

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

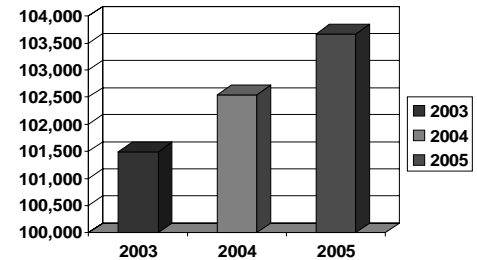
Third Quarter, 2005

Total Employment

Total employment figures in the last 12 months have shown a moderate increase of 1,124 jobs from third quarter 2004 and 2,182 jobs since 2003. This long-term trend of employment growth in the third quarter has continued for the last 12 years.

As expected there was a seasonal turn down in total employment from the second to the third quarter of 2005. The loss of 2,330 jobs brought the total employment figure down to 103,671 from the second quarter level of 106,001. Totals for July, August and September were 105,192, 105,159 and 103,671.

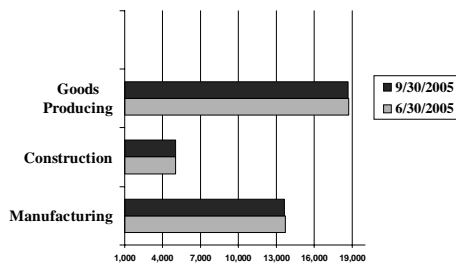
Third Quarter Total Employment Comparison



Goods Producing

The Goods Producing sector showed a slight decrease in employment for third quarter with a job loss of 27. Natural Resources/Construction/Mining reported a gain of 29 jobs while Manufacturing lost 56 jobs. Goods Producing employment totals for July, August and September were 18,881, 18,962 and 18,676 respectively.

Goods Producing Employment

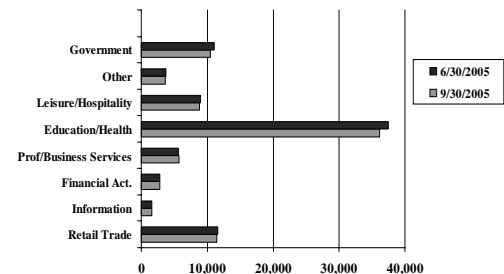


Overall, the Goods Producing sector is down slightly with a loss of 15 jobs in the past 12 months.

Service Providing

Over the last 12 months, Service Providing payroll levels have increased by 1,268 jobs for a growth rate of 1.5 percent. Job creation was widespread with seven of the eight sectors showing growth.

Service Providing Employment



For the quarter, the Service Providing sector reported a seasonal loss of 2,303 jobs for a decrease of 2.6 percent over second quarter. Education and Health Services reported the largest loss of 1,272 jobs for the quarter while Government decreased by 548 jobs. Financial Activities and Professional and Business Services reported gains for the quarter of 18 and 36 jobs respectively.

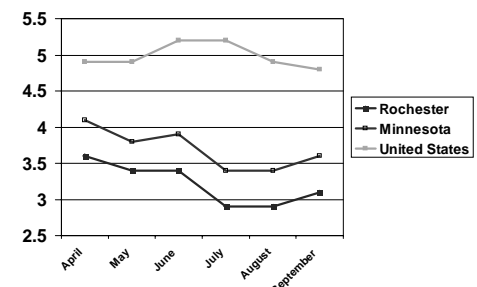
Unemployment Rate Decreases

The Rochester unemployment rate decreased by three tenths of one percent from second quarter, ending the third quarter rate in September at 3.1 percent. The rates for July and August were both 2.9 percent. The Rochester average remains well below the state and U.S. averages of 3.6 and 4.8 percent. During the past 12 months, the average unemployment rate for Rochester was 3.6 percent.

The September labor force figure of 103,602 represents a decrease of 2.8 percent from the June figure of 106,556.

Unemployment Rate

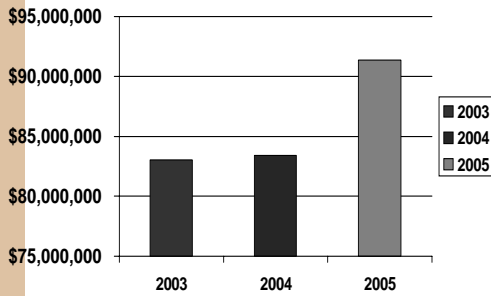
April - September 2005



Source: Minnesota Workforce Center

Third Quarter

Third Quarter Commercial & Residential Building Valuation



Strong Third Quarter Building Activity

Commercial and residential building permits issued for third quarter 2005 totaled \$91,391,973. This represents an increase of 9.6 percent over third quarter 2004 (\$83,394,474) and an increase of 10 percent over 2003 (\$83,049,834). Permits over \$1 million for third quarter 2005 included Menard Inc./Warehouse & Yard Expansion, Mayo Clinic SDSC Clinical Lab Addition, International Event Center, Forbrook Plaza/2nd & 3rd Level Finish, Commerce Park Office Bldg/Shell Permit, and the Mayo Foundation/Stabile Bldg 4-Story Vertical Expansion.

Source: Rochester Building Safety Department

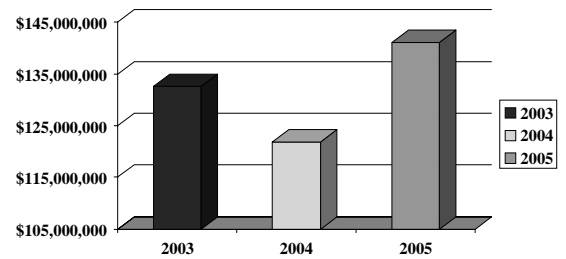
Strong Third Quarter Home Sales

The Rochester real estate market turned in a very strong third quarter performance as sales of single family homes reached \$141,091,148. This represents increases of 15.9 percent over third quarter 2004 and 6.4 percent over third quarter 2003.

Home sales in the Rochester real estate market continue to be fueled by the historically low mortgage rates and rising property values.

Source: SE Minnesota Association of Realtors

Third Quarter MLS Sales

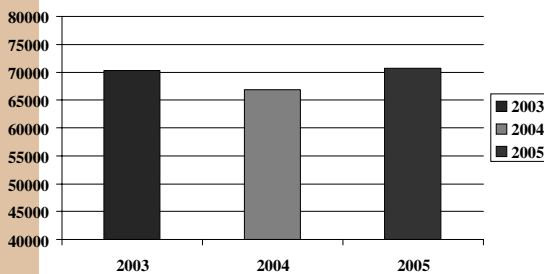


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This report is published quarterly and is available through our website at raedi.com or by calling the Rochester Area Economic Development, Inc. office at (507) 288-0208.

Airport Passenger Traffic Third Quarter Comparison



Quarterly Airport Traffic

The Rochester Airport serviced 70,680 passengers during the third quarter of 2005. This represents an increase of 5.7 percent over third quarter 2004 (66,849 passengers) and .5 percent over third quarter 2003 (70,304 passengers). Passenger totals for July, August and September were 23,381, 23,216 and 24,083 respectively.

Air cargo shipments were down 20.7 percent from third quarter 2004 and 14.8 percent from 2003. Source: Airport Manager