

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

First Quarter 2025



First Quarter 2025 Summary

In the first quarter of 2025, the Rochester MSA continued to show strong economic momentum, with total non-agricultural employment growing 4.6% year-over-year, adding 5,790 jobs. Gains were led by the Education and Health Services sector, while modest job losses in the Goods Producing sector resulted in a net quarterly increase of 448 jobs. Although the unemployment rate rose slightly to 3.3% from 2.5% the year prior, it remains below state and national averages, supported by a growing labor force.

Development indicators were similarly positive. The value of commercial and residential building permits rose 36.6% to over \$133 million, signaling robust construction activity. Meanwhile, Southeast Minnesota's housing market experienced an increase in listings and inventory, though median sale prices declined—suggesting a possible cooling phase driven by rising supply.

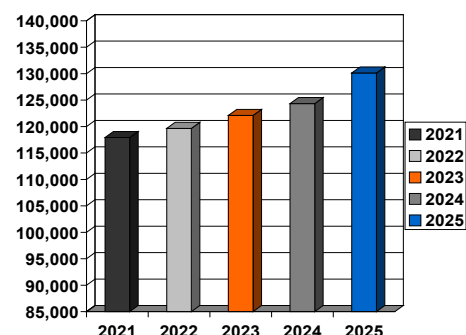
Other economic indicators showed a mixed but overall positive picture. Rochester International Airport experienced a slight dip in passenger and cargo traffic, and sales tax collections were uneven. However, hotel and motel sales tax revenue reached \$10.93 million in 2024, a modest increase from \$10.41 million the previous year, reflecting steady growth in travel and tourism. Net sales tax revenue declined slightly from its 2023 peak but remains significantly higher than pre-pandemic levels, indicating ongoing consumer activity and economic stability.

Total Employment

Over the past year, non-agricultural wage and salary employment in the Rochester MSA increased by 4.6%, adding 5,790 jobs. This growth brought total employment to 130,117 in March 2025, up from 124,327 in March 2024. The Education and Health Services sector led the expansion, contributing 5,424 new jobs.

In the first quarter of 2025, the region saw a net gain of 448 jobs. While the Goods Producing sector shed 220 jobs since December 2024, the Service Providing sector offset this with an increase of 668 jobs.

Total Employment First Quarter



Rochester MSA Employment Past 5 Years

	<u>March 2021</u>	<u>March 2022</u>	<u>March 2023</u>	<u>March 2024</u>	<u>March 2025</u>
Total Employment	117,916	119,646	122,097	124,327	130,117
Goods Producing					
Construction, Mining, Logging	4,317	4,407	4,520	4,917	5,038
Manufacturing	9,772	9,526	9,430	9,036	9,059
Service Providing					
Wholesale Trade	2,467	2,498	2,575	2,551	2,645
Retail Trade	11,653	11,736	11,747	12,079	11,966
Transportation/Warehousing	2,397	2,496	2,373	2,439	2,535
Information	1,223	1,104	1,123	1,033	983
Financial Activities	2,746	2,757	2,777	2,721	2,742
Professional/Business Services	6,078	6,407	6,802	6,651	6,958
Educational/Health	52,331	53,326	53,201	54,650	60,074
Leisure/Hospitality	8,912	10,124	10,644	10,998	10,556
Other Services	3,581	3,614	3,797	3,907	3,910
Government	12,439	12,651	13,108	13,445	13,651

Source: Minnesota Department of Employment & Economic Development

Unemployment

The unemployment rate in the Rochester MSA rose by 0.6 percentage points from the previous year, reaching 3.3% in March 2025. The rates for January and February were 3.1% and 3.3%, respectively. Despite the year-over-year increase, Rochester's unemployment rate remains below the state and national averages of 3.9% and 4.2%.

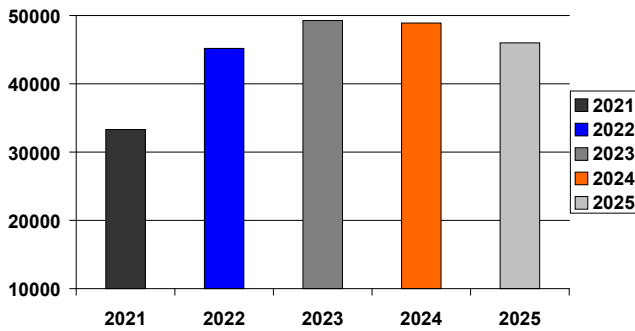
In March 2025, the region's labor force totaled 132,708—an increase of 2.1% from December 2024, when it stood at 129,988.

Unemployment Rates Past 5 Years First Quarter- Rochester MSA

<u>Rochester</u>		<u>Minnesota</u>		<u>United States</u>	
2025	3.3%	2025	3.9%	2025	4.2%
2024	2.5%	2024	3.2%	2024	3.9%
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%

Source: Minnesota Department of Employment & Economic Development

Airport Passenger Traffic First Quarter Comparison



First Quarter Airport Update

The Rochester International Airport served 45,987 passengers during the first quarter of 2025. This is a decrease of 6% over fourth quarter 2024 (48,904 passengers). Year-to-date passengers are down 1% from prior year. Passenger totals for January, February, March were 15,418, 14,038, and 16,531 respectively.

Cargo operations decreased 8% over first quarter as compared to prior year with 3.82M pounds of landed weight.

The general aviation ramp reconstruction project is currently out for bid and the awarded contractor is

estimated to begin work on the \$12M project sometime in July. Crews continue to move nearly 1.9 million cubic yards of earth—enough to fill U.S. Bank Stadium—to improve pilot's visibility between the runways and build the grade for Runway 3's extension as part of RST's multi-year, multi-phase \$80M Runway 2/20 Safety Project.

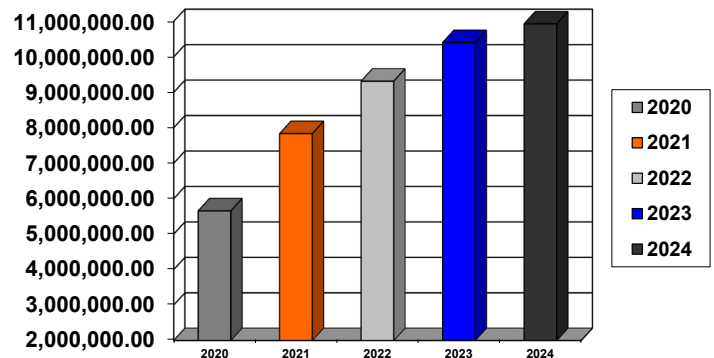
Source: Rochester International Airport

Hotel/Motel Sales Tax City of Rochester Annual

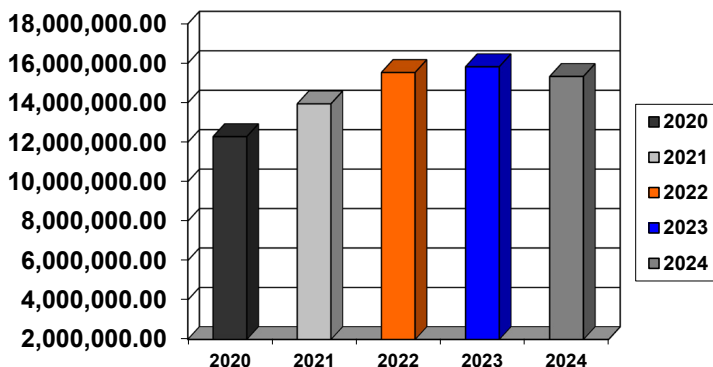
2020	\$ 5,647,345.37
2021	\$ 7,837,773.49
2022	\$ 9,315,538.68
2023	\$10,405,509.13
2024	\$10,933,268.10

Source: City of Rochester Finance Department

Hotel/Motel Sales Tax Past 5 Years



Net Sales Tax Past 5 Years

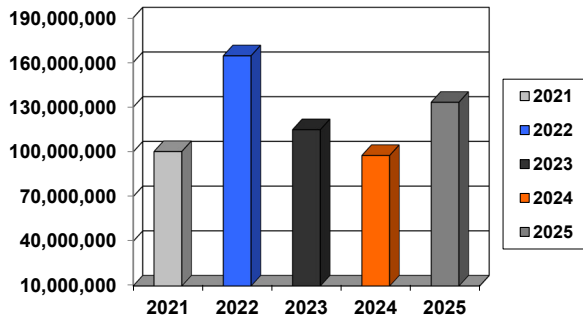


Net Sales Tax City of Rochester Annual

2020	\$12,287,489.78
2021	\$13,950,484.11
2022	\$15,540,090.66
2023	\$15,830,964.66
2024	\$15,338,829.96

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>
2025	\$133,275,222	602
2024	\$ 97,579,061	369
2023	\$114,905,092	435
2022	\$164,489,669	395
2021	\$100,254,482	429

Source: Building Safety - City of Rochester

First Quarter Building Activity

Commercial and residential building permits issued for first quarter 2025 totaled \$133,275,222. This is a increase of 36.6 percent over 2024.

Permits over \$1 million for first quarter 2025 included: Phase II of the Downtown Building Energy Transition project - Mayo Civic Center & Art Center. Interior and exterior updates to the former Pinewood Elementary School to accommodate Mighty Oaks Early Childhood Program. Renovation of existing space for a new Dermatology Clinic at Mayo Clinic. Interior and exterior fit up of an existing retail store located on Apache Lane. Footings and foundations for the expansion of the Prospect Utility Plant. New Tom Kadlec Kia dealership. Renovation of an existing vacant 8,269 sf space to Goldfish Swim School - the facility will have a 81 x 25 pool, 14 changing huts, 4 restrooms, a shower area, a mechanical room, storage, offices and a staff room. A 6,900 SF Demo/Remodel of the Welcome Center, Pharmacy, Lab and Radiology areas at Mayo Clinic. Demolition/ Renovation of existing space for a new Procedure Clinic Incremental Space. Interior Fit-up of the dining area of Eisenberg main level. Roof replacement at Rochester Mayo Civic Center Theater. Stadium Improvements at a RPS school - adding ramps to make it more ADA Accessible, additional ADA seating at the bottom of the grandstands, new traffic coating below seating area, concrete repairs, mechanical system replacement, and replacement of select fencing, interior improvements & space updates. Also, track Improvements that includes new sub-base for the 8-man running track, new asphalt, new running track along with the track event areas, concrete curb along inside of track, and replacement of storm sewer piping. 7,300 SF Renovation to existing areas in the Subway Level of Eisenberg. St. Mary's Employee Parking Ramp - footing/foundation 5-tier employee parking. This ramp will also have pedestrian and vehicular bridge connections to the adjacent employee ramp #34. Fit-Up of the 9th Floor of the Kellen Research Building. Partial interior renovation of level 5 and 6 in the Dan Abraham Health Living Center. Female Consultant & Resident Locker Rooms/SMC Surgical Support Space Master Plan at St. Mary's.

March 2025 Housing Activity

New Listings in Southeast Minnesota were up 14.5 percent to 663 during the month of March. Pending Sales increased 2.6 percent to 511. Inventory grew 19.8 percent to 902 units.

Prices moved lower as the median sales price was down 6.5 percent to \$275,000. Days on market increased 3.4 percent to 61 days. Months supply of inventory was up 23.5 percent to 2.1 months.

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>
2025	\$310,560	\$275,000	61	1,438	1,206	916
2024	\$335,382	\$294,000	59	1,257	1,180	963
2023	\$307,494	\$269,900	57	1,165	1,049	819
2022	\$286,493	\$256,000	44	1,438	1,389	1,103
2021	\$266,234	\$242,000	43	1,434	1,398	1,072

Heading into March there were 1.24 million properties for sale, a 5.1% increase from the previous month and a 17% jump from one year ago, for a 3.5-month supply at the current sales pace, according to NAR. While mortgage rates have remained in the mid-to-high 6% range, the additional supply appears to have helped bring some buyers out of the woodwork, even as sales prices continue to rise nationwide.

Source: Southeast Minnesota REALTORS