

10 Trends Point the Way to Future Resort Development

Ever since waterparks came indoors, under cover, and attached themselves to hotels, the hotel waterpark resort industry has continued to grow at an accelerating pace – from 24% to 32% annually. And the average size of these waterpark resorts is getting bigger. In 2004, only one indoor waterpark over 50,000 sf opened. In 2005, three opened. But eight (8) indoor waterparks over 50,000 sf opened in 2006, and another eight (8) opened in 2007.

What's the future of resort development?

1. Lodging, Recreation & Entertainment Concepts Are Merging

In urban areas, we now see hotels, recreation, entertainment, sporting activities, shopping, convention centers and large-scale attractions being combined in mixed-use resort destination developments.

In more rural settings, hotels and indoor-outdoor waterparks are being combined with golf courses, ski hills, conference centers, medical centers, casinos and residential projects as well as second home, vacation home and resort retirement communities.

For example:

Kalahari Resort in Wisconsin Dells WI broke ground in May 2008 a \$15 million indoor entertainment facility that includes a 24-lane bowling alley, 65-foot Ferris wheel, ropes course, a zip line and over 200 arcade games. Kalahari already has a 125,000 square foot indoor waterpark, 65,000 square foot outdoor waterpark, 125,000 square foot convention center and over 800 hotel rooms and condominiums. At Silver Mountain Resort in Kellogg ID, you can stay and ride a surf simulator in the new indoor waterpark and ride a gondola up to the top of the mountain for snow skiing in winter and mountain biking in summer. You can also buy a timeshare, condo or vacation home in the center of the action.



2. Long Weekends Are Replacing Long Vacations

A recent USA Today article reported that the two week vacation is fast disappearing. Instead, employees are using their vacation days to extend weekends and take shorter breaks from the office.

Rising gas prices are partly to blame as well as mounting pressure for workers to be available to clients around the clock. And more dual income couples are finding it difficult to coordinate vacation schedules due to work demands. About 55% of vacationers will take several shorter weekend getaways instead of the traditional long summer retreat, according to a WNBC survey.

This trend certainly explains the popularity of drive-to regional resorts and the rapid growth of indoor waterparks as part of hotels and resorts. High gas prices, dissatisfaction with the airlines and shorter getaways all contribute to the relative success of regional drive-to resorts compared to the national fly-to resorts.

3. Multi-Generational Family Gatherings Are More Popular

Unlike the typical vacation of the past that involved just Mom, Dad and the kids, older and younger generations are traveling together more. In a nation in which families often live in separate states, sharing a vacation is a way for grandparents, parents and children to book some quality time and make memories.

Several waterpark resorts with large villas (sleeping 12 to 20 people) reported that these popular units sell out first. As a result of togetherness, as it is called, indoor waterparks are being designed for all ages and resorts are responding with packages to please all ages.

4. Projects Are Moving Toward Mixed-Use Resort Destinations

Mixed-use has come of age and is growing rapidly. It is one of the hottest product types in real estate. Almost every new hotel project includes a variety of components that create a destination for meeting, shopping, recreation and entertainment.

Why is mixed-use so popular among developers and lenders? Because all the components have a positive impact on each other and help to stabilize the entire project. Not all these impacts are fully understood by developers because mixed-use real estate projects are complex and require expertise in many different areas. However, almost everyone agrees that hotel owners are no longer content to have lodging generators nearby. They are designing and integrating these demand generators into destination projects that act as a strong magnet in the region.

5. Hotel Waterpark Resort Growth Is Accelerating

Hotels and resorts with indoor waterparks are a small but rapidly-growing segment of the lodging, recreation and entertainment business. Hotel waterparks are popular with families and hotel owners because they fill empty rooms at higher room rates than hotels without indoor waterparks.

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.



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.

A hotel waterpark resort is just a hotel with a very expensive attraction, similar to having a golf course or conference center. While they can be expensive to build, the costs are small compared to their positive impact on hotel occupancy, room rates, room revenues and total guest spending.

6. Indoor Waterpark Projects Are Getting Bigger

The average size of a hotel indoor waterpark has been steadily getting bigger each year. More and more hotel waterparks are adding meeting space to attract different types of customers during certain low periods throughout the year. And more hotel waterparks are part of larger mixed-use resort projects.

When deciding how big to build an indoor waterpark, conventional wisdom might tell a developer to build it slightly smaller than necessary. But in the hotel waterpark resort industry, just the opposite is true. “Bigger is better,” a philosophy adopted by numerous developers goes to the heart of the matter – entertainment value. To encourage families with young children to drive up to 200 miles and spend more than \$200 a night for a family suite, you have to offer high entertainment value. The smarter developers understand this.

7. Adventure Sports Are Going Mainstream

Activities include surfing, skiing, boarding, paddling, rafting, kayaking, rock-climbing, rope-walking and skydiving. The challenge is to master the media, things like snow, water, waves, rapids, rocks, ropes and skydiving. Almost all of these activities that pit man against nature are seasonal, such as kayaking in spring, ocean surfing in summer and snow skiing in winter.

With more and more man-made facilities, conveniently located close to home and work, where novices and enthusiasts alike can practice their skills more frequently, adventure sports are going mainstream and becoming part of mixed-use resort developments.

8. Trend from Natural to Man-Made Facilities

Many of today’s sporting enthusiasts want the real thing. Of course, it is better to play golf on a real outdoor golf course, but when it rains during your vacation time, it is nice to find a golf simulator at the resort. AboutGolf of Maumee OH is a 19-year old company that has become the world leader in indoor

golf simulator technology by providing a new level of realism. The company has over 500 golf simulators installed around the USA and worldwide with another 300 to be installed in the next year or so.

Another example is rock climbing. The artificial rock wall became popular when Recreational Equipment Inc (REI) installed man-made rock climbing walls in their 96 retail stores. While the expert rock climber wants the real thing, the novice rock climber can easily learn how to climb using the artificial climbing walls that are conveniently located close to home or the hotel. Even the expert climbers enjoy the climbing wall when the weather is adverse.

The US National Whitewater Center (USNWC) in Charlotte NC boasts the largest artificial river in the world – a multi-channel waterway for kayakers and rafters that is at the heart of the 307-acre facility that includes a ropes challenge course, 11 miles of mountain biking & hiking, the largest man-made outdoor rock climbing wall in the country, a 20,000 sf conference facility, restaurant and retail shop.



9. Every Outdoor Sport Will Have an Indoor Version

Many sporting activities – golfing, rock-climbing, skiing, boarding, kayaking, rafting and surfing – were part of natural settings that included mountains, rivers and oceans. Traditionally, many of these activities have been outdoor adventure sports. But sporting enthusiasts say it is hard to get away from work at the right time. So, now resort and attraction developers are bringing the adventure closer to the market. It seems that every natural setting has a made-man artificial version. And every outdoor sport has an indoor version located closer to home.

10. New Structures & Enclosures Cover Large Spaces Affordably

In the city of Brand, not far from where the Berlin Wall once stood, a former airship hangar houses Tropical Islands, a 700,000 sf indoor waterpark resort with sandy beach, lagoon, spa, fine dining and hotel. The huge resort is open 24/7, regardless of the weather outside, because it is covered.

Ocean Dome in Miyazaki, Japan is known as the world's largest indoor waterpark, the size of three football fields or 322,700 sf, due to its fully-retractable roof, which is kept open when warm weather permits.

Covering large spaces now makes it possible for outdoor venues to expand their peak season from 100 days to 365 days a year. And the new high-tech structures are less costly than traditional materials. Using a transparent roofing system, the resort developer can create an economical indoor island

paradise that is open to the sky all year long – a big attraction for people that live in areas where it's too cold, too hot or too rainy.

Possibility Thinking Results in Innovation

It's not hard to predict the future of adventure sports resorts. Just imagine the impossible – like snow skiing in summer or surfing in the middle of the desert. Think about how to make artificial snow, or just imagine how to create a wave. Invent new equipment (skateboards, snowboards and wakeboards) that makes the old equipment (snow skis and water skis) seem dull.

Think about how to convert a winter resort into a year round resort. How about indoor skydiving? It is this type of possibility thinking that results in new business opportunities. Each innovation creates a new sporting activity, a demand for new indoor–outdoor facilities and an opportunity to capture revenues all year long – thus eliminating the risk of seasonality and climate in a resort investment.

And if you cluster all these demand generators into a mixed–use regional destination project – with lodging, recreation, entertainment, conference center, restaurants, nightclubs, retail shopping, offices and residential components – you have a winning combination.

Theme/Water Parks in 2008

122.7 million: Total visits to the top 20 parks in North America, level with the performance in 2007. Between 2005 and 2008 the top 20 North American parks grew by a total of 3.9 percent. 57.4 million: Attendance for the top 20 European parks, representing a growth rate of 1.1 percent. Attendance growth of 7.6 percent from 2005–2008 for top European parks. 12.2 million: Visits to top 10 parks in Mexico and Latin America 66.9 million: Total attendance to top 10 Asian/Pacific Rim parks 186 million: The total theme park attendance for top 25 worldwide parks in 2008, down 0.4% from 2007 12.5 million: Combined visitation to the top 15 US waterparks, a growth of 1.8 percent from 2007 19.9 million: Total attendance to top 20 worldwide waterparks, up 1.4 percent from 2007.

TEA/ERA Attraction Attendance Report 2008

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