

HVS Market Pulse – Milwaukee, Wisconsin

March 8, 2021 / By Amy Schmidt

Prior to the COVID-19 pandemic, Downtown Milwaukee was experiencing revitalization and growth over a period of nearly ten years. The year 2020 was expected to be one of Milwaukee’s record years, with the Democratic National Convention scheduled for July. Given the reduction in attendance of this major one-time event and other citywide events that were forced to reschedule, RevPAR declined by 66%. Data provided by **STR** and **Visit Milwaukee** indicate that occupancy in Downtown Milwaukee dropped from 71.4% in 2019 to 32.5% in 2020. Meanwhile, average daily rate (ADR) declined from \$144.10 in 2019 to \$106.57 in 2020, reflecting a drop of roughly 26%. While these metrics are shocking, Milwaukee is poised to make a recovery that should be driven by area development projects, strong demand generators, and the highly anticipated expansion of the convention center.

Year-Over-Year Market Performance Metrics



Source: Visit Milwaukee, STR

Major Area Developments

- In September 2020, the new, 25-story **BMO Tower** officially opened. At a total cost of \$137 million, the nearly 380,000-square-foot tower contains **BMO Harris Bank**, **Michael Best & Friedrich** (law firm), **Heartland Advisors Inc.**, and **Andrus Intellectual Property Law**, to name a few companies. Furthermore, while pre-construction work has been underway since 2019, **Komatsu Mining’s** new, \$285-million headquarters and manufacturing campus officially broke ground in September 2020. Located in Milwaukee’s **Harbor District**, the planned facilities could potentially increase employment by up to 1,000 individuals when construction is completed in 2022.
- The former Shops at Grand Avenue complex is in the final phases of being redeveloped into **The Avenue**, a \$53-million, mixed-use development to include office space and the **3rd Street Market Hall**. Planned to open in the spring of 2021, the 3rd Street Market Hall will comprise 40,000 square feet and will feature 14 local food vendors, event space, and numerous activities such as giant Jenga and virtual golf simulators. Lastly, the **Bradley Symphony Center** is now home to the **Milwaukee Symphony Orchestra** following a \$90-million renovation of the former Warner Grand Theatre and addition of a two-story, glass-exterior activity center. While much of the 2021 season is anticipated to be virtual due to COVID-19, the facility held its first virtual concert in early February 2021.



Summary

Following nearly a decade of revitalization and growth, COVID-19 delivered a significant blow to Milwaukee similar to what was felt in nearby urban Midwestern cities. Despite Milwaukee’s longstanding history as a manufacturing powerhouse, as well as its strong financial and healthcare sectors, COVID-19 caused hotel demand to fall by 58% and ushered in a wave of work-from-home culture and major event cancellations. Where does Milwaukee go from here, and what was the impact of event cancellations?

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- Given the impacts of COVID-19 on the lodging industry, several proposed hotel developments have either been canceled or postponed. However, two projects have recently emerged for development on two prime sites within Downtown Milwaukee. A 155-room **Tempo by Hilton** has been proposed for development along North Old World Third Street (the parking lot of the former Milwaukee Journal Sentinel complex). Secondly, in September 2020, it was announced that the **Milwaukee Bucks** organization selected Madison-based **North Central Group** to construct a 200-room Autograph Collection by Marriott hotel. This hotel is expected to be constructed just north of Fiserv Forum and is anticipated to open in early 2023. Finally, a third hotel project for the city's **Historic Third Ward District** was announced in late January 2021. The proposed 102-room **Tribute by Marriott** is expected to be built within the former Hoffco Shoe Polish building.

Hotel Metro, an Autograph Collection by Marriott affiliate



Points of Optimism

- According to members at Visit Milwaukee, construction on the \$420-million convention center expansion is anticipated to begin in late 2021. Construction is expected to take two years, with an opening date anticipated in the first quarter of 2024. The expansion will add 112,000 square feet to the Wisconsin Center, for a total of 300,000 square feet of exhibition space. The expansion is expected to attract at least 50,000 out-of-state visitors annually and an estimated 100,000 visitors by the stabilized year of operation.
- Summerfest, Milwaukee's annual music festival, was canceled in 2020 for the first time in 53 years. This event usually takes place over eleven days from late June into early July, including the Fourth of July. Given the COVID-19 pandemic, officials have postponed the 2021 festival to September over three consecutive weekends (Thursday–Saturday): September 2–4, 9–11, and 16–18. This change will allow time for most of the general public to get vaccinated, thus making it safer for Summerfest to host large crowds.
- **Marquette University**, a private **Jesuit** university located in Downtown Milwaukee, is expected to break ground on a \$60-million business school facility in the spring of 2021. The 100,000-square-foot-building will be located at the corner of North 16th Street and Wisconsin Avenue (formerly McCormick Hall) and is planned to feature an open atrium, a café, collaborative classrooms, lab and study spaces, and an event space for the business community.

Conclusion

Given the breadth of commercial, group, and leisure demand generators in the Milwaukee market, the city is well positioned for long-term economic strength and stability due to its skilled workforce, affordability, and development pipeline. We anticipate that demand will rebound following the widespread distribution of the vaccine, removal of gathering restrictions, resumption of corporate and government travel, and reopening of major leisure attractions. We continue to watch the factors affecting the Milwaukee hotel industry, and our many consulting engagements throughout the greater Milwaukee area, inclusive of nearby suburbs, allow us to keep our finger on the pulse of the market.

For more information, contact **Amy Schmidt** on our **HVS Chicago** team.

The Moving Milwaukee Forward Safely Plan (as of March 2, 2021)

- *Bars and restaurants can operate at 50% to 75% capacity if a COVID-19 safety plan has been submitted and approved by the Milwaukee Health Department; the capacity limit is dependent on the size of the establishment to allow for safe social distancing. If a COVID-19 safety plan has not been submitted, bars and restaurants can operate at 25% capacity.*
- *Sports events and tournaments are allowed up to 250 people (or 25% capacity of the venue).*
- *Event venues and gathering places can operate at 25% capacity without submitting a safety plan to the Health Department, and a maximum of 250 people are allowed. Events with over 250 people must submit a plan to the Health Department for approval.*