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Indoor Waterpark Resorts Expand Nationwide

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The indoor waterpark resort concept is demonstrating its strength as a segment of the travel industry, expanding outside its traditional Wisconsin Dells base and spreading nationwide. The following table summarizes the results of our supply analysis of indoor waterpark resorts. We have defined 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 Resort Supply Analysis						
State	Number of Resorts	Average Room Count	Indoor Waterpark Size (SF)			Percent Franchised
			Average	High	Low	
Iowa	1	194	25,000	25,000	25,000	0%
Kansas	1	281	38,000	38,000	38,000	0%
Michigan	3	296	30,333	38,000	23,000	33%
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	<u>23</u>	<u>216</u>	<u>31,196</u>	<u>160,000</u>	<u>10,000</u>	<u>17%</u>
Total USA/Average	39	241	29,185			28%
Alberta	3	260	80,600	217,800	12,000	67%
Ontario	1	196	15,000	15,000	15,000	100%
Saskatchewan	1	157	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>100%</u>
Total Canada/Average	5	227	53,360			80%

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Source: US Realty Consultants (April 2004)

The table indicates that there are currently 39 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. Of the Wisconsin total, 16 are located in the Wisconsin Dells, which is 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 in the mid 1990s, the resort city has achieved national recognition for its indoor waterparks and year-round activities.

Hotel companies, investors and developers have not fully explored the potentials and benefits of indoor waterpark resorts affiliated with a national hotel franchise. The above table shows that only 28% of indoor waterpark resorts are affiliated with a national hotel chain in the United States. Even though the non-franchise resort can benefit from offering a wider variety of indoor waterpark facility, it lacks the benefits of a central reservation system and franchise recognition. In a franchised resort, an indoor waterpark facility is normally considered an additional amenity for guests; which has led to smaller waterpark facilities for the franchised properties. Even though the franchised resort can benefit from a central reservation system, franchise recognition and corporate marketing, smaller indoor waterpark facilities limit the potential improvement in occupancy and average daily rate.

New Construction

The following table indicates indoor waterpark resorts which opened in 2003 or will open in 2004.

Indoor Waterpark Resorts Completed in 2003 / to Open in 2004				
Resorts	Location	Rooms	Indoor Waterpark Sq. Ft	Year Opening
Splash Lagoon	Erie, PA	367	45,000	2003
Great Wolf Lodge	Kansas City, KS	281	38,000	2003
Great Wolf Lodge	Traverse City, MI	281	38,000	2003
Tundra Lodge	Green Bay, WI	160	20,000	2003
Arrowwood Resort Waterpark Addition	Alexandria, MN	200	38,000	2003
Tan-Tar-A Resort Waterpark Addition	Osage Beach, MO	915	20,000	2003
Wilderness on the Lake	Wisconsin Dells, WI	120	15,000	2003
Holiday Inn Select North Waterpark Addition	Indianapolis, IN	343	30,000	2004
Best Western Waterpark Expansion	Sterling Heights, MI	250	9,000	2004
Grand Rios Resort	Brooklyn Park, MN	225	45,000	2004
Radisson/Castaway Bay Waterpark Addition	Sandusky, OH	237	38,000	2004
Splash Lagoon Expansion	Erie, PA	0	22,500	2004
Blue Harbor Resort	Sheboygan, WI	247	40,000	2004
Cedar Creek Resort	Wausau, WI	140	50,000	2004
Kalahari Condominiums Expansion	Wisconsin Dells, WI	360	125,000	2004

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Source: US Realty Consultants (April 2004)

The table indicates that seven waterparks came on line within new resorts or expansions of existing resorts in 2003 in the United States, and that eight more will either open or expand in 2004, all of which are located in northern states. Three of the properties opening in 2004 are adding or expanding waterpark facilities to existing hotels. In the case of the Kalahari, the developers are adding additional sleeping facilities to supplement the existing 378-room, 125,000 square foot indoor waterpark resort.

In addition, there are a number of indoor waterpark resorts known to be in the planning stages in a variety of northern locations throughout the United States. The following table identifies projects currently under consideration.

Indoor Waterpark Resorts Open in 2004/Under Construction/Proposed					
Location	Number of Resorts	Average Room Count	Average Waterpark Size	Franchised	Independent
Wisconsin	9	243	34,563	0	9
Midwest: IA, IL, IN, MI, MO, OH	19	246	54,211	13	6
Northern Plains: MN, ND	7	288	35,000	2	5
Mountain : CO	1	270	100,000	0	1
New England: CT, MA, NH	3	200	26,667	1	2
Middle Atlantic: NY, PA	6	613	66,833	0	6
South Atlantic: KY, VA	2	297	47,500	0	2
West: NV, WA	3	329	30,000	1	2
	50	283	47,010	17	33

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space
Source: US Realty Consultants (April 2004)

The table indicates that we are currently tracking 50 projects with an average of 47,010 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 2,300,000 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.

The Reward

Indoor waterpark resorts achieve strong success particularly during school vacations including 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 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. Occupancy and ADR levels for the indoor waterpark resorts exceed their traditional hotel competitors due to their popularity during the winter. In the Wisconsin Dells, in 2003 the six largest indoor waterpark resorts had a premium of over 15 occupancy points and \$110 ADR over the franchised non-waterpark hotels. The reasons for this premium performance include:

- Year-round destination resorts
- Elimination of weather-related vacation risks
- Wide appeal of water-based recreation
- Increasing demand for short drive-to getaway vacations
- Themes with varying levels of appeal
- Convenient location proximate to customer base within established family vacation market

Conclusion

Indoor waterpark resorts have emerged as a leisure destination for families looking for a convenient and affordable weekend getaway or vacation. Historically, the indoor waterpark resorts were located in existing tourist destinations such as the Wisconsin Dells or Sandusky, Ohio. 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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