



MARKET ANALYSIS
HIBBING, MINNESOTA





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I. EXECUTIVE SUMMARY



Hibbing, Minnesota, is approximately 3.5 hours north of Minneapolis, in the heart of the Mesabi Range. Ideally situated along U.S. Highway 169, the city is the birthplace of Bob Dylan and has the distinction of being “The Town That Moved” to accommodate the mining industry.

Hibbing is located in Saint Louis County, in the heart of the Mesabi Range district of northeastern Minnesota. This peaceful community is easily accessible via U.S. Highway 169 and State Highway 37 and is within an hour drive of Grand Rapids and the Quad Cities area (which includes Virginia as the largest of the communities) and less than 1.5 hours from Duluth. In addition, the Twin Cities of Minneapolis-St. Paul are less than a 4-hour drive, making this area highly accessible to visitors who would come to the area for the many outdoor sports or other attractions.

The Hibbing area consists of the cities of Hibbing, Chisholm, Buhl, and Keewatin as the primary communities of influence. For the purpose of this report, this area will simply be referred to as Hibbing, unless specifically referred to as the city of Hibbing. Hibbing is the largest with a 2006 population of 16,700. In comparison, Chisholm had a 2006 population of 4,790; Buhl 975; and Keewatin 1,155. All of these communities have a relatively stable or slightly declining population base through 2011. Combined, these towns have a median household income of \$35,189, compared to a national average of \$46,740.

Hibbing is the largest of the communities and, therefore, has the most influence in terms of retail development potential for the area. As such, this community will be the focal point of this report.

Underscoring the retail potential for Hibbing is the fact that Lowe's recently opened a store in Hibbing in October of 2006, near the Wal-Mart Supercenter. This unit is one of the first five Lowe's units in Minnesota and is achieving higher sales than projected, according to local sources. The location of these large-format retailers along U.S. Highway 169 will help keep retail dollars in Hibbing, as well as strengthen the drawing power of Hibbing from the surrounding region. Hibbing could be further strengthened by providing more convenient alternatives to driving to the surrounding communities, repositioning Irongate Mall, and capitalizing on the city's strengths, while addressing areas for improvement.

Hibbing has numerous additional advantages for retail development including land availability, retail incentive packages, utility incentives, three major medical facilities, a community college, and several tourist attractions that have the capacity to draw regionally and on a national/international level.



Their tourist attractions vary from the Greyhound Bus Museum, the Paulucci Space Theatre, The Hull Rust Mahoning Mine, Hibbing High School, and Bob Dylan's birthplace/Dylan Days. In addition, Hibbing is within a 20-40 minute drive from more than a dozen lake areas, providing recreational activities such as hunting, fishing, camping, boating, snowmobiling, and hiking.

One of the most significant challenges facing the community is the fact that while the retail potential for Hibbing is strong, a significant proportion of the existing retail spending is currently going to Duluth and Virginia (Thunderbird Mall), as well as to Grand Rapids. These communities are within a reasonable driving distance and provide alternatives that many Hibbing residents feel are not available to them locally. Residents of the region are accustomed to driving to neighboring communities to find items not available closer to home and drive on a fairly regular basis to Duluth to shop.

During the course of the fieldwork, MapInfo talked to local business owners and attended the public visioning session conducted by Hibbing Community College and the Hibbing Economic Development Authority (HEDA). Based upon interviews and survey results, the most sought after retail types/categories in Hibbing are clothing (men's, women's, and children's), sporting goods (such as Gander Mountain, Pierz Marine), mid-priced sit-down casual dining (such as Applebee's or Chili's), Kohl's, T.J. Maxx, appliances/electronics, and shoe stores. The leakage to the surrounding communities is considerable, and Hibbing has the opportunity to capture more of the retail sales potential from its own residents.

The goal of this analysis is to evaluate the retail needs and preferences of the area residents with a quantitative analysis of the actual retail supportability for Hibbing, and to develop a strategy for retail recruitment. It is important to note that there are frequently situations where these two factors are not compatible for any number of reasons. For example, while there was strong local support for the recruitment of a sporting goods retailer such as Gander Mountain, empirically this option may be a moderate opportunity at best from the eyes of the retailer. While the demographic/lifestyle characteristics within the trade areas exhibit a very strong correlation with the core customer a concept such as Gander Mountain requires, the population density, combined with an existing store in Duluth that already serves the Hibbing market, may deter this operator from considering Hibbing for a new deployment (please refer to the more detailed analysis presented in the Conclusions section).

MapInfo has prepared estimates on the amount of additional retail square footage Hibbing can support. These estimates are broken into four scenarios:

- Housing and population growth remaining status quo.
- Conservative/moderate population growth.
- Aggressive population/business growth.
- A scenario incorporating a geographically aggressive trade area.

This aggressive trade area (also referred to as the tertiary trade area) takes into account the ability of the Hibbing area to draw customers from across northern Minnesota and Canada for recreational activities, special events, and some shopping. All scenarios assume that the city will undertake a well planned marketing campaign to attract residents both within and beyond the city limits.

The additional supportable square footage of retail for Hibbing is outlined in the table below:

Category	Status Quo	Conservative	Aggressive	Tertiary Trade Area
General Merchandise/Junior Dept Store	65,000	68,000	90,000	95,000
Women's Apparel	2,200	2,200	3,400	2,200
Men's Apparel	1,600	1,600	2,400	1,600
Children's Apparel	0	0	1,000	0
Restaurants	10,800	11,000	14,000	13,000
Grocery	0	3,000	3,500	0
Dollar Store/Variety	24,000	27,500	35,000	24,000
Drug Store	6,300	6,300	8,100	6,300
Home Furnishings	6,200	6,200	6,300	8,000
Pet Supplies	4,000	4,500	6,200	9,500
Toy/Hobby Shop	1,200	1,200	1,700	1,500
Appliances/Electronics	0	0	0	10,000
Sporting Goods	0	0	75,000	0
Total	121,300	131,500	249,900	171,100

The aggressive scenario has greater potential than the geographically larger trade area (which assumes status quo growth) due to the fact that retail is more successful when it has more people residing within its primary trade area. The tertiary trade area may cover more area geographically, but its population is more removed from the retail in Hibbing and they will not shop Hibbing as frequently.

It is not recommended that all of this new square footage be provided by new competition into the market. Rather, there are certain categories where it would be more prudent for existing retailers to expand their store and/or their merchandise lines. For example, the drug store category could be absorbed by the existing downtown pharmacy as an expansion/relocation. The apparel square footage could also be absorbed by expanding the merchandise lines at existing retailers such as Leuthold-Jacobson or Bender's.

While Hibbing's demographic characteristics, housing/population growth, and favorable retail climate will allow the city to attract additional retail development, the city must also be proactive in retaining businesses. A concerted effort will be needed to educate consumers in the surrounding communities (e.g., Grand Rapids, Virginia, Eveleth) to what Hibbing has to offer and to its residents why it is important to shop where you live. The Chamber of Commerce, MASH committee, HEDA, and the city of Hibbing will need to work together to create promotional campaigns, beautify the retail areas, and assist the retailers in attracting both local and visitor dollars.

While Hibbing has had success in attracting individual retailers such as Lowe's, and strives to develop Hibbing as an ideal place to work, live, and raise a family, it needs to create an image as being a destination to shop, dine, and be entertained, as well. The city will need to overcome the mentality that you need to leave Hibbing to shop, and it must be willing to spend the time and money necessary to infuse residents with the desire to shop in town. To this end, the city will need to address issues such as the perceived lack of parking, a feeling of the city being difficult to work with, and other challenges that inhibit development within the downtown. Further, the city and the management at Irongate Mall have a significant challenge to fill vacant space in this retail center and will need a combined effort in the face of absentee landlords to achieve this goal.

The community must also educate retailers and work with them to be more customer-friendly and provide the standards shoppers have come to expect from national retailers such as evening and Saturday hours. Guidelines for the city and retailers will be discussed in the Conclusions section of this report.