

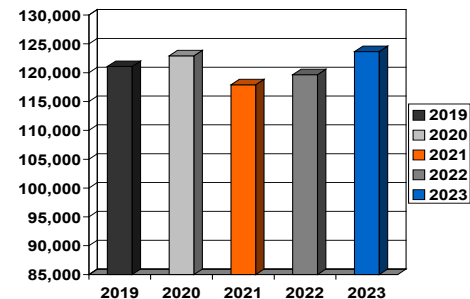
Quarterly Economic Report

Total Employment

Nonagricultural wage and salary employment for the Rochester MSA increased by 3.4% over the last 12 months. The gain of 4,014 jobs brought the total employment figure to 123,660 from the March 2022 level of 119,646. Both Goods Producing and Service Providing reported gains of 471 and 3,543 respectively.

Total nonfarm was up 644 jobs in first quarter 2023 from December 2022 (4th quarter).

Total Employment First Quarter



Rochester MSA Employment Past 5 Years

| | <u>March 2019</u> | <u>March 2020</u> | <u>March 2021</u> | <u>March 2022</u> | <u>March 2023</u> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Employment | 121,078 | 122,920 | 117,916 | 119,646 | 123,660 |
| Goods Producing | | | | | |
| Construction, Mining, Logging | 4,333 | 4,431 | 4,317 | 4,407 | 4,697 |
| Manufacturing | 10,884 | 10,725 | 9,772 | 9,526 | 9,707 |
| Service Providing | | | | | |
| Wholesale Trade | 2,633 | 2,570 | 2,467 | 2,498 | 2,526 |
| Retail Trade | 11,795 | 11,607 | 11,653 | 11,736 | 12,663 |
| Transportation/Warehousing | 2,704 | 2,719 | 2,397 | 2,496 | 2,456 |
| Information | 1,477 | 1,368 | 1,223 | 1,104 | 1,063 |
| Financial Activities | 2,683 | 2,746 | 2,746 | 2,757 | 2,825 |
| Professional/Business Services | 5,537 | 5,989 | 6,078 | 6,407 | 6,531 |
| Educational/Health | 51,356 | 52,872 | 52,331 | 53,326 | 53,836 |
| Leisure/Hospitality | 11,001 | 10,821 | 8,912 | 10,124 | 10,620 |
| Other Services | 3,732 | 3,772 | 3,772 | 3,614 | 3,707 |
| Government | 12,943 | 13,300 | 12,439 | 12,651 | 13,029 |

Source: Minnesota Department of Employment & Economic Development

Unemployment

The Rochester MSA unemployment rate was up by .3% from the same period last year and was 2.7% at the end of the first quarter 2023. The rates for January and February were 2.9% and 3.1% respectively. The Rochester average still remains below the state and U.S. averages of 3.1% and 3.6% respectively.

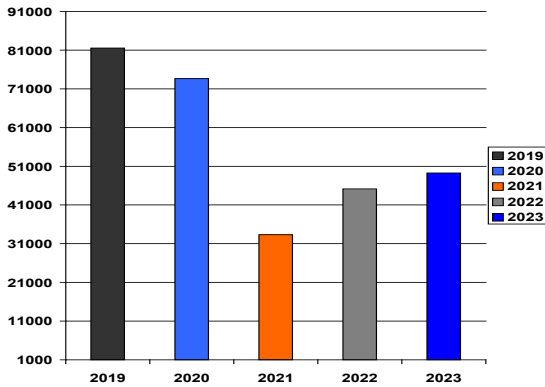
The labor force in March was 128,836, which was 2% higher than the March 2022 figure of 126,203.

Unemployment Rates Past 5 Years First Quarter- Rochester MSA

| <u>Rochester</u> | | <u>Minnesota</u> | | <u>United States</u> | |
|------------------|------|------------------|------|----------------------|------|
| 2023 | 2.7% | 2023 | 3.1% | 2023 | 3.6% |
| 2022 | 2.4% | 2022 | 2.8% | 2022 | 3.8% |
| 2021 | 3.9% | 2021 | 4.4% | 2021 | 6.2% |
| 2020 | 3.1% | 2020 | 5.2% | 2020 | 4.5% |
| 2019 | 3.6% | 2019 | 4.1% | 2019 | 3.9% |

Source: Minnesota Department of Employment & Economic Development

Airport Passenger Traffic First Quarter Comparison



First Quarter Airport Traffic

The Rochester International Airport served 49,264 passengers during the first quarter of 2023. This is an increase of 9% over first quarter 2022 (45,179 passengers). Passenger totals for January, February and March were 14,064, 15,960, and 19,240 respectively.

Sun Country nonstop service to Fort Myers and Phoenix was well received by 15,161 local leisure travelers seeking affordable flights to sunny destinations. Landline's partnership with Sun Country will continue to offer connection for Rochester travelers to Sun Country flights departing from Minneapolis-Saint Paul Airport.

The airport begins Phase III of the Runway 2/20 Safety Project this spring with the finalization of the CAT II Instrument Landing

System needed to improve operational reliability for aircraft landing at RST under instrument flight rules. In preparation for Phase IV, RST is finalizing land acquisitions needed to extend the runway to the south. Runway 2/20 Safety Project is a multi-year, multi-phase project leveraging local, state, and federal funding. State bonding reauthorization before the end of 2024 is needed to extend the project timeline through completion in 2028.

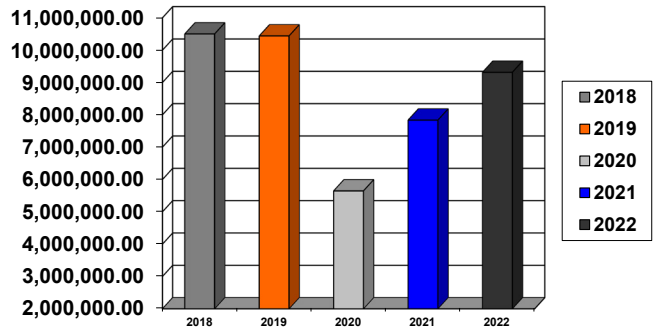
Source: Rochester Airport Company

Hotel/Motel Sales Tax City of Rochester 12 months

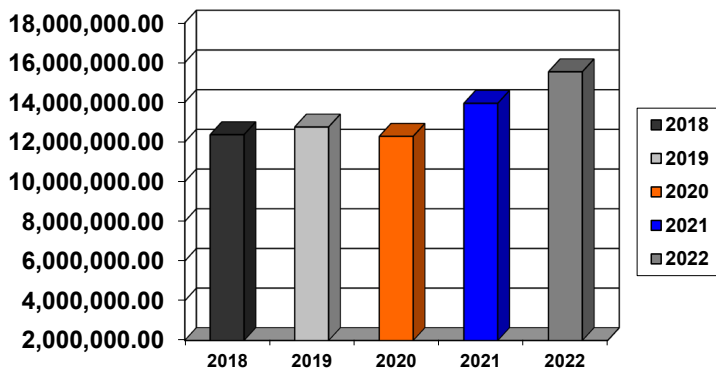
| | |
|------|-----------------|
| 2018 | \$10,501,141.97 |
| 2019 | \$10,439,911.33 |
| 2020 | \$ 5,647,345.37 |
| 2021 | \$ 7,837,773.49 |
| 2022 | \$ 9,315,538.68 |

Source: City of Rochester Finance Department

Hotel/Motel Sales Tax Past 5 Years



Net Sales Tax Past 5 Years

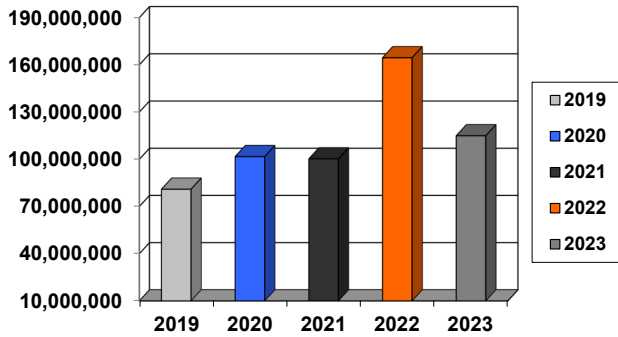


Net Sales Tax - City of Rochester January - October

| | |
|------|-----------------|
| 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

Commercial & Residential Building Permits First Quarter



Commercial and Residential Building Permits First Quarter

| | <u>Valuation</u> | <u>Total Permits</u> |
|------|------------------|----------------------|
| 2023 | \$114,905,092 | 435 |
| 2022 | \$164,489,669 | 395 |
| 2021 | \$100,254,482 | 429 |
| 2020 | \$101,680,065 | 379 |
| 2019 | \$ 80,965,987 | 381 |

Source: Building Safety - City of Rochester

First Quarter Building Activity

Commercial and residential building permits issued for first quarter 2023 totaled \$114,905,092. This is an increase of 30.1% over 2022.

Permits over \$1 million for first quarter 2023 included: remodel 4th floor of Harwick building south side for relocation of Unbound, new McDonald's restaurant, new core and shell building for Cub Foods, mechanical work associated with replacement of 14 return fans in Gonda building, footing/foundation for 112 unit 6-story multi-family apartments (Bishop Apartments), new subsurface utility tunnel between the southeast corner of the Hilton building and the southwest corner of the Franklin Heating Station, NICU relocation and expansion on Mary Brigh 3rd floor at St. Mary's Campus, commercial single story building approximately 14,000 sf for an automotive vehicle service shop & detail center, hydronic work associated with underground chilled water and low pressure steam piping, new 3-story 93,696 sf 97-unit apartment above a 31,322 sf underground parking garage for SoRoc on Main Phase II, two 6-townhouse unit buildings development for Legacy Row Homes (continuation of footing and foundation permit application), 22-bay outpatient therapy suite on 3rd floor of 41st Street East building, fit-up of floors for the new Kellen Research Lab building, renovation of 212 guest rooms converting to dorm rooms for U of M Rochester student housing, and remodel of existing Target store.

Source: Rochester Building Safety Department

First Quarter Housing Activity

Nationally, existing home sales were up during first quarter. The sudden uptick in sales activity stems from contracts signed toward the beginning of the year, when mortgage rates dipped to the low 6% range, causing a surge in homebuyer activity.

First Quarter 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> |
|------|----------------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
| 2022 | \$289,767 | \$260,000 | 46 | 1,285 | 1,231 | 950 |
| 2021 | \$266,234 | \$242,000 | 43 | 1,259 | 1,234 | 957 |
| 2020 | \$238,826 | \$214,000 | 69 | 1,363 | 1,190 | 961 |
| 2019 | \$211,476 | \$198,000 | 69 | 1,405 | 1,175 | 945 |
| 2018 | \$207,570 | \$185,000 | 63 | 1,522 | 1,350 | 1,003 |

Pending sales have continued to improve heading into spring, increasing for the third consecutive month, according to NAR.

Monthly sales might have been even higher if not for limited inventory nationwide. At the current sales pace, there were just 2.6 months' supply of existing homes at the beginning of March, far below the 4 – 6 months' supply of a balanced market. Inventory remains suppressed in part because of mortgage interest rates, which nearly hit 7% before falling again in recent weeks. Higher rates have continued to put downward pressure on sales prices, and for the first time in more than a decade, national home prices were lower year-over-year, according to NAR, breaking a 131-month streak of annual price increases.

Source: SE MN REALTORS