

# Hotels are catching a wave with indoor water parks

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Indoor water parks are making a splash in the hotel industry.

Developer Jeffrey Wirth's plan for a massive indoor water park and hotel complex near the Mall of America is among more than 45 indoor hotel parks on drawing boards nationwide, according to **Jeff Coy**, a Rochester, Minn.-based hotel consultant who's considered an expert in the area.

A separate Wirth water park/hotel complex in Brooklyn Park is among at least nine in the country now under construction.

"Indoor hotel water parks fill low- and medium-occupancy months," **Coy** said, adding that they are also "the biggest thing to add business on the weekends ever. Weekends have been the plague of the [hotel] industry."

**Coy**, a former senior vice president of the Rochester-based Kahler Hotels Corp. and former director of marketing services for Ramada Inc., has teamed up with Texas hotel consultant Bill Haralson to specialize in the now frothy market.

The first thing to get straight, they say, is that the trend is all about hotels, not water parks. Water parks basically serve as loss leaders to fill hotel rooms and justify charging higher rates for those rooms. (The water park fee is usually built into the room rate.)

**Coy** said water park hotels are targeted at families with kids ranging from toddler to 14 years old and tend to do well any time that children are not in school. They are most popular during summer.

Indoor parks aren't nearly as big as outdoor ones, which can cover 15 or 20 acres. But they don't come cheap, costing anywhere from \$250 to \$400 a square foot. Wirth's projected 90,000-square-foot park next to the megamall prices out at more than \$20 million, or \$250 a square foot. The park in his project under construction in Brooklyn Park is slated to come in at more than \$10 million.

The payoffs, though, are potentially huge. **Coy** and Haralson's research in the Wisconsin Dells area showed that occupancy rates were 27 points higher in hotels with water parks than those without them and that the average daily room rate was \$69 higher. In general, water park hotels are able to raise occupancy rates 20 to 25 points and can charge about \$25 more per person, per room.

Water parks were popular in Europe years before they began to show up in the United States. **Coy** said the Dells is the birthplace of the trend here and remains the greatest center of indoor U.S. water park activity. He credits the owner of the Polynesian Resort, Stan Anderson, for pioneering the concept in 1994. The results were so impressive that other hotel owners soon followed suit.

Most water parks now include one or more slides, a "lazy river" feature, children's play area and one or more spas. Other features can range from rocks and treehouses to geysers and wave makers.

As of October, the Dells accounted for 18 of the 62 hotel indoor water parks operating nationwide, according to **Coy** and Haralson's research, and the Dells is home to the two biggest of the genre, the Wilderness Resort (109,000 square feet) and the Kalahari Resort (125,000 square feet).

Their research also showed that Wisconsin had the most indoor water parks of any state, 28, and Minnesota had the next highest number, 14. Michigan and the Dakotas were a distant third with three each. Most activity has been concentrated in the Midwest, although projects are planned in Colorado, Montana and Idaho.

"Outdoor water parks are a mature market," **Coy** said, "but the hotel indoor water parks are blossoming in the adjacent states [to the Midwest] and starting to go national."

The 62 park complexes nationwide represent 9,781 rooms and 1.3 million square feet of water park space. That number represents a 24 percent increase over the 50 parks complexes reported in October 2002.