

Quarterly Economic Report



Rochester Area Economic Development, Inc. (RAEDI)

Second Quarter 2025

Second Quarter 2025: Growth Momentum Continues Across Rochester Region

During the second quarter, there was continued economic stability in the Rochester Metropolitan Statistical Area (MSA), with steady gains in employment and labor force participation. Total nonagricultural wage and salary employment increased by 0.55% year-over-year, adding 709 jobs and bringing total employment from 128,958 in June 2024 to 129,667 in June 2025. Growth was driven almost entirely by the Service Providing sector, which added 710 positions, while Goods Producing employment remained essentially unchanged.

The Rochester MSA unemployment rate rose modestly to 3.3% at the close of the second quarter of 2025 but remained below both the Minnesota average of 4.0% and the national average of 4.4%.

Construction activity surged to record levels with major commercial and institutional projects underway, particularly in healthcare and infrastructure.

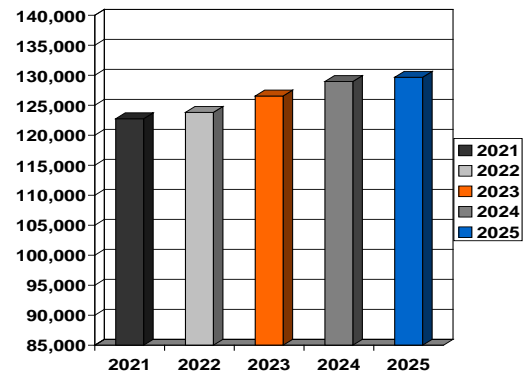
Meanwhile, housing activity remained strong, and tourism indicators, such as hotel tax revenue and air travel, continued to trend upward. This report offers a comprehensive look at the region's key economic indicators, showcasing the Rochester area's ongoing resilience and growth.

Total Employment

Nonagricultural wage and salary employment in the Rochester MSA rose by .55% over the past year. This increase of 709 jobs pushed the total employment count from 128,958 in June 2024 to 129,667 in June 2025. While Goods Producing saw only a loss of one job, Service Providing added 710 positions.

For the second quarter of 2025, both Goods Producing and Service Providing had seasonal gains of 1,433 and 2,738 jobs respectively.

Total Employment Second Quarter



Rochester MSA Employment Past 5 Years - Second Quarter

	<u>June 2021</u>	<u>June 2022</u>	<u>June 2023</u>	<u>June 2024</u>	<u>June 2025</u>
Total Employment	122,753	123,818	126,546	128,958	129,667
Goods Producing					
Construction, Mining, Logging	5,570	5,594	5,710	5,767	5,836
Manufacturing	9,918	9,684	9,607	9,112	9,042
Service Providing					
Wholesale Trade	2,541	2,638	2,654	2,734	2,635
Retail Trade	12,000	12,144	12,080	12,440	12,258
Transportation/Warehousing	2,519	2,471	2,418	2,383	2,406
Information	1,201	1,077	1,139	1,029	574
Financial Activities	2,803	2,834	2,828	2,804	2,819
Professional/Business Services	6,223	6,608	6,903	6,925	6,925
Educational/Health	53,228	52,848	54,074	55,864	57,300
Leisure/Hospitality	10,253	11,207	11,845	12,048	12,073
Other Services	3,638	3,671	3,836	3,879	3,731
Government	12,859	13,042	13,452	13,973	14,068

Source: Minnesota Department of Employment & Economic Development

Unemployment

The unemployment rate in the Rochester MSA rose by 0.5% compared to the same time last year, reaching 3.3% at the end of the second quarter of 2025. Despite the increase, the Rochester MSA's rate remains below both the state average of 4.0% and the national average of 4.4%.

The labor force in June 2025 was 130,666, reflecting a 1.2% increase from June 2024's total of 129,095.

Unemployment Rates Past 5 Years Second Quarter- Rochester MSA

<u>Rochester</u>	<u>Minnesota</u>	<u>United States</u>
2025 3.3%	2025 4.0%	2025 4.4%
2024 2.8%	2024 3.5%	2024 4.3%
2023 2.6%	2023 3.1%	2023 3.8%
2022 2.3%	2022 2.6%	2022 3.8%
2021 3.5%	2021 4.2%	2021 6.1%

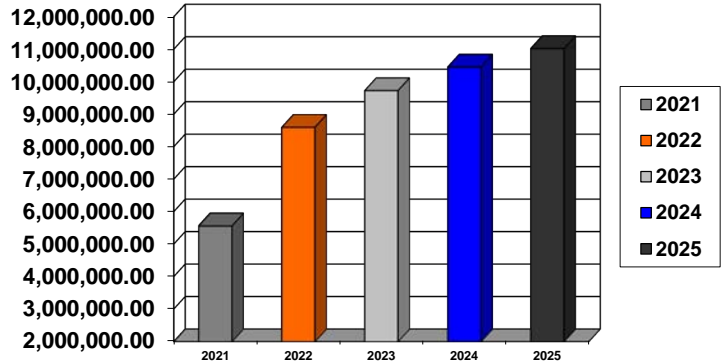
Source: Minnesota Department of Employment & Economic Development

Hotel/Motel Sales Tax - City of Rochester

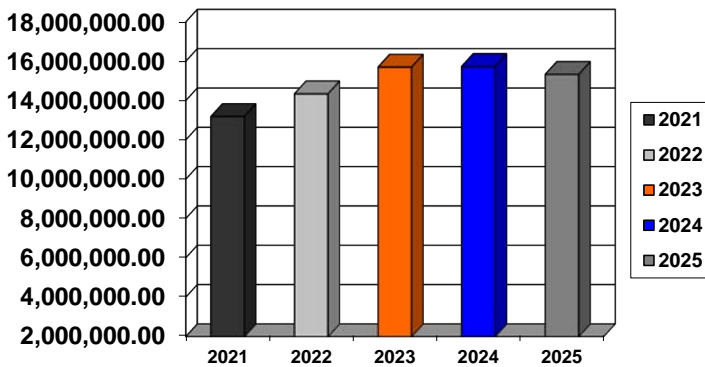
May 2024-April 2025	\$11,027,175.50
May 2023-April 2024	\$10,457,516.30
May 2022-April 2023	\$ 9,730,224.03
May 2021-April 2022	\$ 8,597,941.27
May 2020-April 2021	\$ 5,571,495.74

Source: City of Rochester Finance Department

Hotel/Motel Sales Tax Past 5 Years



Net Sales Tax Past 5 Years

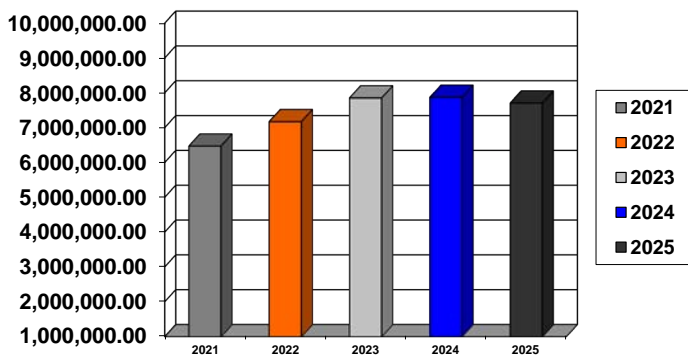


Net Sales Tax - City of Rochester

May 2024-April 2025	\$15,417,256.30
May 2023-April 2024	\$15,743,426.76
May 2022-April 2023	\$15,709,773.40
May 2021-April 2022	\$14,348,214.10
May 2020-April 2021	\$13,193,146.89

Source: City of Rochester Finance Department

DMCC Sales Tax Past 5 Years

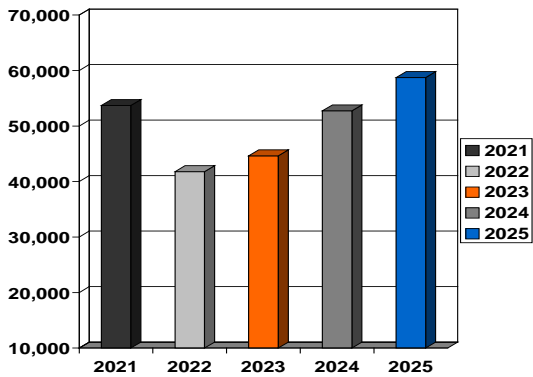


Net Sales Tax - DMCC

May 2024-April 2025	\$7,708,444.35
May 2023-April 2024	\$7,871,535.72
May 2022-April 2023	\$7,854,711.79
May 2021-April 2022	\$7,173,932.41
May 2020-April 2021	\$6,472,237.10

Source: City of Rochester Finance Department

Airport Traffic Second Quarter



Airport Traffic

The Rochester International Airport served 58,731 passengers during the second quarter of 2025. This is an 11% increase over second quarter 2024 (52,735 passengers). Year-to-date passengers are up 5% from the prior year. Passenger totals for April, May, and June were 19,104, 20,832, and 18,795 respectively.

Cargo operations increased 1% as compared to the prior year with 4,277,428 lbs. of landed weight.

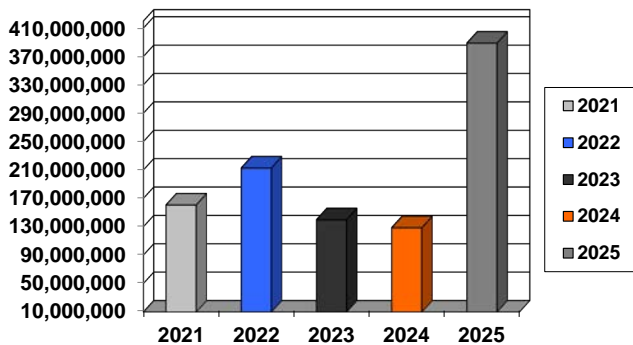
The general aviation ramp reconstruction project has been awarded to contractors and is estimated to begin this fall. The project includes:

1. Expanding the apron to provide additional aircraft parking
2. Removing a taxiway that no longer meets FAA safety design criteria
3. Constructing a new taxiway and taxi lane
4. Constructing a new fuel truck pad to free up more parking for aircraft.

This project is needed to replace aged infrastructure and provide additional aircraft parking to accommodate the increased general aviation activity. Funding is made possible through the FAA Bipartisan Infrastructure Law, MNDOT Aeronautics, and airport reserve funds.

Source: Rochester International Airport

Commercial & Residential Building Permits Second Quarter



Commercial and Residential Building Permits Second Quarter Past 5 Years

	<u>Valuation</u>	<u>Total Permits</u>
2025	\$389,115,853	909
2024	\$128,949,693	694
2023	\$140,123,062	678
2022	\$213,334,357	802
2021	\$160,946,660	737

Source: Building Safety - City of Rochester

Second Quarter Building Activity

Commercial and residential building permits issued for second quarter 2025 totaled \$389,115,853. This is an increase of 201.7% over 2024 (\$128,949,693).

Permits over \$1 million for second quarter 2025 included: Architectural, mechanical and electrical upgrades to the existing 340,000 square foot John Marshall High School. Eisenberg 93-94 patient unit refresh. New Construction of the Gonda East entrance canopy, exterior sitework, landscaping, and renovation of Mayo interior lobby. Consolidate reading room to Gonda 1. Single story 3,700 square foot new credit union building - attached drive up canopy, parking area, and rear pergola with patio. Plummer 8 physician office remodel/ 8 for physician and support staff offices and workstations. Relocation of executive medicine from Mayo 5 to Gonda 19. Reconstruction of the Silver Lake Aquatic Center pool equipment building including the pool and splash pad. Condo remodel/ Stabile Building, Refresh of Minnesota BioBusiness 4th floor. Mayo Clinic Project – includes lot 26 building and tunnel including the construction of a small masonry building that will house various utility and electrical systems. Adjacent to the building, a cast-in-place underground tunnel will be constructed, extending from just north of 2nd Street SW to north of Center Street West along 6th Avenue. The project will also include the installation of utilities, an electrical duct bank, and all necessary site restoration and landscaping. Expansion of the Prospect Utility Plant. Construction of a new 7-bay linear tire retail center and automobile service / maintenance store. Mayo Clinic project including footings and foundation work for new 2,500 stall parking ramp including site demo, earthwork, h-piles and concrete foundations. Building addition to Hands of Compassion existing structure with 11 new units, 4 levels, and existing kitchen renovation.

Source: Building Safety, City of Rochester

June 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	\$376,771	\$330,000	37	652	453	1,523
2024	\$339,557	\$302,000	32	581	454	1,455
2023	\$325,424	\$285,000	33	621	501	1,526
2022	\$331,725	\$295,000	22	762	545	1,755
2021	\$289,685	\$265,000	24	760	618	1,872

Source: Southeast Minnesota REALTORS

Second Quarter Housing Activity

In June 2025, U.S. existing-home sales edged up 0.8% month-over-month to a seasonally adjusted annual rate of 4.03 million units, exceeding economists' expectations, although sales were down 0.7% year-over-year, according to the National Association of REALTORS® (NAR). On a monthly basis, sales increased in the Midwest, Northeast, and South but decreased in the West.

New Listings in Southeast Minnesota were up 12.2 percent to 652. Pending sales increased 8.6 percent to 492. Inventory grew 24.2 percent to 1,180 units.

Prices moved higher as the median sales price was up 9.3 percent to \$330,000. Days on market increased 15.6 percent to 37 days. Months supply of inventory was up 21.7 percent to 2.8 months.

Heading into June, there were 1.54 million units for sale across the country, a 6.2% increase from the previous month and a 20.3% improvement over the same period last year, representing a 4.6-month supply at the current sales pace, according to NAR. Despite the additional supply, home prices have continued to rise nationwide, albeit at a slower pace than during the pandemic, climbing 1.3% year-over-year to \$422,800 as of last measure.