

# Quarterly Economic Report

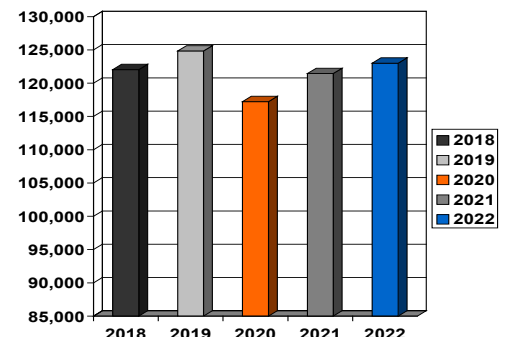
Rochester Area Economic Development, Inc. (RAEDI)

Fourth Quarter, 2022

## Total Employment

Nonagricultural wage and salary employment for the Rochester MSA was up for the year by 1.3% from 2021. The gain of 1,558 jobs brought the total employment figure to 123,016 from last year's December level of 121,458. Both service providing and goods producing reported gains of 1,294 and 264 jobs respectively.

## Total Employment Fourth Quarter



## Rochester MSA Employment Past 5 Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<b>Total Employment</b>					
Nonfarm	122,046	124,848	117,223	121,458	123,016
<b>Goods Producing</b>					
Construction, Mining, Logging	4,510	4,830	4,783	4,849	4,921
Manufacturing	10,768	10,852	9,781	9,554	9,746
<b>Service Providing</b>					
Wholesale Trade	2,676	2,613	2,515	2,536	2,554
Retail Trade	12,475	12,168	12,146	12,077	12,232
Transportation/Warehousing	2,800	2,857	2,503	2,616	2,629
Information	1,553	1,401	1,205	1,119	1,089
Financial Activities	2,737	2,797	2,699	2,823	2,863
Professional/Business Services	5,662	5,696	5,614	6,326	6,598
Educational/Health	51,202	52,772	52,328	53,044	53,299
Leisure/Hospitality	10,858	11,181	7,160	10,142	10,500
Other Services	3,782	3,875	3,352	3,648	3,661
Government	13,023	13,806	12,537	12,724	12,924

Source: Minnesota Department of Employment & Economic Development

## Unemployment

The Rochester MSA unemployment rate increased by .3% from one year ago ending at 2.5% for the 2022 year. The Rochester average remains below the state and U.S. averages of 3.2% and 3.3% respectively.

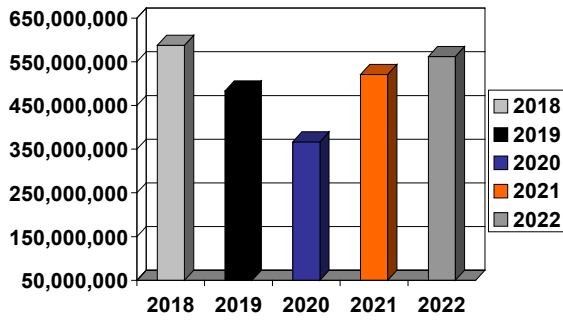
The December labor force figure of 127,371 represents an increase of 1.0% from the December 2021 figure of 126,103.

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

<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2022 2.5%	2022 3.2%	2022 3.3%
2021 2.2%	2021 2.9%	2021 3.7%
2020 3.9%	2020 5.0%	2020 6.5%
2019 3.1%	2019 3.4%	2019 3.4%
2018 2.9%	2018 3.4%	2018 3.7%

Source: Minnesota Department of Employment & Economic Development

### Commercial & Residential Valuation Comparison Past 5 Years



### Commercial and Residential Annual Building Permits Past 5 Years

	<u>Valuation</u>	<u>Total Permits</u>
2022	\$562,379,893	2,205
2021	\$521,166,413	2,254
2020	\$366,671,424	1,970
2019	\$483,468,201	2,270
2018	\$587,794,238	2,305

Source: Building Safety - City of Rochester

### Building Activity

Commercial and residential building permits issued for 2022 totaled \$562,379,893. Permit valuation totals were up 8% from 2021, 53.4% from 2020, 16.3% from 2019, and down 4.3% from 2018.

Permits over \$1 million during fourth quarter 2022 included: Charter House upgrades, new Mayo Clinic RMH loading dock building consisting of a new 27,000 SF building, basement, main level/loading dock area and a mezzanine, pool and locker room addition to Century High School, addition and remodel for Custom Alarm, building A of two 6-townhouse units for Legacy Row Homes, SEMCIL accesible indoor play space building - 39,928 SF, City of Rochester Cascade Lake Park improvements - amphitheater, event center and restrooms, remodel/updates of lobby and desk areas on Mayo 4th floor, consolidate program and lab services from North Broadway, Valley High & Superior Drive sites to 41st Professional building, modification to pool mechanical system and reroof at Mayo High School, neuroimmunology lab expansion on Hilton 7, add lighting and receptacles for Discover Walk project, remodel Siebens classroom on 7th floor, Plummer library renovation Phase II for floors 11, 12, 14 & 15, new single story Mercedes Benz Service Center, shell for new 25,364 SF multi-tenant commercial building - 19th Street office building, remodel to accomodate addition of new 30,000 SF lab space at Mayo Clinic, and footing & foundation for SoRoc on Maine II multi-family 97 unit, 3-story apartment with underground parking garage.

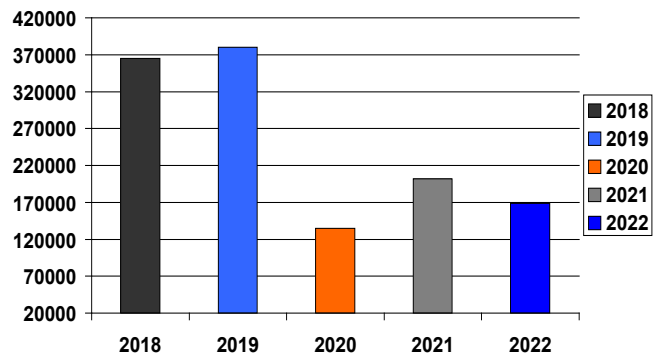
Source: Rochester Building Safety Department

### Airport Traffic

The Rochester International Airport serviced 168,870 passengers during 2022. This is a decrease of 16.4% over 2021 (201,934), an increase of 25% over 2020 and a decrease of 55.5% over 2019 (379,851), and 53.7% over 2018 (365,027).

Source: Airport Manager

### Airport Passenger Traffic Annual Comparison



## 2022 Housing Activity

Mortgage rates were near historic lows, buyer competition was fierce, and homes were selling at a breakneck pace, often with multiple bids and all-cash offers, due to pent-up demand and a shortage of housing supply, causing sales prices to soar to new heights.

But all that changed a few months later as mortgage rates began to rise, adding hundreds

of dollars to monthly mortgage payments and causing housing affordability to plummet to its lowest level in decades. As borrowing costs continued to increase, home sales and home prices began to slow, and after two years of record-breaking activity, the red-hot housing market was finally cooling.

**Sales:** Pending sales decreased 13.6 percent, finishing 2022 at 5,658. Closed sales were down 11.8 percent to end the year at 5,799.

**Listings:** Comparing 2022 to the prior year, the number of homes available for sale was up 13.7 percent. There were 657 active listings at the end of 2022. New listings decreased 7.9 percent to finish the year at 6,419.

**Sales by Price Range:** The number of homes sold in the \$300,001 and Above price range increased 5.7 percent to 2,244. Homes sold in the \$100,001 to \$150,000 price range fell 31.1 percent to 512 homes.

**Prices:** Home prices were up compared to last year. The overall median sales price increased 8.2 percent to \$265,000 for the year. Single Family home prices were up 8.0 percent compared to last year, and Townhouse-Condo home prices were up 13.6 percent.

**List Price Received:** Sellers received, on average, 98.8 percent of their original list price at sale, a year-over-year decrease of 1.0 percent. Home sales continued to decline throughout much of the year, as affordability challenges took their toll on market participants, forcing many prospective buyers and sellers to the sidelines. To help offset rising costs, some buyers moved from bigger, more expensive cities to smaller, more affordable areas, while others turned to the rental market, where competition and rental prices surged. As mortgage rates continued to climb and market conditions shifted, many homeowners were reluctant to sell their homes, and with buyer demand down, homebuilders eased production, further constraining an already limited supply of housing.

Looking ahead to 2023, much depends on inflation, mortgage interest rates, and the broader state of the economy, although economists predict many of 2022's housing trends will continue into the new year: home sales will soften, price growth will moderate, inventory will remain tight, and there will be greater variability between markets nationally, with some regions possibly seeing price declines while other, more affordable areas of the country remain in high demand and experience price growth.

	<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>
2018	\$218,751	\$192,000	52	7,462	6,167	6,170
2019	\$226,934	\$202,000	56	7,392	6,250	6,228
2020	\$247,294	\$223,000	53	6,789	6,658	6,609
2021	\$276,862	\$245,000	32	6,967	6,546	6,573
2022	\$304,050	\$265,000	34	6,419	5,658	5,799

**Source: SE MN REALTORS**

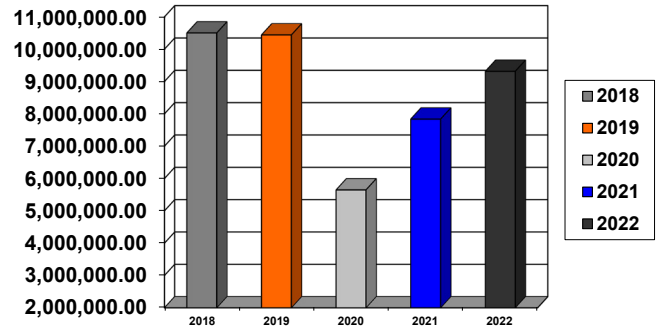
**Source: Southeast Minnesota Realtors**

**Hotel/Motel Sales Tax  
City of Rochester  
12 months**

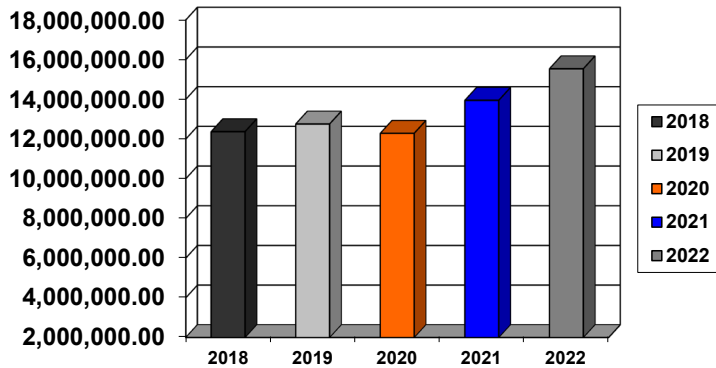
2018	\$10,501,141.97
2019	\$10,439,911.33
2020	\$ 5,647,345.37
2021	\$ 7,837,773.49
2022	\$ 9,315,538.68

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  
January - October**

2018	\$12,370,629.98
2019	\$12,757,100.83
2020	\$12,287,489.78
2021	\$13,950,484.11
2022	\$15,540,090.66

Source: City of Rochester Finance Department