

Quarterly Economic Report

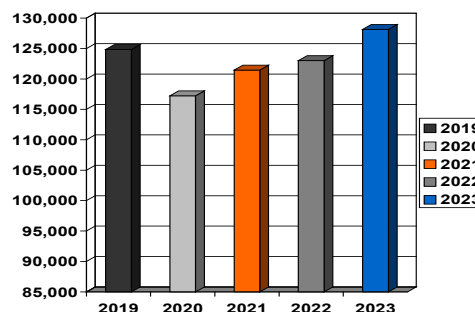
Rochester Area Economic Development, Inc. (RAEDI)

Fourth Quarter, 2023

Total Employment

Nonagricultural wage and salary employment for the Rochester MSA was up for the year by 4.2% from 2022. The gain of 5,133 jobs brought the total employment figure to 128,149 from last year's December level of 123,016. Service providing gained 5,269 while goods producing reported a loss of 136 jobs.

Total Employment Fourth Quarter



Rochester MSA Employment Past 5 Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Employment					
Nonfarm	124,848	117,223	121,458	123,016	128,149
Goods Producing					
Construction, Mining, Logging	4,830	4,783	4,849	4,921	5,127
Manufacturing	10,852	9,781	9,554	9,746	9,404
Service Providing					
Wholesale Trade	2,613	2,515	2,536	2,554	2,525
Retail Trade	12,168	12,146	12,077	12,232	13,478
Transportation/Warehousing	2,857	2,503	2,616	2,629	2,602
Information	1,401	1,205	1,119	1,089	1,043
Financial Activities	2,797	2,699	2,823	2,863	2,787
Professional/Business Services	5,696	5,614	6,326	6,598	6,507
Educational/Health	52,772	52,328	53,044	53,299	57,124
Leisure/Hospitality	11,181	7,160	10,142	10,500	10,430
Other Services	3,875	3,352	3,648	3,661	3,853
Government	13,806	12,537	12,724	12,924	13,269

Source: Minnesota Department of Employment & Economic Development

Unemployment

The Rochester MSA unemployment rate decreased by .5% from one year ago ending at 2.0% for the 2023 year. The Rochester average remains below the state and U.S. averages of 2.6% and 3.5% respectively.

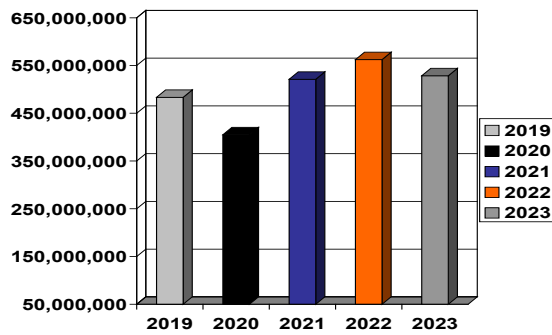
The December labor force figure of 129,434 represents an increase of 1.9% from the December 2022 figure of 126,962.

Unemployment Rates Past 5 Years Fourth Quarter- Rochester MSA

<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2023 2.0%	2023 2.6%	2023 3.5%
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%

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>
2023	\$528,634,529	2,380
2022	\$562,379,893	2,205
2021	\$521,166,413	2,254
2020	\$405,003,742	1,978
2019	\$483,468,201	2,270

Source: Building Safety - City of Rochester

Building Activity

Commercial and residential building permits issued for 2023 totaled \$528,634,529. Permit valuation totals were down 6% from 2022, and up 1.4% from 2021, 30.5% from 2020, and 9.3% from 2019.

Permits over \$1 million during fourth quarter 2023 included: tenant fit out for Suite 240 in Two Discovery Square, Kelly Merrick - compound pharmacy upgrade - Mary Brigh, grading work and associated site improvements for the new construction of an auto dealership (Luther Park Place), Valleyhigh Flats II 51-unit 4 story apartment building with underground parking, fit-up of the existing restaurant space in the Kahler Hotel to a Ruth's Chris Steakhouse, remodel of existing damaged office area. small addition for loading docks and remodel of material unloading area (Crenlo Plant 2), Olmsted County Public Works expansion addition, fit up of the new Cub Foods store to include a new pharmacy, wine and spirits shop, deli/meat counter, bakery, grocery sales floor and storage, dedicated Children's Imaging Center Alfred Building, Soldiers Field Park improvements - bathhouse building, plumbing work associated with the replacement of domestic water, waste, & vent risers throughout the building – Joseph Infrastructure at St. Mary's, buildout on the first floor of the Residence @ Discovery Square building to include twenty new apartment units, new Olmsted County Public Safety building, and Soldiers Field Park improvements - equipment/concession building & associated pools.

Source: Rochester Building Safety Department

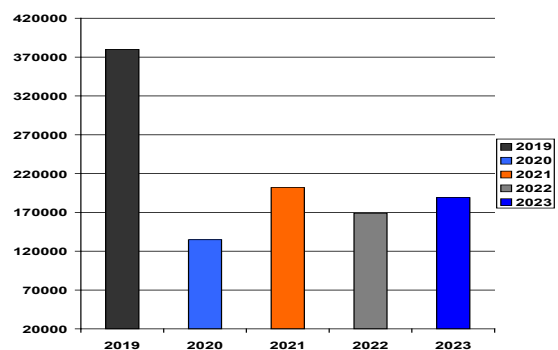
Airport Traffic

The Rochester International Airport served 189,038 passengers during 2023. This is an increase of 12% over 2022 (168,870 passengers). Passenger totals during fourth quarter for October, November, December were 18,429, 15,572, and 15,171 respectively. Local business travel supported fourth quarter's performance with strong numbers in October.

Cargo operations increased 6% over third quarter 2023 with 2,050,749 pounds of landed weight and is down 17% compared to fourth quarter last year.

The airport is nearly complete with Phase III of the Runway 2/20 Safety Project. This phase of the project included installation of a CAT II Instrument Landing System needed to improve operational reliability for aircraft landing at RST under instrument flight rules.

Airport Passenger Traffic Annual Comparison



This phase also completed an update to the runway safety area which is visible along US Highway 63 south. Runway 2/20 Safety Project is a multi-year, multi-phase project leveraging local, state, and federal funding.

Source: Rochester International Airport

2023 Housing Activity

2023 was a challenging year for the U.S. housing market: mortgage rates hit a 2-decade high, housing inventory remained at historic lows, and sales prices continued to climb nationwide, putting homeownership out of reach for many consumers.

Housing affordability remained a top concern for homebuyers, and for good reason: mortgage

payments are up significantly from 2022, with a number of homeowners now spending more than 30% of their income on their monthly payment. As a result, sales of previously owned homes remained sluggish throughout the year, while the shortage of existing-home inventory helped sales of new residential homes steadily increase from last year.

Higher mortgage rates aren't just affecting buyers. Many current homeowners purchased or refinanced their home in 2020 or 2021, when mortgage rates were several percentage points lower than today's rates. And while those pandemic-era mortgages have been a blessing for many homeowners, they've also kept others from moving. Rather than give up their current mortgage rate for a higher rate and a more expensive monthly payment, some would-be sellers have chosen to put their moving plans on hold, further limiting the number of homes for sale and driving up home prices in the process.

Sales: Pending sales decreased 10.2 percent, finishing 2023 at 5,069. Closed sales were down 14.2 percent to end the year at 4,981.

Listings: Comparing 2023 to the prior year, the number of homes available for sale was up 9.8 percent. There were 770 active listings at the end of 2023. New listings decreased 8.9 percent to finish the year at 5,854.

Sales by Price Range: The number of homes sold in the \$200,001 to \$300,000 price range decreased 9.6 percent to 1,695. Homes sold in the \$100,000 and Below price range fell 37.7 percent to 190 homes.

Prices: Home prices were generally up compared to last year. The overall median sales price increased 1.9 percent to \$270,000 for the year. Single Family home prices were up 1.9 percent compared to last year, and Townhouse-Condo home prices were down 2.4 percent.

List Price Received: Sellers received, on average, 97.9 percent of their original list price at sale, a year-over-year decrease of 0.9 percent.

With inflation showing signs of improvement, the Federal Reserve recently announced they are likely done raising interest rates for the time being and plan to make at least three cuts to their benchmark rate in 2024.

Mortgage rates have been dropping in recent months, which should help bring buyers and sellers back to the market and could lead to an uptick in both home sales and housing supply. Affordability will still prove challenging for many homebuyers, however, and economists predict U.S. home sales will remain down compared to 2019 - 2022. As for home prices, opinions are mixed, with some analysts expecting prices will hold steady or continue rising in areas, while others foresee a modest price drop in some markets.

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>
2019	\$226,934	\$202,000	56	7,392	6,250	6,228
2020	\$247,506	\$223,000	53	6,789	6,658	6,619
2021	\$277,138	\$245,000	32	6,967	6,556	6,582
2022	\$304,000	\$265,000	34	6,419	5,645	5,807
2023	\$308,181	\$270,000	40	5,854	5,069	4,981

Source: SE MN REALTORS

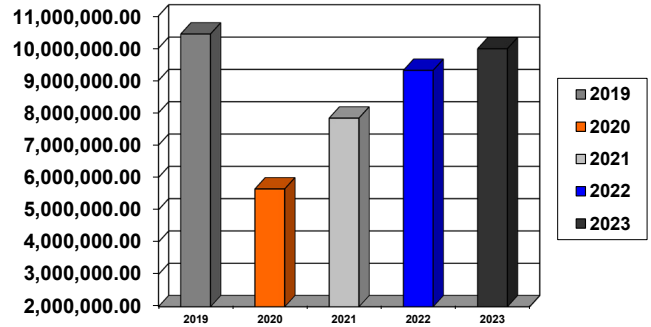
Source: Southeast Minnesota Realtors

**Hotel/Motel Sales Tax
City of Rochester
12 months (December-November)**

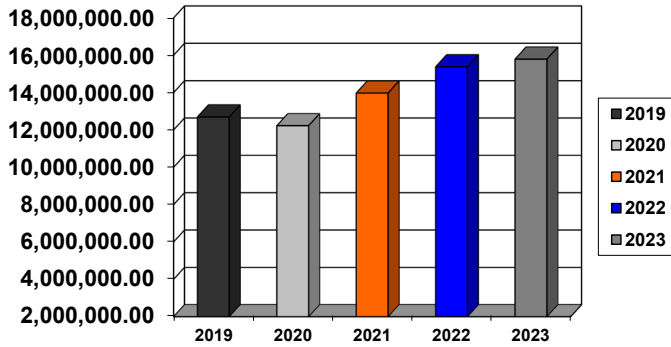
2019	\$10,387,337.84
2020	\$ 5,989,675.05
2021	\$ 7,554,108.28
2022	\$ 9,290,704.15
2023	\$10,256,053.67

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
12 months (December-November)**

2019	\$12,694,975.23
2020	\$12,227,728.16
2021	\$13,974,345.11
2022	\$15,380,386.44
2023	\$15,793,052.00

Source: City of Rochester Finance Department