



Marsh set to dominate downtown grocery market

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When the new downtown Marsh grocery debuts later this month, it will give the local supermarket chain a lock on the urban core—at least until the arrival of another competitor expected with redevelopment of the Market Square Arena site.



A Marsh supermarket will anchor The Axis at Block 400 development. (IBJ photo/Scott Olson)

The 43,000-square-foot store that will occupy much of the ground level of Flaherty & Collins Properties' Axis at Block 400 mixed-use development is set to open May 15.

The only other downtown grocery is the Marsh in the Lockerbie neighborhood that opened in 1986 as an O'Malia's. Marsh bought the O'Malia's chain in 2001.

It might seem unusual for a company to have stores just blocks from each other—Axis is bounded by Michigan Street, Capitol Avenue, Vermont Street and Indiana Avenue. But experts say the move is meant to keep competition at bay.

“To the extent that they’re not letting someone else come downtown and take the business, it’s a smart move,” said Danny O'Malia, former president of O'Malia Supermarkets. “For the bottom line, at first, will it be a smart move? I don’t know, but they’re playing good defense.”

O'Malia helped convince his father, Joe O'Malia, to establish a downtown presence nearly 30 years ago, when the population was just a sliver of what it is now. O'Malia spent most of his time at the downtown store after its launch simply because it took months to gain a steady stream of shoppers.

“We thought that downtown needed a grocery, and if there was a grocery, more people would move there,” he recalled. “And that turned out to be the case.”

Today, the downtown housing market is booming, with thousands of apartment units under construction or in planning stages.

Within the next few years, 3,500 units are expected to become available, on top of the 2,000 units built between 2000 and 2012, according to Tikijian Associates.

The \$85 million Axis at Block 400 features 337 units, making it the biggest apartment project undertaken downtown in years.

Marsh studied the downtown market for months before pulling the trigger, said Mark Perlstein, a principal at Sitehawk Retail Real Estate.

“They’re undoubtedly trying to capture that growth on the west side of downtown and be more convenient for that side of the area,” he said. “But they’re also trying to protect their turf and keep competition down.”

Part of the west-side growth can be attributed to more housing geared to IUPUI students, such as Buckingham’s The Avenue.

But Marsh’s hold on downtown could take a hit if Whole Foods enters the market, as part of Flaherty & Collins’ \$81 million, 300-unit mixed-use development planned for a portion of the former Market Square Arena site. Construction is set to begin in the summer.

Flaherty & Collins hopes to land the specialty grocer for the project, which would sit just two blocks south of the Marsh store near Massachusetts Avenue. Just how much a Whole Foods store could cut into that store’s business is hard to estimate, O'Malia said.

“It will definitely hurt,” he said. “But people won’t be able to get Campbell’s soup or Heinz ketchup at the Whole Foods, so they’ll still need to come in there.”

Like the Lockerbie Marsh, the new Marsh will cater to a different demographic that's heavy on single folks rather than families more prevalent in the suburbs.

So pre-made, grab-and-go meals will be a specialty, Marsh has said.

"We've done our research on the neighborhood we'll serve and have been collecting information about the newest and best practices in grocery markets," Marsh CEO Tom O'Boyle said in statement. "It will be the perfect complement to the Lockerbie Marsh."

The Marsh store downtown will be the company's first new location since its Traders Point store at West 86th Street and Zionsville Road opened in 2004.

Two years later, Boca Raton, Fla.-based Sun Capital Partners, a private equity firm, bought the 75-year-old company for \$88 million.

Marsh operates 60 groceries, 15 MainStreet Markets and three O'Malia's Food Markets in Indiana and Ohio. •