



HOTEL & LEISURE ADVISORS

Number of Indoor Waterpark Destination Resorts Grows in '08

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 steadily since 2005. There were 30 available properties as of year-end 2005, compared to 43 available properties as of year-end 2006, and 49 available properties as of year-end 2007. The majority of the destination resorts are independent properties not affiliated with a national hotel franchise.

In 2008, 15 destination waterpark additions to existing hotels or new construction properties are projected to open, all of which meet our definition of indoor waterpark destination resorts. Additional resorts are currently in development and likely to begin construction in 2008. As of February 2008, we are tracking 303 new indoor waterpark destination resort development projects and smaller hotel with indoor waterpark development projects incorporating both additions to existing hotels and new construction projects.

As of the date of this report, 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. Furthermore, Wisconsin Dells, Wisconsin, where indoor waterparks were first introduced, remains the destination with the most indoor waterparks. There are currently six indoor waterpark destination resorts and 10 smaller hotels with indoor waterparks in Wisconsin Dells.

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 2007 and those which are projected to open in 2008. The following table indicates the existing supply of indoor waterpark destination resorts as of January 2008. It should be noted that the figures used for the waterpark square footage indicate 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 by including these additional spaces.

Indoor Waterpark Destination Resorts - United States & Canada						
Name	Location	State / Province	Number of Hotel		Waterpark	
			Rooms Franchise	Rooms Independent	SQ Ft Franchise	SQ Ft Independent
Fantasyland Hotel/World Waterpark	Edmonton	AB		355		217,800
Sheraton Chicago NW CoCo Key Indoor Waterpark	Arlington Heights	IL	429		36,000	
Holiday Inn North and Caribbean Cove	Indianapolis	IN	344		30,000	
Great Wolf Lodge	Kansas City	KS		281		38,000
Sheraton-Ferncroft with CoCo Key Indoor Waterpark	Danvers	MA	367		45,000	
Boyne Mountain Grand Lodge and Avalanche Bay	Boyer Falls	MI		220		58,000
Great Wolf Lodge - Traverse City	Traverse City	MI		281		38,000
Double JJ Ranch with Indoor Waterpark	Rothbury	MI		300		34,000
Bavarian Inn	Frankenmuth	MI		357		30,000
Zehnder's Splash Village	Frankenmuth	MI		152		22,000
Best Western Sterling Inn	Sterling Heights	MI	250		32,000	
Seven Clans Casino & Waterpark Resort	Thief River	MN		151		40,000
Arrowhead Resort & Conf. Center	Alexandria	MN		200		38,000
Radisson Hotel and Waterpark of America	Bloomington	MN	400		68,000	
Ramada Grand Rios Resort	Brooklyn Park	MN	224		35,000	
Holiday Inn and Wildwoods	Osego	MN	125		22,000	
Best Western Edgewater	Duluth	MN	297		30,000	
Canad Inn with Splasher of the South Seas	Grand Forks	ND	201		35,000	
Holiday Inn with CoCo Key Indoor Waterpark	Omaha	NE	383		40,000	
Six Flags Great Escape Waterpark Resort	Queensbury	NY		200		38,500
Kalahari Resort (including condos)	Sandusky	OH		884		173,000
Great Wolf Lodge	Mason/Kings Island	OH		401		79,000
Castaway Bay at Cedar Point	Sandusky	OH		237		38,000
Cherry Valley Lodge with CoCo Key Waterpark	Newark	OH		200		35,000
Great Wolf Lodge	Sandusky	OH		271		33,000
Holiday Inn Fort Rapids with Indoor Waterpark	Columbus	OH	338		45,000	
Sheraton Sharonville with Coco Key Indoor Waterpark	Sharonville	OH	257		35,000	
Great Wolf Lodge	Niagara Falls	ON		406		85,000
Fallsview Indoor Waterpark (Sheraton & Brock)	Niagara Falls	ON	402	234	90,000	
Great Wolf Lodge	Poconos	PA		401		78,000
Splash Lagoon - Residence Inn & Holiday Inn Express Suites	Erie	PA	395		65,000	
LaQuinta and Fairfield Inn with WaTiki Indoor Waterpark	Rapid City	SD	258		30,000	
Ramada Inn and Suites	Sioux Falls	SD	150		30,000	
Westgate Smoky Mountain Resort with Indoor Waterpark	Gatlinburg	TN		526		50,000
Great Wolf Lodge	Grapevine	TX		402		75,000
Schiltebahn Waterpark & Moody Gardens Resort	Galveston	TX		428		70,000
Great Wolf Lodge	Williamsburg	VA		405		67,000
Massanutten Resort with Indoor Waterpark	Harrisonburg	VA		1396		56,250
Wilderness (including condos)	Wisconsin Dells	WI		1054		225,000
Kalahari Resort (including condos)	Wisconsin Dells	WI		740		125,000
Great Wolf Lodge	Wisconsin Dells	WI		436		76,000
Chula Vista Resort	Wisconsin Dells	WI		578		75,000
Mt. Olympus Resort (Treasure Island)	Wisconsin Dells	WI		378		55,000
Jellystone Park- Three Bears Lodge	Warrens	WI		343		48,000
Blue Harbor Resort	Sheboygan	WI		247		40,000
Country Springs Hotel	Waukesha	WI		187		40,000
Lodge at Cedar Creek	Wausau	WI		140		40,000
Polynesian Resort	Wisconsin Dells	WI		227		38,000
Timber Ridge	Lake Geneva	WI		220		30,000
Total			4,820	13,238	668,000	2,185,550
Overall Totals - 49 Destination Resorts				18,058		2,853,550

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Destination resorts have a minimum of 30,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, January, 2008

The table indicates the existing supply of indoor waterpark destination resorts. The chart indicates a number of trends. For example, the vast majority of indoor waterpark destination resorts are independent properties not affiliated with a national hotel franchise. Furthermore, the chart indicates that the Great Wolf Lodge brand is the ownership group and brand with the most indoor waterpark destination resorts, offering nine properties in the United States and Canada.

The number of indoor waterpark destination resorts grew by six new properties in 2007. In addition, six existing properties made additions to their facilities of either indoor waterpark space or new guest rooms. The largest new developments included the following:

- Kalahari Resort opened a 93,000 square foot expansion to its indoor waterpark in Sandusky, Ohio, to create a 173,000 square foot indoor waterpark in late 2007. The resort added 288 additional keys in 96 hotel condominium units as an

expansion to its 596-room resort. This resort now features the largest single-building indoor waterpark in the United States.

- Great Wolf Lodge opened the 402-room Great Wolf Lodge in Grapevine, Texas across from the Gaylord Texan Resort in late 2007. The resort features a 75,000 square foot indoor waterpark. The resort has begun construction on a 203-room expansion along with a new conference center with approximately 30,000 square feet which will open by year-end 2008.
- CoCo Key Waterparks opened two new waterparks in 2007 with additions to the Sheraton Ferncroft in Danvers, Massachusetts and the Sheraton Hotel in Sharonville, Ohio. The Danvers location offers 45,000 square feet of waterpark while the Sharonville location features 35,000 square feet. They also added an indoor waterpark with 25,000 square feet to the Best Western Clocktower in Rockford, Illinois.

2008 Openings: We have researched the 2008 projected openings of indoor waterpark destination resorts. The following table indicates those properties which we expect to open in 2008.

Indoor Waterpark Destination Resorts Projected to Open or Expand in 2008				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
Connecticut Grand Hotel CoCo Key IWP Addition	Waterbury	CT	0	35,000
Silver Mountain Resort's Silver Rapids	Kellogg	ID	268	42,000
KeyLime Cove Indoor Waterpark Resort	Gurnee	IL	414	64,500
Valley of the Springs Resort	French Lick	IN	156	30,000
Splash Universe Indoor Waterpark Resort	Hazelwood	MO	150	30,000
Sheraton (former Clarion) with Coco Key Indoor Waterpark Addition	Kansas City	MO	0	50,000
Great Adventure Water Resort/former Days Inn	Bellevue	NE	0	30,000
Red Jacket Inn Waterpark Addition	North Conway	NH	0	35,000
Marriott with Coco Key Indoor Waterpark Addition	Mount Laurel	NJ	0	40,000
Holiday Inn Express & Maui Sands Indoor Waterpark Addition	Sandusky	OH	95	55,000
Resort at Split Rock	Lake Harmony	PA	0	41,000
Great Wolf Lodge Expansion	Grapevine	TX	203	0
Great Wolf Lodge	Grand Mound	WA	399	51,000
Action City Metropolis Hotel and Indoor Waterpark	Eau Claire	WI	107	30,000
Kalahari Resort 5BR cottage expansion	Wisconsin Dells	WI	10	0
Total		15	1,802	533,500
Average			200	41,038

Note: Averages represent only those properties adding rooms or waterpark SF
 Note: Destination resorts have a minimum of 30,000 square feet of indoor waterpark space
 Source: Hotel & Leisure Advisors, LLC, January, 2008

The number of projected destination resort openings in 2008 is higher than those that were projected to open in 2007. The openings projected for 2008 are well below the interest level by developers due to the current challenges of finding financing and investors for these entertainment-related projects. Of the properties projected to open in 2008, five properties are entirely new construction facilities while the remaining ten represent additions to existing hotels or additions to existing indoor waterpark destination resorts. The Great Wolf Lodge in Grand Mound, Washington, and the Key Lime Cove Resort in Gurnee, Illinois represent the two largest properties to open in 2008. Both properties will feature multiple restaurants and gift shops, spas, larger indoor water park areas, and themed guest rooms.

The Silver Mountain Resort, the Great Adventure Water Resort, the Red Jacket Inn, the Maui Sands at the existing Holiday Inn Express, and the Resort at Split Rock represent

waterpark additions to existing properties. The additional CoCo Key Indoor Waterpark properties, located in Waterbury, Connecticut; Kansas City, Missouri; and Mt. Laurel, New Jersey are being developed by a partnership led by Sage Hospitality and Wave Development. Sage has five existing CoCo Key properties and is due to have a total of eight properties nationwide by the end of 2008. All of their properties are branded hotels where an indoor waterpark was added to the property.

In addition to the 15 destination resorts listed above, we are also tracking 12 new construction hotels with smaller indoor waterparks or additions of indoor waterparks smaller than 30,000 square feet which are due to open in 2008. Additionally, we are tracking 303 proposals for new indoor waterpark resorts or indoor waterpark additions to existing properties which include the properties opening in 2008. Many of these proposals are in the planning stages and have not yet begun construction. H&LA projects continued growth in supply in 2009 and 2010 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 has been substantial growth in supply in the waterpark segment, and saturation of the market could become an issue in the future. Therefore, we recommend a 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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