



### NORTH AMERICAN INDOOR WATERPARK RESORTS

State	No. of Resorts	Rooms	Indoor Waterpark Size (sq. ft.)			Percent Franchised
			average	high	low	
Iowa	2	175	18,000	25,000	11,000	50%
Kansas	1	281	38,000	38,000	38,000	0%
Michigan	4	242	25,200	38,000	10,000	50%
Minnesota	5	181	23,600	40,000	11,000	60%
Missouri	2	617	20,000	20,000	20,000	0%
North Dakota	2	154	15,350	20,700	10,000	100%
Ohio	1	271	33,000	33,000	33,000	0%
Pennsylvania	1	367	45,000	45,000	45,000	100%
Wisconsin	24	235	33,171	160,000	10,000	17%
<b>TOTAL U.S. Average</b>	<b>42</b>	<b>250</b>	<b>30,185</b>			<b>31%</b>
Alberta	3	260	80,600	217,800	12,000	67%
Ontario	2	178	17,000	19,000	15,000	50%
Saskatchewan	1	157	10,000	10,000	10,000	100%
<b>TOTAL Canadian Average</b>	<b>6</b>	<b>216</b>	<b>47,633</b>			<b>80%</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space.  
Source: U.S. Realty Consultants (September 2004)

# cular WTH

Indoor waterpark resorts are expanding at an impressive rate

By David J. Sangree, MAI, CPA, ISHC

**D**on't look now, but an indoor waterpark resort is probably coming soon to your area! These facilities continue to demonstrate their strength as an important and growing segment of the travel industry. While these facilities might have originated in—and found a successful home in—the Wisconsin Dells area, today, you'll find these facilities nationwide (see table at left, "North American Indoor Waterpark Resorts").

But what qualifies as an indoor waterpark resort? If a hotel has an indoor pool and a slide, can it claim that title? For our purposes, 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 with amenities such as slides and tubes. While many hotels with large swimming pools claim to have indoor waterparks, our definition restricts that terminology to larger facilities with a variety of slides, pools and tubes that are truly worthy of the label.

Today, 42 indoor waterpark resorts are located in the United States. The majority of these are located in Wisconsin. In addition, six indoor waterpark resorts are located in Canada, although many other hotels in Canada offer smaller indoor waterpark spaces of less than 10,000 square feet. Of the Wisconsin total, 15 are located in the Dells, a traditional summer destination in central Wisconsin. Historically, the Dells ran at very high occupancy between Memorial Day and Labor Day with many of the attractions and hotels closed down for the rest of the year. Beginning in 1989, and especially during the mid-1990s, the resort city achieved national recognition for its indoor waterparks and year-round activities.

## INDOOR WATERPARK RESORTS COMPLETED IN 2003/TO OPEN IN 2004

Resorts	Rooms	Indoor Waterpark Size (sq. ft.)	Year Open
Splash Lagoon (Erie, Pa.)	367	45,000	2003
Great Wolf Lodge (Kansas City, Kan.)	281	38,000	2003
Great Wolf Lodge (Traverse City, Mich.)	281	38,000	2003
Tundra Lodge (Green Bay, Wis.)	160	20,000	2003
Arrowwood Resort (waterpark addition) (Alexandria, Minn.)	200	38,000	2003
Tan-Tar-A Resort (waterpark addition) (Osage Beach, Mo.)	915	20,000	2003
Wilderness on the Lake (Wisconsin Dells, Wis.)	120	15,000	2003
Holiday Inn Select North (waterpark addition) (Indianapolis)	343	30,000	2004
Best Western (waterpark expansion) (Sterling Heights, Mich.)	250	9,000	2004
Grand Rios Resort (Brooklyn Park, Minn.)	225	45,000	2004
Radisson/Castaway Bay (waterpark addition) (Sandusky, Ohio)	237	38,000	2004
Splash Lagoon (expansion) (Erie, Pa.)	0	22,500	2004
Blue Harbor Resort (Sheboygan, Wis.)	247	40,000	2004
Cedar Creek Resort (Wausau, Wis.)	140	50,000	2004
Kalahari Condominiums (expansion) (Wisconsin Dells, Wis.)	360	125,000	2004
H2Oasis (Anchorage, Ala.)	0	30,000	2003
Wilderness Resort Wild West Waterpark (Wisconsin Dells, Wis.)	0	70,000	2003
Holiday Inn (waterpark addition) (Amana, Iowa)	155	11,000	2004
Baymont Inn (waterpark addition) (Shepherdsville, Ky.)	80	14,000	2004
Holiday Inn Express (waterpark addition) (Grand Rapids, Mich.)	70	10,000	2004
Sleep Inn and Indoor Waterpark (Minot, N.D.)	122	24,000	2004
Americana Resort (waterpark addition) (Niagara Falls, Ontario)	160	19,000	2004

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space. Source: U.S. Realty Consultants (September 2004)

### Unexplored opportunities

While one might imagine that the success of the Dells' waterparks would spur interest in others' development of indoor waterpark resorts, hotel companies, investors and developers have been slow to take advantage of this successful trend. Only a few national hotel franchises have fully explored the potentials and benefits of indoor waterpark resorts. In fact, only 31 percent of U.S. indoor waterpark

Continued on page 38

Continued from page 35

resorts are affiliated with a national hotel chain. Why the difference between the number of franchised and nonfranchised facilities? While nonfranchised resorts typically offer a wider variety of indoor waterpark facilities than their franchised brethren, they lack the advantage of a central reservation system and franchise recognition. For franchised resorts, the disadvantage is their viewpoint of indoor waterpark facilities as simply an additional amenity for guests. Such thinking has led franchised properties to develop smaller waterpark facilities compared to nonfranchised properties. Thus, even though the franchised resorts have the many benefits of a central reservation system, franchise recognition and corporate marketing, their smaller indoor waterpark facilities often limit their potential improvement in occupancies and average daily rates (ADRs).

### What's in store for the future?

Nine U.S. and Canadian waterparks came online within new resorts or expansions of existing resorts last year (see table, page 35, "Indoor Waterpark Resorts Completed in 2003/To Open in 2004"). Thirteen more have or will open or expand this year. All are located in northern states. Seven of the properties opening this year are adding or expanding waterpark facilities to existing hotels. In the case of the Kalahari, developers have added 120 three-bedroom condominium units in 2004 and 65,000 square feet of additional convention space to supplement the former 378-room, 125,000-square-foot indoor waterpark resort.

In addition, numerous indoor waterpark resorts are known to be in the planning stages in a variety of northern locations throughout the United States and Canada (see table below, "Indoor Waterpark Resorts Open in 2004/Under Construction/Proposed").

Currently, we are tracking 79 projects in the United States and Canada with an average of 40,630 square feet of indoor waterpark space. These include expansions of existing hotels and the development of new resorts. If all of these facilities are constructed, they will result in more than 3,100,000 square feet of new indoor waterpark space. The largest developer of new projects is the Great Lakes Companies., Madison, Wis., with its branded Great Wolf Lodge resorts. This firm filed an IPO as Great Wolf Resorts Inc. in August 2004 with the SEC and will be listed on the New York Stock Exchange by year

## Don't miss this seminar!

Author David Sangree will be speaking on "Waterpark Development & Expansion" during the WWA's Annual Symposium & Trade Show, Oct. 6-10 in Fort Lauderdale, Fla. To register, visit [www.waterparks.org](http://www.waterparks.org) or call (913) 599-0300 and ask for Mary Jane Brewer.

end. The more than \$200 million it hopes to raise will be utilized to develop new Great Wolf Lodge resorts nationwide.

### The reward for indoor waterpark resorts

Indoor waterpark resorts achieve strong success particularly during school vacations over winter and spring breaks, summer break and weekends. The resorts appeal to all children but particularly those up to age 14.

The room rates at many of the larger indoor waterpark resorts range from \$150 to \$475 per night. That rate allows from four to six people to access the indoor waterpark. These guests would otherwise pay an admission price of \$15 to \$40 per person per day.

Occupancy and ADR levels for indoor waterpark resorts exceed their traditional hotel competitors due to their popularity during the winter. In 2003 in the Wisconsin Dells, for example, the six largest indoor waterpark resorts had a premium of more than 15 occupancy points and \$110 ADR over franchised nonwaterpark hotels. The reasons for this premium performance include:

- They are year-round resort destinations.
- They eliminate weather-related vacation risks.
- They offer the wide appeal of water-based recreation.
- Demand is increasing for short drive-to getaway vacations.
- Themes offer varying levels of appeal.
- They are conveniently located near customer bases within established family vacation markets.

Indoor waterpark resorts have emerged as a leisure destination for families looking for a convenient and affordable weekend getaway or vacation. Historically, these facilities were located in existing tourist destinations such as the Wisconsin Dells or Sandusky, Ohio. Today and in the future, however, you can expect continued development of indoor waterpark resorts in the United States and Canada, as well as worldwide, as they offer an attractive year-round leisure opportunity for families and attractive investment returns for developers. **WWA**

David J. Sangree, MAI, CPA, ISHC, is Director of Hospitality Consulting with U.S. Realty Consultants and a Principal in the Cleveland office. Joseph Pierce, Associate with USRC's Cleveland office, contributed to this article.

### INDOOR WATERPARK RESORTS OPENED IN 2004/UNDER CONSTRUCTION/PROPOSED

Location	No. of Resorts	Average Room Count	Average Waterpark		
			Size (sq. ft.)	Franchised	Independent
Wisconsin	12	224	33,500	1	11
Midwest (Iowa, Illinois, Indiana, Michigan, Missouri, Ohio)	28	206	43,071	12	16
Northern Plains (Minnesota, North Dakota, South Dakota)	12	232	28,500	6	4
Mountains (Colorado, Idaho, Montana)	3	213	52,333	1	2
New England (Connecticut, Massachusetts, New Hampshire)	3	200	26,667	1	2
Middle Atlantic (New York, Pennsylvania)	9	510	68,500	0	8
South Atlantic (Kentucky, Virginia, South Carolina)	5	297	36,200	1	4
West (Nevada, Washington)	4	329	27,500	2	2
Canada (Ontario, Alberta)	3	270	32,000	1	2
<b>TOTAL</b>	<b>79</b>	<b>248</b>	<b>40,630</b>	<b>25</b>	<b>51</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space. Source: U.S. Realty Consultants (September 2004)