



# Milwaukee: Moving Beyond Beer and Brats, Motorcycles and Machine Tools

By Edward M. Bury, APR

With their existing building stock and defined central areas, many cities across the Midwest industrial belt hold the potential to be “reinvented” from blue-collar hubs of manufacturing to white-collar centers of commerce, service, and high-tech research. In Milwaukee, that potential already has been realized.

For decades, Milwaukee was best known for its national breweries, lakefront festivals, Harley Davidson motorcycles, and machine tool manufacturing. As 2007 comes to a close, the Miller Brewing Company remains a major employer, annual events like the 11-day Summerfest draw millions for music and food, and factories still build Harleys and high-end machine tools there. But over the past decade, much about Milwaukee has changed.

The city of 600,000 on Lake Michigan’s western shore is undergoing a central business district (CBD) renaissance sparked primarily by high-rise condominium development and vintage building conversion projects. According to local real estate sources, an estimated 2,000 condo units were

put on the market from 2001 to 2006, and experts predict the market is at the beginning of a cycle that could run 10 or more years before slowing down. Office tenants and retailers are not present in great numbers yet, but they are expected to follow soon.

Like many cities, Milwaukee has lost manufacturing jobs to overseas competition, although Harley Davidson (3,600 workers) and Miller (2,000 workers) are major employers. The city does boast eight Fortune 500 headquarters, and three large health-care providers—Aurora, Covenant, and Columbia-St. Mary’s—provide a combined total of nearly 30,000 jobs.

Two high-profile projects—one completed and the other still in the planning stages—are testimony to what Milwaukee can accomplish and what may come on line should the market continue to advance.

In 2001, the Milwaukee Art Museum expanded its lakefront campus in a dramatic way with the unveiling

of the new Quadracci Pavilion designed by acclaimed architect Santiago Calatrava. The structure, the first American commission for Calatrava, features a 90-foot glass-walled reception hall enclosed by a sunscreen that can be raised or lowered, creating a moving sculpture. The sweeping structure has become an iconic presence to the city’s skyline and brought the city national attention. At the northwest corner of downtown, local business leader and developer Joseph Zilber is in the early stages of redeveloping a big piece of Milwaukee’s past—the 21-acre Pabst



Right: Milwaukee City Hall

brewery complex. Plans call for sale of the various century-old buildings and conversion into a new mixed-use community of residential, retail, and offices. Called The Brewery, the site had been earmarked for an entertainment project, but the proposal never materialized. The current plan for The Brewery is projected to take 5 years to complete.

The Pabst property is the largest and most notable historic parcel slated for new uses. But an online search revealed that there are others, like the 15-story, 117,000-square-foot Wells Building (vintage 1901) offered for \$7.2 million, and the Lindsay Building (circa 1982), a 220,000-square-foot warehouse listed for \$6,040,000. South of downtown, the Historic Third Ward, a warehouse district with more than 400 businesses, cultural institutions, and restaurants, is proof that a thriving urban environment can be developed in an old part of town.

A local real estate expert maintains the city boasts features beyond its lakefront and historical properties.

“Milwaukee has a lot great amenities for an urban environment,” said David L. Barry, CCIM, a broker with Colliers Barry. “The city is safe, and it has been that way for a long time. And with mortgage interest rates being low, affordable condos are in the price range for the 25- to 30-year-old first-time home buyers.”

Condominium properties like the Marine Terminal Lofts, starting at under \$200,000 for around 860 square feet, certainly are in the entry-level market. On the other end of the spectrum, 3,200-square-foot units at the luxurious 36-story University Club Tower built by the Mandel Group start upwards of \$1.2 million and are targeted to the business and social elite or well-heeled empty-nester.

The potential for attracting new commercial development and tenants remains strong for several reasons: numerous available parcels of land in or adjacent to downtown; relatively low office rental rates (\$13.94 per square foot) and apartment rental costs (\$767 per month),



Above: Milwaukee Art Museum

and very low warehouse rates (\$3.86 per square foot). Office market sources put downtown vacancy rates from 21 percent to 17.9 percent, with the rental price averaging \$24 per square foot.

Barry also pointed out another plus: Even without an existing commuter

rail network, Milwaukee has very low average commuting times (around 20 minutes), making it a quick trip for those who trek in from the suburbs or outlying neighborhoods to downtown. With an emerging downtown residential market, some of those commuters may decide to call downtown home.

Milwaukee Transaction Breakdown (10/1/06 - 9/30/07)					
	Office	Industrial	Retail	Apartment	Hotel
<b>&lt; \$5 Million</b>					
Volume (Mil)	\$53	\$76	\$80	\$56	–
Size Weighted Avg.	\$62	\$30	\$95	\$48,320	–
Price Weighted Avg.	\$71	\$45	\$160	\$55,577	–
Median	\$60	\$41	\$79	\$46,000	–
<b>&gt; \$5 Million</b>					
Volume (Mil)	\$913	\$215	\$177	\$208	\$79
Size Weighted Avg.	\$134	\$43	\$131	\$93,138	\$93,318
Price Weighted Avg.	\$166	\$61	\$163	\$129,907	\$103,825
Median	\$131	\$38	\$118	\$85,035	\$80,667
<b>All Transactions</b>					
Volume (Mil)	\$966	\$291	\$256	\$265	\$85
Size Weighted Avg.	\$126	\$39	\$117	\$77,764	\$85,936
Price Weighted Avg.	\$161	\$57	\$162	\$114,064	\$99,735
Median	\$76	\$41	\$88	\$49,890	\$79,039
<b>Capitalization Rates (All Transactions)</b>					
Weighted Average	7.3	–	7.0	–	–
Median	7.5	–	7.2	–	–
Source: RERC.					