

# Quarterly Economic Report



Rochester Area Economic Development, Inc. (RAEDI)

Third Quarter 2025

## Third Quarter 2025 Summary

The Rochester MSA economy continued to experience steady growth in the third quarter of 2025, supported by gains in both employment and labor force participation. Total nonagricultural wage and salary employment increased by 1.4% over the third quarter of 2024, adding 1,767 jobs and bringing total employment to 128,218. Growth was driven primarily by service-providing industries, which added 1,265 jobs over the past year, while goods-producing sectors gained 508 jobs. Educational and health services continued to be a major contributor to regional employment growth.

The Rochester MSA unemployment rate rose slightly to 2.9% in the third quarter of 2025, up from 2.2% one year earlier, but remained below both the Minnesota rate of 3.5% and the national rate of 4.3%. The regional labor force also expanded, reaching 130,592 workers, a 2% increase from September 2024, reflecting continued workforce growth and economic stability across the region.

Development and infrastructure activity reinforced this positive outlook. Commercial and residential building permits totaled \$238.4 million, a 21% increase over last year and the highest third-quarter valuation in five years. Rochester International Airport recorded a 6% increase in passenger traffic and secured \$70 million in federal and state funding to advance major runway and general aviation improvements, strengthening regional connectivity and long-term competitiveness.

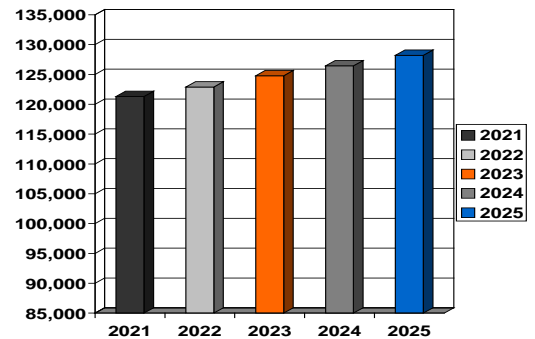
Overall, Rochester continues to demonstrate a resilient and expanding economy. Strong employment gains, elevated construction activity, increased airport usage, and continued growth in hotel/motel sales tax revenues point to sustained confidence in the region's economic fundamentals, even as workforce availability and housing demand remain important considerations for business and community leaders.

# Quarterly Economic Report

## Total Employment

Nonagricultural wage and salary employment for the Rochester MSA increased by 1.4% over third quarter 2024. The gain of 1,767 jobs brought the total employment figure to 128,218 from the September 2024 level of 126,415. Goods Producing showed a gain of 508 jobs over the last 12 months while Service Providing reported a gain of 1,265 jobs.

Total Employment Third Quarter



## Rochester MSA Employment Past 5 Years - Third Quarter

	<u>Sept. 2021</u>	<u>Sept. 2022</u>	<u>Sept. 2023</u>	<u>Sept. 2024</u>	<u>Sept. 2025</u>
<b>Total Employment</b>	121,306	122,912	124,796	126,451	128,218
<b>Goods Producing</b>					
Construction, Mining, Logging	5,376	5,596	5,452	5,529	6,047
Manufacturing	9,615	9,665	9,515	9,084	9,068
<b>Service Providing</b>					
Wholesale Trade	2,521	2,553	2,570	2,685	2,516
Retail Trade	11,320	11,798	11,724	12,084	12,106
Transportation/Warehousing	2,471	2,504	2,411	2,553	2,568
Information	1,123	1,088	1,107	586	586
Financial Activities	2,764	2,855	2,770	2,782	2,809
Professional/Business Services	6,260	6,695	6,663	6,736	6,907
Educational/Health	53,085	52,946	54,384	55,626	57,216
Leisure/Hospitality	10,678	10,871	11,471	11,298	11,432
Other Services	3,633	3,707	3,792	3,881	3,793
Government	12,460	12,634	12,937	13,232	13,170

Source: Minnesota Department of Employment & Economic Development

## Unemployment

The Rochester MSA unemployment rate increased by .7% from the same period last year and was 2.9% at the end of the third quarter 2025. The Rochester average continues to remain below the state and U.S. averages of 3.5% and 4.3% respectively.

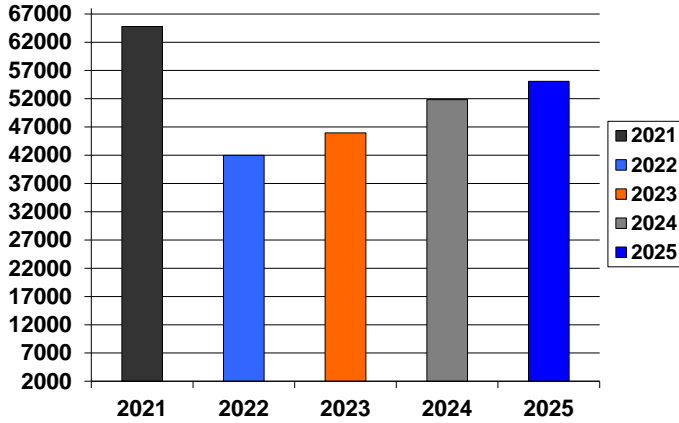
The labor force in September was 130,592 which was 2% higher than the September 2024 figure of 128,028.

## Unemployment Rates Past 5 Years Third Quarter- Rochester MSA

<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2025 2.9%	2025 3.5%	2025 4.3%
2024 2.2%	2024 2.7%	2024 3.9%
2023 2.0%	2023 2.4%	2023 3.6%
2022 1.7%	2022 2.0%	2022 3.3%
2021 2.4%	2021 3.0%	2021 4.6%

Source: Minnesota Department of Employment & Economic Development

### Airport Passenger Traffic Annual Comparison



### Rochester International Airport (RST) Traffic

The Rochester International Airport served 55,077 passengers during the third quarter of 2025. This is a 6% increase over third quarter 2024 (51,847 passengers). Year-to-date passengers are up 6% from prior year. Passenger totals for July, August, September were 18,105, 18,605, and 18,367 respectively.

Cargo operations increased 3% as compared to the prior year with 4,251,209 lbs. of landed weight.

The airport recently secured \$70M in federal and state grant funding. The funds, awarded through the Federal Aviation Administration (FAA) and Minnesota Department of Transportation (MnDOT), along with funding from airport reserves, will help complete two key projects: the final phase of the Runway 3/21 (formerly 2/20) Safety Improvement Project and the General Aviation (GA) Ramp Reconstruction.

This work includes:

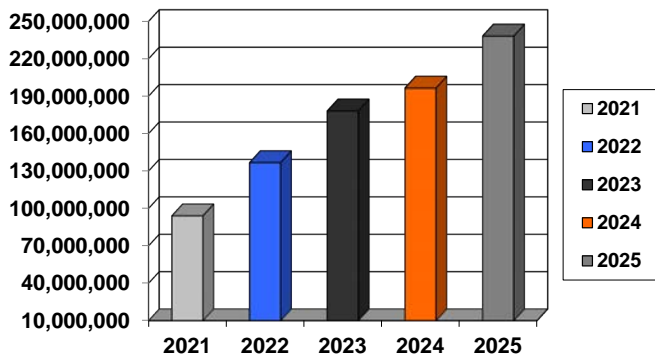
- Reconstruction and extension of Runway 3 and Taxiway B to the south
- Removal of Taxiways E, F & G and reconstruction of a terminal area taxiway
- Reconstruction of the runway-runway and runway-taxiway intersections
- Reconstruction of Taxiways A and B in the vicinity of the runway intersection

Having this funding secured up front means the project can move forward without the usual annual approval steps, keeping construction on pace and costs in check.

Part of the funding will also support the continued General Aviation Ramp Reconstruction Project, which expands on work already underway to modernize and expand space for corporate and private aircraft, air ambulance operations, and aviation training.

Source: Rochester International Airport

### Commercial & Residential Building Permits Third Quarter



### Commercial and Residential Building Permits Third Quarter Past 5 Years

	<u>Valuation</u>	<u>Total Permits</u>
2025	\$238,427,367	1,241
2024	\$196,726,006	693
2023	\$178,351,042	659
2022	\$136,878,287	603
2021	\$ 94,166,285	558

Source: Building Safety - City of Rochester

### Third Quarter Building Activity

Commercial and residential building permits issued for third quarter 2025 totaled \$238,427,367. This is an increase of 21.2% over third quarter 2024.

Permits over \$1 million for third quarter 2025 included: Addition to an existing building for Hands of Compassion Ministry including 11 new units (7,566 sq. ft., 4 levels) plus kitchen renovation Replacement of Air Handling Unit S-2 at Methodist Hospital (Eisenberg). Mayo roofing project: remove existing ballasted EPDM roofs and install new paver-ballasted systems on roofs 3–5 and adhered EPDM on roofs 1–2 and 6–8. St. Mary’s employee parking ramp: new 5-tier, 350,000 sq. ft. ramp with pedestrian and vehicle bridge connections to ramp #34. St. Mary’s electrical upgrade: installation of a 2,000-amp service for lighting, elevator power, and general power throughout the ramp. Prospect Utility Plant (PUP) expansion at Mayo: installation of new ductwork, AHUs, heaters, fans, finishes, and extensive hydronic system piping (chilled water, boiler feed, condensate, steam, etc.). Construction of a 140-unit, 3-story apartment building with underground parking (Forte Phase III). City of Rochester Parks and Forestry project. Electrical work for new 2,500-stall, 778,019 sq. ft. parking ramp at Mayo, including site demo, earthwork, H-piles, and concrete foundations. Mechanical work at Olmsted Medical Center: temporary RTU and ductwork; removal and replacement of three AHUs. Mayo campus demolition: building removal down to grade and utility disconnects. Electrical work for a 140-unit, 3-story multifamily building with underground parking.

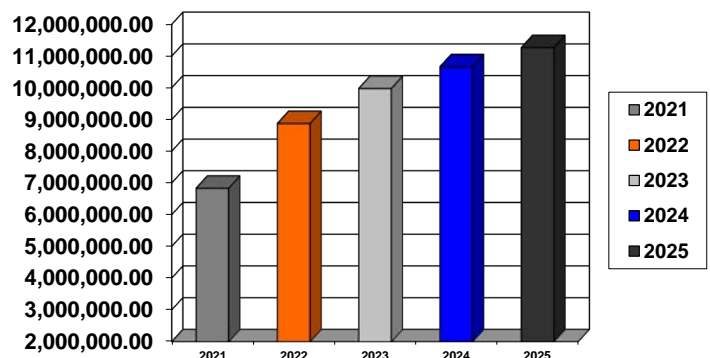
Source: Rochester Building Safety Department

#### Hotel/Motel Sales Tax - City of Rochester

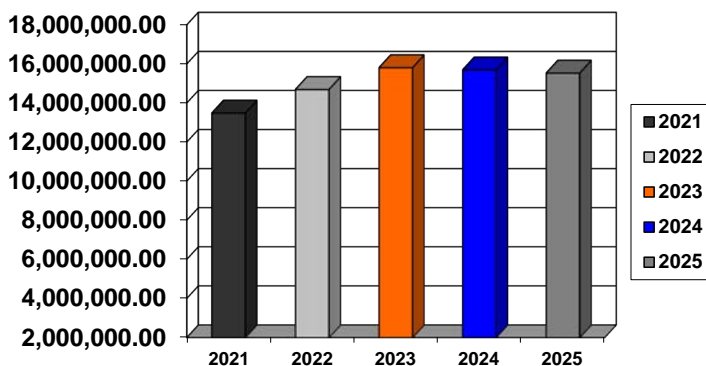
Aug 2025-July 2025	\$11,273,328.10
Aug 2023-July 2024	\$10,669,896.80
Aug 2022-July 2023	\$ 9,984,514.05
Aug 2021-July 2022	\$ 8,882,052.55
Aug 2020-July 2021	\$ 6,840,702.56

Source: City of Rochester Finance Department

#### Hotel/Motel Sales Tax Past 5 Years



#### Net Sales Tax Past 5 Years

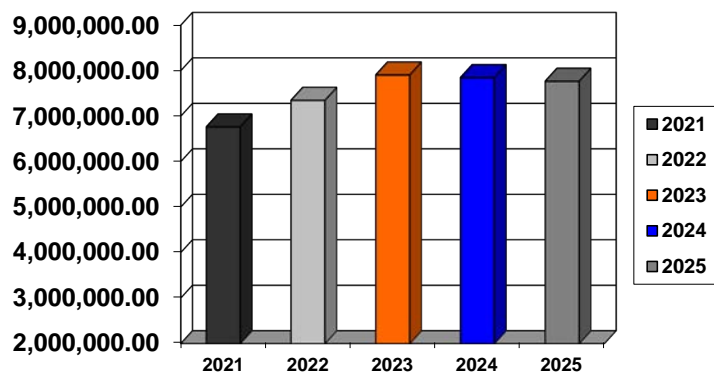


#### Net Sales Tax - City of Rochester

Aug 2025 - July 2025	\$15,543,208.10
Aug 2023 - July 2024	\$15,704,498.44
Aug 2022 - July 2023	\$15,819,794.50
Aug 2021 - July 2022	\$14,703,838.20
Aug 2020 - July 2021	\$13,497,701.70

Source: City of Rochester Finance Department

### Net Sales Tax Past 5 Years Destination Medical Center Corporation (DMCC)



### Net Sales Tax - Destinalional Medical Center Corporation (DMCC)

Aug 2025 - July 2025	\$7,771,421.30
Aug 2023 - July 2024	\$7,852,070.87
Aug 2022 - July 2023	\$7,909,721.55
Aug 2021 - July 2022	\$7,351,746.68
Aug 2020 - July 2021	\$6,766,365.77

Source: City of Rochester Finance Department

### September Housing Activity in Southeast Minnesota

	<u>Average Price</u>	<u>Median Price</u>	<u>Days on Market</u>	<u>New Listings</u>	<u>Pending Sales</u>	<u>Closed Sales</u>
2025	\$345,669	\$299,900	44	591	456	450
2024	\$316,566	\$280,350	40	542	398	431
2023	\$295,798	\$256,750	35	509	406	506
2022	\$289,148	\$259,900	31	573	430	564
2021	\$266,302	\$245,500	24	665	551	625

Source: Southeast Minnesota REALTORS

### September 2025

U.S. existing-home sales were virtually unchanged from the previous month, dipping just 0.2% to a seasonally adjusted annual rate of 4.0 million units, according to the National Association of REALTORS® (NAR). Most of these transactions went under contract in June and July, when mortgage rates were 40 to 50 basis points higher than current levels. Year-over-year, sales increased 1.8%, with the strongest activity occurring in the Midwest, where the typical home price is 22% below the national median.

New Listings increased 9.0 percent to 591. Pending Sales increased 14.6 percent to 456. Inventory increased 4.0 percent to 1,230.

Median Sales Price increased 7.1 percent from \$280,000 to \$299,900. Days on Market increased 10.0 percent to 44. Months Supply of Inventory were dead even with last year.

Nationally, housing inventory declined for the first time this year, slipping 1.3% month-over-month to 1.53 million units, representing a 4.6-month supply at the current sales pace, according to NAR. Despite the monthly drop, total inventory remained 11.7% higher than the same time last year.

Meanwhile, the U.S. median existing-home price rose 2% year-over-year to \$422,600, though it was essentially flat compared to the prior month.

Source: Southeast Minnesota REALTORS