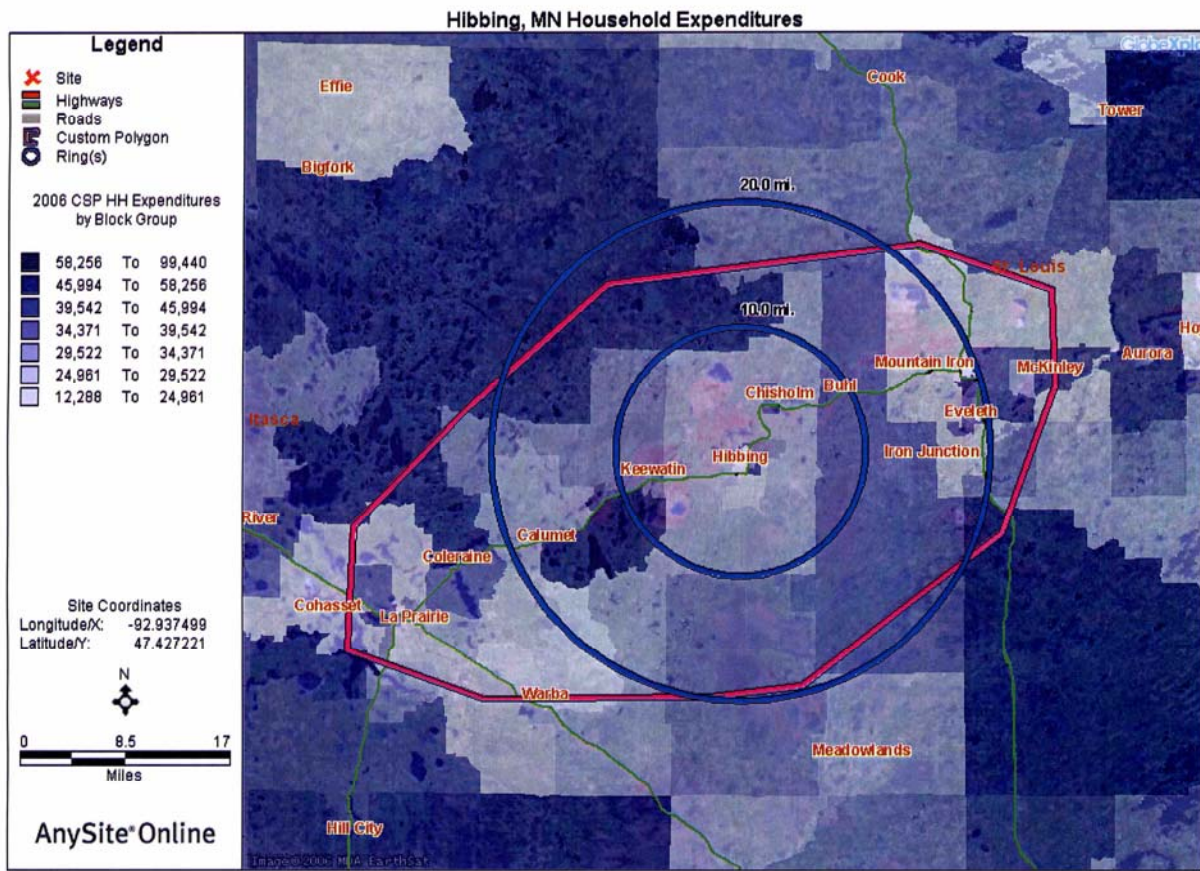


IV. THE TRADE AREAS

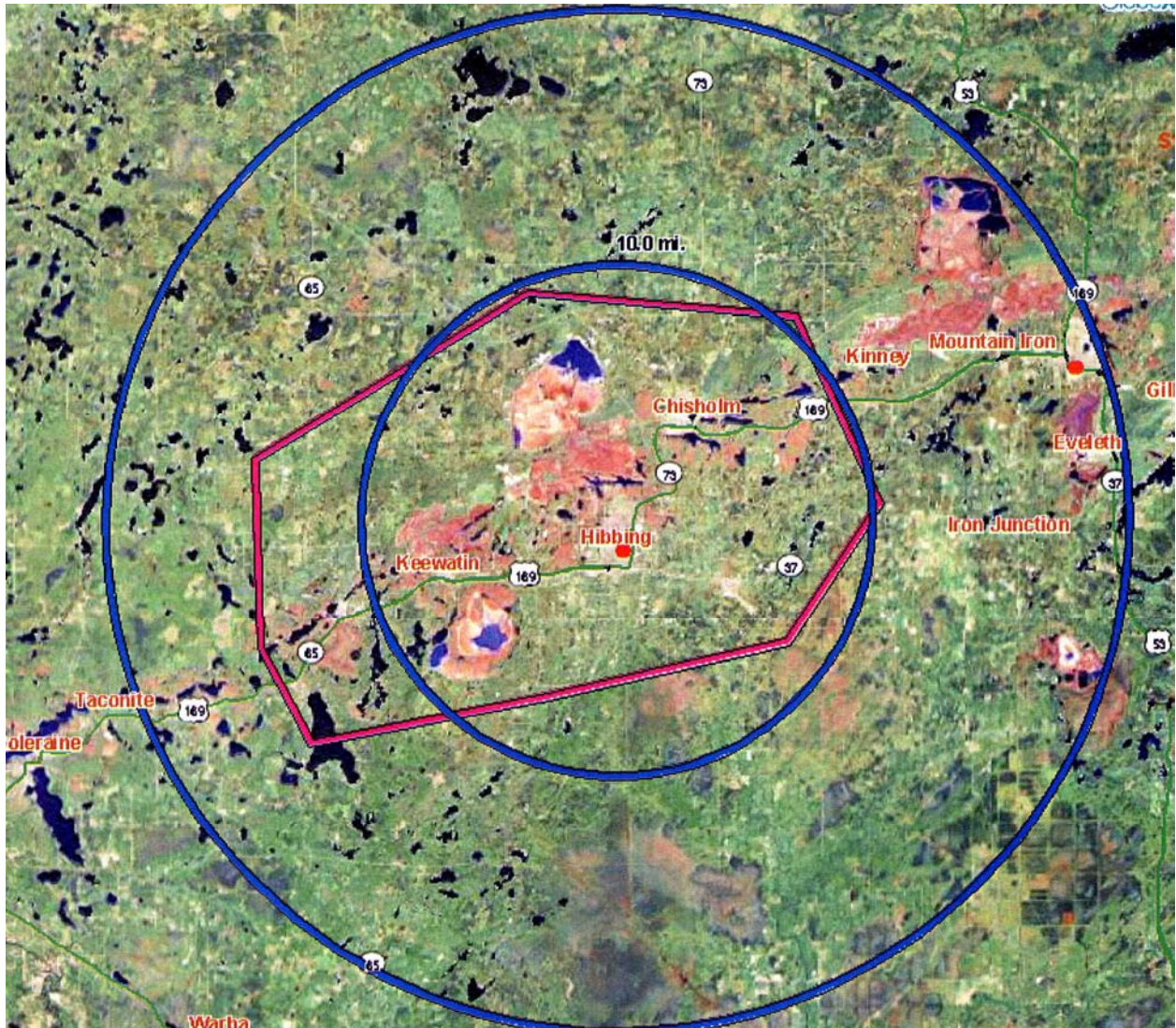
The trade areas for Hibbing were defined by a variety of factors including accessibility, existing and planned competition, physical and psychological barriers, and the overall drawing power of the area. The primary trade area (PTA) refers to that area from which the retail offerings at the site will draw approximately 70%-75% of their business, and includes a population base that will make the area a primary shopping destination by typically shopping there on a weekly basis.

The secondary trade area (STA) represents that area from which the site will draw an additional 10%-15% of its business. Those residents who live in the STA, but not within the PTA will shop Hibbing frequently (between 1-2 times a month), but the city will not be their primary shopping destination. The STA most likely accounts for closer to 15% of the retail potential, taking into account the more affluent residents living around the lakes and commuting into Hibbing.



The previous map shows the average household expenditures by block group for the Hibbing area. MapInfo also developed a tertiary trade area (TTA) for this analysis, which accounts for additional retail expenditures that the city derives from more distant communities that may not shop on a regular basis in Hibbing, but consistently account for at least some percentage of sales. These customers may visit annually for Dylan Days or other events or visit Hibbing for sporting events, etc. While they are not regular Hibbing shoppers, they nonetheless contribute to the area economy and, therefore, should be quantified.

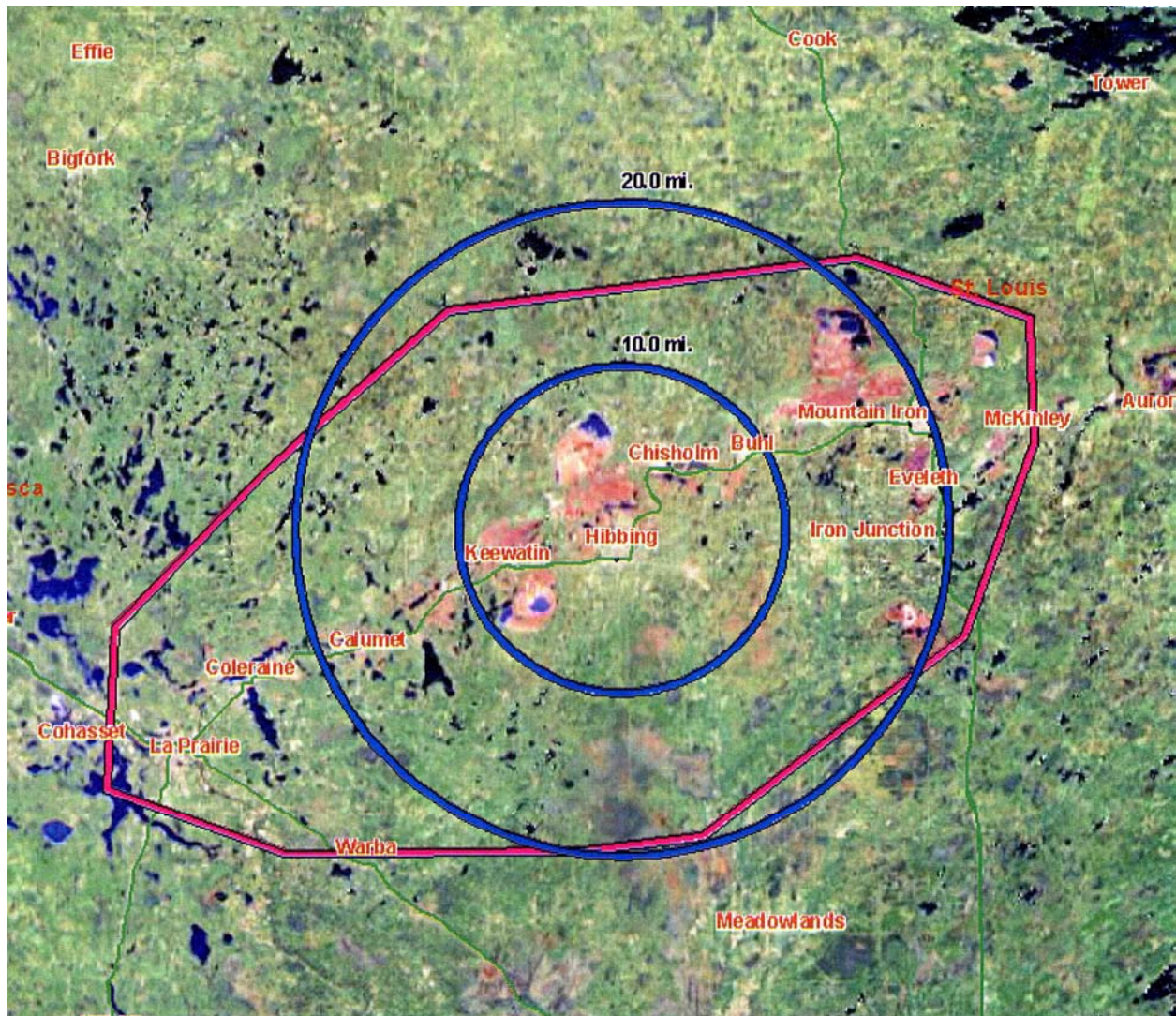
It is assumed in this analysis that at least some of the city's customers will come from beyond the trade area boundaries, and that these customers will only frequent the area every few months at most. This assumption of sales from beyond the trade area also allows for the fact that Hibbing has attractions of international draw, as well as the fact that people in northern Minnesota are accustomed to driving long distances for their shopping/dining/entertainment needs.



The primary trade area is depicted above. The blue circles represent 10- to 20-mile rings, while the pink polygon depicts the PTA. For more detail, please refer to Appendix C.

Primary Trade Area - Defined

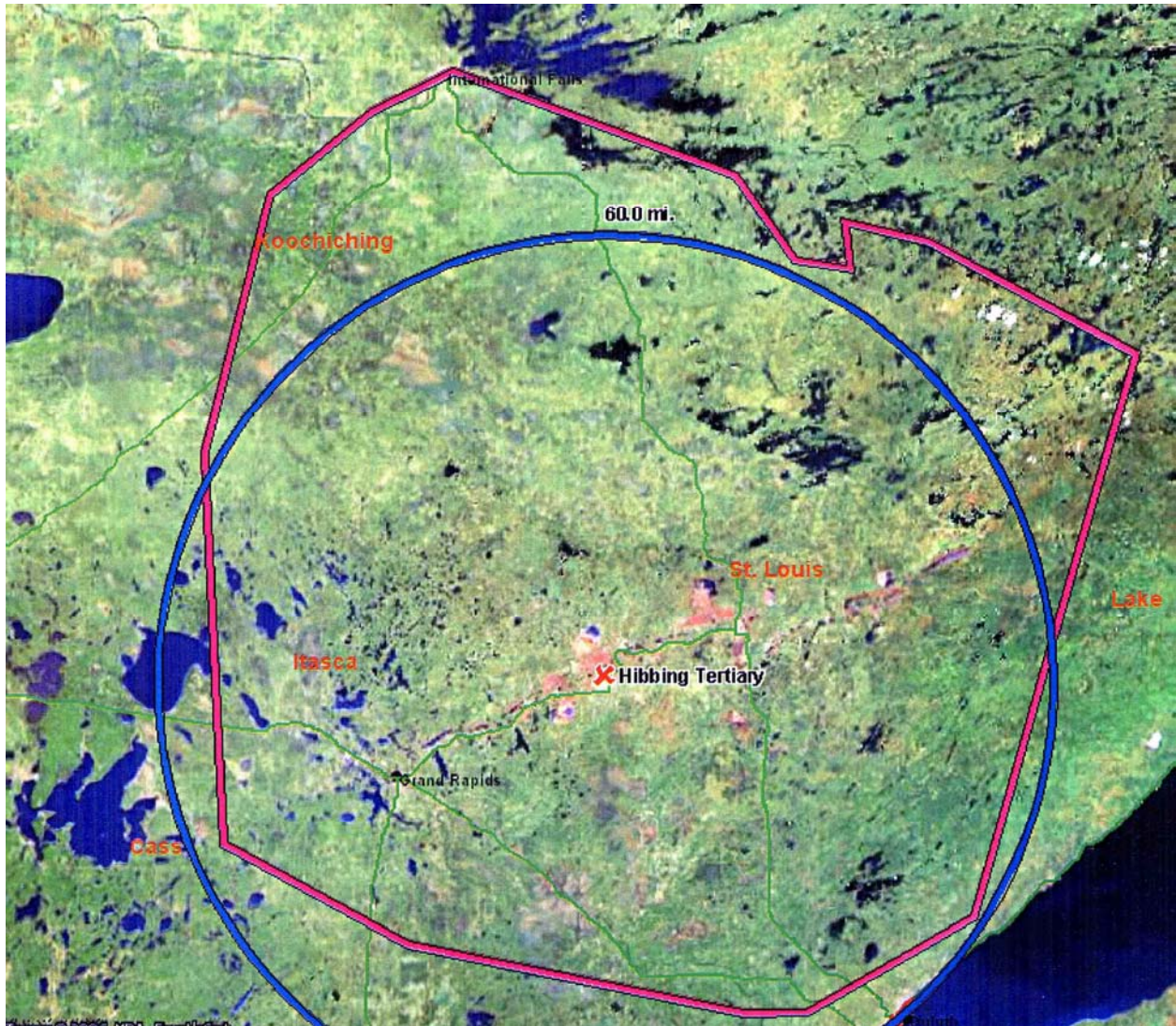
The PTA incorporates the city of Hibbing, the surrounding communities of Chisholm, Keewatin, Buhl, and Great Scott Township. The most significant limiting factor in the trade area definition is the increased orientation to areas beyond Hibbing, particularly to larger cities such as Duluth. Futhermore, Grand Rapids and Virginia both have some overlap in their retail offerings as Hibbing, restricting Hibbing’s capacity to pull from these markets.



The map above depicts the STA. The blue circles are 10- to 20-mile rings. The pink polygon refers to the STA.

Secondary Trade Area – Defined

The STA extends a substantial distance to include the communities of Grand Rapids and Virginia. The favorable access from U.S. Highway 169 and State Highway 37 and 73, coupled with the assumption that Hibbing will add attractive retail and conduct an aggressive marketing campaign, would allow Hibbing to compete with these neighboring areas for retail expenditures.



The map above depicts the tertiary trade area in pink with a 60-mile ring in blue.

Tertiary Trade Area – Defined

The TTA extends through northern Minnesota to the Canadian border and reflects the drawing power of Hibbing’s many attractions. Further, it extends farther south to incorporate some areas that may be persuaded to travel to Hibbing for special events. This trade area also assumes that Hibbing will market their retail development aggressively.

Demographic Characteristics

The PTA is estimated to have had 26,340 people residing within it in 2006, with a modest decrease of 0.4% annually to 25,785 people by 2011. Conversely, the number of households are projected to increase 0.3% annually between 2006 and 2011 (from 11,900 in 2006 to 12,100 in 2011), indicating that much of the growth in the area will be through either in-migration of people from other communities or individuals leaving their current homes as they mature and move out or find new dwellings for other reasons.

The PTA has a median household income level of \$35,816 (2006), which is projected to increase 2% annually between 2006 and 2011. Educational levels are moderate with 34% of the population over the age of 25 having a high school diploma as their highest level of education. Only 16% have a Bachelor's Degree or higher (compared to the national average of 25%). Another 37% have some college up to a 2-year Associate's Degree. Further, over 19% of the PTA residents have at least 1 year of college, but no degree, indicating that some residents are leaving school for the job market or for other reasons. In total, 86% of residents over the age of 25 have at least a high school diploma compared to 89% for the State of Minnesota.

The STA is estimated to contain 74,625 people in 2006, decreasing 0.3% annually to 73,565 people by 2011. The trade area households are projected to grow at 0.5% annually from 33,015 households in 2006 to 33,800 households by 2011. The STA has a slightly higher median household income than the PTA (\$37,738 in 2006), which is less than the national average of \$46,740.

Educational levels in the STA are moderately higher than the PTA; 34% have a high school diploma or equivalent, 37% have some college or an Associate's Degree; and 17% have a Bachelor's Degree (or higher), indicating slightly higher educational levels outside Hibbing. In total, 87% of STA residents have a high school diploma or higher.

The following table compares the primary and secondary trade areas to the state of Minnesota, and the United States:

<u>Characteristics</u>	<u>Primary Trade Area</u>	<u>Secondary Trade Area</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Household Income (2006)	\$35,816	\$37,738	\$52,799	\$46,740
Median Age	43.5 Years	43.3 Years	38.2 Years	36.6 Years
Persons per Household	2.1	2.2	2.4	2.5

Source: U.S. Census Bureau, MapInfo Inc.

As the above table indicates, the PTA has a slightly lower income level than the STA, but is equivalent in terms of median age and household size. This table indicates the trade areas represent older, empty-nesters rather than young families. While these residents will generally have more disposable income than young families just starting out who are assuming new mortgages and spending on their children, the lack of young families contributes to the population decline in both trade areas and may also mean more retirees on fixed incomes who are less likely to spend money.

The TTA has a 2006 population of 150,225, increasing to 153,010 people by 2011, an average annual increase of approximately 0.4%. The median age of 43.7 years is similar to the PTA and STA, but the median household income is higher at \$40,430.