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# Case Study

## Indoor Waterparks and Hotels

By David L Sangree, ISHC



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**T**HE INDOOR WATERPARK RESORT and the addition of indoor waterparks to existing hotels have become more widespread phenomena in the hotel industry in the United States and Canada since 2000. The growth of indoor waterparks is due to their popularity with children and to their parents' and grandparents' interest in selecting lodging locations that will be fun for children. In addition, indoor waterpark resort properties are increasingly popular for short weekends and two- or three-day getaways for families that may not have time for longer vacations. The indoor waterpark resort has established itself as a viable segment of the hotel industry and expanded well beyond its original Wisconsin base. Across the United States and Canada, new indoor waterparks are being added to existing hotels and new indoor waterpark destination resorts are being constructed. The primary growth of indoor waterparks is in what were historically summer resort locations, although they also are increasingly being developed in suburban and urban locations.

I define an indoor waterpark resort as a lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of such amenities as slides, tubes, and a variety of indoor water-play features. Although many hotels bill their indoor pools as waterparks, those with less than 10,000 square feet should be categorized as properties with water features rather than as waterparks. I further divide indoor waterpark resorts into two categories. A hotel with an indoor waterpark has an attached waterpark with between 10,000 and 30,000 square feet of indoor waterpark space where the waterpark serves as a hotel amenity rather than a destination itself. An indoor waterpark destination resort is a resort with a minimum of 30,000 square feet of indoor waterpark

**Exhibit 1 Types of Indoor Waterparks in Lodging Establishments**

	<b>Hotel with Water Features</b>	<b>Hotel with Indoor Waterpark</b>	<b>Indoor Waterpark Destination Resort</b>
Size of aquatic area	1,000 to less than 10,000 square feet	10,000 to less than 30,000 square feet	30,000+ square feet
Possible amenities	Swimming pool, slide, toddler area with mushroom, spray gun	Multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river	Multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river, wave pool, water coaster, surfing, outdoor waterpark features
Capacity	up to 250 people	250 to 750 people	750 to 5,000 people
Minimum number of lifeguards	1	3	10
Arcade size	0 to 1,000 square feet	1,000 to 3,000 square feet	3,000 to 10,000 square feet

Source: Hotel & Leisure Advisors.

space that is considered a true destination resort that families visit year-round, primarily to visit the waterpark and secondarily to visit other attractions or events in the area. Using these definitions, Exhibit 1 describes the three types of indoor waterparks that currently exist and are being developed in the United States and Canada.

This case study discusses the following aspects of indoor waterparks:

- Indoor waterpark history
- Current market for indoor waterparks
- Reasons for indoor waterpark success
- Financial impact of indoor waterparks
- Indoor waterpark design and costs
- The future

## **Indoor Waterpark History**

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The first large indoor waterpark in North America was the World Waterpark inside Alberta, Canada's West Edmonton Mall. This indoor waterpark, which opened in 1985 and contains over 200,000 square feet of waterpark space, was an immediate hit and helped the West Edmonton Mall to become an international retail and entertainment destination. The Fantasyland Hotel, which has achieved some of the highest occupancy levels in Alberta, is attached to the mall and offers packages with the waterpark.

The first indoor waterparks in the United States were developed in Wisconsin Dells, Wisconsin. For generations, Wisconsin Dells has been a popular summer tourist destination, providing vacationers with a wide variety of family-oriented outdoor activities such as shopping, dining, scenic boat tours, amusement parks, miniature golf, outdoor waterparks, and similar attractions. Traditionally, “the Dells” ran at very high capacity between Memorial Day and Labor Day, but many of the attractions and hotels closed down for most of the rest of the year. Beginning in 1994 and especially in the late 1990s, the resort city became nationally known for its new indoor waterparks and activities.

The Polynesian Resort was the first large hotel in the Dells to add an indoor waterpark to its existing structure in 1994. The Polynesian differentiated itself from other hotels with its large indoor pool, modest water slides, and other attractions. The project was an instant success, achieving well-above-market room rates and occupancy. The project also did strong business during the off season when many other area hotels were closed. Families that had long come to the Dells during the summer started to return to enjoy the indoor waterpark and a brief getaway any time of year.

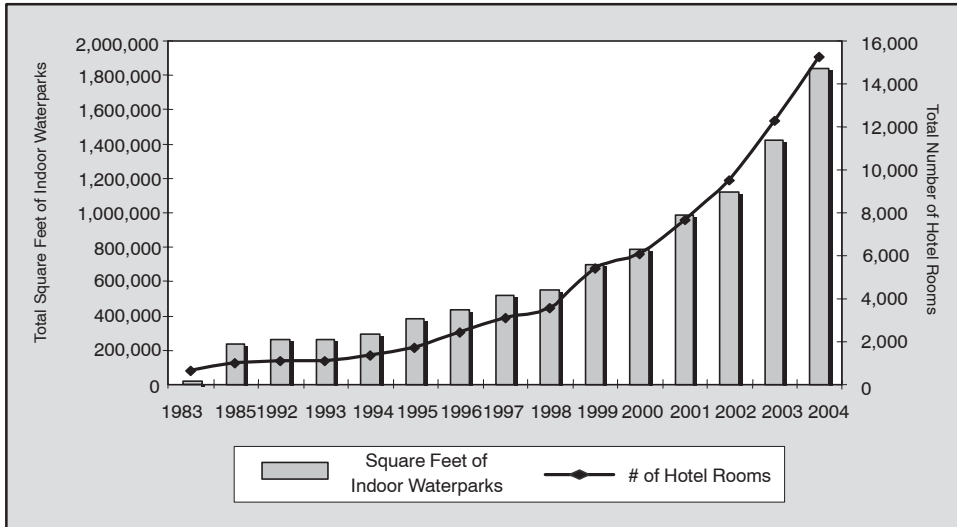
Over the ensuing years, The Polynesian, which now has 232 rooms and 38,000 square feet of indoor waterpark space, added amenities and more guestrooms and continued to perform well. Because of this, several more waterpark destination resorts were developed. These include Wilderness Hotel & Golf Resort, Treasure Island Water & Theme Park Resort, Great Wolf Lodge (formerly Black Wolf Lodge), Chula Vista Resort, and, most recently, Kalahari Resort. Each of these properties features an adventure theme and extensive indoor waterpark activities. Each has been very successful as demand has outgrown the size of the projects. All six of these pioneering water activity resorts have added guestrooms to meet their high demand. In addition, there are ten other hotels in the Dells with smaller indoor waterparks that have achieved lesser degrees of success because they have been overshadowed by the six larger destination properties.

Hotels with indoor waterparks and indoor waterpark destination resorts can justify substantially higher room rates than hotels without indoor waterparks during the off season, since the rate includes admission to the indoor waterpark (a \$15–\$40 value per person per day).

The resort hotels of Wisconsin Dells have created a year-round family resort community, which is generating strong room rates and higher year-round occupancy in what had once been a strictly seasonal market. Particularly on weekends, in the winter, and during school vacations, resorts in the Dells attract strong family demand.

Between 1983 and 2004, 63 indoor waterpark resorts opened or expanded their properties in the United States and Canada, totaling approximately 1,840,400 square feet and offering over 15,000 hotel rooms (see Exhibit 2). The size of indoor waterparks has grown significantly since their inception in the mid-1980s, and the average number of hotel rooms attached to these waterparks has also increased substantially over the years.

For example, in 1994, there were five indoor waterpark resorts operating in the United States and Canada with a total of 1,159 guestrooms and 297,800 square

**Exhibit 2 U.S. and Canadian Indoor Waterpark Growth, 1983–2004**

feet of indoor waterpark space. This equaled approximately one guestroom per 257 square feet of indoor waterpark space offered. By the end of 2004, 63 indoor waterpark resorts were operating with a total of 15,095 guestrooms and 1,840,400 square feet of indoor waterpark space. This represented approximately one guestroom per 122 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.

## Current Market for Indoor Waterparks

The number of indoor waterparks within resorts and connected to hotels continues to grow. The Midwest has attracted the most attention for indoor waterparks, followed by the Northeast. Exhibit 3 indicates that there were 52 indoor waterparks in hotels and resorts located in the United States with 42 percent located in Wisconsin. In addition, there were 11 indoor waterpark resorts operating in Canada, although there are many other hotels in Canada offering smaller indoor water features with less than 10,000 square feet.

Exhibit 4 indicates indoor waterparks that opened and hotels that added indoor waterparks in 2004 in the United States and Canada. Fourteen waterparks opened in new resorts or as expansions of existing hotels and resorts in 2004. Approximately half of the properties that opened in 2004 added or expanded waterpark facilities in existing hotels. Castaway Bay operated as a Radisson hotel until November 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 units to the 378-room, 125,000-square-foot indoor waterpark resort, bringing the total number of available guestrooms to 738.

## Exhibit 3 Indoor Waterpark Resort Supply Analysis as of Year-End 2005

State or Province	Number of Resorts	Average Room Count	Indoor Waterpark Size in Square Feet			Percent Franchised
			Average	High	Low	
Idaho	1	98	25,000	25,000	25,000	100%
Illinois	1	100	24,000	24,000	24,000	0%
Indiana	1	344	30,000	30,000	30,000	100%
Iowa	2	174	18,000	25,000	11,000	50%
Kansas	2	250	33,000	38,000	28,000	0%
Kentucky	1	80	10,000	10,000	10,000	100%
Massachusetts	1	260	10,000	10,000	10,000	0%
Michigan	7	198	29,714	58,000	10,000	43%
Minnesota	9	162	26,444	40,000	13,000	56%
Missouri	2	617	20,000	20,000	20,000	0%
North Dakota	4	186	13,250	21,000	10,000	100%
Ohio	3	368	50,333	80,000	33,000	0%
Pennsylvania	2	385	64,750	78,000	51,500	50%
South Dakota	1	150	30,000	30,000	30,000	100%
Virginia	2	301	48,500	55,000	42,000	0%
Washington	2	111	10,000	10,000	10,000	100%
Wisconsin	30	216	30,303	160,000	10,000	20%
<b>United States</b>	<b>71</b>	<b>223</b>	<b>29,248</b>			<b>36%</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	1	157	10,000	10,000	10,000	100%
<b>Canada</b>	<b>11</b>	<b>242</b>	<b>32,436</b>			<b>82%</b>

Note: Properties have a minimum of 10,000 square feet of indoor waterpark space.

Source: Hotel & Leisure Advisors, December 2005.

Indoor waterparks at hotels and resorts range in size from 10,000 square feet at numerous smaller properties to 160,000 square feet at Wilderness (which was developed over a number of years). Properties in Wisconsin Dells have been expanding the sizes of their waterparks in the past three years, with three of the properties adding substantial new indoor waterparks. Kalahari opened a \$12 million, 58,000-square-foot addition to its waterpark in December 2002. The Wilderness Resort constructed a 70,000-square-foot indoor waterpark called the Wild West Waterpark, which opened in late February 2003 within the resort. In addition, in 2003 it opened a 15,000-square-foot indoor waterpark on Lake Delton connected to its 108-unit condominium development.

My research shows that, during 2005, 23 indoor waterpark resorts opened or expanded their properties in the United States and Canada, totaling 644,000 square feet of additional waterpark space and 2,908 additional rooms. Approximately 23 new indoor waterpark resorts or indoor waterpark additions to existing properties will open in 2006, offering a total of 3,041 guestrooms and 978,000 square feet of

**Exhibit 4 Indoor Waterparks Opened in Hotels and Resorts in 2004**

<b>Property</b>	<b>Location</b>	<b>New Rooms</b>	<b>Sq. Ft. of Waterpark</b>
Holiday Inn Amana Colonies	Amana Colonies, IA	0	11,000
Holiday Inn Select Indianapolis North	Indianapolis, IN	0	30,000
Grand Prairie Hotel & Convention Center	Hutchinson, KS	218	28,000
Holiday Inn Express Hotel & Suites	Grand Rapids, MI	79	10,000
Grand Rios Resort	Brooklyn Park, MN	0	35,000
Courtyard/Residence Inn Downtown	Minneapolis, MN	357	15,000
Sleep Inn & Suites	Minot, ND	126	21,000
Castaway Bay at Cedar Point	Sandusky, OH	0	38,000
Ramada Inn & Suites Airport	Sioux Falls, SD	150	30,000
Blue Harbor Resort	Sheboygan, WI	247	40,000
Lodge at Cedar Creek	Wausau, WI	140	50,000
Kalahari Resort Condominium Expansion	Wisconsin Dells, WI	360	10,000
Copa Cabana Resort Hotel & Suites	Wisconsin Dells, WI	0	10,000
Americana Conference Resort and Spa	Niagara Falls, ON	0	25,000

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space.

Source: Hotel & Leisure Advisors.

indoor waterpark space. In addition, a number of indoor waterpark resorts are in the planning or development stages in a variety of locations throughout the United States and Canada. Exhibit 5 presents information about the 157 projects I was tracking as of December 2005. These projects have an average of 47,355 square feet of indoor waterpark space and include expansions of existing hotels and development of new resorts. If all of these facilities were constructed, this would result in approximately 6,784,740 square feet of new indoor waterpark space. The largest developer of new projects is Great Wolf Resorts, Inc., out of Madison, Wisconsin, with its branded Great Wolf Lodge resorts. The majority of the planned indoor waterpark resorts are located in northern states. In such southern states as Florida, hotels are beginning to add outdoor waterpark areas. For example, Holiday Inn's Nickelodeon Family Suites opened a large outdoor waterpark area in 2005.

Hotel companies, investors, and developers in the United States are only beginning to explore the potential benefits of affiliating indoor waterpark resorts with a national hotel franchise; franchised indoor waterpark resorts are more common in Canada. Exhibit 3 shows that only 36 percent of U.S. indoor waterpark

### Exhibit 5 Indoor Waterparks Proposed or in Progress as of December 2005: United States and Canada

Region	Number of Properties	Number of Rooms	Average Room Count	Waterpark Area	
				Total (Sq. ft.)	Average Sq. Ft.
Northeastern United States	35	6,998	219	1,518,500	46,015
Midwestern United States	79	14,379	192	3,298,240	42,285
Southern United States	12	2,392	299	553,000	50,273
Western United States	26	5,657	236	1,155,000	46,200
United States	152	29,426	236	6,524,740	46,193
Canada	5	910	182	260,000	52,000
<b>Total</b>	<b>157</b>	<b>30,336</b>		<b>6,784,740</b>	
<b>Average</b>			<b>225</b>		<b>47,355</b>

Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space. Updated May 2005.

Source: Hotel & Leisure Advisors, December 2005.

resort rooms are affiliated with a national hotel chain, while 82 percent of indoor waterpark resort rooms in Canada are franchised. Even though the nonfranchised 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 its offering of hotel types. As of December 2005, there were 11 Holiday Inn properties in operation that are attached to indoor waterparks, as the chain has been very open to the idea of allowing franchisees to add indoor waterparks to their existing properties. Also as of December 2005, there were 19 additional Holiday Inn indoor waterpark resorts or additions to existing Holiday Inn properties planned for development in the United States.

### Reasons for Indoor Waterpark Success

The reason for the strong growth in indoor waterparks is the customer's willingness to pay higher room rates for the waterpark amenity. In addition, the indoor waterpark substantially increases demand during weekends and school vacations. By increasing the number of potential days on which a hotel can achieve higher occupancy levels, the hotel's overall occupancy will increase. Indoor waterpark resorts are outperforming non-waterpark hotels in all markets in terms of their occupancy and average daily rate. Typically, the average daily rate includes use of the indoor waterpark. There appear to be several reasons for this premium performance, including:

- Seasonal resorts gain year-round appeal
- 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
- Location proximate to customer base and within established family vacation market

The popularity of indoor waterparks is due to the increase in water recreation. Waterpark attendance was between 72 and 73 million people in 2003, according to the World Waterpark Association, which is an increase from the attendance of 42 million people in 1991. The waterpark segment of the amusement industry is growing at a faster rate in both new facilities and attendance than any other segment, including amusement parks and family entertainment centers.

Twenty-four percent of trips (134.9 million) in the United States included children under the age of 18, according to the Travel Industry Association of America's (TIA) *Domestic Travel Market Report, 2003 Edition*. Eighty-seven percent of trips with children are for leisure reasons, with nearly half taken to visit friends or relatives. The strong travel levels recorded by the families with children is generating interest in indoor waterpark resorts as they are very popular with children. These activity resorts provide fun activities for children and their parents. Indoor waterpark resorts also appeal to the increasing numbers of families taking weekend trips for various leisure- and sports-related events.

TIA reports that people are taking more trips, with the number of person-trips increasing from 941 million in 1994 to 1.114 billion in 2003. Travel volume is forecasted to reach 1,230,000,000 person-trips in 2006. The average trip duration has dropped from 7.1 nights in 1977 to 4.1 nights in 2001. Between 1994 and 2003, leisure person-trips have increased more than 16 percent, while business/convention travel volume fell by more than 15 percent. Of the 1.114 billion domestic U.S. trips in 2003, 82 percent were leisure trips.

These trends are positive for indoor waterpark resorts as they indicate that people are visiting for shorter durations and looking for activities that children will enjoy. The indoor waterpark resort is very popular for two- to three-night stays and most children enjoy the indoor waterpark area extensively. The typical family will spend three to five hours a day at the indoor waterpark and utilize the remaining time for such activities as shopping, amusement parks, miniature golf, or other attractions, either within the resort or in the surrounding area.

## Financial Impact of Indoor Waterparks

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The financial impact of an indoor waterpark on a hotel property generally is that the property should achieve a higher occupancy and average daily rate level while also recording higher expenses. My experience reveals levels of performance between five and 30 occupancy points above hotels without indoor waterparks within the same market. Additionally, hotels with indoor waterparks can achieve an average daily rate from \$20 to \$150 per room higher than a hotel in the same market without an indoor waterpark.

The six largest indoor waterpark resorts located in Wisconsin Dells outperformed the chain-affiliated, non-resort hotels in overall average occupancy by 15

## Exhibit 6 Great Wolf Lodge Performance Statistics

Great Wolf Lodge Indoor Waterpark Resorts Statistical Data for 12 Months Ending December 31, 2004								
Location	Month Opened	Rooms	Indoor Entertainment Area <sup>1</sup> (approx. sq. ft.)	Occupancy (%)	Average Daily Rate (\$)	RevPAR (\$)	Total Revenue per Occupied Room (\$)	Total Revenue per Available Room (\$)
Wisconsin Dells, WI	May 1997	309	65,000	62.2	188.76	117.47	267.20	166.29
Sandusky, OH <sup>2</sup>	March 2001	271	42,000	68.0	231.45	157.50	325.78	221.68
Traverse City, MI	March 2003	281	53,000	69.4	223.43	155.04	320.68	222.52
Kansas City, KS <sup>3</sup>	May 2003	281	50,000	64.4	196.18	126.31	285.85	184.05
Sheboygan, WI <sup>4</sup>	July 2004	183	50,000	58.3	190.35	110.93	351.61	204.91
<b>Average</b>		<b>265</b>	<b>52,000</b>	<b>64.5</b>	<b>206.03</b>	<b>132.81</b>	<b>310.22</b>	<b>199.89</b>
Notes:								
1. The indoor entertainment areas generally include the indoor waterpark, game arcade, children's activity room, fitness room, Aveda concept spa, 3-D virtual reality theater, Wiley's Woods, and party room in resorts that have such amenities.								
2. Prior to May 2004, this resort was operated as Great Bear Lodge.								
3. The company currently leases the property on which the Kansas City Resort is located pursuant to a ten-year ground lease with a local governmental authority. It intends to convert this leasehold interest into a fee simple interest.								
4. The Sheboygan resort is known as the Blue Harbor Resort.								

Source: Great Wolf Resorts SEC Filing, February 2005.

occupancy points and in average daily rate by \$112 in 2003. According to their recent Securities and Exchange Commission (SEC) filings, the five Great Wolf Lodge properties open in 2004 averaged an occupancy level of 65 percent with an average daily rate of \$206. Exhibit 6 presents 2004 year-end performance figures for five Great Wolf Resorts indoor waterpark destination resorts. The figures shown for Sheboygan represent seven months of performance, while the other properties include figures for 12 months of performance. The strong performance of these and other large indoor waterpark destination resorts is due primarily to the stronger off-season demand and a much higher quality level of property. The addition of an indoor waterpark extends the season and length of stay for a resort hotel.

Operating statistics indicate that indoor waterpark resorts located close to higher population densities in traditional summer vacation destinations are achieving higher levels of performance than those properties located in areas with lower population density or without such traditional summer vacation destination attractions as amusement parks, beaches, or other family-friendly destination activities.

The addition of an indoor waterpark dramatically increases various expense ratios, especially in the area of salaries for lifeguards and waterpark staff, utility costs, and repairs and maintenance. Indoor waterparks require multiple lifeguards on duty at all times when the park is open. The typical indoor waterpark is open from 9:00 A.M. until 10:00 P.M. and will require a minimum of between two and 15 lifeguards. These are fixed costs for these properties. On busy Saturdays, when

## Exhibit 7 Financial Data for Resorts With and Without Indoor Waterparks

Comparison of Indoor Waterpark Destination Resort's Financial Performance with Host Operating Statistics						
	Indoor Waterpark Destination Resorts			Host Study—Resorts		
Year of Data	2004			2003		
Occupancy %	65.4%			64.8%		
ADR	\$191.88			\$165.80		
Average Room Count	305			394		
	<b>Ratio to Sales</b>	<b>Per Available Room</b>	<b>Per Occupied Room Night</b>	<b>Ratio to Sales</b>	<b>Per Available Room</b>	<b>Per Occupied Room Night</b>
Total Revenue	100%	\$69,043	\$288.43	100%	\$74,699	\$315.92
Total Expenses	67.2%	\$46,256	\$193.63	76.6%	\$57,175	\$241.83
Income before Reserve for Replacement	32.8%	\$22,787	\$94.80	23.4%	\$17,524	\$74.09

Source: Hotel & Leisure Advisors and Smith Travel Research.

most indoor waterparks achieve their highest usage level, the staffing may be two to four times that of a slow period. Utility costs also increase, due to the fact that the indoor waterpark is kept at 85 degrees Fahrenheit on a year-round basis. Our review of a variety of indoor waterparks indicates that overall utility costs for an indoor waterpark resort are similar to a typical full-service hotel, running between 4 and 6 percent of revenue. The dollar amount, however, increases because of the addition of the indoor waterpark.

Exhibit 7 compares the average performance of six indoor waterpark destination resorts located throughout the United States with the performance of the Resort Hotel category from Smith Travel Research's 2004 *HOST Study*, which is a compilation of resort hotel financial statements from across the United States. The statistics indicate that the indoor waterpark destination resorts included in our analysis achieved a similar level of occupancy but a substantially higher average daily rate as compared to the general resort category, primarily because admission to the indoor waterpark is included in the average daily rate. In many resort hotels, there are additional fees for performing different activities.

The analysis indicates that the total revenue per occupied room night is lower in the indoor waterpark destination resorts than the general resort category, due to the fact that most resorts have more revenue producing activities (including golf, larger spas, higher-priced restaurants and lounges, and larger retail outlets) than the indoor waterpark destination resorts. Total expenses were lower in the indoor waterpark destination resort and the net income before reserve for replacement was higher, primarily due to the focus on the indoor waterpark while many other resort hotels have a wider range of amenities with their related expenses.

## Indoor Waterpark Design and Costs

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Indoor waterpark design has improved in recent years as increasing numbers of architects and designers have entered the field and resorts achieve more user-friendly waterpark features. There has been an increase in the entertainment value of the indoor waterparks when one looks at an older facility versus a newer facility. There is increased use of high-speed water slides, wave pools, and indoor water coasters to enhance the entertainment value of the indoor waterpark for older children and adults. The typical smaller slides, tree houses, and spray guns have always been popular with younger children. Particularly in larger indoor waterparks, designers increasingly are trying to include features that will be popular for a variety of ages. Most indoor waterparks will have a separate toddler area, a section appealing to elementary school children, and higher-speed rides or activities for middle school and high school children. An indoor waterpark has definite capacity issues due to its size and its relationship with the hotel's size.

A typical indoor waterpark resort property has an average of 125 square feet of net indoor waterpark space (including waterpark area play areas, but excluding arcades, gift shops, mechanical rooms, and offices) per guestroom. This correlates with research that indicates an indoor waterpark should have approximately 35 to 40 square feet of space per person. As a typical hotel room will house between three and four people, this implies between 105 and 160 square feet of indoor waterpark space per guestroom. For example, a 200-room resort should have between 21,000 and 32,000 square feet of indoor waterpark space to accommodate guests.

Indoor waterpark resorts have grown in size as well as popularity since their inception in the 1980s. 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, Great Wolf Resorts, Inc. has increased the size of its indoor waterparks as demand for more intricate water-play features has increased. 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 Wolf Resorts will open three new resorts in the Pocono Mountains, Pennsylvania; Williamsburg, Virginia; and Niagara Falls, Ontario. The indoor waterpark components at these three resorts will average 57,000 square feet.

Many indoor waterpark destination resort properties also have some kind of outdoor waterpark. Currently, the destination resort properties in Wisconsin Dells have the most elaborate outdoor waterparks. Resort properties' outdoor waterpark components may range from an outdoor pool with slides to a large 35-acre outdoor waterpark like the one at Treasure Island in Wisconsin Dells.

Other components of an indoor waterpark destination resort include meeting space, birthday party rooms, food and beverage facilities, attractive lobbies, fitness centers, business centers, gift shops, arcades, children's activity centers, and other resort- and hotel-style amenities. The difference between an indoor waterpark

resort and a typical resort is that the amenities should be more focused upon children and families instead of strictly adults. Some indoor waterparks have conference centers attached, while many do not. Conference guests may not use the indoor waterpark, but will still appreciate an upscale conference facility that offers the indoor waterpark for any conference guests bringing their families.

## The Future

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The future for the indoor waterpark appears very bright, as families and children will continue to enjoy water activities in these facilities. An indoor waterpark offers an entertainment venue for overnight guests that a typical hotel does not have. There currently are many markets that do not have indoor waterpark facilities for families to use when traveling. The concern for the future is the potential for oversupply of indoor waterparks in certain markets as they may become as common as the Holidome became 20 years ago. At the time this case study was written, only Wisconsin was facing this issue. In Wisconsin, hotels with smaller indoor waterparks receive more limited benefits from the waterpark due to extreme competition from the larger resort facilities. The indoor waterpark will become a necessary amenity for hotels wanting to attract leisure demand and/or establish themselves as a resort destination. Indoor waterparks will become a necessary amenity, particularly in seasonal resort communities, for properties wanting to attract year-round demand. In the author's opinion, families will choose to stay at hotels with indoor waterpark components when they are traveling with children. However, when people are traveling alone for business, the waterpark will be an unnecessary amenity.

A number of indoor waterpark resorts in the Midwestern states have used the sale of condominium hotel units in raising funds to construct indoor waterpark additions. Prices for condominium units, which are then rented out by the management company, range from \$200,000 to \$500,000 for a two- to three-bedroom unit. Condominium buyers typically use the unit only one to two weeks per year. They hire the hotel management company to rent the unit out on a nightly basis and the management company receives between 40 and 50 percent of the room revenue.

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 need to continually add new components and keep the concept fresh. I predict that the average size of indoor waterparks constructed will continue to increase as resorts add attractions that are larger in scope, including wave pools, areas specially designed for younger resort guests, and faster, taller, steeper, and 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.