

Housing Inequality in Hong Kong: Investigating The Relationship Between gentrification and Life Satisfaction

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ABSTRACT

In Hong Kong, the contrast between wealth and poverty is stark. Amidst its 7.3 million residents, 125,100 are millionaires while 1.6 million live in poverty. Rent has surged by 187%, forcing 220,000 of the most vulnerable into "coffin homes"—tiny units barely fitting a bed. This issue is acute in districts like Mongkok, the densest district globally.

The Hong Kong government has responded with initiatives such as the Urban Renewal Authority (URA). While some praise these efforts, others criticize them for favoring affluent investors over vulnerable residents. This research essay will aim to provide a comprehensive overview of the Urban Renewal Strategy's impact to residents' life satisfaction by closely examining two cases: Langham Place and Hong Lok Street (Bird Market). This study will consider both psychological and economic factors, recognizing that elements like financial stability, social mobility, and living conditions significantly influence life satisfaction.

Keywords: Gentrification, Housing inequality, Hong Kong, Urbanization

1. Introduction

HONG KONG – a place where life is experienced in the extremes. For the wealthy, up in the high-rises. For the poor, in crumbling infrastructures with no way out. In this city of 7.3 million, there are 125,100 millionaires and 1.6 million people in poverty (Yeung), the former making 34.3 times more than the latter (Mok).

With rent rocketing by 187% over the past few years, 220,000 of the city's most vulnerable have been forced into squalid, cramped accommodations, otherwise known as "coffin homes" – units barely large enough to fit a single bed inside (Yeung). This problem is particularly prevalent in

cramped districts like Mongkok, which holds the Guinness World Record for the densest district on the planet ("Mong Kok").

The Hong Kong government has taken action in response to this growing phenomenon, creating organizations such as the Urban Renewal Authority (URA). However, while some have applauded their progress, others have criticized their approach, arguing that it favors affluent investors and the middle class over vulnerable residents.

This research essay will set out to examine the validity of the goals of URA through the lenses of Psychology and Economics, with the research question: In what ways has the Urban Renewal Strategy impacted the life satisfaction rate of low-income workers in Mongkok as measured by the Cantril ladder? For the purpose of clarity, low-income citizens will be defined as those who earn the minimum wage of 37.5 HKD per hour.

1.1 Gentrification

Figure 1 - Example of gentrification ("Old to new").

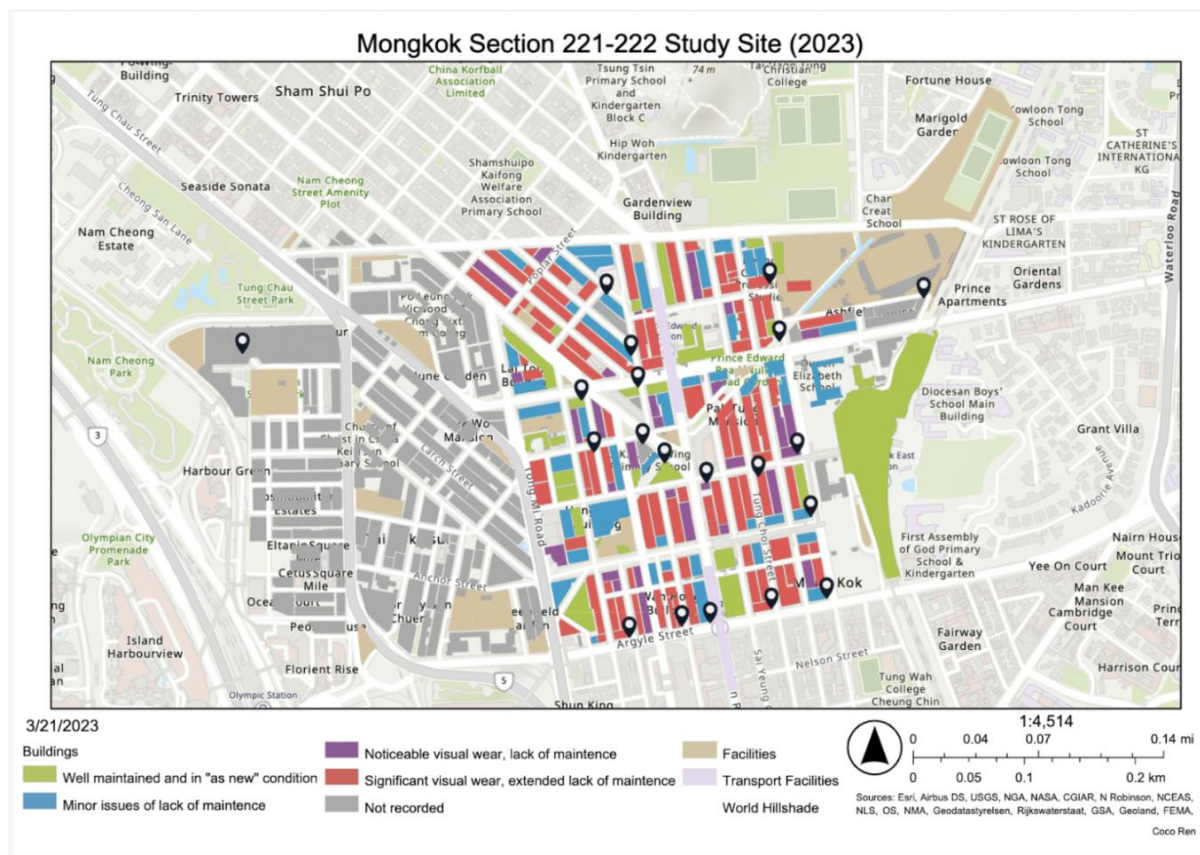


Urban geographer Ruth Glass first used the term "gentrification" in the 1960s to refer to the influx of higher middle-class residents into formerly impoverished parts of London's inner neighbourhoods (Kong [Page 20]). Today, gentrification is the process of renovating working-class and abandoned dwellings, which inevitably turns a community into a middle-class neighbourhood.

In economic terms, gentrification can be explained as the rent-gap theory, which was first coined by geographer Nell Smith. The land is viewed as a commodity for capital accumulation, therefore by creating viable land uses by improving neighbourhood quality, the property and landowners can earn a significant amount of money. And this allure of money is what incentivizes “property-led redevelopment”, wherein organizations (the Urban Renewal Authority in this case) tear down old structures and replace those with upscale rehabilitation projects (Kong [Page 31]). The problem arises when the original lower-class residents or business owners are no longer able to afford the new prices, and are forced to move out, with the wealthy taking ownership of the urban space for future development and capital accumulation. Moreover, there is also the emergence of middle-class culture, where the influx of young urban professionals (nicknamed “yuppies” or “pioneers gentrifiers”) brings in a different aesthetic landscape and shops, such as luxurious boutiques, specialty shops, cafes, and hotels, which segregates the old, local businesses from this new culture (Kong [Page 45]).

1.2 About Mongkok

Figure 2 – Mongkok Site Map



Mongkok, located in the Northeast of Kowloon, is home to a diverse range of individuals, from a variety of cultural, economic, and ethnic backgrounds ("Mong Kok"). Although originally a modest fishing village situated near the coast, the construction of a ferry pier in the 1910s facilitated regular transportation between Hong Kong Island and Mongkok Tsui ("HISTORY OF MONGKOK"). This connectivity to Hong Kong Island led to a surge in population, necessitating the construction of "back-to-back" houses designed to optimize space (Singh). These dwellings were built to accommodate the growing populace and sustain the community's expansion ("HISTORY OF MONGKOK").

1.3 About Urban Renewal Authority

However, with its rich history and hastily strewn houses comes inevitable urban decay. Rows of dilapidated buildings can be seen in Mongkok (Fig 2), often those without proper management. This not only detracts from the aesthetic appeal but also poses potential health and safety hazards. To address this, the implementation of the Urban Renewal Strategy (Figure 3) has spurred the construction of contemporary multi-structures, offering a solution to the city's deteriorating urban landscape (Yau [Page 109]).

Figure 3 – A Comparison Between Argyle Street in the 1980s (right) and today (left)



The concept of urban renewal was first introduced right after World War II as a process to rebuild cities lost to the war (Diefendorf [Page 20]). Nowadays, in our contemporary world, urban renewal refers to the rehabilitation and redevelopment of old buildings.

The Urban Renewal Strategy was implemented in Hong Kong in May 2001 through the Urban Renewal Authority Ordinance, with the purpose of modernizing the city's older urban areas ("URA Ordinance"). Its objectives are to promote the enhancement of both living standards and business activities, and I will be investigating the validity of both objectives through two case studies.

2. Case Study 1: Langham Place

Objective: To explore Urban Renewal Authority's aim 1 of improving living conditions by analyzing the effects that the redevelopment had on local tenants.

Figure 4 - Langham Place Now ("Shopping Mall")



In 1998, Langham Place (Fig 4) was born from the redevelopment of a four-block site at the heart of Mongkok ("Langham Place"). The original aging low-rise shop houses, home to 6,603 low-income residents, were destroyed with the 15-level shopping mall and the area's first-ever five-star hotel taking its place ("Vertical retail").

It's crucial to acknowledge that public housing in Mongkok is practically nonexistent. Consequently, individuals with low incomes are compelled to depend on private or tenant

housing, which adds to their financial burden. Hence, it's imperative to consider the affordability of rental prices for these low-income citizens.

Figure 5 - Monthly Rent vs. Monthly Income from 1996 to 2021. Data adapted from ("Census Results")

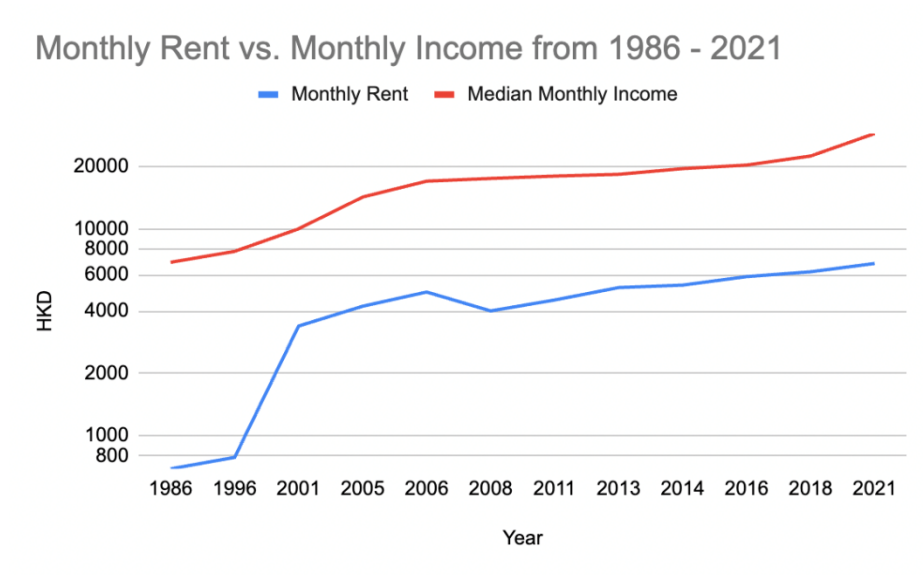


Figure 6 - Median Monthly rent 1996 - 2021. Data adapted from ("Census Results")



The median monthly income, represented by the red line in Figure 5, exhibits a consistent upward trend with minor year-to-year fluctuations. This linear progression is a natural outcome of a city's economic expansion. Hong Kong's GDP has experienced a significant surge from 1.37 trillion to 2.8 trillion dollars between 1997 and 2021. Hence, the red line's growth aligns with Hong Kong's economic development, as the median income rises in correlation with a city's affluence.

However, the blue line, indicating changes in rent, does not follow a linear progression. It exhibits a sharp surge from 1996 to 2001 before reaching a plateau. Ideally, similar to the red line representing monthly median income, the blue line should be gradually increasing each year in response to Hong Kong's economic growth, which usually drives up prices in the city. Figure 6 provides a closer view, revealing that monthly rent skyrocketed from \$785 to \$3389 within five years, a twenty-fold increase compared to the \$101 rise in the previous ten years. This dramatic surge in rent (while the monthly income remained relatively constant) signifies that the spike was not due to the natural growth of the economy but was influenced by external factors.

Notably, the only major event during that period was the Langham Place Redevelopment Plan in 1998, which explains the price hike. It's worth mentioning that the rent increase affected Sector 229, which comprises Langham Place and adjacent streets, including Portland Street and Reclamation Street. Since it's challenging to determine where each tenant relocated after the redevelopment (as every residential flat in Langham Place was demolished to make way for the mall), it can be hypothesized that they may have relocated to nearby residential blocks.

Table 1 – Change in monthly rent of three residential areas in Mongkok

Residential Area	Monthly rent in 1996	Monthly rent in 2001	Change in price
Fa Yuen Plaza (in Sector 229)	\$5555	\$9,972	+4417
Chee Hing Building (in Sector 229)	\$2722	\$5361	+2639
Mongkok Plaza (not in Sector 229)	\$4444	\$3472	-972
Cheong Ming Building (not in Sector 229)	\$4722	\$5102	+380

Table 1 shows that the two residential buildings in Sector 229 (which were impacted by redevelopment) experienced a significant surge in rent, while the two outside the redevelopment zone stayed relatively the same with Mongkok Plaza even facing a slight decrease. These findings support the notion that the landlords hiked up prices of the properties in proximity to the redevelopment site due to two factors: 1) demand from former Langham Place residents seeking

new homes, and 2) the appeal of living near the upscale mall (Yau [Page 110]). However, the substantial rent increase may adversely impact low-income residents' affordability.

Figure 7 – Rent to Income in Argyle Street from 1986 to 2021

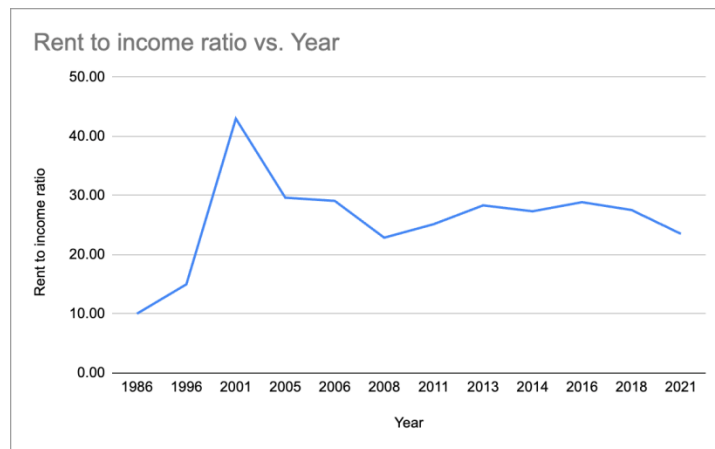


Fig 7. illustrates this problem. After the redevelopment in 1998, the rent-to-income ratio surged dramatically from 10% to over 40%, implying that nearly half of the workers' earnings went toward housing. Ideally, the rent-to-income ratio should not surpass 30% to avoid compromising essential aspects of daily life such as sustenance, utilities, and family obligations ("Where does"). This sharp escalation in the rent-to-income ratio makes it highly probable that former residents will be forced out of Mongkok to seek more economical housing elsewhere.

Table 2 - Population in Mongkok from 1996 to 2011 (Lau [Page 24])

	1996	2001	2006	2011
Mong Kok West (E06)				
Population	22,210	14,005	18,580	19,984
Population Change	-	-36.9%	32.7%	7.6%
Average Household Size	2.8	2.7	2.7	2.6

Highlighted in red in Table 2, the -36.9% population rate between 1996 and 2001 correlates to my previous hypothesis, such that low-income residents have no way of sustaining their life near Langham Place after redevelopment and agreed to the government's compensation to relocate to a farther location outside of Mongkok. The 32.7% population increase in 2006 could also suggest the influx of wealthier residents that moved to Mongkok after redevelopment in replacement of the low-income workers.

In an interview with a Mongkok resident, who knew of someone forced to move out of the area after redevelopment, it was revealed that the government provided either a \$4000 cash compensation or a dwelling in a remote district. The interviewee shared, "Yes... [he] couldn't afford the nearby places... too expensive... He moved out to Kowloon with his family... did not like the process at all." When asked about his friend's satisfaction during the transition, he responded, "Negatively, of course. Nobody enjoys being displaced from their home. After [the redevelopment], he had to uproot his entire life."

Figure 8 – Life satisfaction rate before and after Langham Place redevelopment



Figure 8 displays the life satisfaction rate of 11 individuals, ranked on a Cantril scale of 1 to 5, with 1 representing the lowest and 5 the highest satisfaction. With the exception of Persons 3 and 9, whose satisfaction remained constant before and after redevelopment, nearly all red lines (post-redevelopment) fall beneath the blue line (pre-redevelopment).

The most common decrease is around 1-2, Person 1 explained how it's "extremely inconvenient and stressful", and Person 6 remembered it as being "a tumultuous time in [his] life". Lastly, Person 9, a security guard commented on the long commute time after relocation.

Out of the surveyed, the most drastic decrease in life satisfaction (a drop of 3 levels) can be seen from Person 2, an elderly, who had just recently moved back to Mongkok. She could not afford rent after redevelopment so moved to Kowloon. Something interesting she shared was that her living conditions in Kowloon weren't so much better, "same, same", she repeated, explaining that she still had issues with the utilities even in the Kowloon home, "shower faucet kept leaking, light is not very good." Overall, she does not think this urban renewal did what it set out to do and was "glad [she's] back [in Mongkok]."

In conclusion, the redevelopment of Langham Place has had a detrimental impact on Mongkok's residents' life satisfaction. The significant surge in nearby rent has forced many low-income workers to relocate to distant areas, resulting in inconvenience and loss of community. Furthermore, the minimal improvements to the facilities fail to fulfill the fundamental purpose of Urban Renewal, which is to enhance living conditions.

3. Case Study 2: Hong Lok Street

Objective: To explore URA's aim 2 of turning Mongkok into a business hub by analyzing the effects that the redevelopment of Hong Lok Street had on local business owners.

Figure 9 – Hong Lok Street (Wong)

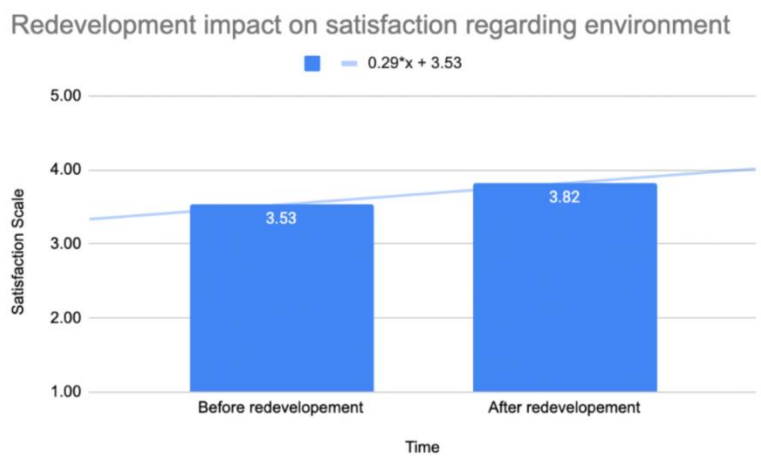


Hong Lok Street (Figure 9), previously located in the junction of Argyle Street, acted as a hub for bird owners to sell pet birds ("Yuen Po Bird"). However, in 2009, the whole street was demolished, replaced by Langham Place (as discussed in length previously).

Recognizing the significant appeal of Bird Street for both bird enthusiasts and visitors, a decision was made to construct Yuen Po Street Garden to maintain the distinctive features and essence of Bird Street ("Yuen Po Bird"). Along with the recreational amenities of a garden, the Garden comprises 70 bird stalls where bird merchants can conduct their trade ("Yuen Po Bird").

I only received 2 vague responses from passersby at the junction of Argyle. Due to a shortage of data, I combined Lau Hin-Wai's data from his dissertation. The responses were based on the Cantril ladder, in which respondents were asked to rank their satisfaction in the six categories on a scale of 5. 1 denotes "Absolutely horrible", 2 denotes "Bad", 3 denotes "Average", 4 denotes "Good", 5 denotes "Excellent".

Figure 10 – Redevelopment impact on satisfaction regarding environment



Although the slope of the trend line is only 0.29 (Fig 10), indicating a modest increase, the majority of respondents agreed that the environment had improved after redevelopment, with Person 2 and Person 8 citing increased space and improved cleanliness as positives. However, some negative feedback was given, such as Person 5's dissatisfaction with the lack of green space and feeling of oppression due to the surrounding high-rises, and Person 4's critique of incomplete public facilities. Others, like Person 1 and Person 3, did not notice a change. Overall, it can be concluded that the redevelopment has had a positive, albeit modest, impact on the environment for bird owners in the area.

Figure 11 – Redevelopment impact on satisfaction regarding hygiene

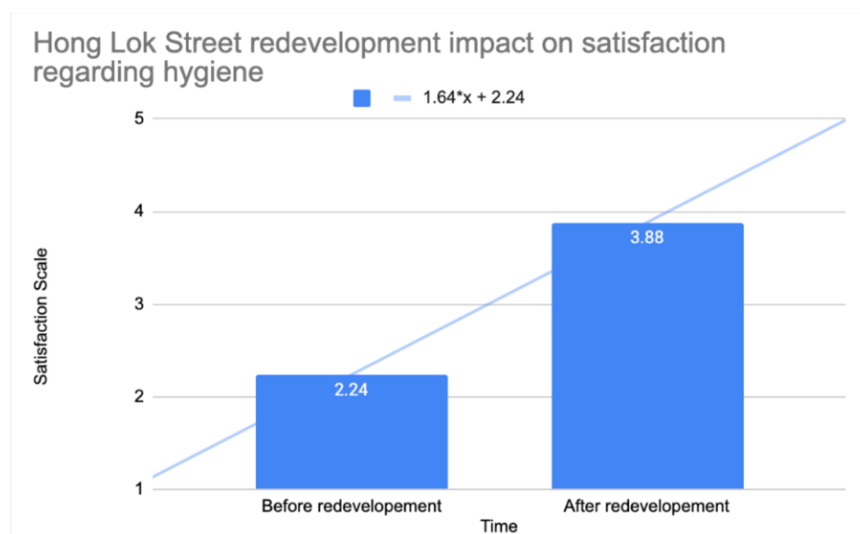
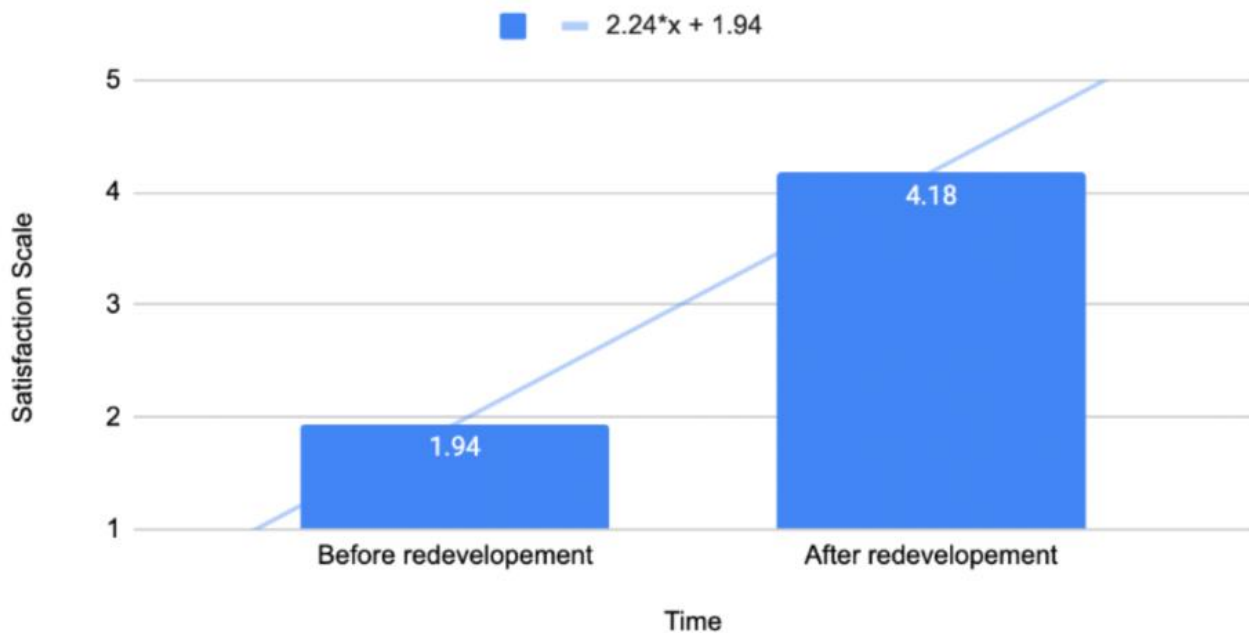


Fig 11 shows that the average satisfaction rate has increased significantly by 1.64 (as per the m value in the trendline), with most people now rating their experience at 3.8 (denoting good), up from 2 (denoting bad). The newly built toilets with fresh water in the Bird Market, which Hong Lok Street lacked, were a common point of praise, as was the significant improvement in cleanliness and tidiness compared to the litter-strewn and malodorous Hong Lok Street. The location of the Bird Market near Langham, a high-end mall and 5-star hotel, likely contributed to its improved conditions.

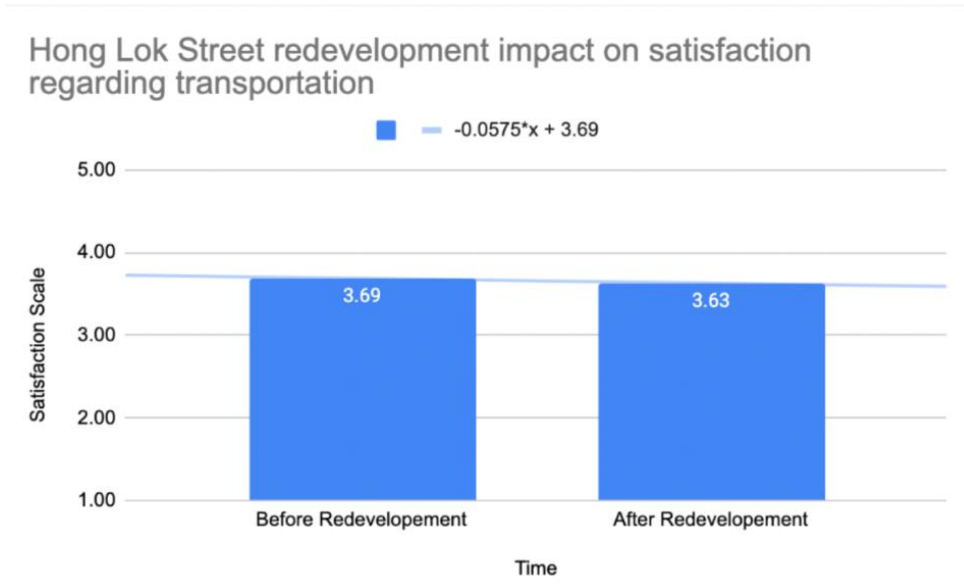
Figure 12 – Redevelopment impact on satisfaction regarding security

Hong Lok Street redevelopment impact on satisfaction regarding security



Similarly, to hygiene, security also improved drastically from a measly 1 to a 4 (Fig 12). Hong Lok Street, nicknamed the “Red Light Street” was filled with prostitutes, drug addicts, and thieves, and multiple store owners stated that they felt “on edge” and “nervous”. In recent times, the bird market has undergone several notable changes that have significantly impacted its overall ambiance and character. One of the most apparent changes is the heightened police presence that can be observed throughout the area. Another notable change that has transformed the bird market is the construction of Langham Place which has added a touch of sophistication and cleanliness to the surrounding area.

Figure 13 – Redevelopment impact on satisfaction regarding transportation



Most respondents stated that public transportation wasn't really affected (Fig 13). As both Hong Lok Street and Yuen Po Street are situated at the center of Mongkok, there is an abundance of transport options. However, after redevelopment, the satisfaction is slightly lower due to the increase in traffic congestion, likely due to the location's proximity to the popular tourist attraction, Langham Place. However, many sellers did not express concern regarding this change, as they believed it introduced the possibility of new potential customers.

Figure 14 – Redevelopment impact on satisfaction regarding community

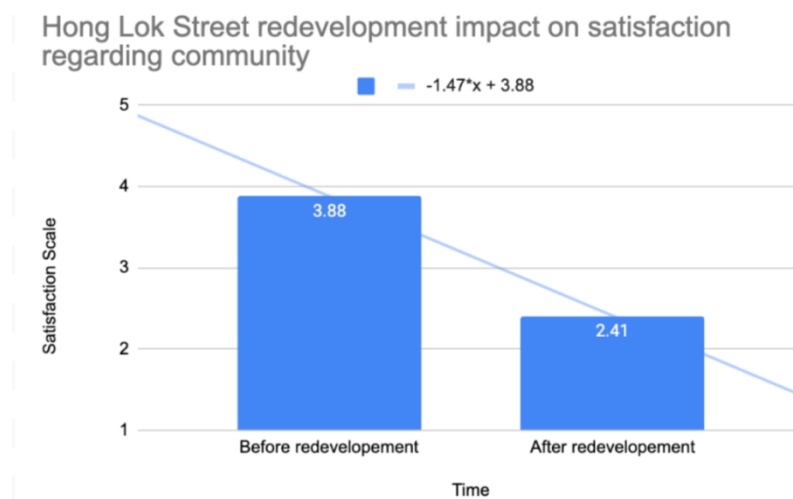


Fig 14 shows a clear decrease in the satisfaction rate which is denoted by the -1.47 slope. This is mostly due to the loss of bird traders who ended up not migrating their business over. A respondent reminisces over his old friend who used to sell parrots with him but because of the redevelopment had decided to transfer elsewhere, which has obviously affected the community culture. Others also explained that a lot of their loyal customers stopped coming after redevelopment (more about the business will be touched upon in the Economics aspects).

Figure 15 – Overall life satisfaction change



Fig 15 shows that despite substantial improvements in the aspects of environment, security, and hygiene, the overall psychological aspect of the life satisfaction rate has decreased by approximately 0.2, which appears somewhat counterintuitive. However, the loss of community due to redevelopment had a profound impact on the bird sellers and significantly contributed to their diminished satisfaction.

5. Conclusion

Mongkok is characterized by its high population density and rich historical background, resulting in a significant space constraint. This issue is addressed by demolishing old, dilapidated buildings as part of the Urban Renewal Strategy, which aims to enhance living conditions and stimulate business activities in the area. However, the redevelopment in Langham Place failed to improve living conditions and instead reduced life satisfaction by increasing rent, forcing lower-income residents to relocate, and promoting gentrification. Similarly, while the redevelopment in

Hong Lok Street improved business activity it decreased life satisfaction for low-income residents by displacing them and reducing community cohesion. Thus, it can be concluded that the Urban Renewal Strategy negatively impacted residents' life satisfaction, benefiting the affluent and fostering gentrification, which necessitates reconsidering societal goals to better support the underprivileged.

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