

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

First Quarter 2026



First Quarter 2026 Summary

The RAEDI First Quarter 2026 Economic Report highlights continued economic stability and long-term growth in the Rochester metropolitan area despite some signs of slowing labor market activity.

Total non-agricultural employment remained nearly unchanged year-over-year at 124,415 jobs, with strong performance in sectors such as Educational and Health Services, Government, Construction, and Financial Activities. While the Rochester MSA unemployment rate increased to 4.2% in March 2026 from 3.6% the previous year, it still remained below both the Minnesota and national averages. The labor force also declined modestly during the quarter, reflecting broader workforce adjustments that are typical in the first quarter.

Rochester International Airport served 54,520 passengers during the quarter, representing a 19% increase over the same period in 2025, while several major infrastructure improvement projects continued at the airport, including runway expansion and general aviation upgrades.

Financial indicators for the City of Rochester showed continued growth as well, with hotel/motel sales tax revenues reaching nearly \$11.7 million for the 2025 year and net sales tax revenues climbing to over \$16 million. Housing activity across Southeast Minnesota reflected mixed conditions, with rising home prices and inventory levels alongside slightly lower new listings. Median home prices increased 7.6% year-over-year to \$296,500, while inventory expanded by more than 10%, indicating some easing in market constraints.

Construction and development activity emerged as one of the strongest themes in the report. First quarter commercial and residential building permits totaled more than \$337 million, marking a 153% increase over the same period in 2025 and substantially exceeding totals from previous years. Much of this activity was driven by large-scale Mayo Clinic projects, healthcare infrastructure upgrades, multifamily housing developments, and public facility expansions.

Overall, the report portrays Rochester as a region experiencing sustained investment, expanding infrastructure, and resilient economic performance despite broader national economic uncertainty.

[See the full report on the following pages](#)

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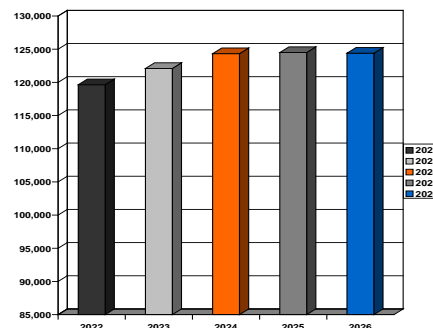


Total Employment

Employment levels in the Rochester MSA remained relatively stable over the past year, with total non-agricultural wage and salary employment at 124,415 in the first quarter of 2026, compared to 124,496 during the same period in 2025.

Workforce adjustments between the fourth quarter of 2025 and the first quarter of 2026 contributed to a reduction of 2,543 jobs, a seasonal adjustment typically seen during first quarter. Despite these short-term fluctuations, total employment in the Rochester MSA remains well above pre-2022 levels, reflecting the region's continued economic stability and long-term growth trajectory.

Total Employment First Quarter



Rochester MSA Employment Past 5 Years

	March <u>2022</u>	March <u>2023</u>	March <u>2024</u>	March <u>2025</u>	March <u>2026</u>
Total Employment	119,646	122,097	124,327	124,496	124,415
Goods Producing					
Construction, Mining, Logging	4,407	4,520	4,917	4,705	5,118
Manufacturing	9,526	9,430	9,036	8,740	8,730
Service Providing					
Wholesale Trade	2,498	2,575	2,551	2,490	2,476
Retail Trade	11,736	11,747	12,079	12,091	11,924
Transportation/Warehousing	2,496	2,373	2,439	2,528	2,432
Information	1,104	1,123	1,033	626	559
Financial Activities	2,757	2,777	2,721	2,741	2,768
Professional/Business Services	6,407	6,802	6,651	6,693	6,691
Educational/Health	53,326	53,201	54,650	56,052	56,252
Leisure/Hospitality	10,124	10,644	10,998	10,753	10,336
Other Services	3,614	3,797	3,907	3,752	3,775
Government	12,651	13,108	13,445	13,325	13,354

Source: Minnesota Department of Employment & Economic Development

Unemployment

The unemployment rate in the Rochester MSA increased by 0.6 percentage points over the past year, reaching 4.2% in March 2026. Rates were slightly higher earlier in the quarter, at 4.5% in both January and February. Despite the increase, Rochester's rate remains below the state and national averages of 4.9% and 4.3%, respectively.

In March 2026, the region's labor force totaled 126,417, representing a 1.6% decline from 128,569 in December 2025.

Unemployment Rates Past 5 Years First Quarter- Rochester MSA

<u>Rochester</u>		<u>Minnesota</u>		<u>United States</u>	
2026	4.2%	2026	4.9%	2026	4.3%
2025	3.6%	2025	4.1%	2025	4.2%
2024	2.8%	2024	3.4%	2024	3.9%
2023	2.8%	2023	3.2%	2023	3.6%
2022	2.6%	2022	2.9%	2022	3.8%

Source: Minnesota Department of Employment & Economic Development

First Quarter Airport Update

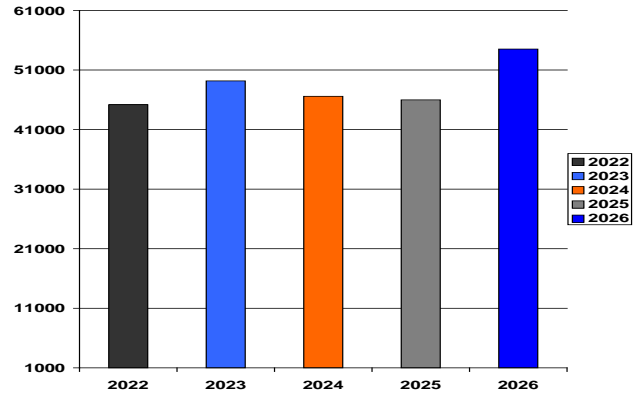
The Rochester International Airport served 54,520 passengers during the first quarter of 2026. This is an 19% increase over first quarter 2025 (45,987 passengers). Passenger totals for January, February, and March were 17,907, 17,822, and 18,791 respectively.

Cargo operations decreased 1% as compared to the prior year with 3,768,640 lbs. of landed weight.

After a winter pause, work on RST's non-commercial runway is underway again. Crews are moving about 2 million cubic yards of material to reshape the land, rebuild the foundation, and extend Runway 3 south by 1,647 feet.

The General Aviation ramp reconstruction project kicked-off this spring. The plans upgrade and expand the existing apron to provide additional aircraft parking and constructs a new taxiway, taxi lane, and fuel truck pad.

Airport Passenger Traffic First Quarter Comparison



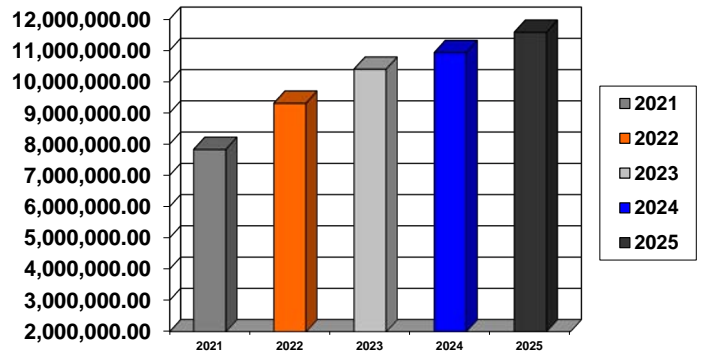
Source: Rochester International Airport

Hotel/Motel Sales Tax City of Rochester Annual

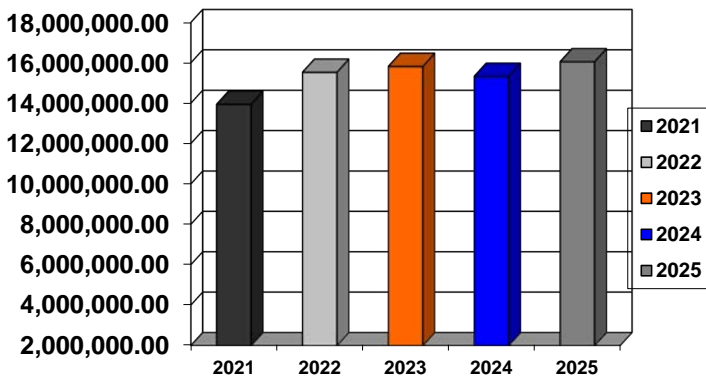
2021	\$ 7,837,773.49
2022	\$ 9,315,538.68
2023	\$10,405,509.13
2024	\$10,933,268.10
2025	\$11,666,949.02

Source: City of Rochester Finance Department

Hotel/Motel Sales Tax Past 5 Years



Net Sales Tax Past 5 Years

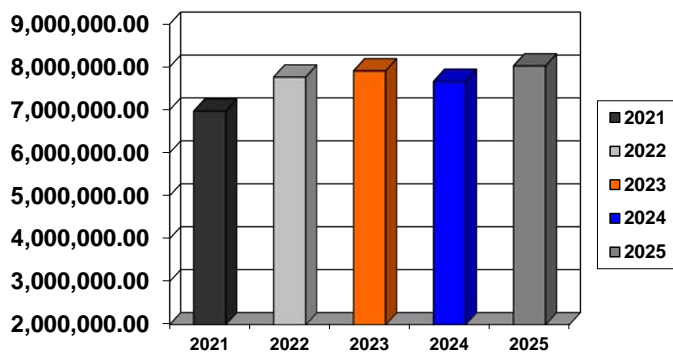


Net Sales Tax City of Rochester Annual

2021	\$13,950,484.11
2022	\$15,540,090.66
2023	\$15,830,964.66
2024	\$15,338,829.96
2025	\$16,062,806.22

Source: City of Rochester Finance Department

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



**Annual Net Sales Tax
Destination Medical Center
Corporation (DMCC)**

2021	\$ 6,975,078.92
2022	\$ 7,769,872.99
2023	\$ 7,915,306.59
2024	\$ 7,669,233.11
2025	\$ 8,031,223.49

Source: City of Rochester Finance Department

**March 2026 Housing
Activity**

U.S. existing-home sales unexpectedly rose 1.7% month-over-month to a seasonally adjusted annual rate of 4.09 million, as lower mortgage rates helped boost buyer activity, according to the National Association of REALTORS® (NAR).

**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>
2026	\$329,808	\$296,500	62	1,473	1,175	901
2025	\$311,703	\$275,450	61	1,447	1,195	919
2024	\$336,405	\$295,000	60	1,249	1,190	955
2023	\$307,494	\$269,900	57	1,165	1,043	823
2022	\$286,493	\$256,000	44	1,438	1,389	1,103

Monthly sales increased in the Midwest, South, and West but decreased in the Northeast. Sales increased year-over-year in the South, but fell in the Northeast, Midwest, and West.

New Listings for the month of March in Southeast Minnesota were down 2.4 percent to 656. Pending Sales increased 3.2 percent to 518. Inventory grew 10.7 percent to 1,045 units in March.

Prices moved higher as the Median Sales Price was up 7.6 percent to \$296,500. Days on Market increased 1.6 percent to 62 days. Months Supply of Inventory was up 4.3 percent to 2.4 months.

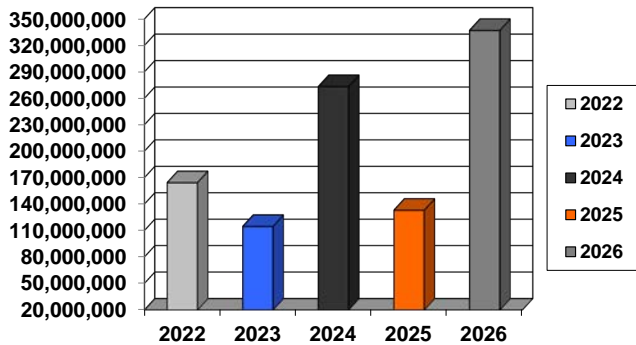
Data from NAR show that inventory continued to grow nationwide, ticking up 2.4% month-over-month and 4.9% year-over-year to 1.29 million units heading into March, representing a 3.8-month supply at the current sales pace.

Meanwhile, home prices nationwide increased for the 32nd consecutive month, climbing 0.3% year-over-year to \$398,000.

Source: Southeast Minnesota REALTORS

First Quarter Building Activity

Commercial & Residential Building Permits First Quarter



Commercial and Residential Building Permits First Quarter

	<u>Valuation</u>	<u>Total Permits</u>
2026	\$337,297,740	738
2025	\$133,275,222	602
2024	\$273,574,495	505
2023	\$114,905,092	435
2022	\$164,489,669	395

Commercial and residential building permits issued for first quarter 2026 totaled \$337,297,740. This is an increase of 153% over 2025, 23.3% over 2024, 193% over 2023, and 105% over 2022.

Permits over \$1 million for first quarter 2026 included:

- Resident and consultant locker room remodels at Mayo Clinic St. Mary's, including the female Allied Health locker room and surgical support spaces.
- North arrival and parking core/shell fit-out, finishes, and electrical superstructure work for the future parking ramp at Mayo Clinic.
- Substation and utility distribution upgrades at St. Mary's and utility distribution for future Mayo Clinic Unbound buildings.
- West quadrant parking modifications, converting the planned tunnel to a skyway connection at Mayo Clinic.
- Complete remodel of the Siebens 5th Floor, including lighting, controls, receptacles, and panelboard upgrades.
- Underground tunnel connection from the Francis Building to 2nd Street at St. Mary's.
- New construction for Heritage Pet Hospital.
- Electrical and HVAC work for the new Olmsted County Graham Park Exhibition Center, including an 80,000-square-foot arena and support facilities.
- Renovation of an existing warehouse into an agricultural growth facility.
- Relocation of sleep rooms from Alfred-Joseph 7 at Mayo Clinic.
- Third-floor buildout for Discovery Square.
- Cardiac Cath Lab and procedure room remodels for updated medical equipment installations.
- Interior remodel for a new Sky Zone recreational facility at Apache Mall.
- Charlton North electrical work for Mayo Clinic MR radiology surge expansion.
- Installation of five generators, ATS switches, switchgear, VFDs, lighting controls, fire alarm systems, and medium-voltage/600V distribution for the Prospect Utility Plant addition.
- HVAC upgrades at Courtyard by Marriott, including PTACs, fan coils, exhaust systems, ductwork, and VAV replacements.
- Remodel and addition for a new post-secondary training facility and classroom expansion.
- City Walk Apartments phased construction including demolition, excavation, shoring, and concrete through Level 1.
- Electrical work for the new Mayo South Parking Ramp, including tunnel and subway-level connections.
- Construction of new multifamily housing developments, including a 100-unit apartment building
- First and Banks 219-unit multifamily apartment building.
- Addition to the Public Works Transportation Center and remodel of locker rooms, office spaces, and vestibules for Olmsted County.