

South County Retail Pulse

Morgan Hill + Gilroy public digest: retail leakage, household pressure, sales-tax signal, and US 101 pass-through.

\$14.7M Gilroy YTD sales tax -28.9% YoY	\$8.8M Morgan Hill YTD sales tax -27.6% YoY	142k Morgan Hill US 101 two-way vehicles/day	86.5k Gilroy US 101 two-way vehicles/day
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The read

- Both cities are in a softer sales-tax cycle. Gilroy has the larger revenue base; Morgan Hill shows higher outside-spend intensity.
- Household economics are split: renters and families are more pressure-driven, while higher-income owner households are more choice-driven.
- US 101 pass-through is heavier at Morgan Hill/Cochrane. Gilroy remains the southern gateway where retail capture depends on category mix and convenience.

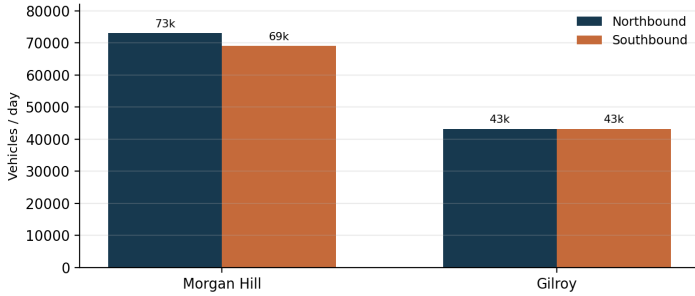
City quick read

City	Financial signal	Leakage / pressure	Public-facing chamber move
Gilroy	\$14.7M YTD sales tax, down 28.9% YoY. Larger base creates visible upside from even modest local capture.	31.7% average outside purchases; 29.7% report high outside spend; 68.0% delayed purchases.	Protect the base through dining quality, specialty grocery/retail, family activity, downtown activation, and visible safety/cleanliness work.
Morgan Hill	\$8.8M YTD sales tax, down 27.6% YoY. Smaller base, but stronger pass-through and high-leakage household signal.	38.6% average outside purchases; 43.0% report high outside spend; 64.8% delayed purchases.	Convert pass-through and affluent leakage with destination retail, category-fill campaigns, evening/weekend programming, and family-service capacity.

Publication takeaway	The opportunity is not a generic shop-local message. Each chamber needs segment-specific retention: affordability and essentials for pressure-driven households; quality, variety, and destination value for choice-driven households.
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US 101 Throughput: Where the Daily Pass-Through Sits

Vehicle flow matters because it shapes when and how local trips can become retail, dining, service, and event transactions.



Throughput read

Morgan Hill/Cochrane carries about 1.64x Gilroy/10th Street's two-way daily vehicle volume.

The difference is roughly 56.5k vehicles per day, with Morgan Hill carrying about 73k northbound and 69k southbound vehicles.

Gilroy's gateway role is still important: lower through-volume, but direct access to retail, dining, hotels, outlets, and downtown capture.

City	Screenline	Northbound	Southbound	Two-way	Planning read
Morgan Hill	US 101 / Cochrane	73,000	69,000	142,000	Highest South County pass-through; southbound travel-time burden is heavier.
Gilroy	US 101 / 10th Street	43,200	43,200	86,500	Southern gateway; lower through-volume but strong retail-conversion potential.

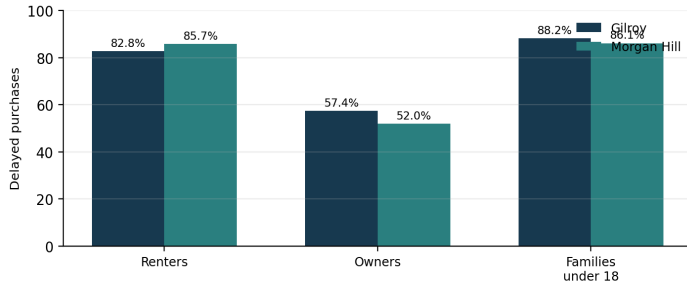
PeMS travel intensity: Morgan Hill screenline

Direction	Avg daily VMT	Avg daily VHT	Avg speed	VHT / 1k VMT	Peak VMT	Peak VHT
Northbound	263,944	4,267	62.0 mph	16.1	3 PM	3 PM
Southbound	249,243	4,641	53.9 mph	18.5	3 PM	4 PM

- Morgan Hill should be treated as the higher-volume screenline; retail capture should account for afternoon/evening southbound friction.
- Gilroy should be treated as the gateway capture market: promotions work best when they make the stop feel easy, specific, and worth the detour.

Financials Tied to Household Segments

The same leakage number means different things by tenure, income, and household type. Pressure-driven leakage and choice-driven leakage need different chamber responses.



What stands out

Renters and families are the pressure-sensitive lanes: purchase deferral is high in both cities.

Morgan Hill owners show a stronger high-outside-spend signal, which points to choice-driven leakage: variety, quality, retail breadth, and dining mix.

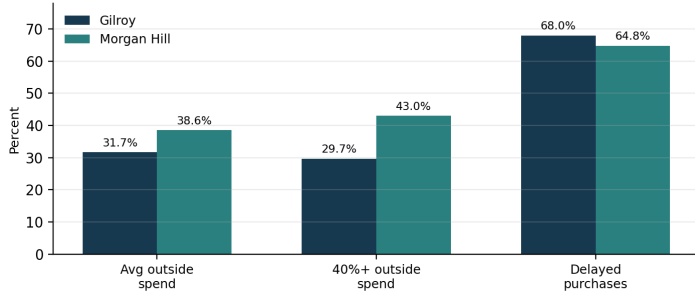
City	Renters	Owners	Families with children under 18
Gilroy	82.8% delayed; 24.1% high outside spend	57.4% delayed; 26.2% high outside spend	88.2% delayed; 41.2% high outside spend
Morgan Hill	85.7% delayed; 28.6% high outside spend	52.0% delayed; 49.0% high outside spend	86.1% delayed; 30.6% high outside spend

What each segment is asking for

Segment	Gilroy ask	Morgan Hill ask
Renter families under \$100k	Kid-friendly dining/play, Mexican food, restaurants/clubs, more events	Costco/essentials, kid and teen activity, pet supplies, weekend market
Lower-income renters, no children	Discount grocery, local cafes, family restaurants, jobs, affordability	Affordable dining, nightlife/live music, grocery/bookstore options, housing/traffic relief
Higher-income owners	Quality restaurants, Trader Joe's/Sprouts, Asian grocery, downtown safety/beautification	Clothing and home goods, upscale-but-reasonable dining, deli/BBQ, hospital/services
Owner families	Modern restaurants, Asian grocery/restaurants, downtown businesses, family places for adults too	Fine dining, coffee shops, Costco, schools, kids options, nightlife
How to use this	Affordability, youth activity, essentials, hours, and convenience serve the pressure lane. Dining quality, specialty retail, premium grocery, home goods, nightlife, and destination services serve the choice lane.	

Leakage + Resident Ask List

Residents are clear about what would keep more spend local: better category fit, stronger dining, more family activity, and more usable downtown/commercial space.



Leakage read

Morgan Hill has the higher outside-spend intensity: 38.6% average outside purchases and 43.0% high outside spend.

Gilroy has the larger tax base and a high deferral signal: 68.0% delayed purchases.

Both cities should treat leakage as a category-and-segment problem, not only a resident loyalty problem.

City	Main leakage drivers	Action lane
Gilroy	Limited variety/selection, online preference, lack of specialized services, cost/affordability, traffic/parking, and service/quality concerns.	Dining quality, specialty retail/grocery recruitment, downtown experience, visible safety/cleanliness work.
Morgan Hill	Limited variety/selection, high prices, parking/traffic, operating hours, online preference, and service/specialty gaps.	Category breadth, attainable family dining, specialty retail, evening/weekend hours, and traffic-aware destination programming.

Resident asks by city

City	Theme	What residents asked for
Gilroy	Dining and cafes	More upscale and modern restaurants, better dining choices, cafes/third spaces, varied cuisine.
	Retail and grocery	Discount grocery, Trader Joe's/Sprouts, Asian grocery, clothing, crafts/shoes, and usable local retail.
	Family and downtown conditions	Indoor activity centers, outdoor family activities, year-round events, beautification, safety, homelessness and senior services.
Morgan Hill	Retail and specialty	Clothing stores, HomeGoods/TJMaxx-like options, bookstores, grocery variety, pet supplies, and filling vacant retail space.
	Dining and nightlife	Affordable dining, fine dining, plant-based options, independent coffee shops, nightlife/live music, bars and grills.
	Family, services and growth	Kids and teen activities, schools, hospital/service capacity, traffic relief, parking, and better commercial mix.
Joint chamber move	Build a South County retention map: target specialty grocery, clothing/home goods, family dining, youth/teen entertainment, health/services, downtown experience, and traffic-aware event promotion.	