



HOTEL & LEISURE ADVISORS

Number of Indoor Waterpark Destination Resorts Grows in '07

By David J. Sangree, MAI, CPA, ISHC

Summary: The year-end survey of indoor waterpark resorts in the U.S. and Canada by Hotel & Leisure Advisors, LLC (H&LA) indicates that the number of indoor waterpark destination resorts has grown from 30 available properties as of year-end 2005 to 43 available properties as of year-end 2006. Twelve waterpark additions to existing hotels or new construction properties, all of which meet our definition of indoor waterpark destination resorts, are projected to open in 2007. Additional resorts are currently in development and likely to begin construction in 2007. As of January 2007, we are tracking over 240 new indoor waterpark resort development projects and indoor waterpark additions to existing hotels. The Great Wolf Lodge brand offers the greatest number of indoor waterpark destination resorts in the United States and Canada and also has the greatest number of new resort properties under construction.

In most markets, there are few family entertainment resorts featuring indoor waterparks. However, in Wisconsin Dells, Wisconsin, where indoor waterparks were first introduced, there are six indoor waterpark destination resorts and 10 smaller hotels with indoor waterparks.

Definition: An indoor waterpark resort is defined by H&LA as a lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides, tubes, and a variety of indoor water play features. Although numerous hotels bill their indoor pools as waterparks, those with less than 10,000 square feet should be categorized as properties with water features rather than as waterparks. H&LA has divided indoor waterpark resorts into two categories: hotel with indoor waterpark and indoor waterpark destination resort. A hotel with indoor waterpark is a hotel with an attached indoor waterpark with 10,000 to 30,000 square feet of indoor waterpark space where the indoor waterpark serves as an amenity of the hotel versus a true destination. An indoor waterpark destination resort is a resort with 30,000 square feet or more of indoor waterpark space and is considered a true destination resort, which families visit on a year round basis primarily to visit the waterpark and secondarily to visit other attractions or events in the area. An indoor waterpark destination resort will typically have a number of rides and pools and high quality theming. A hotel with a smaller indoor waterpark may offer only a few rides and pools and little or no theming.

The following table indicates H&LA's definition of the three types of indoor waterparks, which currently exist and are being developed in the United States and Canada.

Types of Indoor Waterparks in Lodging Establishments			
	Hotel with Water Features	Hotel with Indoor Waterpark	Indoor Waterpark Destination Resort
Size of aquatic area	1,000 to less than 10,000 square feet	10,000 to less than 30,000 square feet	30,000+ square feet
Possible Amenities	swimming pool, slide, toddler area with mushroom, spray gun	multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river	multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river, wave pool, water coaster, surfing, outdoor waterpark features
Capacity	up to 250 people	250 to 750 people	750 to 5,000 people
Minimum Number of Lifeguards	1	3	10
Arcade Size	0 to 1,000 square feet	1,000 to 3,000 square feet	3,000 to 10,000 square feet
Source: Hotel & Leisure Advisors			

Existing Supply: We have conducted a survey concerning the number of indoor waterpark destination resorts which were open as of year-end 2006 and are projected to open in 2007. We have also analyzed the number of hotels with indoor waterparks that plan to open in 2007. The following table indicates the existing supply as of December 2006 of indoor waterpark destination resorts. The figures indicated for the waterpark square footage represent the net indoor waterpark area excluding areas such as the arcade, gift shop, mechanical rooms, etc. For advertising purposes, some resorts indicate higher figures by including these additional spaces.

Indoor Waterpark Destination Resorts Open through December 2006				
Indoor Waterpark Destination Resorts	City	State	Rooms	Waterpark Square Feet
Sheraton Chicago NW CoCo Key Indoor Waterpark	Arlington Heights	IL	429	46,240
Holiday Inn North and Caribbean Cove	Indianapolis	IN	344	30,000
Great Wolf Lodge	Kansas City	KS	281	38,000
Boyne Mountain Grand Lodge and Avalanche Bay	Boyne Falls	MI	220	58,000
Zehnder's Splash Village	Frankenmuth	MI	152	30,000
Bavarian Inn	Frankenmuth	MI	357	30,000
Double JJ Ranch with Indoor Waterpark	Rothbury	MI	300	34,000
Best Western Sterling Inn	Sterling Heights	MI	250	32,000
Great Wolf Lodge - Traverse City	Traverse City	MI	281	38,000
Arrowhead Resort & Conf. Center	Alexandria	MN	200	38,000
Grand Rios Resort	Brooklyn Park	MN	224	35,000
Best Western Edgewater	Duluth	MN	297	30,000
Waterpark of America at Mall of America	Bloomington	MN	400	68,000
Seven Clans Casino & Waterpark Resort	Thief River	MN	151	40,000
Holiday Inn and Wildwoods	Otsego	MN	125	30,000
Six Flags Great Escape Waterpark Resort	Queensbury	NY	200	38,500
Holiday Inn Fort Rapids with Indoor Waterpark	Columbus	OH	338	45,000
Great Wolf Lodge	Mason/Kings Island	OH	401	79,000
Cherry Valley Lodge with CoCo Key Waterpark	Newark	OH	200	40,000
Great Wolf Lodge	Sandusky	OH	271	33,000
Castaway Bay at Cedar Point	Sandusky	OH	237	38,000
Kalahari Indoor Waterpark Resort- Route 250	Sandusky	OH	596	80,000
Splash Lagoon - Residence Inn & Holiday Inn Express Suites	Erie	PA	368	57,000
Great Wolf Lodge	Poconos	PA	401	78,000
LaQuinta and Fairfield Inn with WaTiki Indoor Waterpark	Rapid City	SD	256	30,000
Ramada Inn and Suites	Sioux Falls	SD	150	30,000
Schlitterbahn Waterpark & Moody Gardens Resort	Galveston	TX	428	70,000
Massanutten Resort Indoor Waterpark Addition	Harrisonburg	VA	1,396	42,000
Great Wolf Lodge	Williamsburg	VA	301	55,000
Timber Ridge	Lake Geneva	WI	220	30,000
Blue Harbor Resort	Sheboygan	WI	247	40,000
Jellystone Park- Three Bears Lodge	Warrens	WI	120	38,000
Country Springs Hotel	Waukesha	WI	187	40,000
Lodge at Cedar Creek	Wausau	WI	140	50,000
Wilderness (including condos)	Wisconsin Dells	WI	593	225,000
Kalahari Resort (including condos)	Wisconsin Dells	WI	738	125,000
Mt. Olympus - Treasure Island	Wisconsin Dells	WI	386	65,000
Great Wolf Lodge	Wisconsin Dells	WI	436	76,000
Polynesian Resort	Wisconsin Dells	WI	232	38,000
Chula Vista Resort	Wisconsin Dells	WI	570	90,000
Fantasyland Hotel/World Waterpark	Edmonton	AL	355	217,800
Great Wolf Lodge	Niagara Falls	ON	406	85,000
Fallsview Indoor Waterpark (Sheraton & Brock)	Niagara Falls	ON	636	90,000
43 Waterpark Destination Resorts: Totals			13,349	2,281,300

Source: Hotel & Leisure Advisors January, 2007

The table indicates the existing supply of indoor waterpark destination resorts. The Great Wolf Lodge brand is the ownership group and brand with the most indoor waterpark destination resorts. They offer eight properties in the United States and Canada. The vast majority of indoor waterpark destination resorts are independent properties not affiliated with a national hotel franchise. The number of indoor waterpark destination resorts grew by 12 properties in 2006. These additional properties were either indoor waterpark additions to existing hotels or new construction properties.

2007 Openings: We have researched the 2007 projected openings of indoor waterpark destination resorts. The following table indicates those properties which we expect to open in 2007.

Projected Indoor Waterpark Destination Resorts Expansions and New Construction in 2007				
Indoor Waterpark Destination Resorts	City	State	New or Expanded Rooms	Waterpark Square Feet
Silver Mountain Resort	Kellogg	ID	268	45,000
Best Western Clock Tower CoCo Key Waterpark Addition	Rockford	IL	0	40,000
Sheraton Ferncroft Resort with CoCo Key Waterpark	Danvers	MA	0	65,000
Holiday Inn Express Splash Universe Resort	Dundee	MI	86	30,000
Crowne Plaza Indoor Waterpark Addition	Asheville	NC	0	42,000
Canad Hotel & Indoor Waterpark	Grand Forks	ND	192	30,000
Great Adventure Water Resort/Days Inn	Bellevue	NE	0	30,000
Holiday Inn with CoCo Key Indoor Waterpark Addition	Omaha	NE	0	40,000
Sheraton Sharonville CoCo Key Indoor Waterpark Addition	Sharonville	OH	0	40,000
Resort at Split Rock	Lake Harmony	PA	0	48,000
Westgate Smoky Mountain Resort Timeshare Waterpark Addition	Gatlinburg	TN	0	40,000
Great Wolf Lodge	Grapevine	TX	404	80,000
12 Waterpark Destination Resorts: Totals			950	530,000

Source: Hotel & Leisure Advisors January, 2007

The number of projected destination resort openings in 2007 is comparatively small, reflecting the challenges of finding financing and investors for these entertainment-related projects. All of the destination resort properties listed in the chart above with exception of the Great Wolf Lodge in Grapevine, Texas and the Canad Hotel in Grand Forks, North Dakota represent indoor waterpark additions with or without room additions to existing hotels or resorts. The Great Wolf Lodge properties are integrated indoor waterpark destination resorts focusing primarily on the family leisure traveler. The Silver Mountain Resort and the Holiday Inn Express Splash Universe Resort are both adding rooms in addition to their indoor waterparks. The four CoCo Key Indoor Waterpark properties, located in Rockford, Illinois; Danvers, Massachusetts; Omaha, Nebraska; and Sharonville, Ohio, are being developed by a partnership led by Sage Hospitality. Sage has two other CoCo Key properties which opened in late 2006 in Arlington Heights, Illinois and Newark, Ohio. Two other CoCo Key properties are due to open in 2008 in Kansas City, Kansas and Mount Laurel, New Jersey.

In addition to the 12 destination resorts listed above, we are also tracking 10 new construction hotels with smaller indoor waterparks or additions of indoor waterparks smaller than 30,000 square feet which are due to open in 2007. Additionally, we are tracking over 240 proposals for new indoor waterpark resorts or indoor waterpark additions to existing properties. Most of these proposals are in the planning stages and have not yet begun construction. H&LA projects continued growth in supply in 2008 and 2009 as additional projects begin construction.

Indoor waterpark resorts have emerged as a leisure option for families looking for a convenient weekend getaway or vacation. Historically, the indoor waterpark resorts were located in the Wisconsin Dells region, but growth continues throughout the United States. We project continued development of indoor waterpark resorts in the northern United States because they offer an attractive year-round leisure opportunity for families and attractive investment returns for developers. There is substantial growth in supply in the waterpark segment, and saturation of the market could become an issue in the future. Therefore, we recommend thorough feasibility analysis be performed for projects to ensure that the project's return on investment is adequate for the development.

Author

David J. Sangree, MAI, CPA, ISHC is President of Hotel & Leisure Advisors, a national hospitality consulting firm. He performs appraisals, feasibility studies, impact studies, and other consulting reports for hotels, resorts, waterparks, golf courses, amusement parks, conference centers, and other leisure properties. He has performed over 1,000 hotel studies and over 100 indoor waterpark resort market feasibility and/or appraisal studies across the United States and Canada.

He was formerly employed by US Realty Consultants in Cleveland and Columbus, Pannell Kerr Forster in Chicago, and Westin Hotels in Chicago, New York, Fort Lauderdale, and Cincinnati. Mr. Sangree received his Bachelor of Science degree from Cornell University School of Hotel Administration in 1984. He became a certified public accountant in 1989. He became an MAI member of the Appraisal Institute in 1995 and a member of the International Society of Hospitality Consultants in 1996.

Since 1987, Mr. Sangree has provided consulting services to banks, hotel companies, developers, management companies, and other parties involved in the lodging sector throughout the United States, Canada, and the Caribbean. He has spoken on various hospitality matters at seminars throughout the United States, and has written numerous articles for, and is frequently quoted in, magazines and newspapers covering the hospitality field.

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