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Session: "Global and local real estate players and their role in the transformation of large cities and metropolitan areas in Europe" (#25)

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Title: Finance Capital Investors in Real Estate Scouting the 'Red Belt'. The case of the Docks Redevelopment Project in Saint-Ouen, France

Authors : A. Guironnet, K. Attuyer, L. Halbert, all at Université Paris-Est, Latts

Address: c/o Ecole des Ponts PariTech, 6-8 Ave. Blaise Pascal, Cité Descartes, 77455 Champs-sur-Marne, MARNE LA VALLÉE Cedex 2, France

Contact: +33.1.64.15.38.48 / [antoine.guironnet@enpc.fr](mailto:antoine.guironnet@enpc.fr)

Abstract:

The landscapes of global city-regions have been dramatically changing in conjunction with the shift to post-fordist economies. In numerous Western cities, flagship offices, commercial, and/or housing complexes have superseded industrial and manufactory sweatshops. This redevelopment schemes have become a major object of inquiry during the early 2000s. Parallel to this process, finance capital investors have acquired an increasing role in the production of business properties markets which have become quasi-financial assets over the past twenty years. In the Paris city-region, the locating patterns of secondary economic sector have long revolved around a center/periphery pattern. This would have sustained the existence of a post-war 'Red Belt' around Paris, in which communist municipal politics were backed by a strong local sociological base. However, major industries have flown from these cities, leaving behind them huge brownfields. After a first wave of opportunistic investors scouting the Northern periphery of Paris in the wake of the late 1990s crisis, institutional investors (pension funds, real estate investment trusts, insurance, etc.) have jumped onto these beaten tracks. Such is the case in Saint-Ouen, located in the northwest of Paris, where a large mixed-used urban redevelopment project comprising 100ha has been officially launched in 2007.

Starting with the burgeoning literature on the financialization of the built environment, the paper sets out to shed light on the role of finance capital investors into city-making through an analysis of a large redevelopment project. On the one hand, it seeks to discuss findings from the literature on megaprojects, by unpacking what is too often considered as a single private actor. On the other hand, it aims to test the assumption that local governments do matter in the financialization of the built environment. Following recent case studies of so-called financialized megaprojects, we discuss the hypothesis of interlocked interests between real estate investors and developers, whom are at the forefront of bargaining processes with local political as well as planning authorities.

This is achieved through a case-study of the « Docks » project in Saint-Ouen. The data primarily consists of 18 semi-structured interviews with major actors involved in the project, with a particular attention to the financing of the scheme, the role of private developers, as well as investors who acquired real estate located in the Docks. This data is supplemented by a thorough examination of technical documents, as well as official documentation, and press reports.

We find that there is a decoupling of bargaining systems and processes between commercial space (mostly offices), and housing. Indeed, the city does not challenge the requirements of real estate institutional investors, a rather counterintuitive result at first sight given the 'Red Belt' factor. This should be set against the analysis which reveals a strong nexus between the main property developer, who acquired a large plot of land, and finance capital investors. Further, the city seems more prone to regulate housing development, consistent with a prior local policy of limiting what is targeted as market-led 'speculation'. The paper concludes that this decoupling of bargaining systems and processes may hold substantial consequences for the Paris metropolitan area as a whole.

Keywords: financialization; redevelopment project; local public authorities; commercial real estate; Paris City-Region; property developer