

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

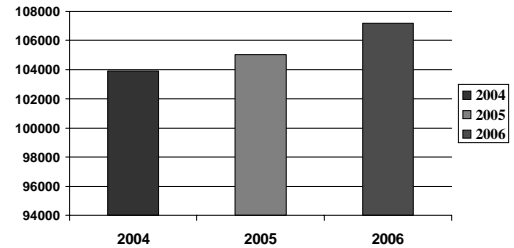
Third Quarter, 2006

Total Employment

Total employment figures in the last 12 months have shown a healthy increase of 2,164 jobs from third quarter 2005 and 3,306 jobs since 2004. This long-term trend of employment growth in the third quarter has continued for the last 13 years.

As expected there was a seasonal turn down in total employment for the third quarter of 2006. The loss of 1,252 jobs brought the total employment figure down to 107,201 from the second quarter level of 108,453. Totals for July, August and September were 108,084, 108,412 and 107,201.

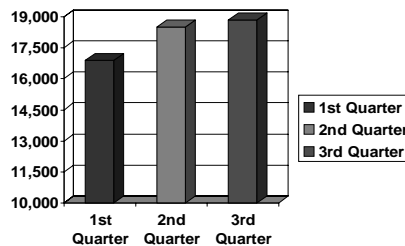
Third Quarter Total Employment Annual Comparison



Goods Producing

The Goods Producing sector showed an increase in employment for third quarter adding 152 jobs. Manufacturing reported a gain of 134 jobs and Natural Resources/Construction/Mining 18 jobs. Goods Producing employment totals for July, August and September were 18,783, 18,886 and 18,604 respectively.

Goods Producing Employment Quarterly Comparison



Overall, the Goods Producing sector is down slightly with a loss of 32 jobs in the past 12 months.

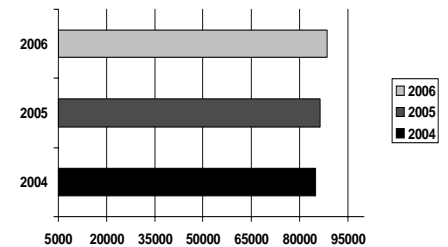
Service Providing

Over the last 12 months, Service Providing payroll levels have increased by 2,196 jobs for a growth rate of 2.5 percent.

Job creation was moderate with four of the eight sectors showing growth. Educational and Health Services showed the largest gain year-to-date, adding 2,158 jobs.

For the quarter, the Service Providing sector reported a seasonal loss of 1,404 jobs for a decrease of 1.6 percent over second quarter.

Third Quarter Employment – Service Providing Annual Comparison



Unemployment Rate

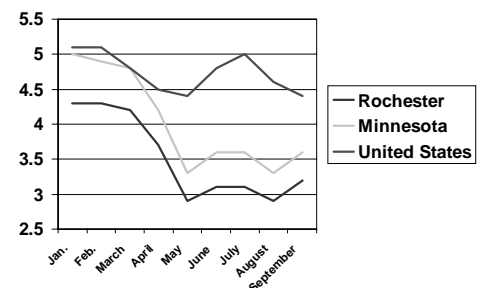
The unemployment rate increased by one tenth of one percent from second quarter for the Rochester MSA, ending the third quarter rate in September at 3.2 percent. The rates for July and August were 3.1 and 2.9 percent respectively. The Rochester MSA average continues to remain below the state and U.S. averages of 3.6 and 4.4 percent respectively. During the past 12 months, the average unemployment rate for Rochester was 3.4 percent.

The September labor force figure of 104,583 represents a decrease of 1.0 percent from the June figure of 105,627.

Source: Minnesota Workforce Center

Unemployment Rate

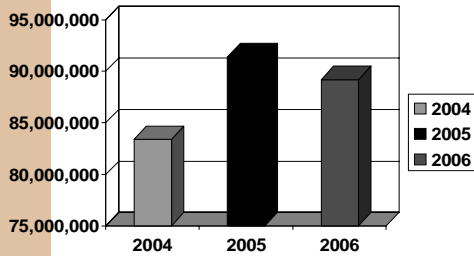
January – September 2006



Third Quarter

Third Quarter Building Activity

Third Quarter Commercial & Residential Valuation



Commercial and residential building permits issued for third quarter 2006 totaled \$89,216,638. This represents a decrease of 2.4 percent over third quarter 2005 (\$91,391,973) and an increase of 7 percent over 2004 (\$83,394,474). Permits over \$1 million for third quarter 2006 included Rochester Assembly of God (addition), Mayo/Gonda (phase 2-levels 1,14,15,17,18,19), American Cancer Hope Lodge (27 unit 3-story addition), Olmsted County Housing/Candlerose (alterations), RCTC Heinz Center (re-roof), Centex Homes (8 units/2-story multi-family), Think Credit Union (bank with walk-in & drive-up), Mills Fleet Farm (retail store/gasmart/car wash), Texpar Energy (2-3 million gallon storage tanks), Methodist/Charlton (west entry remodel), University Health Services Center (RCTC/Heinz Center), and Edison Building (remodel). *Source: Rochester Building Safety Department*

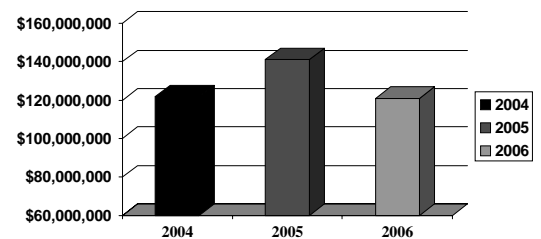
Third Quarter Home Sales

Third quarter sales of single family homes in Rochester reached \$120,956,137. This represents decreases of 14.3 percent over third quarter 2005 (\$141,091,148) and .7 percent over third quarter 2004 (\$121,761,621).

As the change in sales volume indicates, the Rochester real estate market is in an adjustment period with fewer buyers and increased market time. This is consistent with state and national trends. Mortgage rates continue to remain relatively low.

Source: SE Minnesota Association of Realtors

Third Quarter MLS Sales

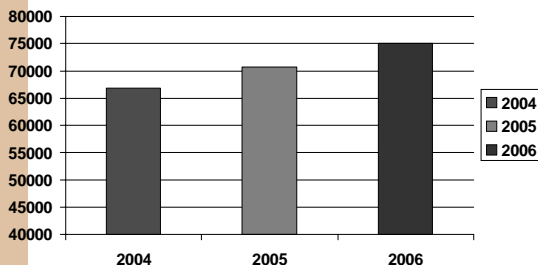


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This report is published quarterly and is available through our website at raedi.com or by calling the Rochester Area Economic Development, Inc. office at (507) 288-0208.

Airport Passenger Traffic Third Quarter Comparison



Quarterly Airport Traffic

The Rochester Airport serviced 75,002 passengers during the third quarter of 2006. This represents an increase of 6.1 percent over third quarter 2005 (70,680 passengers) and 12.2 percent over third quarter 2004 (66,849 passengers). Passenger totals for July, August and September were 24,736, 25,827 and 24,439 respectively.

Air cargo shipments were up 5.8 percent from third quarter 2005 and 20.7 percent from 2004. *Source: Airport Manager*