

Quarterly Economic Report



Rochester Area Economic Development, Inc. (RAEDI)

Fourth Quarter, 2025

2025 Economic Report Summary

Rochester's economy continued to show steady growth in 2025, with nonagricultural employment increasing by 919 jobs (0.7%), the fastest percentage gain among Minnesota MSAs and above the statewide rate. Over the past five years, the region added 6,451 jobs, with total employment reaching 127,116, driven largely by gains in service-providing sectors such as education/health, professional services, and retail trade, while manufacturing continued a gradual decline. The unemployment rate rose to 3.5% in 2025, up 1.1 percentage points from the previous year, but remained below both state (4.3%) and national (4.1%) averages. Overall, Rochester's labor market reflects consistent long-term growth with some recent softening in employment conditions.

Investment activity picked up sharply in 2025, with commercial and residential building permit valuations topping \$1.04 billion, more than 50% higher than 2024 and nearly double 2021 levels. Significant projects across healthcare, hospitality, infrastructure, and housing underscored long-term investment in the community. At the same time, consumer and visitor activity stayed strong, with hotel/motel tax collections reaching a five-year high, airport passenger traffic up 6% year over year, and sales tax revenues holding near recent highs. Together, these trends position Rochester as a stable and active market heading into 2026.

Read the entire report on the following pages.

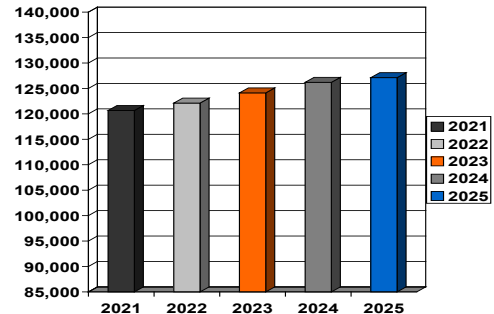
Quarterly Economic Report

Total Employment

Nonagricultural wage and salary employment for the Rochester MSA grew by 919 jobs from 2024 to 2025, a .7% increase. This was the largest percentage increase among Minnesota’s MSAs and exceeded the statewide increase of 0.4% (not seasonally adjusted).

Over the last five years, total employment showed a gain of 6,451 jobs in the Rochester MSA from 2021 to 2025.

Total Employment Year-End Average



Rochester MSA Employment Average Past 5 Years

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total Employment					
Nonfarm	120,665	122,122	124,124	126,197	127,116
Goods Producing					
Construction, Mining, Logging	5,038	5,125	5,186	5,303	5,526
Manufacturing	9,731	9,596	9,414	9,021	8,916
Service Providing					
Wholesale Trade	2,514	2,565	2,596	2,653	2,558
Retail Trade	11,823	11,961	11,971	12,230	12,226
Transportation/Warehousing	2,475	2,513	2,409	2,480	2,517
Information	1,179	1,095	1,108	940	596
Financial Activities	2,793	2,812	2,783	2,753	2,799
Professional/Business Services	6,222	6,605	6,759	6,778	6,821
Educational/Health	52,841	52,787	53,848	55,457	56,791
Leisure/Hospitality	9,897	10,647	11,163	11,343	11,270
Other Services	3,624	3,683	3,809	3,885	3,764
Government	12,530	12,734	13,080	13,354	13,331

Source: Minnesota Department of Employment & Economic Development

Unemployment

The Rochester MSA unemployment rate increased by 1.1% from one year ago ending at 3.5% for the 2025 year. The Rochester average remains below the state and U.S. averages of 4.3% and 4.1% respectively.

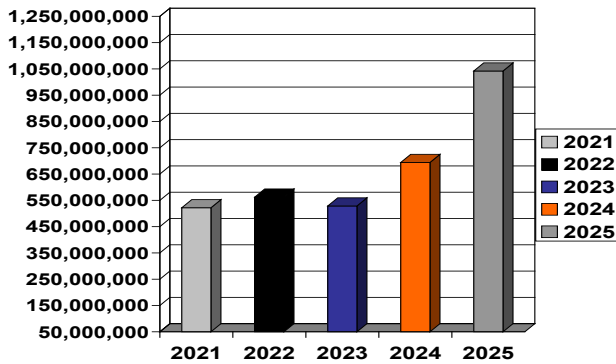
The December labor force figure of 128,569 represents an increase of .47% from the December 2024 figure of 127,967.

Unemployment Rates Past 5 Years Fourth Quarter- Rochester MSA

	<u>Rochester</u>		<u>Minnesota</u>		<u>United States</u>
2025	3.5%	2025	4.3%	2025	4.1%
2024	2.6%	2024	2.6%	2024	3.8%
2023	2.1%	2023	2.6%	2023	3.5%
2022	2.3%	2022	2.8%	2022	3.3%
2021	2.3%	2021	2.7%	2021	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>
2025	\$1,042,026,425	3,829
2024	\$694,120,213	2,449
2023	\$528,634,529	2,380
2022	\$562,379,893	2,205
2021	\$521,917,840	3,593

Source: Building Safety - City of Rochester

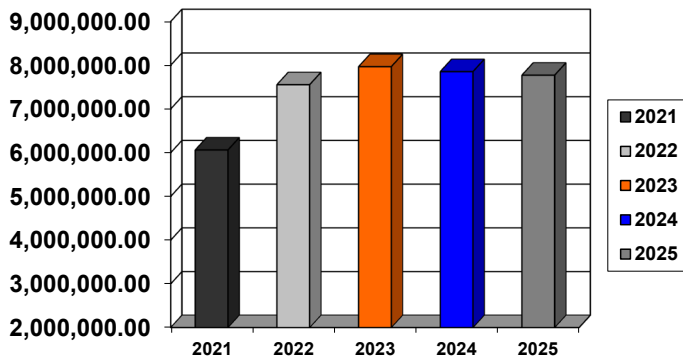
Building Activity

Commercial and residential building permits issued for 2025 totaled \$1,042,026,425. Permit valuation totals were up 50.1% from 2024, 97.1% from 2023, 85.5% from 2022, and 99.7% from 2021.

Permits over \$1 million during fourth quarter 2025 included: Procedure room remodel 105 Cardiac Cath Lab. Interior and exterior renovation of the Courtyard by Marriott Hotel. Remodel sports medicine areas on floors 3 and 4 of the DAHLC building. Renovate existing 50,000 sf warehouse into an agricultural growth facility. New construction for Heritage Pet Hospital. Building addition and remodel of existing convenience store. Installation of 4 MRI's and reconfiguration of various support spaces at Methodist Hospital. Modifications to existing Ro51 to enable the connection to future building Ro50. Interior renovations at Gloria Dei Church. Mary Brigh 5B Remodel, Annual fire alarm system replacement at Methodist Hospital. Link BRT Volume C Saint Mary's Transit Center pedestrian tunnel and vertical circulators. Commercial building addition and remodel for Kwik Trip. Normal and emergency electrical power upgrade phase 3 of 3 at St. Mary's. All new HVAC equipment, boilers, air handlers, duct and piping, new plumbing water lines, flooring, paint, electrical service changes, lighting, multiple electrical panel updates, generator replacement, data cabling, camera replacement DAS system, auditorium seat replacement, and select kitchen equipment replacement and at Mayo High School. Superstructure for the future North Parking Ramp. Mayo South Parking Ramp located near the Mayo Clinic Baldwin Building and Parking Garage 7 level ramp with connections to subway level and tunnel connection to pedestrian tunnel. Precast concrete autobody shop with a steel office attached. Shell for construction of new 12,330 sf office building with associated site development work. Restoration Glen Apartments - Hydronic work (exterior well field & interior building loop) for a 48-Unit, new construction apartment building.

Source: Rochester Building Safety Department

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



Net Sales Tax - DMCC 12 months (November-October)

2021	\$6,960,949.32
2022	\$7,553,761.40
2023	\$7,966,304.11
2024	\$7,852,671.26
2025	\$7,785,673.22

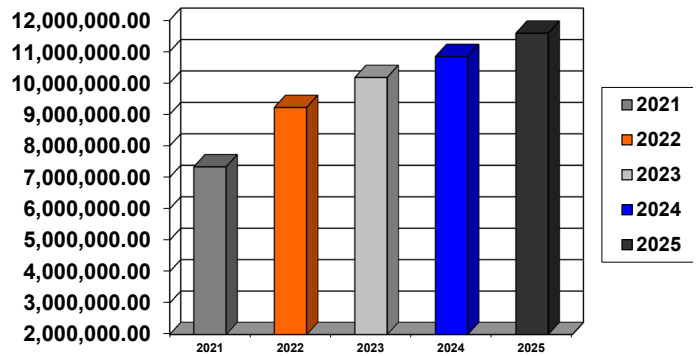
Source: City of Rochester Finance Department

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

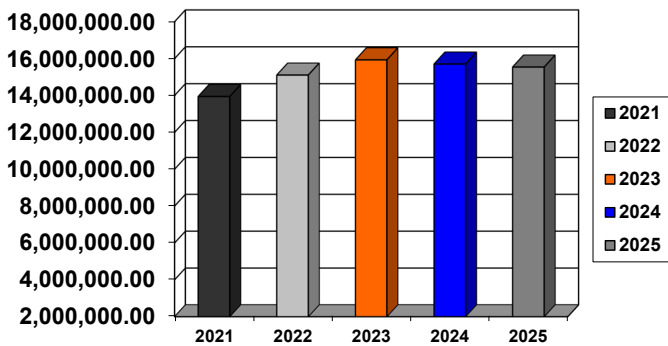
2021	\$ 7,336,996.26
2022	\$ 9,226,031.21
2023	\$10,179,872.20
2024	\$10,845,065.10
2025	\$11,587,815.47

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)**

2021	\$13,946,869.90
2022	\$15,107,866.40
2023	\$15,932,962.10
2024	\$15,705,699.90
2025	\$15,571,709.49

Source: City of Rochester Finance Department

Airport Traffic

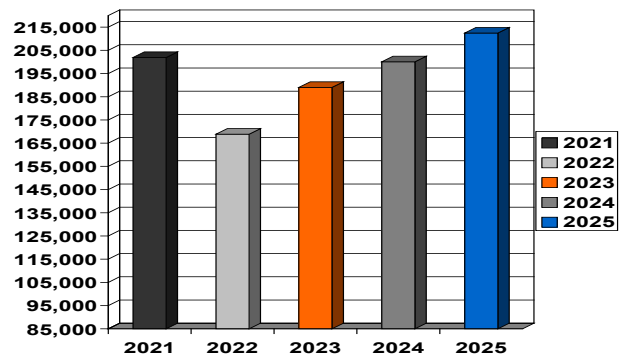
The Rochester International Airport served 52,654 passengers during the fourth quarter of 2025. This is an 8% increase over third quarter 2024 (48,904 passengers). Year-to-date passengers are up 6% from prior year (212,449 passengers served in 2025 compared to 200,072 in 2024). Passenger totals for October, November, December were 19,459, 16,670, and 16,525 respectively.


Cargo operations increased 2% as compared to the prior year with 4,442,441 lbs. of landed weight.

United Airlines will launch new service between Rochester and Chicago O'Hare beginning April 30. The new service will operate three times daily, year-round, using United's CRJ-550 super-premium regional jet which offers generous legroom, spacious overhead storage bins, and in-cabin storage lockers. United is the world's largest airline operating thousands of flights each day. This service connects Rochester to 184 global destinations, one connection away.

Global Entry interviews are now available at RST. This U.S. Customs and Border Protection Trusted Traveler Program allows expedited clearance for pre-approved, low-risk travelers upon arrival in the United States. The membership lasts for five years and comes with TSA PreCheck.

**Airport Passenger
Traffic Totals - 5 Years**



Source: Rochester International Airport 

2025 Housing Activity

U.S. existing home sales ticked up 0.5% from the previous month to a seasonally adjusted annual rate of 4.13 million, marking the third consecutive monthly increase, according to the National Association of REALTORS (NAR). However, sales were down 1.0% from the same period last year.

Regionally, sales rose month-over-month in the Northeast and South, were unchanged in the West, and declined in the Midwest. On a year-over-year basis, sales were flat in the Northeast and the South and fell in both the Midwest and West.

New Listings in Southeast Minnesota were up 2.0 percent to 256. Pending Sales increased 5.3 percent to 296. Inventory grew 6.9 percent to 958 units.

Prices moved higher as the Median Sales Price was up 11.0 percent to \$295,000. Days on Market increased 4.3 percent to 48 days. Months Supply of Inventory was up 4.8 percent to 2.2 months.

The national median existing-home price continued to climb, rising 1.2% from a year ago to \$409,200, according to NAR. This year-over-year increase, the 29th consecutive month gain, reflects ongoing tightness in housing supply. At the end of November, there were 1.43 million units for sale, down 5.9% from the previous month but up 7.5% from the same time last year, representing a 4.2 month supply at the current sales pace.

	Average Price	Median Price	Days on Market	New Listings	Pending Sales	Closed Sales
2021	\$284,072	\$250,000	37	6,958	6,554	6,549
2022	\$289,461	\$249,900	44	6,419	5,658	5,799
2023	\$308,310	\$259,450	52	5,854	5,069	4,981
2024	\$315,458	\$265,850	46	6,023	5,020	5,047
2025	\$323,656	\$295,000	48	6,523	5,214	5,191

Source: SE MN REALTORS

Source: Southeast Minnesota REALTORS