



HOTEL & LEISURE ADVISORS

2017 Waterpark Forecast: Continued Growth

By David J. Sangree, MAI, CPA, ISHC

Introduction

The waterpark industry continues to expand in North America, with more than \$550 million worth of new investment in indoor and outdoor waterparks and their related resorts in 2016. Waterpark related development is expected to grow in 2017, with over 40 expansions and new facilities opening.

In 2017, we project 16 municipal and nine private outdoor waterparks will open, outpacing 2016's nine municipal and five private outdoor additions. We foresee continued, albeit slower, growth in the indoor segment, where an additional 243,000 square feet of waterpark space are planned.

Two of this year's most anticipated additions are Universal Orlando Volcano Bay in Orlando, Florida, and the Kalahari Resort phase two expansion in Pocono Manor, Pennsylvania. The 30-acre Volcano Bay waterpark will feature 18 state-of-the-art attractions and is poised to set a new standard in the outdoor waterpark market. Kalahari Resort is expanding its current resort to nearly 1,000 guestrooms and will have a 220,000 square foot indoor waterpark. When complete, it will be one of the largest indoor waterpark resorts in North America.

2017 WATERPARK STANDINGS

As of February 2017, the United States has 1,029 waterparks, an increase of 34 waterparks over last year's reported 996. The majority of this gain was in the outdoor segment and was split between private and municipal facilities. Twenty-four properties opened in 2016, while H&LA found ten additional properties through our monitoring the ever-evolving national waterpark market, discovering waterparks that have not previously been listed in databases.

2017 U.S. Open Waterpark Supply by Region			
Outdoor Waterparks			
Region	Municipal	Private	Total
Northeast	9	65	74
Midwest	231	48	279
South	150	125	275
West	72	53	125
Total	462	291	753
Note: Outdoor waterpark defined as an aquatic facility having 3 or more slides without attached hotel			
Indoor Waterpark Resorts			
Region	Franchise	Independent	Total
Northeast	5	11	16
Midwest	36	61	97
South	0	13	13
West	4	7	11
Total	45	92	137
Note: Indoor waterpark resort defined as a hotel with a minimum of 10,000 square feet of indoor waterpark space			
Standalone Indoor Waterparks			
Region	Municipal	Private	Total
Northeast	3	1	4
Midwest	22	0	22
South	10	0	10
West	32	2	34
Total	67	3	70
Note: Standalone indoor waterpark defined as having a minimum of 10,000 square feet of aquatic area and featuring 3 or more water features			
Resorts with Outdoor Waterparks			
Region	Franchise	Independent	Total
Northeast	0	2	2
Midwest	0	3	3
South	19	26	45
West	13	6	19
Total	32	37	69
Note: Resort with outdoor waterpark defined as a resort hotel having an outdoor waterpark with at least 3 features (e.g. slide, lazy river, wave pool, etc.). This count excludes those that also have indoor waterparks.			
Combined Total Number of U.S. Waterparks			1,029
Source: Hotel & Leisure Advisors, LLC, February 2017			

The Midwest and South are home to the majority of waterparks, 401 and 343, respectively. The Midwest is just ahead of the South for outdoor waterparks (279 versus 275), while the Northeast has the fewest at 74. Outdoor waterparks in the South typically have slightly longer seasons as they open earlier in May and close later in September than waterparks in the Northeast and Midwest. The Midwest leads the nation in indoor waterpark resorts by a large margin with 97; the closest is the Northeast with 16. The West leads the country in standalone indoor waterparks with 34 primarily due to the large number of municipal indoor aquatic facilities with waterparks in Colorado and

Utah. The South leads in resorts with outdoor waterparks with 45 due to the warmer weather, which allows resorts to keep their outdoor waterparks open for longer seasons.

2016 YEAR IN REVIEW

Waterpark Additions: In 2016, 11 indoor waterpark resorts introduced 368,000 square feet of indoor waterpark space and more than 1,200 guestrooms to North America. Although this is a significant increase over 2015's 243,000 square feet, it falls short of the gains achieved during the 2005-2009 era of record expansion prior to the recession.

Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2016				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Indoor Waterpark Sq. Ft.
Great Wolf Lodge Southern California	Garden Grove	CA	603	105,000
Great Wolf Lodge Colorado Springs	Colorado Springs	CO	311	50,000
Parrot Cove Waterpark and Heritage Inn & Suites	Garden City	KS	95	20,000
Expansion of Cape Codder Resort	Hyannis	MA	0	20,000
Holiday Inn Express Expansion	Brainerd	MN	21	3,000
Hampton Inn & Suites	Marshall	MN	75	10,000
Treasure Island Resort Waterpark Addition	Welch	MN	0	40,000
Sahara Sams Expansion	West Berlin	NJ	0	10,000
Hershey Lodge Water Works Addition	Hershey	PA	0	30,000
Valcartier Vacation Village Indoor Waterpark Resort	Valcartier	QC	153	80,000
Total			1,258	368,000
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space				
Source: Hotel & Leisure Advisors, LLC				

The two largest additions account for more than half of this growth. One of three new Great Wolf Lodge resorts, the 603-room Great Wolf Lodge Southern California in Garden Grove, California, boasts a 105,000 square foot waterpark. It opened in early 2016 near Disneyland and has achieved strong performance to date. The 311-room Great Wolf Lodge Colorado Springs opened in late December 2016 and was a renovation and expansion of an unfinished hotel on the north side of Colorado Springs. The 153-room Valcartier Vacation Village Indoor Waterpark Resort in Valcartier, Quebec, includes an 80,000 square foot waterpark. The resort also includes the 44-room Hotel de Glace, North America's only ice hotel, an outdoor waterpark, and a campground resort.

Outdoor Waterpark 2016 Openings				
	Park		Location	Total Slides
Private	Laguna Splash at DelGrosso's Amusement Park		Tipton PA	10
	Sandy Harbor Family Fun Center at Ocean Lakes		Myrtle Beach SC	3
	Splash Kingdom		Greenville TX	6
	Typhoon Texas		Katy TX	33
	NLand Surf Park		Del Valle TX	
	Total			52
Municipal	Cabot Aquatic Park		Cabot AR	4
	Pocahontas Aquatic Center		Pocahontas AR	5
	Long Branch Lagoon		Dodge City KS	6
	Midwest Health Aquatic Center		Topeka KS	5
	American Legion Water Park		Elizabethtown KY	4
	Carlsbad Waterpark		Carlsbad NM	5
	Kingston Community Pool		Kingston PA	3
	Alice Natatorium and Water Park		Alice TX	6
	Memorial Pool Renovation		Wausau WI	3
	Total			41

Source: Hotel & Leisure Advisors

Fourteen new outdoor waterparks opened in 2016. Most were municipal facilities and the South was the largest regional contributor. Typhoon Texas in Katy was the largest new waterpark with 33 slides on 43 acres. Laguna Splash at DelGrosso's Amusement Park in Tipton, Pennsylvania, is a notable addition with 10 slides. NLand Surf Park, though not an outdoor waterpark as it does not include any slides, is the largest surf park to open in the United States. While the largest new waterparks are privately owned, we see a trend toward the development of larger municipal facilities offering greater numbers of slides.

Resorts with Outdoor Waterparks Opened in 2016			
Resort	Location		Features
Hyatt Regency Coconut Point Resort	Bonita Springs	FL	Three slides and a 1,095-foot lazy river
Holiday Inn Harborside	Indian Rocks Beach	FL	Two slides, waterfall, splash pad, dumping bucket
Margaritaville Resort	Biloxi	MS	Resort offers 373 rooms and suites; a "Cloud Coaster" zipline roller coaster; a waterpark with slides and a lazy river; a volcano climbing wall; and a Sky Trail Ropes Adventure Course
Hilton Anatole	Dallas	TX	\$15 million project that added a resort-style pool complex with lazy river and two slides
Gaylord Texan Resort and Convention Center	Grapevine	TX	\$5,000,000 expansion of resort pool/waterpark complex
JW Marriott Hill Country Resort	San Antonio	TX	Two-acre expansion to include new pool, two slides, and cabanas

Source: Hotel & Leisure Advisors, LLC

Six hotels and resorts debuted outdoor waterpark expansions in 2016. The Margaritaville Resort in Biloxi, Mississippi, ceased its casino operations in 2014, replacing it with a more family-oriented waterpark resort. The rooftop Water Playground features slides, a lazy river, and swim-up bar. The Hilton Anatole in Dallas, Texas, opened its JadeWaters Resort Pool Complex. This \$15 million expansion offers two large slides, a lazy river, splash zone, and a swim-up bar.

Acquisitions: In addition to opening several new resorts in the last year, Great Wolf Resorts Inc. is purchasing two established resorts in 2017. It purchased the 403-room Radisson Hotel and Water Park of America in Bloomington, Minnesota in early 2017. The facility closed in January for renovations and will reopen in November 2017 as a Great Wolf Lodge. In a deal announced in February 2017, Great Wolf Resorts Inc. acquired the 414-room Key Lime Cove Waterpark Resort in Gurnee, Illinois, with plans to renovate and rebrand the property.

In a deal announced in November 2016, EPR Properties purchased a portfolio of waterpark and amusement park properties from CNL Lifestyle Properties. The \$700 million agreement included ski resorts, amusement parks, and 11 waterparks. Multiple brands were represented in the transfer, including Wet 'n' Wild locations in Spring, Texas; Glendale, Arizona; Kapolei, Hawaii; and Palm Springs, California; and the Hawaiian Falls Waterparks in The Colony and Garland, Texas.

Closures: Several waterparks closed in 2016.

- The 337-room Fort Rapids Indoor Waterpark Resort in Columbus, Ohio, closed in early 2016. Nearly \$40 million was spent to upgrade the hotel and to add the 45,000 square foot indoor waterpark in 2005. The future of the property is uncertain.
- The 26,000 square foot CoCo Key Water Resort in Waterbury, Connecticut, closed in 2016 after just eight years of operation. The 282-room property sold at auction for \$5.2 million, and the buyers demolished the structure with plans to redevelop the site.
- The \$22 million Alice Natatorium and Waterpark opened in July 2016 and closed in December 2016. The Alice, Texas, City Council voted unanimously to suspend operations citing that the facility was too expensive to operate.

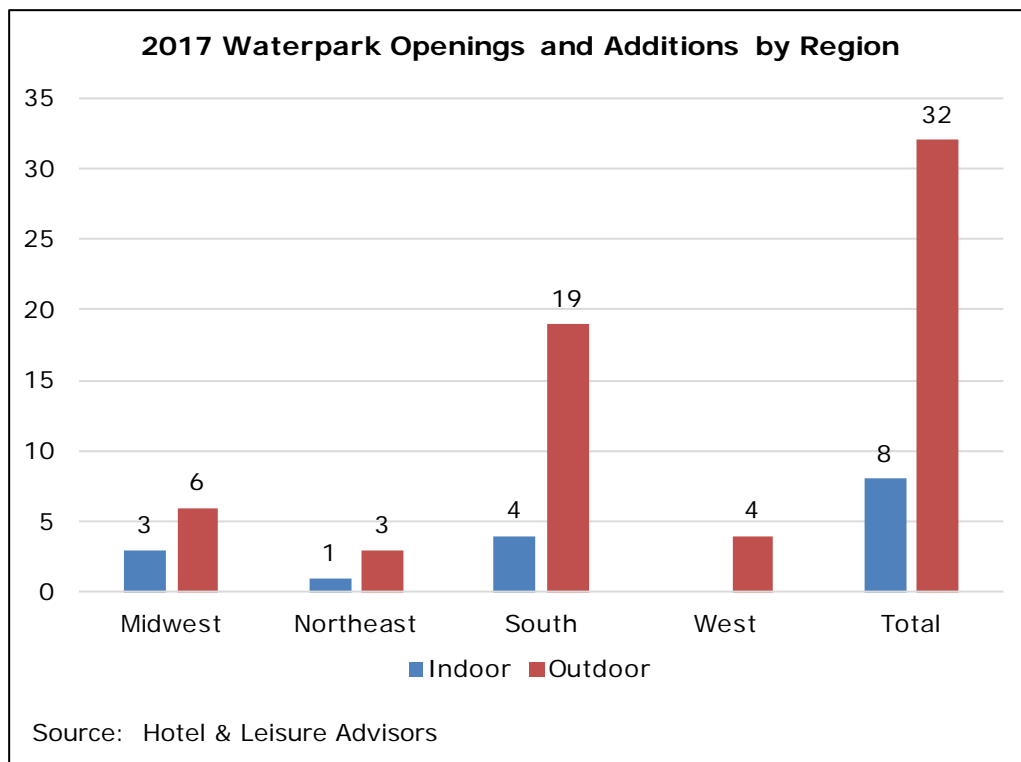
Despite the ample growth opportunities in the waterpark market, these examples underscore that success cannot be achieved without proper management, financial planning, and capital reinvestment.

PROJECTIONS FOR 2017

This year, we will see growth across all segments of the waterpark market. Of 40 anticipated waterpark additions, 29 represent new facilities and 11 represent expansions of existing facilities.

We anticipate four large indoor waterpark resort openings that will contribute 218,000 square feet of waterpark space. The largest is the 114,000 square foot, 520-room Kalahari Resort Phase II expansion in Pocono Manor, Pennsylvania. Also of note is The Epic in Grand Prairie, Texas, with a 60,000 square foot indoor waterpark. This municipally owned standalone indoor waterpark will be open to local residents and will sell day passes to regional and overnight guests.

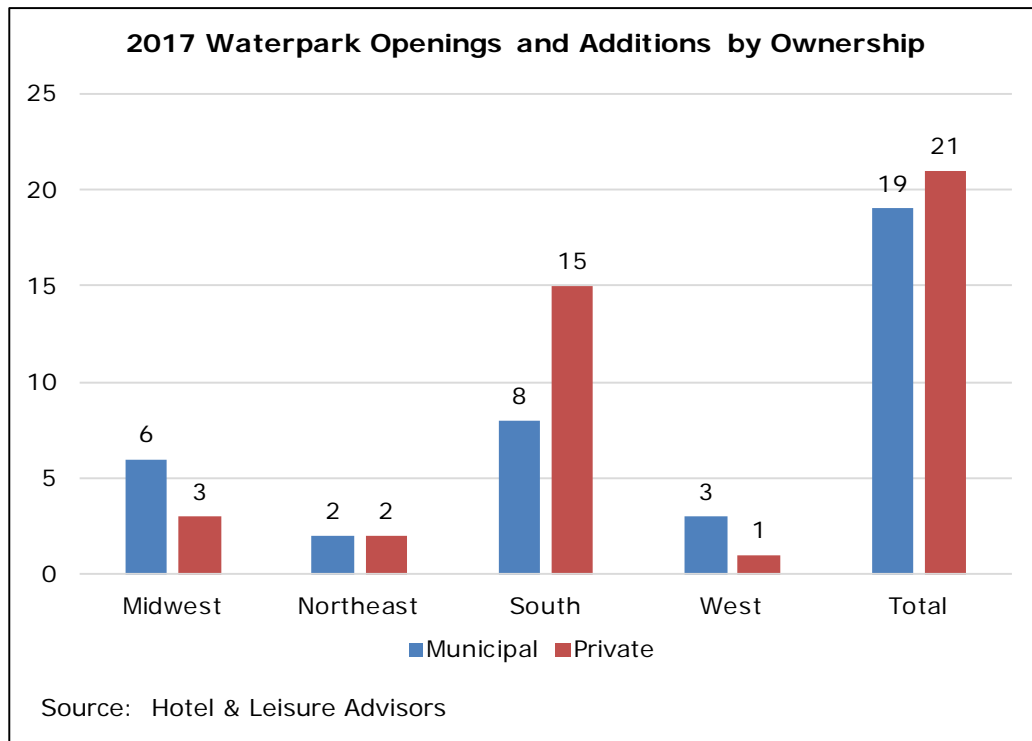
There are two notable expansions to existing properties: Kalahari Resort Sandusky will add five outdoor slides, and Kalahari Resort Wisconsin Dells will add an outdoor bowl slide.



More significant growth is projected in outdoor waterparks, which make up nearly 80% of the U.S. supply. This year, 26 outdoor waterparks are slated to open, which is a significant increase over the 14 openings in 2016. Ten are privately owned, and the remaining 16 are municipal facilities.

Regionally, the South continues to drive growth across all market segments, followed at some distance by the Midwest. Nineteen of the 30 new facilities will be in the South including 11 in Texas, which is the greatest number for any state. Pennsylvania and North Carolina tie for second with three new waterparks each.

Privately owned waterparks are traditionally larger, offer more extensive amenities, and charge higher prices than municipal waterparks. However, following the 2016 trend, more substantial municipal waterparks are slated to open. Some will feature as many as six slides, lazy river, and a wave pool.



Universal Orlando Volcano Bay is under construction on the site of the former Wet 'n' Wild Orlando. This 30-acre waterpark will feature a multidirectional wave pool, raft rides, and body slides that drop from the top of the park's signature 200-foot volcano. The Krakatau Aqua Coaster will feature ProSlide's groundbreaking linear induction motor technology that relies on magnets to propel the coaster. The waterpark will include 18 major attractions, including waterpark thrill rides and activities for smaller children.

H2OBX Waterpark is under construction in lower Currituck County, North Carolina, near the Outer Banks. The park will include a large wave pool, lazy river, family raft ride, slides, FlowRider, and children's area. It will have a maximum capacity of 5,000.

Seven currently operating waterparks have announced expansions, including Waldameer Park & Water World's "The Battle of Lake Erie" expansion in Erie, Pennsylvania; new slides and a FlowRider at Liberty Lagoon in Baton Rouge, Louisiana; and a new water coaster at White Water Bay in San Antonio, Texas.

A smaller but growing segment is resorts with outdoor waterparks. Two resorts will add or expand outdoor waterparks in 2017. Open in 1994 with 138 guestrooms, Country Cascades in Pigeon Forge, Tennessee, broke ground on its new Summit Tower in July 2016, with a planned opening on Memorial Day weekend 2017. The expansion will add 98 guestrooms and a 30,000 square foot waterpark. The BSR Cable Park is a cabin resort in Waco, Texas. Current amenities include a cable park, a large slide structure, and a lazy river. It plans to debut the "Surf Ranch" addition in July. This two-acre surf lake will produce up to eight-foot waves and provide a venue for inland surfing competitions.

Conclusion

Waterpark resorts continue to show growth in the United States and Canada, with new resorts and attractions being added in various locations. Most waterpark resorts continue to achieve strong performance, although some smaller indoor waterpark resorts have achieved lower performance levels causing a few to close. Municipalities continue to add waterparks to their aquatic offerings particularly in southern states. A greater number of privately owned outdoor waterparks are projected to open in 2017, which typically offer a greater number of attractions than their municipal counterparts, although at higher admission prices. Families continue to show strong interest in waterpark attractions and are particularly interested in new facilities or additions of new rides to existing parks.

Author

David J. Sangree, MAI, CPA, ISHC, is President of Hotel & Leisure Advisors (H&LA), a national hospitality consulting firm. H&LA specializes in appraisals, feasibility studies, impact analyses, economic impact studies, and litigation support for hotels, resorts, waterparks, casinos, conference and convention centers, golf courses, ski resorts and other leisure real estate. Our experienced consultants travel nationwide analyzing hospitality trends, studying leisure industries, and understanding local communities. We focus on our clients' competitive markets and provide thorough and thoughtful analysis of hospitality properties. Our consultants have analyzed and prepared studies on more than 2,000 properties in more than 45 states, Canada, and the Caribbean.

Mr. Sangree is a nationally recognized expert on waterpark resorts and performed more than 600 studies of indoor and outdoor waterparks since 1999, and he maintains databases of statistical information concerning performance figures of indoor waterpark resorts, resorts with outdoor waterparks, and stand-alone outdoor waterparks. Mr. Sangree was named one of *Aquatics International Magazine's* "Power 25" in 2008 and received the Executive Board Award from the World Waterpark Association in 2016. Both awards profiled Mr. Sangree as one of the first consultants serving the waterpark resort industry and credited him with shaping some of the latest industry trends through his expertise and experience in the waterpark resort market. Mr. Sangree has appeared on Good Morning America and CNBC on special reports concerning resorts and waterparks and has written numerous articles for a wide range of publications. He can be reached via telephone at 216-810-5800 or via e-mail at dsangree@hladvisors.com. The author wishes to acknowledge Michael Weber for his assistance with the article.