330,364	191,108,400	211,089,251	211,093,466	237,792,894	227,596,303	234,081,458	6.9%

Source: Washington State Department of Revenue

FINDINGS AND CONCLUSIONS

- There has been strong growth in retail trade and services, with average growth rates in excess of average inflation of 1.8 percent over the period.
- The lowest growth rates over the period are for general merchandise and apparel, categories typically served on a regional basis.

RETAIL LEAKAGE ANALYSIS

SOURCES OF DATA

Retail leakage is defined as the amount of local resident spending that is lost (leaks) to businesses outside the local area. Conversely, the capture rate is defined as the percentage of local spending captured by local businesses. Bainbridge Island sales for retail trade and services were translated from a taxable basis to a gross basis by applying factors derived from state-wide data (for example, approximately one-third of gross food sales are taxable). Resident spending can be estimated using the established aggregate household income for island residents times a series of factors for spending by sector per $1,000 of household income. The latter factors are derived from state-wide data. The 2003 leakage analysis results can be compared to the results for 1994 from the previous analysis.

TRENDS AND CONDITIONS

Retail Sales Analysis
Taxable Retail Sales-Net Leakage

	Bainbridge Islan 2003 Gross	Resident Spending	2003 Net Leakage	2003 Sales Capture	1994 Sales Capture	Change Capture
Retail Trade						
Building Materials/Hardwai	18,450,093	25,461,086	7,010,993	72.5%	127.6%	-55.1%
General Merchandise	207,498	65,652,552	65,445,054	0.3%	0.0%	0.3%
Food	65,030,721	68,811,099	3,780,378	94.5%	83.3%	11.2%
Auto Dealers/Gas Stations	3,284,512	94,773,766	91,489,254	3.5%	6.2%	-2.8%
Apparel/Accessories	3,995,903	20,709,871	16,713,968	19.3%	21.3%	-2.0%
Furniture/Furnishings	9,162,697	28,037,441	18,874,744	32.7%	42.4%	-9.7%
Eating/Drinking Places	16,134,041	39,760,606	23,626,565	40.6%	52.2%	-11.6%
Misc. Retail	40,492,735	78,839,891	38,347,156	51.4%	53.1%	-1.8%
Total Retail Trade	156,758,201	422,046,312	265,288,111	37.1%	44.5%	-7.4%
Services						
Hotels/Motels	1,249,090	8,831,937	7,582,847	14.1%	17.9%	-3.8%
Personal Services	3,644,006	4,035,430	391,424	90.3%	70.7%	19.6%
Business Services	10,727,683	26,193,527	15,465,844	41.0%	35.2%	5.8%
Automotive Repair Services	10,441,359	15,796,790	5,355,431	66.1%	64.0%	2.1%
Other	11,425,354	21,028,592	9,603,238	54.3%	59.3%	-5.0%
Total Services	37,487,492	75,886,276	38,398,784	49.4%	46.6%	2.8%

Source: Property Counselors

FINDINGS AND CONCLUSIONS

- City businesses increased their capture of estimated Island resident spending for food, personal service, business service, and automotive repair.

- City businesses had lower capture rates in 2003 for other sectors, with the biggest declines in building materials, eating/drinking and furniture/furnishings.

RETAIL VACANCY, ABSORPTION AND SALES PERFORMANCE

SOURCES OF DATA:

Retail vacancy, absorption and sales performance are measures of the real estate market response to the potential retail spending by island residents. Data on retail vacancies for submarkets in Kitsap County are available from semi-annual surveys conducted by Bradley-Scott, a local real estate brokerage firm. The change in occupied square feet is defined as absorption. Sales performance is defined as sales per square foot of floor area. Taxable sales figures were compiled for each of the seven Winslow subareas by the City finance department. The retail trade sector and the service sector with Standard Industrial Classification beginning with 7 (generally including personal services, business services, an repair services) reflect the businesses requiring retail-type space.

TRENDS AND CONDITIONS

Retail Market Vacancy and Absorption

	1996			2004			Absorption			
	Surveyed	Vacant	% Vacant	Surveyed	Vacant	% Vacant	Occpd 1996	Occpd 2004	Change	Ann. Chng
Bainbridge Island	121,795	1,939	1.6%	174,125	500	0.3%	119,856	173,625	53,769	7,090
Downtown Bremerton	143,044	78,449	54.8%	197,665	44,084	22.3%	64,595	153,581	88,986	11,734
East Bremerton	1,043,557	81,701	7.8%	1,434,634	193,768	13.5%	961,856	1,240,866	279,010	36,793
West Bremerton	127,398	5,995	4.7%	387,190	4,300	1.1%	121,403	382,890	261,487	34,482
Poulsbo	230,929	8,729	3.8%	310,263	34,765	11.2%	222,200	275,498	53,298	7,028
Port Orchard	868,448	48,594	5.6%	1,254,036	74,274	5.9%	819,854	1,179,762	359,908	47,461
Silverdale	1,380,316	141,801	10.3%	2,455,032	87,761	3.6%	1,238,515	2,367,271	1,128,756	148,848
Total	3,915,487	367,208	9.4%	6,212,945	439,452	7.1%	3,548,279	5,773,493	2,225,214	293,436

Source: Bradley Scott Inc.
Property Counselors

Bainbridge Island Sales Performance Comparison
Retail and Selected Services*

	Taxable Sales	Sq. Ft.	Sales / Sq. Ft.
Gateway	2,168,849	3,823	567.32
Ericksen	688,388	12,416	55.44
Core	27,824,393	128,356	216.78
Harborside	4,054,560	28,385	142.84
Lovell		-	
Madison	3,992,006	30,408	131.28
High School Road	29,027,309	112,945	257.00
	67,755,504	316,333	214.19

*Selected services are those with Standard Industrial Classification (SIC) beginning in 7. Includes personal, business, and repair services.

Source: City of Bainbridge Island sales tax Summaries, Kitsap County Assessor area estimates.
Property Counselors

FINDINGS AND CONCLUSIONS

- Bainbridge Island has very low retail vacancy at 0.3 percent in 2004. Absorption is lower as percent of County total, than its share of survey space in 1996.

- Winslow businesses have strong sales performance numbers, particularly Core and High School Road. ($200 gross sales per square foot is a typical rate for a healthy retail business).

RECENT RETAIL DEVELOPMENT

SOURCES OF DATA:

The amount and type of new development are the most tangible measures of development activity in Winslow. This information addresses the issue of how the goals of increased density in Winslow are being achieved. The amount of new retail space was taken from City building permit data. The rent and vacancy data are provided by local real estate brokers.

TRENDS AND CONDITIONS

Winslow Retail Development Since 1996

Name	Address	Year Built	Square Feet
Pavilion	403 Madison N.	1998	17,273 Cinema 13,000 Retail*
A & B	1050 Hildebrand	1996	8,470
Arco	406 High School Rd.	1999	2,785
Madison Square	937 Hildebrand	2000	4,575*
Madison Square	921 Hildebrand	2004	5,205*
Miller Commercial	271 S. Madison	2002	7,765
The Winslow	400 Winslow Way	2004	6,700*
Total			65,775

* Retail Portion only. Excludes Office Floors
Source: City Building Permit Data
King County Assessor

Selected Retail Buildings – Rental Rates and Vacancies

	Address	Total SF	Available SF	Asking Rent *
The Winslow (Retail)	400 Winslow Way	6,700	1,179	$20.00 NNN
Madison Square	921 Hildebrand	5,205	5,205	$20.000 NNN
Madison Square	937 Hildebrand	4,575	930	$22.50 NNN

* NNN – Tenant pays expenses
Source: Windermere Commercial

FINDINGS AND CONCLUSIONS:

- Most development has occurred outside Core.
- The Winslow is the only development in the Core despite nominal vacancy and high rents.

- High cost of redevelopment has deterred new retail. (Additional explanation of this point is provided in the following paragraphs.

ECONOMICS OF REDEVELOPMENT

Any new development in an established area such as the Core will require redevelopment of existing improved sites. The economics of redevelopment create special challenges for feasibility. In the most general sense, a redevelopment project must generate sufficient income beyond the income from the existing improvements to support the full cost of the new improvements. For example, if an existing building generates $10 per square foot in rents, and a new building of the same size on the site could generate $20 per square foot; investment in a new building will only generate $10 in additional new income (the difference between the new and existing income streams). Redevelopment generally makes sense only if the existing improvements don't provide full utilization of the property in physical terms, if the current income stream is relatively low, or if the amount of new development greatly exceeds the existing amount.

The first requirement for successful redevelopment is high market rents for new space. The prevailing rents for new space in Winslow are generally high enough to allow for successful redevelopment.

The second requirement is for allowable development well in excess of existing levels. The amount of development can be expressed in terms of Floor Area Ratio (FAR). With a floor area ratio of 2.0, a developer could build 20,000 square feet of building on a 10,000 square foot lot. New development in neighborhood business zones in Seattle exhibited FARs of 1.1 to 2.45 according to an analysis of recent projects by the City of Seattle. Such a range is reflective of the allowable development necessary in the Winslow Core as well.

The third requirement is that any new development meet market-based as well as code-based parking requirements. As the bulk of a building increases, its requirement for parking increases as well, and the amount of land available for surface parking decreases. The typical solution to this requirement is structured parking, either underground, under building at ground level, or above street level. The cost of structured parking is 5 to 10 times that of surface parking construction, so rent levels have to be high enough to support the cost. Further, the characteristics of the site in terms of size, shape, and topography must be suitable for efficient access and layout of parking stalls. If an existing parcel is small or has difficult access or topography, it may be impossible to provide structured parking in support of a larger building. In such cases, there are two potential approaches to solving the challenge:

- If adjacent property owners are willing, a larger parcel can be assembled from several smaller parcels.

- If a near-by site is available, an off-site parking structure could be developed to meet the needs of several property owners interested in redevelopment.

All of these challenges, requirements, and opportunities exist and will shape future development in the Winslow area.

OFFICE DEVELOPMENT

OFFICE VACANCY AND ABSORPTION

SOURCES OF DATA:

Office vacancy and absorption are measures of the real estate market response to the potential service sector spending by island residents and employment growth. Data in office vacancies for submarkets in Kitsap County are available from semi-annual surveys conducted by Bradley-Scott, a local real estate brokerage firm. The change in occupied square feet is defined as absorption.

TRENDS AND CONDITIONS:

Office Market Vacancy and Absorption

		1996			2004		Absorption			
	Surveyed	Vacant	% Vacant	Surveyed	Vacant	% Vacant	Occpd 1996	Occpd 2004	Change	Ann. Chng
Bainbridge Island	118,440	4,718	4.0%	237,310	27,068	11.4%	113,722	210,242	96,520	12,728
Downtown Bremerton	364,580	29,296	8.0%	452,589	51,622	11.4%	335,284	400,967	65,683	8,662
East Bremerton	213,720	29,264	13.7%	369,698	47,374	12.8%	184,456	322,324	137,868	18,180
West Bremerton	199,609	6,908	3.5%	244,732	5,136	2.1%	192,701	239,596	46,895	6,184
Poulsbo	364,827	18,442	5.1%	528,556	22,631	4.3%	346,385	505,925	159,540	21,038
Port Orchard	92,456	10,810	11.7%	188,237	17,013	9.0%	81,646	171,224	89,578	11,813
Silverdale	262,831	20,345	7.7%	574,524	32,449	5.6%	242,486	542,075	299,589	39,506
Total	1,616,463	119,783	7.4%	2,595,646	203,293	7.8%	1,496,680	2,392,353	895,673	118,111

Source: Bradley Scott Inc.
Property Counselors

FINDINGS AND CONCLUSIONS:

- Current office vacancies are high as a result of recent construction, and loss of major tenants.
- However, actual absorption has exceeded previous projections of 10,000 square feet per year for Bainbridge Island.

RECENT OFFICE DEVELOPMENT

SOURCES OF DATA:

The amount and type of new development are the most tangible measures of development activity in Winslow. This information addresses the issue of how the goals of increased density in Winslow are being achieved. The amount of new retail space was taken from City building permit data. The rent and vacancy data are provided by local real estate brokers.

TRENDS AND CONDITIONS

Winslow Office Development – 1996 - 2004

Name	Address	Year Built	Square Feet
Pavilion	403 Madison N.	1998	15,000
Deschamps	10048 High School Rd.	1998	4,616
Washington Mutual	231 Winslow Way	1998	3,416
Seaboard	425 Ericksen	2001	7,653
Madison Square	945 Hildebrand	2000	22,330
Madison Square	921 Hildebrand	2004	5,205
Madison Square	1081 Hildebrand	1999	9,400
The Winslow	400 Winslow Way	2004	10,500
Total			78,120

* Office Portion Only. Retail Floors not Included.
Source: City Building Permit Data
King County Assessor

Selected Office Buildings – Rental Rates and Vacancies

	Address	Total SF	Available SF	Asking Rent *
Office				
The Winslow (Office)	400 Winslow Way	10,500	2,602	$18.00 NNN
Madison Square	921 Hildebrand	5,205	5,205	$18.000 NNN
Madison Square	1081 Hildebrand	9,400	1,477	$18.00 NNN
Parfitt Building	175 Parfitt	17,252	830	$18.00 NNN

* NNN – Tenant pays expenses
Source: Windermere Commercial

FINDINGS AND CONCLUSIONS:

- Most new office built outside the core.
- Asking rents in all newer buildings are the same at $18.00 square foot.

RESIDENTIAL DEVELOPMENT

RESIDENTIAL PERMIT ACTIVITY

SOURCES OF DATA

Residential building permit activity provides a measure of the pace of development over time. The City prepared an analysis of the number of dwelling units permitted by year, by type, and according to location within or outside the Winslow Master Plan Study area. The analysis was intended to address the question of whether the City is achieving its goal of capturing 50 percent of population growth in Winslow.

TRENDS AD CONDITIONS

City of Bainbridge Island
Permitted Dwellings 1996 – July 2004

Year	Winslow MPSA		Rest of Island		Total Dwelling Units
	SFR	MF	SFR	MF	
1996	27	6	147		180
1997	42	18	154		214
1998	52	72	137		261
1999	63	0	176		239
2000	46	38	170		254
2001	25	12	132	10	179

Year	Winslow MPSA		Rest of Island		Total Dwelling Units
	SFR	MF	SFR	MF	
2002	41	53	95	20	209
2003	50	55	144	0	249
7/2004	15	86	66	0	167
1996 to mid 2004	361	340	1,221	30	1,952

Source: City of Bainbridge Island, August 2004

FINDINGS AND CONCLUSIONS

- 81 percent of permitted dwelling units in the City between 1996 and July 2004 were single family units.
- 36 percent of permitted dwelling units in the City were in the Winslow Master Plan Study Area.
- 51.5 percent of permitted dwelling units in the Winslow area were single family.

RECENT RESIDENTIAL DEVELOPMENT

SOURCES OF DATA

The amount and type of new development are the most tangible measures of development activity in Winslow. This information addresses the issue of how the goals of increased density in Winslow are being achieved. The amount of new residential development was taken from City building permit data. The rent and vacancy data are provided by local real estate brokers.

TRENDS AND CONDITIONS

New Multifamily Development in Winslow

Year	Units	Area	Name
1996	3	Ericksen	130 – 134 Knectel
	4	Madison	Grow Village
1997	6	Madison	Grow Village
	12	Ericksen	Village Home
1998	5	Madison	Madrona Lane
	22	Madison	Winslow Mews
	45	Madison	Wyatt House
2000	4	Harborside	MMC Properties, Parfitt Way
	30	Madison	Courtyards on Madison
	4	Harborside	Fletcher Landing, Shannon Drive
	19	Erickson	The Meridian
2001	18	Madison	Sakai Village (47 Total Approved)
2002	11	Ericksen	Erickson Cottages
	37	Madison	Island Apartments
	9	Core	The Winslow
2003	16	Core	Woods Avenue Townhouse
	18	High School Rd.	Stonecress (45 Total Approved)
	2	Madison	Rosebud Building (6 Total Approved)
	9		Janet West House

Source: City of Bainbridge Island, Winslow Population Growth Review, September 16, 2003

FINDINGS AND CONCLUSIONS

- Only one recent project is rental (Island Apartments opened as Camelia Apartments). The remainder are condominiums.
- Many of the condominiums are cottage-style housing.

CONDOMINIUM SALES

SOURCES OF DATA

A summary of condominium sales activity identifies trends in number of sales, prices, unit size, and average year built. The Kitsap County Assessor keeps records of all condominium sales. These data differ from sales data from the Multiple Listing Service, which includes only those dales that went through the service. The average year built does not reflect the impact of major building renovations and conversions. The characteristics of selected newer projects were also derived from Assessor data.

TRENDS AND CONDITIONS

Bainbridge Island Condominium Sales Summary

	1999	2000	2001	2002	2003	2004	Total
Number of Sales	11	43	85	68	64	66	337
Average Sale Price	$287,864	$216,667	$249,001	$244,953	$295,326	$265,000	$257,258
Average Unit Size	1,529	1,395	1,361	1,414	1,534	1,273	1,397
Average Year Built	1990	1985	1989	1988	1985	1984	1987

Source: Kitsap County Assessor, 5 Year Sales Report

Characteristics of Newer Selected Winslow Condominiums

Project	Location	Year Built	Number Built	Unit Size (Sq.Ft.)	Sale Price
The Winslow	400 Winslow Way	2004	9	1,292	$378,100
Stonecress	High School Rd. & Ferncliff	2003	18	1,254 – 1,637	$221,000 - $279,000
Erickson Cottages	329 Erickson	2003	11	1,043 – 1,089	$319,000 - $365,000
Sakai Village	Sakai Village Loop	2002	18	1,450 – 2,071	$285,000 - $365,000
Courtyards on Madison	737 Madison	2001	30	868 – 1,651	$160,000 - $345,000
Winslow Shores	265 Shannon Drive	2001	4	1,651 – 2,472	$325,000 - $675,000
Madison Commons	284 Madrona	2000	3	1,954, - 1,955	$273,000 - $319,000
Harborside II & III	329 Parfitt	1998	12	1,552 – 2,006	$359,000 – $665,000
Winslow Mews	300 Wyatt	1998	22	1,362 – 1,811	$248,000 - $310,000
Grow Village	208 Grow	1997	9	997 – 1,165	$173,000 - $240,000
Moorings at Wharfside	207 Parfitt	2001	3	825 – 1,700	$215,000 - $535,000
Summer House	183 Wallace Way	1997		1,485	$245,000 - $297,000

Source: Kitsap County Assessor
Property Counselors

FINDINGS AND CONCLUSIONS

- Condominiums are still affordable in comparison to single family detached housing on Bainbridge Island. (The average condominium price in 2003 was $295,000 versus $479,000 for all unit sales according to the Multiple Listing Service).
- In spite of the recent condominium construction activity, older units represent a significant portion of sales activity as reflected in the average year built.
- The most expensive units sold were in Harborside Building, Winslow Shores, Moorings at Wharfside, all near the water.
- There has been one recorded sale at the Winslow at $378,000.
- Cottage style housing is selling for $300,000 to $350,000. The average unit size varies among projects.

APARTMENT VACANCIES AND RENTS

SOURCES OF DATA

Multifamily housing for rent is a housing option for households that may not have the funds for a down payment on a purchased home, may require housing for a limited time periods, or choose rental housing for other reasons. Rent and vacancy are measures of the real estate market response to this segment of housing demand. The City conducted a survey of apartments in November 2002. Rental data for selected apartments is available from local property managers.

TRENDS AND CONDITIONS

Apartment Vacancy Survey – November 2002

	Units Surveyed	Units Vacant	Monthly Rents
Studios	9		$850
1 Bedroom	95		$500 - $950
2 Bedroom	201		$550 - $1,350
3 Bedroom	12		$550 - $1,700
Total	317	43	

Source: City Phone Survey November 2002

Selected Apartments – Rents

	Address	Rents	Sq. Ft.
Island Homestead	541 Homestead	$995 - $1,200	1,130 – 1,150
Camelia	Island Place	$750 - $1,000	830 – 1,125
Eagle Nest	920 Madison Ave.	$675 - $775	

Source: Property Counselors

FINDINGS AND CONCLUSIONS

- 2002 survey indicated 13.6 percent vacancy. 28 of the vacant units were in new Lynwood Commons building. The adjusted rate, excluding that building, was 5.2 percent, a typical stabilized rate.
- Current apartment rents not high enough to support mixed use buildings with underground parking.

LODGING ACTIVITY TRENDS

SOURCES OF DATA

Lodging tax revenue provides a consistent measure of total lodging room revenue over any selected period. The City receives 2 percent of the State of Washington's 6.5 percent retail sales tax on the lodging sector. The average annual growth rate in tax revenues is equal to the average annual growth rates in room revenue.

TRENDS AND CONDITIONS

Kitsap County Lodging Tax Collection Trends
State Shared 2% Portion

	1997	1998	1999	2000	2001	2002	2003	Avg Ann Grow 1997-2003
Kitsap County (uninco	86,057	94,873	91,467	89,765	95,860	102,504	100,241	2.6%
Bainbridge Island	15,814	17,044	12,700	20,765	20,050	19,420	23,432	6.8%
Bremerton	97,688	102,043	102,841	95,911	101,181	126,950	96,019	-0.3%
Port Orchard	2,830	12,807	17,902	22,968	29,635	37,764	37,883	54.1%
Poulsbo	31,534	26,931	22,383	34,149	41,280	42,867	51,568	8.5%
Total	235,920	255,696	249,292	265,558	290,007	331,507	311,146	4.7%

Source: Washington State Department of Revenue

FINDINGS AND CONCLUSIONS

- Bainbridge has shown consistent growth in hotel room revenues.
- Bainbridge Island lodging tax revenue is low in comparison to other cities in the County.

WINSLOW INNS AND BED AND BREAKFASTS

SOURCES OF DATA

Inns and Bed and Breakfasts are a specialty segment of the lodging market. All of the lodging on the island falls into this segment. Information on selected properties was derived from the Bainbridge Island Lodging Association

TRENDS AND CONDITIONS

Winslow Inns and Bed and Breakfasts

	Guest Rooms	Rental Rate /Day
Bainbridge House	4	$150
Captain's House	2	60 – 90
Courtyard Townhome	1	2,500 – 3,300/month
Eagle Harbor Inn	6	149 – 259
Island Country Inn and Suites	45	99 – 169
Janelle Place	1	85 – 95
The Studio	1	115 – 150

FINDINGS AND CONCLUSIONS

- Bainbridge Lodging Association identities 31 lodging establishments on Bainbridge Island.
- Only 15 reported revenue in 2003.
- There are seven establishments in Winslow.
- Island Country Inn is only facility with significant number of rooms.
- Eagle Harbor Inn is the newest facility, on South Madison.

CONCLUSIONS

1. There has been strong population and employment growth in City of Bainbridge Island since 1996.

2. Retail development has fallen short of previous projections.

   - There has been growth in capture of neighborhood scale retail purchases.

   - There has been a loss in capture of regional scale purchases.

   - There has been strong performance and low vacancy in the retail core, but little new development. Redevelopment is not feasible given site constraints, development regulations, development costs, and potential revenue.

3. Office development has exceeded projections. Despite current high vacancies, long-term outlook is good.

4. Multifamily development has been strong in Winslow although Winslow is short of the target of 50 percent of Island-wide population growth.

   - Most multifamily is condominium.

   - Many condominiums are cottage style.

   - There is not much apartment or moderate to high density housing.

5. Lodging development continues to be constrained by a limited employment base and year-round visitor industry.