

Indoor Waterparks Resorts – Overview

Presenter:

David J. Sangree, MAI, CPA, ISHC
President
Hotel & Leisure Advisors
14805 Detroit Avenue
Suite 420
Cleveland, Ohio 44107-3921
Phone: 216-228-7000
Fax: 216-228-7320
Web Site: www.hladvisors.com
e-mail: dsangree@hladvisors.com

Introduction

- Review of session
- Types of hotels with indoor waterparks
- Existing supply analysis
- Proposed supply analysis
- Occupancy and average daily rate analysis
- Financial analysis
- Future

Types of Indoor Waterparks

TYPES OF INDOOR WATERPARKS			
	Hotel with Water Features	Hotel with Indoor Waterpark	Indoor Waterpark Destination Resort
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			

Presentation by David Sangree with
Hotel & Leisure Advisors

Supply of Existing Hotels with Indoor Waterparks and Indoor Waterpark Destination Resorts

Indoor Waterpark Resort Supply Analysis						
State / Province	Number of Resorts	Average Room Count	Indoor Waterpark Size (SF)			Percent of Properties 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	1	301	55,000	55,000	55,000	0%
Washington	2	111	10,000	10,000	10,000	100%
Wisconsin	28	222	30,575	160,000	10,000	21%
United States Total / Average	68	225	29,141			38%
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%
Canada Total / Average	11	242	32,436			82%
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space						
Source: Hotel & Leisure Advisors, November 2005						

Presentation by David Sangree with
Hotel & Leisure Advisors

Amenities and Locations

- Hotels with indoor waterparks may be franchised or be independent resorts.
- Indoor waterpark resort amenities may include larger indoor waterparks, outdoor waterpark features, kids club, spa, arcade, gift shops, themed lobbies, dry play areas, fitness center, entertainment, multiple restaurants and lounges, and other family activities.
- Facilities have a wider range of room types than a traditional hotel and may include one and two bedroom suites, kids rooms with bunk beds, larger traditional rooms, Jacuzzi suites, fireplace rooms, theme rooms.
- Facilities are located in both tourist areas and urban areas but currently the majority of facilities are located in historically summer tourist destinations where travelers previously came only during summer months but now will visit year-round.

2005 openings

Indoor Waterpark Resorts Projected to Open in 2005				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Waterpark Sq. Ft.
Best Western Indoor Waterpark Addition	Burlington	IA	0	20,000
Holiday Inn Express and Raptor Reef	Hayden	ID	98	25,000
Grizzly Jack's Grand Bear Lodge at Starved Rock	Utica	IL	100	24,000
Baymont Inn Waterpark Addition	Shepherdsville	KY	0	10,000
Mountain Grand Lodge and Avalanche Bay	Boyne Falls	MI	220	58,000
Zehnder's Splash Village	Frankenmuth	MI	63	30,000
Comfort Suites	Mackinaw City	MI	50	10,000
Best Western Waterpark Expansion	Sterling Heights	MI	0	9,000
Holiday Inn Express and Three Bear Lodge	Baxter	MN	99	25,000
Lodge at Brainerd Lakes	Baxter	MN	102	28,000
Holiday Inn and Wildwoods	Otsego	MN	125	30,000
Comfort Suites and Thumperpond	Ottertail	MN	78	12,000
Six Flags Great Escape Waterpark Resort	Queensbury	NY	200	38,500
Kalahari Indoor Waterpark Resort- Route 250	Sandusky	OH	596	80,000
Great Wolf Lodge	Poconos	PA	401	78,000
Schlitterbahn Indoor/ Outdoor Waterpark Resort	Galveston	TX	0	50,000
Massanutten Resort Indoor Waterpark Addition	Harrisonburg	VA	0	42,000
Great Wolf Lodge	Williamsburg	VA	301	55,000
Ramada Inn and Big Splash Indoor Waterpark	Ocean Shores	WA	54	10,000
Comfort Suites with Indoor Waterpark	Johnson Creek	WI	77	10,000
Holiday Inn Express and Waterpark	Milwaukee	WI	115	10,000
Holiday Inn Hotel with Splash Point	Stevens Point	WI	132	15,000
Country Springs Hotel Waterpark Addition	Waukesha	WI	0	25,000
Great Wolf Lodge Condominium Expansion	Wisconsin Dells	WI	177	0
Total			2,988	694,500
Average			125	28,938
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space				
Source: Hotel & Leisure Advisors, November 2005				

Presentation by David Sangree with
Hotel & Leisure Advisors

Proposals and Under Construction

Indoor Waterparks Currently Proposed or In Progress					
United States and Canada					
Region	Number of Resort Properties	Number of New Resort Rooms	Average Room Count	Indoor Waterpark SF Total	Indoor Waterpark SF Average
Northeastern United States	35	7,011	219	1,518,500	46,015
Midwestern United States	74	13,954	199	3,145,240	43,085
Southern United States	11	2,180	311	513,000	51,300
Western United States	25	5,657	246	1,137,000	47,375
USA Total /Average	145	28,802	244	6,313,740	46,944
Canada	5	910	182	260,000	52,000
N. America Total /Average	150	29,712	232	6,573,740	47,955
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space					
Key: P - Proposed; U/D - Under Development; U/C - Under Construction					
Source: Hotel & Leisure Advisors, November 2005					

Presentation by David Sangree with
Hotel & Leisure Advisors

Reasons for success

- Hotels and resorts with indoor waterparks create a getaway for families on a year-round basis through offering a wide range of family-friendly activities.
- Larger resorts can achieve an average daily rate from \$50-\$150 higher than other hotels within the same market without an indoor waterpark along with occupancy levels from five occupancy points to 30 occupancy points higher. Smaller hotels with smaller indoor waterparks can achieve an average daily rate from \$10-\$50 higher than a similar hotel with an occupancy level somewhat higher.
- Stronger performance is primarily due to the substantial amenity package and popularity of water features
- Great Wolf Lodge properties have established first successful indoor waterpark resort chain

Great Wolf Lodge Performance Data

Great Wolf Lodge Indoor Waterpark Resorts								
Statistical Data for 12 Months Ended December 31, 2004								
Location	Great Wolf Resorts Year Open	Rooms	Indoor Entertainment Area (1) (approx. ft ²)	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(2)	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 (3)	May 2003	281	50,000	64.4	\$196.18	\$126.31	\$285.85	\$184.05
Sheboygan, WI (4)	July 2004	183	50,000	58.3	\$190.35	\$110.93	\$351.61	\$204.91
<p>(1) The indoor entertainment areas generally include the indoor waterpark, game arcade, children's activity room and fitness room, as well as an Aveda concept spa, 3D virtual reality theater, Wiley's Woods and party room in the resorts that have such amenities.</p> <p>(2) Prior to May 2004, this resort was operated as Great Bear Lodge.</p> <p>(3) They currently lease the property on which the Kansas City resort is located pursuant to a 10-year ground lease with a local governmental authority. They intend to convert this leasehold interest into a fee simple interest.</p> <p>(4) The Sheboygan resort is known as the Blue Harbor Resort</p>								
Source: Great Wolf Resorts SEC Filing, February 2005								

Presentation by David Sangree with
Hotel & Leisure Advisors

Great Wolf Lodge YTD Statistics

Great Wolf Lodge Indoor Waterpark Resorts				
Statistical Data for Nine Months Ended September 30				
			YTD 9/05	YTD 9/04
Wisconsin Dells:				
	Occupancy		62.6%	65.5%
	ADR		\$192.55	\$195.84
	RevPAR		\$120.56	\$128.33
	Total RevPOR		\$282.04	\$273.11
	Total RevPAR		\$176.58	\$178.96
Sandusky:				
	Occupancy		62.8%	73.2%
	ADR		\$224.54	\$234.02
	RevPAR		\$141.00	\$171.26
	Total RevPOR		\$316.66	\$327.36
	Total RevPAR		\$198.84	\$239.57
Traverse City:				
	Occupancy		72.5%	73.7%
	ADR		\$215.92	\$227.34
	RevPAR		\$156.49	\$167.57
	Total RevPOR		\$312.20	\$325.01
	Total RevPAR		\$226.27	\$239.56
Kansas City:				
	Occupancy		69.0%	67.4%
	ADR		\$212.30	\$192.14
	RevPAR		\$146.48	\$129.42
	Total RevPOR		\$300.36	\$282.37
	Total RevPAR		\$207.25	\$190.18
Sheboygan:				
	Occupancy		58.3%	—
	ADR		\$171.42	—
	RevPAR		\$99.95	—
	Total RevPOR		\$338.96	—
	Total RevPAR		\$197.64	—
Williamsburg:				
	Occupancy		61.7%	—
	ADR		\$239.60	—
	RevPAR		\$147.84	—
	Total RevPOR		\$358.48	—
	Total RevPAR		\$221.19	—
Source: Great Wolf Resorts SEC Filings				

Presentation by David Sangree with
Hotel & Leisure Advisors

Financial Performance of Indoor Waterpark Resorts

- Our review of six indoor waterpark destination resorts indicates an income before reserve of 32.8% of total revenue while the 2005 Host Report for resorts indicates income before reserve of 22.4%.
- Resorts with indoor waterparks achieve higher net income percentage due to stronger room revenues and other operating departmental revenues.
- Expenses are higher in various departments including utilities, maintenance, waterpark, and departmental areas.

Future

- Strong success of properties due to popularity of water features and desire by families to spend time together
- Water features should be popular for many years and not be just a fad
- Oversupply of indoor waterparks will be a concern as more are developed
- Markets can handle only certain numbers of destination resorts and hotels with indoor waterparks as the target market is children ages two to 14 and their parents or grandparents

Future

- Similar to amusement parks, indoor waterpark destination resorts need to continually add new components
- The market shows a trend toward newer and bigger resorts as smaller hotels with indoor waterparks achieve reduced premiums from their waterparks
- Sizing of indoor waterpark destination resorts will continue to grow as developers try to improve upon other existing projects
- More hotels will add smaller indoor waterparks reducing their uniqueness in some markets (example Holiday Inn offering standard package)
- Indoor waterpark destination resorts focus upon the family segment and will be challenged to switch into an adult or corporate demand base