



HOTEL & LEISURE ADVISORS

UNIQUE WAYS FOR RESORTS TO RADICALLY INCREASE REVENUE

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Have you spent much time lately considering ice cream parlors, specialty retail stores, waterslides, or aromatherapy treatments? If so, you could be among a growing number of timeshare resort owners and operators nationwide looking to increase top-line revenue in new and inventive ways. An added amenity such as an indoor waterpark, spa, retail store, or eatery can increase a resort's overall perceived value to potential owners - resulting in sales at increased point values. Resorts can charge higher maintenance fees as attractions are added, thus passing the cost along to owners. Additionally, resorts with added features can achieve higher annual revenues, especially if those features are available year-round.

Indoor Waterpark Resorts

Hotel & Leisure Advisors (H&LA) defines an indoor waterpark resort as a lodging establishment containing an attached aquatic facility inclusive of amenities such as inner tube slides, body slides, wave pools, water roller coasters, simulated surfboard rides, lazy rivers, and a variety of multi-level indoor water play features. The indoor waterparks are uniquely and heavily themed, offering guests an experience rather than simply an added amenity.

Historically, the primary growth of indoor waterparks in hotels and resorts has taken place in summer vacation-oriented locations. However, indoor waterparks are increasingly being developed in suburban and urban locations. Since the early 1990s, indoor waterpark resorts have been popping up across the United States with escalating frequency. According to Hotel & Leisure Advisors, there were 100 operating indoor waterpark resorts in the U.S. in 21 different states at the end of 2007. These indoor waterparks range in size from 10,000 to 173,000 square feet, averaging 33,172 square feet of indoor aquatic space. The cost to build these large-scale indoor waterparks has ranged from \$300 to \$500 per square foot of net indoor waterpark space. The cost is highly dependent upon the location, amount of theming, and the attractions included.

Addition of an Indoor Waterpark to an Existing Resort

Hotel & Leisure Advisors analyzed the actual change in performance recorded by seven existing hotels following the addition of an indoor waterpark. After the waterpark addition, the seven indoor waterpark properties reported a 59% average increase in rooms revenue per available room.

Based upon the findings of research conducted for numerous resorts in the Wisconsin Dells area, where indoor waterparks are most prevalent, the inclusion of an indoor waterpark within a condominium resort complex can increase the selling price of the condominium units by as much as 50%. We interviewed executives from some of the largest U.S. timeshare sales companies, as well as exchange companies. Due to the low number of timeshare resorts currently offering indoor waterpark components, it is difficult to pinpoint the precise benefit the waterpark has on timeshare sales. However, our interviews revealed that timeshare resorts have the potential to increase point values for weeks sold by up to 30% with the inclusion of a large-scale indoor waterpark. In addition, our

interviewees stated that having an indoor waterpark helps a timeshare resort to sell its less desirable weeks both at a quicker pace and at higher point values than would have been possible otherwise. Indoor waterparks have also helped to boost occupancy levels at resorts, which has led to increased ancillary revenues in other departments such as food and beverage.

To date, five timeshare resorts in the United States include indoor waterparks with another adding an indoor waterpark in 2008. According to our confidential interviews, several more are in the planning stage. The following chart depicts the six U.S. timeshare resorts offering indoor waterparks. We note that the Resort at Split Rock's indoor waterpark is still completing construction and will not open until summer 2008.

U.S. Timeshare Resorts Offering Indoor Waterparks

Property	Year Waterpark Added	No. of Units	Location	Indoor Waterpark Size (SF)	Exchange Company
Massanutten Resort	2005	1,396	Harrisonburg, VA	56,250	RCI
Westgate Smoky Mountain Resort at Gatlinburg	2007	526	Gatlinburg, TN	50,000	Interval
The Villages Resort	2008	343	Flint, TX	19,000	RCI
Wyndham Vacation Resorts at Glacier Canyon	N/A (1)	124	Wisconsin Dells, WI	225,000 (2)	RCI
Resort at Split Rock	06/2008	509	Lake Harmony, PA	41,000	RCI
Odyssey Dells at Mt. Olympus	N/A (1)	62	Wisconsin Dells, WI	55,000	RCI

(1) Indoor waterpark resort existed prior to timeshare development

(2) Located among 3 separate available indoor waterpark facilities at the Wilderness Resort

Source: Hotel & Leisure Advisors

Massanutten Resort reported that after the indoor waterpark addition was announced, both sales and prices of timeshare units increased. According to a representative of the Westgate Smoky Mountain Resort at Gatlinburg, the waterpark amenity has been a definite boost to timeshare sales. Management of the Resort at Split Rock indicated that the average price of the timeshare week sales has increased since the announcements for the proposed indoor waterpark. Glacier Canyon at the Wilderness Resort in Wisconsin Dells has enjoyed very strong sales of timeshares which management attributes to the indoor waterpark amenity offering. They will add an additional 100 units by 2009.

Addition of Timeshare Units to an Existing Indoor Waterpark Resort

A number of indoor waterpark resorts are considering adding timeshare units as a component of their overall rooms supply. The first two resorts to add timeshare units (depicted in the preceding chart) include Odyssey Dells and Wyndham Vacation Resorts at Glacier Canyon. Mount Olympus Water and Theme Park Resort in Wisconsin Dells has partnered with Bluegreen Corporation to implement an approximately 62-unit development in 2008 and 2009. A second phase of this Odyssey Dells development is proposed to add up to 140 additional timeshare units at a later date. Wyndham's timeshare division is selling timeshares at the Wilderness Territory Resort in Wisconsin Dells and is planning to develop timeshare units at the Wilderness Resort in Sevierville, Tennessee.

To pay for the addition, most timeshare developers are charging increased maintenance fees. With the exception of the Resort at Split Rock and Massanutten, all of the previously listed timeshare resorts include waterpark admission rates in the owners' annual fees (maintenance fees). The fees are therefore somewhat higher than those charged by timeshare resorts without indoor waterparks. Alternately, the Resort at Split Rock and

Massanutten Resort charge a discounted daily admission price to their timeshare owners for the waterpark use.

Further Revenue Opportunities to Consider

In addition to increasing the selling price of timeshare weeks, indoor waterparks have the potential to provide a revenue boost via the sale of day passes to outside visitors. Of course, indoor and outdoor waterparks represent only one type of potential revenue generator. Some developers have become quite creative with their multi-seasonal amenity offerings, and are considering adding attractions such as an indoor or outdoor amusement park. Others are developing an indoor sports dome capable of housing baseball fields, soccer fields, ice rinks, a driving range and putting greens, equestrian center, ATV and dirt bike track, tennis and basketball courts, and/or other athletic facilities. A number of timeshare resorts include an outdoor waterpark element, but few currently have larger amusement parks or sports domes. There are proposals in Arizona and New York for timeshare resorts offering cutting-edge amenities such as an indoor man-made white water rafting and kayaking course, indoor surf park, and indoor ski hill.

The amenities listed previously can increase revenue via the sale of daily admission for usage/entrance while also generating increased demand for some hard to sell off-season weeks. As an example, day passes to an indoor or outdoor waterpark and/or amusement park can be sold for \$25 to \$50 per person depending upon the size of the park, the number of attractions offered, and the level of theming.

Another way a resort can increase its top line revenue is via the development of new revenue centers popular among guests. As timeshare guests typically prefer resorts in close proximity to several entertainment and activity options, resorts have the potential to earn extra income by providing such amenities on site. Potential revenue centers not previously mentioned include:

- Restaurants, bars, nightclubs, coffee shops, and other eateries
- Retail shops (which could be leased to an outside operator)
- A day spa (which could be leased to an outside operator)
- Family entertainment center (including features like miniature golf, laser tag, an arcade, and virtual reality games and simulators)
- A multi-purpose theater capable of showing movies and hosting comedians and various types of musical and theatrical groups

The timeshare resorts mentioned earlier all have several amenities and entertainment options to offer which require timeshare owners to reach for their wallets. For instance, Wilderness Territory Resort includes a six-hole executive par 3 golf course, an 18-hole golf course, five different eateries, a spa, and an arcade. Massanutten's timeshare resort includes twin 18-hole golf courses, 14 ski runs, and six eateries. Westgate Smoky Mountain Resort at Gatlinburg's amenities include an arcade and two eateries. The Villages Resort offers a marina, rental of paddle and pontoon boats, jet skis, miniature golf, horseback riding, and an activity center. The Resort at Split Rock charges additional fees for multiple eateries, an indoor sports dome, bowling, movie theater, 18-hole golf course, and spa. In addition to being revenue-driven, all of these amenities aid in selling timeshare weeks.

Summary

When conjuring up ways to bolster top-line revenues, timeshare resorts should consider their location, current clientele, and potential for attracting new owners. An added amenity such as an indoor waterpark requires substantial front-end capital investment, but offers

the potential to market the property to new clientele, sell weeks at a double-digit increase in point values, and even increase the amount of coveted red weeks available. Added amenities and entertainment can also afford timeshare resorts a substantial advantage over competitive resorts in a market. With these types of enticing incentives available, we expect to see savvy developers finding unique ways to catch this profitable industry wave.

AUTHORS

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