

2025 Year-End Market Review & 2026 Outlook

Dear Property Owners and Real Estate Investors,

I hope you had a healthy and prosperous 2025. As we enter 2026, I am sharing a review of how the Eau Claire rental market performed in 2025, along with our outlook for 2026 and how we are positioning your properties for success.

2025 in Review

In 2025, the Eau Claire rental market continued the transition from rapid post-pandemic change to a more balanced but tenant-favored market. Inflation moderated, repair and maintenance costs stabilized at higher “new-normal” levels, rent growth flattened, and in some segments declined. Higher interest rates slowed new construction, insurance costs surged again, and declining university enrollment increased competition in the student housing sector. Against this backdrop, proactive management, tenant retention, and strategic reinvestment became more important than ever.

Market Conditions in 2025

Costs & Inflation

Repair and maintenance expenses stabilized as inflation flattened near the mid-2% range. While costs remain elevated compared to the past, material and labor pricing has stabilized, allowing owners and managers to plan with greater certainty.

Rents & Demand

Rent growth in Eau Claire was flat in 2025 and declined in some segments. Market data shows downward pressure on asking rents, driven by affordability constraints and increased competition among available units. We always try to get a little bit more rent on lease renewals while keeping increases in rents minimal so as to not drive a tenant out of a rental unit based on price.

Construction & Permits

Higher interest rates significantly slowed construction activity statewide and locally. Both Wisconsin UDC permits and City of Eau Claire housing permits declined, including multi-family projects, as financing costs curtailed development.

Insurance

Insurance costs increased sharply again in 2025, with many policies rising more than 25%. Insurers are conducting more frequent and detailed property inspections, often issuing repair demands under threat of non-renewal. These unexpected inspections create costly, time-consuming, and increasingly unavoidable repairs.

Student Housing Market Dynamics

The UW-Eau Claire rental market became more challenging in 2025. Property owners continue to add bedrooms, while university enrollment has steadily declined. At the same time, university policies requiring freshmen and sophomores to live on campus have pushed demand and rents into a smaller pool of upper-class students to rent the privately owned off-campus housing that we manage.

With fewer students competing for roughly the same amount of off-campus housing, marketing effectiveness has become critical. We continue to invest in online tools, blogging, and direct email campaigns. However, younger renters engage less with email and increasingly prefer fast, visual, and audio content on platforms they already use daily. In response, we are expanding into short-form video and AI-optimized content while continuing strong SEO strategies to remain visible where students scroll.

Financing & Reinvestment Considerations

Entering 2025 the prime lending rate stood 7.50%, and by year-end declined to 6.75%. Hopefully this prime lending rate will continue to decline throughout the year.

With expenses rising and rents flattening, some owners understandably considered delaying property upgrades beyond essential maintenance. However, in a tenant-favored market, strategic reinvestment becomes even more important. Tenants gravitate toward better-maintained and updated properties. The cost of improvements is often far less than the financial impact of vacancy. In competitive markets, reinvestment is not discretionary; reinvestment is defensive.

Looking Ahead to 2026

Rents & Supply

We expect rent increases in 2026 to be modest, flat, or in some cases negative; similar to 2025. In-process construction projects, including those in the Cannery District, will add supply. Seasonally, winter rents will remain soft, spring 2026 should be strong, and summer and fall are expected to be relatively flat.

A bright spot remains in people's ability to do remote work. Individuals able to work from home continue relocating from larger metropolitan areas to markets like Eau Claire, helping to add housing demand.

Student Housing Evolution

Student preferences have shifted. Today's students value privacy, often choosing to live alone or with one roommate rather than in large group houses. Students are less willing to share a bathroom, so having multiple bathrooms in a dwelling is more important than ever. Students are

unwilling to go to the laundromat making having onsite non-coin laundry a must. Combined with declining enrollment, if you don't have all of the amenities, the trend is toward increasing vacancies in traditional student rentals. Non-student renters will fill those units at lower rent.

Historic Randall Park Neighborhood Association (HRPNA) seems to be struggling as its members age out of participation. Despite this HRPNA will continue to push for fewer student renters and more family occupancy. This will result in increased subsidized or non-student tenancy in those formerly student occupied units.

Beyond 2026, even though I am not aware of any discussions to close the UW-Eau Claire Barron County campus, I see no reason why the university should continue operations in Rice Lake when the Eau Claire campus has capacity to absorb the approximate 400 students from this two year college just 57 miles to the north of Eau Claire.

For the landlords that continue to improve their student rentals they will see better than average rent increases as the student market rents are being pushed ahead by the university driving up the cost of living in on-campus housing and forcing the freshman and sophomores to have no option but to rent on-campus housing.

Legal & Political Environment

Housing affordability has become a dominant political issue. Over the past decade, Wisconsin's median home price rose nearly 120% to \$337,000, while median incomes increased only about 50%. This imbalance has intensified political focus on housing costs, homelessness, and tenant protections.

In 2026, we expect increased pro-tenant legislative and regulatory efforts at both state and local levels. Some narratives inaccurately attribute affordability challenges to landlords making rents too high. Political pressure will continue driving policy discussions that we will monitor closely. We have also been watching ongoing legal implications of *Koble Investments v. Elicia Marquardt*. The Wisconsin Supreme Court did agree to look at this case and a decision is expected soon in *Koble v. Marquardt*. We anticipate this decision will correct an injustice done by a lower court that makes any unlawful lease language force the landlord to return all rents paid to the tenant for residing in the landlord's property.

Insurance Outlook

Insurance pressures are expected to persist. Based on discussions with local agents and warning letters from insurance carriers, additional annual increases of 25% or more are likely over 2026. Owners should plan for continued inspections, compliance demands, and rising premiums.

Operational Trends

We continue to observe changes in resident behavior that require increased management attention, including more frequent early lease termination requests, a rise in applications from tenants stretching beyond financial qualifications, and increased use of government housing

assistance. Government housing assistance brings added administrative work, inspections, and rent tracking tied to income changes.

Our Focus for 2026

In 2026, our priorities remain clear, tenant retention to minimize turnover and vacancy costs by keeping rent increases minimal, being responsive in our management to protect property condition and resident satisfaction, and expanding digital marketing, including SEO-optimized blogs and video content to stay ahead of competitors. We plan to add a content creator to make a digital presence that is organized by someone on our team that is focused on creating digital content.

Closing

For owners considering acquisitions, dispositions, or portfolio repositioning, please consult your Executive Property Manager. Our managers are licensed real estate agents with MLS access and are fully versed in current National Association of Realtors requirements, including buyer agency agreements. Oftentimes we can arrange for one owner to buy out another.

Thank you for your continued trust and partnership. Despite market headwinds, we remain confident in our ability to manage your investments effectively and proactively. We take our responsibility to keep you informed seriously and encourage you to reach out with any questions.

On behalf of the entire General Property Management team, and on behalf of your residents, we thank you and appreciate your trust as we partner with you in the management of your real estate.

We look forward to serving you in 2026 and beyond.

A handwritten signature in black ink, appearing to read "John A. Moss". The signature is fluid and cursive, with the first name "John" being more prominent.

John A. Moss, President of General Property Management LLC