MARKET REPORT

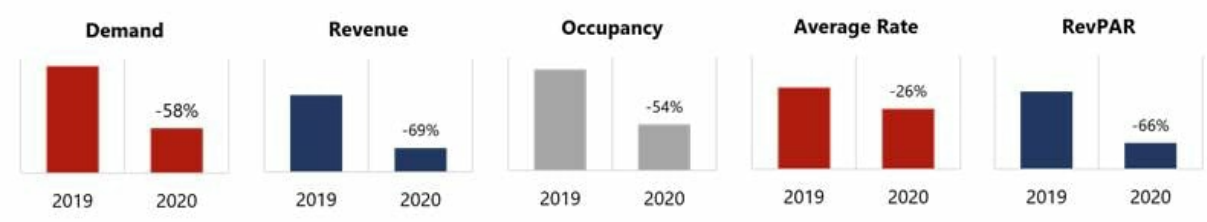
HVS Market Pulse – Milwaukee, Wisconsin

MARCH 8, 2021

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?

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.

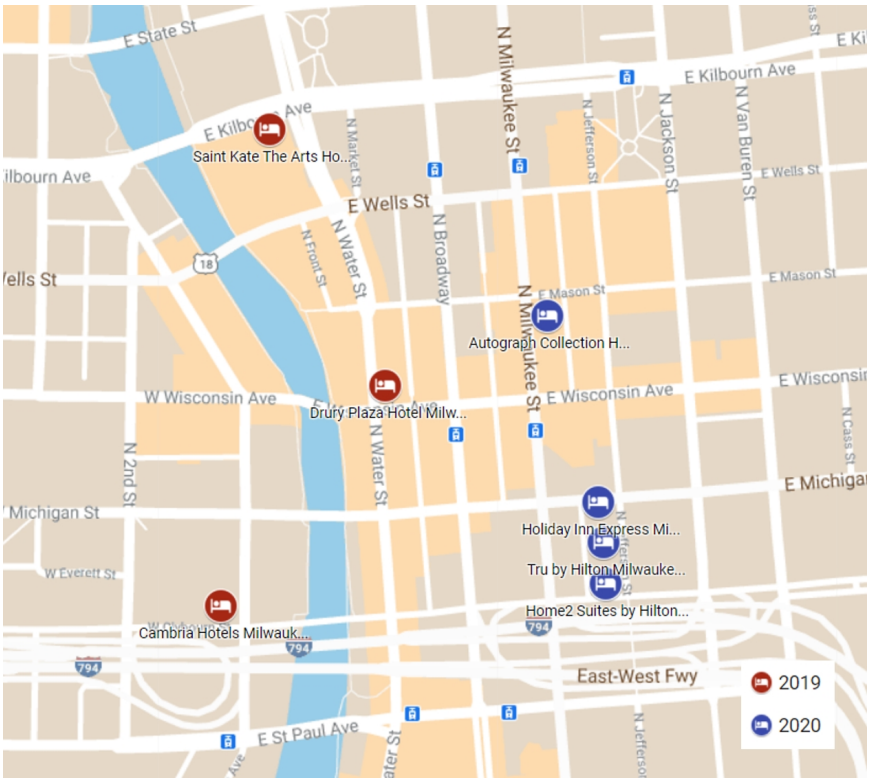


COVID-19 Cancellations & Impacts

- One of the main contributors to 2020 originally being referred to as the "Year of Milwaukee" was the Democratic National Convention (DNC) that was scheduled for July. In 2019, Milwaukee's Fiserv Forum was chosen to host the DNC, an event expected to generate approximately $200 million for the city. Due to COVID-19, this convention was postponed to August, moved to the Wisconsin Center, and downsized from 50,000 delegates to about 300 delegates. To win the convention bid, Milwaukee needed 16,000 total hotel rooms; however, DNC-related visitors ultimately booked about 4,000 hotel room nights through the week.
- Additionally, many conventions and citywide events were postponed to 2021 or 2022, including the USA Triathlon, Ryder Cup, Summerfest, PrideFest, German Fest, Wisconsin State Fair, Mexican Fiesta, and PolishFest, among many others. The Ryder Cup, a golf competition between Europe and the United States, was originally planned for September 2020 in Kohler, Wisconsin, just an hour north of Milwaukee; this event was expected to generate 40,000 to 45,000 spectators daily at the matches. The Straits Course at Whistling Straits is anticipated to host the Ryder Cup for the first time in September 2021. The USA Triathlon has also been rescheduled for 2021; this event brings nearly 15,000 visitors to the Milwaukee area and generates an economic impact of more than $6 million.
- Amid the COVID-19 pandemic, Johnson Controls decided to shift operations to its Glendale campus, moving approximately 1,300 employees from its Downtown Milwaukee offices.

New Supply

- From 2017 through year-end 2019, 823 rooms entered the Downtown Milwaukee market, as major projects in the area spurred hotel development and unaccommodated demand. In August 2020, the Hotel Metro reopened as an Autograph Collection by Marriott affiliate following the completion of a multimillion-dollar renovation of the hotel's guestrooms and public space. Most recently, a tri-branded, 331-key Holiday Inn Express & Suites, Tru by Hilton, and Home2 Suites by Hilton opened in December 2020.



- 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 estabilishment 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.