

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

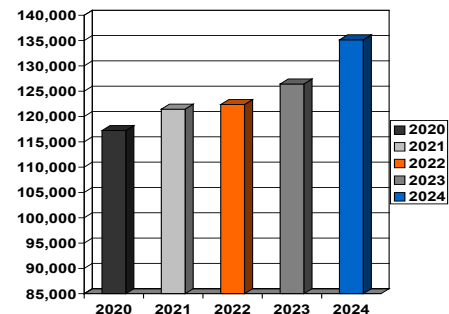
Fourth Quarter, 2024

Total Employment

Nonagricultural wage and salary employment for the Rochester MSA was up for the year by 6.9% from 2023. The gain of 8,726 jobs brought the total employment figure to 135,154 from last year's December level of 126,428.

Service providing gained 8,673 while goods producing reported a gain of 53 jobs.

Total Employment Fourth Quarter



Rochester MSA Employment Past 5 Years

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total Employment					
Nonfarm	117,223	121,458	122,368	126,428	135,154
Goods Producing					
Construction, Mining, Logging	4,783	4,849	4,804	4,845	4,882
Manufacturing	9,781	9,554	9,459	9,313	9,329
Service Providing					
Wholesale Trade	2,515	2,536	2,593	2,620	2,569
Retail Trade	12,146	12,077	12,198	12,401	12,148
Transportation/Warehousing	2,503	2,616	2,584	2,482	2,534
Information	1,205	1,119	1,103	1,101	717
Financial Activities	2,699	2,823	2,774	2,756	2,663
Professional/Business Services	5,614	6,326	6,657	6,665	6,803
Educational/Health	52,328	53,044	53,096	56,169	65,516
Leisure/Hospitality	7,160	10,142	10,416	10,768	10,368
Other Services	3,352	3,648	3,742	3,796	3,826
Government	12,537	12,724	12,950	13,512	13,799

Source: Minnesota Department of Employment & Economic Development

Unemployment

The Rochester MSA unemployment rate increased by .1% from one year ago ending at 2.1% for the 2024 year. The Rochester average remains below the state and U.S. averages of 2.7% and 3.8% respectively.

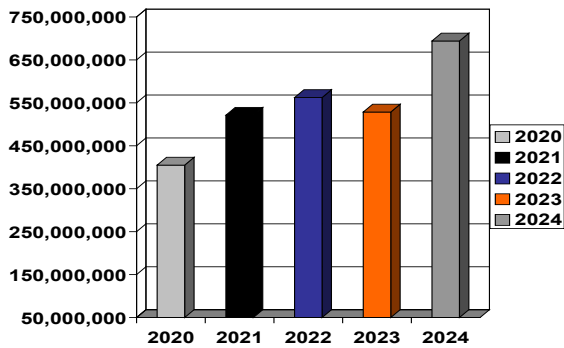
The December labor force figure of 136,724 represents an increase of 6.8% from the December 2023 figure of 128,011.

Unemployment Rates Past 5 Years Fourth Quarter- Rochester MSA

<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2024 2.1%	2024 2.7%	2024 3.8%
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%

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>
2024	\$694,120,213	2,449
2023	\$528,634,529	2,380
2022	\$562,379,893	2,205
2021	\$521,166,413	2,254
2020	\$405,003,742	1,978

Source: Building Safety - City of Rochester

Building Activity

Commercial and residential building permits issued for 2024 totaled \$694,120,213. Permit valuation totals were up 31.3% from 2023, 23.4% from 2022, 33.1% from 2021, and 71.4% from 2020.

Permits over \$1 million during fourth quarter 2024 included: James Kelly/MB procedure room remodel at St. Mary's. Footings and foundations for the future north parking structure. ERS and mass excavation for the subway level. Graham Arena Complex renovations- roughly 27000 sq ft of metal roof/insulation to be placed over existing roof on Bldg 2, 1600 sq ft of masonry work on bldg 1, 10700 sq ft of wall panel/insulation on bldg 1, 1000 sq ft of soffit work on complex, and demo of concrete flutes on bldg 1. Reconfigure dermatology on Gonda 16/capital project to free up space for vascular center and cardiology procedures from Gonda 4. Mayo Support Center - Replace boilers and chillers. Mechanical HVAC work for remodel for liquid and solids project at Rochester Water Reclamation Plant. Remodel of an interior packaging room at Kerry, Inc. Expanding and remodeling the Bowlocity building. Psychiatric Emergency Services / Capital project to create EmPATH model of care for emergency services within existing footprint in Generose at St. Mary's. Fit-up space in existing Storage Room 401 to serve as an additional LN2 tank storage area. City of Rochester Waste Water Treatment Plant upgrade to electrical and controls. Electrical work at the Prospect Plant and 4th Ave duct bank. Women's Shelter 3-Story above grade structure with basement -59 units that are fully protected with automatic fire protection system. Remodel Alfred Floor 9 at St. Mary's. Unbound - Ozmun Grounds Relocation. Remodel of 5th floor MB D&E for new 16-bed ICU at St. Mary's. Trailside Apartments - 36 Unit Apartment Building,

Source: Rochester Building Safety Department

2024 Housing Activity

The 2024 housing market started on a positive note:

Inventory was on the rise, mortgage rates had fallen from a 23- year high of 7.79% in October 2023 to the mid 6% range, and homebuyers had returned to the market, with U.S. existing home sales posting back-to-back monthly increases for the first time in more than two years in January and February.

But rates soon began to climb, topping 7% in April, and buyers pulled back, causing sales to slump during the traditionally busy spring buying season.

Summer arrived, and with it came a surge of new listings, pushing inventory to its highest level since 2020, according to the National Association of REALTORS®. Although buyers had more options to choose from in their home search, the additional supply did little to temper home prices, which continued to hit record highs nationwide, and sales remained slow. Eventually, mortgage rates began to ease, falling to a yearly low of 6.08% in September, and with inflation moving toward its 2% target, the Federal Reserve initiated a series of interest rate cuts, dropping the benchmark rate one full percentage point. Buyers took advantage of lower borrowing costs and a greater supply of homes on the market, leading sales of existing homes to surge in October and November, marking the first time since May that home sales exceeded four million units.

SE Minnesota Sales: Pending sales decreased 0.9 percent, finishing 2024 at 5,020. Closed sales were up 1.2 percent to end the year at 5,047.

Listings: Comparing 2024 to the prior year, the number of homes available for sale was up 7.4 percent. There were 870 active listings at the end of 2024. New listings increased 2.8 percent to finish the year at 6,023.

Sales by Price Range: The number of homes sold in the \$300,001 and Above price range was up 16.2 percent to 2,269 homes, while those sold in the \$100,001 to \$150,000 price range fell 17.6 percent to 357 homes.

Prices: Home prices were up compared to last year. The overall median sales price increased 6.7 percent to \$288,000 for the year. Single Family home prices were up 6.2 percent compared to last year, and Townhouse-Condo home prices were up 10.7 percent.

List Price Received: Sellers received, on average, 97.6 percent of their original list price at sale, a year-over-year decrease of 0.2 percent. Single Family homes received 97.7 percent of their original list price at sale, while TownhouseCondo homes saw 97.2 percent.

Economists are projecting a more active housing market in 2025. Existing-home sales are predicted to increase, as are home prices, albeit at a moderate pace. Mortgage rates will vary throughout the year but will likely stay within the 6% - 7% range. Buyers and sellers remain sensitive to fluctuations in mortgage rates, and the trajectory of rates will have a major impact on market activity. Inventory of new and existing homes will continue to improve in the new year, building on the supply gains made in 2024, with increases in both single-family and multifamily construction expected, according to the National Association of Home Builders.

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>
2020	\$247,537	\$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	6,423	5,644	5,807
2023	\$308,310	\$270,000	40	5,857	5,067	4,985
2024	\$328,020	\$288,000	43	6,023	5,020	5,047

Source: SE MN REALTORS

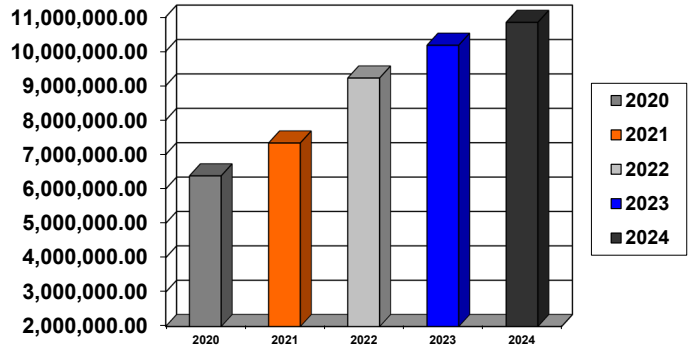
Source: Southeast Minnesota REALTORS

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

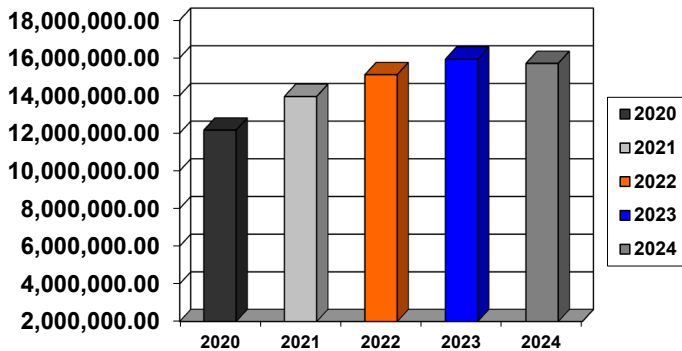
2020	\$ 6,381,675.82
2021	\$ 7,336,996.26
2022	\$ 9,226,031.21
2023	\$10,179,872.20
2024	\$10,845,065.10

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 (November-October)**

2020	\$12,165,147.00
2021	\$13,946,869.90
2022	\$15,107,866.40
2023	\$15,932,962.10
2024	\$15,705,699.90

Source: City of Rochester Finance Department

Airport Traffic

The Rochester International Airport served 200,072 passengers during 2024. This is a increase of 5.8% over 2023 (189,038 passengers). The fourth quarter passenger total was 48,904.

Cargo operations increased 6% during the fourth quarter over third quarter 2024 with 2,509,331 pounds of landed weight and is up 8% compared to fourth quarter last year.

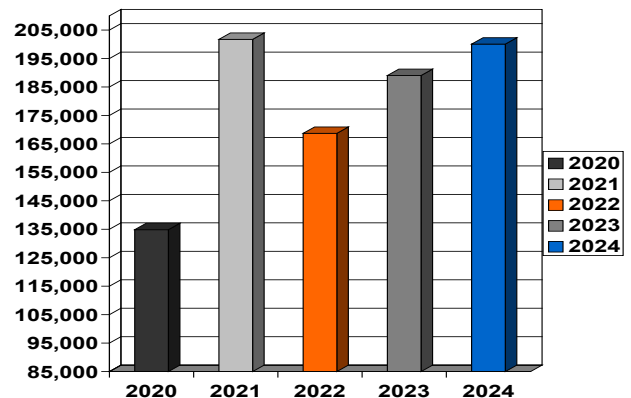
Ongoing efforts to improve airport's infrastructure continue with a \$12 million investment to rebuild the general aviation ramp this spring. The project will take place in two phases over the next few years.

In addition, funding continues to be sought for a solar-covered parking lot project, estimated at \$6 million. Current funding is projected to come from a combination of \$3 million in state bonding, tax credits available through the Bipartisan Infrastructure Law Inflation Reduction Act, and airport reserves.

This project will not only offer 200 premium covered parking spots but would generate enough electricity to power half the terminal building's current power needs.

Airport Passenger

Traffic Totals - 5 Years



Source: Rochester International Airport