HVS

MARKET REPORT

Recovery and Expansion of the Jersey Shore Hotel Market

AUGUST 29, 2023

Following the effects of the COVID-19 pandemic, the Jersey Shore is proving its resiliency once again. Recently, the counties along the coast have experienced record occupancy tax collection levels, an increase in the redevelopment of dated motels, and the addition of many large-scale, family-friendly attractions.

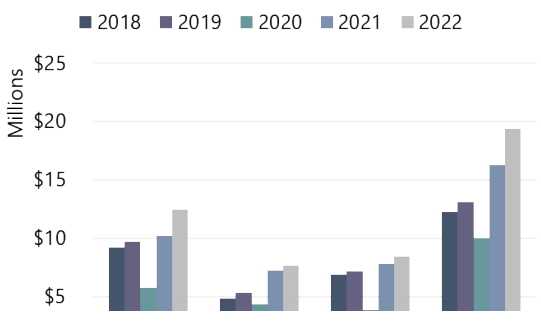
Known for its beautiful beaches stretching along the Atlantic Ocean, the Jersey Shore comprises four diverse counties, each with its own distinct character and attractions. Featuring all types of lodging, from economy motels to luxury beachfront resorts, the Jersey Shore is a hot spot for many leisure travelers seeking a coastal getaway during the summer months.

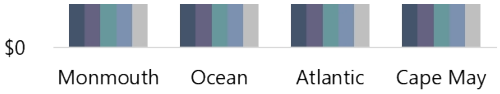
County Demand Generators and Trends

There are many unique lodging options within these counties; however, many of these are family-owned, independent properties that do not submit data to STR. Because of this, the state occupancy tax of 5% on hotel and motel room fees subject to sales tax can be used as a metric to understand how each market is performing. It is important to note that the state occupancy tax level is lower in cities where hotel and motel occupancies are already subject to a municipal occupancy tax, which skews the data slightly. For example, Atlantic City only applies a 1.0% state occupancy tax, while Wildwood, Wildwood Crest, and North Wildwood (commonly known as “the Wildwoods”) are subject to a 3.15% state occupancy tax.

The following chart illustrates the four counties’ occupancy tax collection levels for the last five years.

Jersey Shore Occupancy Tax Collection by County

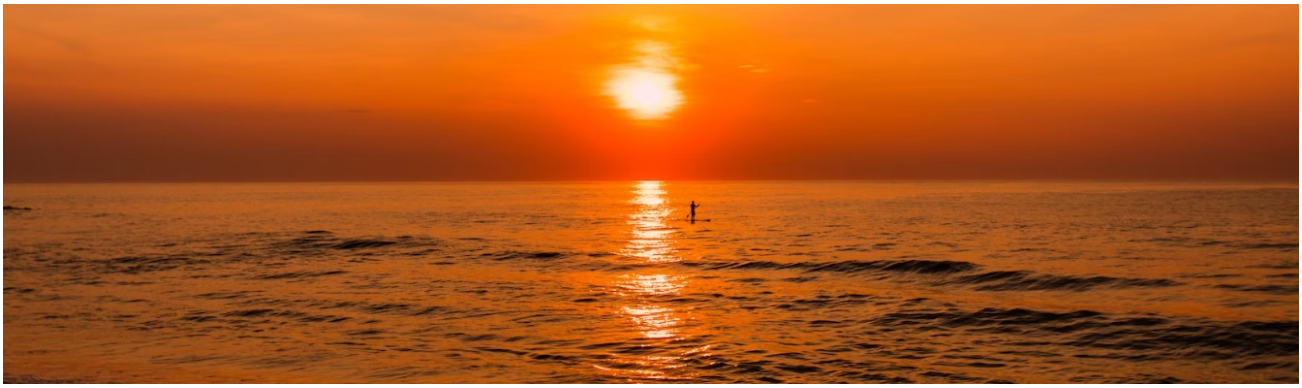




Source: NJ Department of the Treasury

Monmouth County

Monmouth County, consisting of 27 miles of coastline and 14 boardwalks, offers a mix of natural beauty, cultural attractions, and recreational activities for residents and visitors. The area is renowned for its luxury lodging options in Long Branch and Asbury Park, while towns like Ocean Grove and Spring Lake offer many bed-and-breakfast options. Aside from beachgoers, hotel demand in the area benefits from concerts and events at the popular PNC Bank Arts Center and The Stone Pony. These venues are hosting high-profile performers this summer such as Sam Hunt, Trey Anastasio, Demi Lovato, and Dave Matthews Band. In addition, the historic horseracing track Monmouth Park attracts racing enthusiasts from across the tri-state area.

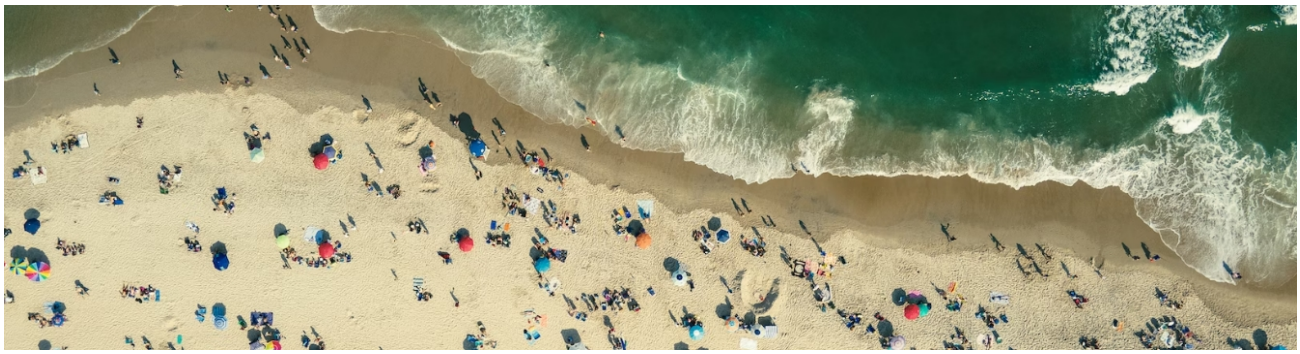


Based on information we've gathered on the occupancy tax revenue generation in Monmouth County, it appears that following the effects of the COVID-19 pandemic, Monmouth County recovered quickly and surpassed 2019 occupancy tax collection levels in 2021. This number reached an all-time high in 2022 as the area benefited from its location only 35 miles from New York City, with many travelers seeking drive-to, outdoor-centric destinations. Unlike other coastal counties, Monmouth County is less reliant on summer leisure travel due to its favorable location near NYC. This trend is reflected in the year-to-date data for March 2023, with Monmouth County leading the counties with a nearly 40% increase but expecting a more moderate increase in the summer months compared to Cape May County.

Ocean County

Directly below Monmouth County and north of Atlantic City, Ocean County features 44 miles of Atlantic coast beaches, 42 miles along Barnegat Bay, and 27 parks and conservation areas. Ocean County gained national recognition following the popularity of the reality TV show Jersey Shore, which aired from 2009 to 2012 and was based in Seaside Heights. Despite experiencing significant population increases, often doubling or tripling during the summer months, the county is predominantly recognized for weekend and weeklong home rentals rather than its lodging options. Recently, developers

have directed their attention toward many of the dated motels in Seaside and Seaside Heights, with plans to demolish the properties and build upscale condos and townhouses in their place. Just over 20 miles west of the coast lies Six Flags Great Adventure and Hurricane Harbor, which draw millions of visitors each year. Six Flags is home to the tallest roller coaster in the world, Kingda Ka.



Ocean County has historically brought in the lowest number of occupancy tax dollars, except in 2020. The county's tax collection declined approximately 1% in the year-to-date 2023 period. Along the coast, the county is split into two parts: the greater Seaside area to the north and Long Beach Island to the south. The hotels and motels of Long Beach Island are primarily family-owned businesses, and there are no branded properties or high-rise resorts on the island. This configuration, along with the presence of many dated motels within the Seaside area, results in the county's lower occupancy tax collection.

Ocean County Supply Changes and Major Developments

- Developers have been in discussions to transform the 1971-built Surfside Motel Seaside Heights property into a 180-room hotel. This project is still early in the planning phase.
- A 58-room hotel is expected to be developed in downtown Point Pleasant alongside an apartment complex. The property is planned to be part of the Trademark Collection by Wyndham.
- Adjacent to Six Flags Great Adventure, the $800-million Adventure Crossing USA complex opened January 23, 2023. The 300-acre youth sport and entertainment destination currently features a Topgolf, an entertainment center, and four full-size outdoor athletic fields. The next phases of the project will include a 134-room Hilton Garden Inn, a 200-room SpringHill Suites by Marriott, over 400 apartments, and a medical campus. The two hotels are expected to open in the last quarter of 2024.

Atlantic County

Atlantic County has a diverse landscape that includes coastal areas, pine forests, farmlands, and the bustling entertainment center of Atlantic City. Widely recognized as the "Gambling Capital of the East Coast," Atlantic City is home to nine casino hotels. The city's Ocean Resort Casino increased its room count by 460 in the second half of 2022. Aside from the vibrant casino scene, Atlantic City is known for its entertainment and live performances, iconic boardwalk, and vibrant nightlife. The city also hosts various events and festivals throughout the year, such as the Atlantic City Airshow, the Atlantic City Beer & Music Festival, and the Miss America competition.



Atlantic County's occupancy tax collection has historically been third highest. All hotels in Atlantic City are only charged the 1% state occupancy fee, as mentioned above, which has hurt their collection numbers. The casino hotels in Atlantic City are charged other fees, such as the $2-per-night tourism promotion, a casino room fee of $3 per day, and another $2-per-day surcharge effective March 1, 2022. With the 2023 year-to-date occupancy tax collection exceeding that of 2022 by about 16%, the county is looking forward to a promising 2023 as officials market it as more than just a gambling hub.

Atlantic County Supply Changes and Major Developments

- The former Atlantic Club, which has been shuttered since 2014, is expected to be redeveloped into a hotel tower and a condominium tower with restaurants, event space, and a retail mall. There will no longer be a casino on the property.
- MGM Resorts' Borgata Hotel Casino & Spa recently completed a $55-million guestroom renovation of over 700 rooms and the rebranding of the former Water Club tower.
- Bader Field and the former Atlantic City Municipal Airport together are the site for a proposed $3-billion development consisting of a Formula 1 racetrack, over 3,000 housing units, 234,000 square feet of retail and commercial space, and several parking garages. The project is in the initial phase of development. Construction is estimated to last seven to nine years.
- The 100,000-square-foot Island Waterpark at Showboat Atlantic City opened July 4, 2023, and is the world's largest indoor beachfront waterpark. The park features over a dozen slides, a surf simulator, an adults-only area, and a retractable roof. Non-water activities include an arcade with over 600 games, a go-kart track, a bowling alley, a miniature golf course, and a climbing wall.

Cape May County

Cape May County is best known for its beach towns, such as Cape May, Wildwood, Ocean City, Stone Harbor, and Avalon. In addition to the beaches, the county attracts visitors to its wineries, which are growing in popularity. It also hosts the annual World Series of Birding, which draws bird enthusiasts from around the world. Icona Resorts has significantly contributed to the recent boom of luxury lodging options in recent years and is actively looking to continue to grow its footprint along the coast. The Cape May Historic District has multiple properties over 100 years old, as well as the 200-plus-year-old Congress Hall, which was America's first seaside resort. The city's charming Victorian architecture complemented by an array of bed-and-breakfast inns creates a small-town atmosphere for many guests seeking a quieter

scene compared to the bustling Wildwood Boardwalk.



Cape May is the county that has historically collected the most occupancy tax dollars. In 2022, the county almost doubled its 2020 collections. Cape May County earned nearly $7 million more than the next-highest county in 2022, despite the Wildwoods only being charged a state occupancy fee of 3.15%, rather than the standard 5%. In Wildwood, Wildwood Crest, and North Wildwood, room rentals are subject to additional taxes, such as a 2.0% Cape May County tourism sales tax and a 1.85% Cape May County tourism assessment. The county's occupancy tax collection increased 75% for the year-to-date period of 2023. The county is heavily reliant on summer demand, as the eye-catching Doo Wop architecture of the Wildwoods' hotels and motels and the historical charm of Cape May create a unique summer vacation spot.

Cape May County: Supply Changes and Major Developments

- Earlier in 2023, there were up to a dozen motels in Wildwood for sale. While this is not uncommon for the coastal city, demand for more modern or "chic" lodging options has grown following record tourism numbers the past two years and given the increased shift to more year-round residents. Rather than embarking on the long and expensive process of tearing down these motels to build commercial or residential buildings, many hotel/motel owners have opted to renovate the properties and retain their Doo Wop architecture style.
- The 108-room Madison Resort Wildwood Crest is expected to open September 2023. Madison Resorts spent $18 million to renovate and reposition the former Oceanview Motel while still preserving the structure's iconic Doo Wop style.
- ICONA Resorts purchased and renovated the former Ocean Holiday Motor Inn along Beach Avenue in Cape May and renamed it Mahalo Cape May. The property started to accept reservations mid-June 2023.
- Governor Phil Murphy has announced plans to develop an offshore wind turbine program to harness renewable energy and promote sustainability in New Jersey. However, this program has been met with some backlash, as many residents along the coast are concerned about how an offshore wind farm will affect sea life and their ocean views. Locals are also concerned about the additional expenses for residents.

Conclusion

The outlook remains extremely optimistic, as Tourism Economics reported that Cape May, Monmouth, and Ocean counties surpassed 2019 total visitation levels in 2022, with Atlantic County coming up short by only 200,000 people. The same is true when looking at each county's overnight visitor total, as Atlantic County was the only one that remained below 2019 levels in 2022. With room rates at an all-time high due to the improved product offerings, and with demand

expected to reach an all-time high in each county in 2023, the Jersey Shore continues to be a premier vacation destination.

For more information on the Jersey Shore market, please contact Andrew Cameron of the HVS Philadelphia office.