



HOTEL & LEISURE ADVISORS

## Waterpark Resorts Supply and Demand 2011 Update

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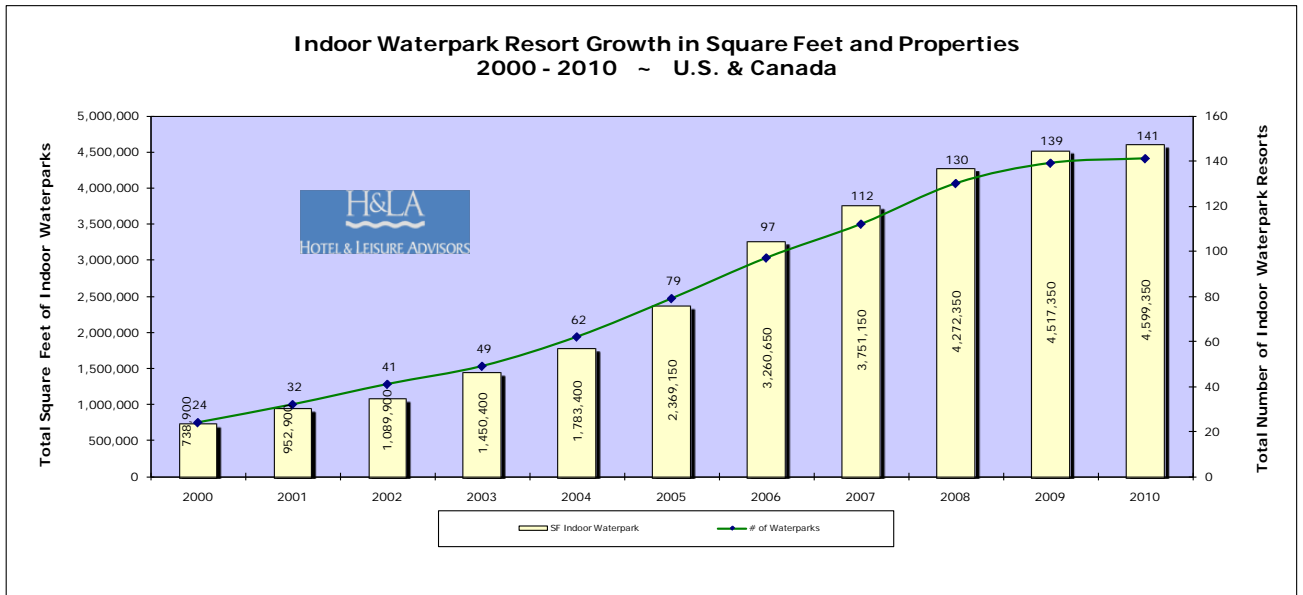
**Summary:** Hotel & Leisure Advisors, LLC's (H&LA's) summer 2011 survey of indoor waterpark resorts and outdoor waterpark resorts in the U.S. and Canada indicates that the number of waterpark resorts has grown in the past year, although at a much slower pace than during the mid 2000s due to the impact of the economic recession. New waterpark resort projects are expected to increase in 2012 and beyond as financing becomes more available for new developments and expansions of existing properties. As the economic recession ends, developers are coming up with exciting indoor and outdoor waterpark resort projects in both the United States and Canada.

Our research indicates there are 141 open indoor waterpark resort properties in the United States and Canada as of July 2011. There have been or will be one indoor waterpark expansion to an existing hotel, five expansions to existing indoor waterpark resorts, and three new construction indoor waterparks projected for 2011. Our survey found that, in 2011, the growth in indoor waterparks in terms of square footage will be one of the smallest in over ten years. There are also six privately operated, standalone indoor waterparks without attached hotels in the United States. As for resorts with outdoor waterparks, Hotel and Leisure Advisors has identified a total of 33 resort hotels with outdoor waterparks located in 14 different states and provinces throughout the United States and Canada as of July 2011.

**Definitions:** 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. 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 more than 30,000 square feet of indoor waterpark space and is considered a true destination resort, which families frequent on a year round basis primarily to utilize the waterpark and secondarily to visit other attractions or events in the area.

A resort with an outdoor waterpark is defined by H&LA as a lodging establishment that contains an outdoor aquatic facility with three or more waterpark elements requiring lifeguards such as slides, lazy rivers, or wave pools. These resorts will have a more elaborate outdoor waterpark area that is utilized primarily by hotel guests or can also be open to the public.

**Existing Supply of Indoor Waterpark Resorts:** We have conducted a survey to determine the number of indoor waterpark resorts that were open as of year-end 2010 and those that are projected to open or expand by year-end 2011. We have been tracking the supply and demand of indoor waterparks since 1998. The following table indicates the growth in supply of indoor waterpark resorts between 2000 and 2010. The figures used for the waterpark square footage are calculated from 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 because they include these additional spaces.



The table indicates the supply of indoor waterpark resorts as of year-end 2010. Of the 141 existing properties in the United States and Canada, 47 of the properties are considered indoor waterpark destination resorts, offering more than 30,000 square feet of indoor waterpark space. Of these 47 destination resorts, 11 are Great Wolf Resorts – the largest chain of indoor waterpark destination resorts in North America. There are also six privately operated standalone indoor waterparks without attached hotels (excluded from the above figures) in the United States, including the most recent opening of the Evergreen Wings and Waves Waterpark in McMinnville, Oregon. In addition, there are over 40 hotels in the United States which contain water features (waterpark components with less than 10,000 square feet of aquatic area).

CoCo Key Resorts is the second largest chain of indoor waterpark resorts, but the future of the chain is unknown as nine of the 10 properties were sold in 2011 to different buyers as part of an auction of each of the hotels. The remaining destination resorts are independently owned. Between 2006 and year-end 2010, 44 indoor waterpark resort properties opened in the United States and Canada. The following chart indicates the number of indoor waterpark resorts open as of July 2011 and their locations by state and province.

Indoor Waterpark Resort Supply Analysis						
State/Province	Number of Resorts	Average Room Count	Indoor Waterpark Size (SF)			Percent Franchised
			Average	High	Low	
Colorado	1	125	10,000	10,000	10,000	0%
Connecticut	1	279	26,000	26,000	26,000	100%
Florida	1	392	54,000	54,000	54,000	0%
Idaho	2	183	31,000	42,000	20,000	50%
Illinois	4	282	33,550	60,200	24,000	50%
Indiana	4	184	26,750	40,000	12,000	25%
Iowa	7	137	16,143	25,000	10,000	43%
Kansas	2	250	33,000	38,000	28,000	0%
Massachusetts	3	291	24,333	37,000	10,000	67%
Michigan	12	222	25,417	58,000	10,000	42%
Minnesota	15	177	25,000	75,000	10,000	80%
Missouri	5	394	21,600	32,000	11,000	40%
Montana	1	109	25,000	25,000	25,000	0%
Nebraska	2	249	21,000	32,000	10,000	100%
New Hampshire	1	163	35,000	35,000	35,000	100%
New Jersey	1	283	30,000	30,000	30,000	100%
New Mexico	1	280	28,000	28,000	28,000	100%
New York	2	175	31,750	38,500	25,000	0%
North Carolina	1	402	81,000	81,000	81,000	0%
North Dakota	4	159	17,000	25,000	10,000	75%
Ohio	8	337	55,750	173,000	15,000	25%
Pennsylvania	4	358	51,500	78,000	10,000	50%
South Carolina	1	495	15,000	15,000	15,000	0%
South Dakota	3	182	24,333	30,000	13,000	67%
Tennessee	2	661	44,750	52,000	37,500	0%
Texas	3	464	55,667	78,000	19,000	0%
Utah	1	191	10,000	10,000	10,000	100%
Virginia	2	901	61,625	67,000	56,250	0%
Washington	3	206	24,333	53,000	10,000	67%
<u>Wisconsin</u>	<u>31</u>	<u>235</u>	<u>34,326</u>	<u>225,000</u>	<u>10,000</u>	<u>16%</u>
<b>Total USA/Average</b>	<b>128</b>	<b>292</b>	<b>32,428</b>			<b>40%</b>
Alberta	3	260	80,600	217,800	12,000	67%
Manitoba	2	148	10,000	10,000	10,000	100%
Ontario	6	418	40,833	90,000	15,000	67%
Quebec	1	222	10,000	10,000	10,000	100%
<u>Saskatchewan</u>	<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>13</b>	<b>241</b>	<b>30,287</b>			<b>77%</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
 Source: Hotel & Leisure Advisors, LLC, July 2011

The chart indicates that the states of Wisconsin, Minnesota, and Michigan offer the most indoor waterpark resorts. The majority of indoor waterpark resorts in the United States are independent properties that are not affiliated with a national hotel franchise, while in Canada the majority of properties are affiliated with a national franchise. We have included the Great Wolf Lodge properties as independent properties, although they have created a national brand affiliation.

**Resorts with Outdoor Waterparks:** We have separately segmented out the resort with outdoor waterpark category. A number of properties have been adding outdoor waterparks to their resorts to enhance the guest experience and provide more leisure options for families. The following chart represents the current open supply of resort hotels with outdoor waterparks in the United States.

<b>Resorts with Outdoor Waterparks Supply Analysis</b>			
<b>State/Province</b>	<b>Number of Resorts</b>	<b>Average Room Count</b>	<b>Percent Franchised</b>
Arizona	1	640	0%
California	2	481	50%
Florida	5	900	40%
Georgia	1	287	0%
Idaho	1	0	0%
Iowa	2	122	50%
Nevada	1	3,460	0%
New York	1	160	0%
Ohio	2	861	0%
South Carolina	3	500	33%
Tennessee	1	704	0%
Texas	2	715	50%
Virginia	2	817	50%
<u>Wisconsin</u>	<u>8</u>	<u>480</u>	<u>13%</u>
<b>Total USA/Average</b>	<b>32</b>	<b>659</b>	<b>25%</b>
Ontario	1	406	0%
<b>Total Canada/Average</b>	<b>1</b>	<b>406</b>	<b>0%</b>
Note: Resorts have a minimum of three waterpark features			
Source: Hotel & Leisure Advisors, LLC, July 2011			

Hotel and Leisure Advisors has identified a total of 33 resort hotels with outdoor waterparks located in 14 different states and provinces. Of this number, eight are franchised properties. Resort hotels with outdoor waterparks represent a total of 21,498 guest rooms with an average of 651 guest rooms per resort for the combined United States and Canada. A total of 14 of these resorts have an indoor waterpark component to their properties in addition to their outdoor waterpark amenities.

**Performance of Indoor Waterpark Resorts:** In spite of the economic slowdown, the performance of many indoor waterpark resorts continues to be positive. For example, the Great Wolf Lodge chain reported relatively flat occupancy and higher average daily rate for year-end 2010 as compared to 2009. For 2010, the chain reported an overall occupancy percentage of 59.7% with an average daily rate of \$252.30. The 2.9% increase in RevPAR for all Great Wolf Lodge properties occurred primarily due to higher average daily rates at their properties. The CEO of Great Wolf Resorts was on the CBS-TV hit *Undercover Boss* in the fall of 2010, which boosted awareness of and interest in the chain. Other well-run properties we reviewed exhibited improved levels of occupancy performance in 2010 as travelers started to feel secure enough in their employment to take short, family vacations.

Although the performance of many indoor waterpark resorts continues to be positive, other properties have not fared as well. The nine CoCo Key Waterpark Resorts sold at auction earlier in 2011 achieved occupancy levels ranging from 34% to 63% in fiscal year 2010 and relatively low ADRs, which resulted in lower sale prices for each of the properties. The Grand Rios Waterpark Resort in Brooklyn, Minnesota, closed in the spring of 2011 due to operational issues and financial problems.

The challenges faced by these properties and others indicate the need for strong management and marketing for indoor waterpark resorts. Properties need to plan well for financing and other financial issues. Those properties suffering financially were unable to achieve a strong enough level of performance to pay outstanding balances on loans and other expenses.

**2010 Openings:** We analyzed the openings or expansions of indoor waterpark resorts that occurred in 2010. Based upon our research, eight indoor waterpark projects opened or expanded in the United States and Canada as shown in the following table.

<b>Indoor Waterpark Additions &amp; Indoor Waterpark Resorts Opened in 2010</b>				
<b>Indoor Waterparks and Resorts</b>	<b>City</b>	<b>State / Prov</b>	<b>New Rooms</b>	<b>Waterpark Sq. Ft.</b>
CoCo Key Water Resort (former Orlando Grand) IWP/OWP addition	Orlando	FL	0	54,000
Great Wolf Lodge Waterslide Addition	Kansas City	KS	0	1,000
Radisson Indoor Waterpark Addition	Albuquerque	NM	0	28,000
Great Wolf Lodge Waterslide Addition	Mason	OH	0	1,000
Kalahari Sandusky Outdoor Adventure Park Addition	Sandusky	OH	0	0
Great Wolf Lodge Waterslide Addition	Poconos	PA	0	1,000
Kalahari Resort 5BR Cottage Expansion	Wisconsin Dells	WI	4	0
Wilderness Resort Zip Line, Miniature Golf Addition	Wisconsin Dells	WI	0	0
<b>Total</b>		<b>8</b>	<b>4</b>	<b>85,000</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
 Source: Hotel & Leisure Advisors, LLC, July 2011

The previous chart includes one new indoor and outdoor waterpark resort opened in Orlando, which was a renovation of the former independent hotel. The other seven properties listed were all additions of water slides, rooms, and adventure park amenities. The economic recession and financing crunch greatly reduced the number of additions to waterpark resorts in 2010.

**2011 Openings:** The following table indicates properties that are projected to expand or open in 2011.

<b>Indoor Waterpark Additions &amp; Indoor Waterpark Resorts Projected to Open in 2011</b>				
<b>Indoor Waterparks and Resorts</b>	<b>City</b>	<b>State / Prov</b>	<b>New Rooms</b>	<b>Waterpark Sq. Ft.</b>
Clarion Batavia Indoor Waterpark Addition	Batavia	NY	0	12,000
Kalahari 115,000 SF Conference Center Addition & 5BR Condos	Sandusky	OH	8	0
Holiday Inn Express with Indoor Waterpark	Clinton	OK	125	25,000
Evergreen Air Museum Hotel with Indoor Waterpark (hotel later)	McMinnville	OR	0	52,000
Splash Lagoon Wave Pool Expansion	Erie	PA	0	28,000
WaTiki Indoor Waterpark Resort Expansion (new SpringHill Suites)	Rapid City	SD	150	10,000
Jay Peak Indoor Waterpark and Hotel	Jay	VT	170	40,000
Mount Olympus Water and Theme Park Hotel Rebranding/Additions of Luna Inn, Four Seasons, Raintree Resort, and Star Motel	Wisconsin Dells	WI	367	0
World Waterpark at West Edmonton Mall Addition of Three Slides	Edmonton	AB	0	0

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space  
 Source: Hotel & Leisure Advisors, LLC, July 2011

Our research indicates that, in 2011, nine existing hotels in the United States and Canada are developing new waterpark components or expanding with a water slide or theme park component. The list includes two new construction hotels with waterparks in Oklahoma and Vermont along with one new construction indoor waterpark without a

hotel in Oregon. The following are some highlights of recent openings and changes to waterpark resorts:

- The Evergreen Indoor Waterpark opened in June, 2011 in McMinnville, Oregon. It is one of only six standalone privately-owned indoor waterparks in the United States and has an actual 747 Boeing airplane located on the top of the waterpark from which various slides start. The recently opened waterpark is already a big hit with families and children in the Northwestern United States.
- Splash Lagoon Indoor Waterpark in Erie, Pennsylvania, is adding a large wave pool and additional rides to the existing 65,000 square foot indoor waterpark facility. The expansion should open during the late summer of 2011.
- Jay Peak Resort in Jay, Vermont, is a ski resort that is adding an indoor waterpark and 173-room hotel to its four season resort campus. The indoor waterpark is due to open in December 2011, and the hotel is due to open in January 2012. It will feature the only indoor Aqualoop by Whitewater in the United States as well as a double surfing machine, indoor activity river, and multiple slides.
- Kalahari Resort in Sandusky, Ohio, is constructing a \$22 million, 115,000 square foot addition to its conference space, which is due to open in December 2011 along with eight new condominiums that will allow the property to attract larger groups and conventions. The addition will include a 38,000 square foot grand ballroom/exposition center.
- The Mount Olympus Water and Theme Park owners in the Wisconsin Dells, Wisconsin, purchased four nearby hotels and motels and have remodeled and themed these properties, which total 367 rooms. Guests at these properties now receive passes included in the room rate to utilize the existing indoor waterpark, outdoor waterpark, and amusement park.
- A number of properties have changed names and franchise flag affiliations during the past 12 months. These include the former Holiday Inn with indoor waterpark in Elmhurst, Illinois, which is now Waverton Hotel; the former Howard Johnson with indoor waterpark in Lancaster, Pennsylvania, which is now Budget Host Suites; and the former Marriott with CoCo Key indoor waterpark in Mount Laurel, New Jersey, which is now Hotel ML with CoCo Key indoor waterpark.

**Conclusion:** Waterpark resorts continue to emerge as a growing leisure option for families looking for a convenient weekend getaway or vacation. Larger indoor and outdoor waterpark resort properties achieve stronger performance levels than smaller properties by offering a wider range of amenities to their guests, allowing them to achieve higher room rates.

We project continued interest in the development of indoor waterpark and outdoor waterpark resorts in the United States and Canada because these resorts offer an attractive year-round leisure opportunity for families and attractive investment returns for developers. The development of an outdoor waterpark addition is less expensive than an indoor waterpark addition and can add seasonal recreation to a property. In some markets this may be a better idea due to the higher costs of developing an indoor waterpark. Before a new project is developed, we recommend a thorough feasibility analysis be performed to ensure that the project's return on investment is adequate for the development. For existing projects, we recommend a creative and experienced

management team be hired in order to generate a higher level of demand for the property.

**Author**

David J. Sangree, MAI, CPA, ISHC is President of Hotel & Leisure Advisors, a national hospitality consulting firm. Mr. Sangree's expertise is in the appraisal and analysis of hotels, resorts, indoor waterpark resorts, waterparks, amusement parks, conference centers, ski resorts, and golf courses. He has performed studies on more than 1,000 existing and proposed hotels in more than 46 states in all price ranges including economy, full-service, extended-stay, and luxury hotels and resorts including indoor waterpark resorts. He has been an active appraiser/consultant since 1987 and also has 10 years of work experience in the hotel/restaurant industry, including management positions with four Westin Hotels properties.

Mr. Sangree is a nationally recognized expert on indoor waterpark resorts and has visited most of the open waterpark properties in the United States and Canada. He has performed more than 200 studies of hotels and resorts with indoor waterparks since 1999, and he maintains a database of statistical information concerning indoor waterpark resorts. Mr. Sangree was named one of *Aquatics International Magazine's* "Power 25" in 2008. In their profile, *Aquatics International* named Mr. Sangree as one of the first consultants serving the waterpark resort industry and credited him with shaping some of the latest industry trends through his expertise and experience in the waterpark resort market. Mr. Sangree has appeared on Good Morning America and CNBC on special reports concerning resorts and waterparks.

Mr. Sangree will be speaking at the World Waterpark Association's annual convention and development workshop that will be held in New Orleans October 4 - 6. More information about the convention can be found at the association's website, [www.waterparks.org](http://www.waterparks.org). He can be reached via telephone at 216-228-7000 ext. 20 or via e-mail at [dsangree@hladvisors.com](mailto:dsangree@hladvisors.com).