

Hotel Waterpark Resort Industry Report 2008

Growth Accelerates, Projects Get Bigger

By Jeff Coy and Bill Haralson

February 28, 2008 --- During 2007, thirty-three (33) new hotel indoor waterparks opened. Eighty-three (83) hotel waterparks are under construction now or will break ground during 2008 --- including fifty-five (55) projects scheduled to open in 2008 and another twenty-three (23) that are slated to open in 2009-2010.

Hotels and resorts with indoor waterparks are a small but rapidly-growing segment of the lodging, recreation and entertainment business. Nationally, waterpark hotel rooms grew 20.9% in 2007 compared to ordinary hotel rooms at 1.4% growth. The following chart illustrates the growth over the last six years.

| Growth of Hotel Waterpark Resorts in USA | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007 Amount | 2006 Amount | 2005 Amount | 2004 Amount | 2003 Amount | 2002 Amount |
| Hotel Indoor Waterparks | 169 | 136 | 104 | 81 | 65 | 50 |
| Rooms | 28,888 | 23,899 | 18,998 | 13,877 | 11,464 | 8,510 |
| Indoor Waterpark Sq Ft | 4,132,469 | 3,225,669 | 2,344,469 | 1,721,269 | 1,385,969 | 1,019,104 |
| Meeting Rooms | 511 | 479 | 422 | 373 | 352 | 322 |
| Meeting Space Sq Ft | 1,627,414 | 1,326,435 | 978,935 | 806,085 | 679,435 | 626,955 |
| Affiliated with a Brand | 81 | 66 | 52 | 37 | 27 | 20 |
| Independent | 88 | 70 | 52 | 44 | 38 | 30 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting, Feb 4, 2008.

Nationally, these 169 properties have a total of 28,888 rooms, over 4.1 million square feet of indoor waterpark space and 511 meeting rooms covering 1.6 million square feet of meeting space. Today, about 48% of hotel waterparks are affiliated with a national franchise brand and 52% are independent.

Hotel waterparks are popular with families and hotel owners because they fill empty rooms at higher room rates than hotels without indoor waterparks.

Every year the construction pipeline gets bigger. And hotel waterpark projects keep getting bigger in size. Many are part of mixed-use resort destination developments that include conference centers, recreation, entertainment, retail shopping, offices and residential units.

- Recently, the Kalahari Resort & Convention Center in Sandusky OH completed its expansion to become the largest hotel waterpark resort in the USA --- with 884 rooms and 193,000 sf of indoor waterpark under one roof.
- Chula Vista Resort in Wisconsin Dells is in the midst of a 4-year \$200 million expansion. It recently topped the charts of the Top 10 Hotel Meeting Facilities with indoor waterparks in the USA --- with 150,000 sf of domed meeting space and 110,000 sf of

indoor waterparks. Kalahari Resort in the Dells dropped to second largest (125,000 sf) meeting place with an indoor waterpark.

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 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.

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 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.

This Hotel Waterpark Resort Industry Report covers the following items:

- USA Hotel Industry Performance
- USA Resort Performance
- USA Hotel Waterpark Resort Performance
- Wisconsin Dells Hotel Performance
- USA Competitive Supply of Hotel Waterpark Resorts
- List of Hotel Waterparks That Opened in 2007
- Major Transactions of 2007
- Top 25 Largest Hotel Waterpark Resorts in the USA
- Top 15 Largest Meeting Facilities with Indoor Waterparks in the USA
- Emerging Multi-Unit Owners
- Emerging Management Companies
- Independent Vs Branding
- Recent Transaction
- List of Hotel Waterparks Scheduled to Open in 2008

USA Hotel Industry Performance

The USA hotel industry occupancy reach 63.2% for 2007, just slightly under the 63.3% recorded for 2006 --- up from a low of 59.0% in 2002 and almost even with benchmark Year 2000.

| USA Hotel Industry Trends | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Occupancy | 63.2% | 63.3% | 63.1% | 62.7% | 60.8% | 59.0% | 59.8% | 63.7% |
| Average Room Rate | \$103.64 | \$97.89 | \$90.95 | \$86.55 | \$83.60 | \$83.19 | \$84.85 | \$86.04 |
| RevPAR | \$65.50 | \$61.96 | \$57.39 | \$54.25 | \$50.87 | \$49.04 | \$50.73 | \$54.07 |
| Source: Smith Travel Research. | | | | | | | | |

Nationwide, hotel room rates reached an average of \$103.64 in 2007, up from \$97.89 in 2006, a low of \$83.19 in 2002 and up from \$86.04 in benchmark Year 2000.

In 2007, airport, urban and resort hotels ran the highest occupancies. Occupancy growth slowed for all hotels while resort occupancy declined one-half of one percent in 2007. Urban hotels and resorts recorded the highest average room rates at \$148 and \$143 respectively. Room rate growth remained strong for all hotels, with urban hotels achieving the biggest gains.

| Top Producing Hotels by Location | | | | |
|---|------------------|--------------|--------------------------|--------------|
| | Occupancy | | Average Room Rate | |
| | Percent | % Chg | Amount | % Chg |
| Urban | 68.6 | 0.4 | \$148.93 | 8.1 |
| Suburban | 63.4 | -0.8 | \$90.07 | 5.6 |
| Airport | 69.5 | 0.2 | \$99.67 | 6.3 |
| Interstate | 58.0 | 0.3 | \$66.93 | 5.3 |
| Resort | 66.1 | -0.5 | \$143.19 | 4.7 |
| Small Town | 57.3 | 0.6 | \$78.70 | 5.0 |
| Source: Smith Travel Research, Year 2007. | | | | |

Recap of 2007

In the first half of 2007, hotel room supply grew 1.1% and accelerated to 1.5% during summer and 1.8% in the last three months compared to the same periods in 2006. Hotel projects that were funded in 2007 will continue to break ground during 2008.

Demand for hotel rooms grew 0.9% during the first half of 2007, accelerated to 2.5% during summer and then slowed to 1.3% in the last three months compared to the same periods in 2006.

| USA Hotel Performance Trends | | | | |
|-------------------------------------|----------------------------|-----------------------------|----------------------------------|----------------------|
| | First Half 2007 | June-August 2007 | October-December 2007 | Year 2007 |
| Supply | Up 1.1% | Up 1.5% | Up 1.8% | Up 1.4% |
| Demand | Up 0.9% | Up 2.5% | Up 1.3% | Up 1.2% |
| Occupancy | Down 0.2% | Up 1.0% | Down 0.5% | Down 0.2% |
| Average Room Rate | Up 5.7% | Up 5.6% | Up 6.3% | Up 5.9% |
| Rev Per Available Room | Up 5.5% | Up 6.6% | Up 5.7% | Up 5.7% |
| Source: Smith Travel Research. | | | | |

Hotel occupancy was down 0.2% during the first half of 2007 compared to the first half of 2006. Summer 2007 occupancy was up 1.0% higher than Summer 2006. However, occupancy started to dwindle during the last three months of 2007 amidst news of a slowing economy.

While hotel occupancy softened, hotel average room rates remained strong throughout the year --- up 5.9% in 2007 over 2006. As a result, revenues per available room were up 5.5% during the first half of 2007, up 6.6% during Summer 2007 and up 5.7% for the Year 2007.

Most families in the USA bit the bullet on higher gasoline prices and refused to abandon their vacation plans. Many vacationed closer to home, ate fewer meals in restaurants and escaped for weekends to nearby regional resorts --- a growing number of which offered indoor waterparks and family entertainment centers.

Most Lucrative States for Hotel Investment

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

New York, Alaska and Colorado 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. 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.

| Highest Revenue-Producing Hotels by State | | | |
|--|--------------------------------------|--------------------------------------|-------------|
| | 2007 RevPAR Amount \$ | 2006 RevPAR Amount \$ | %Chg |
| Hawaii | 150.49 | 148.76 | 1.2 |
| New York | 138.10 | 123.21 | 12.1 |
| Massachusetts | 87.25 | 81.38 | 7.2 |
| California | 82.42 | 77.61 | 6.2 |
| Alaska | 80.43 | 71.93 | 11.8 |
| Rhode Island | 78.36 | 76.45 | 2.5 |
| Nevada | 77.67 | 74.06 | 4.9 |
| Florida | 75.19 | 73.07 | 2.9 |
| New Jersey | 72.25 | 69.20 | 4.4 |
| Maryland | 72.03 | 70.44 | 2.3 |
| Illinois | 71.88 | 68.32 | 5.2 |
| Arizona | 69.69 | 66.10 | 5.4 |
| Colorado | 67.38 | 60.96 | 10.5 |
| Washington | 66.88 | 61.14 | 9.4 |
| USA Average | 65.50 | 61.96 | 5.7 |

Source: Smith Travel Research.

Most Desirable Hotel Markets

In 2007, the most desirable hotel markets, in terms of their ability to generate the highest revenues per available room were New York City, Oahu, Miami and San Francisco.

The biggest gains were made by New York City, San Francisco and Miami, which recorded double-digit hotel revenue growth.

| Highest Revenue-Producing Hotels by Market | | | |
|---|--------------------------------------|--------------------------------------|--------------|
| | 2007 RevPAR Amount \$ | 2006 RevPAR Amount \$ | % Chg |
| New York City | 225.87 | 199.04 | 13.5 |
| Oahu | 129.64 | 129.56 | 0.1 |
| Miami | 113.54 | 102.83 | 10.4 |
| San Francisco | 111.75 | 101.12 | 10.5 |
| Boston | 103.77 | 95.01 | 9.2 |
| Washington DC | 102.17 | 96.71 | 5.7 |
| San Diego | 101.27 | 96.24 | 5.2 |
| Los Angeles | 92.15 | 85.87 | 7.3 |
| Top 25 Market Average | 88.05 | 82.18 | 7.1 |
| Anaheim-Santa Ana | 87.85 | 81.97 | 7.2 |
| Chicago | 87.50 | 82.92 | 5.5 |
| Seattle | 87.43 | 80.05 | 9.2 |
| USA Average | 65.50 | 61.96 | 5.7 |

Source: Smith Travel Research.

USA Resort Performance

Hawaii is the leading resort destination with 75.3% occupancy (down 5.3% from last year) and \$199 average room rate (up 6.8% over last year). This compares to occupancy of 66.1% and average room rate of \$136 for all resorts in the USA.

| Hot & Cold Resort Destinations | | | | |
|---|---------------------------|---------------------|---------------------|---------------------|
| | 2007 Occupancy | % Change | 2007 ADR | % Change |
| Hawaii | 75.3 | -5.3 | \$199.87 | 6.8 |
| Nevada | 71.2 | 0.5 | \$109.12 | 4.4 |
| California | 69.3 | -0.3 | \$118.94 | 6.5 |
| Arizona | 66.3 | -1.0 | \$105.17 | 6.5 |
| USA Resorts | 66.1 | -0.5 | \$136.73 | 4.7 |
| Florida | 64.1 | -2.7 | \$117.35 | 5.7 |
| Colorado | 63.1 | 3.6 | \$106.78 | 6.7 |
| Minnesota | 61.8 | 2.3 | \$88.05 | 4.5 |
| Wisconsin | 54.8 | 0.2 | \$79.54 | 3.5 |

Source: Smith Travel Research.

Nevada, California and Arizona trail closely behind with occupancies of 71.2%, 69.3% and 66.3% respectively. Colorado recorded the biggest gain in occupancy at 3.6% while Hawaii recorded the biggest decline in occupancy versus last year. The highest resort room prices were found in Hawaii at \$199, All USA Resorts at \$136, California at \$118, Florida at \$117 and Nevada at \$109. Hawaii, Colorado, California and Arizona all recorded price jumps of more than 6% in 2007 compared to 2006.

Florida, Colorado, Minnesota and Wisconsin achieved statewide occupancy under the national average for all USA Resorts. 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, thirty-three (33) new additions opened, bringing the total to 169 hotel waterpark resorts open and operating in the USA at the end of 2007.

Another fifty-five (55) projects are under construction now or will break ground during 2008 which are scheduled to open in 2008. Realistically, some projects may slide into 2009.

| Construction Project Growth | | | | | | | | | |
|------------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Hotel Waterpark Resorts USA | | | | | | | | | |
| | 2008 F | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| Open at beginning of year | 169 | 136 | 104 | 81 | 65 | 50 | 41 | 32 | 18 |
| Openings during year | 55 | 33 | 32 | 23 | 16 | 15 | 9 | 9 | 14 |
| Total Open at end of year | 224 | 169 | 136 | 104 | 81 | 65 | 50 | 41 | 32 |
| Percent Change | 32.5% | 24.3% | 30.8% | 28.4% | 24.6% | 30.0% | 22.0% | 28.1% | |
| Under Construction | 83 | 93 | 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.

The waterpark sector of the resort industry has experienced annual growth ranging from 22% to over 30% in each of the last seven years. Clearly, hotel waterpark resorts are not a fad but here to stay.

About 166 hotel waterpark projects were in the development pipeline at the end of 2007 compared to 108 in 2006, 121 in 2005, 69 in 2004, 46 in 2003 and 19 in 2002. In 2008, more than 200 projects are in the planning stages.

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 21 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 sixty-nine (169) hotel indoor waterparks are open and operating in the USA at the end of 2007. Here is a list of hotel waterpark resorts that opened in the following states since 2001:

| Hotel Waterpark Resorts Open | | | | | | |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | State |
| 55 | 47 | 35 | 32 | 28 | 25 | Wisconsin |
| 22 | 21 | 20 | 15 | 14 | 10 | Minnesota |
| 12 | 8 | 4 | 2 | 1 | 1 | Ohio |
| 9 | 8 | 7 | 5 | 3 | 2 | Michigan |
| 8 | 7 | 4 | 4 | 3 | 3 | South Dakota |
| 7 | 4 | 3 | 2 | 1 | 1 | Iowa |
| 6 | 5 | 4 | 3 | 2 | 2 | North Dakota |
| 5 | 3 | 0 | 0 | 0 | 0 | Texas |
| 5 | 4 | 2 | 1 | 0 | 0 | Washington |
| 3 | 3 | 3 | 2 | 2 | 0 | Pennsylvania |
| 37 | 21 | 22 | 10 | 7 | 4 | Others |
| 169 | 136 | 104 | 76 | 61 | 48 | Total |

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

Wisconsin and Minnesota continue to lead the nation in terms of the number of hotels with indoor waterparks with 55 and 22 respectively. Most hotel waterpark resorts are clustered in the upper Midwest while new construction is moving into the Ohio Valley, Middle-Atlantic and New England states as well as the northwest portion of the US. Gradually, growth is moving into the Sunbelt states. Texas already has 5 hotel waterpark properties.

Here is a list of the hotel waterpark resorts added to the supply in 2007:

| Hotel Waterpark Resorts Opened in 2007 | | | | | | |
|---|-----------------|-----------|----------------------------|----------------------------|----------------------|--|
| USA Opened During 2007 | Location | ST | Number Of Rooms | Indoor WP Sq Ft | Open Date | |
| 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 | |
| Westgate Smokey Mtn Resort | Gatlinburg | TN | 0 | 60,000 | 200703 | |
| Holiday Inn West Holidome Conversion | Topeka | KS | 197 | 11,000 | 200703 | |
| HIE River Run Add Rms & SplashUniv | Dundee | MI | 176 | 25,000 | 200704 | |
| Bridges Bay Resort & IWP | Spirit Lake | IA | 141 | 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 | |
| Harrahs 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 Rms & OWP | Bandera | TX | 76 | | 200705 |
| Lodge & IWP at Northern Bay Golf Resort | 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 GolfCourse | Wisconsin Dells | WI | 0 | | 200706 |
| BW Ramkota Hotel Convert IWP | Casper | WY | 229 | | 200706 |
| Hotel Condos & Indoor Waterpark | Seattle-Woodinville | WA | 150 | | 200706 |
| Isle of Capri Casino Hotel at Lost Island | Waterloo | IA | 200 | | 200707 |
| Holiday Inn Suites & Dome Waterpark | Toledo-Maumee | OH | 106 | 22,000 | 200708 |
| Lodge at Storm & Kings Point Waterpark | Storm Lake | IA | 100 | 20,000 | 200708 |
| Holiday Inn Central Add IWP | Omaha | NE | 383 | 60,000 | 200709 |
| Splash Universe Waterpark Resort | Shipshewana | IN | 154 | 25,000 | 200709 |
| Radisson Resort & Waterpark | Albuquerque | NM | 314 | 23,000 | 200709 |
| Best Western Ramkota Aberdeen | Aberdeen | SD | 154 | 11,000 | 200709 |
| Glacier Canyon Lodge Add to CC | Wisconsin Dells | WI | 0 | | 200709 |
| Sheraton North Add Coco Key Waterpark | Cincinnati-Sharonville | OH | 357 | 50,000 | 200711 |
| Great Wolf Resort Add CC | Traverse City | MI | | | 200711 |
| Kalahari Resort Additions IWP, Condos | Sandusky | OH | 288 | 93,000 | 200712 |
| Great Wolf Lodge at Grapevine | Grapevine | TX | 404 | 80,000 | 200712 |
| Total Opened During 2007 | | 33 | 4,989 | 906,800 | |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

Chula Vista Resort owner Mike Kaminski embarked on a 4-year \$200 million expansion plan that started in 2005. When the expansion is completed in 2009, Chula Vista Resort in Wisconsin Dells WI will have about 1000 condos and hotel rooms, 100,000 sf of waterpark and 200,000 sf of convention space. In 2007, Kaminski opened 150 new condos and an 80,000 sf sports dome that can handle conventions and major sporting events. Future plans call for a 150,000 sf conference center, a second 80,000 sf sports dome and major additions to his existing 80,000 sf indoor waterpark. Chula Vista is now positioned among the top three largest hotel waterpark resorts in the nation along with Kalahari Resort and Wilderness Hotel & Golf Resort. You can reach Mike at 608-254-8366.

In August 2007, Sinbad Patel and Henry Desai opened their 22,000 sf **Indoor Dome Waterpark** connected to their 106-room Holiday Inn in Toledo-Maumee OH. This is the first indoor waterpark using the thin-shell concrete dome concept offered by Dome Technology Inc of Idaho Falls ID --- a company that has built domed storage, domed centers, churches, schools and homes for years. You can reach Dan South at Dome Technology by calling 208-529-0833 or email dan@dometech.com.

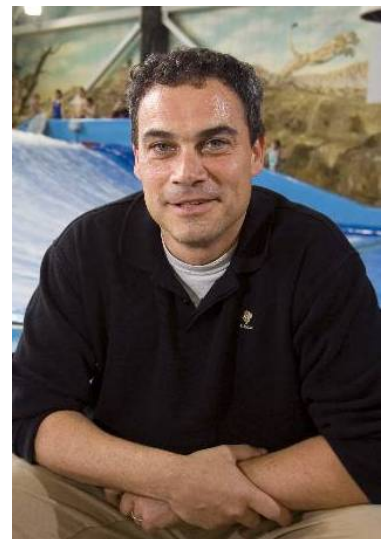
In September 2007, Wave Development Inc opened its 60,000 sf **Coco Key indoor waterpark at the Holiday Inn Omaha Central**, a hotel it purchased earlier. Coco Key is designed as a 1930s-style Key West with two body slides, two raft slides, three smaller slides, a lazy river, hot tub, climbing structure, tipping water bucket, kiddie pool and arcade. The hotel has 383 rooms and features 29 meeting rooms totaling 46,318 sf of meeting

space. The property is managed by Wave Development's partner, Sage Hospitality Resources of Denver CO. You can reach Tiffany Woodward at 414-226-1950 or email tiffany@wavedevelopment.net.

Focus Enterprises of Valparaiso IN opened its 154-room **Splash Universe Resort** and 25,000 sf indoor waterpark in Shipshewana IN in October. The \$35 million project includes a Town Center and auto museum where Eldon Hostetler's \$5 million car collection is housed. This is another example of a hotel indoor waterpark as part of a mixed-use project including town center and a tourist attraction. Dean Morgan is vice president of Splash Universe Waterpark Resorts, a division of Focus Enterprises. You can talk to him at 219-531-2500 ext 2 or email dmorgan@focushotels.com.

In September 2007, Mike Gallegos, a New Mexico native and president of San Diego-based American Property Management Inc reopened the former Park Plaza as a new 314-room **Radisson Resort & Waterpark in Albuquerque NM**. Gallegos spent \$20 million on the renovation, new 23,000 sf indoor waterpark and separate 6,000 sf building which houses a two-person surfing simulator called a Flowrider. This cutting-edge waterpark will utilize music, lights and video to entertain its guests. The waterpark features two waterslides that go outside the building then reenter it. A mezzanine offers pizza, ice cream and a video arcade. Ramaker & Associates of Sauk City WI provided the waterpark design, mechanical, electrical and plumbing design. In addition, there's 30,000 sf of convention space. You can reach Mike Gallegos at 858-964-5500 or email info@apmc.net.

In December 2007, Todd Nelson more than doubled the size of his **Kalahari Resort** in Sandusky OH --- making it the nation's largest hotel indoor waterpark. Nelson added 288 new rooms, bringing the total to 884 and making it the largest hotel in Ohio. The indoor waterpark more than doubled in size from 80,000 sf to its current 173,000 sf. Features include 12,000 sf wave pool, a 4-lane Mat Racer slide where racers can compete with fellow racers, a bowl funnel slide and a second FlowRider, where surfers can ride a sheet of water flowing under them. Kalahari Resort Sandusky OH is the site of a Developer's Workshop, called *Developing & Financing Hotel Waterpark Resorts*, scheduled for February 28 & 29, 2008. To register, go to www.hotelwaterparkworkshop.com. Kalahari owner Todd Nelson recently announced the construction of his third waterpark resort in Fredericksburg VA. You can reach Todd at 608-254-3750.



In December 2007, **Great Wolf Resorts Inc** opened its 402-room Great Wolf Lodge and 80,000 sf indoor waterpark in Grapevine TX. Called Bear Track Landing, the indoor waterpark features 6 pools, 9 waterslides, a 12-level climbing structure, a 1000-gallon tipping water bucket and an enclosed 6-story *Howlin Tornado* extreme funnel ride. For the first time, Great Wolf will offer its teenage guest a dedicated tech center with a Tech Jockey concierge to help with internet stations, karaoke staging, movies and musical entertainment.

The resort also offers an 84,000 sf outdoor waterpark. Great Wolf Resorts Inc will open its next property at Grand Mound WA in March 2008 in partnership with the Chehalis Tribe of Indians. Future projects have been announced for Charlotte NC, Bloomington MN, Mashantucket CT and Lake Lanier GA. Talk to John Emery, ceo of Great Wolf Resorts Inc, at 608-251-6400.

Major Transactions in 2007

- The Courtyard by **Marriott at The Depot in downtown Minneapolis MN** underwent a multi-million dollar renovation, after which it converted to Marriott's more upscale Renaissance brand. The hotel draws business travelers during the week, while the indoor skating rink and waterpark attracts families on the weekend, according to Robb Hall, managing director with CSM Lodging, owner of the property.
- Jeff Wirth, president of the Wirth Companies, hired **Radisson Hotels Inc** to manage his 403-room Grand Hotel & 70,000 sf Waterpark of America in Bloomington MN near the Mall of America.
- The Ghermezian brothers, principals in Triple 5 Group, own the 5.3 million sf West Edmonton Mall in Alberta, which encompasses the 217,000 sf indoor World Waterpark -- the largest shopping mall and largest indoor waterpark in North America. In 1992, the Ghermezians opened the 4.0 million sf **Mall of America in Bloomington MN**, then largest mall in the USA and second largest behind West Edmonton globally. The Mall of America is the most visited shopping mall in the world with more than 40 million visitors annually. For years, expansion plans were postponed due to lawsuits among the partners. In November 2006, a court allowed the Ghermezians to gain full control of Mall of America, spending US\$1 billion to do so. The ruling cleared the way for Triple 5 to begin work on what is being called Phase 2, the planned expansion of Mall of America. Phase 2, in current form, integrates an IKEA store built on a portion of the land with new facilities that include a dinner theater, ice rink, three hotels and a waterpark --- similar in design to the West Edmonton Mall. Current estimates will double the mall's size with a 5.2 million sf expansion at a cost of \$1.9 billion. The developers requested \$234 million in state and local subsidies but the request was vetoed by the governor in 2007. Bloomington city officials question whether the Ghermezians have the financial ability to finish Phase 2.
- In 2007, Mall of America obtained a signed letter of intent from **Great Wolf Resorts Inc** to build a Great Wolf Lodge and indoor waterpark as part of the mall's expansion program. It also has agreements with Bass Pro Shops and a Kimpton Hotel.
- In addition, Mall of America said goodbye to Snoopy and said hello to SpongeBob SquarePants when it struck a branding rights deal with Nickelodeon for the megamall's indoor amusement park. The park used to be called Camp Snoopy but the mall's 13-year agreement with Peanuts ended. Under the new agreement with **Nickelodeon**, plans for a 70-foot free fall tower for teens and adults are underway. New designs, new

rides, live shows and characters, such as Dora the Explorer and Jimmy Neutron, will appear in Spring 2008.

- Nickelodeon has signed another deal with Marriott to co-develop a new brand of resorts for families seeking fun and adventure. Twenty (20) **Nickelodeon Resorts by Marriott** are planned. The first resort, with 650 rooms and 100,000 sf waterpark, is about to break ground at Liberty Station in San Diego CA.
- Ripley's Believe It or Not, a Jim Pattison company and owner of the Great Wolf Lodge in Niagara Falls ON, announced it will add a **Ripley's Aquarium** in 2008.
- **Knuckleheads** Bowling & Indoor Family Entertainment Center opened in Wisconsin Dells, next to Great Wolf Lodge and the Tanger Outlet Mall. Knuckleheads features 24 lanes of bowling, go-karts, 4-D theater ride, bumper cars, a family coaster and 7 other amusement rides all under one roof 24/7. There's also Buffalo Phil's Grille for western dining and its 5,726 sf Crystal Room for parties and banquets. Knuckleheads and Buffalo Phil's are owned by the Watermans, the same family that built and sold the original Great Wolf Lodge to the company now known as Great Wolf Resorts Inc. While the GWL has no room to expand, the Watermans continue to own and develop the adjacent parcels into successful enterprises. Guests of Great Wolf Lodge love playing at Knuckleheads and eating at Buffalo Phils. Could lightning strike twice? You can reach Megan Waterman at 608-254-7332 or email info@DellsKnucklehead.com.
- While there is no hotel in the project (yet), **Sea World unveiled Aquatica**, a major 59-acre outdoor waterpark resort that will open in 2008 --- unlike anything that now exists. Aquatica features 36 waterslides, a high-speed river ride with rapids aimed at competing with other theme park rides. The signature ride is a slide that takes people underwater in clear tubes. The other anchor attraction is a twin wave pool that splashes onto an 80,000 sf beach. "Aquatica will be a waterpark you would never expect, unless it was built by Sea World," according to general manager Jim Atchison. Aquatica will give Sea World (Busch) three theme parks in central Florida, including Sea World and Discovery Cove.
- The **Columbus Zoo & Aquarium**, long neighbors with Wyandotte Lake outdoor waterpark, acquired the waterpark from Six Flags Inc in 2006 and spent about \$53 million in 2007, doubling its size and putting in new rides. While there is no hotel (yet), the zoo and expanded waterpark are turning into one big destination. "I think they are on the cutting edge," said Scott Dring of the Dublin Convention & Visitors Bureau. "They're rewriting the book here and I think they're going to wake up a lot of other zoos."
- In our last report dated July 2, 2007, we reported H2otels USA as the likely buyer of the under-performing **Tundra Lodge Resort & Waterpark** in Green Bay WI, but that deal later fell through. Multimillionaire redeveloper John Bays of Bays Investment Corp of Joliet IL received an OK from the Green Bay Redevelopment Authority to acquire the property, which opened in 2003. Bays proposed to pay off the bonds for the project, which are paid by tax increment tax district collections, so that he has complete

ownership of the property. The city would, in turn, reimburse him with TIF collections as they come due. “I make things happen,” he said. “I think I have a few ideas that will bring in a lot more business. I’m great at bringing in tourism business. Everything I have ever been involved in has been a success.”

Top 25 Largest Hotel Waterpark Resorts in the USA

The Wilderness Hotel & Golf Resort in Wisconsin Dells WI is number one in terms of the most indoor waterpark space, but their 229,000 sf is divided among four separate waterparks they have on site.

Kalahari Resort Sandusky OH is number one in terms of the largest (173,000 sf) indoor waterpark under one roof.

| Top 25 Largest Hotel Waterpark Resorts in the USA | | | | | |
|--|------------------------|-----------|------------------------|------------------------|------------------|
| Name | Location | ST | Number Of Rooms | Indoor WP Sq Ft | Open Date |
| Wilderness Hotel & Golf Resort | Wisconsin Dells | WI | 817 | 229,000 | 199501 |
| Kalahari Resort Sandusky | Sandusky | OH | 884 | 173,000 | 200505 |
| Harrahs Casino Hotel & Domed Pool | Atlantic City | NJ | | 172,000 | 200705 |
| Kalahari Resort | Wisconsin Dells | WI | 738 | 125,000 | 200001 |
| Chula Vista Resort | Wisconsin Dells | WI | 616 | 110,000 | 199901 |
| Scotts Hotels & Splash Lagoon IWP | Erie | PA | 270 | 102,000 | 200304 |
| Great Wolf Lodge | Wisconsin Dells | WI | 437 | 82,000 | 199701 |
| Great Wolf Lodge at Grapevine | Grapevine | TX | 404 | 80,000 | 200712 |
| Great Wolf Lodge at Kings Island | Cincinnati-Mason | OH | 403 | 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 |
| Great Wolf Lodge | Williamsburg | VA | 401 | 67,000 | 200503 |
| Sheraton Northwest & CoCo Key IWP | Arlington Heights | IL | 426 | 65,000 | 200612 |
| Sheraton Resort IWP Addition | Danvers | MA | 367 | 65,000 | 200705 |
| Mt Olympus Treasure Island IWP | Wisconsin, Dells | WI | 302 | 65,000 | 199901 |
| Holiday Inn Central Add IWP | Omaha | NE | 383 | 60,000 | 200709 |
| Holiday Inn East & Fort Rapids IWP | Columbus | OH | 338 | 60,000 | 200605 |
| Clock Tower Resort Add IWP | Rockford | IL | 252 | 60,000 | 200701 |
| Double JJ Ranch & Gold Rush IWP | Rothbury | MI | 235 | 60,000 | 200612 |
| Westgate SmokeyMtn Resort | Gatlinburg | TN | 0 | 60,000 | 200703 |
| Mountain Grand & Avalanche Bay IWP | Boyne Falls | MI | 200 | 58,000 | 200505 |
| H2Oasis Indoor Waterpark | Anchorage | AK | 0 | 56,000 | 200302 |
| Sheraton North Add Coco Key Waterpark | Cincinnati-Sharonville | OH | 357 | 50,000 | 200711 |
| Lodge at Cedar Creek Resort | Wausau | WI | 140 | 50,000 | 200406 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

Although it not considered a hotel waterpark, Harrah’s new 172,000 sf Domed Pool at their Hotel & Casino in Atlantic City NJ is worthy of consideration as a major indoor water feature.

Kalahari Resort Wisconsin Dells WI is listed fourth with 125,000 sf of indoor waterpark space, and Chula Vista Resort is fifth with 110,000 sf.

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

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 954 with an indoor waterpark of 117,800 sf. 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 88,766 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 | 954 | 117,800 | 7.2 | 2.0 | 1.8 | 1.2 | 0.8 | 0.4 | 88,766 | 42 |
| Top 6-15 | 424 | 75,500 | 8.3 | 5.4 | 1.6 | 1.0 | 0.7 | 0.3 | 35,202 | 13 |
| Top 16-25 | 320 | 35,800 | 4.8 | 2.6 | 2.0 | 0.9 | 0.0 | 0.0 | 14,035 | 3 |
| Top 26-50 | 235 | 35,781 | 4.5 | 2.8 | 1.6 | 0.8 | 0.3 | 0.1 | 22,943 | 10 |
| Top 51-100 | 148 | 17,807 | 2.3 | 2.3 | 1.2 | 0.4 | 0.0 | 0.0 | 12,055 | 6 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

Among the next ten largest (Top 6-15) hotel waterpark resorts, the average number of rooms is 424 with an indoor waterpark of 75,500 sf.

Among the top resorts ranked 16-25 by room count, the average number of rooms is 320 with an indoor waterpark of 35,800 sf. 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 80% 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 488 rooms and 114,083 square feet of indoor waterpark --- a ratio of 234 sf of waterpark per guest room. That ratio decelerates as waterparks get smaller.

| Ratio of Hotel Rooms to Size of Waterpark | | | |
|--|---------------------------|--------------------------------------|--|
| Hotels With An Indoor Waterpark | Average # Of Rooms | Average Indoor Waterpark SqFt | Indoor Waterpark Sq Ft Per Room |
| Over 70,000 sf | 488 | 114,083 | 234 |
| 50,000 to 69,999 | 262 | 59,692 | 228 |
| 40,000 to 49,999 | 332 | 42,625 | 187 |
| 30,000 to 39,999 | 227 | 32,777 | 144 |
| 20,000 to 29,999 | 211 | 22,388 | 106 |
| 10,000 to 19,999 | 123 | 12,711 | 103 |
| Under 10,000 sf | 113 | 5,184 | 46 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

To illustrate, hotels with waterparks 40,000 to 49,999 sf average 332 rooms and 42,625 sf of indoor waterpark --- a ratio of 187 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 194 to 884 and the meeting facilities vary from 30,000 to 150,000 square feet.

Several of the largest hotel waterpark resorts are in the meetings & convention business. The Chula Vista Resort in Wisconsin Dells WI is clearly the largest meeting facility (150,000 sf) with a 110,000 sf indoor waterpark and 616 rooms.

The Kalahari Resort in Wisconsin Dells WI is the second largest meeting facility (125,000 sf) with a 125,000 sf indoor waterpark and 738 rooms.

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.

The Kalahari Resort in Sandusky OH has the fourth largest meeting facility (95,000 sf) but has the largest indoor waterpark (173,000 sf) and the most rooms (884) of any hotel waterpark resort in the USA.

| Top 15 Hotel Meeting Facilities With Indoor Waterparks | | | | | |
|---|------------------|-----------|------------------------|------------------------|----------------------|
| Name | Location | ST | Number Of Rooms | Indoor WP Sq Ft | Meeting Sq Ft |
| Chula Vista Resort | Wisconsin Dells | WI | 616 | 110,000 | 150,000 |
| Kalahari Resort | Wisconsin Dells | WI | 738 | 125,000 | 125,000 |
| Grand Harbor Resort & Waterpark | Dubuque | IA | 194 | 25,000 | 120,000 |
| Kalahari Resort Sandusky | Sandusky | OH | 884 | 173,000 | 95,000 |
| BW Ramkota Inn, Convention Center | Sioux Falls | SD | 226 | 17,000 | 60,000 |
| Sheraton Resort IWP Addition | Danvers | MA | 367 | 65,000 | 50,000 |
| 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 |
| Holiday Inn Central Add IWP | Omaha | NE | 383 | 60,000 | 46,318 |
| Wilderness Hotel & Golf Resort | Wisconsin Dells | WI | 817 | 229,000 | 46,300 |
| Great Wolf Lodge at Kings Island | Cincinnati-Mason | OH | 403 | 78,000 | 40,000 |
| Lake Lawn Resort Condo Expansion P1 | Delavan | WI | 222 | | 31,000 |
| Radisson Resort & Waterpark | Albuquerque | NM | 314 | 23,000 | 30,000 |
| Hilton Center City (730) | Milwaukee | WI | 250 | 20,000 | 30,000 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

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 169 hotel waterparks open at the end of 2007, 81 are affiliated with a national hotel brand while 88 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, Radisson, Ramada, Sheraton, 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 build their third project in Fredericksburg VA.

Wave Development Inc of Milwaukee WI, in partnership with Sage Hospitality of Denver CO and Horizon Construction 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.

Hotel Waterparks Scheduled to Open in 2008

Fifty-five (55) hotel waterpark projects are under construction or will break ground in 2008. While these 55 projects were all scheduled to open in 2008, some are still not funded and may be delayed.

Under Construction & Scheduled to Open in 2008

| <i>Name</i> | <i>Location</i> | <i>ST</i> | <i>Number Of Rooms</i> | <i>Indoor WP Sq Ft</i> |
|--|--------------------|-----------|----------------------------|----------------------------|
| Silverleaf's The Villages Resort at Lake Palestine | Flint-Tyler | TX | | 19,000 |
| Double JJ Add Phase 2 Rooms | Rothbury | MI | 137 | |
| BW Timber Creek& CC + Detached Waves of Fun | Sandwich | IL | 100 | |
| Bluegreen Odyssey Dells at Mt Olympus Resort | Wisconsin Dells | WI | 24 | |
| Red Jacket Mtn View Add IWP | North Conway | NH | 162 | 40,000 |
| Grand Sierra Resort & Casino Expansion | Reno | NV | 2000 | 150,000 |
| Lake Lawn Resort Additions Phase 2 | Delavan | WI | 800 | 130,000 |
| Wingate + 2ndHotel WP & Action SportsPark | Syracuse-Van Buren | NY | 287 | 90,000 |
| Great Wolf Lodge | Grand Mound | WA | 390 | 67,000 |
| Marriott Resort Add IWP Coco Key | Mt Laurel | NJ | 285 | 65,000 |
| KeyLime Cove Resort IWP P1 | Gurnee | IL | 414 | 64,500 |
| Silver Mountain Resort's Silver Rapids IWP | Kellogg | ID | 268 | 45,000 |
| The Water Resort Condo Hotels | Pigeon Forge | TN | 336 | 35,000 |
| Deadwood Mountain Resort & IWP | Deadwood | SD | | 10,000 |
| Borgata Casino Resort & Water Club | Atlantic City | NJ | 800 | 172,000 |
| Maui Sands Family Suites & IWP | Sandusky | OH | 310 | 55,000 |
| Ron Jon Surfpark at Festival Bay Mall | Orlando | FL | 0 | 26,000 |
| Big Horn Resort (Wingate) & Waterpark | Billings | MT | 109 | 23,000 |
| Wilderness Resort #1Hotel & Event Center | Sevierville | TN | 236 | 52,000 |
| Comfort Inn & Suites Pool to Indoor Waterpark | Omaha | NE | 169 | 5,000 |
| Timberlake Lodge & Grand Splash Waterpark | Grand Rapids | MN | 84 | |
| Volente Beach Add Hotel & Indoor WP | Leander-Cedar Park | TX | 250 | 38,340 |
| Legacy Grand East Gate Condo-Hotel & Waterpark | Kissimmee | FL | | |
| Sheraton CC & Paradise Bay Waterpark | Fishers | IN | 250 | 80,000 |
| Ramada NW Add Rms, IWP, CC | Urbandale | IA | 200 | 40,000 |
| Valley of Springs Resort & Big Splash Island | French Lick | IN | 156 | 40,000 |
| WanaWaves Resort & Waterpark | St Louis | MO | 160 | 25,000 |
| Comfort Inn & Suites Indoor Waterpark | Somerset | OH | 98 | 20,000 |
| Metropolis Hotel & Waterworks | Eau Claire | WI | 107 | 30,000 |
| Honey Creek Resort State Park & IWP | Rathbun Lake | IA | 105 | |
| Great Adventure Water Resort (Days) | Bellevue-Omaha | NE | 129 | 30,000 |
| Lodge at Schlitterbahn Vacation Village | Kansas City | KS | 650 | |
| Legend at Bergamont GC Add Clubhouse & I-OWP | Wales-Oregon | WI | 0 | |
| Randall's Island Aquatic Center | New York City | NY | 0 | 182,000 |
| Frontier Lodge & Conference Ctr IWP | LaSalle | IL | 464 | 61,000 |
| Splash Universe Waterpark Resort at Mills | St Louis-Hazelwood | MO | 150 | 30,000 |
| Inn at Okoboji Add IWP, CC & Condo Hotel | West Lake Okoboji | IA | 243 | 20,000 |
| Sheraton at Truman Sports Complex & CoCo Key | Kansas City | MO | 374 | 60,000 |
| Hilton Garden Inn & Aqualand Waterpark | Fargo | ND | 110 | 17,000 |
| Wilderness Resort #2 Condo Hotel & I-OWP | Sevierville | TN | 233 | 80,000 |
| Glacier Lakes Resort Aquazonia IWP | Farmington | NY | 275 | 70,000 |
| Volcano Island Resort CC & I-OWP P1 | Fairmont | WV | 300 | 50,000 |
| Split Rock Resort IWP Addition | Lake Harmony | PA | 500 | 48,000 |
| Sahara Sam's Oasis | West Berlin | NJ | 0 | 72,000 |
| Sun Island Waterpark Resort | Hoffman Estates | IL | 506 | 70,000 |
| Grand Cambrian Resort | Wisconsin Dells | WI | 350 | 50,000 |

| | | | | |
|--|----------------------|----|--------|-----------|
| Greek Peak's Hope Lake Lodge IWP | Syracuse-Virgil | NY | 106 | 40,000 |
| Mackinaw Bay Lodge & IWP | Mackinaw City | MI | 235 | |
| Wyndham Garden Hotel & Condo & IWP | Kent | WA | 144 | 6,000 |
| Bluegreen Odyssey Dells at Mt Olympus Resort | Wisconsin Dells | WI | 75 | |
| Belle Island Village Hotel Waterpark Resort | Pigeon Forge | TN | | |
| Hilton Waterpark Resort Near Briggs Ranch | San Antonio | TX | 350 | |
| Great Wolf Lodge Room & Mtg Room Additions | Grapevine | TX | 200 | 20,000 |
| Splash Universe Waterpark Resort near Cabela's | Greenwood | IN | 100 | 20,000 |
| Hotel I-OWP at Wild Escape Theme Park | Wheeling-Dallas Pike | WV | 700 | |
| Total Scheduled to Open in 2008 | | 55 | 14,615 | 2,287,840 |

Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. Feb 4, 2008.

Canadian Supply of Hotel Waterparks

In Canada, we 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 to the Guinness Book of World Records. However, three newer, larger shopping malls in Beijing, Manila and Dubai are now claiming this title.

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.

| 2007 | 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.
 * 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.

Under Construction in Canada

Hotel Waterpark Resort projects under construction or breaking ground in 2008 include: (1) Hecla Oasis Resort & Indoor-Outdoor Waterpark (former Gull Harbour) on Hecla Island in Winnipeg, Manitoba; and (2) Hotel Waterpark at Lac Mirabel Proposed Shopping Mall in Montreal, Quebec.

In the Planning Phase in Canada

Winnipeg's Mayor is trying to attract a private developer to build a 250 room hotel with a 50,000 sf indoor waterpark to open in 2009.

Mexico & Caribbean 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 with onsite, adjacent or nearby lodging that would tend classify them as hotel waterpark resorts.

| 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. | | |

During 2007, Kerzner opened his Phase III 600-room Cove & Aquaventure along with new condominiums in Nassau, Bahamas.

In the development and planning stages are: (1) Baha Mar Resort & Eco Waterpark in Nassau with 3500 rooms, and (2) Harmony Cove Hotel Spa Residences & Waterpark in Trelawny on the north coast of Jamaica with 2,000 rooms.

Rest of World Supply of Hotel Waterpark Resorts

We identified hotel waterpark resort projects around the world that opened in 2007, are under construction during 2008 and are in the development-planning process.

| Hotel Waterpark Resorts That Opened in 2007: Rest of World | | | | |
|---|---------------------|----------------|------------------------|------------------|
| <i>Name</i> | <i>Location</i> | <i>Country</i> | <i>Number Of Rooms</i> | <i>Open Date</i> |
| Splash World IWP at Dunes Leisure Center | Merseyside | UK | | 200706 |
| Sands Resort & Kinderland Waterpark | Yorkshire | UK | 147 | 200706 |
| Cotswold Waterpark Four Pillars Hotel | Cotswold, SW | UK | 220 | 200708 |
| Imperial Palace Waterpark Resort & Spa | Mactan Island, Cebu | Philippines | 616 | 200709 |
| Dilmun Water Park at Banyan Tree Resort | Southern Region | Bahrain | | 200711 |
| Murphy's Indoor Wave Pool & IWP | Bagdad | Iraq | | 200712 |
| Source: Jeff Coy & Bill Haralson, Hotel Waterpark Resort Research & Consulting. | | | | |

| Hotel Waterpark Resorts Under Construction in 2008: Rest of World | | | | |
|--|---------------------------|----------------|------------------------|------------------|
| Name | Location | Country | Number Of Rooms | Open Date |
| Ramada at Aquaworld | Budapest | Hungary | 309 | 200806 |
| Swansea Leisure Indoor Surfing Center | Swansea | UK | 0 | 200806 |
| Imperial Palace Waterpark Resort | Lapulapu City, Cebu | Philippines | 656 | 200901 |
| Hotel & Stormalong Bay IWP Drayton Manor | Tamworth | UK | 72 | 200903 |
| Caribbean Bay Resort | Bukit Gambang Resort City | Malaysia | 560 | 200912 |
| Jumeirah Desert Pearl Hotel & Aqua Dunya Water Theme Park | Dubai | UAE | 4,530 | 201001 |
| Harmony Cove Resort & Waterpark | | Jamaica | 5,000 | 201012 |
| Durrat Al Bahrain Project I-OWP Mixed Use | Manama Area | Bahrain | 2,000 | 201012 |
| Bahrain City Center Mall IWP & IAP | Manama | Bahrain | 0 | |

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

| Hotel Waterpark Resorts In Development: Rest of World | | | |
|--|--------------------|----------------|------------------------|
| Name | Location | Country | Number Of Rooms |
| Ski Seoul Hotel & Whitewater River Park | Seoul-Sangam Dong | Korea | |
| Grand Hyatt/HR Underwater Casino City of Dreams | Cotai | Macau | 1,180 |
| Sentosa Island's Six Hotels, Equarius WP & Oceanarium | Singapore | Singapore | 1,830 |
| The Marina Bay Family Resort & Indoor-Outdoor WP | Singapore | Singapore | |
| Adventura Waterpark Resort | Caloundra | Australia | |
| 4 Hotels & Waterpark | Timna Valley-Eilat | Israel | |
| Aqua Dunya's 3 hotels & 2 water theme parks | Dubai | UAE | 4,355 |
| Kerzner's Atlantis Dubai Phased Expansion | Dubai | UAE | |

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

What's Ahead?

Based on our review of consumer behavior, lifestyle changes and travel trends in North America, here are Our Predictions on the Future of Resort Development. Recent news announcements indicate that these predictions are becoming reality at an accelerating pace.

- Regional drive-to resorts will attract more guests than national fly-to resorts.
- Business travel will become more an elective and less a requirement.
- 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.

Hotel Construction Will Increase in 2008

More than 211,000 hotel rooms were in the pipeline as of December 2007, a 35.5% increase from 156,000 rooms in the pipeline a year earlier, according to Smith Travel Research. Hotels that received funding during the easy money period of 2007 will be under construction during 2008 and 2009.

The 2008 Lodging Industry Construction Pipeline stood at 718,000 hotel rooms at the end of 2007 --- up 36% over the previous year. Hotel rooms were growing at a rate 2.2%. The new hotel room supply growth is forecast at 2.8% for 2008 and 3.4% for 2009 taking into account anticipated market conditions, according to Lodging Economics.

From Easy Money to the New Reality

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.

During the first half of 2007, investors were hungry for hotels. It was a period of easy money. In the second half of 2007, there were signs of a slowing economy --- due to higher fuel costs, higher construction costs, a residential mortgage crisis and negative news that started to affect hotel lending. Almost overnight, the period of easy money ended.

In 2008, there's still lots of capital, but it's back to reality in terms of tougher underwriting standards. Hotel industry occupancy in the USA has flattened at 63.2% but average room rates continue to grow 5% to 6% annually. Hotels with indoor waterparks typically outperform ordinary hotels in terms of higher occupancy, higher room rates and higher revenues. A weaker US dollar is attracting more international visitors to the USA, which is good for the hotel, travel and attractions industry.

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