

Hotel Waterpark Resort Industry Report 2007

48 Hotel Waterparks Opening, 97 Under Construction

By Jeff Coy and Bill Haralson

July 2, 2007 --- During 2007, forty-eight (48) new hotel indoor waterparks are expected to open, including new additions and expansion projects that are scheduled to open in the second half of 2007. Ninety-seven (97) hotel waterpark projects are under construction now or will break ground later in 2007.

An indoor waterpark is like an outdoor waterpark, except all the fun is packed into a cube which is attached to a hotel that is open 365 days a year, rain or shine. The first hotel indoor waterpark in the USA was accidentally created in 1994 by Stan Anderson, owner of the Polynesian Resort in Wisconsin Dells WI, a businessman who was trying to fill his hotel rooms on weekends. He installed some water gizmo in his indoor pool, and weekend occupancy skyrocketed. From this, Wisconsin Dells has spawned 21 waterpark resorts and has become the waterpark capital of the world.



Stan Anderson, owner of the Polynesian Resort in Wisconsin Dells and pioneer of the hotel indoor waterpark industry in the USA.

Hotel waterparks are a small but fast-growing sector of the resort industry which is expected to total one hundred and eighty-four (184) by year end. Hotel waterparks merge lodging, recreation and entertainment into one package. They are a big hit with families and hotel owners nationwide because they fill empty rooms at higher room rates.

The following chart illustrates the growth over the last six years.

	2007F	2006	2005	2004	2003	2002
	Amount	Amount	Amount	Amount	Amount	Amount
Hotel Indoor Waterparks	184	136	104	81	65	50
Rooms	31,414	23,899	18,998	13,877	11,464	8,510
Indoor Waterpark Sq Ft	4,461,469	3,225,669	2,344,469	1,721,269	1,385,969	1,019,104
Meeting Rooms	614	479	422	373	352	322
Meeting Space Sq Ft	1,699,634	1,326,435	978,935	806,085	679,435	626,955
Affiliated with a Brand	85	67	52	37	27	20
Independent	99	70	52	44	38	30

Nationally, these 184 properties have a total of 28,729 rooms, nearly 4.0 million square feet of indoor waterpark space and 614 meeting rooms covering nearly 1.7 million square feet of meeting space. In 2007, about 46% of hotel waterparks are affiliated with a national franchise brand, up from 40% in 2002.

Hotels and resorts have ups and downs. They are seasonal properties with high periods and low periods from month to month and from weekday to weekends. The indoor waterpark has an amazing ability to fill empty rooms with families and young children on

weekends all year long and whenever kids are out of school. Yet a hotel waterpark resort is still just a hotel with a very expensive (\$400 psf) attraction, similar to having a golf course or conference center. The indoor waterpark is a perfect component for the hotel owner that wants a balanced mix of customers --- individual business travelers, groups and individual leisure guests.

USA Hotel Industry Performance

The USA hotel industry occupancy is expected to reach 63.1% for 2007, just slightly under the 63.4% recorded for 2006 --- up from a low of 59.0% in 2002 and almost even with benchmark Year 2000.

USA HOTEL INDUSTRY TRENDS								
	2007F	2006	2005	2004	2003	2002	2001	2000
Occupancy	63.1%	63.4%	63.1%	61.3%	59.1%	59.0%	60.1%	63.7%
Average Room Rate	\$102.97	\$97.31	\$90.95	\$86.24	\$83.19	\$83.19	\$84.85	\$86.04
Source: Smith Travel Research. 2007 Forecast by JLC Hospitality Consulting								

Nationwide, hotel room rates will reach an average of \$102.97 in 2007, up from \$97.31 in 2006, a low of \$83.19 in 2002/2003 and up from \$86.04 in benchmark Year 2000.

In 2006, airport, urban and resort hotels ran the highest occupancies. Interstate hotels showed the biggest improvement in occupancy over the previous year. Of course, resort hotel locations showed the highest average room rates at \$135.42, which reflects all of the amenities of a resort, compared to other types of lodging.

TOP PRODUCING HOTELS BY LOCATION				
	Occupancy		Average Room Rate	
	Percent	% Chg	Amount	% Chg
Urban	68.4	0.5	\$125.18	9.2
Suburban	64.0	0.2	\$84.99	7.5
Airport	69.3	0.7	\$93.54	9.2
Interstate	57.8	1.6	\$63.23	5.1
Resort	66.6	0.0	\$135.42	6.8
Small Town	57.0	0.8	\$74.37	4.4
Source: Smith Travel Research, Year 2006.				

Forecast for 2007

For the first five months of 2007, hotel industry occupancy reached 61.6%, only 3/10th of one percent behind the same period last year. Hotel room rates averaged \$102.86 compared to \$97.21, up \$5 over the same period last year.

Through May, upscale, upper scale and luxury chain hotels achieved higher occupancies than midpriced and economy properties. The Mountain Region produced the highest occupancy, probably due to the great winter ski season in the Rockies. Nationally, the

highest priced hotels achieved the highest occupancies. Regarding location, airport hotels ran the highest occupancy at 70% followed by urban hotels at 67.3% and resort locations at 66.7%.

Hotel room supply, demand, room rates and revpar (revenues per available room) all showed positive growth for the last 12 months and through May 2007. Hotel occupancy showed a slight downward shift for the last 12 months but showed positive for May 2007 as we head into summer.

USA HOTEL INDUSTRY TRENDS				
	May 2007	Last 3 Months	Last 12 Months	Year to Date
Supply	Up 1.4%	Up 1.3%	Up 0.8%	Up 1.2%
Demand	Up 2.1%	Up 1.2%	Up 0.1%	Up 0.6%
Occupancy	Up 0.7%	Down 0.1%	Down 0.7%	Down 0.6%
Average Room Rate	Up 5.5%	Up 5.5%	Up 6.7%	Up 5.8%
Rev Per Available Room	Up 6.3%	Up 5.4%	Up 5.9%	Up 5.2%
Source: Smith Travel Research, May 2007.				

In the summer of 2007, the USA hotel industry will achieve a new record number of occupied rooms per night of 3.14 million, according to a report by PriceWaterhouseCoopers in June. The summer occupancy in 2007 is forecast to be slightly lower than 2006, 69.6%, the second-highest since the peak of 72.1% in 2001 and about one percentage point below the 70.2% occupancy in 2006.

Occupancy for the five-day weekend of the Fourth of July, which falls on a Wednesday this year, is expected to be spread among the before and after weekends at 69.2%. Labor Day weekend is expected to reach 70.1%.

Looks Good for Summer 2007 Leisure Travel

The USA travel industry is expected to have a good summer travel season in 2007, with leisure travel increasing 1.4% over last summer, according to the Travel Industry Association. Americans will take 330 million person-trips in June, July and August, a record high number. Americans are expecting higher gas prices this summer but seem to be taking it in stride. Gas prices of around \$3.00 will cause 11% of Americans to modify their summer travel plans, according to a TIA-AAA survey. The real tipping point seems to be \$3.50 a gallon gas, with nearly one-third of travelers saying they would cancel their trip.

According to PWC, higher gas prices will result in 8,000 fewer occupied rooms per night between Memorial Day and Labor Day.

There is also emerging price resistance to increases in hotel average room rates. USA hotel average room rate (ADR) increases will decelerate through the remainder of 2007, as new construction accelerates and demand lessens. Nevertheless, analysts predict that hotel room rates will increase in 2007 by the second-highest percent in 10 years.

Most families in the USA will bite the bullet on higher gasoline prices and refuse to abandon their vacation plans.

Many will vacation closer to home, eat fewer meals in restaurants and escape for weekends at nearby regional resorts --- a growing number of which now offer indoor waterparks and family entertainment centers.

Most Lucrative States for Hotel Investment

Currently, the most lucrative states for hotel investment are Hawaii, New York and Massachusetts where hotel revenues are the highest in the nation.

Alaska, Illinois, Arizona and Massachusetts had the biggest gains in revenues per available room.

Hotel revenue per available room (RevPAR) is the key indicator that takes into account supply, demand, occupancy, scarcity and pricing.

HIGHEST REVENUE-PRODUCING HOTELS BY STATE			
	2006	2005	
	RevPAR	RevPAR	
	Amount \$	Amount \$	% Chg
Hawaii	147.41	134.69	9.4
New York	122.28	111.40	9.8
Massachusetts	80.98	73.65	10.0
California	77.31	70.75	9.3
Florida	72.13	69.49	3.8
Alaska	71.45	61.57	16.0
Nevada	75.11	72.86	3.1
Rhode Island	75.52	74.75	1.0
Maryland	69.95	67.01	4.4
New Jersey	68.20	64.13	6.4
Arizona	65.74	59.47	10.6
Illinois	67.70	58.81	15.1
USA Average	61.69	57.39	7.5

Source: Smith Travel Research, Year 2006.

RevPAR is a measure of asset productivity that often points developers to the most attractive locations for new construction, although many of these desirable locations also have high barriers to entry.

Most Desirable Hotel Markets

In 2006, the most desirable hotel markets, in terms of their ability to generate the highest revenues per available room are New York City, Oahu, Miami and San Francisco.

The biggest gains were made by Chicago, San Francisco, Boston and Los Angeles, which recorded double-digit hotel revenue growth.

HIGHEST REVENUE-PRODUCING HOTELS BY MARKET			
	2006 Revpar Amount \$	2005 Revpar Amount \$	% Chg
New York City	198.85	176.21	12.8
Oahu	129.42	118.66	9.1
Miami	100.71	93.14	8.1
San Francisco	100.57	89.91	11.9
Washington DC	96.42	93.79	2.8
San Diego	95.88	88.14	8.8
Boston	94.81	84.73	11.9
Los Angeles	85.50	77.51	10.3
Chicago	82.46	70.15	17.6
Top 25 Market Average	81.82	74.76	9.4
Anaheim-Santa Ana	81.50	76.09	7.1
USA Average	61.69	57.39	7.5

USA Resort Performance

Hawaii is the leading resort destination with 79.8% occupancy (down 1.6% from last year) and \$184 average room rate (up 11.2% over last year). This compares to occupancy of 66.6% and average room rate of \$135 for all resorts in the USA.

HOT & COLD RESORT DESTINATIONS				
	2006 Occupancy	% Change	2006 ADR	% Change
Hawaii	79.8	-1.6	184.81	11.2
Nevada	71.9	1.2	104.42	1.9
Florida	65.8	-4.6	109.59	8.8
California	69.5	0.8	111.21	8.4
Arizona	67.0	1.9	98.11	8.5
USA Resorts	66.6	0.0	135.42	6.8
Colorado	61.0	3.7	97.19	6.0
Minnesota	60.3	-0.2	84.19	6.2
Wisconsin	54.9	1.6	76.07	5.0

Source: Smith Travel Research. Year 2006

Nevada, Florida, California and Arizona trail closely behind with occupancies of 71.9%, 65.8%, 69.5% and 67.0%, respectively. Colorado recorded the biggest gain in occupancy at 3.7% while Hawaii recorded the biggest decline in occupancy versus last year.

The highest resort room prices were found in Hawaii at \$184, California at \$111, Florida at \$109 and Nevada at \$104. Hawaii recorded a price jump of more than 11% in 2006 compared to last year.

Colorado, Minnesota and Wisconsin achieved statewide occupancy under the national average for all USA Resorts in both occupancy and average room rates. However, trends are shifting. Wisconsin and Minnesota have the highest number of hotel indoor waterpark

resorts in the country, and a growing number of ski resorts are considering indoor waterpark projects to achieve year round revenues. Many of the top hotel waterpark resort properties record occupancies and room rates far above the national averages and equal to many of the Sunbelt resort destination states.

USA Hotel Waterpark Resort Performance

On January 1, 2007, there were 136 hotels in the USA with indoor waterparks --- from the smallest water features to the largest waterpark resorts.

During 2007, forty-eight (48) new additions and expansion projects are expected to open by year end, bringing the total to 184 hotel waterpark resorts open and operating in the USA.

Another forty-nine (49) projects are under construction now or will break ground during 2007 which are scheduled to open in 2008 and beyond.

	Construction Project Growth								
	Hotel Waterpark Resorts USA								
	<i>2008 F</i>	<i>2007F</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Open at beginning of year	184	136	104	81	65	50	41	32	18
Openings during year	49	48	32	23	16	15	9	9	14
Total Open at end of year	233	184	136	104	81	65	50	41	32
Percent Change	26.6%	35.3%	30.8%	28.4%	24.6%	30.0%	22.0%	28.1%	
Under Construction		97	73	52	32	9	10	9	8
In Development		166	108	121	69	46	19		

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting.

Clearly, hotel waterpark resorts are not a fad but here to stay. About 166 projects are in the development pipeline compared to 108 in 2006, 121 in 2005, 69 in 2004, 46 in 2003 and 19 in 2002. The waterpark sector of the resort industry has experienced annual growth of more than 30% over the last several years.

But it is difficult to know how well hotel waterpark resorts perform financially as a group. Many of the larger independent properties do not report statistics to Smith Travel Research. Even the Wisconsin Dells Convention & Visitors Bureau collects little in the way of way of hotel waterpark resort performance data. The hotel owners keep their operating data fairly close to the vest. Great Wolf Resorts Inc is a public company and their operating data is available for all to see online in various SEC filings. Yet, two years ago, Great Wolf Resorts stopped reporting individual property data in favor of reporting same store comparisons, which effectively makes it more difficult for shareholders and other observers to determine how well individual hotels are performing. Regardless, Great Wolf Resorts performance is not necessarily the industry benchmark because they are being out-performed in several markets --- although they lead the industry in terms of multiple locations.

As a result, the best operating performance data is in proprietary databases of a few consultants, appraisers and emerging management companies with multiple locations. In

2001 Hotel Waterpark Resort Research & Consulting was formed for the purpose of collecting, analyzing and publishing data regarding this growing segment of the resort industry. HWRRC is a collaborative effort of Jeff Coy of JLC Hospitality Consulting of Cave Creek AZ and Bill Haralson of William L. Haralson & Associates of Alto NM. Together the two consultants produce an Annual Industry Report, a Construction Report and several developer workshops, where they present their latest research and a variety of expert speakers.

Wisconsin Dells Hotel Performance

In 1990, before indoor waterparks, Wisconsin Dells ran a 40% annually hotel occupancy and had a 100-day peak season. Today, it has 18 hotels with indoor waterparks and has a 365-day peak season. The largest hotel waterpark resorts are running occupancies in the high 70s and low 80s --- 15 to 20 points above the national hotel average.

In 2002, hotels WITH indoor waterparks achieved 26 points higher occupancy and \$69 higher average room rates than hotels WITHOUT indoor waterparks in Wisconsin Dells.

In 2004, we updated that research survey to determine the impact of 9/11, the economic recovery and what happened to the *haves and have-nots* in Wisconsin Dells over the last three years.

Eighteen (18) hotels WITH indoor waterparks captured 85% of the total market hotel revenue in Wisconsin Dells while forty-four (44) hotels WITHOUT indoor waterparks were left with only 15% of the total market hotel revenue. As a result, we referred to Wisconsin Dells as “*the land of haves and have-nots.*”

In 2007, the top two hotel waterpark resorts achieved average room rates above \$200. Hotels WITH indoor waterparks recorded average room rates that are 2X that of hotels WITHOUT indoor waterparks. And the average room rate trend over the last three years is getting higher for the *haves* and lower for the *have-nots*! The biggest properties are gaining market share while the smaller properties continue to lose market share.

USA Competitive Supply of Hotel Waterparks

One hundred and eighty-four (184) hotel indoor waterparks are open and operating in the USA, including projects scheduled to open in the final months of 2007. Here is a list of hotel waterpark resorts that opened in the following states since 2001:

HOTEL WATERPARK RESORTS OPEN						
2007F	2006	2005	2004	2003	2002	State
60	49	35	32	28	25	Wisconsin
22	21	20	15	14	10	Minnesota
10	8	7	5	3	2	Michigan

15	8	4	2	1	1	Ohio
8	7	4	4	3	3	South Dakota
7	3	0	0	0	0	Texas
7	4	3	2	1	1	Iowa
7	4	2	1	0	0	Washington
6	5	4	3	2	2	North Dakota
4	3	3	2	2	0	Pennsylvania
4	3	1	0	0	0	Illinois
4	2	1	1	1	1	Nebraska
3	2	2	1	0	0	Indiana
3	3	2	0	0	0	Virginia
3	2	2	2	2	1	Massachusetts
3	2	2	2	1	0	Kansas
2	2	2	2	2	1	Montana
2	2	2	2	2	1	Missouri
2	1	0	0	0	0	New York
12	5	8	5	3	2	Others
184	136	104	81	65	50	Total

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting

Here is a list of the hotel waterpark resorts added to the supply in 2006:

HOTEL WATERPARK RESORTS OPENED IN 2006						
Name	Location		Rooms	Indoor Waterpark Sq Ft	Opened	
Best Western Edgewater IWP Addition	Duluth	MN	282	30,000	200601	
Holiday Inn	Kearney	NE	163	6,000	200601	
Great Escapes Hotel & Waterpark	Lake George	NY	200	38,000	200602	
AmericInn	Appleton	WI	62		200602	
Lake Lawn Resort Condo Expansion P1	Delavan	WI	222		200603	
Great Wolf Lodge Add Condos & IWP	Wisconsin Dells	WI	128	38,000	200604	
Holiday Inn Holidome Convert to IWP	Elmhurst	IL	214	25,000	200604	
Ramada Condo Hotel & Big Splash	Auburn	WA	150	7,000	200604	
Grand Lodge & Waterpark of America	Bloomington	MN	403	70,000	200605	
Holiday Inn East Add Rooms & IWP	Columbus	OH	338	60,000	200605	
Mt Olympus I-OWP Add Rooms	Wisconsin Dells	WI	56		200605	
Schlitterbahn Resort & Waterpark	Galveston	TX	0	70,000	200606	
Wilderness Convert O-Wave Pool to IWP	Wisconsin Dells	WI	0	68,000	200606	
Ramada Casino Resort & IWP	Anacortes	WA	135	14,000	200606	
Wilderness Glacier Canyon Condo Lodge	Wisconsin Dells	WI	224		200606	
Kalahari Resort Add Convention Center	Sandusky	OH	0		200606	
Comfort Suites Thumper Pond Add IWP	Ottertail	MN	78	12,000	200607	
Chula Vista P1 Addition to IWP	Wisconsin Dells	WI	0	80,000	200608	
LaQuinta/Fairfield WaTiki Indoor WP	Rapid City	SD	255	30,000	200608	
Deer Valley Lodge & IWP	Barneveld	WI	62	12,000	200608	
Chula Vista P1 Addition to Condos	Wisconsin Dells	WI	166		200608	
Chula Vista P1 Addition to Conference Ctr	Wisconsin Dells	WI	0		200608	
Ramada DFW North Big Splash Renovation	Irving	TX	150		200609	
Great Wolf Lodge Add Rooms & IWP SqFt	Williamsburg	VA	100		200610	
Jellystone Expand OWP, Add 3Bears HIWP	Warrens-Tomah	WI	120	48,000	200611	
Great Wolf Lodge at Kings Island	Cincinnati-Mason	OH	401	78,000	200612	
Sheraton Chicago Northwest Add IWP	Arlington Heights	IL	426	65,000	200612	

Double JJ Ranch & Gold Rush IWP	Rothbury	MI	235	60,000	200612
Cherry Valley Lodge Add IWP	Newark	OH	200	45,000	200612
Arrowwood Condo Resort & IWP	Lake Okoboji	IA	100	18,000	200612
Lakeview Resort Add Rooms CC & IOWP	Canyon Lake	TX	31	7,200	200612
Kalahari Resort Golf Course Addition	Wisconsin Dells	WI	0		200612

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, December 2006.

Top 25 Largest Hotel Waterpark Resorts in the USA

Hotels with the largest indoor waterparks are concentrated in Wisconsin Dells WI but the trend is moving nationwide.

TOP 25 LARGEST HOTEL WATERPARK RESORTS IN USA					
Name	Location		Rooms	Indoor Waterpark Sq Ft	Opened
Wilderness Hotel & Golf Resort*	Wisconsin Dells	WI	817	229,000	199501
Kalahari Resort	Wisconsin Dells	WI	738	125,000	200001
Chula Vista With Phase 1 Additions	Wisconsin Dells	WI	466	110,000	200608
Scotts Hotels & Splash Lagoon IWP	Erie	PA	270	102,000	200304
Kalahari Resort Sandusky	Sandusky	OH	596	80,000	200505
Great Wolf Lodge at Kings Island	Cincinnati-Mason	OH	401	78,000	200612
Great Wolf Lodge	Pocono Mountains	PA	401	78,000	200510
Grand Lodge & Waterpark of America	Bloomington	MN	403	70,000	200605
Schlitterbahn Resort & Waterpark	Galveston	TX	0**	70,000	200606
Wilderness Covered Wave Pool	Wisconsin Dells	WI	0	68,000	200606
Sheraton Chicago NW & CoCo Key	Arlington Heights	IL	426	65,000	200612
Mt Olympus Treasure Island	Wisconsin, Dells	WI	302	65,000	199901
Great Wolf Lodge	Williamsburg	VA	301	64,000	200503
Double JJ Ranch & Gold Rush	Rothbury	MI	235	60,000	200612
Holiday Inn East & Fort Rapids	Columbus	OH	338	60,000	200605
Mountain Grand & Avalanche Bay	Boyne Falls	MI	200	58,000	200505
H2Oasis Indoor Waterpark	Anchorage	AK	0***	56,000	200302
Lodge at Cedar Creek Resort	Wausau	WI	140	50,000	200406
Jellystone Park & 3 Bears Hotel	Warrens-Tomah	WI	120	48,000	200611
Grand Rios Waterpark Resort	Brooklyn Park	MN	224	46,000	200409
Cherry Valley Lodge	Newark	OH	200	45,000	200612
Great Wolf Lodge	Wisconsin Dells	WI	309	44,000	199701
Massanutten Resort	McGaheysville	VA	1400	42,000	200507
7 Clans Casino Hotel	Thief River Falls	MN	151	40,000	200105
Blue Harbor Resort	Sheboygan	WI	183	40,000	200406
Country Springs Hotel & Waterpark	Waukesha	WI	187	40,000	200505

Notes: * Wilderness includes covered wave pool and 224 condos at Glacier Bay.
** Schlitterbahn has a 428-room hotel adjacent. *** H2Oasis has no hotel.
Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, December 2006.

Profile of USA Hotel Waterpark Resorts by Number of Rooms

Among the Top 5 largest resorts by room count, the average number of hotel rooms is 896 with an indoor waterpark of 99,200 sf or 110 sf per guest room. Among the Top 5, this

sizing ratio varies from 30 sf per guest room for the Massanutten Resort to 280 sf per guest room for the Wilderness Resort. The Top 5 resorts have an average of 7.2 waterslides, 2.0 pools and 1.8 hot tubs. All of them have one or more lazy rivers, 80% have a wave pool and 40% have a water coaster. The Top 5 resorts average 75,766 sf of meeting space and 42 meeting rooms. The Top 5 hotel waterpark resorts in 2007 have more rooms, bigger waterparks, more water features and more meeting space than the Top 5 resorts in 2006. Several of the Top 5 have condos pre-sold to individuals that are part of the hotel rental pool.

PROFILE OF LARGEST HOTEL WATERPARKS BY ROOMS										
	<i>Avg # Rooms</i>	<i>Avg SqFt Indoor WP</i>	<i>Avg # Slides</i>	<i>Avg # Pools</i>	<i>Avg # Htubs</i>	<i>Lazy River</i>	<i>Wave Pool</i>	<i>Water Coaster</i>	<i>Meeting SqFt</i>	<i>Number Mtg Rms</i>
Top 5	896	99,200	7.2	2.0	1.8	1.2	0.8	0.4	75,766	42
Top 6-15	376	58,500	6.7	4.1	1.8	0.8	0.5	0.2	15312	6
Top 16-25	277	41,220	5.6	3.1	1.6	0.8	0.2	0.0	3843	3
Top 26-50	207	28,424	3.4	2.5	1.5	0.5	0.2	0.1	30286	11
Top 51-100	122	16,335	2.5	2.0	1.2	0.3	0.0	0.0	6,084	4

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, December 2006.

Among the next ten largest (Top 6-15) hotel waterpark resorts, the average number of rooms is 360 with an indoor waterpark of 54,000 sf or 150 sf per guest room.

Among the top resorts ranked 16-25 by room count, the average number of rooms is 274 with an indoor waterpark of 37,179 sf or 135 sf per guest room. Using the chart above, the waterpark developer can estimate the size of his hotel, indoor waterpark and its components. Depending upon size, all hotel waterpark resorts average from 2-8 waterslides, 2-4 pools and 1-2 hot tubs.

Almost all of the Top 25 Largest Hotel Waterpark Resorts have a lazy river while less than half of the smaller resorts have them.

About 70% of the Top 5 Largest Hotel Waterpark Resorts have a wave pool and less than 10% of the smaller resorts have them. Wave pools, while very attractive to surfers, take up a lot of space for the smaller number of guests who can use them. However, they generate a lot of entertainment value for spectators, and ski resorts seem to love them.

The Top 50 Largest Hotel Waterpark Resorts are clearly in the meetings & convention business to balance their seasonal and weekend-weekday mix of business.

Profile of USA Hotel Waterpark Resorts by Size of Waterpark

Hotels with the highest number of rooms don't always have the largest waterparks. And vice versa. While there are many factors that determine sizing, a rule of thumb is the rooms to waterpark ratio. A direct relationship exists between the number of hotel rooms and the size of the indoor waterparks.

For example, hotels with indoor waterparks more than 70,000 square feet average 453 rooms and 105,250 square feet of indoor waterpark --- a ratio of 231 sf of waterpark per guest room. That ratio decelerates as waterparks get smaller.

PROFILE OF LARGEST HOTEL WATERPARKS BY SIZE OF WATERPARK				
Hotels With An Indoor Waterpark	Avg # Of Rooms	Avg Indoor Waterpark SqFt	Indoor Waterpark Sq Ft Per Room	Rooms Per 1000 Sq Ft Of Indoor Waterpark
Over 70,000 sf	453	105,250	231	4.9
50,000 to 69,999	194	61,600	221	3.2
40,000 to 49,999	346	43,125	179	9.7
30,000 to 39,999	225	32,893	143	7.5
20,000 to 29,999	227	21,916	156	7.9
10,000 to 19,999	106	12,537	107	9.4
Under 5,000	106	2,769	36	36.6

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, December 2006.

To illustrate, hotels with waterparks 40,000 to 49,999 sf average 346 rooms and 43,125 sf of indoor waterpark --- a ratio of 179 sf per guest room. Notice that hotels with about 100 rooms vary widely in the sizes of their indoor waterparks. Hotel owners and developers can use the chart above to help size their projects.

Top Hotel Meeting Facilities with Indoor Waterparks in the USA

Among the Top 15 Hotel Meeting Facilities with an indoor waterpark, the number of rooms varies from 100 to 738 and the meeting facilities vary from 25,000 to 125,000 square feet.

Several of the largest hotel waterpark resorts are in the meetings & convention business. The 738-room Kalahari Resort & Convention Center in Wisconsin Dells WI is clearly the largest meeting facility (125,000 sf) with the largest indoor waterpark (125,000 sf).

The 194-room Grand Harbor Resort in Dubuque IA, with 25,000 sf indoor waterpark, is connected to a 120,000 sf convention center that it operates for the city.

TOP 15 HOTEL MEETING FACILITIES WITH INDOOR WATERPARKS						
Name	Location		Rooms	Indoor Waterpark Sq Ft	Meeting Sq Ft	
Kalahari Resort & Convention Center	Wisconsin Dells	WI	738	125,000	125,000	
Grand Harbor Resort & Waterpark	Dubuque	IA	194	25,000	120,000	
Kalahari Resort & Convention Center	Sandusky	OH	596	80,000	95,000	
Chula Vista Resort	Wisconsin Dells	WI	300	30,000	70,000	
BW Ramkota Hotel & Conference	Sioux Falls	SD	226	3,000	60,000	
Double JJ Ranch & Gold Rush IWP	Rothbury	MI	235	60,000	50,000	
Timber Ridge Lodge	Lake Geneva	WI	225	30,000	50,000	
Grand Prairie Hotel & KS Splashdown	Hutchinson	KS	218	30,000	50,000	
Great Wolf Lodge at Kings Island	Cincinnati-Mason	OH	401	78,000	40,000	
Lake Lawn Resort Condo Expansion	Delavan	WI	222		31,000	
Hilton Center City (730)	Milwaukee	WI	250	20,000	30,000	

Arrowood Resort & Conference Ctr	Alexandria	MN	200	38,000	28,000
Arrowood Condo Resort & IWP	Lake Okoboji	IA	100	18,000	28,000
Ramada Plaza	Fargo	ND	185	10,000	25,000
Wilderness Glacier Canyon	Wisconsin Dells	WI	224		25,000
Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, December 2006.					

The Kalahari Resort & Convention Center in Sandusky OH has 95,000 sf of meeting space with an 80,000 sf indoor waterpark with another 93,000 sf of indoor waterpark space under construction for opening in late 2007.

These hotel waterpark resorts obviously target the individual leisure traveler segment. But these properties have the advantage of targeting another customer segment --- the group market --- to fill in hotel low periods and weekdays when kids are in school. Hotel waterpark resorts with substantial amounts of meeting space run higher annual occupancies than those with little or no meeting space.

Emerging Multi-Unit Owners

- Great Wolf Resorts of Madison WI
- Wave Development Inc of Milwaukee WI
- Kalahari Resorts & Convention Centers of Wisconsin Dells WI
- Wilderness Resorts Inc of Wisconsin Dells WI
- Focus Development & Management of Valparaiso IN
- FLG Hospitality Inc of Columbus OH

Emerging Hotel Waterpark Resort Management Companies

- Wave-Sage-Horizon of Milwaukee WI
- FLG Hospitality Inc of Columbus OH

Independent Versus National Branding

Of 184 hotel waterparks forecast to be open by end of 2007, 85 are affiliated with a national hotel brand while 99 are independent.

Brand names include AmericInn, Baymont, Best Western, Comfort Suites, Country Inn & Suites, Days Inn Hawthorn Suites, Hilton, Howard Johnson, Holiday Inn, Marriott, Microtel, Nickelodeon, Quality Inn, Ramada, Sleep Inn, Super 8 and Wingate.

Whether or not to affiliate with a brand is a major issue in this product sector of the hotel industry. Properties in resort locations tend to be independent while properties in urban, suburban and highway locations tend to be franchised.

We counted the Great Wolf Resorts as branded properties starting in 2005 as they are considered an emerging brand in the hotel waterpark resort industry. Great Wolf Resorts Inc signed a license agreement with Ripley's Entertainment for its Great Wolf Lodge in Niagara Falls, Ontario --- which is a first step in becoming a franchisor in the hotel waterpark resort industry.

We counted the two Kalahari Resorts as independents, although this familiar name is another emerging national brand as they seek their third location.

Wave Development Inc of Milwaukee WI, in partnership with Sage Hospitality of Denver CO and Horizon Investments of Milwaukee WI, have created an emerging brand of indoor waterparks called CoCo Key Resorts in six locations that are open and two locations under construction. Of the eight locations, four are affiliated with Sheraton, one with Holiday Inn and one with Marriott.

When indoor waterparks first emerged, developers had to educate the major hotel chains about the concept. Now two hotel chains, Marriott and Holiday Inn, are creating indoor waterpark prototypes. Marriott announced it would participate with Nickelodeon to build up to 20 specialty resorts using SpongeBob SquarePants to attract the family market. Holiday Inns (IHG) is working on prototypes for converting holidomes into indoor waterparks, adding new indoor waterparks to existing hotels and building a new brand of waterpark resorts.

Recent Hotel Waterpark Resort Transactions

Tundra Lodge Resort --- Joe Buralli of Waterpark H2Otel USA LLC of McHenry IL purchased the 161-room Tundra Lodge Resort & Waterpark in Green Bay WI from Lombardi Ave Waterpark LLC in February, 2007. Closing is expected within 90 days. The resort has a 20,000 sf indoor waterpark. The resort had under-performed due to lack of conference space. "You have to sell rooms every day, including Sunday through Thursday," according to Buralli who plans to add 10,000 sf of conference space. He said the amount of lost business due to have no conference space is staggering. Buralli said he will contract with FLG Hospitality of Columbus OH to manage the operation. Regarding a flag, Buralli said Wyndham Hotels & Resort is interested in adding the Tundra Lodge to its network, but no decision has been made to affiliate with a brand.

Boyer USA --- In June 2007, Boyer USA purchased two ski resorts in Maine, Sunday River and Sugarloaf, from American Skiing Company for \$77 million in cash. Closing is scheduled on or before July 31, 2007.

Sunday River features 131 trails spread across eight interconnected peaks serviced by 18 lifts, including four high speed quads, two full-service fractional ownership hotels, a recently constructed Robert Trent Jones golf course and other four-season resort offerings.

Sugarloaf USA boasts New England's longest continuous vertical drop of 2,820 feet and only lift service above treeline skiing. The four season resort also features one fractionally-owned hotels, conference center and golf course.

Headquartered in Michigan, Boyne USA is a privately held company that has interests in seven North American resorts, including Big Sky Resort in Montana; Boyne Mountain, Boyne Highlands and Bay Harbor in Michigan; Brighton in Utah, Crystal Mountain in Washington and Cypress Mountain in British Columbia, Canada.

Boyne Mountain Ski Resort in Boyne Falls MI opened Mountain Grand Lodge, its 200-unit condo hotel and 57,000 sf indoor waterpark, Avalanche Bay, in May 2005 --- as part of their strategy to become a four-season resort. Could a indoor waterpark at a ski resort in Maine be far behind?

The Depot Hotel & Waterpark --- The Courtyard by Marriott at the Depot in downtown Minneapolis is under-going a multi-million dollar renovation, after which it will convert to Marriott's more upscale Renaissance brand. The hotel has had somewhat of an identity crisis since it opened in 2000. "The downtown location draws business travelers during the week while the indoor skating rink and 10,000 sf indoor waterpark attracts families on the weekend," according Robb Hall, managing director. The owner, Minneapolis- based CSM Lodging, decided to switch to the full-service Renaissance flag in response to customer requests for more amenities. The hotel will add a business center, a conference room for teleconferencing, individual wireless work stations and a club room for frequent travelers. In mid May 2007, the hotel officially became The Depot, a Renaissance Hotel by Marriott.

Mt Olympus --- In March 2007, owners of Mt Olympus Water and Theme Park in Wisconsin Dells purchased the neighboring Treasure Island Resort and related properties that will be incorporated into a single Greek-themed entertainment complex.

The purchase included Treasure Island, Captain's Quarters and Pleasant View lodging properties along with Bay of Dreams indoor waterpark and the former Family Land Outdoor Waterpark properties from Jim Mattei. All of the properties have been acquired by the sole proprietors of Mt Olympus, Nick and Eva Laskaris. All the properties will be renamed and upgraded to reflect the Greco-Roman theme.

The 156-acre Mt Olympus Water and Theme Park was created with the 2004 merger of Treasure Island and Family Land with a neighboring theme park that was co-owned Matei and the Laskarises.

Hotel Waterpark Resorts Opening in 2007

Twenty-two (22) hotel waterpark projects opened during the first half of 2007 with another twenty-six (26) scheduled to open in the second half of this year.

HOTEL WATERPARK RESORTS SCHEDULED TO OPEN IN 2007

Name	Location		Rooms	Indoor Waterpark Sq Ft	Open
Clock Tower Resort Add IWP	Rockford	IL	252	60,000	200701
IWP at Sea Island on the Beach	Myrtle Beach	SC	149	10,000	200701
Holiday Inn & Suites & IWP	Maple Grove	MN	136	25,000	200702
Holiday Inn West Holidome Conversion	Topeka	KS	197	11,000	200703
Holiday Inn Express Add Rooms & IWP	Dundee	MI	176	25,000	200704
Bridges Bay Resort & IWP	Spirit Lake	IA	72	19,800	200704
Mt Olympus (former Capt Quarters)	Wisconsin Dells	WI			200704
Mt Olympus (former Familyland OWP)	Wisconsin Dells	WI			200704
Mt Olympus (former Pleasant View)	Wisconsin Dells	WI			200704
Harrah's Casino Hotel & Domed Pool	Atlantic City	NJ		172,000	200705
Sheraton Resort IWP Addition	Danvers	MA	367	65,000	200705
Canad Inns Splashers at Alerus Center	Grand Forks	ND	192	40,000	200705
Flying L Ranch Add Rooms & OWP	Bandera	TX	76		200705
Kings Point Waterpark Resort	Storm Lake	IA	100	20,000	200706
Northern Bay Golf Resort & Marina	Arkdale	WI	225	20,000	200706
Quality Inn & Suites Rain IWP Addition	Sandusky	OH	89	5,000	200706
Chula Vista P2 Add Condominiums	Wisconsin Dells	WI	150		200706
Chula Vista P2 Add Dome Sports Center	Wisconsin Dells	WI	0		200706
Glacier Canyon Lodge Add Golf Course	Wisconsin Dells	WI	0		200706
Best Western Aberdeen Convert IWP	Aberdeen	SD	154		200706
Hotel Condos & Indoor Waterpark	Seattle-Woodinville	WA	150		200706
BW Ramkota Hotel Convert IWP	Casper	WY	229		200706
Isle of Capri Casino Hotel at Lost Island OWP	Waterloo	IA	200		200707
Splash Universe Waterpark Resort	Shipshewana	IN	154	25,000	200708
Holiday Inn Suites & Dome Waterpark	Toledo-Maumee	OH	106	22,000	200708
Holiday Inn Central Add IWP	Omaha	NE	383	40,000	200709
Grand Cambrian Resort & I-OWP	Wisconsin Dells	WI	308	35,000	200709
Radisson Resort & Waterpark	Albuquerque	NM	314	23,000	200709
Glacier Canyon Lodge Add to CC	Wisconsin Dells	WI	0		200709
Mt Olympus Treasure Island Add Timeshare	Wisconsin Dells	WI	24		200709
Great Wolf Lodge at Grapevine	Grapevine	TX	404	80,000	200710
Great Wolf Lodge	Grand Mound	WA	390	67,000	200711
Sheraton North Add IWP Coco Key	Cincinnati-Sharonville	OH	357	50,000	200711
Great Adventure Water Resort (Days)	Bellevue-Omaha	NE	129	30,000	200711
Great Wolf Resort Add CC	Traverse City	MI			200711
Kalahari Resort IWP Addition	Sandusky	OH	0	93,000	200712
Silver Mountain Resort & IWP	Kellogg	ID	268	45,000	200712
Crowne Plaza IWP Addition	Asheville	NC	0	42,000	200712
Red Jacket Mountain View Add IWP	North Conway	NH	162	40,000	200712
Embassy Suites & IWP Phase 2	Cincinnati-Forest Park	OH	150	40,000	200712
Split Rock Resort IWP Addition	Lake Harmony	PA	500	40,000	200712
Westgate Timeshare Resort Add IWP	Gatlinburg	TN	0	40,000	200712
Silverleaf Resort IWP Addition	Galveston	TX		25,000	200712
Interlaken Resort & Spa Add Rooms & IWP	Lake Geneva	WI	414	20,000	200712
Wyndham Garden Condo & IWP	Kent	WA	150	6,000	200712
Kalahari Resort Condo Additions	Sandusky	OH	288		200712
Hotels (3) + Indoor Waterpark at BIA	Buffalo	NY	350		200712
Embassy Suites & IWP Phase 1	Cincinnati-Forest Park	OH	250		200712

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, June 2007.

Canadian Supply of Hotel Waterparks

In Canada, we have identified 114 hotel indoor waterparks that are open and operating in 2007. Most are located in the western provinces. World Waterpark at the West Edmonton Mall in Alberta is the largest indoor waterpark in the world. The Mall is the largest shopping center in the world, according the Guinness Book of World Records.

The Fantasyland Hotel at West Edmonton Mall was built in 1986 with 355 rooms. Technically, the Fantasyland Hotel is not a hotel waterpark, but it is closely connected. You can walk from the hotel through the mall to the 217,800 sf World Waterpark without going outside. So, the largest hotel in Canada associated with an indoor waterpark is the Fantasyland Hotel in West Edmonton.

2007F	2006	2005	2004	2003	2002	Province
42	42	41	41	38	35	Alberta
22	22	22	22	20	19	Saskatchewan
15	15	15	15	13	11	British Columbia
14	12	10	11	9	6	Ontario
10	11	11	9	9	7	Manitoba
6	6	6	6	6	2	Quebec
2	2	2	2	2	1	Prince Edward Island
3	3	3	2	2	1	Nova Scotia

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting.

In Canada, hotel waterparks are different than in the USA. Many are really indoor pools that have been enlarged and enhanced with waterslides and water playthings. Many of the indoor waterparks in Canada are under 10,000 sf while many in the USA are over 10,000 sf.

Top 15 Canadian Hotel Waterparks by Size of Waterpark

While the 217,800 sf World Waterpark is not really a hotel waterpark, it is situated very closely to hotel rooms located at the West Edmonton Mall. And the 355-room Fantasyland Hotel is part of that same mall --- making a connection between the hotel and the waterpark.

TOP 15 CANADIAN HOTEL WATERPARK RESORTS BY SIZE OF WATERPARK				
Name	Location		Rooms	Indoor Waterpark Sq Ft
World Waterpark West Edmonton Mall	Edmonton	AB	0*	217,800
Fallsview Indoor Waterpark	Niagara Falls	ON		125,000
Great Wolf Lodge	Niagara Falls	ON	404	103,000
Ameri-Cana Resort	Niagara Falls	ON	160	19,100
Travelodge World Hotel	Ottawa	ON	177	13,000
Ramada Hotel & Suites	Lethbridge	AB	119	13,000
Best Western Jurassic Inn	Drumheller	AB	49	6,200
Medicine Hat Lodge Hotel	Medicine Hat	AB	193	6,000

Travelodge Hotel	Medicine Hat	AB	92	5,600
Riviera Hotel near West Edmonton Mall	Edmonton	AB		5,500
Best Western Hospitality Inn	Calgary	AB	261	5,400
Douglas Fir Condo Resort	Banff	AB	133	5,000
Ramada Renaissance Hotel	Saskatoon	SK	144	4,800
Remai Regina Hotel & Convention Center	Regina	SK	235	4,600
Sheraton Cavalier Hotel	Saskatoon	SK	249	4,400

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. October 2006.
* Fantasyland Hotel at West Edmonton Mall has 355 rooms.

The second largest hotel waterpark in Canada is the Americana Resort & Conference Center, which opened its 19,100 sf indoor waterpark in 2004 --- attached to its 160 guest rooms and 16,000 sf conference center in Niagara Falls ON.

Third largest is Travelodge World Hotel in Ottawa, which also opened its 13,000 sf indoor waterpark in 2004 --- connecting with its 177 guest rooms.

In Canada, the biggest concentration of hotel indoor waterparks is in the Economy Hotel sector, where room counts are typically under 100 rooms and indoor waterparks are less than 5,000 sf.

Mexican Supply of Hotel Waterpark Resorts

While most waterparks in Mexico tend to be outdoor waterparks, we have identified a few that are indoor-outdoor combinations and onsite, adjacent or nearby lodging that would tend classify them as hotel waterpark resorts.

We are in the process of surveying owners, consultants and suppliers in Mexico to gather more data and develop a better profile of hotel waterpark resorts in Mexico.

MEXICAN HOTEL WATERPARK RESORTS		
<i>Name</i>	<i>Location</i>	
Hotel Balneario de Lourdes	Sta Maria SLP	Mexico
Hotel Balneario Spa La Caldera	Abasolo GTO	Mexico
CICI Acapulco Magico Waterpark	Acapulco	Mexico
Wet n Wild	Cancun	Mexico
Splash Hotel Parque Acuatico Nayrit	Mexico City	Mexico
Balneario Ixtapan Waterpark	Mexico City	Mexico
Persaventura Waterpark	Piedras Negras COA	Mexico
Balneario San Jose Waterpark	Quiroga MICH	Mexico
Balneario El Rollo	Morelos	Mexico
Tangamanga Splash	San Luis Potosi	Mexico
Parque Acuatico El Rollo	Tlaquiltenango	Mexico

Source: Hotel Waterpark Resort Research & Consulting.

What's Ahead for the Hotel Waterpark Resort Industry?

Based on our review of consumer behavior, lifestyle changes and travel trends, here are 17 Predictions on the Future of Resort Development:

- Regional drive-to resorts will attract more guests than national fly-to resorts.
- Business travel will become more an elective and less a requirement.
- More Americans will telecommute.
- Mixing business & leisure 24/7 will lead to greater stress.
- Never disconnecting will cause greater stress.
- Lodging, recreation and entertainment concepts will continue to merge.
- Resorts will become more like theme parks.
- Resorts will grow faster than other types of lodging.
- More resorts will become part of mixed-use developments.
- Future resorts will focus more on guest participation and interaction.
- Theme parks and resorts will use more simulators to create virtual reality.
- Resorts will increasingly become a teacher.
- Seasonal resorts will become year round operations.
- Resorts will build more and more indoor recreation facilities.
- Resorts will increasingly incorporate water into their designs.

Recent announcements indicate that these predictions are coming true at an accelerating pace.

Lots of Capital Looking for Hotels

Investors continue their hunger for hotels, according to a recent report by Jones Lang LaSalle. Five major public hotel companies went private in 2006. In January 2007, Morgan Stanley Real Estate spent \$6.6 billion to acquire CNL Hotels & Resorts, an unlisted REIT that owns a share of two Great Wolf Lodge waterparks in Wisconsin Dells and Sandusky OH. Contributing to the frenzy for hotel assets are low interest rates, strong industry performance, a glut of capital and smaller returns in other types of real estate. Lodging demand is expected to remain ahead of the rising hotel room supply pipeline

Construction Growth Forecasts

Construction of office building, hospitals, hotels and other non-residential buildings will increase almost 7% in 2007, driven by growth in the economy, compared to growth of almost 6% in 2006, according to the American Institute of Architects in January. If this forecast holds true, 2006 and 2007 will be the best two-year period for construction since the late 1990s.

Hotels are expected to show the biggest increase in construction, with a growth rate of 13.1%. Amusement park and recreation properties are next with 9.9% growth, followed by office buildings at 9%.

Coming soon: Hotel Waterpark Resorts Construction Report 2007.

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