

UNDERSTAND THE ECONOMIC REALITIES FOR SPA OPERATIONS

LANDMARK SPA ECONOMICS STUDY

HFD'S 2003 – 2004 SPA FINANCIAL BENCHMARK RESEARCH STUDY

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Health Fitness Dynamics, Inc. (HFD), an established spa consulting company, conducted a worldwide spa economic study of spas within resorts. This global landmark study provides never-before released financial information that can be used as economic benchmarks for feasibility analysis, financial audits and operating forecasts.

This is one of many economic studies that HFD has funded and conducted since its inception in 1983. As more and more resorts and mixed-used developments build new spas or expand existing spas, there is an increasing need for accurate economic information. Spas are business ventures that should make economic sense in and of themselves as well as being an asset to the resort or mixed-used development. Now, more than ever, the “economic realities” are important to resort spa owners, operators, asset managers, investors, developers, etc. They want to understand the “spa business.” HFD’s spa economic research will help people understand the financial viability of spas and will give them economic benchmarks and management tools

REVENUE PER OCCUPIED ROOM (RPOR) – US PROPERTIES – Comparison Year 2003 to 2004

	YEAR 2003	YEAR 2004	CHANGE
AVERAGE RPOR	\$33.95	\$40.09	Up \$6.14
HOTEL SIZE (# of rooms)			
Small <200	\$32.90	\$35.75	Up \$2.85
Medium 200 – 400	\$30.39	\$37.18	Up \$6.79
Large > 400	\$32.87	\$38.38	Up \$5.51
SIZE OF SPA (Sq. Ft.)			
Small <10,000	\$22.28	\$23.54	Up \$1.29
Medium 10,000 – 20,000	\$37.34	\$50.40	Up \$13.06
Large >20,000	\$39.19	\$46.12	Up \$6.93
NUMBER OF TREATMENT ROOMS			
Small <10	\$20.33	\$19.83	Down \$0.50
Medium 10 – 20	\$38.75	\$50.84	Up \$12.09
Large >20	\$47.22	\$51.99	Up \$4.77

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to help them manage their spa ventures and to see how their spa is doing compared to the industry benchmarks.

Here are 2 charts that show the revenue per occupied room (RPOR) that comes from the spa. HFD has found RPOR to be a key indicator for many lodging operators because it shows how the spa contributes to the resort's overall financial performance. NOTE: The findings are based on a total of 60 participating spas: 60% (36 spas) are from the US and 40% (24 spas) are International/non-US.

REVENUE PER OCCUPIED ROOM (RPOR) – ALL PROPERTIES – Comparison US to International - Year 2004

YEAR 2004	US Spas	International Spas **
AVERAGE RPOR	\$40.09	\$49.02
HOTEL SIZE (# of rooms)		
Small <200	\$35.75	\$63.42
Medium 200 – 400	\$37.18	\$16.22
Large > 400	\$38.38	\$7.84
SIZE OF SPA (Sq. Ft.)		
Small <10,000	\$23.54	\$29.83
Medium 10,000 – 20,000	\$50.40	\$22.32
Large >20,000	\$46.12	\$102.22
NUMBER OF TREATMENT ROOMS		
Small <10	\$19.83	\$32.84
Medium 10 – 20	\$50.84	\$52.44
Large >20	\$51.99	\$132.45

** The International database was smaller than that of the US; therefore, as we became more specific, the International benchmarks may not be totally representative due to small sample size of specific report categories being analyzed. All figures represent US dollars.

HFD will conduct this research on an annual basis. Any resort interested in participating in the Year 2005 study, should send their contact information to hfd@hfdspa.com. We will conduct the research in February and March 2006. All participants receive complimentary access to an electronic analysis consisting of hundreds of reports as well as the ability to benchmark their property against the collective analysis of their competition (*property names are never divulged so all information is kept strictly confidential*).

Health Fitness Dynamics, Inc. (HFD) is an innovative full-service spa consulting, planning, marketing and management advisory company that is owned and managed by Judy Singer, Ed.D. and Patty Monteson, M.S. Since 1983, the Pompano Beach, Florida, United States corporation has worked primarily with fine hotels, resorts and mixed-use real estate developments that want to have a marketable and profitable spa that complements and enhances their core business which is typically to sell hotel rooms and lifestyle real estate.

HFD has been the spa consulting company to over US\$650 million worth of completed spa development.

For more information about HFD as well as HFD's library of spa articles and other research studies, visit our website at www.hfdspa.com. For specific inquiries, please call HFD at 954-942-0049 or write to hfd@hfdspa.com.