

LETTER FROM THE PRESIDENT

Year in Review 2022

Summer House Owners:

2022 delivered an inflationary economic shock to each of us in our everyday lives. An afternoon stroll through the grocery store or a quick gas tank refill has become a disquieting adventure. Even though Summer House doesn't purchase the same mix of goods and services that each of us needs in our personal lives, our association has nonetheless been subjected to an assortment of escalating prices and deteriorating supply conditions. Let's take a final look at 2022 as we begin to plan 2023.

Inescapable Inflation

In earlier President's Letters this year, I detailed the insurance conundrum facing every condo association in Florida and touched on some of the increased legal obligations and costs the Florida state legislature has imposed as a result of the Surfside collapse. At the end of 2021, I discussed the difficulties we and other associations are facing with respect to landscaping vendors and local labor market conditions. I'm sorry to report that none of these circumstances has improved. In fact, Hurricane Ian, though we were thankfully spared from any meaningful physical damage, has nevertheless painfully damaged the insurance market in Florida. Although we know the storm's incredible destruction will re-price our insurance coverages, we must make budget projections now, when the financial effect is still unquantified. The harsh reality is that we are going to be forced to guess at the future pricing of our largest and most important expenditure in a volatile and deteriorating market environment. You can trust that we'll base our projections on the best expert opinions available. But we all see the future only dimly.

Already, many condo associations have special assessed their memberships to pay for unbudgeted insurance costs. We have not had to do that for two reasons. First, we had truly superior advice at budget time last year and prepared for increases. Secondly, when the board instructed the staff to operate as leanly as possible to avoid a special assessment, they had the experience and flexibility to do so. Against this backdrop, the staff performed with excellence. Their experience and teamwork was obvious to the board. It was a big ask. The staff responded.

Ways You Can Help Us Save Money

- > Check your toilets and faucets for leaks. Many leaks are quick and cheap to repair. We'll spend about \$300,000 on water alone next year. Long term leaks are expensive.
- > When you throw your household trash in the compactor, hit the button or turn the key to run the compactor so that we don't have to pay staff overtime to clean up those areas. And please, please don't leave bulk items in or around the compactors.

Landscaping Changes

In 2022, the new landscaping contractor that so enthusiastically began in fall 2021 failed to meet its contractual obligations and, in September of this year, the board terminated its second contract in just a year. While the board understands the unique operating difficulties for all landscaping providers in this environment, we cannot tolerate a consistent disregard for

contract terms and basic services. It was a struggle to even obtain quotes from landscaping companies since all of these companies compete for the same limited labor pool, but the board has signed a new contract with Brightview Landscape Services, Inc. We believe that Brightview has the resources to service our property and the board will be committing additional funds to the landscaping function in our next budget, including a \$50,000 mulch program. Fingers crossed with this vendor.

Capital Projects

The war on our legacy deferred maintenance on the Golfside has been slowed down by the usual suspects in our new economy - unmet material delivery schedules by suppliers and the unavailability of construction labor locally. It's disappointing to those of us who have worked for years to erase deficit conditions on our building envelopes, and it's disappointing that the Golfside pool was closed for the summer even though the Beachside pool amenity remained open. But we continue to look ahead and soon, Building 14 construction will be underway.

Interior Improvements

2022 brought an avalanche of Architectural Review Requests from owners improving their property. Kitchen renovations, bathroom renovations and window replacements were common. The board strongly encourages these investments. Each time an owner boosts the desirability of their condo, we all make an incremental gain in value because, over time, Summer House has become known as a property with a great value proposition. Price is what you pay, but value is what you get.

The Real Estate Market

And speaking of the Summer House value proposition, the market has rewarded all owners with sales and rental price outperformance. The last couple of years represents a giant leap forward for Ponte Vedra Beach in general and Summer House in particular. As the general real estate market moderates as a result of rising interest rates, Summer House remains well positioned as a stable and reasonably priced community, and we continue to see favorable sales and rental activity and price levels.

The View Ahead

The board is focused on the long horizon capital cycle while the staff manages the myriad of moving parts involved in daily operations. While imperfect, the board and staff understand that both planning and operations must remain crisp. We are all focused *as a team* on doing just that. Ponte Vedra Beach is undergoing a transformation that is unlike anything ever seen in this area. We're a Boom Town. We're one of the most desirable places in the United States to live and work. Our economy and our property both present some challenges, but we are well underway in our effort to meet those challenges. The wind is truly at our back.

Thanks for your trust and support.

Joe Gill
President