

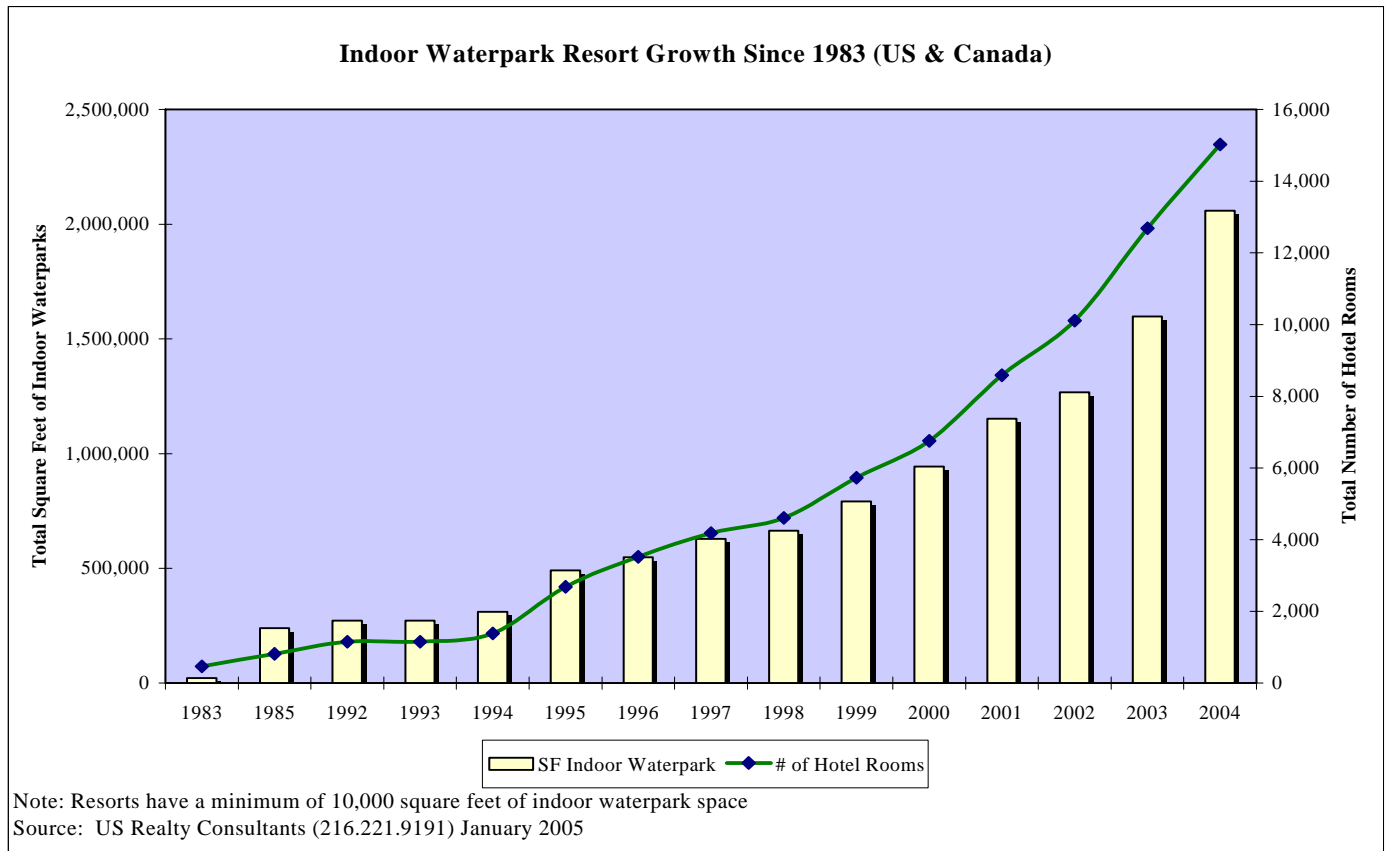


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## Indoor Waterpark Resorts Continue Impressive Growth in '05

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It's official. The indoor waterpark resort has established itself as a viable segment of the travel industry and expanded well beyond its Wisconsin base. During the period 1983 to 2004, 60 indoor waterpark resorts opened or expanded their properties in the US and Canada totaling approximately 2,058,000 square feet and offering over 15,000 hotel rooms. The size of the indoor waterparks has grown significantly since their inception in the early 1980's, while the average number of hotel rooms attached to these waterparks has also increased substantially over the years as shown in the chart which follows.



For example, in 1994 there were six indoor waterpark resorts operating in the US and Canada with a total of 1,388 guestrooms and 310,800 square feet of indoor waterpark space. This equaled approximately one guestroom per every 224 square feet of indoor waterpark space offered. By 2004, 60 indoor waterpark resorts were operating with a total of 15,023 guestrooms and 2,058,400 square feet of indoor waterpark space. This represented approximately one guestroom per every 137 square feet of indoor waterpark space. The increase in the number of guestrooms constructed has kept pace with increases in demand for indoor waterparks, which has also grown steadily.

The following table summarizes the results of our supply analysis of indoor waterpark resorts. Although numerous hotels bill their indoor pools as “waterparks” our definition restricts the use of the term waterpark resort to those hotels which are connected to an indoor waterpark containing 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.

<b>Indoor Waterpark Resort Supply Analysis</b>						
State	Number of Resorts	Average Room Count	Indoor Waterpark Size (SF)			Percent Franchised
			Average	High	Low	
Indiana	1	344	50,000	50,000	50,000	100%
Iowa	2	174	18,000	25,000	11,000	50%
Kansas	2	250	33,000	38,000	28,000	0%
Massachusetts	1	260	10,000	10,000	10,000	0%
Michigan	4	242	27,500	38,000	10,000	50%
Minnesota	6	189	27,167	45,000	11,000	50%
Missouri	2	617	20,000	20,000	20,000	0%
North Dakota	3	218	15,333	24,000	10,000	67%
Ohio	2	254	35,500	38,000	33,000	0%
Pennsylvania	1	368	51,500	51,500	51,500	100%
Washington	1	167	10,000	10,000	10,000	100%
Wisconsin	<u>24</u>	<u>233</u>	<u>33,379</u>	<u>160,000</u>	<u>10,000</u>	<u>17%</u>
<b>Total USA/Average</b>	<b>49</b>	<b>240</b>	<b>29,263</b>			<b>31%</b>
Alberta	3	260	80,600	217,800	12,000	67%
Manitoba	2	148	10,000	10,000	10,000	100%
Ontario	4	303	18,750	25,000	15,000	75%
Quebec	1	222	10,000	10,000	10,000	100%
Saskatchewan	<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>11</b>	<b>242</b>	<b>32,436</b>			<b>82%</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
Source: US Realty Consultants (216-221-9191), (January, 2005)

The table indicates that there are currently 49 indoor waterpark resorts located in the United States with nearly half located in Wisconsin. In addition, there are 11 indoor waterpark resorts operating in Canada, although, many other hotels in Canada offer smaller indoor water features with less than 10,000 square feet. Of the Wisconsin total, 15 are located in the Wisconsin Dells, which is a resort city in central Wisconsin that has achieved national recognition for its indoor waterparks and year-round activities.

The six largest indoor waterpark resorts located in the Wisconsin Dells outperformed the general Wisconsin Dells non-resort overall average hotel occupancy by 15 occupancy points and the average daily rate of the non-resort hotels by \$112 in 2003. According to their recent SEC filings, the four Great Wolf Lodge properties open in fiscal year 2004 averaged an occupancy level in the mid-60s% with an average daily rate slightly above \$200.

Hotel companies, investors and developers in the US are only beginning to explore the potential and benefit of affiliating indoor waterpark resorts with a national hotel franchise, although franchised indoor waterpark resorts are more common in Canada. The above table shows that only 31% of US indoor waterpark resort rooms are affiliated with a national hotel chain, while 82% of indoor waterpark resort rooms in Canada are franchised. Even though the non-franchised resorts can benefit from offering a wider variety of indoor waterpark amenities, they lack the benefits of a central reservation system and franchise recognition. Holiday Inn is the only national hotel chain currently considering adding an indoor waterpark resort prototype to their offering of hotel types. At present, there are six Holiday Inn properties in operation attached to indoor waterparks, as Holiday Inn has been very open to the idea of allowing franchisees to add indoor waterparks to their existing properties. As of January 2005, there are 13 additional Holiday Inn and Holiday Inn Express indoor waterpark resorts planned for development in the United States.

### New Construction

The following table indicates indoor waterpark resorts which opened in 2004 in the United States and Canada.

<b>Indoor Waterpark Resorts Opened in 2004</b>			
<b>Resorts</b>	<b>Location</b>	<b>Expanded or New Rooms</b>	<b>Waterpark SF</b>
Holiday Inn with Indoor Waterpark Addition	Amana, IA	0	11,000
Grand Prairie Hotel & Convention Center	Hutchinson, KS	218	28,000
Holiday Inn Express with Indoor Waterpark	Grand Rapids, MI	79	10,000
Grand Rios Resort	Brooklyn Park, MN	0	45,000
Courtyard/Residence Inn - Milwaukee Rd. Depot	Minneapolis, MN	357	15,000
Sleep Inn and Waterpark	Minot, ND	126	24,000
Castaway Bay at Cedar Point	Sandusky, OH	0	38,000
Holiday Inn Select with Indoor Waterpark Addition	Indianapolis, IN	0	50,000
Blue Harbor Resort	Sheboygan, WI	247	40,000
Lodge at Cedar Creek	Wausau, WI	140	50,000
Kalahari Condominiums Expansion	Wisconsin Dells, WI	360	125,000
Americana Resort with Indoor Waterpark Addition	Niagara Falls, ONT.	0	25,000
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space			
Source: US Realty Consultants (216-221-9191), (January, 2005)			

The table indicates that 12 waterparks came on line within new resorts or expansions of existing resorts in 2004. Approximately half of the properties which opened in 2004 added or expanded waterpark facilities in existing hotels. Castaway Bay operated as a Radisson hotel until November of 2004 when ownership added a 38,000 square foot indoor waterpark, renovated the property, and dropped the franchise. In the case of the Kalahari, the developers added 360 condominium sleeping facilities to the 378-room, 125,000 square foot indoor waterpark resort, bringing their total amount of available guestrooms to 738.

Our research indicates that there are 19 new indoor waterpark resorts or expansions to resorts projected to open in the United States & Canada. The following table identifies these properties.

<b>Indoor Waterpark Resorts Opening in 2005</b>			
<b>Resorts</b>	<b>Location</b>	<b>Expanded or New Rooms</b>	<b>Indoor Waterpark SF</b>
Baymont Inn Waterpark Addition	Shepherdsville, KY	-	14,000
Hawthorn Suites Midlane Waterpark Addition	Wadsworth, IL	-	15,000
Grand Bear Lodge at Starved Rock	Utica, IL	100	24,000
Holiday Inn Express Indoor Waterpark Resort	Dundee, MI	90	23,000
Zehnder's Splash Village	Frankenmuth, MI	70	30,000
Boyne Mountain Avalanche Bay	Boyne Falls, MI	222	88,000
Best Western Waterpark Expansion	Sterling Heights, MI	-	9,000
Best Western Edgewater Waterpark Expansion	Duluth, MN	17	23,000
Holiday Inn Maple Grove with Indoor Waterpark	Maple Grove, MN	150	25,000
Holiday Inn with Indoor Waterpark	Otsego, MN	110	15,000
Holiday Inn East with Indoor Waterpark Addition	Columbus, OH	60	38,000
Kalahari Indoor Waterpark Resort- Route 250	Sandusky, OH	596	80,000
Great Wolf Lodge	Poconos, PA	400	76,000
Six Flags Great Escape Waterpark Resort	Queensbury, NY	200	38,500
Great Wolf Lodge	Williamsburg, VA	297	45,000
Massanutten Resort Indoor Waterpark Addition	Harrisonburg, VA	-	42,000
Holiday Inn Express and Waterpark	Milwaukee, WI	120	10,000
Country Springs Hotel Waterpark Addition	Waukesha, WI	-	40,000
Great Wolf Lodge	Niagara Falls, ONT	<u>400</u>	<u>50,000</u>
<b>Total</b>		<b>2,832</b>	<b>685,500</b>
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space			
Source: US Realty Consultants (216-221-9191), (January, 2005)			

In addition, there are a number of indoor waterpark resorts known to be in the planning or development stages in a variety of locations throughout the US and Canada. The following table identifies projects which have been announced.

<b>United States and Canada</b>					
<b>Indoor Waterpark Resorts Opening in 2005/Under Construction/Proposed</b>					
<b>Region</b>	<b>Number of Resorts Properties</b>	<b>Number of Resorts Rooms</b>	<b>Average Room Count</b>	<b>Indoor Waterpark</b>	
				<b>SF Total</b>	<b>SF Average</b>
Northeastern United States	19	3,704	232	908,500	47,816
Midwestern United States	57	11,144	210	2,459,980	43,158
Southern United States	7	947	316	281,000	40,143
Western United States	13	3,400	283	552,000	42,462
Canada	<u>2</u>	<u>540</u>	<u>270</u>	<u>80,000</u>	<u>40,000</u>
<b>Total USA/Average</b>	<b>98</b>	<b>19,735</b>	<b>262</b>	<b>4,281,480</b>	<b>43,689</b>
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space					
Source: US Realty Consultants (216-221-9191), (January, 2005)					

The table indicates that we are currently tracking 98 projects with an average of 43,689 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 4,280,000 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 Wolf Lodge resorts. Although the majority of the indoor waterpark resorts planned are located in northern states, the first Texas indoor waterpark is under development in Galveston. Schlitterbahn Waterparks is developing the world's first "convertible" waterpark on 25 acres that will include an approximately 50,000 square foot indoor section with a retractable roof. The approximately 200 room resort is tentatively slated to open in 2006. Schlitterbahn operates two existing outdoor waterpark resorts in Texas.

### **Even "Bigger" Splash**

Indoor waterpark resorts have grown in size as well as popularity since their inception in the 1980's. The average size of the indoor waterpark component has swelled to accommodate more amenities (such as wave pools, additional activity pools, "toddler friendly" play areas, dry activity components, and more intricate tubes and slides). For example, the Great Lakes Companies have increased the size of their indoor waterparks' design as demand for more intricate waterplay features has increased resultant of the concept's popularity. The company's Great Wolf Lodge property in Sandusky, Ohio (which opened in 2001) was constructed with a 33,000 square foot indoor waterpark area. Great Wolf Lodges in Kansas City, Kansas and Traverse City, Michigan both opened in 2003 with 38,000 square foot indoor waterpark areas. In 2005, the Great Lakes Companies will open three new resorts in the Poconos, Pennsylvania; Williamsburg, Virginia; and Niagara Falls, Ontario. The indoor waterpark components at these three resorts will average 57,000 square feet.

As with the amusement park industry, owners and operators of indoor waterpark resorts have discovered that in order to attract new families to their facilities and keep their repeat guests coming back for more, they will need to continually work to add new components and keep the concept "fresh." We project that the average size of indoor waterparks constructed will continue

to increase as resorts add attractions which are large in scope such as wave pools, areas specially designed for younger resort guests and, (of course) faster, taller, steeper, more intricate waterslides and tubes. As more and more indoor waterpark resorts are constructed throughout the United States and Canada, developers will need to focus on individualizing the offerings of their resorts, maintaining customer service levels as attendance increases, and adding new components whenever possible.

## **Conclusion**

Indoor waterpark resorts have emerged as a leisure destination for families looking for a convenient weekend getaway or vacation. Historically, the indoor waterpark resorts were located in the Wisconsin Dells, but growth continues throughout the United States. 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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