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**RETAIL GIANTS, COMMERCIAL REAL ESTATE AND
SHOP DISPLACEMENTS:**

THE BACKSTAGE OF ONE OF THE MOST
FASHIONABLE PARISIAN NEIGHBOURHOODS

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RETAIL GIANTS, COMMERCIAL REAL ESTATE AND SHOP DISPLACEMENTS: THE BACKSTAGE OF ONE OF THE MOST FASHIONABLE PARISIAN NEIGHBOURHOODS

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ABSTRACT

The retailscapes of gentrified neighbourhoods have long been described as one of the most obvious expressions of gentrifiers' consumption subculture which was supposed to reject the suburban and franchised malls in favour of local, small and independent shops (Deener 2007; Lehman-Frisch 2002; Ley 1996). Nevertheless, some more recent empirical studies suggest that gentrification involves the reinvestment of the city not only by the capital embedded in the residential sector, but also by the new forms of retail capital which are the result of the strong movement of concentration, internationalisation and financialisation undergone by the retail capital during the three last decades (Wrigley et Lowe 2002). These studies follow Neil Smith's theory which sees gentrification as a global urban strategy which is henceforth both spatially and sectorally generalized. For example, Sharon Zukin has identified different waves of retail gentrification in SoHo (New York City), in which corporate retailers, through brand-named chain stores such as Starbucks or H&M, have progressively replaced the independent galleries (Zukin et al. 2009) which used to make the fame of the neighbourhood.

However, the literature has mostly analysed retail gentrification in a consumer perspective so far, underlining how this process embodies power relationship in terms of race (Sullivan et Shaw 2011), gender (Patch et DeSena 2008) or economic classes (Burnett 2013; Ernst et Doucet 2014; Keatinge et Martin 2015). Here, I aim to shed light on the new power relationships between the different categories of retailers (mainly between chain stores and independent shops) which are raised by the growing presence of internationalised and financialised retail stakeholders. I argue that the new international brands' interest towards some gentrified neighbourhoods matches an intensification of the reinvestment of the city by global capital. I would like to show that this "back to the city movement" (Smith 1979) of corporate retail capital also intensifies the social issues already identified for the residential gentrification, such as displacement, by concerning a new category of locals, namely the independent retailers.

KEYWORDS: Retail gentrification, retail giants, independent shops, displacement, Paris.

1. THE MARAIS IN PARIS AS A CASE STUDY

This paper aims to investigate the local consequences of the arrival of this new retail capital (through international brand-named chain stores) in the Marais, a historic and central neighbourhood of Paris, located astride the 3rd and 4th *arrondissements* (Figure 1).

The Marais has been at the forefront of Parisian residential gentrification process (Clerval 2011; Djirikian 2004), transforming within 50 years from a workers' district to an upper-middle class one, and has often been compared to SoHo in New York as one of the neighbourhoods which epitomizes the most the gentrification process (Carpenter et Lees 1995). Today, the process is quite mature (the local real estate values are among the highest in Paris (Guinot 2013)) and has spread across the entire neighbourhood.

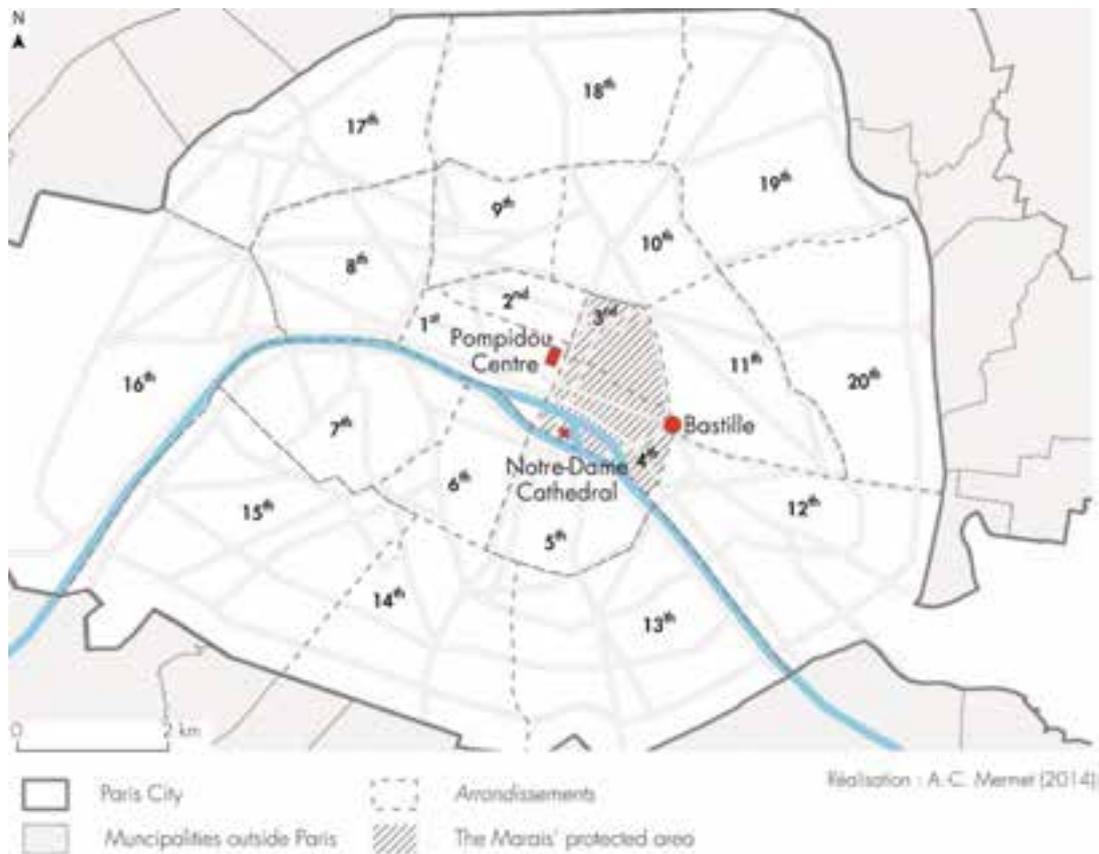


Figure 1 – Location of the Marais in Paris.

As in SoHo, the gentrification of the Marais also resulted in deep changes in the economic activities of the neighbourhood which has turned from a neglected area dominated by production activities (numerous workshops) to a highly innovative consumption space where new brands are created and tested. The Marais is thus today one of the most sought-after Parisian (and even French) districts for international clothing brand developers seeking for strategic locations, and its commercial real estate values are henceforth ranked among the most expansive of the French capital.

From this case study, I would like to raise the question of the local impact of the growing presence of those economically powerful stakeholders, which are tightly bound to the

circulation of global capital, especially on the independent shops whose economic situation is very often far more fragile.

2. IDENTIFYING THE CURRENT FRONTIER OF RETAIL GENTRIFICATION IN THE MARAIS

To this end, I first tried to measure and map the reinvestment of the Marais by this new corporate retail capital. I used a database compiled par the APUR, the Paris' planning agency, which periodically carries out an inventory of all the stores located in the French capital. I then searched the status (chain store, independent shop, wholesale, office or non commercial activities, vacancies) of each of the 5760 businesses of the two *arrondissements* listed in the 2003 and 2014 databases. I have considered as a chain store each business name which has more than 5 retail outlets.

Table 1 – Evolution of retail stakeholders in the Marais between 2003 and 2014. Source: BDCom (APUR) and Internet.

	2003	2014	Growth (%)
Independent shops	2900	2912	0,4
Chain stores	375	686	82,9
Non commercial activities	543	520	-4,2
Wholesale	1061	624	-41,2
Vacancies	606	448	-26,1

First, this table confirms the expansion of chain stores since they have increased by 83% over 11 years. Most of them are national or international brand-named clothing shops, whose openings have sometimes been widely covered by the media (e.g. the opening of the first French COS store in 2009¹ – “Collection of Style”, the upscale brand of the Swedish multinational H&M – or the one of the Japanese brand Uniqlo in 2014² which depends on the retail holding company Fast Retailing). The neighbourhood is particularly attractive to middle-top of the range clothing brands, such as Comptoir des Cotonniers (from 2 to 3 shops between 2003 an 2014), which also belongs to Fast Retailing, the Kooples (from 0 to 4) or the brands of the group SMCP (Sandro – which has been founded in the Marais in 2004 – Maje and Claudie Pierlot) which has opened 7 shops in this area in the meantime (and which has recently been taken over by the Chinese number one textile retail holding company Shandong Ruyi). This advance of chain stores in the Marais thus conceals the one of highly financialised and internationalised stakeholders in that retailscape. Conversely, wholesale outlets have dropped (-437, compared to +311 chain stores) and independent shops have remained quite stable.

¹ Rue des Rosiers, see the location of the street on Figure 4.

² Rue des Francs-Bourgeois, see the location of the street on Figure 4.

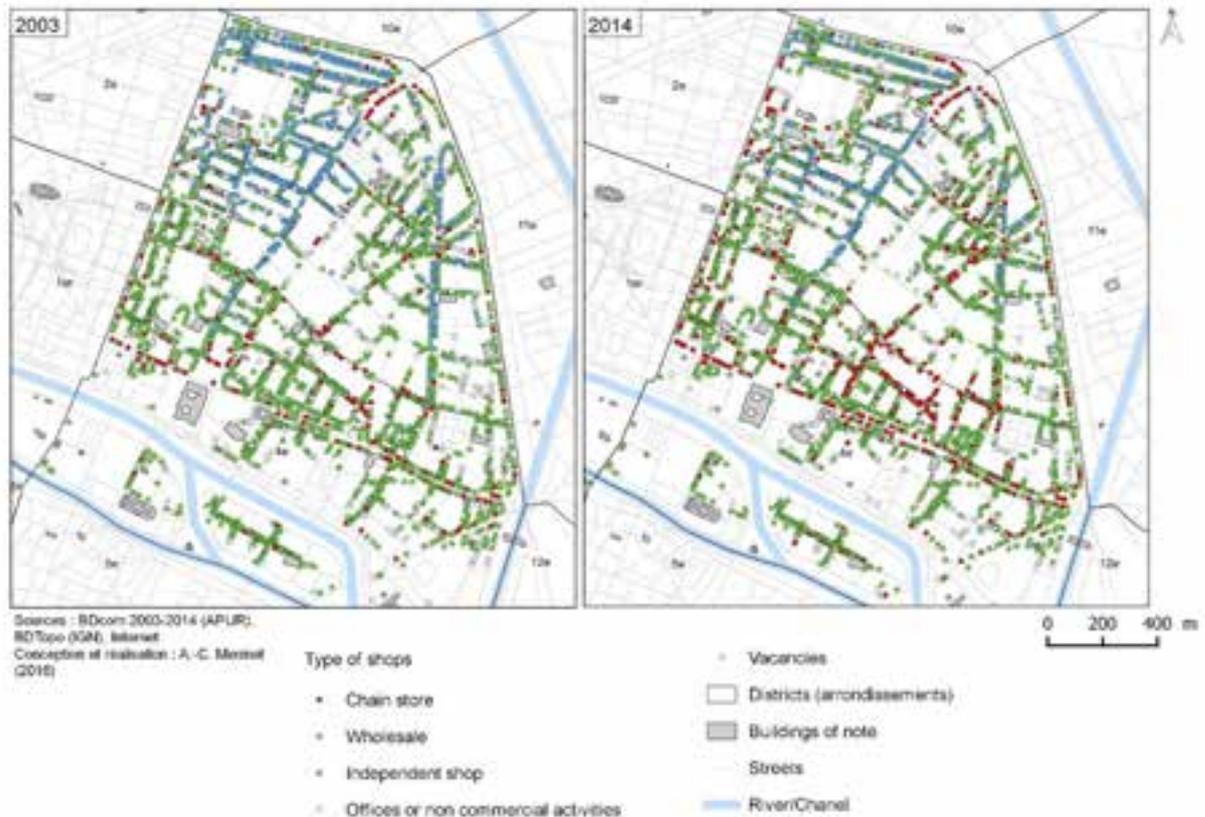


Figure 2 – The encroaching presence of chain stores in the Marais

However, the Figure 2 (on the next page) suggests that the disappeared wholesale outlets have not turned into chain stores. Instead, the number of independent shops in the historic wholesale district located at the northwest of the Marais (in the sector called “Beaubourg-Temple”) is growing whereas it is decreasing in some central streets in the southern part of the neighbourhood, precisely where chain stores are growing.

Actually, the map shows quite clearly that the chain stores set up in the neighbourhood in those ten years aren’t randomly distributed but are highly concentrated in a small number of streets, such as the rue des Rosiers, the rue des Francs-Bourgeois and the rue Vieille-du-Temple, whereas most of the streets are almost ignored by those new stakeholders. Since those streets are henceforth almost saturated with chain stores, the frontier of retail gentrification is currently moving north from the rue Vieille-du-Temple which has recently become a “premium location” for clothing brand developers since the setting up of the very distinctive brand APC in 2005 and of the clothing designer Vanessa Bruno in 2007 in the northern part of the street, which have entailed the arrival of many other clothing brands in their wakes (The Kooples in 2008, Zadig & Voltaire and Maje in 2009, Comptoir des Cotonniers in 2010, just to mentioned the most famous ones).

Table 2 – Evolution of retail stakeholders in the three main commercial streets of the Marais. Source: Source: BDCOM (APUR) and Internet.

Rue des Rosiers

	2003	2014	Growth (%)

Independent shops	57	33	-42,1
Chain stores	10	32	220,0
Non commercial activities	0	0	0,0
Wholesale	1	1	0,0
Vacancies	6	6	0,0

Rue des Francs-Bourgeois

	2003	2014	Growth (%)
Independent shops	53	22	-58,5
Chain stores	27	57	111,1
Non commercial activities	5	3	-40,0
Wholesale	0	1 *	
Vacancies	3	2	-33,3

Rue Vieille-du-Temple

	2003	2014	Growth (%)
Independent shops	112	64	-42,9
Chain stores	8	58	625,0
Non commercial activities	2	0	-100,0
Wholesale	3	3	0,0
Vacancies	12	4	-66,7

To sum up, this map allows to raise the hypothesis of a double displacement (or replacement) process, with first of all the decrease of wholesale in the north fringe of the neighbourhood, which may be replaced by the independent shops displaced from the central sector around the streets taken over by chain stores.

3. DOES THE GROWING PRESENCE OF THIS NEW RETAIL CAPITAL LEAD TO DISPLACEMENT OF INDEPENDENT SHOPS?

I now intend to measure to what extent the reinvestment of the neighbourhood by corporate retail capital leads to a displacement of independent shops as they cannot compete with those international stakeholders to afford premises in the henceforth highly tense commercial real estate market.

The question of whether or not residential gentrification leads to a displacement of long-term inhabitants has been the subject of heated debate in literature (Atkinson 2000; Freeman 2006; Hamnett 2003). The heart of the debate lied on methodological issues. Indeed, the crucial problem of the measurement of residential displacement is particularly

complicated, mostly because it is very complicated to follow the trajectories of the inhabitants after they have left their housing (Newman et Wylly 2006). On the contrary, following the trajectories of shops can be possible, provided that diachronic accurate data on the evolution of retail structure is available. From the available retail database in the Marais, I thus tried to identify and to quantify the displacement of independent shops by detecting all the shop names which are not anymore located at the same place (whether within or outside the neighbourhood) between the two last shop inventories available (namely between 2011 and 2014).

In these three years, 4112 businesses have stayed in place, while 1740 have disappeared (of which 9% are chain stores, 46% are independent shops, 16% are wholesale outlets and the remainder is non commercial activities or filled vacancies) and 50 have been displaced elsewhere in the Marais or in Paris (15 chain stores, 30 independent shops and 5 wholesale outlets).

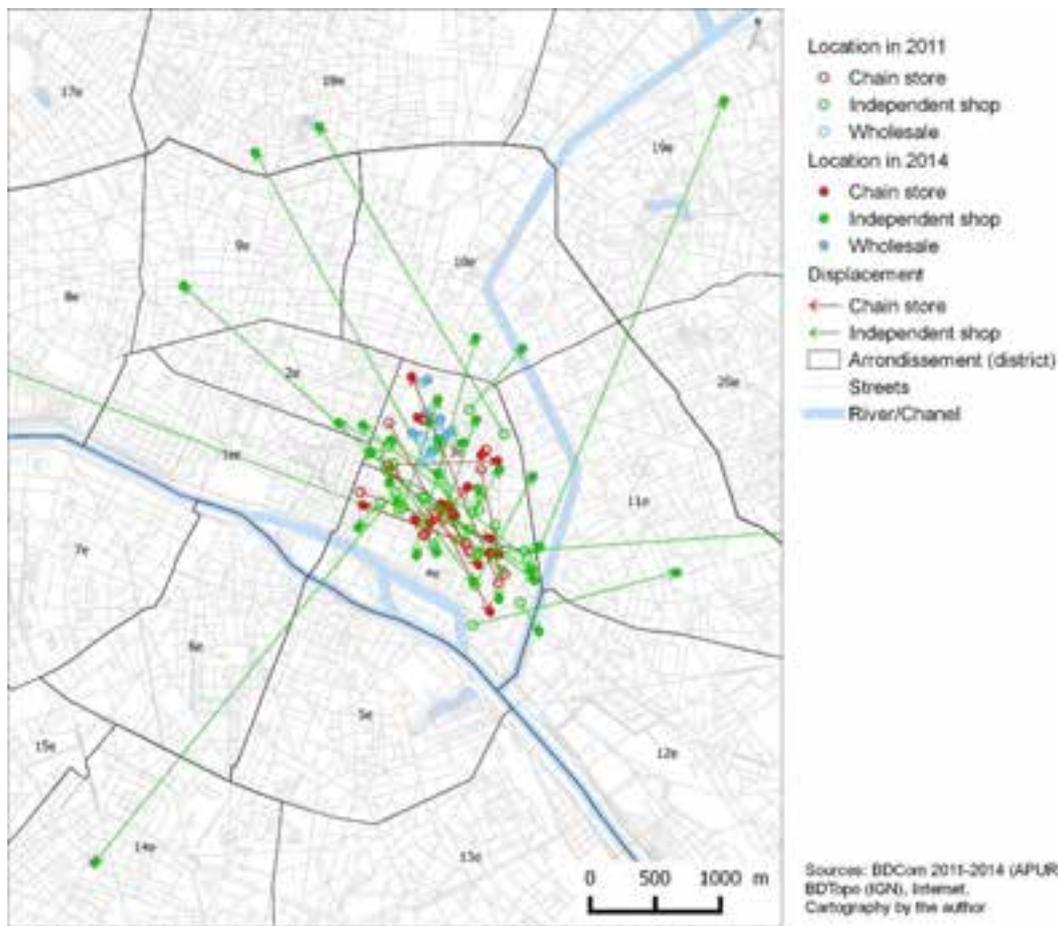


Figure 3 – Retail displacement (2011-2014)

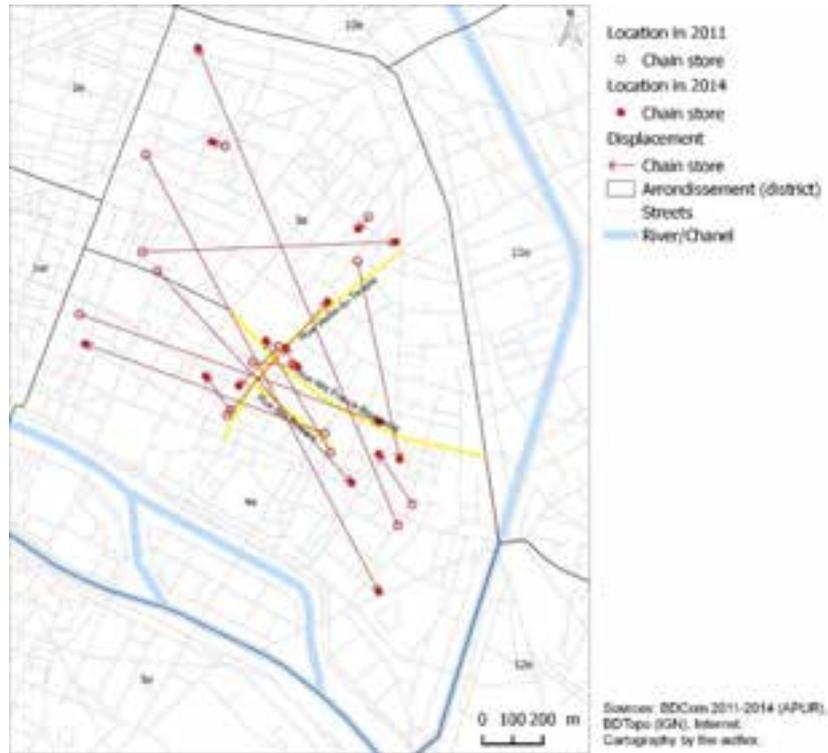


Figure 4 – Chain store displacement in the Marais (2011-2014)

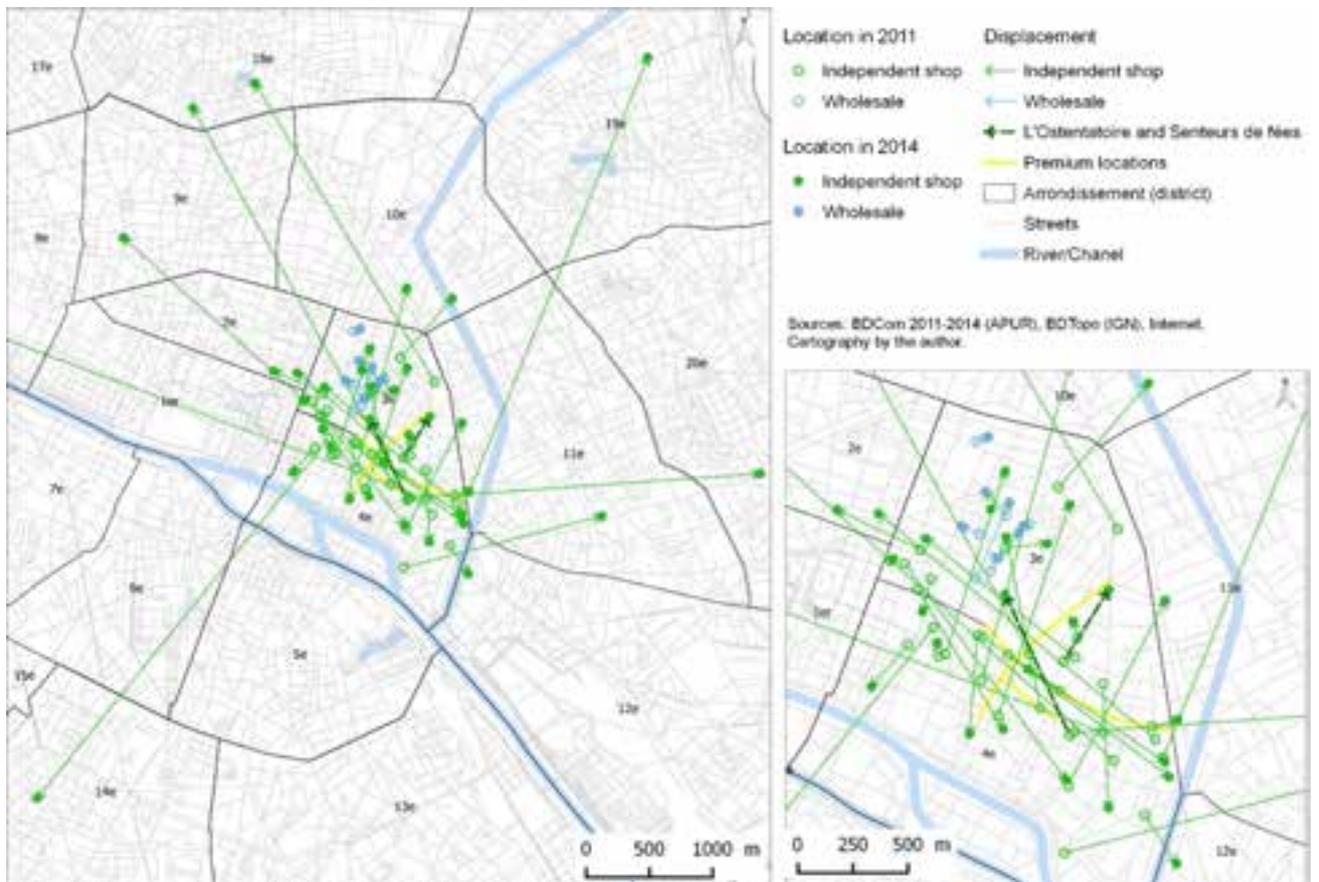


Figure 5 – Independent shop and wholesale displacement (2011-2014)

The identification of rationales behind displacement on the first map (Figure 3) is very complex. The different kinds of shops do not seem to follow the same displacement rationales. Basically, the displaced wholesale outlets tend to stay very close from their initial premises and independent shops tend to move twice as far from their previous locations than chain stores (a mean of 1657m compared to 847 for chain stores). Some of them are displaced to cheaper neighbourhoods of the French capital (11th, 14th, 19th or 20th *arrondissements*), others move to new trendy (and maybe more distinctive, but cheaper) Parisian neighbourhoods such as the rue des Martyrs sector near Montmartre (18th). It is also worth noting that most of the independent shops which have been displaced were formerly located in the sector where chain stores have expanded the most between 2003 and 2014, quite close to the rue des Francs-Bourgeois (see Figure 2) and are henceforth more scattered in the neighbourhood.

The displacement of chain stores is slightly more difficult to interpret. Among them, all of the clothing brands have been relocated close to the most sought-after streets (rue des Francs-Bourgeois, rue des Rosiers, rue Vieille-du-Temple), sometimes by probably taking advantage of real estate opportunities for better commercial location (the Claudie Pierlot shop has for instance moved from the small rue des Blancs Manteaux, which is close to the main commercial streets but slightly apart from the main consumer influx, to a premium location on the rue des Francs-Bourgeois), and sometimes following the advance of the retail gentrification frontier (e.g. the chain store Lillith which has moved further north in the rue Vieille-du-Temple).

4. COMMERCIAL REAL ESTATE DYNAMICS AS ONE OF THE KEY FACTOR OF RETAIL GENTRIFICATION

To better understand the driving forces behind the displacement of independent shops, I will analyse more qualitatively the trajectory of two of them: Senteurs de fée and l'Ostentatoire. In 2011, both were located in some little streets close to the rue des Francs-Bourgeois (see Figure 5). The first had set up in the rue de Sévigné in 2005 after having experienced some difficulties to find premises in the neighbourhood as she explained in this interview (2011):

I've started 'Senteurs de fée' in the nearby rue Saint-Antoine, with a short-term lease [...]. And I realized [...] that I absolutely needed to stay here [...]. **I had to wait five years before finding a new lease here [...]. The problem is that in this neighborhood which is highly sought-after and has a true commercial aura and an artistic connotation, there are lease pre-emptions that can be established for several years.** In other words, people [developers] who have a very strong financial base contact some agencies, and pre-empt premises, even they aren't free for the next 5 or 6 years, and they block the market by saying 'for these premises, don't look for a purchaser because we'll take it'. So I hadn't the means to pay the lease-rights that are in force in this neighborhood, which can reach hundred of thousands of euros even for small premises. So I needed a stroke of luck. And I got it.

Thus, in 2005, she signed a 9 year lease (running to 2014), which is the most classic type of commercial lease allowed by the French law, for a monthly rent which amounted to 4200€³ for an around 60m² premises. During the time of the lease, the rate of increase of the rent is controlled and cannot exceed a certain amount. Yet, at the time of its renewal, the landlord is free to demand a dramatic rise if the "commercial factors" (as defined by the French law) have improved sufficiently, which is the case in almost the entire

³ I have not been able to know the amount of the lease rights, but probably around 30000 and 40000€.

neighbourhood due to the increasing appeal of the Marais for wealthy consumers and brand developers. In 2014, she thus had to face a significant rent increase and had to find a more affordable location, further from the most significant consumer influx, in the rue des Haudriettes, which used to be a wholesale street fifteen years ago. She has been replaced by a women's clothing brand.

The owners of L'Ostentatoire launched their shop in 2009 in the rue Elzevir, with a short-term lease (two years), to test their concept in the neighbourhood. In an interview carried out in spring 2011, they explained their situation at the end of that lease:

When you decided to set up in the Marais, has it been difficult to find premises?

... No, but I also think we had a stroke of luck, because it was very fast actually. We had the idea, we started searching, and I think we found in two weeks. [...] But it is a 2 year lease. Not extendable. The advantage is that there is no lease right to pay with this kind of lease. Just the agency fees.

And when does your lease end?

In October. And then... actually we are currently thinking about it, how to proceed, where we go and so on. The thing is... I don't know if you had a look at the prices... It is quite terrifying.

Actually, it is pretty difficult to find data about it...

Generally, on a busy street, for such a surface area, in the rue Vieille-du-Temple or in the rue des Francs-Bourgeois, it is something like 10 000 € a month with lease fees that can range from 300 000 to 500 000 €.

And would you like to stay here?

Yes, we'll stay in the neighbourhood. In the ten streets around. But it is so expansive that it is complicated. It got so expansive today that many people want to set up here and, finally, instead of boutiques, only chains set up here. There was the gallery Chez Simone, where the rue Vieille-du-Temple crosses the rue du Poitou, which was 80m². The lease rights were of 500 000€. In the end, Comptoir des Cottonniers set up there.

Finally, they found a long-term lease at the north of the rue de Turenne, which also used to be a wholesale street and which is also quite apart from the main consumer influx compared to their previous location.

These two case studies thus suggest the key role of real estate evolution in the displacement of independent retailer. This process is mainly fuelled by the increase of commercial real estate prices which follow the retail gentrification frontier. The more mature the retail gentrification is, the higher commercial rents are (as suggested by Figure 6), which results in the growing presence of chain stores, as they henceforth are the only ones to be able to support such prices.

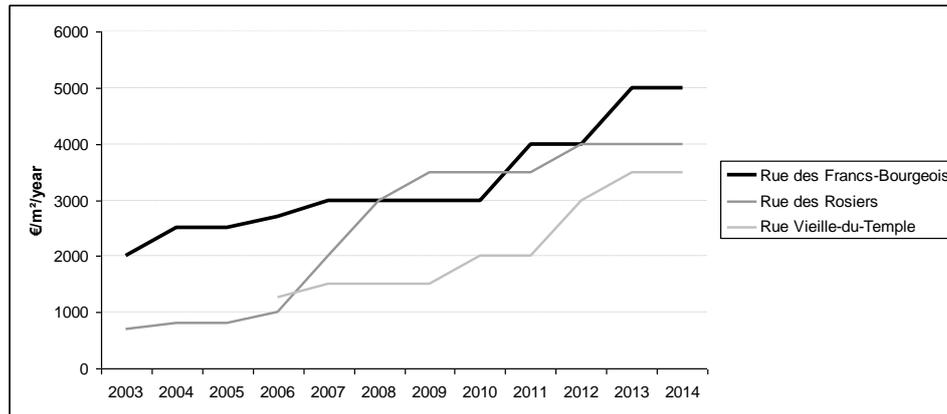


Figure 6 – Rise of the average of the commercial rental values in the three main commercial streets of the Marais (€/m²/an). Source: Cabinet Richard Ellis (data about the rue Vieille-du-Temple only begin in 2006).

In the rue des Rosiers, average commercial rents have multiplied by almost 6 in 10 years. Yearly commercial rents often exceed 100,000€ (or even 300,000) and lease rights are usually between 250,000€ and 900,000€ for premises that often do not exceed 80m², which explains that henceforth, only chains relying on a strong financial basis are able to afford such premises at the expense of independent retailers.

The increasing appeal of the Marais for brand-named chain stores, which are more and more linked with global financial flows, thus appears as an intensification of the reinvestment of the Marais by global capital which leads to the displacement phenomena, mostly fuelled by the increase of commercial real estate prices. Although this paper mostly focused on displaced shops, it would also be interesting to question the future of the numerous disappeared businesses and the reasons of their closing down.

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