

18 Predictions About the Future of Hotel Waterpark Resorts

By Jeff Coy and Bill Haralson

As we start Year 2005, here is our forecast on the future of hotel waterpark resorts.

1. Hotel waterpark resorts are not a fad. The growth trends, consumer acceptance and impact on resort occupancy, room rates and revenues are too strong to ignore.

2. Hotels with indoor waterparks will continue to grow faster than the hotel industry. Hotels with indoor waterparks are growing from 23% to 29% annually, while the overall hotel industry room supply grew 1.2% in 2004 and is expected to grow 1.3% in 2005. In 2000, there were only 18 hotel waterpark resorts. Today, 79 are open nationwide. Eighteen new additions and expansion projects opened during 2004.

3. Hotel waterpark resorts under construction will accelerate rapidly over the next few years. Construction projects grew from 8 in 2000 to 32 in 2004. Projects in the planning stages numbered 19 in 2002, 46 in 2003 and 69 in 2004.

4. Hotels with indoor waterparks will continue to extend peak seasons from 100 days to 365 days. Seasonal properties will find it increasingly difficult to open for three months and pay expenses for twelve months.

5. Hotels with indoor waterparks will fill rooms almost 100% every weekend and school break all year long. For hotels that typically go empty on weekends, the indoor waterpark is the best thing to come along since sliced bread. In some cases, indoor waterparks will add up to 26 points of occupancy.

6. Indoor waterparks will increase hotel occupancy, increase average room rates and increase annual room revenue over typical hotels without indoor waterparks. The incremental boost in both occupancy and room rate will result in a big jump in hotel revenues.

7. Resort destinations are excellent candidates for hotel indoor waterparks. Ski resorts, golf resorts, beach & lake resorts and resort conference centers all will consider adding indoor waterparks --- to extend their short peak seasons to year round.

8. Urban centers nationwide will attract large hotel waterpark resorts as part of convention centers. Starting with cold weather markets across the top tier of the USA, cities and downtown convention hotels will investigate the impact of indoor waterparks on reviving downtowns. Urban entertainment centers will become more popular.

9. Recreational locations with interstate highway access within 200 miles of a major metro area are excellent targets for hotel waterpark development. Families are willing to drive 200 miles in the middle of January to spend a weekend at an indoor waterpark, but the highway must be clear of snow and safe to travel.

10. The first hotel with an indoor waterpark to open in a new market will become first choice among leisure travelers. Especially families with children. Children will greatly influence the lodging decision. Mom will actually make the decision.

11. Hotel waterpark resorts are a long term investment and development opportunity. The industry is still in the birth stage and near ready to enter the growth stage. Leader Great Lakes Companies, which issued an IPO in 2004 with its Great Wolf Lodges, will emerge as a national brand over the next few years. However, many markets will remain unserved --- providing opportunity for local developers. It will be 5 to 10 years or longer before the hotel waterpark resort industry matures.

12. Hotel waterpark resorts will grow nationally from cold to hot markets in the next few years. Originating in Wisconsin Dells WI in 1994, the lodging-entertainment concept spread throughout Wisconsin and neighboring states by Year 2000, when growth started to accelerate throughout Minnesota, Iowa, Illinois, Michigan, Ohio and Pennsylvania. Eventually, indoor waterparks will expand to the sunbelt. More and more projects will become indoor-outdoor combinations.

13. Ski resorts will continue to be prime candidates for indoor waterpark development. Hotel waterpark resorts started in cold weather resort destinations where the peak summer season is only 100 days. In 2004, growth spread across the northern tier of the USA with new projects scheduled for the Pacific Northwest. Camelback Ski Resort in Pennsylvania was the first ski resort to open an outdoor waterpark in 1998. Boyne Mountain in northwestern Michigan was the first ski resort to construct an indoor waterpark (opening in May 2005). Silver Mountain Resort in Idaho is the first western ski resort to start construction on an indoor waterpark. Similar projects are underway in Virginia and New England. New indoor waterparks will be built at ski resorts that want to become four-season resorts.

14. Hotel waterpark resorts will spread more slowly to hot weather resort destinations. Indoor waterparks will eventually be built in San Diego, Palm Springs, Phoenix, Tucson, Corpus Christie, South Padre Island, Houston, New Orleans, Biloxi, Savannah, Charleston, Panama City and other Florida markets. Outdoor waterparks already exist across the southern tier of the USA. Why would anyone build an indoor waterpark in a hot weather market? Reason: Momma doesn't want her little children outside in direct sunlight when the temperature is 90 to 120 degrees. Therefore, shade becomes very important. Designing an adequate amount of shade per person is a critical factor when building an outdoor waterpark. Take it to the next logical level: more and more shade becomes a totally covered facility. In fact, many future projects will be indoor-outdoor combinations.

15. Regional resort destinations with a history of attracting families will expand to include hotel waterpark resorts. Destinations, such as the White Mountains of New Hampshire, the Berkshires in western Massachusetts, the Poconos of Pennsylvania and the Finger Lakes Region of upstate New York, are all target locations for hotel waterpark resort development.

16. Almost all major markets will attract a hotel waterpark developer in the next few years. Major indoor waterpark projects will be announced in the top 25 markets. The largest indoor waterparks will be part of major resorts or will be connected to downtown hotels and convention centers while smaller waterparks will become part of suburban hotels.

17. Almost all future hotel waterpark resorts will be designed as indoor-outdoor combinations. Facilities will combine both indoor and outdoor spaces that open up and blend together --- using clear domed structures and movable glass walls. In the future, many large outdoor entertainment venues, such as amusement parks and waterparks, will be covered with dome structures that will control the temperature and weather inside while letting in a maximum amount of daylight from the outside. We presently have the technology to cover a 7-acre outdoor waterpark with a translucent domed structure. What's the advantage? Eliminate the weather factor. Extend peak season from 100 days to 365 days and collect revenues all year long.

18. Every hotel owner and developer will DO SOMETHING with water. Projects will come in all sizes and shapes --- ranging from enclosing the outdoor pool to raising the roof for waterslide towers and adding water play equipment to existing pools. Not all pool enhancements will compete on the resort level. New hotel waterpark resort developments will have high entertainment value to attract families willing to drive 200 miles and pay \$200 a night for a room. As Todd Nelson, owner of the Kalahari Resort, says, "Bigger is better." The first and biggest hotel indoor waterpark to enter a new market will create a high barrier to entry for other competitors to follow.

Based on our research of industry trends, this is the future we see for hotel waterpark resorts.

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