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A Gentrification Story

Commodification and Financialisation of Public Commons in Hong Kong

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Abstract

The housing question has been a core societal issue for centuries. Since Engels (1988) intervened in the debate in 1872, housing has become increasingly central as a commodity in financialised capitalism. Hong Kong has experienced some of the most problems with housing, as it has been the most unaffordable place in the world eight years in a row (Demographia, 2018). Yet, there is more than unaffordability to the housing question in Hong Kong. Gentrification theory has been an important framework to comprehend the housing problem worldwide. Whereas some gentrification scholars focus on the role of capital (supply-side explanations), others study the gentrifiers (demand-side explanations). Scholars from the Global South, particularly Hong Kong, criticise the theory's applicability to non-Western contexts. Through examination of various statistics and field observations, findings of this thesis show that neoliberalisation of the public housing system since the mid-1990s indicates a gentrification trajectory similar to anywhere else in the world where capitalism is the main system, including the West.

Keywords: *Gentrification, Hong Kong, Rent Gap Theory, Financialisation, Public Commons*

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Abbreviations

China	People’s Republic of China
HKD	Hong Kong Dollar
Hong Kong	Hong Kong Special Administrative Region
HOS	Home Owner Scheme
IPO	Initial Public Offering
KHKA	Hong Kong Housing Authority
KHKHS	Hong Kong Housing Society
MIH	Middle Income Housing Scheme
OM	Open Market
PRH	Public Rental Housing
PSPS	Private Sector Participation Scheme
SMS	Secondary Market Scheme
SSF	Subsidised Sale Flats
TPS	Tenants Purchase Scheme

Chapter 1: Introduction

1.1. Background

The housing question has been a core societal issue for centuries. Since Engels (1988) intervened in the debate in 1872, housing has become increasingly central to as a commodity in financialised capitalism. As Stuart Hodkinson (Larsen, Hansen, MacLeod, & Slater, 2016, p. 582) underlined for Engels, “there was no such thing as a housing crisis, only a crisis of capitalism in which housing conditions formed just ‘one of the innumerable, smaller, secondary evils’ caused by the exploitation of workers by capital.” The housing question is a product of capitalism and it is everywhere that capitalism extends. Slater argues (2017b: 131) that “... the circulation of capital within the secondary circuits of accumulation is everywhere and does not recognise or validate such distinctions [of borders].” It is no surprise that countries ranging from Australia to Canada or from India to Iceland, are today puzzling with the housing question (Demographia, 2018; IMF, 1 May 2018; The Economist). Cities from both the developed and developing world and from the Global North and Global South experience the same symptoms of capitalism. Hong Kong Special Administrative Region (Hong Kong) is no exception to this: it has been at the very top of the housing unaffordability list for eight consecutive years (Bloomberg, 22 January 2018). Roughly speaking, a household with a median income needs to save nineteen years to be able to afford a flat in Hong Kong.

Yet, there is more than unaffordability to the housing question in Hong Kong, although they all are interrelated. As the flat prices increase, the flat sizes decrease. It is common that extended families live together or in temporary housing, or that flats are shared by several people or are subdivided (Census and Statistics Department, 2017b; Dwan, Sawicki, & Wong, 2013). Some people live in coffin cubicles or cage houses, where, for instance, 22 people share a 500 square foot flat (Ng, 26 September 2016), and there are about 390,000 squatter structures (Census and Statistics Department, 2017a), which have been an inevitable part of Hong Kong since the 1950s (Smart, 2001, 2006). The housing question discussed here is not independent of capitalism. As quoted above, housing conditions are just “‘one of the innumerable, smaller, secondary evils’ caused by the exploitation of workers by capital (Larsen et al., 2016, p. 582).” Hong Kong is no exception to this. In other words, while roughly 84,000 households live in a so-called temporary

housing (Audit Audit Commission, 2016) and roughly 92,000 households share a flat (Census and Statistics Department, 2017b), urban development and redevelopment continue non-stop for the private sector at the expense of the public commons. On the one hand, 20% of the population lives under the poverty line (Government of the Hong Kong Special Administrative Region, 2017). On the other hand, over-a-century-old street market was cleared out and divided into three parcels, one of which was sold to Wing Tai Properties, one of the largest real-estate companies in the world (Haila, 2000), for 11.6 Billion Hong Kong Dollar (HKD)¹ (S. Wong, 25 October 2017).

In the mist of the housing question in Hong Kong, public housing has been an important alternative since the 1950s for those who are at the bottom of the wealth distribution. As a reflection of the resulting inequality, almost half of all the flats are considered public permanent housing today (Transport and Housing Bureau, 2017), which are grouped into public rental housing (PRH) and subsidized sale flats (SSF)². The public housing system has been going through neoliberalisation since the late 1990s, as the public commons have been experiencing commodification similar to the rest of the world (Hedin, Clark, Lundholm, & Malmberg, 2012; Larsen & Lund Hansen, 2015). Various commodification methods have been used in Hong Kong, including the Tenant Purchase Scheme, where PRHs were offered to existing tenants for purchase; the disengagement of the management services of the court[yards]; the divestment of the shopping & commercial centres and parking lots operated by the public authorities, which were designed to provide affordable goods and services to the tenants, and the relaxation of restrictions on the sale of the subsidised sale flats and the creation of the Secondary Market Scheme (SMS)³. These terms are the official ones, which reflect the attempt to hide, justify, normalise, and internalise the underlying mechanisms behind the process - the neoliberalisation of the public commons through commodification and financialisation.

Introducing capitalist market forces into a non-capitalistic space, e.g. the public commons, has a spatial effect on the space as well as the people living in it. Gentrification theory has been utilised to illuminate the mechanisms that drive these effects. However, there is a current argument in the

1 11.6 Billion HDK is approximately 1.47 Billion US Dollar (USD).

2 Whereas the PRHs refers to the flats rented out by the government, SSFs refer to the flats sold at a discount price by the government. In this model, the government only sells the flat, but it does not sell the rights to the land the building is constructed on. The right to land is defined as 'Premium'. In other words, the buyer and government share the ownership of SSFs at changing rates until the tenant buys the premium from the government.. SSFs also refer to several public housing types, including mainly Home Ownership Scheme, Private Sector Participation Scheme, and Tenants Purchase Scheme. They are explained in more detail in the Chapter 2.

3 The detailed explanation from a socio-historical perspective is in the Chapter 2.

literature regarding the applicability of the term to the Global South, in particular to Hong Kong⁴. Yet, due to structural changes through neoliberal policies, daily lives have been affected, mostly negatively, including but not limited to the choice of housing and transport (Yeung, 2005) and the location of shopping (Blake, 2017). There have also been long-term effects, particularly in terms of the spatial distribution of the population based on socio-economic characteristics and, hence, their housing choices. In the case of neoliberal policies, distribution happens to be in favour of the wealthy at the expense of the poor, as policies favour the powerful. Yet, the relevance of gentrification theory still remains puzzling in the literature.

1.2. Rational of the Research

The previous studies (in English) on neoliberalism in Hong Kong have focused on privatisation and build-operate-transfer⁵ policies. Studies focusing on the public commons mainly discuss privatisation of PRHs through direct sale to the tenants, varying from analysing the success or failure of its outcomes (R. Y. Wong, 1998), to its impact on the private market (L. S. Ho & Wong, 2006), or as a part of neoliberal policies (Chung & Ngai, 2007; M. H. Ho, 2004). Others examined privatisation of shopping centres located around the public estates and its effect on the tenants and within the food justice framework. However, the number of studies researching the commodification of SSFs are very limited, even though at least 15% of all the households in Hong Kong are affected by this. The income level of tenants in the SSFs are at the median level. They are at neither the top nor the bottom of the wealth distribution. They are the subjects of colonialised everyday life (Lefebvre, 1991). They are part of the ordinary, which is also chiefly ignored in the literature.

The aim of this thesis is to minimise the research gap described above. By doing so, this thesis seeks to contribute to the existing literature in four aspects. First, SSFs will be investigated, as they are generally understudied in the existing literature. Secondly, the spatial impact of neoliberal policies through commodification of public commons will be examined as part of the wider gentrification literature. Thirdly, the existing debate between the conventional and the postcolonial scholars within gentrification theory will be reviewed, and main arguments will be discussed.

⁴ The detailed explanation from a theoretical perspective is in the Chapter 3.

⁵ Build-Operate-Transfer is a common policy recently used by the states to carry out fixed-asset investments (e.g. bridge, tunnel), where the private sector first carries out the construction, then operates for a fixed period of time (e.g. tolls), finally transfers back to the state.

Fourthly, in discussing SSF tenants, the stories from so-called ordinary gentrification (Hedin et al., 2012), which are overlooked in the literature, are explored.

1.3. Research Question

Acknowledging a great proportion of the population affected by the neoliberal policies of commodification and financialisation of the public commons, and the current literary debate on the applicability of gentrification theory in the Global South and, thus, Hong Kong, the main aim of this thesis is the following:

To characterise the gentrification occurring in Hong Kong.

The main aim raised above is divided into two research questions with related research sub-questions:

Q1: What are the mechanisms behind the commodification and financialisation of the public commons, in particular SSFs, in Hong Kong?

Q2: To what extent is gentrification theory sufficient to comprehend the commodification and financialisation of the public commons, in particular SSFs in Hong Kong?

Q2a: How are the demand-side explanations (e.g. the gentrifiers) relevant?

Q2a: How are the supply-side explanations (e.g. rent gap theory) relevant?

1.4. Methodological Considerations

The focus of this thesis is the examination of the commodification and financialisation of the SSFs in Hong Kong through the lens of gentrification theory. To achieve the aim and answer the related research questions of the thesis, a time series investigation is necessary. Consequently, quantitative methods are selected as the primary research method to analyse relevant statistics over time. These methods also support the deep ontology the rent gap theory constructed on and prevent falling into “the epistemic fallacy” (Collier, 1994). ArcGIS is also utilised to visualise and analyse the results,

since the space and movements of people and capital in it are important components of the research questions.

Quantitative methods alone are insufficient to pinpoint the socio-economic change in a given area, as pointed out by Wyly and Hammel (1999). Therefore, qualitative methods are applied through field observation of public housing and shopping centres, to complement statistical findings and enhance understanding of the situation.

1.5. Structure of the Research

This part is a guide to inform the reader how to read this thesis. This thesis is divided into five chapters. Following the Introduction, the chapter on Socio-Historical Context of the Public Housing in Hong Kong is presented, in which land rights and the housing question in Hong Kong is examined. Then, the history of public-housing in relation to the socio-historical context is explored, from its emergence in the post-war years through the present, with a focus on neoliberal policies. Neoliberalisation of public housing is explored specifically through the privatisation of PRHs; commodification of court[yard] management through subcontracting; privatisation of the shopping centres and other facilities; and the commodification and financialisation of SSFs through exposing tenants to capitalist market arrangements. The aim here is to inform the reader regarding the different literary approaches to the socio-historical context of Hong Kong. In the third chapter, the Theoretical Framework focuses on gentrification theory. It is divided into discussions on the rent gap theory as a supply-side explanation for gentrification; the criticisms of rent gap theory from scholars of the demand-side school of gentrification studies; the support and critique of gentrification theory from the Global South and Hong Kong; and the planetary rent gap theory. Overall, the aim of this chapter is to present the back and forth discussion in the literature regarding the applicability of rent gap theory to the Global South. In both the second and third chapters, multiple voices and opinions are entertained to give the reader a general overview without yet indicating a position.

The fourth chapter details the Methods used. Quantitative datasets, the process for ArcGIS analysis, and data collection for qualitative observation are all discussed. The fifth chapter presents Findings from the quantitative and qualitative methods. First, the quantitative findings are described, which

are the general findings on the SSF tenants, the new tenants, and for the major housing estates and courts. Later, qualitative findings are provided, which are the general notes on housing in Hong Kong, public housing estates and courts, and shopping centres and other facilities. After each section, a summary of the finding is listed.

Finally, in the sixth chapter, a Discussion takes place. First, the position of this thesis in relation to the literature on the socio-historical peculiarities of Hong Kong is discussed. Second, the position of this thesis in relation to the discussion within the gentrification literature and Hong Kong is argued. These first two discussions are designed to build up the framework for the final section. Finally, based on the constructed framework, findings are analysed and a figure is provided to summarise the final framework and analysis. Brief conclusions and suggestions for future studies are then provided.

1.6. Summary of the Results

The survey findings show that a considerable number of tenants moved into subsidised sale flats through the Open Market. Most of those new tenants have a higher median household income and are younger. Moreover, most of them are highly dependent on mortgages, with considerable amounts of time to pay for their flats. The findings on major housing estates affirm the survey findings and inform a geographical representation of them. The higher median household income increases are concentrated in areas close by the city centre in Hong Kong and Shenzhen. The younger new-comers are concentrated around the city centre in Hong Kong. The higher median mortgage increases are concentrated in inner districts of Hong Kong. Thus, it indicates that capital flows inland overtime. Overall, gentrification is relevant in Hong Kong, and thus in the Global South. It is relevant both as a political term and as an urban process, because the gentrification process in Hong Kong indicates transfer of ownership from public to market through neoliberalisation. Therefore, the real clash point here is between the ones who are left behind – both in public rental houses and subsidised sale flats – and the government-initiated commodification and privatisation in public housing spaces.

Chapter 2: Socio-Historical Context of the Public Housing in Hong Kong

In the Chapter 2, the public housing in Hong Kong from a socio-historical context is argued. This chapter is divided into three sections and the different positions in the literature are discussed, whenever possible. First, the historical emergence of the land rights is represented. In this section, the complexities, which has led to the monopoly-like ownership of the government over the land, is represented. Second, the housing question within the context of Hong Kong is displayed. It is discussed that while many are negatively affected by the housing in Hong Kong, it is a source for wealth accumulation for others. Third, the public housing in Hong Kong is indicated. This section is sub-divided into three sub-sections: the emergence of the public housing programme in the 1950s; the modern public housing and the SSFs in the 1970s; and the neoliberalisation of the public housing since the 1990s by focusing on four main points.

2.1. Land Rights in Hong Kong

In short, “virtually all land in Hong Kong is leased or otherwise held from the Government of [Hong Kong]” (Lands Department, 2017). Although the above statement summarizes the land right in Hong Kong, the socio-historical context needs to be explored. As Tang (2017) argued, the history of land rights goes back to the establishment of the colony by Britain in 1841. Following the Treaty of Nanking in 1842, the land rights in Hong Kong Island were transferred to Britain. In 1860, the Convention of Peking was signed, giving the area in the south of Boundary Street in Kowloon Peninsula to Britain. Consequently, the colonial government became the landlord in the Hong Kong Island and the part of the Kowloon Peninsula.

In 1898, the Convention for the Extension of Hong Kong Territory was signed between Britain and the Qing China. According to Convention, the territories from the remainder of the north of Kowloon to the Sham Chun River – known as the New Kowloon and New Territories – and over 200 islands – known as the Islands – were leased out to Britain for 99 years. Yet, application of the land right in the favour of the colonial government was more problematic. Although, the Colonial Hong Kong Government obtained the land in the New Kowloon and Islands through compensation and dispossession, the government did not manage to apply the same rights of usage in the New Territories. As Tang (2017) stated, the indigenous rural population showed resistance.

The government was forced to recognize the land rights of the rural population living in the territory prior to the Convention.

Until 1950s, there were two categories of land and, eventually, of land rights for the colonial government. The Hong Kong Island and the Kowloon Peninsula were the urban area, where the government was the landlord. The New Territories were the rural area, where the indigenous rural population kept their land rights and the colonial government was the leaser.

It was crucial for the colonial government to be the mere land owner and to have a simple land laws (Haila, 2000). The Britain planned to have a financially self-sufficient Hong Kong by 1855 (W. S. Tang, 2017). As an entrepôt – a tax-free transshipment port, revenue sources in the Colonial Hong Kong were limited. Therefore, the land offered a valuable source of financial income through land related revenues – e.g leasing out land rights and stamp duties (Haila, 2000). Since the establishment of the colonialization, the land has constituted approximately one third of the total revenue of the government (Henderson, 1991; Schiffer, 1991; Wu, 1989).

Today, the HKSAR is the landlord in the Hong Kong Island – except St John's Cathedral – and the Southern Kowloon Peninsula. The government is still the main holder of the lands in the New Kowloon and the New Territories (Haila, 2000). After the transfer of the sovereignty to the People's Republic of China (China) in 1997, the lease rights over the New Kowloon, New Territories, and Islands were extended until 2047. The HKSAR keeps to the right to issue leases beyond 2047 (Lands Department, 2017).

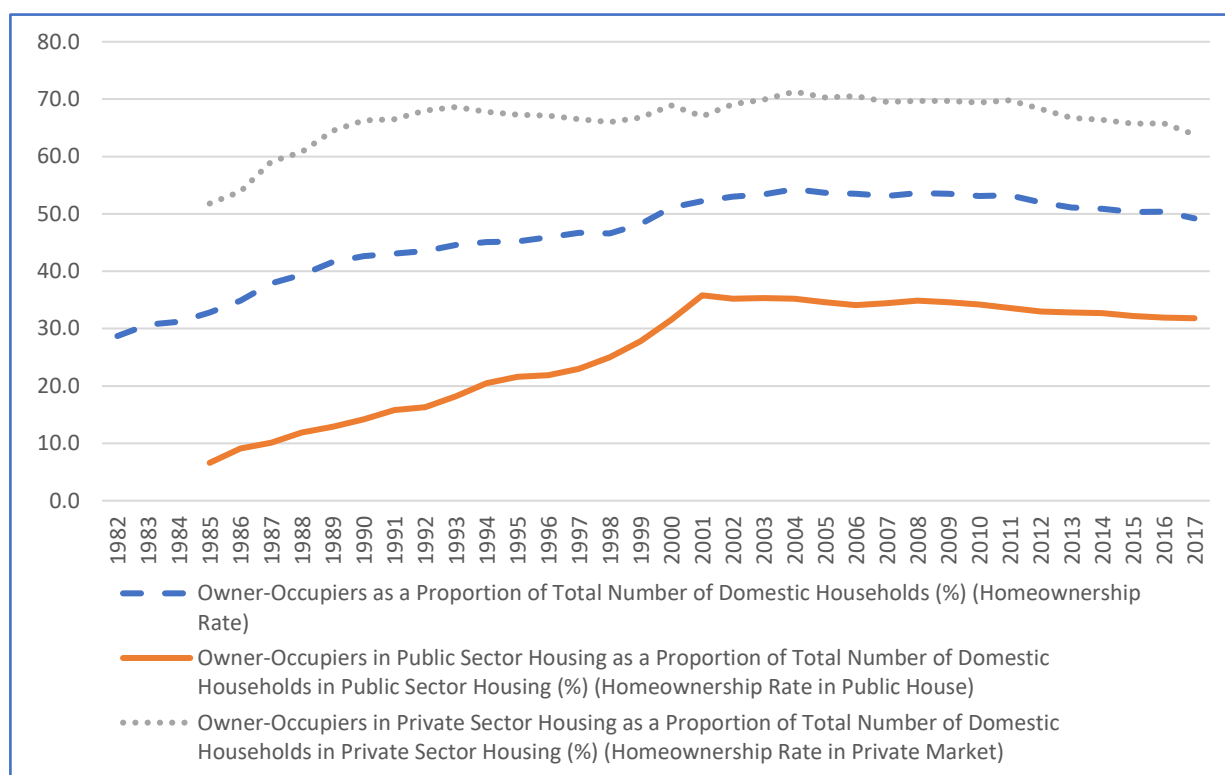
Land rights in Hong Kong involve urban and rural rights, and various stakeholders, including the HKSAR and China. Finally, the land has a crucial role to provide a revenue to the government in the absence of alternative revenue sources due to the colonial policies of Britain and the position envisaged by China in the global capitalist system.

2.2. The Housing Question

The owner-occupiers as a proportion of total number of domestic household (the homeownership rate) have been historically low in Hong Kong. According to the official statistics on domestic household (Census and Statistics Department, 2018a), the homeownership rate was as low as 32.8%

in 1985 and hit the peak at the rate of 54.3% in 2004. Since then the rate has been declining and as of 2017, the homeownership rate was 49.2%. According to housing figure in 2016 (Transport and Housing Bureau, 2017), whereas private housing constituted 56%, public housing comprised 44% of the total housing. 29.5% of the total housing was PRH. In other words, the homeownership rates in the public housing and private market were 31.8% and 63.8% in 2017, respectively (Census and Statistics Department, 2018a).

Figure 1 - Homeownership Rate in Hong Kong



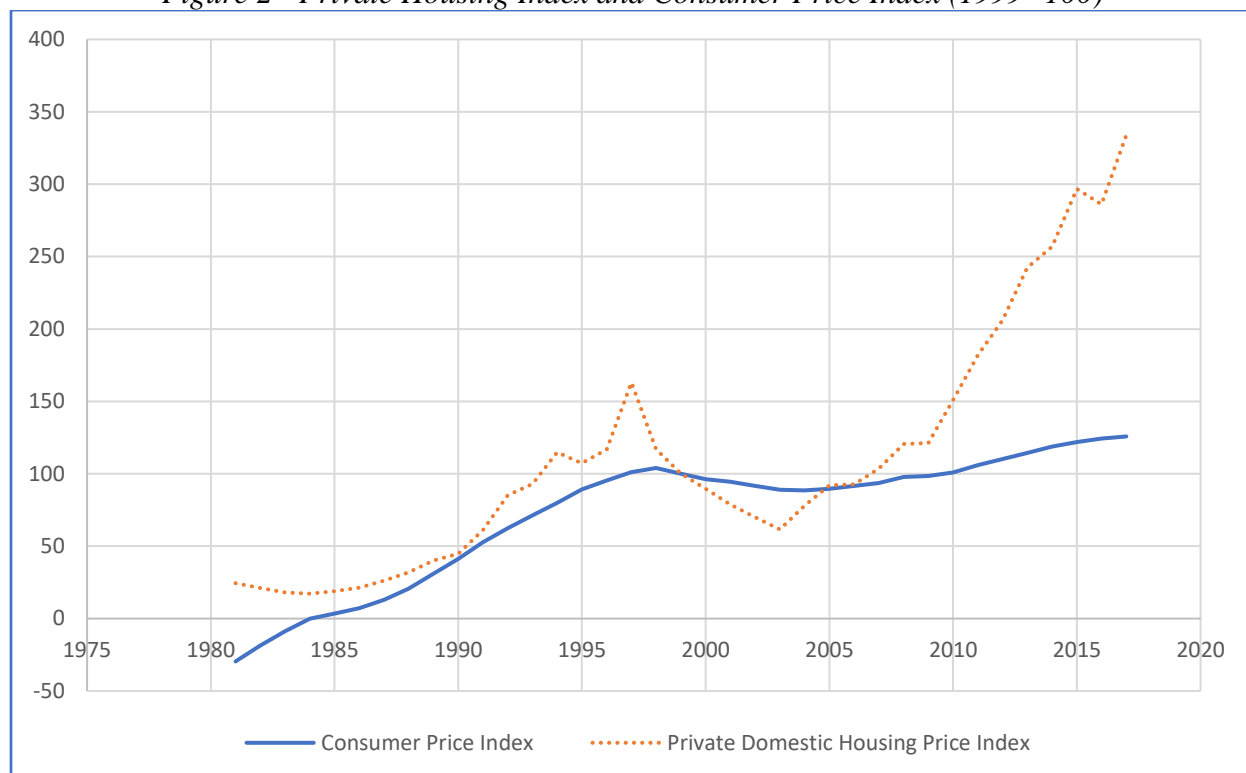
source: graphic by the author
(Census and Statistics Department, 2018a)

The above-represented homeownership problem indicates that a great proportion of the households in Hong Kong live in rental housing. The relatively low homeownership rate informs several interconnected points for the housing question in Hong Kong. First, the house prices are high. Recently, a 209 square feet apartment located in the Hong Kong Island, was sold for 7.9 Million HKD⁶ (Yiu, 22 March 2018). Index on house prices also supports the trend, illustrating a dramatic growth in the prices from 100 in 1999 to 334 in 2017, which represents an expansion of over 300%

⁶ 7.9 Million HKD is approximately 1 Million USD.

(Raiting and Valuation Department, 2018). The consumer price index, which indicates the average of prices of a basket of consumer goods and services, for the same period is not as dramatic, showing a growth from 100 in 1999 to 126 in 2017, which represents approximately an expansion of 125% (Census and Statistics Department, 2018b). In other words, the increase in housing prices in private market had been remarkably more than consumer price index.

Figure 2 - Private Housing Index and Consumer Price Index (1999=100)



source: graphic by the author & adjustment by the author
(Census and Statistics Department, 2018b; Raiting and Valuation Department, 2018)

Second, there is an affordability problem. Hong Kong represents an eye-catching case, as the least affordable housing market with a median multiple of 19.4 for 2017 in the world for consecutive eight years according to international housing affordability survey by Demographia (2018). It means a household with a medium income needs to invest 20 years of the household income without spending money on anything else. In the list, Sydney, Vancouver, San Jose, and Melbourne followed Hong Kong with Multiple Medians of 12.9, 12.6, 10.3, and 9.9, respectively. Even the difference between Hong Kong and Sydney is significant, not to mention the rest.

Third, housing is one of the main means for accumulation of wealth in Hong Kong (Haila, 2000; Lui, 2017; W. S. Tang, 2017). According to a recent study (Yiu, 22 March 2018), one out of seven people was a millionaire as of 2017, representing a 15% increase in comparison to the previous year. The main mean of investment for millionaires is real-estate, constituting approximately 70% of their assets. As the housing prices increased by 14% in 2017, real-estate offers one of the main means for accumulation of wealth.

The housing question in Hong Kong is revealed as the homeownership question, which contains several interconnected sub-themes, including the housing prices questions, the affordability question, and the accumulation of wealth question. Therefore, homeownership represents more than just a means of shelter issue. It is why whereas one in seven people in Hong Kong is a millionaire, 200,000 people live in coffin cubicles (Stacke, 26 July 2017) and there are approximately 390,000 squatters (Census and Statistics Department, 2017a). In the context of Hong Kong, public housing is one of the important means to provide housing for many.

Picture 1 – Coffin Cubicles in Hong Kong



The Picture on the Top shows the conditions in Coffin Cubicles.
The Picture on the Bottom represents a multi usage room.

Picture Taken by: Benny Lam
source: The Guardian (Lam, 7 June 2017)

2.3. Public Housing from a Socio-Historical Perspective

Following the invasion of China by Japan in the World War II, Hong Kong received vast number of migrants. Number of migrants from China to Hong Kong increased even more after the Communist Party came into power in China. By 1950, the population of Hong Know was 2.1

million, increased from 600,000 persons in 1945 (R. Y. Wong, 1998). The supply of housing was not sufficient. The vast majority of the population was living in slums. On the Christmas Eve in 1953, a fire broke out in Shek Kip Mei, heavily occupied with squatters. The fire left 53,000 people homeless. After the disaster, the first public housing efforts were initiated, which were designed to provide the basic needs of the tenants. In the 1970s, the public housing programme as known today in Hong Kong began, aiming to provide affordable housing with better housing conditions.

2.3.a. Emergence of Public Housing

There are various analyses, explaining the origins of the public housing programme in Hong Kong, which can be categorized as “welfare”, “economic”, “political”, “political economy”, and “institutional” (R. Y. Wong, 1998). According to the welfare explanation, Pryro (1983) argued that the public housing was provided as a part of the welfare state understanding following the fire disaster in 1953. According to the economic explanation (Drakakis-Smith, 1973; Kehl, 1981), the government intended to make the valuable land available for private development. Thus, the government intended to clear the squatter area and, consequently, to grab the revenue from the land sale. It was the main driver of the introduction of the public housing programme. According to the political explanation (Smart, 1992; Smart & Smart, 2017; W. S. Tang, 2017), the public housing programme was designed to control the public in government’s effort to appropriate space occupied by the squatters. As pointed out by Smith (1992; Smart & Smart, 2017), there was resistance to clearance without resettlement. Tang (2017) underlined the distress imposed on the government by the left-wing-led student protests in the late 1960s and the negotiations begun between China and Britain regarding the future of Hong Kong. It was important for the government to maintain the social order to secure the economic gain. According to the political economy explanation (Lui, 2017), following the establishment of the Communist China, Hong Kong had to restructure its economy towards the export-oriented manufacturing due to the repositioning in the world system. It was important to place the working class close to factories. The public housing programme was commenced to reproduce socio-economic conditions for the exploitation of the working class by the capitalist system. As a facilitator of the capitalist mode of production, the government opened up the valuable land for the private sector to conduct real-estate projects and service industries. It opened up the land in the New Territories for manufacturing industries and to provide subsidized housing for the working class located nearby the industries. The government

planned to control the working class and to provide space and cheap labour to the industries by clustering them in subsidized public housing programme. Finally, according to the institutional explanation (R. Y. Wong, 1998), the public housing programme was a result of strict control over urban planning and land, which was inadequate to deal with the migration from China. According to Wong (1998), the rent control introduced by the government in 1945 worsened⁷ the restrictions and it was almost impossible to redevelop the private housing. Consequently, at the absence of the private development, the public housing programme was introduced to fill the vacuum.

2.3.b. Modern Public Housing Programme and Subsidized Sale Flats

In 1973, the government released the ten-year plan for the public housing, planning to provide self-contained housing complex to the part of the population with low income (Lau, 2005). It marked the commence of the modern public housing programme. In 1975, the first PRH unit was built, offering housing with low/affordable rent to those, who have no resource to purchase or rent a house in the private market. It was located in a self-contained unit, providing facilities and amenities that provide the necessities of the tenants.

In addition to rental housing option, various SSF alternatives through direct sale or borrowing loan have been launched, including but limited to: Home Owner Scheme (HOS) (1977); Private Sector Participation Scheme (PSPS) (1978); Middle Income Housing Scheme (MIH) (1983); Tenants Purchase Scheme (TPS) (1998). They have been carried out by both the Hong Kong Housing Authority (HKHA), an autonomous government agency, and the Hong Kong Housing Society (HKHS), a non-governmental and non-profit organization. The most significant of all are HOS and PSPS, as they constitute the vast majority of all the SSFs in Hong Kong.

HOS and PSPS were planned to provide affordable housing below the market value to make the working-class homeowners. The HOS was introduced in 1977, known as Phase 1. Later, it was followed by the PSPS in 1978.

Until 1981, also known as Phase 3A, HOS and PSPS flats were sold for almost 25% of the market the value. Importantly, HOS and PSPS flats sold between Phase 1 and Phase 3A included the flat cost, general costs, administrative costs, and land premium. Following the opening up of China,

⁷ The Term is used by Wong. One may also consider that the policy choice was intended for the protection of war survivors.

the property prices increased almost by 30 % (Lau, 2005). Consequently, the land value also increased, and the government decided not to include the land premium to HOS and PSPS flats from 1982, also known as Phase 3B, onwards. Instead, the land development cost was included. HOS and PSPS flats were sold with a discount, ranging between 30% to 50% since Phase 3B. In HOS flats, there is currently dual ownership. Whereas the tenants hold the rights to the flat, the government has the ownership over the land on which the flats are built. Thus, the tenants need to pay the land premium to have a full right to the flat. HOS and PSPS flats were ceased permanently in 2003, however, the government resumed HOS in 2011.

2.3.c. Neoliberalization of Public Housing

Although there are other various acts carried out by the Hong Kong government that fall under the banner of neoliberal policies, such as the sale of the Hunghom Peninsula Estate (Chu, 2010) or the privatisation of the two railway corporations, five tunnels and a bridge (Yeung, 2005), four policies are mainly discussed here: the privatisation of the PRH flats through sale to the residents; the commodification of the management services of the courts through subcontracting; the privatisation of the public housing amenities, including shops and car parking lots, through transfer of the assets to the real-estate investment trust, Link REIT; and commodification and financialisation of SSFs.

2.3.c.1. Privatisation of the PRH

The first privatisation attempt took place in 1990. The HKHA attempted to sell a limited number of PRH flats to the existing tenants. The precondition to the sale set by the HKHA was that at least 50% of the tenants would buy the flats. By offering the 50% conditions, the HKHA planned to be the minority. In other words, the HKHA planned to transfer the responsibility to the tenants, exposing them to the capitalist market arrangements. However, the attempt was a failure. Later in 1992, the HKHA offered the PRH flats to the tenants again. The offer was even lower. The flats were proposed at 30% of the market value. It was again not successful. Wong (1998) argued that there were failures not because the tenants were not able to purchase the flats. There were other reasons for the failure of the privatisation attempt. First, the flats were not good quality. Second, the tenants did not have a choice to buy the flat they preferred. Instead, they were offered the flats they were residing in. Finally, the resale restrictions on the flats were strict. He argued that it was

more logical for the tenants to pay low rent rather than having a mortgage. In other words, Wong (1998) provided consumer sovereignty-based explanations.

In December 1997, TPS was announced by the HKHA. As part of the scheme, at least 250,000 PRH flats were offered to the tenants residing at an affordable price up to approximately 90% of the estimated market value in 1998 and by 2002, 134,000 flats were sold (Chung & Ngai, 2007). The TPS was ceased in 2005 with the condition that the existing TPS estates could still be sold to the residing tenants. As of March, 2017, there were approximately 135,000 flats sold as part of the TPS (Bing-Leung, 28 June 2017a).

2.3.c.2. Commodification of the Public Estate Management through Subcontracting

Since the introduction of the PRH, the Housing Department is in charge of the management of the estate on the behalf of the HKHA. However, subcontracting has been utilized since the colonial times in Hong Kong (Chung & Ngai, 2007). Property management of public housing today is no exception. The management of approximately 60% of the PRH estates are subcontracted to private property service agents (Hong Kong Housing Authority, 2018e). Even though the HKHA tries to keep the process transparent through tenant participation (Ming Yip, 2001), a recent study by the Labour Party and Confederation of Trade Unions (Xinqi, 18 January 2018) showed that the subcontracted cleaning services in the PRH estates are dominated by seven private companies, which are also affiliated with each other through related directors and/or shared offices. Today, the subcontracting of the management of the PRH estates is common practice.

In the context of HOS, PSPS, and, now, TPS flats, the Housing Department was also in charge of the management of the courts for the first 12 months after the intake (Lau, 2005). In 1986, property management of the two HOS courts were subcontracted to private property service agents, as a part of a pilot scheme. From 1989, property management of all the newly completed HOS and PSPS courts was subcontracted and the tenants were charged for the services by the Housing Department. In 1996, a new clause was added into the Deed of Mutual Covenant, limiting the supervision responsibility of the Housing Departments over the private contractors for 12 months. Tenants were encouraged to form Owners Corporations to take over the responsibilities of the Housing Department.

The trajectory represented above indicates the authorities pulled away their responsibilities step by step through subcontracting to private property service agents or transfer to tenants. Lau (2001) argued that the process of subcontracting and transfer of the management responsibilities of the public housings is part of the government's privatisation strategy, which he called as "housing disengagement".

2.3.c.3. Privatisation of Public Housing Amenities through Link REIT

In the public housing estates and courts, commercial spaces were originally designed to provide the daily necessities of the tenants for an affordable price. Therefore, the shops were rented out to small scale shop owners at a reasonable fee. Following the Asian Financial Crisis in 1997, Hong Kong was dramatically affected, particularly the housing market. To protect the interest of the private market, the HKHA ceased the SSFs, such as HOS and PSPS, and TPS, which Chung and Ngai (Chung & Ngai, 2007) argue were a significant component of the revenue of the HKHA that was used to subsidize construction and management of the PRH.

In 2003, the HKHA unitarily decided to divest⁸ commercial spaces and car parking lots in 180 public housing estates and courts to transform the so-called undervalued businesses to profit-driven ones and to provide revenue to the HKHA by forming a real-estate investment trust (REIT), Link REIT (Chung & Ngai, 2007; Yeung, 2005). It was the first REIT in Hong Kong. Yeung (2005) argues that the REIT was chosen by the government to promote as a new financial instrument. The initial public offering (IPO) was planned to take place in December 2004. Before the IPO, a 67 year-old public housing tenant initiated a judicial review on the basis that the HKHA failed to protect the well-being of the tenants (Chu, 2010). The IPO took place in 2005 and a Britain based hedge fund, TCA, became a majority stakeholder with 18.5% (Chung & Ngai, 2007). Since then Link REIT has enhanced its investments in Hong Kong and expanded new ones throughout Hong Kong, and Mainland China (Link REIT). As of today, Link REIT is the dominant shop and car parking lot owner and operator throughout the public housing estates and courts.

As Shen, Wang and Lombardi (2015) examined through spatial and logistic regression analysis, commercial space is limited for tenants' daily necessities in public estates and courts. Therefore,

⁸ It is the official term used by the HKHA.

the commercial space initially built and managed by the HKHA constituted a crucial point for the tenants to provide their daily needs. The transfer of the assets from the public to private sector transformed the foodscapes of the tenants, which particularly heavily affected the low-income tenants (Blake, 2017). Not only the life of tenants, but also the life of small business owners was affected. Link REIT made asset enhancements and transformed the space, such as replacing wet markets⁹ and fresh markets with retail shops (Link REIT, 2013). The rents were increased by as much as 70% (Chung & Ngai, 2007). Consequently, the small businesses have been replaced by primarily chain brand businesses. The privatisation of the commercial spaces in public housing estates and courts through the establishment of Link REIT transformed common space into private for the sake of the private sector and at the expense of the public. Chung and Ngai (2007) called the privatisation process the neoliberal institution building project.

2.3.c.4. Commodification and Financialization of the SSFs

There are/were resale restrictions¹⁰ on the SSFs to prevent speculations. The aim is/was the protection of the tenants. The resale restrictions were originally 10 years for the SSFs in Hong Kong (City University of Hong Kong & Hong Kong Housing Authority, 1992). Specifically, a tenant could sell the flat to the HKHA for the original price paid to the HKHA. Between the fifth and the tenth year, the HKHA could buy back the flat at the market price of similar SSFs sold by the HKHA at the time. Ten years after the first assignment, the flat could be sold, rented out, or transferred in the open market (OM), after paying the land premium (discount rate) to remove the resale restrictions. An important note is that the resale restriction is valid only for the SSFs built after Phase 3A. In 1999, the resale restriction was amended¹¹ (Lau, 2005). First, the resale limit was reduced from 10 years to 5 years. Second, the buy-back by the HKHA at the original price was reduced to the first two years. Third, the buy back by the HKHA at the market value of the similar SSF was diminished to three years, covering the last three years of the 5 years resale restrictions. After the 5 years since the first assignment, the flat can be sold, rented out, or transferred in the OM after paying the land premium to the HKHA. In other words, the restrictions

9 Wet Markets are common in Hong Kong. They are essentially indoor vegetable and fruit markets.

10 The term “restriction” is an official term originally used to indicate anti-speculative regulations, highlighting the protection of the tenants. Later, the term is used to indicate market disrupting regulations.

11 The official term used by the HKHA is “relax/relaxation”. Since it indicates a market-oriented terminology, the term is simply replaced with “amend/amendment”.

were reduced and the structure of SSFs became more market friendly, encouraging tenants to use the SSFs as a jumping stone to the private market.

In addition to the amendment of the resale restriction, in 1997, the HKHA introduced the HOS SMS, which allowed the SSF tenants to sell to the designated buyers defined by the HKHA without paying the land premium (Lau, 2005). According to the HKHA (Hong Kong Housing Authority, 2018c), “Transactions in the HOS Secondary Market are similar to that in the open market. The purchaser and the seller may negotiate the price freely and conclude the deal either directly or through an estate agent. Purchasers of flats in the HOS Secondary Market will assume the liability to pay the premium if they sell their flats at the open market in the future.” Prior to the amendment in 1999, the tenants were allowed to sell the flats in the secondary market from the third year on following the first assignment of the flat to the tenant (Lau, 2005). The designated possible buyers in the HOS SMS were defined as Green Form Holders, mainly the tenants of the PRH flats and the applicants, who are in the waiting list for the PRH flats. Following the new amendments in 1999, the restriction to sell in the secondary market was reduced from three years to two years after the first assignment (Lau, 2005). The definition of the Green Form Holders was also extended. In 2012, the HOS SMS was extended to White Form Holders with a certain quota per year to allow them to purchase SSFs without land premium (Hong Kong Housing Authority, 2018a, 2018f). White Form Holders are mainly purchaser from the private market, who are considered eligible by the HKHA based on certain criteria.

According to the official position, the main aim of the amendments of the resale restrictions and the introduction of the HOS SMS is to increase the mobility of the PRH tenants by encouraging them to buy subsidized sale flats in the secondary market without paying the land premium (Hong Kong Housing Authority, 2018d). Consequently, more spaces will be freed in the PRH flats for the applicants who are in the waiting list, as the tenants who sold their flats will be out of the public housing system and will not be able to purchase or rent public housing again.

Chapter 3: Theoretical Framework

Chapter 3 presents gentrification theory, which constitutes the core of the theoretical framework. This chapter is divided into five sections. First, rent gap theory is taken as the point of departure to comprehend the gentrification literature. While discussing the rent gap theory, a historical approach is utilized, covering the early works of Neil Smith and other empirical studies, which are more economically-oriented. Later, criticisms to rent gap theory in the early gentrification literature are discussed. Third, two sides of the literature from the Global South are analysed through studies that defend the relevance or argue the inapplicability of gentrification to the context in the Global South. Studies from Hong Kong are also discussed. Fourth, literature on the global rent gap is represented, which heavily underlines the political-economic nature of the term gentrification and rent gap theory.

3.1. Rent Gap Theory (Supply-Side Explanations)

Neil Smith (1979a, 1979b) was troubled with the demand-based explanations that neoclassical theory offered to understand the gentrification phenomenon, a term coined by Ruth Glass (1964), which originally referred to the replacement of the working class located in the inner-city by other classes who are economically better-off. He believed that previous studies suggested an answer to the question of “why a particular developer chose this particular house instead of that one” (Smith, 1979a, p. 164) rather than why that particular location was chosen. Consequently, Smith questioned the consumer sovereignty hypothesis offered by the neoclassical perspective and argued that “gentrification is a back to the city movement all right, but of capital rather than people” (Smith, 1979b, p. 547).

In other words, it is not the consumption preferences of the consumers, but the needs of the capital that define where the re/developments take place. By doing so, Smith (1979b, p. 545) offered the rent gap theory, which is the “disparity between the potential ground rent level and the actual ground rent capitalized [capitalized ground rent] under the present land use”. According to Smith (1979b, p. 543), capitalized ground rent is “the actual quantity of ground rent that is appropriated by the land owner, given the present land use”. Potential ground rent is “the amount that could be capitalized under the land’s ‘highest and best use’” (1979b, p. 543). Smith (1982) argues that

contradictory internal mechanisms of the contemporary advanced capitalist system have created the following conditions: tendencies toward equalization and differentiation; valorisation and devalorisation of built environment capital; and reinvestment and the rhythm of unevenness. First, capital expands throughout the space by overcoming the barriers and consequently equalizes the difference between capitalist and non-capitalist spaces. However, the capital expansion causes differentiations within the system, such as division of labour and class differences. Second, valorisation is a profit-seeking investment. However, the investor receives returns on investments over time piece by piece, particularly for fixed investments. The process leads to revalorization and, then, the new cycle of future valorisation. Finally, this aspect of uneven development characterises the locational shift of the capital investment. As capital is invested in one area, further investment becomes harder, thus creating barriers. Yet, the same barriers represent an opportunity for future investment. This is called the “locational seesaw” by Smith. In the context of gentrification, as Smith (1979b) argued, the process likely takes place at five stages: new construction and the first cycle of use; landlordism and homeownership; blockbusting and blow out; redlining; and abandonment. The first stage is when a new building is constructed. During the first cycle of use, the ground rent is likely to raise. In the second stage, if the owners remain as the owners, they keep up with the maintenance. Otherwise, they rent out their homes to tenants. It is less likely for property owners to invest in the maintenance of the houses they rent out. Consequently, the depreciation begins. During the blockbusting and blow out stage, if the neighbourhood remains homeowner-dominant and still experiences decline, then the real estate agents buy the houses and sell them to another group – e.g. if the neighbourhood is a white dominant one, then the real estate agents buy the houses and sell to black families. The blow out represents the same process without the involvement of the real estate agents. Following the transfer of ownership from one group to another group, who is more underprivileged than the previous owners, the decline of the house prices continue due to the lack of maintenance as a result of financial constraints. In the fourth stage, the decline of the house price continues, along with the house value and capitalized ground rent, as the homeowners and property owners stop investing in maintenance. As a result, the area is redlined by the major financial institutions for being a risk investment. Finally, in the last stage, since the return on investments is not profitable any longer, the property owners abandon their properties. This is called filtering. During the filtering process, gentrification maybe begin if the rent gap is wide enough, due to the involvement of various actors

in land and the housing market. The rent gap theory provides a fruitful framework to understand the process leading to gentrification in relation to the geographies of uneven development as an internal contradiction of the capitalist system.

Others also tested the theory empirically by investigating other case studies, including cases from Sweden, Canada, Australia. Eric Clark (1987) presented case studies from Malmö, Sweden, covering a period of over 100 years. As one of the main assumptions that Neil Smith (1979a, 1979b, 1982) dealt with was the “consumer sovereignty” in Neoclassic Economy, Clark tested the rent gap theory from both Neoclassical and Marxist perspectives. Clark (1988, p. 86), concluded that “in their empirical form at the level of appearance, the results [of his analysis] may be interpreted from either perspective”. Kary (1988) showed rent gap production through the actions of various actors involved in the process in Toronto, Canada. Kary exhibited that the role played by the state in the process is far from *laissez-faire*. Badcock (1989) studied Adelaide, the Capital of South Australia as a case study to test the three propositions of the rent gap theory, presented by Neil Smith. Badcock concluded that the empirical case supports the theory in varying degree. In particular, Badcock underlines the role played by the government through its regulatory power to create the rent gap. Additionally, Badcock states that there is no direct relationship between gentrification and the financial crisis in the case of Adelaide. Hammel (1999a) studied the rent gap theory in Minneapolis by adapting the approach used by Eric Clark (1987). He verified the rent gaps. He also concluded that rent gaps may occur not due to devalorisation of the capitalized ground rent alone, but also due to slowly increasing capitalized ground rent which fails to keep pace with rapidly rising potential ground rent. Yung and King (1998) also empirically tested the theory in Melbourne, concluding that there are rent gaps, but not necessarily as a result of suburbanization as Smith argued; they are, instead, a result of the new demands in new submarkets, the need for new investment outlets, and the changes in regulations as a response to demands of new consumers and capital. In a more recent study, Porter (2010) analysed the land-value valleys in New York between 1990 and 2006 at the metropolitan scale, following the discussion on the scale issue argued by Hammel (1999b)¹². The results of the study showed that there were two land-

¹² Hammel argued that the search of different rent gaps in different locations requires study at different scales, e.g. local scale, regional scale, national scale etc.

value valleys, and supported the hypothesis forwarded by Neil Smith regarding the causes of rent gap.

3.2. Other Gentrification Theories (Demand-Based Explanations)

There were others who rejected Smith's theory on various bases. Ley (1997) conducted a study for 22 urban regions in Canada, claiming that there is no evidence of rent gap theory. However, Slater (2017b) and others (Clark, 1995; Hammel, 1999b) found his findings questionable. Moreover, Bourassa (1990, 1993) opposed rent gap theory on a theoretical foundation, mostly by feeding from the neoclassical perspective. Bourassa mainly discussed the concepts of capitalised ground rent and potential ground rent, specifically, the theoretical problems in determining ground rent. Critics generally argued that gentrification is a vast and complex process that one factor may not be sufficient to explain the process of (Beauregard, 1986).

David Ley (1986) used the post-industrial thesis to study gentrification. He argued that the transition from manufacturing industries to service industries changed the employment composition. In line with Ley, Chris Hamnett (Hamnett, 1991) introduced the professionalization thesis, discussing the transformation of the city centres from production areas to business and culture hubs. Both Ley and Hamnett reasoned that the transformation in the production structure from secondary industries to tertiary industries expanded the income structure, which, consequently, changed the consumption preferences of the new class.

In line with the above-stated theses, others focused on various factors in addressing the questions of "who are gentrifiers" and "why gentrifiers gentrify?". Ley (1997) highlighted the role of counter-cultural movements of the post-war era in gentrification, as a reaction to suburbanization. Butler and Robson (2003) argued that education possibilities are a significant component of gentrification regarding reproduction of the social and cultural class. Damari Rose (1984) focused on the role of gender in gentrification through the role of single women professionals and dual-earner couples. Additionally, Manuel Castells (1983) and Tamar Rothenberg (1995) discussed the role of the gay and lesbian communities in gentrification, respectively. Monique Taylor (Taylor, 1992) examined black gentrifiers.

In contrast to rent gap theory arguments, others assert that gentrification is carried out by gentrifiers, as a result of change in the production and employment structure. The vast research on gentrifiers underlines different complexities, including education, gender, ethnicity, and more, that compose the post-industrial/professionalized class.

3.3. Gentrification Studies in Global South and Hong Kong

Along with developments in rent gap theory, empirical studies from the Global South are analysed to further understand the Global South's position in the gentrification literature. Whitehead (2008) examined the change in central Mumbai through rent gap theory, where the textile sector constituted the main activity and, consequently, where the working class had inhabited slums. Whitehead showed the relocation of the textile sector from the centre to the hinterland of Mumbai and the displacement of the working class to redevelop the area for the needs of the financial capital. Moreover, Whitehead highlighted the importance of local and national governments as well as the oligarchic state of the land structure in the case of Mumbai, as a comparison to the Global North. Similarly, Lopez (2013; 2011) investigated Santiago, Chile. In the first study, Lopez (2011) focused on Santiago generally. In the second one, six different municipalities from Santiago were examined in detail (López-Morales, 2013). Lopez (2013; 2011) pointed out two connected features in the case of Chile. The role of the local and national governments is strict via regulations and deregulations. Therefore, there is an oligarchy of several actors in the market, as they are the only ones with the power to bypass regulations.

Yet, there have been other studies from the Global South arguing that the term gentrification, having been coined based on the context of the Global North, is not applicable to the rest of the world. Within the context of China, Ren (2015) argued that gentrification in China is an exception, as it poses a different case than others in the Global North. In this regard, Shin (2016) examined the urban transformation process in Guangzhou, China through two case studies by comparing dispossession versus gentrification as the main mechanism. Shin (2016, p. 24) concluded that "dispossession is key to China's speculative urbanization". In the context of Hong Kong, La Grange and Pretorius (2016b) refused the existence of gentrification in Hong Kong, as they claimed that there is no evidence of large-scale development forced upon the people living in the city centre by the government to clean the "undesirable" people. They argued that re/development

is carried out by the government in Hong Kong to capture financial revenue, as the government is the main owner of the land and, consequently, land provides considerable amounts of income. Therefore, gentrification is the unintended outcome of state-led development. La Grange and Pretorius (2016b) called the process state-led gentrification, believing the state is the signifier of the exceptionalism of Asia's urban development path. Moreover, La Grange and Pretorius (2016a, p. 300) conducted three case studies from Hong Kong to offer three models, in line with the so-called exceptionalism in Asia. Their models are (La Grange & Pretorius, 2016a, p. 300): “‘black hole’ model, suggesting that very large, public sector projects may have little trickle-down effect; ‘happy days’ model, which provides needed residential and commercial space for the post-industrial economy; and the ‘cooked frog’ model, where in situ, piecemeal redevelopment may act to slow the pace of gentrification and thus help to retain socially mixed neighbourhoods for a time.”

In a controversial article, Ley and Teo (2014) examined the concept of “gentrification” and its variants in Chinese and English newspapers, followed by interviews. Ley and Teo argued that the term gentrification has been barely used in the media. They claimed that the lack of the term in the media and in public discourse proves an alternative ontology of the culture of property in Asia, as the demolition and eviction are naturalized and, consequently, re/development is perceived as a means of upward social mobility. In return, several researchers published articles in the *International Journal of Urban and Regional Research*. Their aims were: first, to respond to Ley and Teo (2014); second, to maintain the postcolonial stance of the Global South in relation to broader gentrification literature; and, third, to discuss the irrelevance and inapplicability of the term of gentrification to the context of Hong Kong. Agreeing with the initial proposition of the culture of property, Haila (2017) questioned the institutions – economic, political, social – that enable what she calls “property mind” in Hong Kong by comparing it with Singapore. Finally, she asked whether it really matters to call the social phenomenon gentrification and whether it really matters to use the term gentrification? Cartier (2017) discussed the decontextualization problem by introducing “transposition” put forward by Kofman and Lebas (1996). She argued that “‘lost in transposition’ conveys the loss of both history and difference in contextual geography suffered by ideas that contribute to theory and generalization” (Cartier, 2017, p. 466). Criticizing Ley and Teo for choosing 1997 as the point of departure for their research, she pointed out that temporal dimensions in understanding Hong Kong would be misleading and, thus, underlined the need for

contextual understanding in analysing a locality. She applied the same methods used by Ley and Teo. She even expanded their scope. She ran the search for other Chinese terms as well as their counterparts in Cantonese. Then, she included other newspapers. Finally, she ran the same search for newspapers from the West, e.g. England, United States, Australia. She concluded that the results are similar for both Hong Kong and the West. In line with Cartier, Smart and Smart (2017) asked whether gentrification is the process originally referred to by Ruth Glass as the invasion of working class quarters by the middle class, or whether gentrification is the outcome of various processes rather than the process. They argued that the usage of the term has stretched far enough not reflecting any difference between market-led and state-led processes, arguing that the development and redevelopment in Hong Kong traces back to post-war squatters rather than the postcolonial era. Thus, “looking for gentrification” may result in neglect of local contexts and analytic discourse, arguing that “ideas and behaviours are best seen in relation to the social context in which they take place” (Smart & Smart, 2017, p. 523). They also discussed that imposing one’s own cultural understanding on other cultures would likely lead to misunderstanding “why they do the things they do” (Smart & Smart, 2017, p. 523). Lui (2017) also highlighted the need for a different approach when studying non-Anglo-American contexts. He particularly emphasized the importance of historical and local contexts, similar to Smart and Smart. He argued the first phase of the urban development and redevelopment was shaped by the squatters and the second phase was affected by the structural changes in Hong Kong from a manufacturing to service-based economy. In a nutshell, for Liu, “the actual processes of urban development and redevelopment in Hong Kong require us to probe the local complexities and to examine them in relation to local specificities” (Lui, 2017, p. 484). Tang (2017) refused the myth of the culture of property, claiming that “their argument is essentially no different from the consumption explanations of gentrification”. He stressed that the dependence of Hong Kong is based on the property-based accumulation, posing a difference from others in the region. Like others, he also criticized taking the postcolonial era as the point of departure and explained the government’s dependence on land since the beginning of colonization by Britain as a means to maintain financial independence and to keep the socio-political order. Therefore, he argued that the secondary circuit of capital cannot be reduced to the primary circuit. Along the lines of Smart and Smart, Tang also defined gentrification as one of the processes rather than an outcome that covers various processes. He quoted Smith to differentiate gentrification and redevelopment: “redevelopment involves not

rehabilitation of old structures but the construction of new buildings on previously developed land” (Smith, 1982: 139 quoted in W. S. Tang, 2017). He (W. S. Tang, 2017, p. 494) argued that redevelopment is “the logic of government, not that of capital.” Tang called the process in Hong Kong “hegemonic-cum-alienated redevelopment”, reflecting the government’s ability to own and regulate the land. Tang argued that the real-estate sector is the dominant one in Hong Kong and, due to the socio-historical context of Hong Kong, the real estate sector, in cooperation with the government, has a hegemony over many aspects of life (Lee & Tang, 2017; W.-S. Tang, Lee, & Ng, 2012; W. S. Tang, 2017). Anne Haila (2000) also used the term “property state” to describe the strong relationship between the state and real-estate sector. Tang argued that the real-estate sector is the dominant one in Hong Kong and, due to the socio-historical context. Finally, Tang (2017) also called for new approaches, instead of more empirical studies, to better understand different contexts, as the case of Hong Kong proved that overused concepts can easily be replaced.

3.4. Planetary Rent Gap and Gentrification as a Critical Political Agenda

The above arguments and/or critics from the Global South clearly show a postcolonial approach. The opposition to gentrification terminology - claiming that the conditions and, therefore, the term, to describe conditions in the North, cannot be applied to the varying context of localities in the South - can be clustered into two groups: firstly, the planetary rent gap; and, secondly, the political nature of the gentrification.

First, proponents of gentrification terminology claim that the secondary circuits of accumulation are today at least as important as the primary circuits of accumulation throughout much of the world. Therefore, the rent gap is becoming a phenomenon at the global scale. As Slater (2017b, p. 131) argued, “[t]he ‘South’ is in the ‘North’, and vice versa, but the circulation of capital within the secondary circuits of accumulation is everywhere and does not recognize or validate such distinctions.” Therefore, Slater states that urbanization has surpassed industrialization as the main driver of capital accumulation, as Lefebvre imagined in *La Révolution Urbaine* (2003). Thus, the new question is “Planetary Urbanization” (Slater, 2017b, p. 127). Wyly (2015), as with Slater (2017b), shares the idea of Lefebvre’s Planetary Urbanization, which enables planetary level rent gap extraction. Wyly takes forward the idea and argues that as the technology has advanced: “... today’s cognitive capital interweaves real estate capital flows with media and educational

discourses and communication circuits in ever more powerful and creative ways” (E. Wyly, 2015, p. 2535). Lopez-Morales (2015, pp. 566-567) argued the following:

rejecting the whole concept of gentrification [is] as problematic at a planetary level simply because the cases of class-polarizing redevelopment seen in the world do not resemble traditional descriptions of gentrification first seen in the global. This is a mistake many scholars fall into, one which dangerously leads us towards a collection of dispersed reflections rather than a vibrant community of thought and a process of comparative learning.

The historical development of rent gap theory and the cases from the literature, as Clark (2015, p. 455) argued, “... confirm the relevance of gentrification in the questions it raises, as well as the limitations of a one-size-fits-all notion”. Yet, as Clark (2015, p. 453) stated, re/development(s) still involves massive rent-seeking accumulation, dispossession and displacement of the weak, and struggle for those who bear the cost. Therefore, rent gap theory offers the tools to understand the mechanisms behind contemporary urbanisms. Clark (2017) listed the mechanisms that produce the theory as “social relations of private property (commodification of space/nature), high degrees of inequality, exchange-value-driven decision making (financialisation), and myths of market fundamentalism, frontier, consumer sovereignty and related myths”. Similarly, Slater (2017a, pp. 89-92) offers:

rent gap theory is not narrowly economic, but a theory of the state’s role in creating economic conditions for gentrification[. It] helps us to understand the circulation of interest-bearing capital in urban land markets, and speculative landed developer interest, and the rent gaps are produced via the activation of territorial stigma.

Chapter 4: Methods

Chapter 4 describes the methods that are utilized to collect datasets. The result of the datasets will be represented in Chapter 5. Methodical considerations are given in Chapter 1.4 to explain the rationale behind the selection of methods.

As stated above, this thesis mainly relies on the quantitative method to collect datasets. The qualitative method is also utilized as a supplement, as in other studies too (E. K. Wyly & Hammel, 1999; Ye, Vojnovic, & Chen, 2015). In line with this logic, this chapter is divided into two sections: first quantitative method and then qualitative method. Secondary data constitutes the core of the quantitative method for this thesis. In the quantitative section, after briefly describing the study area, different datasets are discussed in each sub-section, in which data sources & data collection and temporal scale are discussed. Second, the qualitative method of field observation in Hong Kong is described. This section first describes the general setting in Hong Kong, then the specific study area within Hong Kong, and finally, the author's approach to field research.

4.1. Quantitative Method

As the main method of research for this thesis, quantitative data consists primarily of secondary data from surveys and official statistics from relevant years. The selected study area is the public housing in Hong Kong with a focus on SSFs. The SSFs include HOS, PSPS and many others, as thoroughly described in Chapter 2.1.3.b. A detailed list of statistic sources below displays the title of the section, title of the statistics, source, and time scale.

Table 1 - List of Statistics and Their Sources

Section Name	Name of Statistics	Source	Time Scale
Subsidized Sale Flat Residents of the Public Housing Section	Age Distribution	Population By-Census	2006; 2011; 2016
	Average Household Size	Population By-Census Government Meeting Minutes	2006; 2011; 2016 2016-2016
	Median Household Income	The Quarterly Report on General Household Survey	1993-2017
	Median Monthly Domestic Household Mortgage Payment and Loan Repayment	Population By-Census	2006; 2011; 2016
Second Hand Buyers of the SSFs via SM and OM	Transaction Volume in the Second-Hand Market	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Average Age of the Second-Hand Subsidized Sale Flat Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Average Household Size of the Second-Hand Subsidized Sale Flat Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Previous Housing of the Second-Hand Subsidized Sale Flat Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Median Household Income of the Second-Hand Subsidized Sale Flat Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Method of Payment used by the Subsidized Sale Flat Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Average Mortgage Period for the Second-Hand Subsidized Sale Flats	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Renovation Expenses as a Percentage of the Sale Flats	Survey on Buyers of Second-hand HOS Flats	1997-2015
	Mortgage to Income Ratio for the Subsidized Sale Flats Buyers	Survey on Buyers of Second-hand HOS Flats	1997-2015
Major Housing Estates	Median Age	Population By-Census	2011; 2016
	Average Household Size	Population By-Census	2011; 2016
	Median Household Income	Population By-Census	2011; 2016
	Median Monthly Domestic Household Mortgage Payment and Loan Repayment	Population By-Census	2011; 2016

Surveys are “Survey on Buyers of Second-hand HOS Flats”. The official statistics are “Statistics by Household Types” and “Major Housings Statistics” based on “The Quarterly Report on General Household Surveys” and “Population By-Censuses”.

4.1.a. Survey on Buyers of Second-hand HOS Flats

The Survey on Buyers of Second-hand HOS Flats are conducted by the Subsidized Housing Committee. Surveys are conducted by face-to-face interviews at selected flats. Participants are randomly selected. Surveys were conducted annually from 1997 to 1999. Since 2001, the survey has been conducted biennially. The latest survey available is from 2015. The number of participants vary from approximately 1000 in 2005 to 3000 in 2003.

Surveys covered diverse topics, including others that are not used in this thesis. Surveys are conducted for both SMS and OM buyers. For the OM, surveys are conducted for both first-time buyers and repeated buyers when available. For the SMS, the surveys are conducted for both green form holders¹³ and white form holders¹⁴, whenever it is available. The differences between green form holders and white form holders are detailed in Chapter 2.

Finally, the surveys provide information on the buyers from the SMS and OM. Moreover, they differentiate various buyers: the green form holders and white form holders from the SMS; and the first-time buyers and repeated home buyers from the OM, whenever possible.

4.1.b. Official Statistics

For simplicity, the official statistics are categorized as “Statistics by Household Types” and “Major Housings Statistics”. First, the statistics by household types will be discussed. Later, the major housing statistics are presented.

4.1.b.1. Statistics by Household Types

In the statistics, household types are categorized by public housing, subsidized home ownership housing, private permanent housing, and temporary housing. This thesis is concerned with

¹³ Green Form Holders are mainly the tenants of the PRH flats and the applicants, who are in the waiting list for the PRH flats.

¹⁴ White Form Holders are mainly purchaser from the private market, who are considered eligible by the HKHA based on certain criteria.

subsidized home ownership housing, also known as SSFs. Statistics are mainly from the “Population By-Censuses” and “the General Household Surveys” provided by the Census and Statistics Department. One government meeting minutes is also utilized as complementary data. The temporal scale varies depending on the data, as shown in the table above. Data are mostly available at “data.gov.hk”, which is coordinated by the Office of the Government Chief Information Officer with the inclusion of various government bodies and public/private bodies. An important point related to public housing is that the SSFs sold in the OM, and the flats with paid premiums that are available for sale in the OM, are not statistically considered part of the public housing after 2002, even though they are geographically located in public housing areas. So, the data here is solely concerned with the SSF tenants.

4.1.b.2. Major Housings Statistics

The major housings statistics show private or public residential building(s) built by the same developer in an area with at least 3,000 residents or 1,000 domestic households. The major housings statistics are conducted by the Census and Statistics Department for the Population By-Census. Since 2011, they have been released for Population By-Census every five years, so, they are available for 2011 and 2016. One important point to note here is that the major housing statistics cover the entire unit, including the public housing (SSF) tenants and private housing tenants. It is important to find out the change in the public housing estates and courts, the population in estates and courts is stable, thus, the change happening over or below the change in SSFs indicates external impact (gentrification or filtering). This is explained in detailed below.

4.1.c. Data Process

Household Type statistics cover the tenants living in the SSFs. In other words, the data represents tenants in the public part of the subsidised public estates and courts. Thus, household type data is used as a threshold to determine the change in the statistics, because the public housing tenants of these estates are immobile due to resale restrictions. Therefore, it is expected that the statistics show consistency overtime.

Using Household Type statistics on SSFs as a threshold for the given years (2011-2016) and calculating the change in the major housing estates indicates the impact of external factors such as

second-hand flat buyers via SMS and OM. To illustrate the point, let us assume that the real household income for SSF tenants increased by 5% between 2011 and 2016; an increase over 5% in major housing estates originally designed as SSFs would be an indicator of tenant change.

ArcGIS helps to visualize the data. To accomplish this, the locations of each HOS, PSFS and TPS are located in Google Earth. The data is exported in KMZ format. Later, the same data is imported as Points into Map. The shapefile for Hong Kong is obtained from DIVA-GIS ("DIVA-GIS,"). The relevant data is joined with the corresponding points.

4.2. Qualitative Method

The qualitative method supplements quantitative methods to comprehend the observable evidence in the study area of this thesis. Field observation is utilized because it provides vital insight for enhanced context understanding, while not requiring as much time and financial resources as an ethnography, for instance. After the general setting in Hong Kong is described below, the study area is represented. Later, the approach before, and in the field, is explained.

As part of the field observation, a 100 square foot flat in a service apartment was rented in Hong Kong. The aim was to have a first-hand experience similar to the many who live in incredibly small spaces in Hong Kong. The flat was rented for March and April. Though the local language is Cantonese, daily interaction with the local population was conducted mainly in English, or in Mandarin, as there are many immigrants from the South of China and most locals in Hong Kong also speak Mandarin as a second or third language. To increase familiarity with the context, walks in various parts of Hong Kong were conducted almost daily, as one local advised during an interaction that since the flats are very small in Hong Kong, people prefer to spend time outside and use the flat to fulfil only the daily needs, such as showering, sleeping etc. Newspapers were also followed as part of the daily routine.

4.2.a. Study Area

The study area for field observation is SSF estates and courts. To determine the exact locations within these areas, there are two points of departure: SSF buildings and shopping centres. While SSF buildings are significant because they represent privatized public rental flats, shopping centres

are chosen in this thesis as the main focus for location selection. The great majority of shopping centres were privatized in 2005 through the asset transfer from the HKHA to the Link REIT, as discussed in Chapter 2. Consequently, the shopping centres have undergone a dramatic change in their physical characteristics and their contents, as there has been asset enhancement in many of the centres and many stores have been replaced. Therefore, shopping centres offer a better observable option.

Twelve sites were visited for observation. In each site, there was at least one shopping centre run by Link REIT. In some sites, there were also other shopping centres run by the HKHA. In the sites, there were also SSFs, public rental housing, private housing, private shopping centres, and private commercial shops. The details of the study areas are presented in Appendix I. The information includes the following: the location of the site; date of the field observation; name(s) of the shopping centres; management of the shopping centres; completion year of the shopping centres; year of the asset enhancement; amount of the asset enhancement; list of public housing in the area, including HOS, PSPS, TPS, and PRH; completion year of the public housing.

4.2.b. Approach

Field observation in this thesis refers to unstructured observation. Mulhall (2003, p. 307) explains "... observers using unstructured methods usually enter 'the field' with no predetermined notions as to the discrete behaviours that they might observe." In other words, observations are made in a more natural open-ended manner (Punch, 2013). However, it does not mean that research is chaotic. Instead, the researcher prepares for the field but attempts to enter without preconceptions. These definitions underline two points that are highly related with the research questions of this thesis: space and context. First, unstructured observation focuses on the general study area, not a single component therein (Mulhall, 2003). Consequently, it allows the researcher to focus on the context and wider picture in the field (Punch, 2013). Therefore, unstructured observation allows the researcher to observe the interaction between the physical space and users of this space. In the case of gentrification studies, it allows the researcher to observe the interaction between the gentrified space and gentrifiers, and the social relations which eventuate from this interaction.

During the field observation, the main data collection technique was “using eyes and ears”, as Silverman (1993) described. It was supplemented with photographs to record the findings visually. Although the photographs were mainly taken during field observations, interesting points occurring during daily life were also recorded. Finally, a field journal was kept to note observations during and after field exploration, and for some non-field related observations. Non-field observations were important to comprehend the setting in which fields are located. After all field visits were completed, the commonalities among the fields were highlighted.

As indicated above, unstructured observation also requires preparation for the field visit. The following points were researched before the visit to familiarise the researcher with the field:

- Where is the field located in Hong Kong?
- How many public housing units are there?
- What type of public housing units are they?
- When were the public housing units built?
- Where is/are the shopping centre(s) located in the area?
- By whom is/are the shopping centre(s) run, e.g. Link REIT or HKHA?
- Has there been capital expansion in the shopping centres?
- Are there any private housing and/or shopping centres in the area?
- What are the characteristics of the private housing and shopping centres, e.g. high-end?

During the field observation, the following primary questions in relation to the research questions were kept in mind, although the field was approached without pre-determined aims:

- What are the physical characteristics of the public housing and shopping centres?
- What are the observable characteristics of the residents and shoppers?
- What are the characteristics of the shops in the shopping centres, e.g. high-end, low-end, chain shops?
- What are the nearby shopping opportunities for the local population to obtain their daily needs, e.g. food and other house needs?
- Which option does the local population prefer, if there are other shopping options?

Chapter 5: Findings

Chapter 5 presents the research findings. This chapter is divided into two sections: statistical findings; and observational findings. Statistical findings are shown in three sub-sections. In the observational findings, the results collected through field observation are also introduced in three sub-sections.

5.1. Statistical Findings

In these sub-sections, various statistics on tenants living in SSFs and the tenants who purchased flats in the SSFs through the SMS and OM are listed. Though the tenants who purchased the flat through the SMS are still part of public housing, and those who purchased the flats through OM are part of the private housing, all of them are located in the same SSF estate/court. Socio-economic statistics/characteristics will be provided first for the tenants living in the public housing part of the SSFs, then for the second-hand buyers (both through SMS and OM), and finally, for all tenants living in SSF courts and estates, both public and private.

5.1.a. Public Housing SSF Tenants

There are mainly four statistics for tenant characteristics: the age distribution of the tenants; the average household size; the median household income; and median monthly domestic household mortgage payment and loan repayment. The statistics are presented from a temporal perspective, and, whenever possible, by comparing them to those of PRH and private housing.

5.1.a.1. Age Distribution

As shown in the table below, for 2006, the age group concentration for the SSF tenants began at 5 years old and ended at 59 years old. In other words, the great majority of the tenants were between 5 years old and 60 years old. The most concentrated groups were 40 – 44, 45 – 49, and 50 – 54. Among the young groups, 20 – 24 had the highest share. These four groups constituted approximately 36% of the total tenants. For 2011, age group concentration began at 10 years old and ended at 64 years old. The most concentrated groups were 45 – 49, 50 – 54, and 54 – 59. Among the young groups, 25 – 29 had the highest share. These groups also constituted approximately 38% of the total tenants. For 2016, age group concentration began at 15 years old

and ended at 64 years old. The most concentrated groups were 50 – 54, 55 – 59, and 60 – 64. Among the young groups, 30 – 34 had the highest share by a small margin. These groups also constituted approximately 36% of the total tenants. In line with the trend, the great majority of the tenants were between 15 years old and 69 years old. Moreover, the share of +70 groups were higher for 2016 in comparison to 2006 and 2011. As the statistics indicate, the groups shifted towards older age groups between 2006 and 2016. Both the average age and the median age increased by 3 years from 2006 to 2011, and from 2011 to 2016. In other words, the tenants living in the SSFs aged, indicating the immobility of the tenants, as argued.

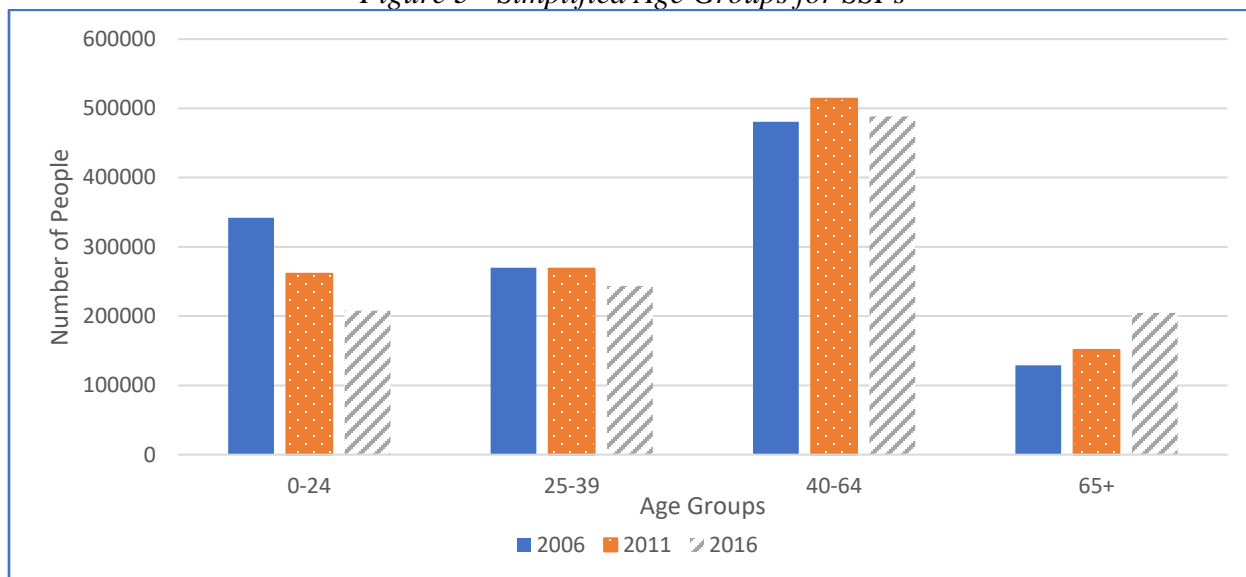
Table 2 - Age Groups for SSFs

Age Group	Number of People			Percentage		
	2006	2011	2016	2006	2011	2016
0-4	31271	29147	31314	2.56	2.44	2.74
5-9	49407	30557	32566	4.05	2.56	2.84
10-14	68427	47016	31491	5.60	3.94	2.75
15 - 19	87853	66203	46307	7.19	5.54	4.05
20 - 24	104954	88149	66245	8.59	7.38	5.79
25 - 29	90602	106749	82758	7.42	8.94	7.23
30 - 34	86397	82059	87898	7.07	6.87	7.68
35 - 39	92722	79583	72901	7.59	6.66	6.37
40 - 44	118832	85669	73311	9.73	7.17	6.40
45 - 49	132075	114722	85801	10.81	9.61	7.50
50 - 54	105516	128710	108693	8.64	10.78	9.49
55 - 59	79344	105533	123624	6.50	8.84	10.80
60 - 64	45008	79047	96880	3.69	6.62	8.46
65 - 69	41411	43428	73984	3.39	3.64	6.46
70 - 74	37636	38276	40994	3.08	3.20	3.58
75 - 79	26999	33128	37483	2.21	2.77	3.27
80 - 84	14679	22809	28387	1.20	1.91	2.48
85+	8088	13511	24137	0.66	1.13	2.11
Total	1221221	1194296	1144774	100.00	100.00	100.00

source: tables by the author
(Census and Statistics Department, 2007, 2012, 2017b)

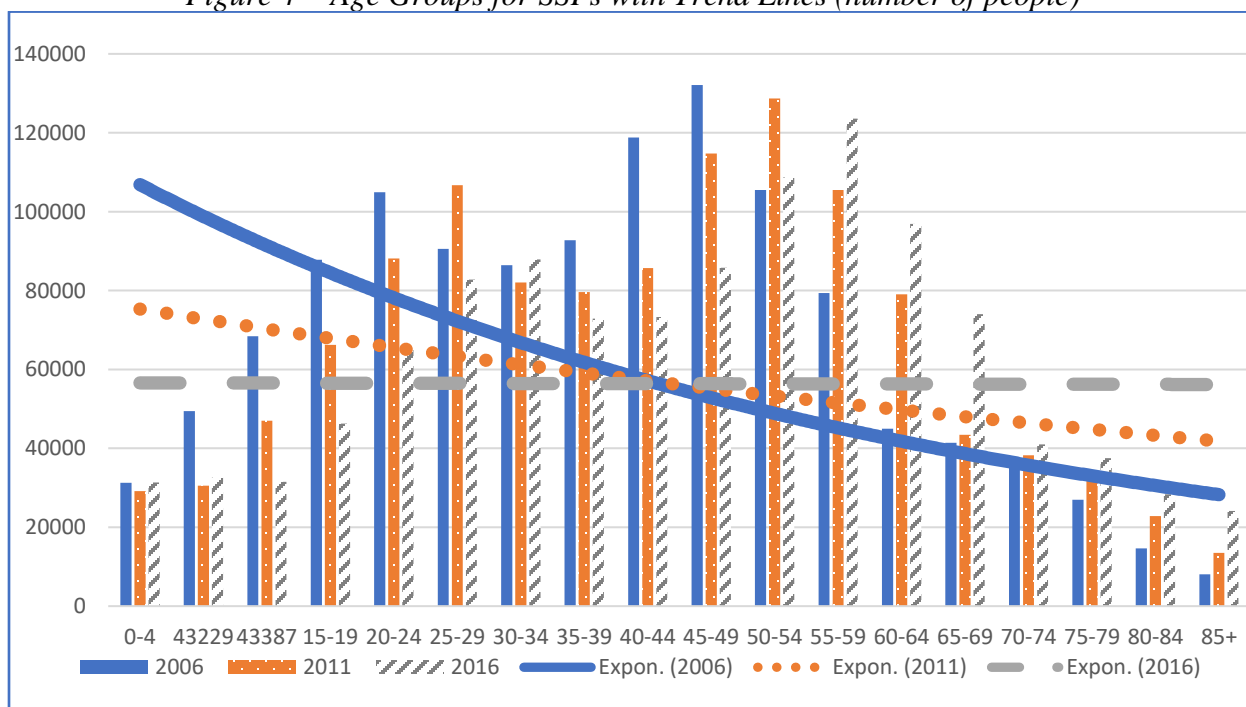
Below, charts for Simplified Age Group and Age Groups with Trend Lines indicate the aging process between 2006 and 2016. Whereas the age groups between 25 and 64 remained stable, the younger age groups shrunk, and the older age groups soared. In other words, a relatively older population currently resides in the SSFs.

Figure 3 - Simplified Age Groups for SSFs



source: chart by the author
(Census and Statistics Department, 2007, 2012, 2017b)

Figure 4 - Age Groups for SSFs with Trend Lines (number of people)



source: chart by the author
(Census and Statistics Department, 2007, 2012, 2017b)

5.1.a.2. Average Household Size

Table 2 is based on the HKHA’s Public Housing Recurrent Survey and provides average household sizes for the HOS and TPS flats from 2006 to 2016. For HOS flats, the average

household size decreased from 3.3 in 2006 to 3.2 in 2016. Although the HOS and TPS flats constitute significant parts of the SSFs, they do not form the entire SSFs and the table does not present the entire picture.

Table 3 - Average Household Size

Year	HOS Flats	TPS Flats
2006	3.3	3.8
2007	3.4	3.8
2008	3.3	3.7
2009	3.3	3.5
2010	3.3	3.5
2011	3.3	3.5
2012	3.3	3.4
2013	3.3	3.4
2014	3.2	3.4
2015	3.2	3.4
2016	3.2	3.3

source: table by the HKHA
(Bing-Leung, 28 June 2017b)

Table 3 is based on the population censuses and displays the average household sizes for the PRH, SSF, private permanent housings, and Hong Kong generally for 2006, 2011, and 2016. The average household size for the SSF decreased from 3.3 persons in 2006 to 3.2 persons in 2011, and, later, to 3.0 persons in 2016. Comparatively, the average household size for the SSF was higher than the PRH, private permanent housings, and overall for Hong Kong. The table also indicates that the average household size decreased for all housing types, most significantly among the SSF.

Table 4 - Average Household Size by Type of Housing

Type of Housing	Average Household Size		
	2006	2011	2016
Public Rental Housing	3.0	2.9	2.8
Subsidised Sale Flats	3.3	3.2	3.0
Private Permanent Housing	2.9	2.9	2.8
Overall for Hong Kong	3.0	2.9	2.9

source: table modified by the author
(Census and Statistics Department, 2007, 2012, 2017b)

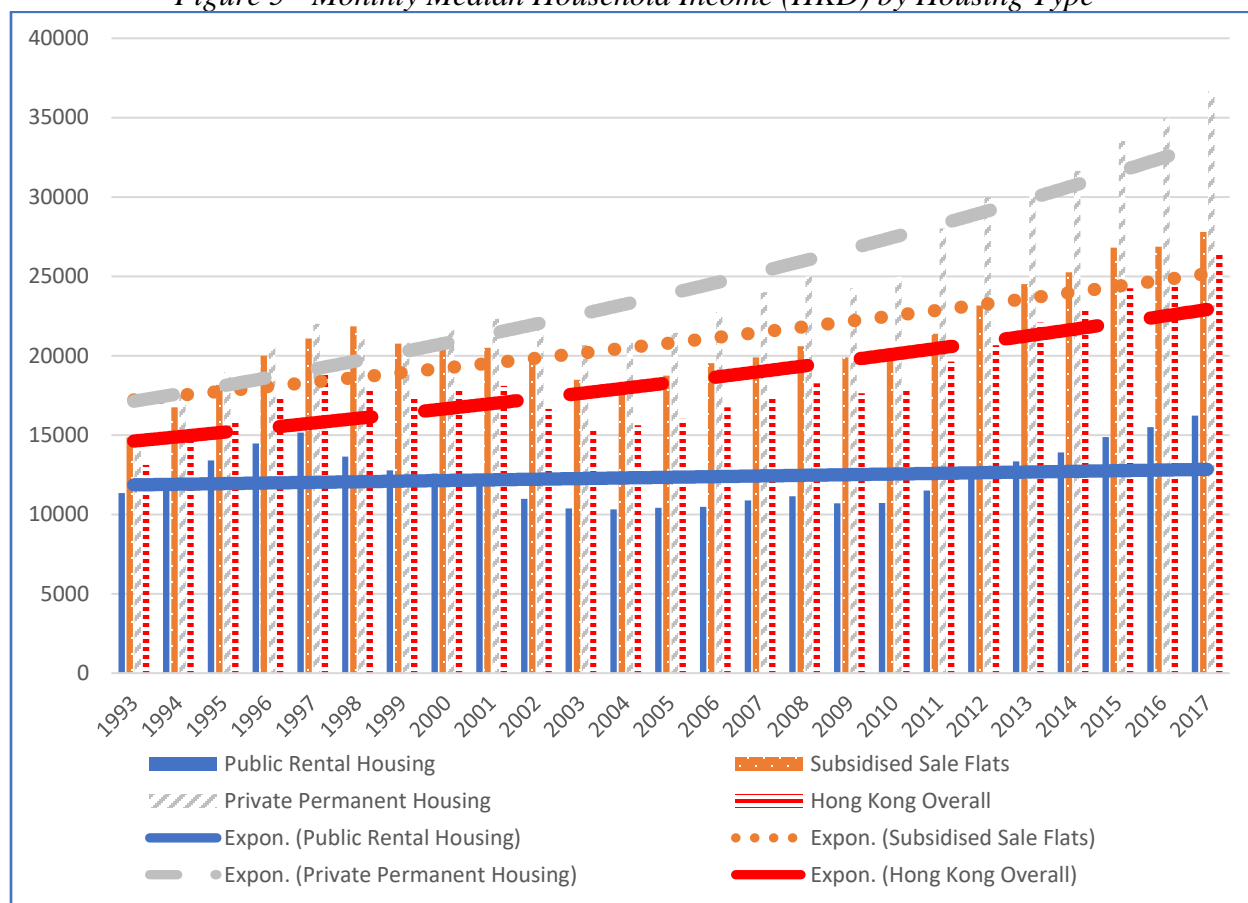
5.1.a.3. Median Household Income

Figure 5 draws from the Quarterly Report on the General Household Survey (Census and Statistics Department, 2018c) and indicates that median household incomes were 11,350 HKD, 14,850 HKD,

15,200 HKD, and 13,125 HKD for the PRH, SSF, private permanent housing, and overall Hong Kong, respectively, in 1993. The numbers were 15,150 HKD, 21,075 HKD, 22,000 HKD, and 19,075 HKD, respectively, in 1997, when the Asian Financial Crisis hit the whole region. The median household incomes decreased for some time following the crisis, particularly for the PRH and SSF. Before the crisis in 2008, the median household incomes were 11,150 HKD, 20,600 HKD, 25,000 HKD, and 18,250 HKD, respectively. The household incomes dropped after the crisis for a short period of time. Finally, the median household incomes were 16,225 HKD, 27,800 HKD, 36,650 HKD, and 26,375 HKD for the PRH, SSF, private permanent housing, and overall Hong Kong, respectively, in 2017.

For SSFs, the median household income was above the overall household income level for Hong Kong. Yet, whereas it was 1.13 times above the median household income for Hong Kong in 1993, it was only 1.05 times above that in 2017. In other words, the median household income for SSFs and overall for Hong Kong increased by 1.87 times and 2 times, respectively, between 1993 and 2017, and the difference between the two shrank over the time. One reason is that the median household income for private permanent housing increased considerably (2.4 times) between 1993 and 2017, although it dropped for PRH. Put another way, the difference between the median household income for SSFs and private permanent housing grew. Regarding median household income growth by housing type, the private housing significantly passed public housing. Overall, although median household income for SSFs increased between 1993 and 2017, its growth rate was below that of Hong Kong generally and of private permanent housing.

Figure 5 - Monthly Median Household Income (HKD) by Housing Type



source: chart by the author
(Census and Statistics Department, 2018c)

5.1.a.4. Median Monthly Domestic Household Mortgage Payment and Loan Repayment

Table 4 below displays the median monthly domestic household mortgage payment and loan payment for 2006, 2011, and 2016. The table shows the data for SSFs, private permanent housing, and Hong Kong. Data for all of them are consistent. The mortgage payment and loan repayment decreased between 2006 and 2011, mostly due to the 2008 economic crisis. As Figure 5 shows, median income also decreased temporarily following the economic crisis in 2008. The mortgage and loan payments soared between 2011 and 2016, yet, the increase is not significant for SSFs: it increased only by 540 HKD.

Table 5 -Median Monthly Domestic Household Mortgage Payment and Loan Repayment (HKD)

Type of Housing	2006	2011	2016
SSF	5200	5000	5480
Private Permanent Housing	9500	8000	10500
Overall	7800	7000	9500

source: table by the author
(Census and Statistics Department, 2007, 2012, 2017b)

5.1.a.5. Summary

- The average and median age of the SSF tenants increased by 3 years from 2006 to 2011, and from 2011 to 2016, indicating that the tenants in the public housing part of the SSFs aged.
- The average household size for SSFs decreased from 3.3 persons in 2006 to 3.2 persons in 2011, and, later, to 3.0 persons in 2016.
- The median household income for SSFs increased between 1993 and 2017. However, it was below the growth rate of Hong Kong generally and of private permanent housing.
- The mortgage and loan payments slightly soared between 2011 and 2016.

5.1.b. Second Hand Buyers of the SSFs via SM and OM

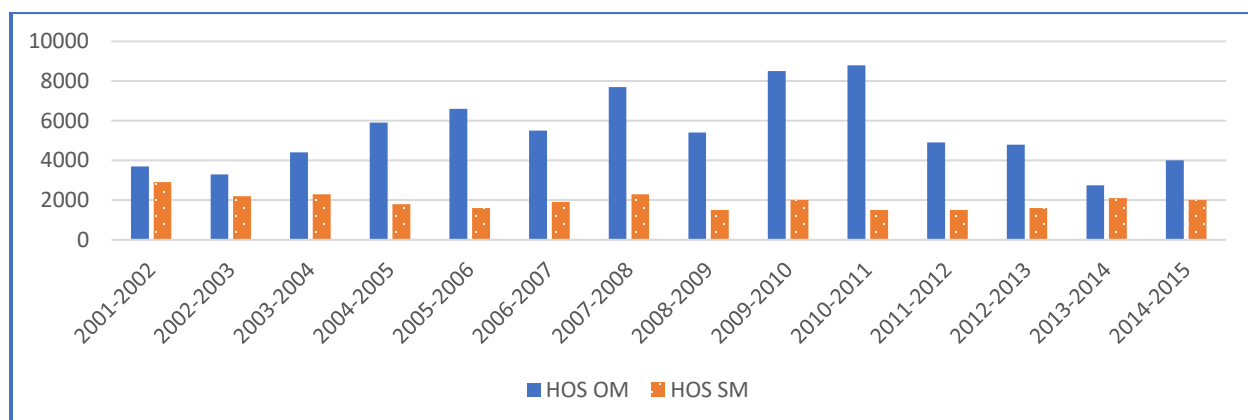
In this sub-section, the following statistics on the characteristics of second-hand SSF buyers through the SMS and OM are discussed: the transaction volume for sale in the second-hand SSF market; average age of the buyers; household size of the buyers; buyers' previous housing; median income of the buyers; method of payment used by the buyers; mortgage payment period; renovation expenses as a percentage of flat price; and the mortgage-to-income ration.

Surveys provide information on the buyers from the SMS and OM, including the green form holders and white form holders from the SMS, and the first-time and repeated home buyers from the OM. As explained in Chapter 2, the green form holders are mainly the tenants of the PRH and the applicants who are on the waiting list for it, and the white form holders are mainly the purchasers from the private market, who are considered eligible by the HKHA.

5.1.b.1. Transaction Volume in the Second-Hand Market

Figure below, covering 2001 to 2015, indicates that the transaction numbers for the second-hand market for the SSFs sold through the SM and OM fluctuated. There is no detectable trend in the market. The number of transactions in the SMS varied between approximately 1,500 and 3,000, mostly being around 2,000. The number of transactions in the OM fluctuated even more, varying between approximately 2,750 in 2014 and approximately 9,000 in 2011. In total, there were approximately 100,000 transactions between 2001 and 2015, which constitute an important part of the total SSFs considering that there were nearly 450,000 SSFs as of March 2017, including HOS, PSPS, TPS, and MIH (Bing-Leung, 28 June 2017a). Nearly one fourth of the transactions took place in the SMS. Around three-fourths of the transactions were conducted in the OM. Yet, there is one detectable trend in the chart - that the transaction volumes for the OM were higher than those in the SM. As a result, a significant portion of the population has been replaced with the new tenants from the OM.

Figure 6 - Transaction Volume in the Second-Hand Market



source: chart by the author

(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.2. Average Age of the Second-Hand Buyers

Below, Table 5 indicates the average ages of the second-hand buyers through the SMS and OM between 1996 and 2015. The statistics after 2007 provide the median age of the second-hand buyers (marked with a * sign). Overall, the OM buyers were significantly younger than the SMS buyers. Whereas the OM buyers were approximately 40 years old, the SMS buyers were around 45 years old. The detailed examination shows that the white form holders were younger than the

green form holders in the SMS and the first-time buyers were younger than the repeated home buyers in the OM. Whereas the white form holders and first-time buyers were in their mid-30s, the green form holders and repeated home buyers were at their early/mid-40s.

Table 6 - Average Age of the Second-Hand Buyers

Year	SMS		OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
1996-1997	N.A.		38	
1997-1998	43		36	
1998-1999	42		38	
1999-2001	44		39	
2001-2003	44		38	
2003-2005	46		40	
2005-2007	50		42	
2007-2009*	45		41	
2009-2011*	46		39	
2011-2013*	46		34	45
2013-2015*	45	34	33	41

source: chart by the author

(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.3. Average Household Size of the Second-Hand Buyers

The table below indicates the average household size of the second-hand buyers through the SMS and OM between 1996 and 2015. Findings indicate that the average household sizes of the OM buyers were smaller than those of the SMS buyers. The average household sizes of the SMS buyers were nearly 3.2. The average sizes for the OM buyers were nearly 2.8. A detailed examination indicates that the average household size for first-time buyers were significantly smaller.

Table 7 - Average Household Size (Person)

Year	SM		OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
1996-1997	N.A.		3.1	
1997-1998	3.8		2.8	
1998-1999	3.7		3.4	
1999-2001	3.5		3.0	
2001-2003	3.3		2.7	
2003-2005	3.3		2.8	
2005-2007	3.2		2.7	
2007-2009	3.2		2.7	
2009-2011	3.2		2.8	
2011-2013	3.2		2.6	3.1
2013-2015	3.2	3.0	2.7	3.1

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.4. Previous Housing of the Second-Hand Subsidised Sale Flat Buyers

The tables below provide selected statistics on the previous housing situation of second-hand buyers through the SMS and OM between 1996 and 2015. For the SMS, the great majority of second-hand buyers were from the PRH, as expected. Findings show that the green form holders were mainly from PRH and the white form holders were from private housing. For the OM, the second-hand buyers were mostly from private housing. It is indicated that the great majority of the repeated home buyers were from private housing. More than half of the first-time buyers were from private housing and the rest were from PRH and SSFs.

Table 8 - Previous Housing Situation for SMS (percentage)

Year	SM					
	Public Rental Housing		Subsidised Sale Flats		Private Housing	
	Green Form	White Form	Green Form	White Form	Green Form	White Form
1996-1997	-		-		-	
1997-1998	97%		-		1%	
1998-1999	94%		1%		4%	
1999-2001	87%		2%		9%	
2001-2003	81%		5%		14%	
2003-2005	87%		1%		15%	
2005-2007	86%		1%		11%	
2007-2009	84%		2%		14%	
2009-2011	82%		2%		16%	
2011-2013	81%		13%		1%	
2013-2015	81%	18%	3%	14%	14%	67%

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

Table 9 - Previous Housing Situation for OM (percentage)

Year	OM					
	Public Rental Housing		Subsidised Sale Flats		Private Housing	
	First-time Buyer	Repeated Home Buyer	First-time Buyer	Repeated Home Buyer	First-time Buyer	Repeated Home Buyer
1996-1997	20%		23%		56%	
1997-1998	17%		29%		50%	
1998-1999	17%		23%		58%	
1999-2001	18%		30%		52%	
2001-2003	23%		18%		58%	
2003-2005	21%		25%		53%	
2005-2007	13%		19%		67%	
2007-2009	10%		11%		79%	
2009-2011	11%		14%		75%	
2011-2013	-		-		34%	91%
2013-2015	25%	2%	14%	9%	59%	89%

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.5. Median Household Income of Second-Hand Buyers

Table 9 shows the median household incomes of the second-hand buyers between 1996 and 2015.

The table indicates that the median household incomes of OM buyers were higher than those of

SMS buyers, except during 2001-2003. The income difference varied from year to year. Findings suggest that green form holders and white form holders had similar median household incomes and that first-time buyers had higher median household income than repeated home buyers. Moreover, median household incomes of first-time buyers were higher than those of others.

Table 10 - Median Monthly Household Income (HKD)

Year	SMS		OM	
	Overall		Overall	
	Green Form	White Form	First-time Buyers	Repeated Home Buyers
1996-1997	N.A.		34900	
1997-1998	32000		40000	
1998-1999	24800		30300	
1999-2001	21500		25000	
2001-2003	19800		19000	
2003-2005	20000		21700	
2005-2007	21000		26800	
2007-2009	23800		25000	
2009-2011	26000		27400	
2011-2013	31100		34800	33300
2013-2015	35400	35800	40000	37500

source: chart by the author

(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

The figure below gives the comparison among the median household incomes of the second-hand buyers, the median household income of the SSF tenants, and the median household income of Hong Kong. It shows that the median household incomes for the second-hand buyers were higher than those of SSF tenants living in the public housing part and those of Hong Kong. Particularly, the median household incomes of first-time buyers were considerably higher.

Figure 7 - Median Monthly Income (HKD) of the Second-Hand Buyers and SSF Tenants in the Public Housing Part and Hong Kong



source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.6. Method of Payment used by the SSF Buyers

Table 10 shows the percentage of second-hand SSF buyers who used mortgage as a payment method between 2001 and 2015. It indicates that more SM buyers than OM buyers used mortgage. Detailed examination shows that the mortgage usage among the green form holders, white form holders, and first-time buyers was above 90%. The repeated home buyers used mortgage as a payment method the least, as they most likely used their previous housing as a source of payment.

Table 11 - Mortgage Loans as Method of Payment (percentage)

Year	SSF SMS		SSF OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
2001-2003	99%		89%	
2003-2005	96%		85%	
2005-2007	81%		75%	
2007-2009	83%		77%	
2009-2011	92%		80%	
2011-2013	94%		91%	78%
2013-2015	95%	97%	93%	81%

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.7. Average Mortgage Period for the Second-Hand SSF

Table 11 displays the average mortgage payment period between 2001 and 2013, which shows the years over which the mortgage payments were spread. It indicates that the mortgage payment periods for OM buyers were longer than those for the SMS. Moreover, the mortgage payment period got longer over time. It is most likely related to the increasing flat prices in Hong Kong. The increasing average period also implies the unavailability of other financial sources.

Table 12 - Average Mortgage Payment Period

Year	SSF SMS		SSF OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
2001-2003	15		17	
2003-2005	13		17	
2005-2007	14		18	
2007-2009	14		19	
2009-2011	17		22	
2011-2013	20		25	25

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.8. Renovation Expenses as a Percentage of the Sale Price

Table 12 shows the renovation expenses of second-hand buyers as a percentage of flat price between 2005 and 2015. Whereas early renovation expenses constituted 7%-8% of the flat prices, later ones formed 5%-6%. The table indicates that second-hand buyers spent considerably for the renovation of their flats.

Table 13 - Renovation Expenses as a Percentage of Flat Price (percentage)

Year	SSF SMS		SSF OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
2005-2007	7%		8%	
2007-2009	7%		7%	
2009-2011	7%		6.50%	
2011-2013	7%		6%	6%
2013-2015	6%	6%	5%	5%

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.9. Mortgage-to-Income Ratio for Second-Hand Buyers

The table below shows the median mortgage-to-income ratio for second-hand buyers between 1996 and 2015. The levels for SMS buyers mostly varied from 25% to 30%. The levels for OM buyers were mostly around 25%. The table also indicates that the level slightly decreased over the time, which might be due to increased mortgage payment periods.

Table 14 - Median Mortgage-to-Income (percentage)

Year	SMS		OM	
	Overall		Overall	
	Green Form	White Form	First Time Buyers	Repeated Home Buyers
1996-1997	N.A.		28%	
1997-1998	37%		33%	
1998-1999	31%		30%	
1999-2001	32%		30%	
2001-2003	24%		24%	
2003-2005	20%		20%	
2005-2007	29%		22%	
2007-2009	26%		21%	
2009-2011	27%		20%	
2011-2013	28%		22%	
2013-2015	33%	28%	24%	25%

source: chart by the author
(Subsidised Housing Committee, 2004, 2006, 2008, 2010, 2012, 2014, 2016)

5.1.b.10. Summary

- There were approximately 100,000 transactions between 2001 and 2015, which constitute more than 20% of the total SSFs.

- The average age of SMS buyers was higher than OM buyers. In the SM, white form holders were younger than green form holders. In the OM, first time buyers were younger than repeated home buyers. Both white form holders and first-time buyers were younger than the average SSF tenants.
- The average household size of SMS buyers was higher than OM buyers. In the SMS, the household size of white form holders was less than green form holders. In the OM, household size of first-time buyers was less than repeated home buyers. The household sizes of the white form holders and first-time buyers were less than SSFs.
- Most SMS buyers were from PRH. Most OM buyers were from private housing.
- Median income of the OM buyers was higher than SMS buyers. The incomes of the OM and SM buyers were higher than SSF households.
- The overwhelming majority of OM and SMS buyers used mortgage loan as a method of payment.
- The average mortgage period expanded over time. It was 20 years for SMS buyers and 25 years for OM buyers. The longer period is most likely related to increasing housing prices.
- Buyers spent between 5% and 7% of the total flat price for renovation over the years. Decreasing percentage is most likely related to increasing housing prices.
- The mortgage-to-income ratio levels for SMS buyers mostly varied from 25% to 30%. The levels for OM buyers were mostly around 25%. Even though the prices for SMS flats are lower, the mortgage-to-income ratio is higher. It indicates that the household income for OM buyers is higher.

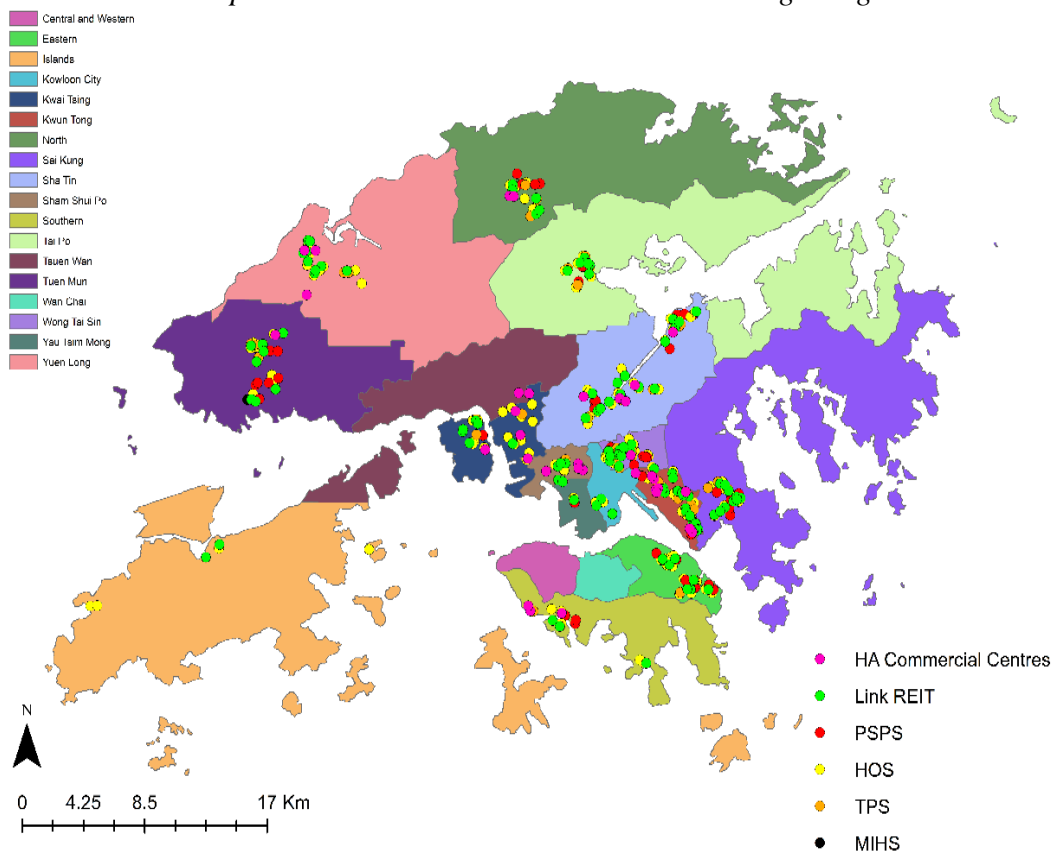
5.1.c. Major Housing Estates

In this sub-section, statistics on the major housing estates of the SSFs are displayed. As discussed in Chapter 4, the major housing statistics include private or public residential building(s) built by the same developer in an area with at least 3,000 tenants or 1,000 domestic households. Therefore, statistics on the major housing estates of the SSFs include both the private section and public section, meaning both the original tenants and second-hand buyers via the SMS and OM are examined.

There are approximately 240 SSFs, including HOS, PSPS, TPS, and MIHS. The statistics are available for 154 major housing estates. A majority of them are HOS, followed by PSPS, TPS, and MIHS. One problem here is that it is not clear which TPSs are fully privatised. Therefore, all the TPSs are included and there are still some TPSs with PRH tenants. Consequently, the results may be slightly negatively affected. Yet, the number of TPSs is very limited comparing to others.

As discussed in Chapter 4, the major housing statistics are available for 2011 and 2016, and cover the median age, average household size, median household income, and median monthly domestic household mortgage payment and loan repayment. The change for SSFs and Hong Kong, drawn from the household type statistics in Chapter 4, serve as the threshold for change. Depending on the statistics, anything \leq or \geq than the change for the SSF or Hong Kong is considered significant or very significant.

Map 1- Districts and Public Commons in Hong Kong



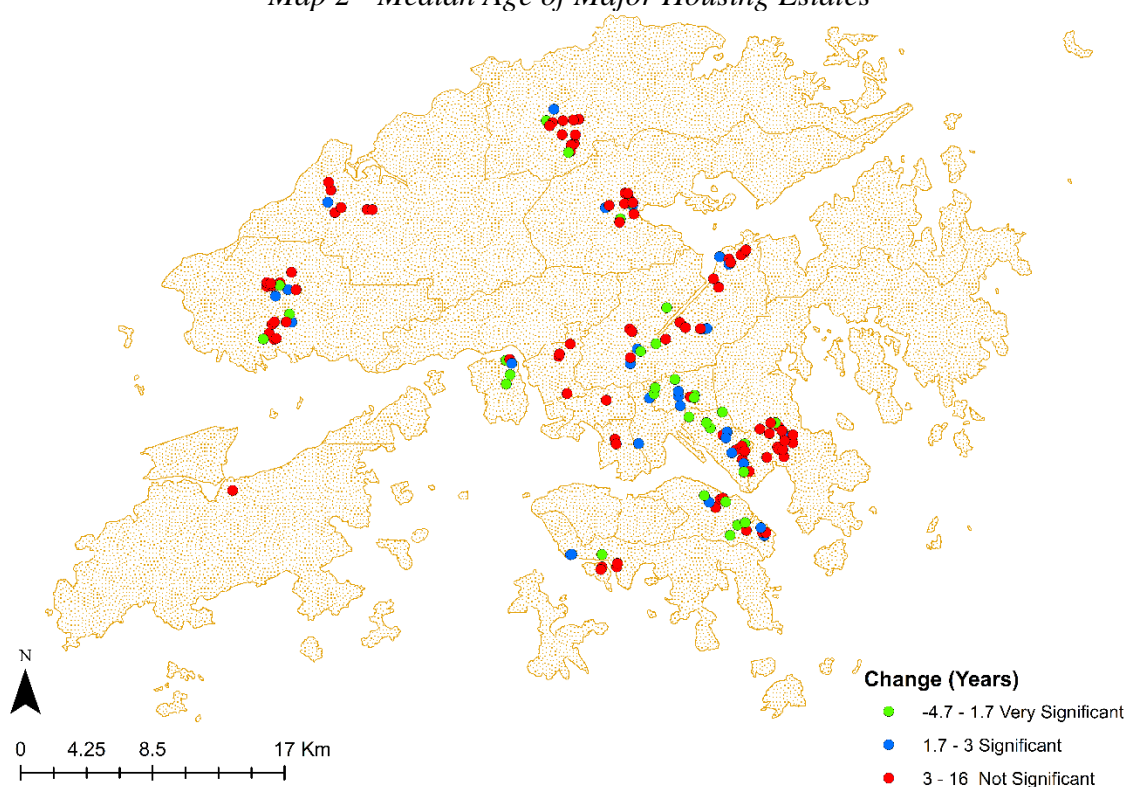
Map: by the author using Google Earth Pro and ArcGIS
 Data: ("DIVA-GIS," ; Hong Kong Housing Authority, 2018b)

5.1.c.1. Median Age

The median age for the SSFs and Hong Kong increased by 3 and 1.7 years, respectively. Therefore, if the median age increase is equal to or less than 3 years and more than 1.7 years between 2011 and 2016, the result is considered significant. If the median age increase is equal to or less than 1.7 years between 2011 and 2016, the result is considered very significant. A total of 62 out of 152 major housing estates are either significant or very significant. For 29 of those, the median age increased less than 3 years and more than 1.7 years. For 33, the median age increased less than 1.7 years.

As shown in Map 1, the major housing estates with the less-increased median age (very/significant) are concentrated in and around the old settlements, constituting the locations around the city centre. They are namely: Eastern District from Hong Kong Island; Kwun Tong District and Wong Tai Sin District from Kowloon; and Kwai Tsing District from the New Territories. Sha Tin District and Tuen Mun District from the New Territories can also be considered to some extent.

Map 2 - Median Age of Major Housing Estates



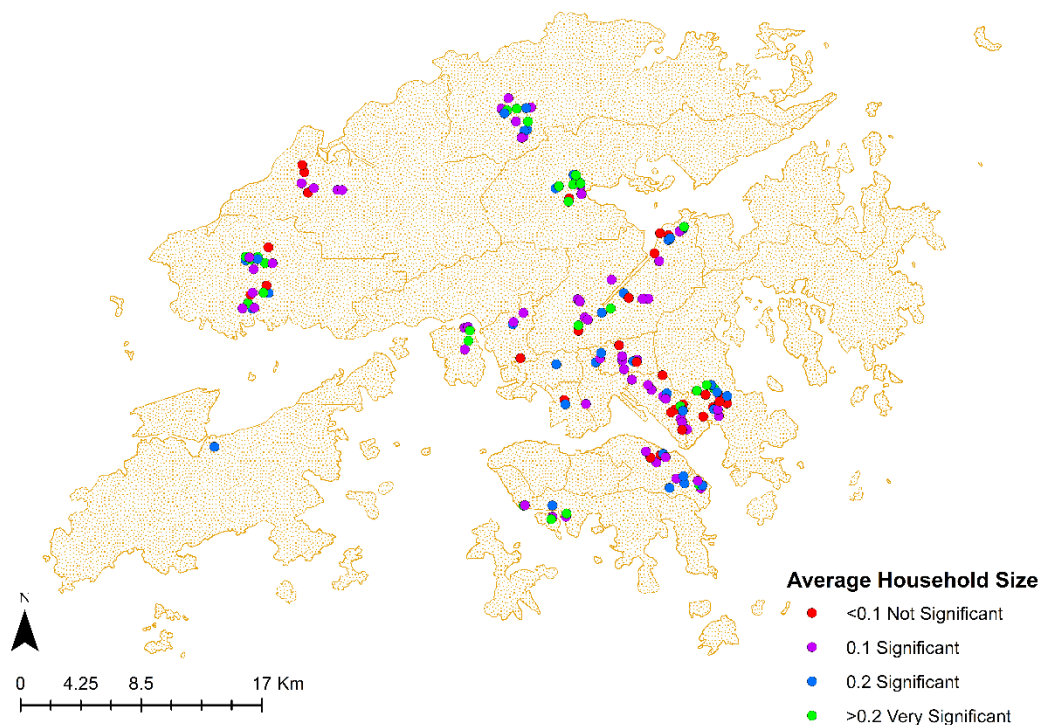
Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

5.1.c.2. Average Household Size

The average household size in the major housing estates for SSFs and Hong Kong decreased by 0.2 and 0.1 person, respectively. The thresholds for the significant and very significant for the median age are thus 0.1 and 0.2. If the difference for the average household size between 2016 and 2011 is equal to, or more than 0.1 and less than 0.2, the result is significant. If the difference is equal to or more than 0.2, the result is very significant. A total of 124 out of 154 major housing estates are either equal to or more than 0.1. Sixty-three of those are either equal to or more than 0.2. Twenty-eight of those are more than 0.2.

The map below indicates that although the results are mixed, the average household size decreased by more than 0.2 persons in the Southern District in Hong Kong Island as well as Tai Po District, Tuen Mun District, and the North District in the New Territories. The results display that the increase of the average age is less for the New Territories than for the city centre.

Map 3- Average Household Size of Major Housing Estates



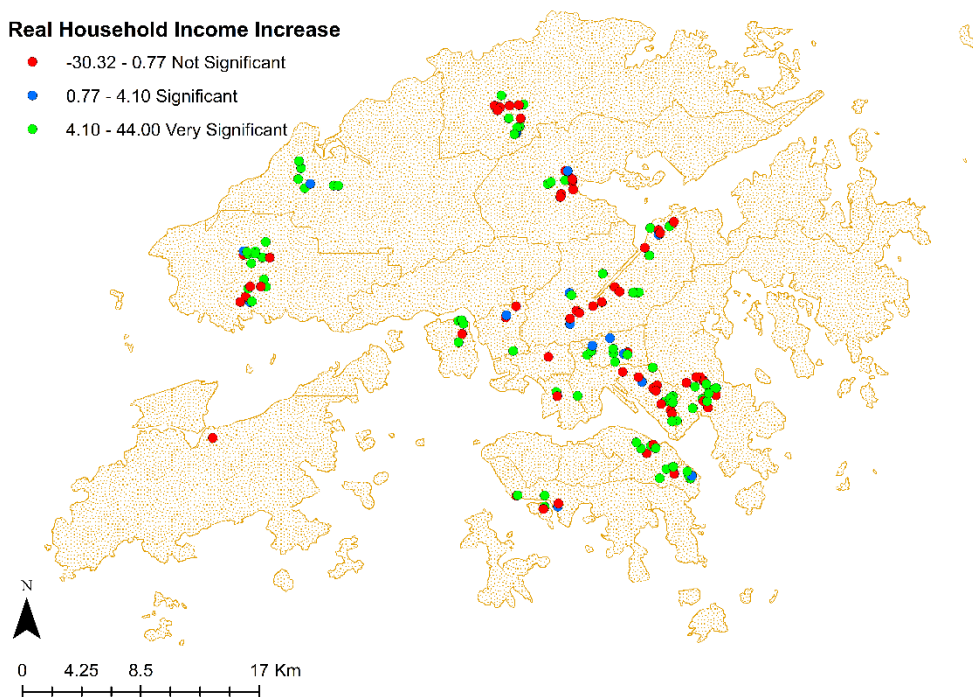
Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

5.1.c.3. Real Median Household Income

Median household incomes for the major housing estates are accorded to real median house income. The real median household income increased by 0.77% and 4.10% for SSFs and Hong Kong, respectively, between 2011 and 2016. If the increase between 2011 and 2016 is equal to or more than 0.77% and less than 4.10%, the result is significant. If the increase is equal to or more than 4.10%, the result is very significant. A total of 91 out of 154 are significant. Seventy-six of those are very significant. In other words, the income of 76 out of 154 increased at, or more than 4.10% between 2011 and 2016.

As the Map below exhibits, the real median household income increase is concentrated in: Eastern District in Hong Kong Island; Wong Tai Sin District from Kowloon; and Tuen Mun and Yuen Long from the New Territories. For the rest of the Hong Kong, the results are mixed. For instance, the increase is visible in certain parts of some districts, such as the island part of Kwai Tsing, the centre of Sai Kung District, the north of Tuen Mun District from the New Territories.

Map 4 - Real Median Household Income of Major Housing Estates



Map: by the author using ArcGIS

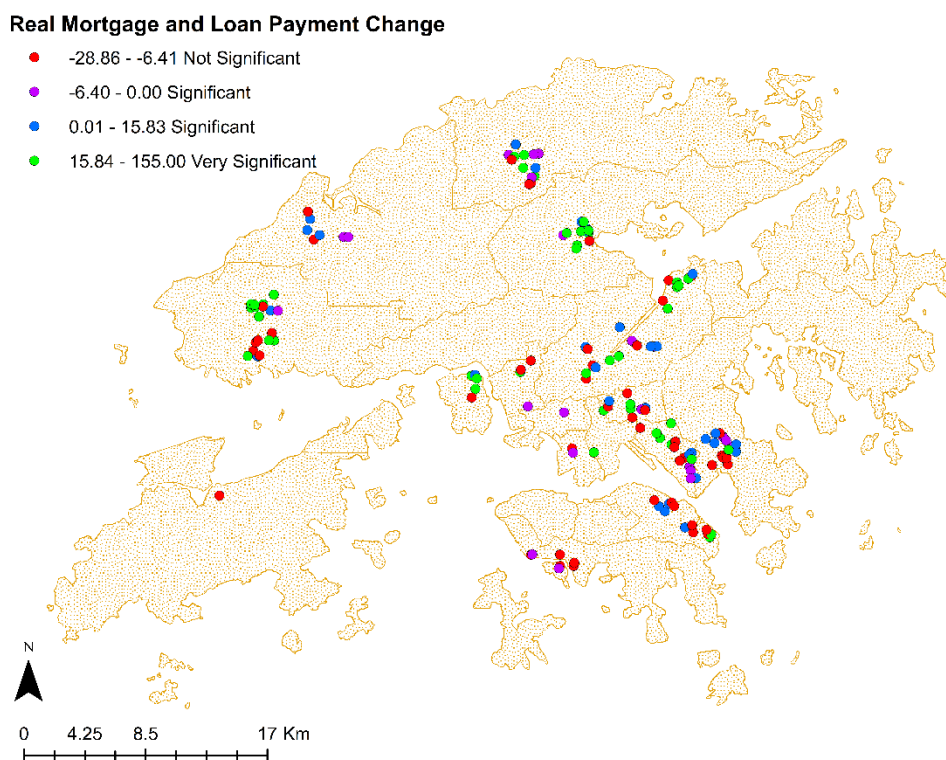
Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

5.1.c.4. Median Monthly Domestic Household Mortgage Payment and Loan Repayment

The median monthly domestic household mortgage payments and loan repayments for the major housing estates are re-calculated based on the inflation. The changes for SSFs and Hong Kong from 2011 to 2016 were -6.44% and 15.85%, respectively. In other words, the real mortgage and loan payments decreased in real terms for SSFs. It is expected that payments actually decreased for SSF tenants, since the sales were temporarily ceased in the early 2000s. Any increase that is equal to or above -6.44% and less than 15.85%, is significant. Any increase that is equal to or above 15.85%, is very significant. The increase for 99 out of 154 major housing estates is equal to or above -6.44%. Seventy-eight of those are above 0%. Finally, 47 of those are 15.84%.

As Map 4 illustrates, the results are mixed. The only location with a considerable increase is Tai Po District from the New Territories. However, the mortgage and loan payments increased overall for the majority of the major housing estates located in the New Territories.

Map 5 - Median Monthly Domestic Household Mortgage Payment and Loan Repayment



Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

5.1.c.5. Summary

- The median age changes for 62 out of 152 major housing states are either equal to or less than 3 years. The most considerable districts are Eastern, Kwun Tong, Wong Tai Sin and Kwai Tsing.
- The decreases in household size for 124 out of 154 major housing estates are either equal to or more than 0.1 persons. However, only 28 of those are more than 0.2. Household decreases are concentrated in Southern District, Tai Po Tuen Mun, and North District. The results are not as informative as the others since the results are not significant.
- The real household median incomes for 91 out of 154 major housing estates are equal to or above the thresholds. They are concentrated in Eastern District, Wong Tai Sin, Tuen Mun and Yuen Long.
- The real median monthly domestic household mortgage payments and loan repayments for 99 out of 154 major housing estates is equal to or above -6.44%. Seventy-eight of those are above 0%. Finally, 47 of those are 15.84%. The results are mixed. The only location with a considerable increase is Tai Po.

5.2. Observational Findings

The observational findings are divided into three sub-sections: notes on housing in Hong Kong generally; notes on the public housing; and notes on the shopping centres. The first sub-section discusses general notes collected throughout two months. Second, notes on the geographical characteristics of public housing relative to the local context are given. Finally, notes on the shopping centres, both privatised and public, are discussed.

5.2.a. Notes on Housing in Hong Kong

Housing makes itself evident even before one arrives in Hong Kong. Finding accommodation, whether a house, a studio flat, a room, a hotel room, or an Airbnb, is a tough task for those without significant financial resources. The reality of housing becomes even clearer upon arrival in Hong Kong. The numerous real-estate offices throughout the city help make it tangible. It is common to see several real-estate offices located next to each other, and it is not surprising to come across miniature real-estate offices on passageways. Windows are full of advertisements with detailed

information, including price, location, and available space. More detailed information is also available. For instance, it is possible to access the historical records of property sales, for a fee, on the Land Registry of HKSAR website. The websites of the real-estate brokerage giants, e.g. Midland Realty and Centaline Property Agency, provide similar information.

Picture 2 - Real-Estate Offices in Hong Kong



The Picture on the Left represents a common scenery of the real-estate offices in Hong Kong.

The Picture on the Right represents a mini real-estate office located in a small commercial building with a passage.

Picture: Taken by the Author, April 2018, Hong Kong

The street visibility of housing is not limited to real-estate offices. Other forms of housing-related materials are also available, such as brochures left in post-boxes and advertisement boards. While some of those advertisements are for new real-estate developments, others are calls for real-estate investments. Interestingly, the advertisements are not necessarily for local purposes. They are also for overseas purposes. Whereas local advertisements feature both housing and investment opportunities, the majority of the overseas advertisements are for investment.

Picture 3- Various Advertisement Brochures and Boards





The Top Picture is a brochure left in a post-box, for a new real-estate project to be completed in 2019 in Greenwich, England.
The Picture on the Bottom Left is a brochure left in a post-box for a new real-estate development in South of Hong Kong Island, Hong Kong.
The Picture on the Bottom Right is an advertisement board for overseas investment purposes.

Picture: Taken by the Author, April 2018, Hong Kong

Housing visibility is not only related to real-estate promotion on the street through real-estate offices and advertisement brochures and boards. Calls for public engagement, or involvement regarding housing-related matters are also visible, whether inviting the public to talks, or to participate in policy-making. Yet, it is important to remember that the perception of public engagement is managed through various tools and used to justify the government policies, which are in the favour of capital, as Tang, Lee, and Ng (2012) argued. The two examples below also support this point. The picture on the left is a call posted on the entrance of buildings, for public discussion on the compulsory sale for redevelopment of that neighbourhood. It is contradictory to invite tenants to public engagement discussions about a compulsory sale for redevelopment. It creates an illusion of public participation. The picture on the right is to encourage the public's participation in the policy-making process by offering solutions to the so-called land, and, consequently, housing scarcity in Hong Kong. Although the lack of land is arguably only one of many reasons for the housing problem, conducting public relations solely focused on land supply construes it as the only possible explanation for the housing problem in Hong Kong. In other words, it is an attempt to set a hegemonic discourse to manipulate public perception towards already-disproven geographical explanations for the housing problem, rather than considering the contribution of rent-seeking real estate giants and government policies (W. S. Tang, 2017).

Picture 4- Calls for Public Engagement/Manipulation



The Picture on the Left represents a call posted on a residential building, for discussion on compulsory sale of that neighbourhood for redevelopment. The Picture on the Right is a call in the subway station for public to participate in policy making process by giving suggestions for land supply.

Picture: Taken by the Author, April 2018, Hong Kong

As discussed in Chapter 2, Hong Kong is both figuratively and literally land-locked and it has reasons and consequences. Consequently, the people of Hong Kong are very real estate-informed. They acknowledge the housing-driven context and make choices based on housing-driven logic. Lau (2005) also underlined this same point that the people of Hong Kong are well-informed about the housing matters and they behave accordingly. He pointed out that flat prices fell dramatically between 2002 and 2004 following the crisis in 1997. Therefore, there was a considerable difference between the high original prices of SSFs and post-crisis lower prices. Consequently, more SSF owners than before utilised their sell-back rights (see Chapter 2). In other words, whereas only 760 flats were sold back to the HKHA in 2001/2002, 1533 and 1928 tenants used their sell-back rights in 2002/2003 and 2003/2004, respectively.

To summarise, housing is very visible in Hong Kong. It is part of the physical reality in the form of real-estate offices, advertisement brochures and boards for real-estate projects and investment, and public engagement/manipulation announcements. It is also part of the mental reality as the people are well-informed on real estate and behave accordingly. The findings listed here are particularly illuminating of why people of Hong Kong do what they do regarding housing-related matters.

5.2.b. Notes on Public Housing Estates and Courts

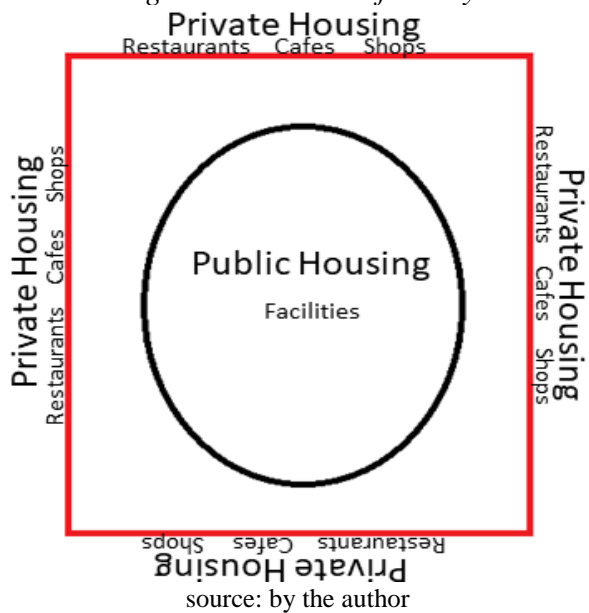
The public housing estates and courts are mostly clustered, and the different types of housing, such as PRH, HOS, PSPS, TPS, and Housing Society Houses, are located close together. Private housing also co-exists within public housing estates and courts now, as mentioned in Chapter 2. Yet, there is more than the design of the houses or residential areas that define the characteristics of public housing estates and courts. They are ecosystems with their long-time tenants. They have a history. They have been interacting with their surroundings. It is thus more appropriate to seek to define the visible socio-economic-political characteristics of public housing, which fall into two categories: pockets of decay and complexes.

‘Pockets of decay’ (E. K. Wyly & Hammel, 1999) is used to define public housing in mixed neighbourhoods, which refers to those where both public and private houses exist together. However, the term is preferred for underlining the existence of spatial segregation.

The majority of pockets of decay are in Hong Kong Island and Kowloon. These two areas are older locations, where the population originally resided following colonisation. Thus, these public housing estates and courts are close to the city centre, which is a hot spot for profit-driven rent-seeking private developers. The private residences are mostly luxury high-rise buildings, while private service-sector businesses are also observable.

Consequently, public housing is literally and figuratively locked in by private residences and the cost for their amenities has risen around them. The available living space for the public housing tenant is limited by the surrounding private housing. This is mostly visible for the elder population. This seems problematic, as a long-time Hong Kong resident friend explained: “Houses are small in Hong Kong. That is why people spend time outside. Even kids are outside most of the time. They use homes to sleep and for other necessities.” Therefore, availability of living space is crucial. Rather than a mixed neighbourhood, there seems to be simultaneous existence of public and private housing in the same space, in which private is the dominant (See Figure 6 Below).

Figure 8 - Pockets of Decay



Picture 5 - Pockets of Decay



The Picture on the Left represents a private residence development right by Tung Yuk Court in Eastern District, Hong Kong Island.
 The Picture on the Right shows luxury residences with a mall and several restaurants by Hoi Fu Court in Mong Kong District, Kowloon



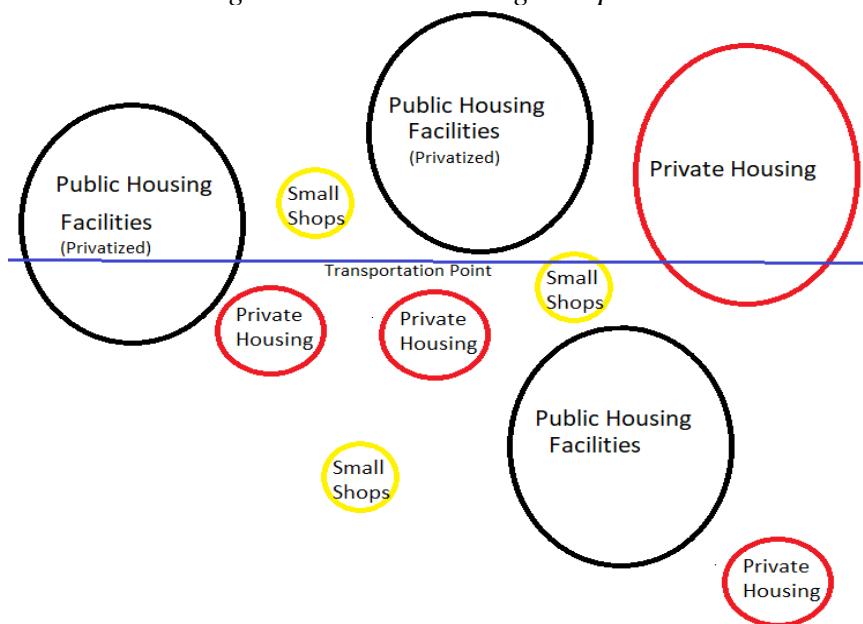
The Picture on the Left shows the private residences surrounding Hoi Fu Court in Mong Kong District, Kowloon.

The Picture on the Right shows the private residences on the other side of Hoi Fu Court in Mong Kong District, Kowloon.

Picture: Taken by the Author, March 2018, Hong Kong

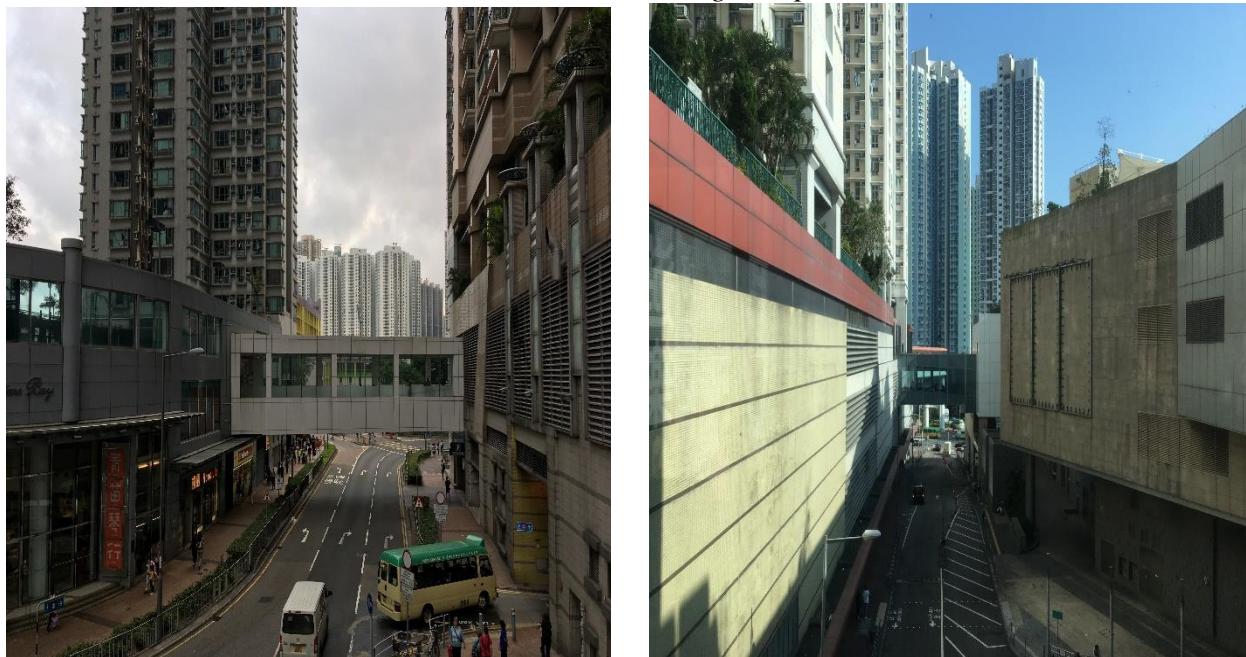
The term complexes is used to define the public housing estates and courts that either are not affected by any private housing development in the area or form the central piece in the given area. They are mostly located in the New Territories and built as pioneer development. The centre of the area is primarily defined by a transportation point, e.g. subway station or bus stop. Thus, housing in these areas are referred to as Transit-Oriented. They are large. They are either one large-scale public housing complex or composed of several public housing estates and courts. These complexes include facilities, e.g. shops, restaurants, shopping centres, and parking lots. In some cases, there are small-scale shops run by small business owners. However, in most cases, the main facilities are those originally built by the HKHA. Tenants are heavily dependent on these facilities. It needs to be remembered that many of those shopping centres are now privatised and only a small proportion is currently run by the HKHA, as discussed in Chapter 2. Detailed observations on the shopping centres will be discussed in the next sub-section. There are also private housing developments of various ages and size, yet the public housing estates and courts are still the central component of the area and are comprehensive enough (See Figure 7 Below).

Figure 9- Public Housing Complexes



source: by the author

Picture 6 - Public Housing Complexes



The Left image shows an example of a complex from Sai Kung District, New Territories. The building on the left is public housing. The rest are private.

The Picture on the Right shows a public-housing-dominant area from Know Tong District, Kowloon, including privatized and public malls.



The Picture on the Left shows the Ya Tung Estates with privatised Ya Tung Shopping Centre in the middle in Islands, New Territories. The Picture on the Right shows mixed public and private housing from ShaTin, New Territories.

Picture: Taken by the Author, March - April 2018, Hong Kong

In conclusion, the main characteristics of public housing can be generalised geographically. Whereas the public housing closer to the city centre in Hong Kong Island and Kowloon can be referred to as pockets of decay, the ones in the New Territories can be defined as complexes. Such a distinction is important to recognise the distinct approaches in analysing public housing in different locations in Hong Kong.

5.2.c. Notes on Shopping Centres and Other Facilities

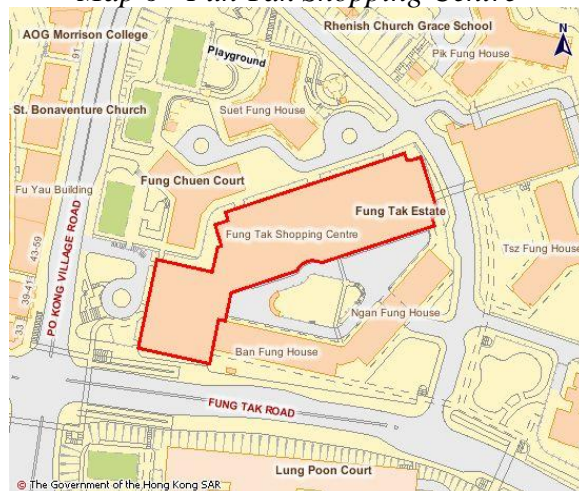
This sub-section is divided into three parts: Link REIT shops; HKHA-run shops; and tenants and shops.

5.2.c.1. Link REIT Shopping Centres

The majority of Link REIT-run shopping centres were previously run by the HKHA and located in public housing estates and courts, as discussed in Chapter 2. The most eye-catching point regarding on what basis which shops to be privatised is that any shop with outside access, even a slightest one, is privatised. In other words, any possible opportunity for privatisation was exploited. The Fung Tak Shopping Centre is the prime example. It is located almost in the middle of the court

of the Fung Tak Estate. The shopping centre is accessible through the relatively small gate located on the west side. The gate is connected to the road on the south with an escalator and the west with stairs. It is also connected to the road farther west through a bridge. The shopping centre seems to be an organic part of the estate. It is on the higher level of the estate court, which is “O” shaped with access to the courtyard in the middle. The shops are spread throughout the higher level. There are also entrances to the Blocks, in particular to Block 7 – Ngan Fun House and Block 8 – Ban Fung House. Thus, being in the Fun Tak Shopping Centre is no different than being in Fun Tak Estate. The distinction between the shopping centre and estate is not clear. It seems that a part of the public estate is privatised, where the tenants of the estate are clearly intended as the primary users of it. In other words, anything that might be profitable was privatised. The term “divest” used by the HKHA to describe the privatisation appears to be an act of justification, as the so called “burdens” are still run by the HKHA. Thus, the privatisation was a profit-driven market-oriented act.

Map 6 - Fun Tak Shopping Centre



The Map Above shows the position of the Fung Tak Shopping Centre in the Fun Tak Estate, Wang Tai District, New Territories
 Map: The Government of HKSAR, GeoInfo Map
 (<http://www2.map.gov.hk>)

Picture 7- Fung Tak Shopping Centre





The Picture on the Top Left shows the higher level and the courtyard in the Fu Tak Shopping Centre, Fu Tak Estate, Wang Tai District. The Picture on the Top Right shows the entrance from the south to the Fu Tak Shopping Centre, Wang Tai District, Hong Kong. The Bottom Picture shows the western entrance of the Fu Tak Shopping Centre from the connected bridge, Wang Tai District, Hong Kong. Picture: Taken by the Author, April 2018, Hong Kong

Picture 8- Fortune Shopping Centre



The Picture Above shows a scenery from the entrance of the Fortune Shopping Centre, Sham Shui Po District, Kowloon. Having temporary vendors is not a common scenery in re-invested shopping centres.

Picture: Taken by the Author, April 2018, Hong Kong

Half of the shopping centres visited went through asset enhancement and asset investment, as Link REIT calls them. There is a physical distinction between the re-invested and non-invested shopping centres. Re-investments were made to increase the profitability by attracting higher-end shops in a beautified environment. Due to the re-investment, while some shopping centres were renovated, for example by providing a more welcoming ambiance, others went through spatial reconfiguration, such as transforming the wet market into new shops.

Consequently, the characteristics of the shops are different from what one would expect from a shopping centre built for satisfying the necessities of the public housing tenant, a point which Blake (2017) also argues. The majority of the shops are chain stores. In other words, the re-invested shopping centres harbour more chain shops than those with non-investment.

Picture 9 - Chain Supermarkets



The Picture Above is a ParknShop store in Fortune Shopping Centre, Sham Shui Po District, Kowloon. The Picture on the Right is a Wellcome store sign along with other chain store signs in Un Chau Shopping Centre, Sham Shui Po District, Kowloon.

Picture: Taken by the Author,
April 2018, Hong Kong



The food necessities of the tenants are mainly provided by chain supermarkets. The most prominent ones are ParknShop and Wellcome, which are the two dominant supermarkets in Hong Kong. Even though both supermarkets are known to be owned by Hong Kong companies, both are part of the multinational conglomerate companies, which are registered in tax

havens with headquarters in Hong Kong and own several other businesses, including port services, telecommunication, infrastructure investments, property investments etc (CK Hutchison; Jardines). Expectedly, both ParknShop and Wellcome operate outside of Hong Kong, including in Mainland China, Macau, the United States, Philippines, and Taiwan. In other words, the food security of many tenants is provided by profit-driven companies.

Another way of obtaining food for public housing tenants is wet markets and fresh markets. However, their numbers are not sufficient to meet demand. The remaining one seems to be re-invested. The ambiance is different from other wet markets and fresh markets available throughout the city. The air-conditionings in wet markets run by Link REIT seems to be upgraded. They also seem to be structurally reconfigured in improved ways, and visible cleanliness is enhanced. All of these points are good. However, the logic behind, and consequence of this, are

Picture 10 - Wet Markets



The Picture Above is from a fresh market in Lei Yue Mun Plaza, Kwung Tong District, Kowloon.

considerable. First, it indicates the profit-driven logic of the government. For something to be re-investment worthy, it needs to be profitable. It appears that for the HKHA to carry out such upgrades would be perceived as a “burden” and/or “not worthy” since it is not profitable. So, the Link REIT carried out “asset enhancements” for profit-driven reasons. Second, since it is a profit-driven act, the small-scale business owners were run out of business. They have been replaced by profit-driven medium/large-scale owners, which, consequently, reflects in prices.

Finally, the majority of the restaurants are also chain restaurants. The presence of the local chains is visible. Yet, the presence of global chain fast food restaurants is undeniable, e.g. McDonalds and KFC. In every shopping centre, there is at least one global chain fast food restaurant. In some, there are even more than one. Finally, there are other chain stores that are common in Link REIT run shopping centres: Japan Home Centre, a homeware retail store; 7-Eleven, a convenient store; and K-Circle, a convenient store.



The Picture Above is from a fresh market in TKO Gateway, Sai Kung District, Kowloon.

Picture: Taken by the Author, April 2018,
Hong Kong

Picture 11 - Fast Food Chans and Others



The Picture Above is an informative table from Tsz Shan Shopping Centre, showing KFC and Others, Wai Tai Sin District, Kowloon.

The Picture on the Top Left is from Lei Tung Commercial Centre, showing JHC, McDonalds and others, Southern District, Hong Kong Islands.

The Picture on the Bottom Left is from Yu Chui Shopping Centre, showing McDonalds and others, ShaTin District, New Territories.

Picture: Taken by the Author, April 2018, Hong Kong

Field observation findings on privatised public housing shopping centres indicate that the choice of what to privatise was a profit-driven market-oriented decision. Re-investment was carried out according to the same logic. Consequently, the shopping centres are currently occupied with local and global chain stores and most of the small-scale business owners have been pushed out.

5.2.c.2. HKHA Shopping Centres

Shopping centres are an inevitable part of the courts and estate. Only the shopping centres located within those public housing estates and courts without access to the outside are not privatised. However, while not privatised, the shopping centres have still gone through transformation. It appears that the food providers are now global chain supermarkets. Again, this indicates the market-oriented logic of the HKHA's approach to the shopping centres.

The HKHA continued opening new shopping centres even after privatisation. The new shopping centres are different from their predecessors in terms of their physical appearances and the characteristics of the shops they contain. They are more mall-like than places intended to provide the needs of public housing tenants. Domain is an example of the new generation shopping centres built and ran by HKHA. It houses well-known brands as well as multinational chain stores and restaurants, including both local and international.

Picture 12 - New HKKA Shopping Centre (Domain)



The Picture on the Left is from Domain, a new HKHA-run shopping centre built in 2012. It is in the middle of several public housing estates and courts in Kwung Tong District, Kowloon.

The Picture on the Right is an example for multinational shops. SU-PA-DE-PA stands for Supermarket & Department Store. It is run by the same company as ParknShop.

Picture: Taken by the Author,
April 2018, Hong Kong



5.2.c.3. Tenants and Shopping Centres

Shopping centres constitute an important part of understanding the interaction of public housing tenants with their space. The main reason is that the shopping centres represent the space within the public housing estates and courts, unlike pockets of decay, the public housing space is surrounded by the rest of the district/city.

As discussed, the shopping centres managed by both Link REIT and HKHA are run according to profit-driven market-oriented logic. In other words, they are for the benefit of capital, not of the public. They do not represent facilities aiming to provide the daily necessities of the public housing tenants. Instead, they represent the introduction, penetration, and expansion of capital in the public

Picture 13 - Elder Enjoying the AC in the Shopping Centre



The Picture on the Left is from Cheung Fat Plaza, Kwai Tsing, New Territories. Elders sit on the available chairs on every floor and spend time without having any other interaction with the rest of the shopping centre.

Picture: Taken by the Author
April 2018, Hong Kong

domain. Findings imply that shopping centres have transformed away from their original use of providing public housing tenants with their daily needs. They are at best the places where elders enjoy the air-conditioning on warm summer days.

Observations also indicate that the available space for public housing tenants has shrunk. Consequently, the pre-existing social relations attached to the shopping centres – and the public housing estates and courts – have transformed. Most of the shops are chain businesses, where, not the owners, but the managers and sale personnel work. It creates a new context where no one tries to make long-lasting relationships. Instead, there are business relationships. For instance, a tenant would try to have a relationship with a shop-owner to bargaining for a better price. In turn, shop-owner would flourish this relationship to have a loyal customer. In the case of a chain store, a wage-worker, who is most likely temporarily working, could not have such a relationship, since her/his very employment stability is based on the profitability of the shop and conduct of business according to the institutional rules. In other words, community relations are replaced by capitalist ones.

5.2.d. Summary

- Housing is very visible in Hong Kong. It is part of the physical reality and mental reality. As much as it influences people's decisions, it is also dictated by the government.
- Whereas the public housing closer to the city centre in Hong Kong Island and Kowloon represent pockets of decay, the ones in New Territories can be defined as complexes.
- The choice of which shopping centres to privatise (the Link REIT) was a profit-driven market-oriented decision. Re-investment was carried out according to the same logic. Consequently, the shopping centres are currently occupied with local and global chain stores and most of the small-scale business owners are pushed out.
- Non-privatised shopping centres still managed by the HKHA are also run by the same profit-driven logic. The shopping centres built after the privatisation are mall-like.
- The shopping centres do not represent facilities intended to provide the daily necessities of the public housing tenants. Instead, they represent the introduction, penetration, and expansion of capital in the public domain.
- The pre-existing social relations attached to the shopping centres – and the public housing estates and courts – have also transformed.

Chapter 6: Discussion

This chapter is divided into three sections. The first one discusses the socio-historical context of Hong Kong (Chapter 2). Later, the theoretical framework (Chapter 3) is re-visited, to establish the framework for analysis, through which the research findings (Chapter 5) are then analysed. In other words, three main themes forming this thesis is discussed. The first two sections draw the framework by positioning the thesis in relation to the socio-historical context of Hong Kong and the gentrification theory. Based on the socio-theoretical understanding, the findings are analysed in the last section.

6.1. Discussion of the Social-Economic-Historical Context

Relations embodied in land have been defined by Hong Kong's position within the global capitalist system. Following British colonisation, this position was first designed as a self-sustaining capital-friendly transshipment port city. Policies to ensure this position were introduced. From this context, the government emerged as the land holder, either as the direct owner or leaser (Lands Department, 2017). Thus, the land has been a key for the public and private sectors, first, to provide economic growth; second, to provide a financial revenue for the government; third, to maintain its position within the capitalist system (R. Y. Wong, 1998). In other words, Hong Kong has been figuratively "land-locked".

In a land-driven Hong Kong, housing has been a central piece as a source of wealth and poverty. On the one hand, private firms accumulate capital through housing development, and individuals use housing as a method for wealth accumulation (W. S. Tang, 2017). On the other hand, housing has been a considerable economic burden for the unprivileged, as great proportions of incomes are used for rent or mortgage (Census Statistics and Department et al., 2017). In other words, while private developers and privileged classes are "locked" in land and housing for accumulation, unprivileged classes are "locked" by housing payments in Hong Kong.

Following the abandonment of the gold system and other related institutions, e.g. Bretton Woods, in the 1970s (Arrighi, 2007), the global capitalist system has gone through a restructuring by financialisation, globalisation, and neoliberalisation utilised by governments to provide the necessary institutional system for the restructuring process. In the advanced capitalist world,

urbanisation, mainly through the private real-estate sector, has intensified and stratified (Aalbers, 2015). The context in Hong Kong was no different. In 1971, the term “positive non-interventionism” (Blake, 2017; Chu, 2010; Chung & Ngai, 2007), which is a perfectly vague term to justify the pro-capital policies of the government, was introduced by the Financial Secretary of Hong Kong, John Cowperthwaite.

Public housing in Hong Kong was born out of the mix of the local and global conditions. It was developed to maintain order, including political, social, and economic, while clearing space for private development in the inner-city and, providing revenue for the government, as previously discussed, by economic (Drakakis-Smith, 1973; Kehl, 1981) and political (Smart, 1992; Smart & Smart, 2017; W. S. Tang, 2017) explanations. As part of the planning, new areas outside of the inner-city were reclaimed as new public housing zones to resettle tenants of the cleared areas located in the inner-city. According to the political economy explanation (Lui, 2017), clusters for manufacturing and housing for the working-class were created. In other words, public housing provided the socio-economic-political context needed for the reproduction of existing conditions necessary for capital accumulation, in terms of clearing space for the real-estate and manufacturing sectors and for controlling the working class.

After the handover to China process began, policies to ensure the position of Hong Kong within the capitalist system have been intensified. Changes in global and local contexts have made land and housing even more significant. Following the policies of Deng Xiaoping in the early 1980s, the workshops have been transferred to China, particularly to Guangdong Province, located at the south of China and the north of Hong Kong. As expected, the manufacturing industry began to decline in Hong Kong. As the manufacturing sector declined, the service sector has since emerged as the hegemon which dictates the rest. Consequently, the reconfiguration of space has initiated, starting from the inner-city.

Southern China’s pressure on the land prices also increased, particularly in the mid-1980s. Consequently, land prices soared by 30% (Lau, 2005). Resulting from the mix of both the transformation of the economic structure and the increase in land prices, the real-estate sector has

expanded its already significant position even more. It has become instrumental to develop new areas and to redevelop or to transform already-existing areas. In other words, the space has been reconfigured through the real-estate sector to maintain the requirements of the structural transformation, on one hand. On the other hand, it has been one of the main engines of accumulation and government revenue.

As Marx argued, the *raison d'être* of capitalism is the endless accumulation of capital (Wallerstein, 2009). In Hong Kong, the dependency of the economic structure on real-estate calls for further development-based accumulation, which has spatially unfolded from inner-city to outer-city. The process can also be literally and figuratively described as being from private to public. The neoliberal policies surrounding public housing in Hong Kong, which were unsuccessfully initiated in the 1980s with the first privatisation of the PRH flats attempt, can be considered within that context: ownership of PRH flats was transferred from public to private through the TPS, starting in 1997. Management of public housing estates were subcontracted to the private firms, which led to monopolisation, and the tenants of quasi-private SSFs were encouraged to form owners' corporations to be fully in charge of the management of public housing courts. Through the establishment of Link REIT, commercial spaces run by public authorities in public estates and courts were privatised. In other words, public commercial spaces were transformed into private ones, which is dictated by capitalist logic instead of the good of the public. As the wet markets were replaced by super markets, foodscapes were reconfigured. Finally, through the relaxation of resale restrictions and the creation of secondary markets within the public housing system for designated sellers and purchasers, the tenants have actively been encouraged to move into the private market by giving up their rights in public housing. The aim of the government here is to privatise its responsibility to the underprivileged population by avoiding the expansion of public housing efforts and enabling the use of future land allocation in favour of the private market rather than the public. These neoliberal policies indicate a new institutional design, which can be labelled "neoliberal intuitional building through housing disengagement" (Chung & Ngai, 2007; Lau, 2001).

There are additional policies which affect the life of the underprivileged in Hong Kong, such as privatisation of public transportation. The neoliberal policies of the late 1990s and early 2000s are defined by the former Chief Executive of Hong Kong, Donald Tsang, in the form of "small

government, big market” (Tsang, 2006). In the context of the public housing, it can be rephrased as “small public, big market”.

6.2. Discussion of the Theory

As discussed, the rent gap theory is the main theoretical tool this thesis uses to comprehend the gentrification phenomenon. This section explains how the theory is operationalised in this thesis and discusses the theory in relation to the existing literature on Hong Kong, drawing on arguments of rent gap theory supporters, and problematising arguments made by critics. First, the different methodological approaches to gentrification between theory supporters and critics are reviewed. Second, the level of analysis difference between supporters and critics is discussed. Finally, the political approach difference between supporters and critics is explored.

The methodological difference towards gentrification between supporters of the rent gap theory and critics is the main point of departure to comprehend the position of this thesis. The rent gap theory is born out of the Marxist tradition. The critics of rent gap theory are from diverse sources, mostly postcolonial transition. Yet, developmentalism is also one of these sources, particularly when studying East Asia. Membership to one of these categorisations is mostly determined by the primary focus point of scholars. Whereas rent gap theory supporters take capitalism as the main point of departure, critics mainly conduct their analyses through the actions of the government in Hong Kong. For critics, the logic of the government has overthrown the logic of capital. The government is represented as the main actor. In Asia, giving importance to the state is usual. It is also the case in Hong Kong. However, in rent gap studies, the government’s role is not denied. Instead, the government is only one of the actors that serves as a facilitator of the endless accumulation of capital in the capitalist system. For example, Smith (1979a) examined state intervention to facilitate the penetration of capital to exploit the potential rent gap as part of the geographies of uneven development. Unlike others who attempt to differentiate state-involved development from the West, Arrighi (2007) also underlined the role of the state in China’s development as part of the logic of capitalism, by giving a reference to Adam Smith. In other words, Arrighi claimed that state intervention is a common practice in capitalism as part of the “laissez faire laissez passer” philosophy. Accordingly, positioning Hong Kong within the capitalist

system and understanding government policies as a part of the wider capitalist system is the point of departure for this thesis.

In relation to the methodological difference, the level of analyses between supporters and critics are also different. As inspired by the Marxist tradition, rent gap theory supporters apply system level analysis. In contrast, the critics utilise state level analysis. Whereas the point of focus for supporters is the commonalities among countries within the capitalist system, it is the localities/differences for the critics in Hong Kong, as they constantly underline the peculiarities of the socio-historical context. However, Peck and Theodore (2007) argued the singular but polymorphic nature of capitalism by introducing the term “variegated capitalism”. As Aalbers (Aalbers & Haila, 2018, p. 2) claimed, there are “common trajectories (Hay, 2004)” “... built on the empirical observation that countries move in the same direction (albeit from a different starting point) and maintain their essential institutional differences.” In other words, although the localities remain, commonalities gradually overwhelm the differences. Today, if an economic crisis as part of the capitalist system takes place in one part of the world, it affects the rest of the region, as happened in Asia in 1997, or, even, the rest of the world, as happened in 2008. The temporary solutions to the crises of capitalism also becomes more global. It is not unexpected that services like Über and AirBnB – share economies or gig-economies – have emerged in post-2008 and become a global reality (Castells, Caraça, & Cardoso, 2012), even though they are subjected to different localities, such as regulations and different consumption habits. Today, AirBnb is part of the equation in the real-estate sector all around the world. Therefore, focusing on commonalities driven by structural changes in the capitalist system while recognising localities is the point of departure for this thesis.

Finally, the political approaches of supporters and critics towards gentrification are different. Rent gap theory is a political-economic term, which explores the injustices of capitalism. Consequently, it is part of a political agenda. For the critics, gentrification is nothing but one of the processes that is utilised to understand urban transformation in a given location. It is associated with the classical term coined by Glass (1964) in the 1960s that is used to explain the replacement of the poor class-occupied inner city with the financially better-off classes. Therefore, other terms are used by critics to signify peculiarities and localities of urbanisation in a given location. It is mostly applied for the Global South and for Hong Kong, as previously discussed. Such an approach makes

gentrification just another technical term similar to urban transformation, urban renewal, urban regeneration, and urban beautification, which are commonly used by theory critics in the literature as an alternative to explain the urban processes in the Global South. The same rhetoric is also used by the hegemonic powers, such as capital and state, to justify the unjust urban processes that prefers capital over public. For instance, while urban transformation (Altyapı ve Kentsel Dönüşüm Hizmetleri Genel Müdürlüğü (Infrastructure and Urban Transformation Services General Directorate)) is the dominant rhetoric used by the state in Turkey, it is urban renewal in Hong Kong (Urban Renewal Authority). The same technical term is also used to convince the masses to accept the imposed processes. It is an interesting contradiction that on the one hand, the postcolonialism-inspired critics criticise the usage of modernity rhetoric by the Global North for setting positive science as the absolute truth to conquer indigenous knowledge, and for using the same rhetoric to colonise the Global South by using a technical language for the justification of their actions. On the other hand, the same postcolonialism-inspired critics play into to the hands of the hegemonic powers to justify their actions by turning gentrification into a technical term, as demonstrated in the example from Figure 10.

Figure 10- Tweeter of a Developer



source: (Winnie, 28 March 2018)

Wendell Pierce, who played the William “Bunk” Moreland character in the iconic show *The Wire*, is currently carrying out a high-end real estate investment in Baltimore as a private developer (Winnie, 28 March 2018). After he announced his new investment on Twitter, he faced a series of criticisms that his investment would lead to gentrification in the neighbourhood. In response to the criticisms, he provided the above explanation, defending his investment by saying that since his investment utilises empty land, it is not gentrification. A similar argument was made in an article

published by Tai-Lok Lui in an issue of the *International Journal of Urban and Regional Research* dedicated to gentrification discussion in the context of Hon Kong. As one of the reasons to explain why there is no gentrification in Hong Kong, he argued that:

New property development projects for the emerging middle class took the form of large-scale, private housing estates like Mei Foo, Taikoo Shing and Whampoa. But these places did not come into existence through a displacement of existing communities; they were built subsequent to the redesignation of land use. Taikoo and Whampoa were the sites of former dockyards; Mei Foo Sun Chuen had been an oil tank depot (2017, pp. 481-482).

This statement from a private developer in the Global North to explain why his investment is not gentrification is almost the same reason provided by a researcher from the Global South to explain why the urban process is not gentrification in Hong Kong.

These arguments by critics depoliticise the term gentrification and make it a mere technicality (E. Wyly, 2015). However, rent gap theory is part of a political agenda that is attempting to politicise the term to expose the urban injustices (Clark, 2015, 2017). The term gentrification used by rent gap theory unmasks the capital-driven agendas nestled in the housing question. Rent gap theory-driven gentrification places the housing question as a shelter in the centre of the urban question, while challenging housing as a means of capital and wealth accumulation (Aalbers & Haila, 2018; Clark, 2015). Essentially, rent gap theory considers gentrification and questions how a ten-square-metre studio in a renovated old apartment in Hong Kong can be considered a humane living condition, and how a flat slightly bigger than a cubical in an old apartment can cost as much as 1500 USD a month?

This thesis takes rent gap theory as its point of departure for understanding gentrification. Firstly, this thesis positions Hong Kong within the capitalist system and attempts to read the government policies as a part of the wider capitalist system. Second, this thesis focuses on commonalities set by the structural changes in the capitalist system while recognising the peculiarities of the context of Hong Kong. Finally, this thesis regards gentrification more than just a technical term to explain urban transformation. Instead, gentrification is considered as a part of the political agenda.

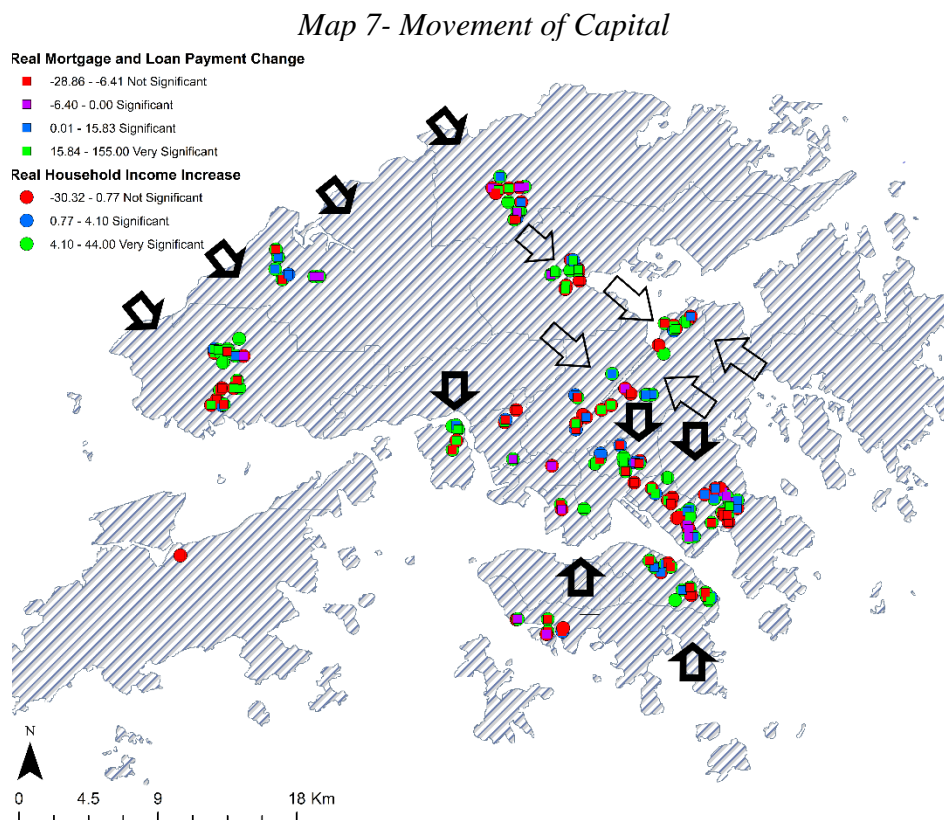
6.3. Discussion of the Findings

Discussion of the findings is presented in two main parts: demand-side discussion and supply-side discussion. The demand-side discussion is to investigate a simple but significant question, “who are the gentrifiers?”. The supply-side discussion explores the availability and movement of capital that leads to gentrification. Both discussions are also positioned against the classical literature to test whether it is possible to speak of gentrification in Hong Kong, even as one of the many urban process, as claimed by the critics.

Regarding the demand-side, surveys (see Chapter 5) indicate that a significant proportion of the new public housing tenants (gentrifiers) are originally from private housing. They have considerably higher income levels than the SSF tenants and are spread throughout the city. Their average age are younger and are attracted to the districts close by the city centre. They also have slightly smaller average household size than the existing tenants. In other words, the gentrifiers, as an overall, have a higher medium household income and, as their age get younger, they prefer to be by the city centre.

On the supply-side, surveys illuminate that the great majority of the buyers use mortgages, extending over a considerable amount of years. In other words, the financial credits are provided for buyers to purchase somewhat old building. Moreover, buyers invested between 5% and 10% of the flat price for renovation efforts. The statistics on major housing indicate that the capital is mainly concentrated by the centres, where the increase in incomes occurs. However, capital also flows towards Shenzhen, which is in the North. Moreover, the mortgage statistics on major housing estates reveal that most mortgage increases take place in SSF estates and courts with lower household income increase. This suggests the movement of capital. In the geographies of uneven development, capital moves from a location with a lower margin of return to another location with higher margin of return. The map below represents the movement of capital in relation to the real household income and mortgage to income ratio. The wider points represent the real household income increase, and the smaller ones represent the mortgage to income ratio increase. The bold arrows indicate where the capital has already moved. These locations are usually characterised by high household income increase with relatively lower mortgage to income increase. The transparent arrows show where the capital is now moving towards. These locations are usually

characterised by lower real household income increases with higher mortgage to income increases. In other words, the capital availability moves towards inners parts of Hong Kong. Consequently, the more gentrifiers, as discussed above, will be the new tenants.

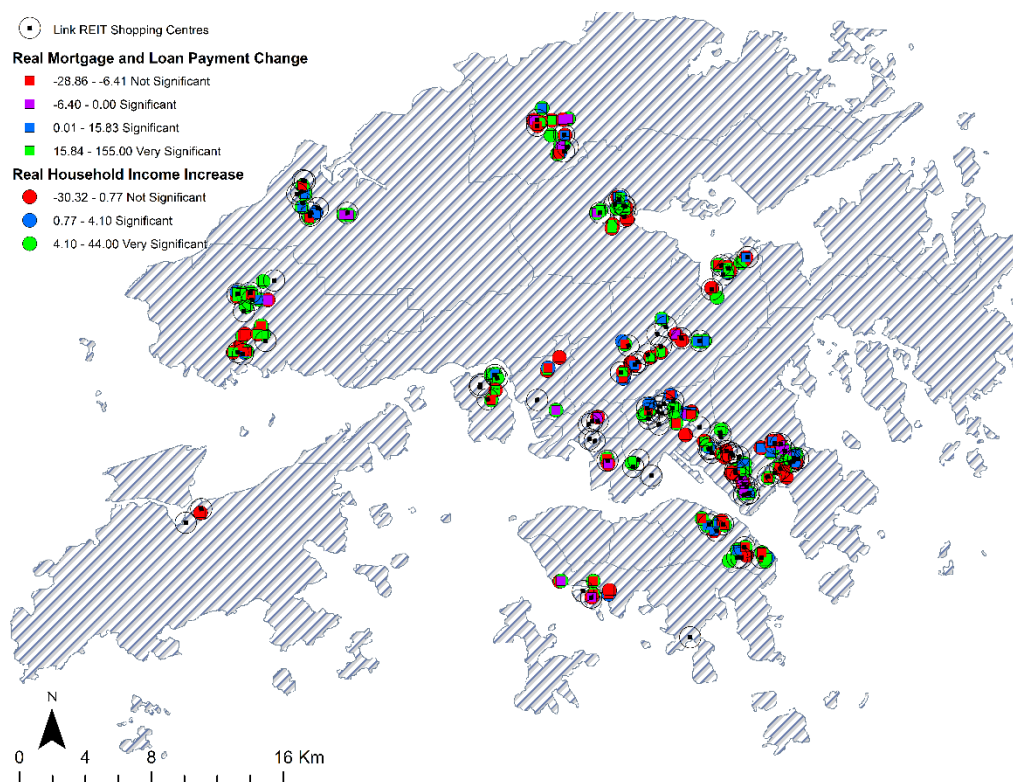


Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,"
 (see Appendix 2 for more detailed maps)

The role of the government must also be considered. A vast amount of capital is introduced to the public housing space through the establishment of Link REIT, and privatisation and commodification of the shopping centres, parking lots, and other facilities run by the HKHA. The area is also exposed to international capital, as one of the shareholders of Link REIT is a hedge fund based in Britain. The map below shows the relationship between the shopping centres with capital investment from Link REIT and the major housing estates. The circles with points in the middle represents the shopping centres with investment from Link REIT. The wider points represent the real household income increase, and smaller ones represent the mortgage to income increase. The map shows that shopping centres with capital investment are mainly located close to the SSFs with higher real household income increases. If not, they are located close to those with

higher mortgage to income increases. There are a couple of exceptions. These findings affirm the role of privatised shopping centres in attracting capital and new tenants into the SSFs.

Map 8- Movement of Capital and Link REIT



Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")
 (see Appendix 2 for more detailed maps)

The findings and analyses lead to the framework provided in Figure 8 below. It represents the actors and mechanisms behind the commodification of the SSFs as well as the consequences of the commodification process. The framework is mainly inspired by the classical superstructure-based model of Marxist literature. It also combines the demand-side gentrification explanations (characteristics of gentrifiers) and supply-side gentrification explanations (rent gap theory). Finally, it shows the impact of actors and mechanisms at different scales (planetary rent gap).

The top part of the pyramid represents the physical and mental hegemony of real estate in Hong Kong. It mainly explains why Hong Kongers do what they do in relation to real estate. For instance, why is it important to be a homeowner or to move into a more expensive flat? They might be either well-informed or manipulated by the government or market. Other explanations are possible too.

It is defined as hegemonic-cum-alienated development (W. S. Tang, 2017) for Hong Kong in the literature.

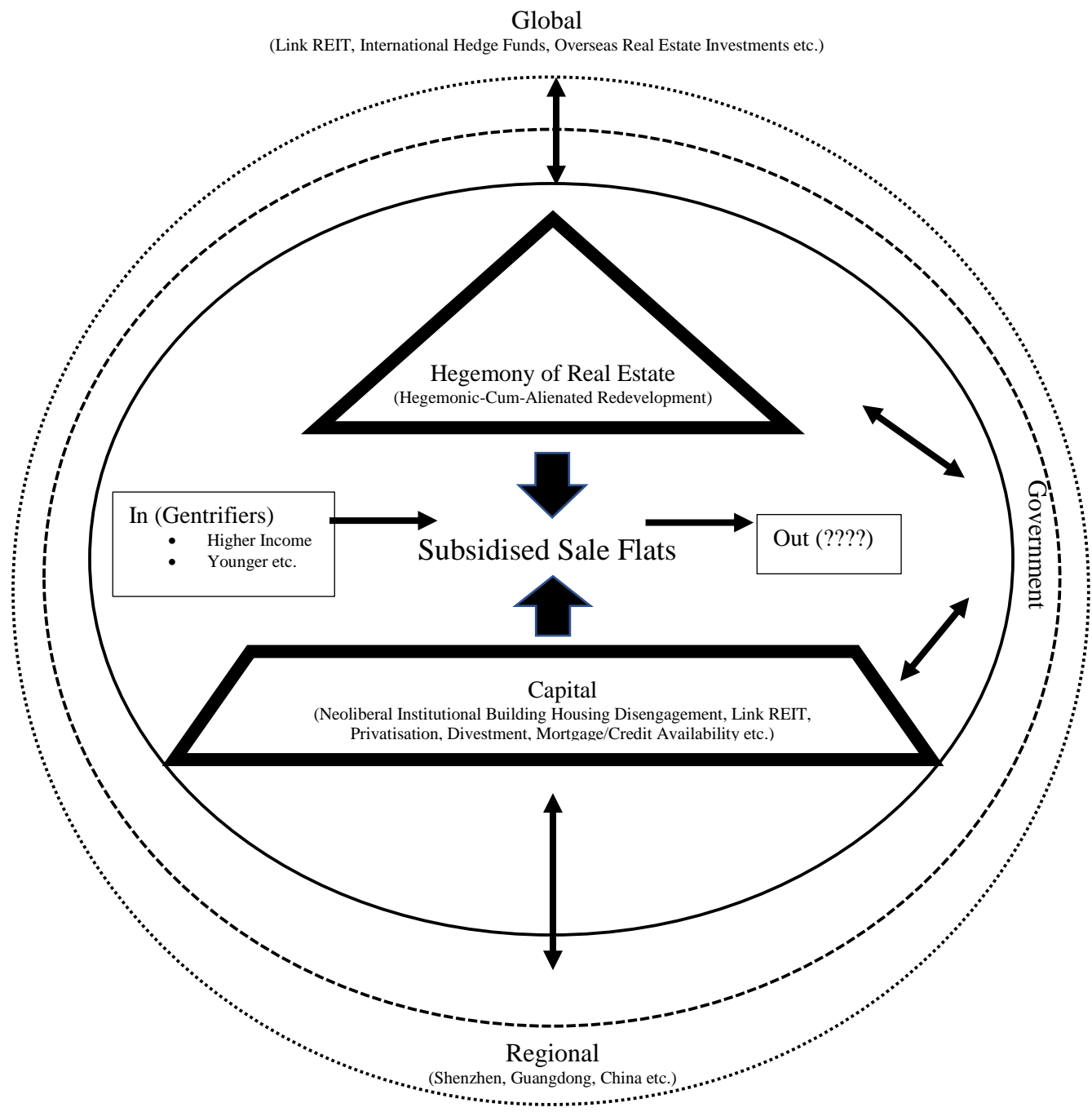
The bottom part represents the capital, e.g. privatisation, commodification, real estate finance. For instance, why has capital moved into the public space following the commodification of shopping centres through Link REIT, and how did second-hand SSF buyers secure 20+ year-long mortgages following the commodification of the SSFs? In other words, it deals with the movements of capital, as rent gap theory argues. It is defined as neoliberal institutional building and housing disengagement (Chung & Ngai, 2007; Lau, 2001) for Hong Kong in the literature.

In between the top part and bottom part of the pyramid, there are SSFs. They are influenced by both the top part and bottom part of the pyramid. Arrows indicate the impact of actors and mechanisms from the hegemony of real estate and capital to SSFs. In other words, the arrows represent the triggers.

The two boxes on both sides of the SSFs are In and Out. In represents the people who bought SSFs through the OM and SM; the gentrifiers. Out represents the people who sold their SSFs and now are outside of the public housing system. There is currently a question mark because the characteristics of them are beyond the scope of this thesis.

Finally, there are three circles around the pyramid. Each represents a scale of impact. Circles are Government, Regional, and Global, respectively. Government symbolises policies and other government-related acts. They vary from the privatisation of shopping centres in public housing space to the public advertisements on solutions to the land supply in Hong Kong. The second circle represents the regional actors and mechanisms. The opening up of China and appointment of Shenzhen as one of the pilot areas are two of the examples, as the land prices skyrocketed in the early 1980s in Hong Kong. The investments of Link REIT in China are another regional example. The final circle stands for the global actors and mechanisms, such as international hedge funds investing in Link REIT or advertisements for overseas investment opportunities for Hong Kongers. All the circles have two-way relationship with the pyramid. As they impact the real estate hegemony, they are also influenced by the pyramid.

Figure 11 - Framework



There is a transfer of ownership from public to private, and to capitalist market through the sale in the OM. It also means the transfer of government's responsibility. It indicates a new type of government in Hong Kong that characterises the gentrification: The Landlord-Government. It does not necessarily stand for the ownership of the land by the government, but it represents the internal contradictory relationship that exist between the government and the people in Hong Kong. As any other property owner, the government seeks profit to maintain the position of Hong Kong within the capitalist global system, which a tax haven entrepôt ranked as "the freest economy of the world" (Miller, Kim, & Roberts, 2018). The acts of privatisation and commodification lead to transfer of ownership from public to market. Essentially, the relationship between the government and its citizens, particularly those who are the most vulnerable and in need of the government's help through public housing, is now defined by the capitalist market. Thus, the capitalist market appears as the main actor, although others have an influence too.

Finally, the results match with the classical literature on a broader sense, which indicate that a while younger population with higher income levels moves into downtown, and are economically supported by the financial and governmental institutions, the capital source moves towards more profitable locations. The world goes towards a globalised world. However, it is not globalisation of the people, but the capital. The Global South is no exception to that and gentrification is in Hong Kong. If a signifier is a must, as discussed in the literature related to Hong Kong, then the process can be defined a gentrification through commodification and financialisation. However, in the process of gentrification, the worse days are still ahead. The real concern here is not who moved in or moved out, it is who gets left behind. The public rental house tenants, who share the same space with SSF tenants, and the SSF tenants, who do not have the means to purchase their premiums and sail into the wonders of the private housing market are the ones who will experience the real struggle of the gentrification, as the capitalist market expands at the expense of the public. There is/will no longer be public commons, but privatized spaces. If there will be any, public housing is the space where the class-based urban housing conflict may occur. This is why gentrification, due to its political-economic nature, is relevant. Accordingly, further research on the current life of moved-out SSF tenants and the tenants who still live in public housing, in particular those living in public rental houses and SSFs with no premium payment, would be rewarding.

In the case of Hong Kong, the examination of the public housing shows that the gentrification is related to capitalist relations. It is not mere an urban process. wherever there are capitalist relations, there is geographies of uneven development. Gentrification is an inevitable consequence of that and Hong Kong is not an exception to that.

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Appendix 1 – Visited Locations in Hong Kong During the Field Observation

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
29.03 2018	East	Hong Kong Island	Oi Tung S. C.	Link REIT				Tung Tao Court Tung Yuk Court Aldrich Garden Oi Tung Estate	2005 2001 2001 2001
31.03 2018	Yau Tsim Mong	Kowloon	Hui Fung S. C.	Link REIT	1999	2014	39	Hoi Fu Court Charming Garden	1999/ 2004 1998
02.04 2018	Sha Tin	New Ter.	Hui Fung S. C. Yue Tin Court Com. C.	Link REIT HKHA	1983			Yu Chui Court Yue Tin Court	2001 1982/ 1983
04.04 2018	Kwung Tong	Kowloon	Lei Yue Mun Domain Yau Lai S. C.	Link REIT HKHA HKHA	2012 2010			Ko Chun Court Yau Chui Court Yau Tong Centre Ko Cheung Court Ko Yee Estate Lei Yue Mun Estate Yau Lai Estate Yao Tong Estate	1995 2002 1981 2004 1995 2002 2004 2000

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhanc. Y.	Cap. Enhanc. (HKD)	HOS/PSPS TPS/PRH	Comp.
07.04 2018	Sham Shui Po	Kowloon	Fortune S. C.	Link REIT	1999	2015	66	Hang Chun Court	2001
			Po Hei Court Com. C.	Link REIT				Yee Kok Court	1981
			Un Chau S. C.	Link REIT				Ye Ching Court	1993
								Po Lai Court	1987
								Po Hei Court	1993
								Lei Cheng Uk Estate	1984
								Fortune Estate	2000
								Un Chau Estate	1998
								Lai Kok Estat	1981

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
12.04 2018	Sai Kung	New Ter.	Wo Ming Court Retail & Car Park	Link REIT				Chung Ming Court	1993
			TKO Gateway	Link REIT	1993	2009/2016	70/171	Yu Ming Court	1994
			Ming Tak S. C.	Link REIT	1999	2007	9	Wo Ming Court	1999
								Hin Ming Court	1996
								Yuk Ming Court	1996
								On Ning Garden	1991
								Fu Ning Garden	1990
								Ming Tak Estate	1996
								Hau Tak Estate	1993

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
17.04 2018	Wang Tai Sin	Kowloon	Fung Tak S. C.	Link REIT	1987			Lung Poon Court	1987
			Tsz Shan S. C.	Link REIT				Fung Chuen Court	1991
			Tsz Oi Retail	Link REIT				Fung Lai Court	1997
			Lung Poon Court Com. C.	HKHA				Tsz On Court	1994/ 1997
								Tsz Oi Court	1997/ 2000
								Fung Tak Estate	1991
								Tsz Lok Estate	1995/ 2004
								Tsz Man Estate	1994
								Tsz Ching Estate	1993/ 2001
								Sha Tin Pass Estate	2011
		Tsz Hong Estate	2002						

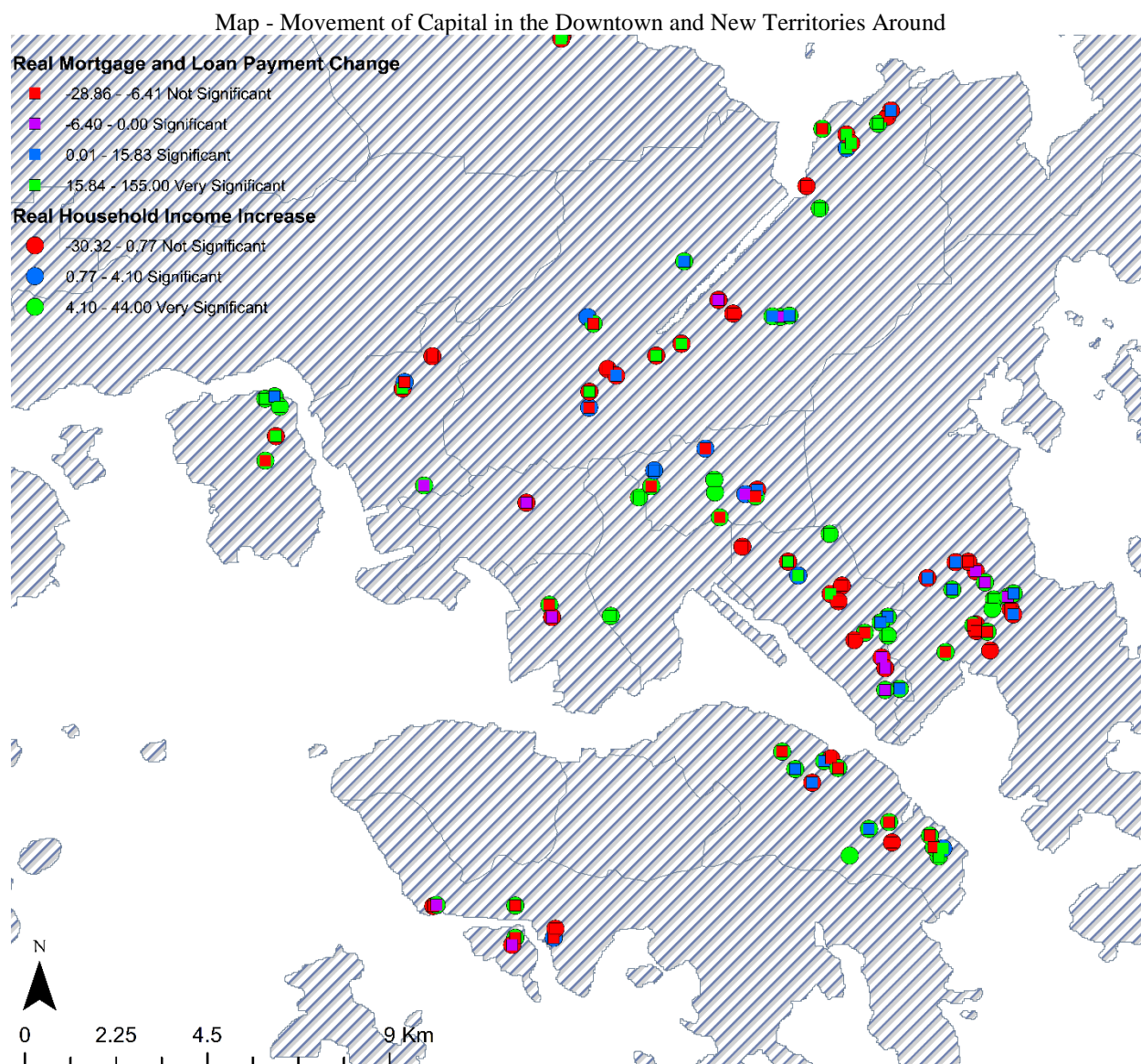
Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
19.04 2018	Wang Chai	Kowloon	Hing Wah	Link REIT	2000	2010	35	Yan Tsui Court	1983
								Yuet Chai Court	1999
								Yee Tsui Court	1981
								Walton Estate	1982
								Lok Hin Terrace	1995
								Hing Wah Estate	1976/ 1999
								Fung Wah Estate	1991
Wang Tsui Estate	1979								

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
22.04 2018	Kwai Tsing	New Ter.	Chueng Fat Plaza	Link REIT	1987	2009	136	Ching Na Court	1989
								Ching Wan Court	2001
								Ching Tai Court	1988
								Chueng On Estate	1988
								Cheung Fat Estate	1989
								Easeful Court	2003
25.05 2018	Islands	New Ter.	Fu Tung Plaza	Link REIT	1997	2008/2017	28/19	Ya Tung Court	1997
			Yat Tung Plaza	Link REIT				Ying Tung Estate	2018
								Fu Tung Estate	1997
								Yat Tung I Estate	2001
								Yat Tung II Estate	2001

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.	
28.04 2018	North	New Ter.	Wah Ming S. C.	Link REIT	1990	2016	72	Yung Shing Court	2000	
			Wah Sum S. C.	Link REIT	1995	2012	42	Cheong Shing Court	2000	
			Cheung Wah S. C.	Link REIT					Yan Shing Court	1993
									King Shig Court	1995
									Cheung Wah Estate	1984
									Yung Shing Estate	2000
									Wah Ming Estate	1990
									Wah Sum Estate	1995
						Ka Fuk Estate	1995			

Date	Town	District	Com. C.	Manag.	Comp.	Cap. Enhan. Y.	Cap. Enhan. (HKD)	HOS/PSPS TPS/PRH	Comp.
29.04 2018	Southern	Hong Kong Island	Lei Tung Com. C.	Link REIT	1988	2016	82	Yue On Court	1988
								Lei Tung Estate	1987
								Ap Lei Chau Estate	1980

Appendix 2 – Detailed Maps for the Movement of Capital



Map: by the author using ArcGIS

Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

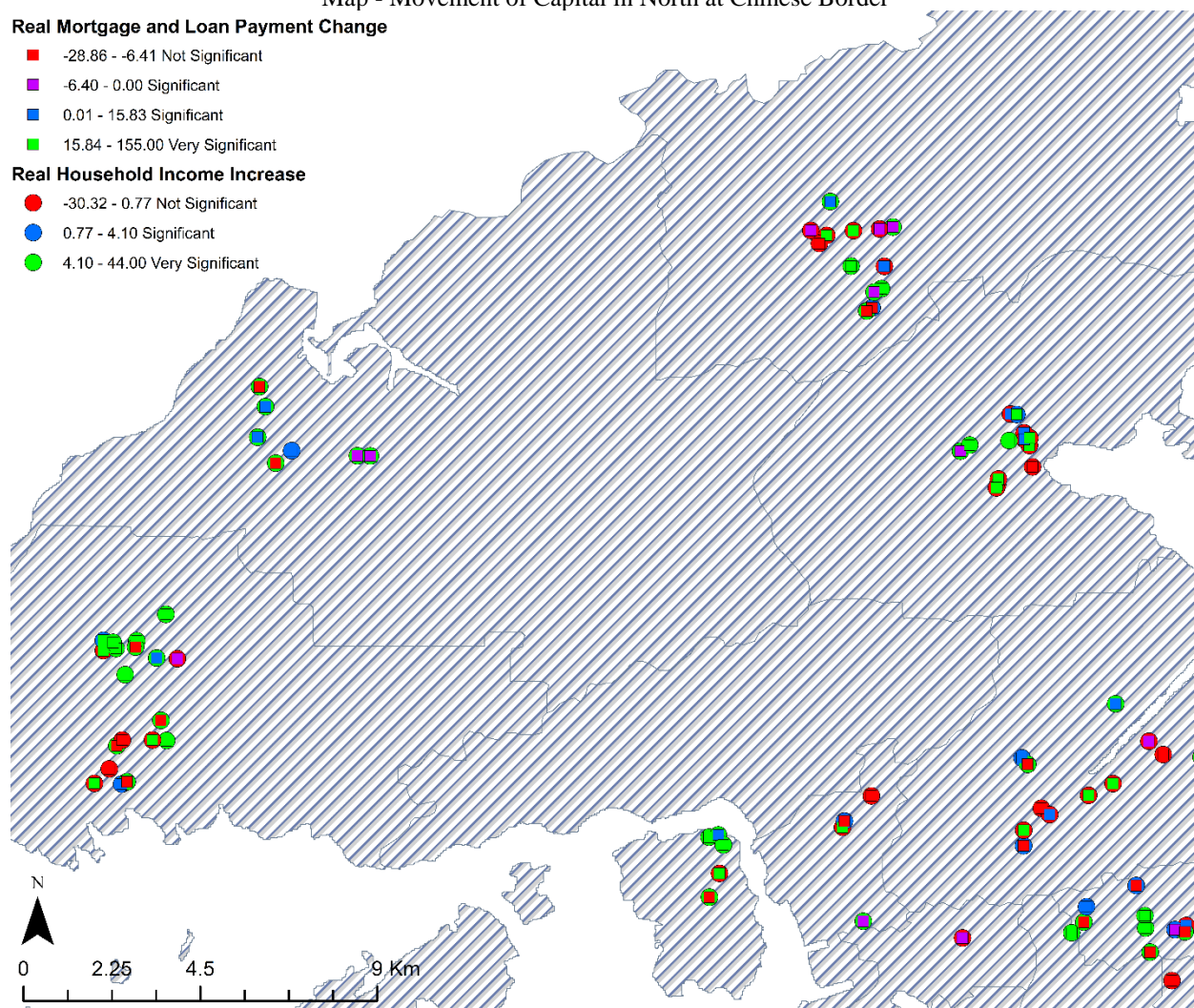
Map - Movement of Capital in North at Chinese Border

Real Mortgage and Loan Payment Change

- -28.86 - -6.41 Not Significant
- -6.40 - 0.00 Significant
- 0.01 - 15.83 Significant
- 15.84 - 155.00 Very Significant

Real Household Income Increase

- -30.32 - 0.77 Not Significant
- 0.77 - 4.10 Significant
- 4.10 - 44.00 Very Significant

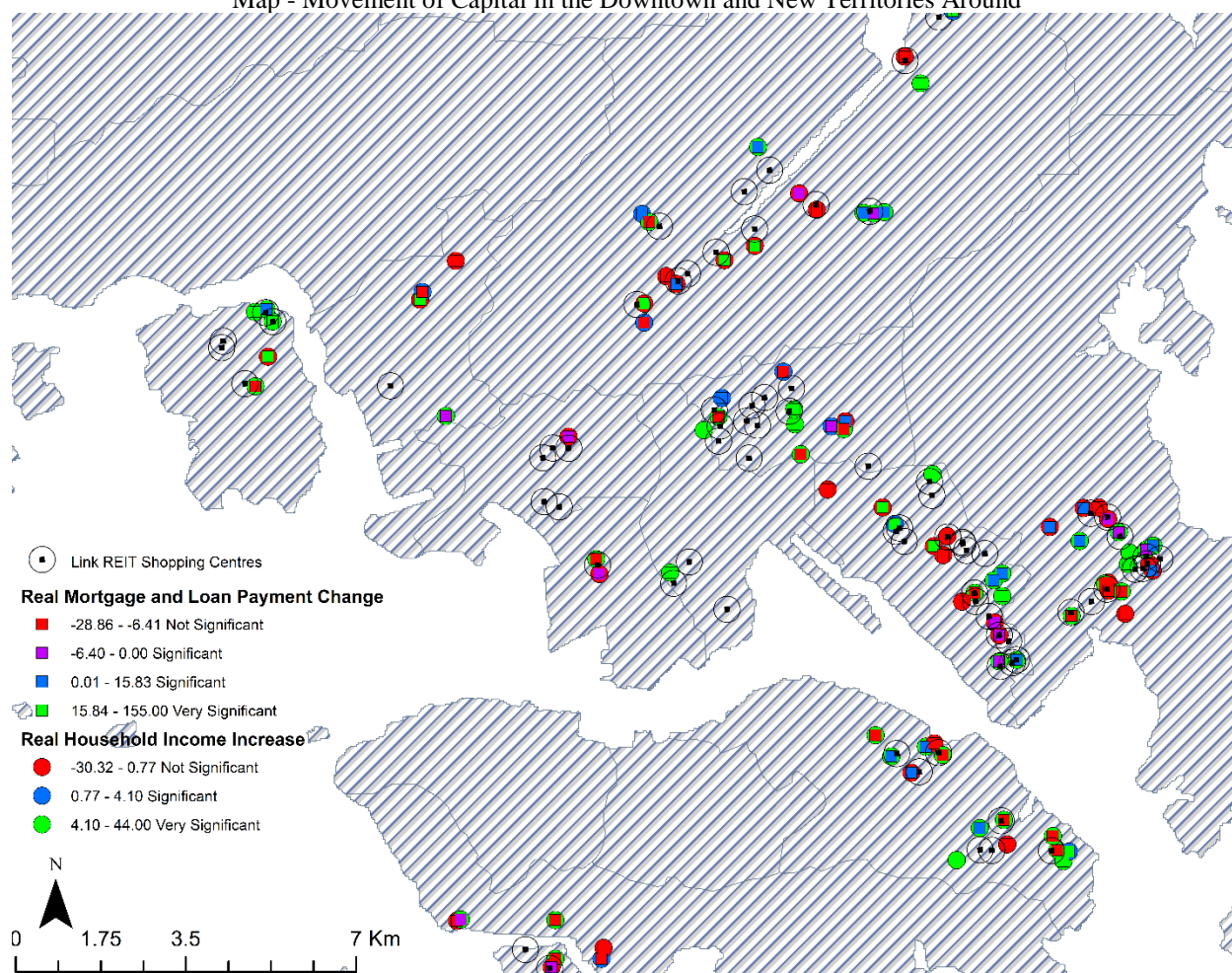


Map: by the author using ArcGIS

Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

Appendix 3 – Detailed Maps for the Movement of Capital and Link REIT

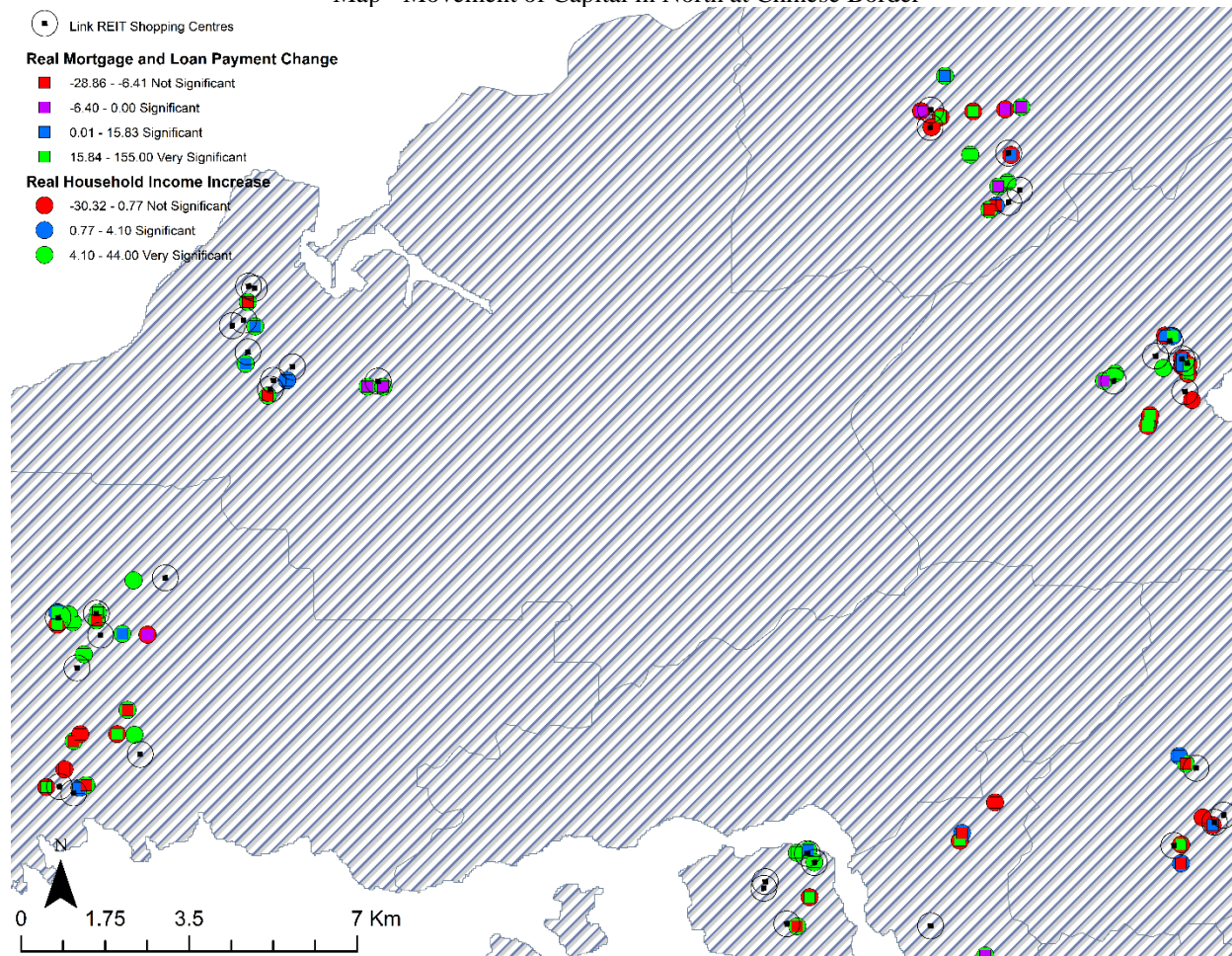
Map - Movement of Capital in the Downtown and New Territories Around



Map: by the author using ArcGIS

Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

Map - Movement of Capital in North at Chinese Border



Map: by the author using ArcGIS
 Data: (Census and Statistics Department, 2012, 2017b) ("DIVA-GIS,")

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