Condo Insights

#78 Condos (and condo owners) are good for Cape May County

There are hundreds of condominium buildings and associations throughout Cape May County. Condo-style, vacation-oriented ownership is heavily concentrated along the shore. Condominiums have numerous benefits for resort areas, acting as a key driver of local tourism, economic development, and increased tax revenues.

In recent years, Cape May County communities have realized high demand for second home condominium investments and significantly increased property values. Condominium owners contribute significant property taxes to the local municipality, increasing the local tax base but don't have the right to vote if it is not their primary residence. Condominiums generate significant local and state tax revenue via rental occupancy taxes, sales taxes, mercantile fees and high-value property taxes, often acting as "tax donors" to surrounding areas to fund public infrastructure. Many condos are used as vacation homes rather than primary residences, meaning condo owners pay school taxes but their children (if they have any) attend school elsewhere. The property and school taxes paid by condo owners significantly reduce the tax burden on permanent local residents.

Guests staying in condos pay local lodging, occupancy, and tourist taxes, increasing the tax base beyond just property taxes. Short-term rental condos in beach resort areas benefit full-time residents by boosting the local economy, generating tax revenue for public services and supporting local businesses. Increased tourism from condo rentals drives spending on local restaurants, shops, and services, creating additional sales tax revenue. Coastal communities with high concentrations of condos pay more in taxes than they consume in services, benefiting the broader economy.

Condos are a boost to local tourism because they increase the available inventory for travelers looking for local accommodations. By building vertically, condominiums allow more residents to enjoy oceanfront views and immediate beach access, enhancing the theory that advocates for the health benefits of coastal living.

Condos benefit business owners in resort areas by driving consistent, high-volume tourist traffic, resulting in increased local spending. They provide a stable customer base during peak seasons, supporting restaurants, retail, and services. Condos increase the density of visitors, leading to higher, consistent demand for local restaurants, cafes, and shops.

Condo associations and accompanying short term condo rentals support thousands of local jobs in property management, housekeeping and maintenance. Condo buildings have essential equipment such as elevators, fire safety systems, HVAC and other mechanical equipment that require regular periodic maintenance and inspection, supporting skilled workers year-round. Condo buildings require staff to clean, operate and maintain the common areas and amenities. Short term condo rentals require cleaning between guests.

However, while these benefits exist, they are often balanced against challenges. An increase in condos frequently causes heightened noise, parking shortages, and rising housing costs for year-round residents. Rising demand from second-home buyers and short-term rentals push up home prices, making long-term housing scarce and driving up rent for local residents. High-density condo developments often exceed available parking capacity, leading to unauthorized parking and disputes. Increased density, combined with high turnover from tourist rentals, can on occasion transform quiet residential areas into noisy, bustling areas, creating conflict. Seasonal tourists place heavy strain on roads and local infrastructure, requiring municipalities to invest in mitigation strategies.

In the Wildwoods, aging hotels and motels that haven't been converted into condos have been demolished and replaced with condominium buildings. Condos provide vacationers with home-like comforts such as full kitchens, separate living and sleeping spaces and washers & dryers making them an attractive option to hotels for long stays. Many condominiums in Cape May County offer amenities like swimming pools, tennis courts, fitness centers and off-street parking. Some condominium buildings offer 24-hour security staff, CCTV surveillance, and gated or secure entrances for those that prioritize safety and security.

Condos in seashore resort areas provide significant benefits by increasing housing density in high-demand areas, offering lower-maintenance and more affordable beachfront ownership than single-family homes. Condos generally have a lower purchase price compared to single-family vacation homes, and condo insurance is often cheaper than homeowners' insurance as the policy only needs to cover the inside of the condo, not the building itself.

If you own a condo, you are already aware condos typically have lower maintenance demands overall, as HOA fees handle exterior and common area upkeep. However, condominium ownership also includes challenges. The cost of condo ownership has increased significantly in recent years as a result of the reserve funding requirements in the Structural Integrity Act, a hard insurance market, and the impact of hikes in minimum wage on service workers in New Jersey.

Condo fees increase over time, and condo owners face the possibility of significant special assessments for major repairs, which can make them a higher cost of ownership compared to single family homes. Condo associations often impose strict rules, such as a mandatory minimum length of stay for rentals. This can restrict the ability of condo owners to rent out units as short term vacation rentals. Condo owners have less control over their outside areas. There are potential seasonal income fluctuations, the time commitment required to handle ownership responsibilities and quite often, the need for professional management to ensure success.

For resort areas, the best results come from managed condos where the units are well-maintained and professionally managed, providing a high-quality experience for tourists. Condo owners, combined with association management, operations and maintenance contractors, infuse millions of dollars of revenue into local municipalities and businesses. Condos and condo owners contribute to tourism economics, supporting local businesses and providing tax revenues for government services far exceeding the services they utilize.

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