

RETAIL MARKET ANALYSIS

Hibbing, Minnesota



EXECUTIVE SUMMARY

OBJECTIVE

The city of Hibbing, Minnesota, retained MapInfo to assess the retail suitability of a variety of retail categories within the community. Specifically, sites for potential development included the Irongate Mall and downtown (i.e., Howard Street, First Avenue). MapInfo utilized almost 50 years of retail site location experience to assess the market and identify those retailers whose demographic and lifestyle segmentation criteria match those found within the trade area for Hibbing. The purpose of this analysis was to allow Hibbing to develop a focused strategy to recruit new retail that will serve the community's residents, as well as the surrounding areas. The city of Hibbing is focusing its retail attraction efforts solely on those retailers most appropriate for the market.

The following questions were addressed as part of this study:

- Is retail development viable in Hibbing?
- To whom would this retail appeal (demographic/psychographic characteristics of trade area residents)?
- How do demographic/psychographic and location/geographic characteristics of the study area compare to other areas?
- What types of retail would provide the closest matches?
- Which specific retailer(s) is/are the best fit for this location?

RESULTS

- The retail market analysis for Hibbing reveals that this community can support up to 266,600 square feet of new retail development assuming an aggressive population and business growth.

The city of Hibbing benefits from the following positive attributes:

- Hibbing is capable of drawing customers from larger than average distances due to the other amenities in the area (such as outdoor recreation opportunities, activities related to Bob Dylan's birthplace, etc.).
- Included in this regional draw are the majority of northeastern Minnesota and southwestern Ontario, Canada.
- Lowe's opened a store in Hibbing in October 2006 (one of only five stores in Minnesota) and is achieving sales levels significantly above plan, according to local sources.
- Hibbing has good regional access via U.S. Highway 169 and State Highways 73 and 37.

- There are almost 75,000 people within a 60-minute drive who are accustomed to driving long distances for shopping. This number does not include the many tourists visiting the area for the lakes attractions, Dylan Days, the mine, and other features.
- The Hibbing population has a strong work ethic and sense of community pride, which will assist retailers in securing quality staff.
- Hibbing has an active and energetic leadership who demonstrate strong abilities to make things happen.

Further, the following positive attributes directly pertain to retailing in Hibbing:

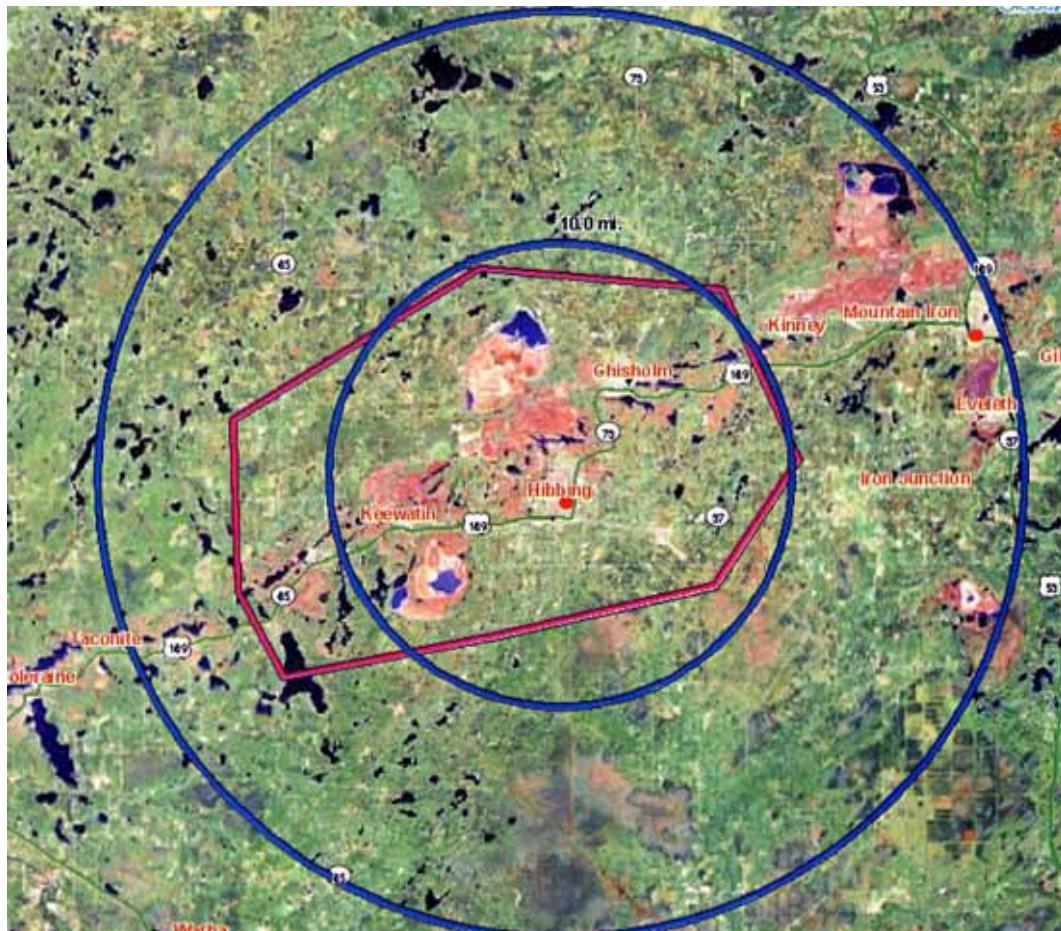
- Hibbing is poised to see population growth as well-paying jobs open up in the mining industry with multiple large scale projects in the planning stages and 30% of the mining workforce expected to retire in the next 2 to 3 years.
- The recently opened Lowe's unit is performing above its anticipated sales forecast.
- Management at IronGate Mall is seeking to attract new tenants and to improve its image. The mall has undergone a major renovation to convert a portion of its space to an "open air" or strip-center format.
- See www.hibbing.mn.us/retail for more information on Hibbing's retail recruitment effort.

STUDY AREA OVERVIEW

Based on the density of households in the area surrounding Hibbing and MapInfo's experience in studying retailers, three distinct trade areas were developed. The following maps show the boundaries of these trade areas. The blue rings represent mile rings as labeled while the pink polygon depicts the trade area boundary.

Primary Trade Area (PTA)

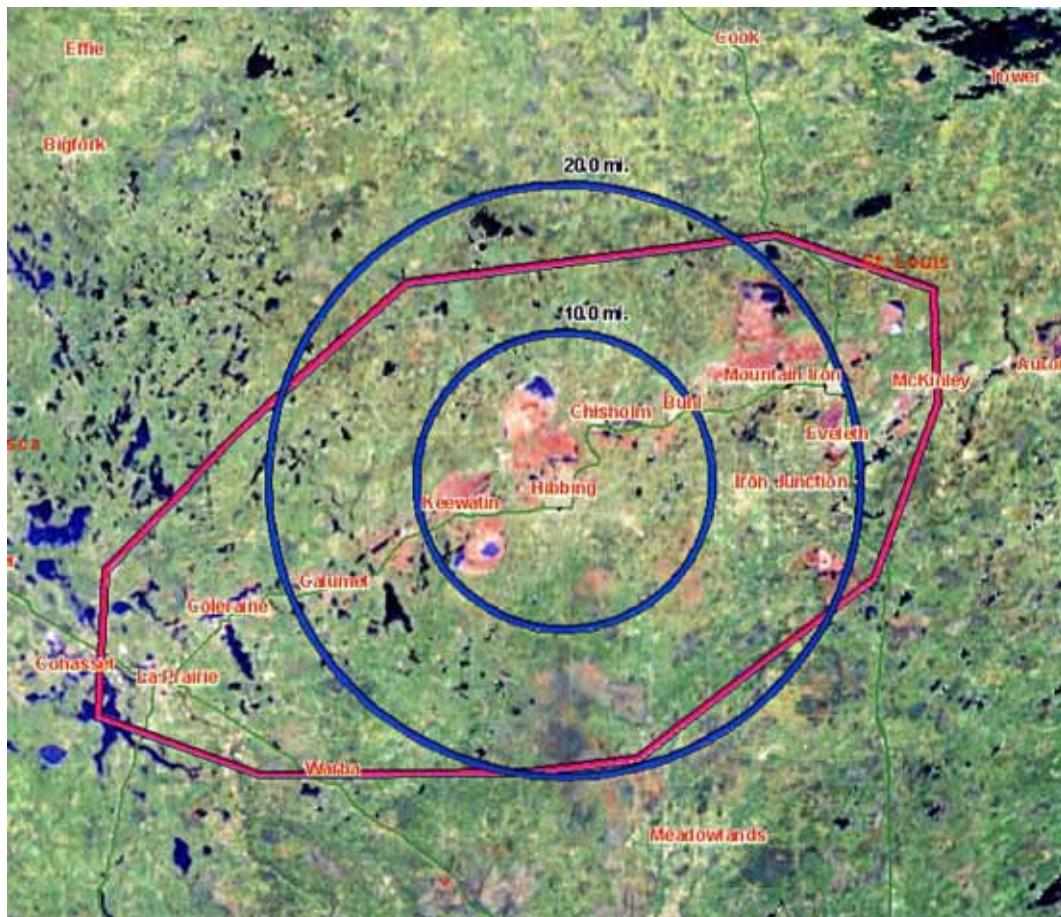
The PTA refers to that area from which the retail offerings in the city will draw approximately 70% to 75% of their business, and includes a population base that will make the area a primary shopping destination by typically shopping there on a weekly basis.



- Population – The PTA is currently estimated to have a population of 26,000.
- Households – The PTA is projected to have 11,900 households, with a modest growth rate of 0.3% annually.
- Median Age – The median age for the PTA is 44.5 years, indicating a slightly older population base.
- Median Household Income – The PTA is estimated to have a median household income of \$33,400 and is projected to increase 2.2% annually through 2012.

Secondary Trade Area (STA)

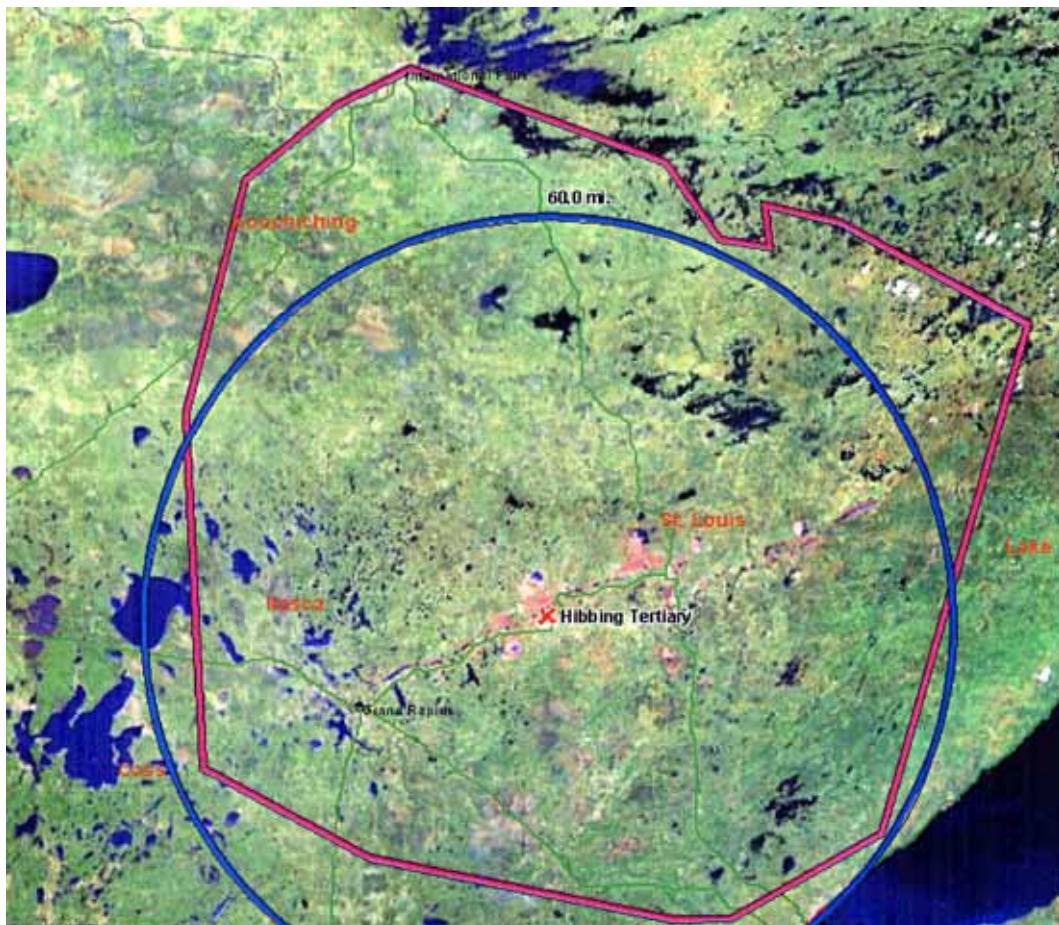
The STA refers to that area from which the city will draw an additional 10% to 15% of its business. Those residents who live in the STA, but not within the PTA, will shop Hibbing frequently (between one to two times a month), but the city will not be their primary shopping destination. The STA most likely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



- Population – The STA is currently estimated to have a population of 73,700.
- Households – The STA is projected to have 33,050 households, with a modest growth rate of 0.5% annually.
- Median Age – The median age for the STA is 44.3 years, indicating a slightly older population base.
- Median Household Income – The STA is estimated to have a median household income of \$35,700 and is projected to increase 2.2% annually through 2012.

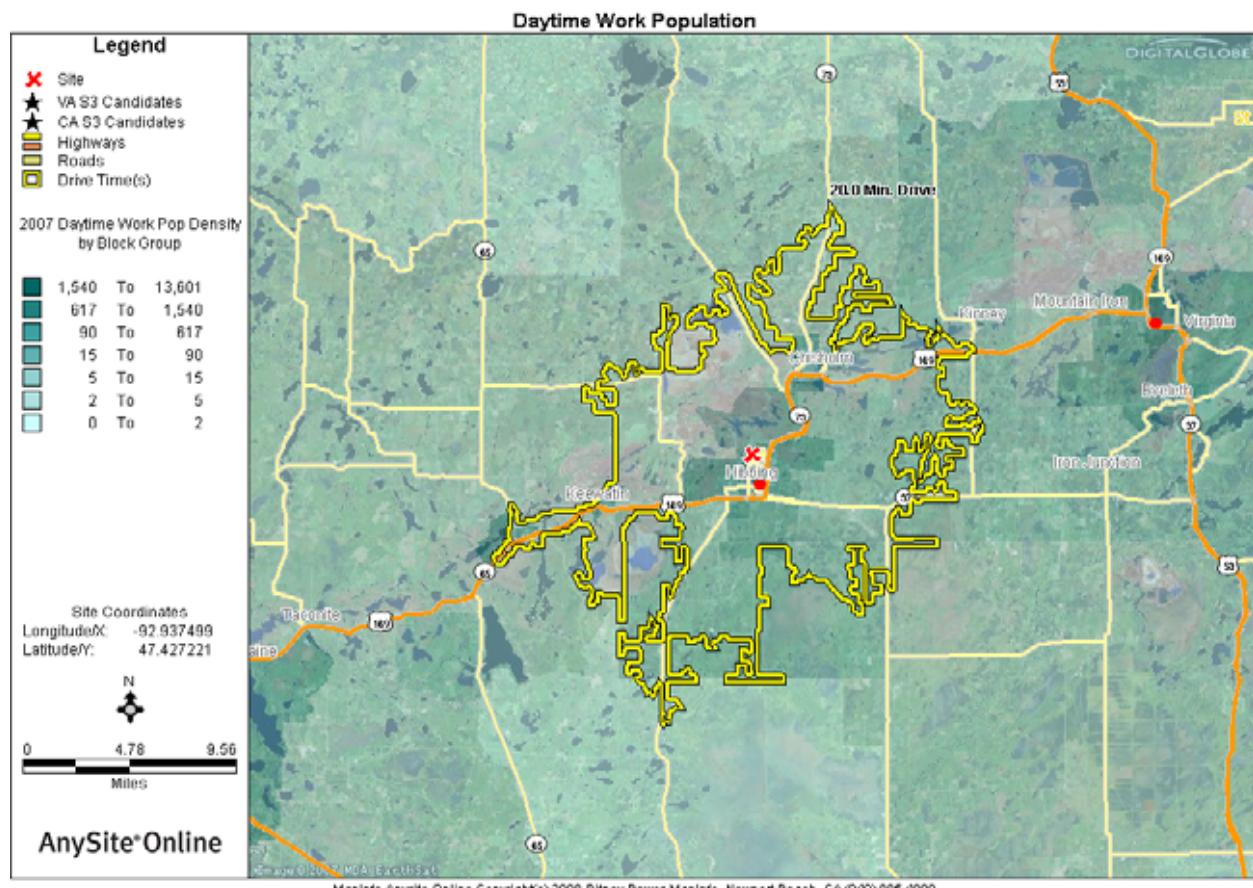
Tertiary (Aggressive) Trade Area (TTA)

The TTA refers to the area that 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 the customers are not regular Hibbing shoppers, they nonetheless contribute to the area economy.



- Population – The TTA is currently estimated to have a population of 149,000, increasing to 149,300 people by 2012.
- Households – The TTA is projected to have 65,400 households, with a modest growth rate of less than 1% annually.
- Median Age – The median age for the TTA is 44.5 years, indicating a slightly older population base.
- Median Household Income – The TTA is estimated to have a median household income of \$38,900, higher than the PTA or STA.

Daytime Work Population Density



As the above map indicates, the Hibbing area has a strong concentration of daytime population within a 20-minute drive, a factor that will enhance the supportability of a variety of retailers, including restaurants, services, etc.

SUPPORTABLE RETAIL CATEGORIES

Based upon the retail market analysis, the Hibbing market can support between 121,300 and 266,600 square feet of new retail, based upon the overall growth patterns and aggressiveness of new job development in the market. MapInfo has also assessed the demographic and lifestyle characteristics of the area and identified potential retailers whose criteria may be well-suited to the Hibbing area. The results are displayed in the chart below:

Category	Minimum Square Footage	Maximum Square Footage	Sample of Potential Retailer Matches
General Merchandise/Junior Department Store	65,000	95,000	T.J. Maxx, Marshalls, AJ Wright
Women's Apparel	2,200	3,400	Cato/It's Fashion, Dress Barn
Men's Apparel	1,600	2,400	
Children's Apparel	0	1,000	
Restaurants	10,800	14,000	Applebee's, Chili's, Ground Round, Embers, Carlos O'Kelly's, Max & Erma's
Grocery	0	3,500	
Dollar Store/Variety	24,000	35,000	Tuesday Morning, Big Lots
Drug Store	6,300	8,100	
Home Furnishings	6,200	8,000	Pier 1
Pet Supplies	4,000	9,500	
Toy/Hobby Shop	1,200	1,700	
Appliances/Electronics	0	10,000	Rex TV & Appliance, Karl's, Batteries Plus
Sporting Goods	0	75,000	Gander Mountain, MC Sports
Total	121,300	266,600	

SEGMENTATION ANALYSIS/MAPINFO PSYTE ADVANTAGE PROFILES

The PSYTE Advantage system characterizes the behavior of every neighborhood in the United States – from favorite films and foods to preferred attire and avocations — enabling users to predict customers' responses to every campaign. For each of the retailers in the AnySite Online RM Database, we have established a PSTYE profile that captures the characteristics of the trade areas in which the retailer typically locates. We matched that profile with the profile around Hibbing.

PSYTE Segment	Photo	Description
Plow and Plateau		Farmers, miners, and foresters are found in this broad swath of territory in the Northeast, northern Midwest, and Northwest. Their lifestyle is distinctly tied to Earth's bounty, a fact that likely affects their values and purchasing behaviors. A 65/35 owner-to-renter ratio obscures relatively high vacancy rates and seasonal occupancies. More than 15% live in mobile homes, and the cluster has a high recreational vehicle index. A high school diploma is the norm as is the dual-income home. An older age skew represents families with teens and empty nests. Average family income is \$48,000. The cluster is 88% white, non-Hispanic and 12% Hispanic.
Village Americana		America's small towns are more numerous than appreciated. Every region, every state, every country road connects eventually to settlements whose livelihood stems as much from its own history as from enduring economic opportunity. The lucky ones connect to nearby metro areas or are renewed by in-migrants. Others, like those in Village Americana, languish in peaceful solitude, attracting the occasional scavenger of antiques. Average income is \$34,000.
Senior Circles		Seniors, perhaps more than others, still "flock together" and socialize with gusto, playing bridge and shuffleboard to beat the band. This cluster indexes high on the 80+ population, widows and widowers. Over half (56%) are renters with an overall high index on high-rise apartment dwellers and population in nursing homes. Still, 40% are homeowners residing in the communities in which they have spent most of their lives. Incomes, derived primarily from Social Security, are characteristically low at \$24,000 median household income.

PSYTE Segment	Photo	Description
Rust Belt Blues		<p>Blue collar and singin' the blues, this cluster captures an older population in older housing (40's and 50's vintage). A ratio of 75/25 single detached homes to multi-unit structures reflects a similar owner-to-renter mix. High school educated, their current job profile includes manufacturing but also material moving, maintenance and repair, and services. Only 32% are in white-collar jobs. Overall average household income is \$43,600.</p>
Quiet Streets		<p>Small towns in the Midwest are as numerous as they are charming. Families with kids in owner-occupied housing predominate. Fully 97% are white, non-Hispanic with average incomes a moderate \$62,400. They index high on farming though only 5% of the workforce works an agricultural occupation. Educational attainment is diverse ranging from high school only (40%) to Associate's and Bachelor's degree. Fewer than 2% live and work in a central city. You can almost hear the leaves fall.</p>

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For additional information on the PSYTE *Advantage* segments, please visit the following web pages:

- Methodology
www.anysiteonline.com
- Cluster Almanac
www.anysiteonline.com/sample_maps_reports/MapInfo%20Data/PSYTE%20Almanac/PSYTE_Cluster_Almanac.htm

SUMMARY

In summation, Hibbing has significant potential for new retail development based upon its ability to draw traffic from across northern Minnesota and portions of Canada. The development of Lowe's (one of only five units this operator owns in Minnesota) is indicative of the untapped potential and drawing power of the market.

This packet was generated by MapInfo to provide Hibbing and retailers well-suited to the community with a road map to upgrade and expand commercial areas, attract investment, create jobs, expand the tax base, and provide residents with goods and services they demand. The purpose of this packet is to familiarize you with development opportunities located in Hibbing, and begin the process of working with your company to site a store within this community.

The city of Hibbing is extremely interested in discussing with you potential opportunities within the city. Please contact Duane Northagen with any questions/comments you may have regarding Hibbing.

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CREDENTIALS

Hibbing chose MapInfo to develop a strategic analysis based on MapInfo's proven expertise in the area of retail site selection, coupled with their ability to work with municipalities to develop strategic retail plans. MapInfo has years of experience providing businesses with time-sensitive market analysis information in areas such as site selection, identifying emerging markets, profiling customers, revealing customer behavior, mapping demographics, and pinpointing competitor locations.

In 2003, MapInfo augmented its strength in predictive analytics by acquiring Thompson Associates, a full-service research organization with almost 50 years of experience serving the needs of the nation's premiere retail, restaurant, real estate, and financial services markets.

As an indication of the extent of involvement in the retail site selection process:

- Eight of the top 10 retailers have relied on MapInfo for site selection.¹
- Seven of the top 10 specialty retailers have depended on MapInfo for site selection.²
- Virtually all of Home Depot's North American stores have been opened with the help of MapInfo.

Using location-based predictive analytics, MapInfo helps its clients better understand their customers and markets. By integrating modeling expertise, software and data, MapInfo helps them make better decisions about market and product potential, store location and demographics, resulting in increased revenue and decreased costs.

In addition to MapInfo's stature in the retail space, MapInfo has in-depth experience working with federal and state agencies, and municipalities of all sizes in the United States, as well as governments worldwide. From small rural towns to sprawling metropolitan areas, each faces unique challenges that have provided MapInfo with valuable insight into public sector operations, planning, and infrastructure.

¹ Based on *STORES Magazine's* 2004 Top 100 Retailers list.

² Based on *STORES Magazine's* 2004 Top 100 Specialty Retailers list.