

Quarterly Economic Report

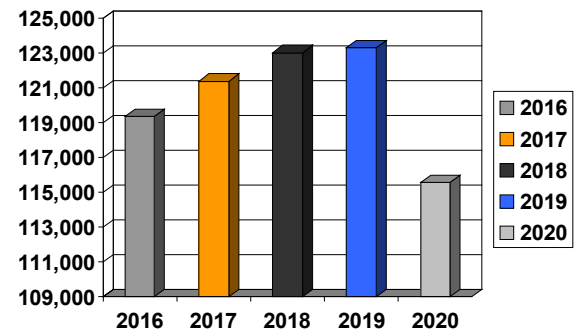
Rochester Area Economic Development, Inc. (RAEDI)

Fourth Quarter, 2020

Total Employment

Nonagricultural wage and salary employment for the Rochester MSA was down for the year by 6.3% from 2019. The loss of 7,730 jobs brought the total employment figure to 115,569 from last year's December level of 123,299. Both service providing and good producing reported losses of 7,633 and 97 jobs respectively.

Fourth Quarter Total Employment



Rochester MSA Employment Past 5 Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Employment					
Nonfarm	119,389	121,375	123,010	123,299	115,569
Goods Producing					
Construction, Mining, Logging	4,242	4,429	4,609	5,097	4,955
Manufacturing	10,223	10,351	10,784	10,831	10,876
Service Providing					
Wholesale Trade	2,682	2,748	2,869	2,894	2,797
Retail Trade	12,807	12,707	12,524	11,968	13,084
Transportation/Warehousing	2,963	2,784	2,872	2,822	2,861
Information	1,879	1,897	1,602	1,426	1,135
Financial Activities	2,696	2,808	2,822	2,742	2,797
Professional/Business Services	5,959	5,889	5,861	5,576	5,320
Educational/Health	48,837	49,970	51,291	51,435	48,367
Leisure/Hospitality	10,006	10,715	10,914	11,113	7,381
Other Services	4,046	3,879	3,839	3,909	3,597
Government	13,049	13,198	13,023	13,486	12,452

Source: Minnesota Department of Employment & Economic Development

Unemployment

The Rochester MSA unemployment rate increased by .9% from one year ago ending at 3.9% for the 2020 year. The Rochester average remains below the state and U.S. averages of 4.6% and 6.5% respectively.

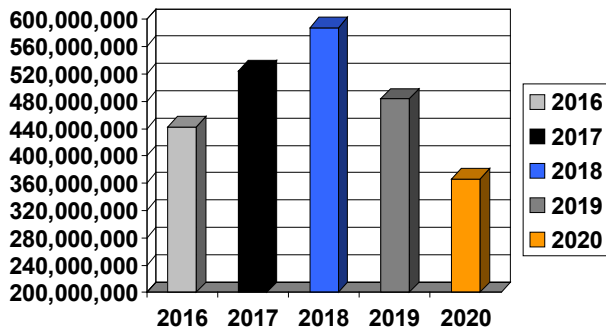
The December labor force figure of 121,785 represents a decrease of 2.9% from the December 2019 figure of 125,420.

Unemployment Rates Past 5 Years Fourth Quarter- Rochester MSA

	<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2020	3.9%	2020 4.6%	2020 6.5%
2019	3.0%	2019 3.5%	2019 3.4%
2018	2.8%	2018 3.3%	2018 3.7%
2017	2.8%	2017 3.2%	2017 3.9%
2016	3.3%	2016 4.0%	2016 4.5%

Source: Minnesota Department of Employment & Economic Development

Fourth Quarter Commercial & Residential Valuation Comparison



Commercial and Residential Annual Building Permits Past 5 Years

	<u>Valuation</u>	<u>Total Permits</u>
2020	\$366,671,424	1,970
2019	\$483,468,201	2,270
2018	\$587,794,238	2,305
2017	\$524,691,279	2,665
2016	\$442,846,498	2,429

Source: Building Safety - City of Rochester

Building Activity

Commercial and residential building permits issued for 2020 totaled \$366,671,424. Permit valuation totals were down 24% from 2019, 37.6% from 2018, 30.1% from 2017, and 17.2% from 2016.

Permits over \$1 million during fourth quarter 2020 included: renovation of operating rooms and support spaces (Methodist Hospital), electrical work for Eisenberg room remodel (Mayo), new 2-story memory care facility (Fairway Memory Care), footing, foundations and underground utilities (Two Discovery Square), work related to project Gonda 9 GIH Endoscopy remodel, shell construction of 7,820 square foot building (Merchants Business Center), converting interior of previous merchantile use to an indoor climate controlled storage (Rochester Indoor Storage-North), renovation of existing space for temporary courthouse space (Olmsted County Temporary Courthouse), supportive living resident apartment interior finish refresh (Charter House), new construction of footing and foundation for 175,000 square foot middle school with associated site work (Rochester Public Schools), renovations and additions of conference/break area as well as vehicle storage building (Water Reclamation Plant), and structural steel for Two Discovery Square.

Source: Rochester Building Safety Department

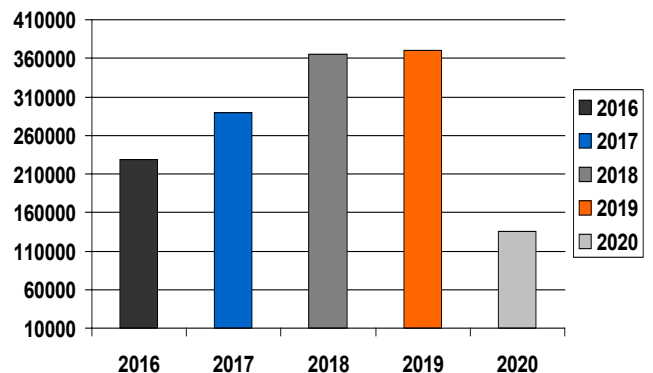
Airport Traffic

The Rochester International Airport serviced 134,877 passengers during 2020. This is a decrease of 63.6% over 2019 (370,851), 63.1% over 2018 (365,027), 53.4% over 2017 (289,214), and 41.1% over 2016 (229,062).

The increase in passenger totals in 2018 and 2019 was due to RST offering new flight options with United Airlines, and Delta Airlines increasing frequency on routes to Atlanta and Minneapolis. Also, over 85 local businesses and organizations, including Mayo Clinic, adopted policies to “Fly Local” which also added to the increase. Low passenger counts started in mid-March 2020 and continued through December, due to the coronavirus pandemic.

Rochester International Airport (RST) is owned by the City of Rochester and operated by the Rochester Airport Company, a wholly-owned subsidiary of Mayo Clinic.

Airport Passenger Traffic Fourth Quarter Comparison



RST is served daily by United Airlines, American Airlines and Delta Air Lines.

Source: Airport Manager

2020 Housing Activity

New home listings in southeastern Minnesota decreased by 8.1% in 2020, and pending sales increased by 6.7% from the same period last year. Prices moved higher as the median sales price was up 10.5% to \$223,000, while the average sales price was up by 8.5%. The average house stayed on the market for 52 days in 2020.

The housing market in 2020 was resilient, ending the year on a

high note. Home sales and prices were higher than 2019 across most market segments and across most of the country. Seller activity recovered significantly from the COVID-19 spring decline, but overall activity was still insufficient to build up the supply of homes for sale. Moving forward in 2021, signals suggest buyer demand will remain elevated and tight inventory will continue to invite multiple offers and higher prices across much of the housing inventory.

Mortgage rates are expected to remain low, helping buyers manage some of the increases in home prices and keep them motivated to lock in their housing costs for the long term. These factors will provide substantial tailwinds for the housing market into the new year.

Source: SE MN REALTORS (Market Focus Report)

Annual 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>
2016	\$188,365	\$164,900	64	7,590	6,733	6,733
2017	\$204,375	\$176,000	56	7,358	6,499	6,558
2018	\$218,350	\$191,835	52	7,488	6,201	6,206
2019	\$227,919	\$202,000	56	7,388	6,245	6,223
2020	\$247,300	\$223,000	52	6,787	6,664	6,587

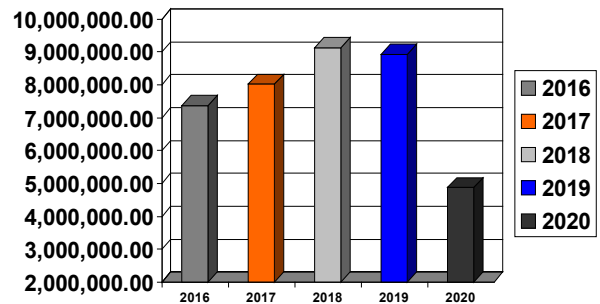
Source: SE MN REALTORS

Hotel/Motel Sales Tax City of Rochester January - October

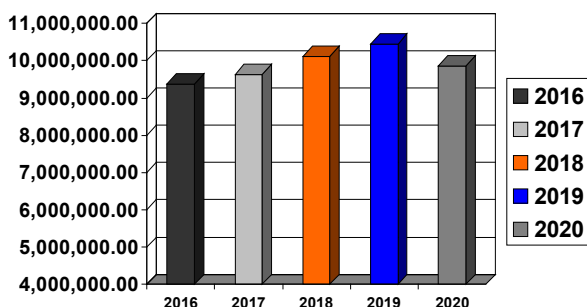
2016	\$ 7,374,520.07
2017	\$ 8,025,802.35
2018	\$ 9,138,831.11
2019	\$ 8,932,523.14
2020	\$ 4,874,287.63

Source: City of Rochester Finance Department

Hotel/Motel Sales Tax January – October



Net Sales Tax City of Rochester January - October



Net Sales Tax - City of Rochester January - October

2016	\$ 9,375,553.74
2017	\$ 9,624,478.66
2018	\$10,115,458.95
2019	\$10,450,158.24
2020	\$ 9,858,204.47

Source: City of Rochester Finance Department