



HOTEL & LEISURE ADVISORS

## Waterpark Resorts Supply and Demand 2010 Update

By David J. Sangree, MAI, CPA, ISHC

**Summary:** Hotel & Leisure Advisors, LLC's (H&LA's) summer 2010 survey of indoor waterpark resorts and outdoor waterpark resorts in the U.S. and Canada indicates that the number of waterpark resorts continues to climb, although at a much slower pace than in previous years. In this year's article, we have separately segmented resorts with indoor waterparks from resorts with outdoor waterparks because they represent two distinct types of waterpark resorts.

New indoor waterpark resort projects are expected to decline in 2009 and 2010 after a steady growth from 2004 through 2008. However, despite the economic recession in both the United States and Canada, a number of exciting new projects have opened or will open in 2010, which will create leisure opportunities for family travelers.

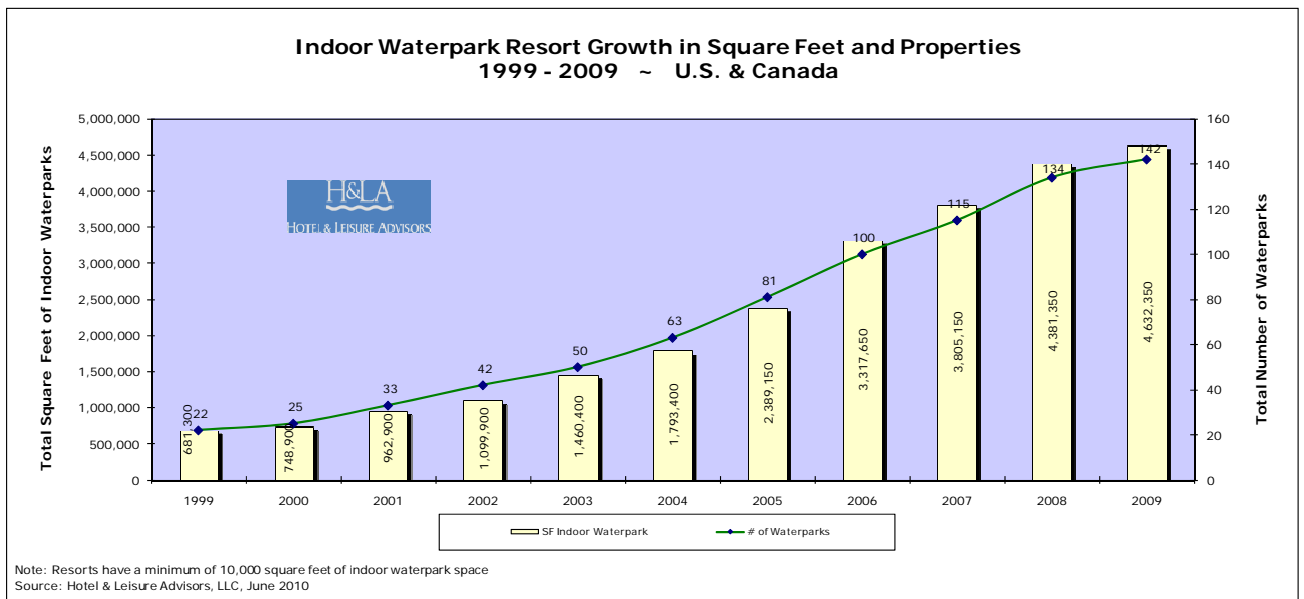
Our research indicates there are 144 open indoor waterpark resort properties in the United States and Canada as of June 2010. There have been or will be two indoor waterpark expansions to existing hotels and seven expansions to existing indoor waterpark resorts projected for 2010. Our survey found that in 2010 the growth in indoor waterparks in terms of square footage will be the smallest in over ten years. As for outdoor waterparks, Hotel and Leisure Advisors has identified a total of 38 resort hotels with outdoor waterparks located in 13 different states throughout the United States as of June 2010. Developers are still showing significant interest in constructing new indoor and outdoor waterparks at hotels and resorts but, due to the current challenges of finding financing and investors for these entertainment-related projects, most projects are in a holding or planning pattern.

**Definitions:** 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 label 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 more than 30,000 square feet of indoor waterpark space and is considered a true destination resort, where 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 slides and pools and high quality theming. A hotel with a smaller indoor waterpark may offer only a few slides and pools with little or no theming.

A resort with an outdoor waterpark is defined by H&LA as a lodging establishment that contains an outdoor aquatic facility with three or more waterpark elements requiring lifeguards such as slides, lazy river, or wave pools. These resorts will have a more elaborate outdoor waterpark area that is utilized primarily by hotel guests or can also be open to the public. Nearly all resort hotels offer outdoor pools, some of which may have a slide, but our analysis is limited to those which have more elaborate waterpark areas. Currently, the number of hotels with indoor waterparks is greater than the number of those with outdoor waterparks in the United States.

**Existing Supply of Indoor Waterpark Resorts:** We have conducted a survey to determine the number of indoor waterpark resorts that were open as of year-end 2009 and those that are projected to open or expand by year-end 2010.

We have been tracking the supply and demand of indoor waterparks since 1998. The following table indicates the growth in supply of indoor waterpark resorts between 1999 and 2009. The figures used for the waterpark square footage are calculated from the net indoor waterpark area which excludes areas such as the arcade, gift shop, mechanical rooms, etc. For advertising purposes, some resorts indicate higher figures because they include these additional spaces.



The table indicates the supply of indoor waterpark resorts as of year-end 2009. Of the 142 existing properties in the United States and Canada, 50 of the properties are considered indoor waterpark destination resorts, offering more than 30,000 square feet of indoor waterpark space. Of these 50 destination resorts, 11 are Great Wolf Resorts – the largest chain of indoor waterpark destination resorts in North America.

CoCo Key Resorts are the second largest chain of indoor waterpark resorts and account for nine properties, as of year-end 2009, that are connected to a variety of hotel franchise properties. Their 10th property opened in the spring of 2010 in Orlando, Florida. The remaining destination resorts are independently owned. Between 2006 and year-end 2009, 41 additional indoor waterpark resort properties have opened in the United States and Canada. Eighteen of the 39 are considered indoor waterpark destination resorts. The following chart indicates the number of indoor waterpark resorts

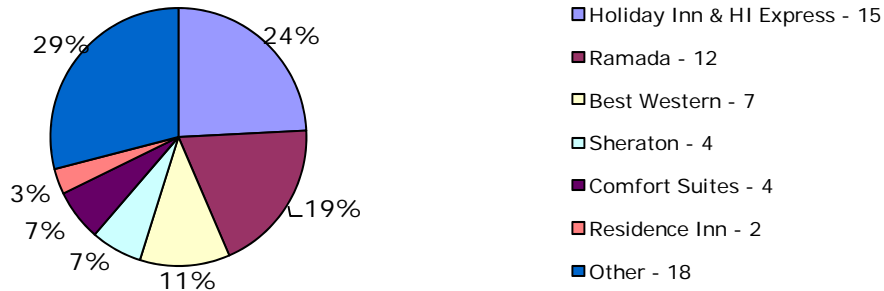
open as of June 2010 and their locations by state and province.

Indoor Waterpark Resort Supply Analysis						
State/Province	Number of Resorts	Average Room Count	Indoor Waterpark Size (SF)			Percent Franchised
			Average	High	Low	
Colorado	1	125	10,000	10,000	10,000	0%
Connecticut	1	279	26,000	26,000	26,000	100%
Florida	1	392	54,000	54,000	54,000	0%
Idaho	2	183	31,000	42,000	20,000	50%
Illinois	5	285	34,240	60,200	24,000	60%
Indiana	4	184	26,750	40,000	12,000	25%
Iowa	7	137	16,143	25,000	10,000	43%
Kansas	2	250	33,000	38,000	28,000	0%
Kentucky	1	81	10,000	10,000	10,000	100%
Massachusetts	3	291	24,333	37,000	10,000	67%
Michigan	12	222	25,417	58,000	10,000	42%
Minnesota	15	177	25,000	75,000	10,000	80%
Missouri	5	394	21,600	32,000	11,000	40%
Montana	1	109	25,000	25,000	25,000	0%
Nebraska	1	383	32,000	32,000	32,000	100%
New Hampshire	1	163	35,000	35,000	35,000	100%
New Jersey	1	283	30,000	30,000	30,000	100%
New Mexico	1	280	28,000	28,000	28,000	100%
New York	2	175	39,750	41,000	38,500	0%
North Carolina	1	402	81,000	81,000	81,000	0%
North Dakota	4	159	17,000	25,000	10,000	75%
Ohio	9	333	55,667	173,000	15,000	22%
Pennsylvania	4	358	51,500	78,000	10,000	50%
South Carolina	1	495	15,000	15,000	15,000	0%
South Dakota	3	182	24,333	30,000	13,000	67%
Tennessee	2	661	44,750	52,000	37,500	0%
Texas	3	397	54,667	75,000	19,000	0%
Utah	1	191	10,000	10,000	10,000	100%
Virginia	2	901	61,625	67,000	56,250	0%
Washington	3	206	24,333	53,000	10,000	67%
Wisconsin	<u>31</u>	<u>245</u>	34,326	225,000	10,000	16%
<b>Total USA/Average</b>	<b>130</b>	<b>288</b>	<b>32,304</b>			<b>40%</b>
Alberta	3	260	80,600	217,800	12,000	67%
Manitoba	2	148	10,000	10,000	10,000	100%
Ontario	7	371	36,429	90,000	10,000	57%
Quebec	1	222	10,000	10,000	10,000	100%
<u>Saskatchewan</u>	<u>1</u>	<u>157</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>100%</u>
<b>Total Canada/Average</b>	<b>14</b>	<b>231</b>	<b>29,406</b>			<b>71%</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
Source: Hotel & Leisure Advisors, LLC, June 2010

The chart indicates that the states of Wisconsin, Minnesota, and Michigan offer the most indoor waterpark resorts. The majority of indoor waterpark resorts in the United States are independent properties that are not affiliated with a national hotel franchise, while in Canada the majority of properties are affiliated with a national franchise. We have included the Great Wolf Lodge properties as independent properties, although they have created a national brand affiliation. Indoor waterparks connected to franchise hotels represent approximately 40% of the room supply in the United States. The following table indicates the chains which offer the most properties connected to indoor waterparks.

### Franchised Indoor Waterpark Resorts in U.S. and Canada



Source: Hotel & Leisure Advisors, LLC

**Resorts with Outdoor Waterparks:** For the first time, we have separately segmented out the resort with outdoor waterpark category. A number of resort properties are considering adding outdoor waterparks to their resorts to enhance the guest experience and provide more leisure options for families. The following chart represents the current open supply of resort hotels with outdoor waterparks in the United States.

Resorts with Outdoor Waterparks Supply Analysis			
State/Province	Number of Resorts	Average Room Count	Percent Franchised
Arizona	2	602	50%
California	2	481	50%
Florida	4	979	25%
Georgia	1	287	0%
Iowa	2	122	50%
Missouri	1	200	0%
New York	1	160	0%
Ohio	2	861	0%
South Carolina	5	470	20%
Tennessee	1	704	0%
Texas	2	714	50%
Virginia	1	1,396	0%
Wisconsin	14	325	7%
<b>Total USA/Average</b>	<b>38</b>	<b>503</b>	<b>18%</b>

Note: Resorts have a minimum of three waterpark features  
 Source: Hotel & Leisure Advisors, LLC, June 2010

Hotel and Leisure Advisors has identified a total of 38 resort hotels with outdoor waterparks located in 13 different states throughout the United States. Of this number,

seven are franchised properties and the remaining resorts are independent properties. Resort hotels with outdoor waterparks represent a total of 19,114 guest rooms with an average of 503 guest rooms per resort. A total of 21 of these resorts have an indoor waterpark component to their properties in addition to their outdoor waterpark amenities.

**Performance of Indoor Waterpark Resorts:** In spite of the economic slowdown, the performance of many indoor waterparks continues to be positive. For example, the Great Wolf Lodge chain reported relatively strong occupancy and average daily rate for year-end 2009 as compared to 2008. For 2009, the chain reported an overall occupancy percentage of 59.8% with an average daily rate of \$244.79. The 10.4% decline in RevPAR for all Great Wolf Lodge properties was better than the national hotel industry's 2009 decline of 16.7%. Other well-run properties we reviewed in 2009 exhibited similar higher levels of performance, indicating a trend by travelers to take shorter vacations and stay closer to home.

Although the performance of many indoor waterpark resorts continues to be positive, other properties have not fared as well. Several properties have been foreclosed or gone bankrupt in 2009 and 2010 and some have subsequently resold. These properties include the Double JJ Resort in Rothbury, Michigan; Three Bears Lodge in Warrens, Wisconsin; Lodge at Cedar Creek in Rothschild, Wisconsin; Sheraton with Coco Key Waterpark in Arlington Heights, Illinois; KeyLime Cove in Gurnee, Illinois; and Fort Rapids Indoor Waterpark Resort in Columbus, Ohio. These properties are currently working through bankruptcy or foreclosure proceedings and have either recently sold or are in process of being sold in 2010.

The challenges faced by these properties and others indicate the need for strong management and marketing for an indoor waterpark resort. Properties need to plan well for financing and other financial issues. Those properties suffering financially were unable to achieve a strong enough level of performance to pay outstanding balances on loans and other expenses.

**2009 Openings:** We analyzed the openings or expansions of indoor waterpark resorts which occurred in 2009. Based upon our research, 16 indoor waterpark projects opened or expanded in the United States and Canada as shown in the following table.

Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2009				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
Ramada Inn with Buccaneer Bay Waterpark	Des Moines	IA	0	10,000
Valley of the Springs Resort	French Lick	IN	156	40,000
Pirates Island Aquatic Park at SWAT Fitness Center (hotel later)	Kalamazoo	MI	0	14,000
Castle Rock Indoor Waterpark Resort Addition	Branson	MO	100	25,000
Great Wolf Lodge - Charlotte	Concord	NC	402	81,000
Sahara Sam's Indoor Waterpark (no hotel)	Berlin	NJ	0	45,000
Hope Lake Indoor Waterpark Resort at Greek Peak	Cortland	NY	150	41,000
The Lodge at Deadwood	Deadwood	SD	140	13,000
Wilderness at the Smokies Resort (rooms portion)	Sevierville	TN	470	0
Westgate Smoky Mountain Resort Additional Units	Gatlinburg	TN	100	0
Great Wolf Lodge Expansion	Grapevine	TX	203	0
Staybridge Suites & HI Express & Indoor Waterpark	West Valley City	UT	191	10,000
Rome, a Mount Olympus Resort Timeshare Expansion	Wisconsin Dells	WI	63	0
Metropolis Hotel Indoor Waterpark (hotel opened 2008)	Eau Claire	WI	107	16,000
Fairfield Inn, Country Inn, and Indoor Waterpark	Gillette	WY	160	10,000
Mission Recreation Park Indoor Waterpark (no hotel)	Kelowna	British Columbia	0	96,000
<b>Total</b>		<b>16</b>	<b>2,242</b>	<b>401,000</b>
<b>Average</b>			<b>187</b>	<b>33,417</b>

Note: Averages represent only those properties adding rooms or waterpark SF  
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
Source: Hotel & Leisure Advisors, LLC, June 2010

The previous chart includes three stand-alone destination indoor waterpark properties without attached hotels, which are not included in our indoor waterpark resort table. These three properties are located in British Columbia, Michigan, and New Jersey. We have included these properties because they are large and offer a wide range of indoor waterpark amenities, including Flowriders and various other slides and attractions. Of the remaining 13 hotel projects, only three represent new construction indoor waterpark destination resorts. The new construction resort properties include the Valley of the Springs Resort in French Lick, Indiana; the Great Wolf Lodge in Concord, North Carolina; and the Hope Lake Lodge at Greek Peak ski resort in Cortland, New York.

**2010 Openings:** We have tracked the openings or expansions of indoor waterpark resorts in 2010. The following table indicates properties that are projected to expand or open in 2010.

Indoor Waterpark Additions & Indoor Waterpark Resorts Opened or Projected to Open in 2010				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
Coco Key Water Resort (former Orlando Grand) IWP/OWP addition	Orlando	FL	0	54,000
Great Wolf Lodge Waterslide Addition	Kansas City	KS	0	1,000
Radisson Indoor Waterpark Addition	Albuquerque	NM	0	28,000
Great Wolf Lodge Waterslide Addition	Mason	OH	0	1,000
Kalahari Sandusky Outdoor Adventure Park Addition	Sandusky	OH	0	0
Great Wolf Lodge Waterslide Addition	Poconos	PA	0	1,000
Splash Lagoon Expansion	Erie	PA	0	20,000
Kalahari Resort 5BR Cottage Expansion	Wisconsin Dells	WI	4	0
Wilderness Resort Zip Line, Miniature Golf Addition	Wisconsin Dells	WI	0	0
<b>Total</b>		<b>9</b>	<b>4</b>	<b>105,000</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
Source: Hotel & Leisure Advisors, LLC, June 2010

Based on the charts, we project two waterpark additions to existing hotels and seven small expansions of existing indoor waterpark resorts in 2010. In addition to the nine expansions or new resorts listed above, we are also tracking over 200 proposals for new indoor waterpark resorts or indoor waterpark additions to existing properties. Developers have a high level of interest in constructing these entertainment related

projects. However, due to the current challenges of finding financing and investors, most projects are currently on hold. The financing challenges of the overall United States economy have had a major limiting impact on the new development of hotels in general and indoor waterpark resorts specifically.

We have highlighted the following recent openings of and changes to waterpark resorts:

- The Hope Lake Lodge in Cortland, New York, opened in December of 2009 as part of the Greek Peak Ski Resort. This indoor waterpark resort includes 150 hotel rooms primarily owned as condominium units. The property includes a mid-sized indoor waterpark, restaurant, lounge, spa, meeting space, and fitness center. It offers skiing and indoor waterpark packages.
- CoCo Key Water Resort opened its newest 392-room property in Orlando, Florida, through renovating the former Orlando Grand Hotel. The renovations included a 54,000 square foot indoor and outdoor waterpark addition to the property, and approximately half of the waterpark is covered but not completely enclosed, while the remaining waterpark is outdoors. The property also includes a restaurant, lounge, arcade, birthday party rooms, and a gift shop. This is the 10<sup>th</sup> CoCo Key Resort property and is the only one located in a warm weather destination with a large outdoor waterpark.
- The Radisson Hotel in Albuquerque, New Mexico, opened its indoor waterpark in March 2010 after a number of years of being under construction. The 28,000 square foot indoor waterpark includes a Flowrider, lazy river, slides, gift shop, arcade, and other features. The hotel was renovated during the last two years.
- Three Great Wolf Lodge resorts located in the Poconos, Kansas City, and Mason expanded their waterparks in 2010 by adding a new five-story waterslide to each of the properties.
- Both Kalahari Resorts located in Sandusky, Ohio, and Wisconsin Dells, Wisconsin, are making improvements in 2010. In Wisconsin Dells, the property is adding four new five-bedroom Nyumba condominium unit cottages. In Sandusky, the property added an outdoor adventure park which includes a zip line, outdoor petting zoo, and other outdoor activities.
- The Wilderness Resort in Wisconsin Dells added a new zip line attraction in 2010, as well as a new 3-D miniature golf complex. It has also converted one of its wave pools into a bumper boat haven.

As the list indicates, the number of the projects for 2010 represents relatively small additions to existing resorts in comparison to the construction or new development of a larger new resort. Due to the lack of financing for hotel and waterpark resort projects, only smaller projects are being constructed in today's economy.

**Conclusion:** 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. An important trend is occurring in the indoor waterpark resort development field: larger resorts, such as the new generation Great Wolf Lodge properties, are achieving stronger levels of performance than the smaller indoor waterpark additions to existing hotels or new construction properties. Because the larger properties (with waterparks

over 60,000 square feet) offer a greater number of amenities, families return to those resorts more often. As a result, these properties are able to achieve higher levels of occupancy and average daily rate despite their higher room counts.

We project continued interest in the development of indoor waterpark resorts in the northern United States because these resorts offer an attractive year-round leisure opportunity for families and attractive investment returns for developers. We also project growth in resorts with outdoor waterparks in the southern United States since they represent a lower cost of construction and can boost a hotel's performance.

With the current challenges in the financing market, we project the current slowdown in growth to continue through the remainder of 2010 but project increased growth in 2011, 2012, and beyond as lending opportunities increase. The advantage to the current lack of lending is that current owners of waterpark resorts are less likely to face new competition. Before a new project is developed, we recommend a thorough feasibility analysis be performed to ensure that the project's return on investment is adequate for the development. For existing projects, we recommend a creative and experienced management team be hired in order to generate a higher level of demand for the property.

**Author**

David J. Sangree, MAI, CPA, ISHC is President of Hotel & Leisure Advisors, a national hospitality consulting firm. Mr. Sangree's expertise is in the appraisal and analysis of hotels, resorts, indoor waterpark resorts, waterparks, amusement parks, conference centers, ski resorts, and golf courses. He has performed studies on more than 1,000 existing and proposed hotels in more than 46 states in all price ranges including economy, full-service, extended-stay, and luxury hotels and resorts including indoor waterpark resorts. He has been an active appraiser/consultant since 1987 and also has 10 years of work experience in the hotel/restaurant industry including management positions with four Westin Hotels properties.

Mr. Sangree is a nationally recognized expert on indoor waterpark resorts and has visited most of the open waterpark properties in the United States and Canada. He has performed more than 200 studies of hotels and resorts with indoor waterparks since 1999, and he maintains a database of statistical information concerning indoor waterpark resorts. Mr. Sangree was named one of *Aquatics International Magazine's "Power 25"* in 2008. In their profile *Aquatics International* named 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.

Mr. Sangree will be speaking at the World Waterpark Association's annual convention and development workshop that will be held in San Antonio the week of October 6 – 9. More information about the convention can be found at the association's website, [www.waterparks.org](http://www.waterparks.org). He can be reached via telephone at 216-228-7000 ext. 20 or via e-mail at [dsangree@hladvisors.com](mailto:dsangree@hladvisors.com).

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