



WWA Development & Expansion Workshop 2011

How to Analyze the Market and Determine Economic Feasibility for Waterpark Projects

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What Is a Feasibility Study?

- Purpose of a market feasibility study
- Who needs and uses feasibility studies
- Scope of assignment
- Includes extensive research and provides realistic conclusions on performance
- May address specific development plans or make recommendations for sizing and plans

Presentation by David J Sangree, MAI, CPA, ISHC

Feasibility Study Contents

**MARKET FEASIBILITY STUDY REPORT
FOR THE
PROPOSED INDOOR WATERPARK RESORT - SAMPLE CITY, ST
BLANK ROAD
SAMPLE CITY, COUNTY 1 COUNTY, STATE 1**

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General Economic Characteristics and Trends

- Review of local and regional demographics and economic trends
- Review major employers and local demand generators
- Assess tourist attractions in area
- Analyze why people are currently coming to area
- Review highway infrastructure and traffic counts
- Analyze numbers of groups and conventions coming to market
- Analyze corporate demand for market
- Review airport statistics
- Analyze population and income within three-hour drive of site

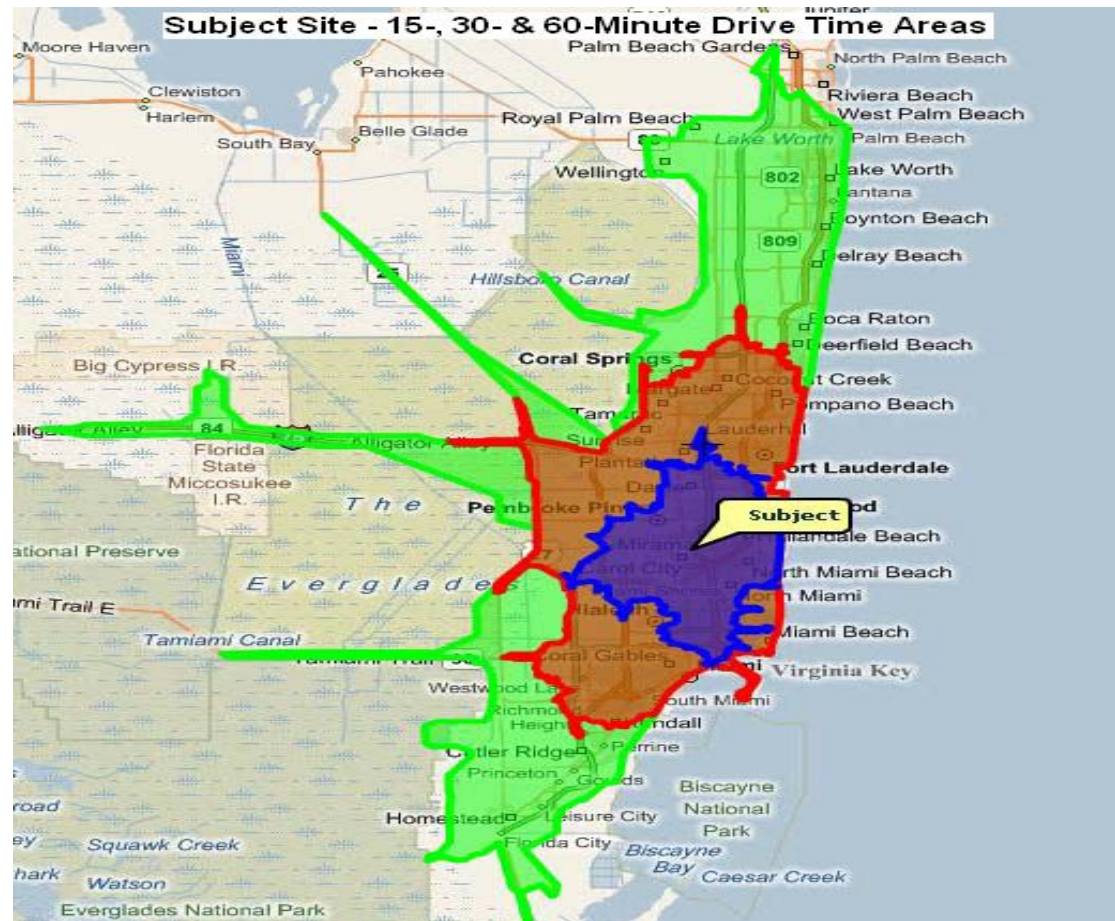
Demographic Analysis

- Number of family households within drivable distance
- Number of children within travel distance
- 180 miles is the approximate distance that people are willing to drive to stay at Indoor Waterpark Resort
- Up to 60 miles for Outdoor Waterpark
- Compare proposed site with existing areas with waterpark resorts
- Compare number of rooms and waterpark size to the number of the family households

Demographic Analysis – Households per Room

Ratio of Family Households to Indoor Waterpark Hotel Rooms within 180 Miles of Subject, Wisconsin Dells & Sandusky - 2009		
	<u>Wisconsin Dells</u>	<u>Sandusky</u>
2009 Est. Family Households, 180-mile radius	4,342,847	6,424,633
Number of Existing and Soon to be Completed Hotels with Indoor Waterparks	42	18
Total Rooms	9,671	4,749
Family Households per Indoor Waterpark Hotel Room	449.1	1,352.8
Sources: ESRI, Hotel & Leisure Advisors		

Demographic Analysis – Population Drive Time



Outdoor Waterpark Supply to Population Analysis

Outdoor Waterpark and Population Comparison

Region	Number of Waterparks	Population	Number of Persons per Waterpark
Northeast	52	55,317,240	1,063,793
Midwest	140	66,927,001	478,050
South	124	114,555,744	923,837
West	66	71,945,553	1,090,084
Total	382	308,745,538	808,234

Source: Hotel & Leisure Advisors and 2010 U.S. Census

Site Analysis

- Review and analyze site and nearby land uses
- Review site visibility and access
- Identify nearby tourism attractions
- Assess visibility from highways with higher traffic counts
- Identify nearby amenities including state and national parks, shopping, amusement parks, etc.
- Review access to corporate & group demand generators
- Assess size of site and availability for expansion
- Review zoning of site

Recommendations Included in Feasibility Study

- Product concept
- Facility configuration
- Sizing
- Amenities
- Acreage
- Hotel franchise or independent
- Branding
- Management company
- Phasing
- Development costs

Outdoor and Indoor Waterpark Supply Analysis

2011 Open Waterpark Supply By Region			
Outdoor Waterparks			
Region	Municipal	Private	Total
Northeast	1	51	52
Midwest	88	52	140
South	33	91	124
West	17	49	66
Total	139	243	382
Indoor Waterpark Resorts			
	Franchise	Independent	Total
Northeast	6	5	11
Midwest	40	59	99
South	0	9	9
West	6	3	9
Total	52	76	128
Combined Total Number of Waterparks			510
Note: Outdoor waterparks defined as having three or more slides			
Note: Indoor waterparks contain a minimum of 10,000 square feet			
Source: Hotel & Leisure Advisors, LLC, September 2011			

Open Indoor Waterpark Resort Supply Analysis

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%
Wisconsin	31	235	34,326	225,000	10,000	16%
Total USA/Average	128	292	32,428			40%
Alberta	3	260		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%
Saskatchewan	1	157	10,000	10,000	10,000	100%
Total Canada/Average	13	241	30,287			77%

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

Open Resorts with Outdoor Waterpark Supply Analysis

Resorts with Outdoor Waterparks Supply Analysis			
State/Province	Number of Resorts	Average Room Count	Percent Franchised
Arizona	1	640	0%
California	2	481	50%
Florida	6	816	33%
Georgia	1	287	0%
Idaho	1	12	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	0	0	0%
Texas	3	477	67%
Virginia	2	817	50%
<u>Wisconsin</u>	<u>0</u>	<u>0</u>	<u>0%</u>
Total USA/Average	26	687	31%
Ontario	1	406	0%
Total Canada/Average	1	406	0%

Note: Resorts have a minimum of three waterpark features
 Source: Hotel & Leisure Advisors, LLC, September 2011

Competitive Supply Analysis

- Analysis of local hotel or waterpark market
- Product types of local hotels (e.g., budget, midscale, resort)
- Quality level of local hotels and resorts
- Supply of waterpark resorts within region
- New hotel supply in local market
- Proposed waterpark resorts within region
- Demolitions of existing hotels
- Convention and Visitors' Bureau information

Indoor Waterpark Resorts Opened in 2010

Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2010				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
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
Total		8	4	85,000
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space				
Source: Hotel & Leisure Advisors, LLC, September 2011				

Indoor Waterpark Resorts to open in 2011

Indoor Waterpark Additions & Indoor Waterpark Resorts Projected to Open in 2011				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
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
Kalahari Resort Wisconsin Dells Addition of Three Slides	Wisconsin Dells	WI	0	0

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

Demand Analysis

- Review occupancy and average daily rate performance of local hotel supply through analyzing Smith Travel Research data and performing interviews with local hotels
- Demand is up in 2011 for both hotels and waterpark resorts
- Review occupancy and average daily rate statistics for hotels in MSA or region and for regional indoor waterpark resorts
- Conduct demand interviews with potential users of facility
- Analyze the number of fill days in existing hotels and resorts in estimating induced demand
- Estimate future growth in demand for hotels and resorts
- Analyze regional and national trends in the waterpark industry
- Review statistics of waterparks in different regions and their performance

Performance Figures of Great Wolf Lodge Resorts

Great Wolf Resorts, Inc. Operating Statistics for 2007-2011						
	2010	2009	2008	2007	YTD 6/11	YTD 6/10
All Properties (Same Store)						
Occupancy	60.5%	60.4%	61.9%	61.5%	64.5%	60.0%
ADR	\$252.47	\$244.66	\$243.81	\$244.16	\$258.83	\$251.39
RevPAR	\$152.80	\$147.66	\$151.02	\$150.16	\$166.83	\$150.86
Total RevPOR	\$388.32	\$376.57	\$369.61	\$370.77	\$394.85	\$388.50
Total RevPAR	\$235.01	\$227.28	\$228.95	\$228.02	\$254.50	\$233.15
Generation I Resorts (Wisconsin Dells, Sandusky, Traverse City, Kansas City)						
Occupancy	52.7%	52.7%	56.6%	58.7%	57.1%	51.9%
ADR	\$198.56	\$191.45	\$196.25	\$202.19	\$201.62	\$198.88
RevPAR	\$104.70	\$100.92	\$110.98	\$118.59	\$115.17	\$103.15
Total RevPOR	\$300.42	\$288.87	\$293.86	\$300.16	\$305.14	\$303.29
Total RevPAR	\$158.42	\$152.28	\$166.19	\$176.05	\$174.31	\$157.30
Generation II Resorts (Williamsburg, Poconos, Niagara Falls, Mason, and Grapevine)						
Occupancy	63.9%	63.7%	67.0%	64.6%	67.2%	63.1%
ADR	\$271.86	\$263.95	\$279.58	\$279.22	\$277.24	\$267.73
RevPAR	\$173.76	\$168.14	\$187.44	\$180.47	\$186.40	\$168.92
Total RevPOR	\$419.92	\$408.36	\$421.50	\$422.19	\$423.72	\$415.02
Total RevPAR	\$268.39	\$260.14	\$282.60	\$272.88	\$284.89	\$261.86

Source: Great Wolf Resorts, Inc.

Performance Figures – Great Wolf Resorts vs. Overall Hotel Market

- Year-to-date figures through June 2011 indicate a solid 4.5 point improvement in occupancy for all Great Wolf properties with the Generation I resorts posting a 5.2 point improvement over 2010 six months ended June 30, and Generation II resorts posting a 4.1 point improvement.
- Both the larger Generation II resorts and the smaller Generation I resorts have shown improvement in RevPAR over the previous year.
- Average daily rate is well above national averages for hotel properties in similar markets

Performance Figures of OWPs

Top 20 U.S. Waterparks by Annual Attendance				
Rank	Park	Location	2010 Attendance	% Change over 2009
1	Typhoon Lagoon at Walt Disney World	Orlando, FL	2,038,000	-1.0%
2	Blizzard Beach at Walt Disney World	Orlando, FL	1,872,000	-1.0%
3	Aquatica	Orlando, FL	1,500,000	-6.3%
4	Wet 'n Wild	Orlando, FL	1,223,000	-1.0%
5	Schlitterbahn	New Braunfels, TX	882,000	-2.0%
6	Water Country USA	Williamsburg, VA	784,000	12.0%
7	Noah's Ark	Wisconsin Dells, WI	637,000	30.0%
8	Adventure Island	Tampa, FL	626,000	4.3%
9	Hyland Hills Water World	Denver, CO	545,000	5.8%
10	Schlitterbahn	Galveston, TX	530,000	0.0%
11	Splash-Splash	Riverhead, NY	510,000	13.3%
12=	Six Flags White Water	Marietta, GA	500,000	22.0%
12=	Six Flags Hurricane Harbor	Arlington, TX	500,000	11.1%
14	Raging Waters	San Dimas, CA	466,000	0.0%
15	Six Flags Hurricane Harbor	Jackson, NJ	450,000	36.4%
16	Wet 'n Wild	Phoenix, AZ	425,000	n/a
17	Wet 'n Wild Emerald Point	Greensboro, NC	410,000	12.0%
18	Dollywood's Splash Country	Pigeon Forge, TN	400,000	14.3%
19	Soak City at Cedar Point	Sandusky, OH	387,000	3.2%
20	Camelbeach	Tannersville, PA	368,000	5.1%

* = indicates a tie

Source: TEA 2010 Theme Index, The Global Attractions Attendance Report

Performance Figures

- Occupancy levels among indoor waterpark hotels/resorts of all sizes range from 35% to 85%, while ADRs range from \$75 to \$325. Properties that have added indoor waterparks have seen improvements in occupancy levels with some gaining as many as 16 points. They have also experienced a \$10 to \$100 increase in average daily rate.
- Outdoor waterpark attendance ranges from 100,000 to 2 million visitors per year depending upon location, size, extent of amenities, etc.
- Wide range of performance is due to location, size of waterpark, resort amenities, management, marketing, performance of existing hotel supply, and number of nearby family leisure attractions.

Projected Financial Performance

- Occupancy and average daily rate
- Waterpark usage including possible use of day passes
- Other revenue departments including food and beverage, arcade, gift shop, rentals, parking, telephone
- Expense categories including rooms, food and beverage, waterpark, arcade, telephone, gift shop
- Undistributed expenses including administrative, marketing, maintenance, energy, taxes
- Projection of net operating income for forecast period
- How financial projections are utilized in income capitalization approach of an appraisal
- Discount rate and capitalization rates

Financial Performance

- Our review of 28 indoor waterpark resorts actual financial statements indicates an average income before reserve of 26% compared to Host Report for resorts indicates income before reserve of 19%
- More successful resorts achieve higher figures
- Resorts with indoor waterparks can achieve higher net income percentage due to stronger room revenues and other operating departmental revenues
- Our review of 16 outdoor waterpark actual financial statements indicates an average income before reserve of 23%

Using a Feasibility Study

- Market feasibility study should provide projected revenues, expenses, and net operating income for future 10 years.
- Developers should compare value created by cash flows with projected construction costs to see if economically feasible
- Market feasibility study represents projections at the time of research that may not actually occur
- Changes may occur in market or to the facility that may be different from assumptions of feasibility study
- Development of indoor or outdoor waterparks is risky. Most projects succeed but there are some properties whose values are below development costs because demand has not met expectations.

Questions?



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