

Indoor Waterparks in Hotels: Amenities versus Destination Resorts

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The indoor waterpark concept is demonstrating its strength as a segment of the travel industry, expanding outside its traditional Wisconsin Dells base and spreading nationwide. The growth is occurring both as an amenity to an existing hotel (typically franchised) as well as an integral part of a destination resort (typically independent). Two distinct trends are appearing. The additions to existing hotels, or development of franchised properties with indoor waterparks, are occurring with smaller indoor waterparks being attached to generally smaller hotel projects. These indoor waterparks are an amenity to guests but not the entire focus of a hotel. Larger destination resorts are also under development and opening nationwide, which consist of larger themed properties with additional amenities and larger waterpark areas. These resorts focus on leisure travelers interested in the waterpark. The following table summarizes the results of our supply analysis of indoor waterpark resorts. We define an indoor waterpark resort as a hotel facility connected to an indoor waterpark with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides and tubes. Many hotels with large swimming pools claim to have an indoor waterpark; however, our definition of a 10,000 square foot minimum waterpark space restricts the use of resort to those facilities which have a variety of slides, pools and tubes.

Indoor Waterpark Resorts Supply Analysis United States and Canada			
	Indoor Waterpark Destination Resorts	Hotels with Smaller Indoor Waterpark Areas	All Indoor Waterpark Properties
Number of properties	17	28	45
Number of states and provinces	8	9	12
Average number of rooms	296	202	238
Average indoor waterpark square feet per resort	59,753	14,293	31,467

Note: Indoor waterpark contains minimum of 10,000 square feet
Source: US Realty Consultants (216-221-9191), (May, 2004)

There are currently 40 indoor waterpark resorts located in the United States with the vast majority located in Wisconsin. In addition, there are five indoor waterpark resorts located in Canada, although, many other hotels in Canada offer smaller indoor waterpark spaces with less than 10,000 square feet.

New Construction

The following table indicates indoor waterpark additions and destination resorts which will open in 2004.

Indoor Waterpark Resort Expansions/New Construction in 2004			
Resorts	Location	Rooms	Indoor Waterpark Sq. Ft
Holiday Inn Select North Waterpark Addition	Indianapolis, IN	343	30,000
Holiday Inn Indoor Waterpark Addition	Amana, IA	155	11,000
Baymont Inn Waterpark Addition	Shepherdsville, KY	80	14,000
Best Western Waterpark Expansion	Sterling Heights, MI	250	9,000
Grand Rios Resort (former Four Points)	Brooklyn Park, MN	225	45,000
Radisson/Castaway Bay Waterpark Addition	Sandusky, OH	237	38,000
Splash Lagoon Expansion	Erie, PA	0	22,500
Blue Harbor Resort	Sheboygan, WI	247	40,000
Cedar Creek Resort	Wausau, WI	140	50,000
Kalahari Condominiums Expansion	Wisconsin Dells, WI	360	125,000
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space			
Source: US Realty Consultants (216-221-9191; May 2004)			

The table indicates that ten indoor waterpark additions or new construction are projected to open in 2004 which include eight expansions of existing facilities and two new construction destination resorts. This is occurring after seven indoor waterpark resorts or additions to existing hotels opened in 2003.

There are a number of indoor waterpark resorts under development in a variety of northern locations throughout the United States. The following table identifies projects currently under consideration.

Indoor Waterpark Resorts Opening in 2004/Under Construction/Proposed	
Number of properties	60
Number of US States and CN Provinces	24
Total number of rooms	12,455
Average rooms per project	208
Total square feet of indoor waterpark space	2,744,980
Average square feet of waterpark space per project	45,750
Note: Indoor waterpark contains minimum of 10,000 square feet	
Source: US Realty Consultants (216-221-9191), (May, 2004)	

The table indicates that we are currently tracking 60 projects with an average of 45,750 square feet of indoor waterpark space. These include expansions of existing hotels and development of new resorts. If all of these facilities are constructed, this would result in over 2,700,000 square feet of new indoor waterpark space.

The largest developer of new projects is the Great Lakes Companies out of Madison, Wisconsin with their branded Great Lodge resorts. This company developed the first indoor waterpark destination resort outside of Wisconsin Dells in Sandusky, Ohio called the Great Bear Lodge in 2001. Since then, they have opened Great Wolf Lodge Resorts in Traverse City, Michigan and Kansas City, Kansas. They currently have under construction full-service destination resorts in Williamsburg, Virginia; Pocono Mountains, Pennsylvania; Niagara Falls, Ontario; and Sheboygan, Wisconsin. Our analysis of the market indicates that this company is the largest indoor waterpark resort developer in the nation at this time.

Conclusion

Indoor waterpark resorts achieve strong success from leisure travelers particularly during school vacations including winter and spring breaks, summer break and weekends. The room rates at many of the larger indoor waterpark resorts range from \$150 to \$475 per night with the rate allowing access for four to six people to the indoor waterpark which otherwise would have an admission price of between \$15 to \$40 per person per day. These properties achieved substantial premiums over standard hotels in both occupancy and average daily rate.

Indoor waterparks are being added to existing hotels and being developed within destination resort properties. We project continued development of indoor waterpark resorts in the northern United States as they offer an attractive year round leisure opportunity for families and attractive investment returns for developers.

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