

LETTER FROM THE PRESIDENT

March 2022

Summer House Owners:

The onset of spring is once again the setting for an energetic pace of improvements, construction activity and positive forward momentum for the Summer House community of owners and residents. Of course, there are challenges, too. Here's a short summary.

Market Update

Supply and demand for sales and rentals remains imbalanced, with demand exceeding supply by a large margin. Economic turmoil at the national level has created uncertain conditions in so many asset and debt markets, including real estate, that future conditions are nearly impossible to assess. However, local market pricing appears to be stable to increasing, albeit with little supply.

Audit Update

We have received our 2021 Audit as required by statute. Audit results confirm that our management team, as always, is doing an outstanding job with our finances. There are no issues to report to the membership. Of course, the Audit is available, in full, on the website.

Construction Update

->Major Construction: Phase Three of our ongoing HardieBoard siding project is underway in the form of work on the last building visible from A1A. Improvements are also scheduled for the pool area around the Golfside clubhouse. As everyone knows, construction material and labor costs have skyrocketed. Although undetectable at this point in our overall project, those cost increases will eventually slow our construction pace. Stay tuned as we monitor the progress of Phase Three and the price action in the construction markets.

->Minor Construction: Our maintenance staff, small and quiet, continues to perform magic, completing projects in-house at a fraction of the cost most communities have to pay to outside vendors to complete work. Lately, our crew has built new sidewalks and repaired others, replaced whole building main water delivery shutoff valves, all while maintaining a constant flow of minor work order completion. Larger Beachside panel replacement projects, accomplished by vendor specialists, continue to be addressed as they are identified.

Reminders

-> Respectful Dog Ownership: We have an impressive array of happy, furry residents. Please make sure to keep the grounds an easy travel zone, poop-free, for our 2-legged and 4-legged friends. And please be aware of the county leash law and our own rules.

-> ARC Requests: We receive numerous ARC Requests and try to respond quickly and thoughtfully. The board encourages owner-inspired improvements which, we believe, promote value in the long term for all owners. Recently, we have seen a high volume of window replacement requests, a property update which is especially wise because

today's high performance windows deter water intrusion and reduce power costs. If you haven't considered replacing your windows, you might ask your neighbors about their experience with window replacement. It's money well spent.

-> Trash outside the door, left even for a few minutes, invites vermin into our buildings. Please just don't do it. It's the #1 reason for fines.

-> Pool Areas: Two new grills have been purchased for the Beachside pool. When construction is finished around the Golfside pool area, two new grills will appear there, too. Enjoy them responsibly; please turn off the gas and clean before leaving.

-> Fire/Rescue Access: Please do not obstruct the entrance to your front door with excessive furniture, plants or other objects. Standing rain water in or under objects causes all sorts of problems but, more importantly, think about the process of getting fire and rescue equipment into your condo - it's needed more often than you think. Having a clear pathway is a longstanding Summer House rule and a longstanding part of the fire code. And it's for your own benefit.

The Insurance Conundrum in Florida

Many owners are aware that property insurance costs and coverage reductions in Florida have reached a critical level. Costs are rising at a pace that is astonishing and unpredictable. Meanwhile, the Florida legislature has focused on various types of state intervention to diminish the financial effects of market increases, but to little effect on real world pricing. Summer House is not immune. We are currently conducting an appraisal of our property to ensure adequate coverage amounts. Insurance and real estate industry experts have advised us to expect a significantly higher appraisal value for our property, which was last appraised in 2019 for \$50+ million. Currently, we spend about \$220,000 on insurance. Of course, we need to insure the true value of our property, and this reappraisal alone will raise our costs. Moreover, there is the spiraling increase in coverage costs above the reappraisal increase. We are being told by our industry experts that underwriters are demanding and receiving price increases in the range of 25-30% on commercial properties similar to ours, often accompanied by coverage limitations and increased hurricane deductibles. Combined with the price effects of reappraisal, our property and casualty insurance coverages will likely increase dramatically with our upcoming May 15 renewal. The situation with insurance coverage in Florida is presenting an unplanned financial complication for every condo complex in our state. Please trust that the board will shop our coverages extremely aggressively but, in any case, the situation is very likely to cause us financial and operational problems going forward. It's a serious matter compounded by the fact that underwriters are not informing broker representatives of their price/coverage bids until just before renewal, diminishing the decision time-window. Of course, we'll keep you posted about the most serious disruption to our finances in years. We have met challenges before.

Thanks for your trust and support.

Joe Gill
President