

Quarterly Economic Report

Rochester Area Economic Development, Inc. (RAEDI)

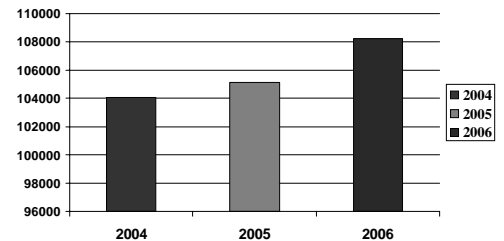
Fourth Quarter, 2006

Total Employment Posts Increase

Nonagricultural wage and salary employment for the Rochester MSA posted an increase of .60 percent during the fourth quarter of 2006. A gain of 617 jobs brought total employment to 108,231 from the September level of 107,614. Employment totals for October, November and December were 107,939, 108,101 and 108,231 respectively.

The Rochester MSA finished the year with a gain of 3,105 jobs, an increase of 3 percent over 2005 and 4 percent over 2004. Goods Producing gained 245 jobs in the last year while Service Providing added 2,860.

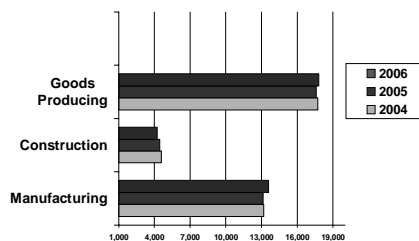
Fourth Quarter Total Employment Annual Comparison



Goods Producing up for the Year

The Goods Producing sector experienced employment growth in the last 12 months with an increase of 245 jobs or 1.4 percent. Manufacturing added 496 jobs while Natural Resources/Construction/Mining decreased by 251 jobs.

Goods Producing Employment Annual Comparisons for Fourth Quarter

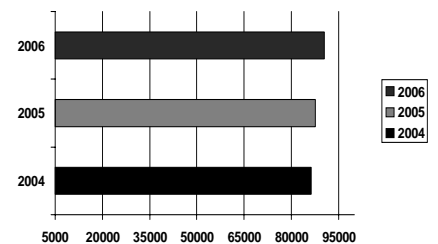


For the quarter, Goods Producing showed a seasonal slowdown with a loss of 832 jobs. Employment totals for October, November and December were 18,579, 18,132, and 17,837.

Service Providing

The Service Providing sector created 1,449 jobs during fourth quarter for an increase of 1.6 percent. This pushed Service Providing employment to a record 90,394 jobs. Retail Trade, boosted by strong seasonal demand, led the advance with a gain of 793 jobs while Government and Education/Health Services added 634 and 246 respectively. Service Providing totals for October, November and December were 89,360, 89,969 and 90,394.

Fourth Quarter Service Providing Annual Comparison



During the past 12 months, the Service Providing sector has increased by 2,860 jobs for a growth rate of 3.2 percent.

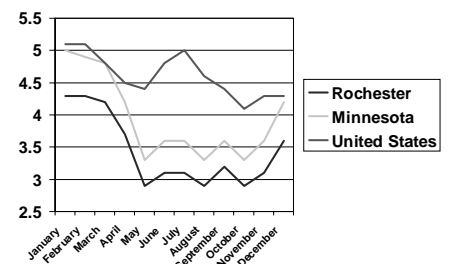
Unemployment Rate

The Rochester unemployment rate increased by four tenths of one percent from third quarter, ending the fourth quarter rate in December at 3.6 percent. The rates for October and November were 2.9 and 3.1 percent respectively. The Rochester average remains well below the state and U.S. averages of 4.2 and 4.3 percent. During the past 12 months, the average unemployment rate for Rochester was 3.4 percent.

The December labor force figure of 105,312 represents an increase of .7 percent from the September figure of 104,583.

Unemployment Rate

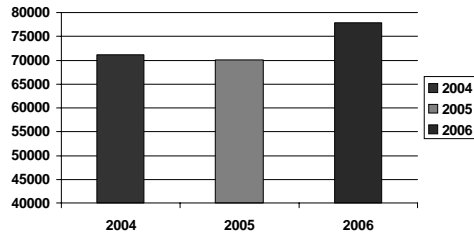
January – December 2006



Source: Minnesota Department of Employment and Economic Development

Fourth Quarter

Airport Passenger Traffic Fourth Quarter Comparison



Quarterly Airport Traffic

The Rochester Airport serviced 77,915 passengers during the fourth quarter of 2006. This represents an increase of 11.6 percent over fourth quarter 2005 (70,069 passengers) and 5.8 percent over fourth quarter 2004 (71,230 passengers). Passenger totals for October, November and December were 27,098, 25,524 and 25,293 respectively.

Air cargo shipments were down 11 percent from fourth quarter 2005 and 23.2 percent from 2004. *Source: Airport Manager*

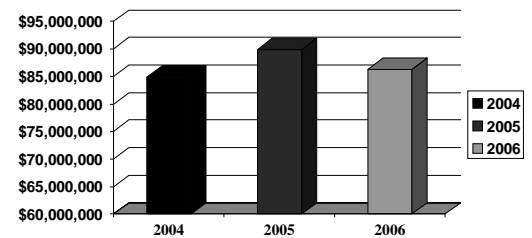
Home Sales in Rochester

The Rochester real estate market's fourth quarter sales for single family homes totaled \$86,318,321. This represents a decrease of 4 percent from fourth quarter 2005 and an increase of 1.7 percent from 2004.

For the year, annual sales totaled \$425,270,429. 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: Southeast Minnesota Assoc. of Realtors

Fourth Quarter MLS Sales



RAEDI

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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.

Fourth Quarter Building Activity

Commercial and residential building permits issued for fourth quarter 2006 totaled \$93,990,393. This represents a decrease of 3.3 percent from fourth quarter 2005 and 7.7 percent from 2004.

Totals for October, November and December were \$24,584,077, \$39,198,692 and \$30,207,654 respectively. For the year, permit valuation totaled \$348,514,810. Permits issued for fourth quarter over \$1 million included: *Centex Homes (10-unit multifamily), Graham Arena IV & Lobby Additions, Willow Creek Plaza (structural shell), Lowe's Home Center/Including Footings & Foundation, City of Rochester/Life Station #4, Rochester Airport/Office/Maintenance Bldg, Mayo/Stabile/4&5 Floors-Cardio Research Lab, Target/Structural Shell, Zumbro Mental Health (office/treatment/condos), Target South, Rochester Toyota Dealership/Shop, Rochester Area YMCA (slide/pool addition/remodel), Mayo/Eisenberg Bldg/8th Floor Orthopedic Remodel, IBM/Upgrade of 14 Restrooms, and the Mayo/Hilton Bldg/Hematopathology Lab Remodel.*

- *Source: Rochester Building Safety Department*

Fourth Quarter Commercial & Residential Valuation

