

Northern Operators Test Waters for Indoor Recreation Areas

By David J. Sangree, MAI, CPA, ISHC

Resort hotels in northern markets are increasingly looking toward the indoor waterpark as a way to increase revenues during the offseason periods. By adding an indoor waterpark component, the resort offers a popular attraction for families. Water attractions at indoor waterparks range from simple yet innovative swimming pools to elaborate waterparks including tube slides and aquatic game centers. The more successful indoor waterpark resorts include a large indoor pool area, numerous slides, treehouses with cascading water, and various water games. Today's indoor waterparks range in size from 10,000 square feet up to 65,000 square feet. In addition most resorts have some outdoor waterpark components with slides, outdoor pools, and outdoor water games.

Indoor waterparks are most prevalent in the Wisconsin Dells north of Madison, Wisconsin. Here the hotel operators have been expanding their facilities and especially their indoor waterparks in recent years to accommodate the increasing fall, winter, and spring demand resulting from families who enjoy the waterpark experience. In 1998 and 1999 five resorts expanded their indoor water facilities. The largest indoor waterpark resort is 308-room Wilderness Resort with 65,000 square feet of indoor waterpark space. The resorts usually also have outdoor water slides and outdoor pools. Other locations nationwide with existing or planned indoor waterpark resorts include Myrtle Beach, South Carolina, Sandusky, Ohio, and Traverse City, Michigan.

Why are hotel developers spending up to \$5 to \$10 million by adding an indoor waterpark to an existing resort or building a resort around an indoor waterpark? The primary reason is the increased occupancy and average daily rate (ADR) which the indoor waterpark has generated at these existing properties. Typically the ADR includes the waterpark admission for two to six people depending upon the room size. The admission cost for a non-guest is typically \$10 to \$20, although non-guest admission may not be allowed by the resort. Travelers with a family of four therefore feel they are getting up to a \$60 additional value by having the indoor waterpark in the resort. The resorts which we have studied typically charge summer room rates only \$20 to \$50 higher than comparable properties without indoor waterparks in the peak months when all properties in the market have very high rates. However in the winter months the indoor waterpark resorts may have rates up to \$100 higher than the non-indoor waterpark facilities for a comparable room type. The reason for the vast discrepancy in the offseason months is that travelers would typically not go to the seasonal resort

except to utilize the indoor waterpark facility. Occupancy rates for the indoor waterpark resorts typically are higher than for the traditional seasonal resort as customers are attracted to the facility during school breaks and weekends year-round while other facilities are only receiving demand during the summer season.

Will indoor waterparks multiply and expand to facilities all over the country? Will they become as common as the Holidome? In my opinion more facilities will add an indoor waterpark component such as some slides but many properties will not offer the full amenities of a larger indoor waterpark due to the investment required to build and staff the facility. However in northern markets which have historically achieved strong room rates during the summer season the indoor waterpark concept makes good sense for attracting additional demand from those who would be interested in a short getaway and may not want to fly to a southern location.

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