The productions of Tong Fang in Hong Kong: a supply side analysis with class monopoly rent

Chun Kit Wong

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Issued by Graduate School, HKBU
The Production of Tong Fang in Hong Kong:
A Supply Side Analysis with Class Monopoly Rent

WONG Chun Kit

A thesis submitted in partial fulfilment of the requirements
for the degree of
Master of Philosophy

Principal Supervisor: Prof. TANG Wing Shing
Hong Kong Baptist University
June 2017
DECLARATION

I hereby declare that this thesis represents my own work which has been done after registration for the degree of MPhil at Hong Kong Baptist University, and has not been previously included in a thesis or dissertation submitted to this or any other institution for a degree, diploma or other qualifications.

I have read the University’s current research ethics guidelines, and accept responsibility for the conduct of the procedures in accordance with the University’s Committee on the Use of Human & Animal Subjects in Teaching and Research (HASC). I have attempted to identify all the risks related to this research that may arise in conducting this research, obtained the relevant ethical and acknowledged my obligations and the rights of the participants.

Signature: __________________
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ABSTRACT

This thesis readdresses the notion ‘Tong Fang’ (劏房) through the lens of supply-side perspective. As a conceptually ‘new’ object which has raised widespread concerns since the early 2010s, Tong Fang has only been narrowly examined as the mainstream discussions predominantly confine their very concerns to simply the relationship between the material housing structure and the relevant dwellers. The wider socio-political implications are ignored as the social relations, forces and processes that are indispensable in comprehending the existence of Tong Fang are utterly unaddressed. In particular, the underlying reasons of why such housing structure, represented by its tininess, excessive rental charge and other inferior environment qualities, could be rampantly produced in Hong Kong is still unsatisfactorily addressed. To explore these overlooked aspects, this study alternatively analyses the production of Tong Fang in Hong Kong and essentially articulates the spatial form to the corresponding processes. Harvey’s theory ‘Class Monopoly Rent’ is employed as the major conceptual tool to analyze the contemporary production of Tong Fang in which the lucrative profitability, resulted from the circumstance which Tong Fang has been constituted as almost the only private affordable dwelling in the housing market structure in recent decades, appears to be the fundamental drive. Through viewing how the potential of CMR has been generated and how it has been appropriated through Tong Fang construction, the necessitated processes and relations are able to be disclosed. Moreover, Harvey’s another contribution ‘Relational Space’ is also invoked to substantiate the exploration of the concrete social processes and relations lying behind Tong Fang as spatial products. All in all, by scrutinizing the production of Tong Fang in Hong Kong, this thesis is expected to enrich our understanding to this contemporary urban blight.
ACKNOWLEDGEMENTS

I would like to present my greatest gratitude to Prof. Tang Wing Shing, who has been my supervisor since I was a bachelor student, for his intellectual guidance and considerate support during the course of this study. I am really grateful that he encouraged me to be a research student at the very beginning. Broadened my horizons and built up my confidence during this two-year study, he is the one to whom I owe my deepest appreciation.

Also, I would like to express my thankfulness to Hui Tsz Wa who selflessly offered lots of insights and assistance to my research. I am really indebted to him as he extended his helping hands to me when I was encountering the biggest trouble during my thesis writing. The same gratitude goes to Alan So and Kaitlyn Mak for their kindness and unconditional supports.

Moreover, I am profoundly thankful to the ones who have been closely accompanied me for my M.Phil. journey. I owe my greatest thanks to Candy Yuen for her love, trust and understanding. Encouraged me whenever I felt frustrated, comforted me when I was painful and prayed for me in persistence, she is the most important person to keep me from giving up. Besides, I am also grateful to my family who has held me up and tolerated my negative emotions throughout the previous years.

Last but not least, I have to thank you to all interviewees for their willingness to share their personal experience with me. I could not have done this thesis without their valuable opinions.
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ABBREVIATIONS

BD: Building Department
BO: Building Ordinance
CMR: Class Monopoly Rent
GLCH: Government Low Cost Housing
HKSAR: The government of the Hong Kong Special Administrative Region
HOS: Housing Ownership Scheme
IVE: Institute of Vocation
MWCS: Minor Civil Works Control System
MTR: Mass Transit Railway
OWP: One Way Permit
PRH: Public Rental Housing
RRR: Rate of Rental Return
SARS: Severe Acute Respiratory Syndrome
SDUs: Subdivided Units
Chapter 1
Introduction

1.1 Research Background

Viewing the dark side of housing landscape in Hong Kong, one might intuitively associate it with the penetrating existence of ‘Tong Fang’ (劏房). Tong Fang, or widely translated into another notion ‘Subdivided Units’ (SDUs), is a contemporary low-cost accommodation in Hong Kong, for which the quarters are subdivided from normal residential premises, but significantly distinguished from the outmoded forms of subdivided structures like wooden cubicles, cage house and the like. The notoriety of Tong Fang is not only embodied in the worrying building standards, which once triggered off fatal accidents like unprecedented building collapse and serious fire outbreak, but also well-known for its abnormal tininess and unreasonable rental price. As recorded in Census (2015), the median floor area of Tong Fang in 2015 was 103 sq. ft. with each physical unit heavily charged for $37 per month, as compared to the average private domestic premises sized less than 430 sq. ft. with a monthly rent of $33 per sq. ft. (Census, 2016). A more rampant example even suggests such micro dwelling could be leased at a price up to over $100 per sq. ft., which is relatively similar to the rent of luxury villas located in the Peak (iMoney, 2016). An explicit paradox is thus elicited that dwellers in Tong Fang have to pay more monetary cost on each physical unit of their living space than residents in normal domestic premises in respect of their inferior living environment. Nevertheless, it is unfortunate to admit Tong Fang has been deeply rooted in the urban fabric of Hong Kong, given at least 200,000 persons were housed in such deficient housing structure in 2015. (Census, 2015)
To ponder over such urban blight, current discussions have shown with an almost identical concern. In general, a demand-side perspective overwhelmingly dominates the focus to comprehend the urban object. The mainstream discussions focus on accounting of how problematic the living qualities and dwelling conditions found in Tong Fang are and how such inadequate housing structure negatively affects the living of its tenants as consumers, and attempt to decipher how the material object emerged out of rising demand of affordable housing. These explorations over the relationship between Tong Fang and related dwellers are definitely valuable and contributive given the former, as a defective housing form, has been the exclusive private low-cost housing option in Hong Kong which indispensably accommodated numbers of households who are unable to afford the rent of normal private domestic premises in the past decades.

What is missing in those discussions, however, is a supply-side perspective which is equally crucial to understand Tong Fang as an urban phenomenon. It has been taken for granted in the demand-side analyses that Tong Fang supply is just a spontaneous response to the demand of affordable housing, while a range of important social processes, relations and contributions that ‘produce’ the object were completely ignored. Critical dimensions, such as why are problematic housing structure persistently produced and allowed to fetch the excessive rental profits, are still left unaccounted as long as the unbalanced emphasis on demand-side perspective remains unchanged. Moreover, understanding of Tong Fang would not be able to proceed without articulating the supply-side behaviors. The Cantonese word ‘Tong’ (劏), which literally means ‘to slaughter’ or ‘to butcher’, already articulates the material form to the production process in which landlords could inappropriately crop off their properties and flagrantly exploit their tenants through
redefining their living standards and costs. Altogether, considering the production processes and relations long-neglected in the mainstream discussion but essentially inherent in the Cantonese notion, it is high time to establish an alternative approach of supply-side perspective to analyze Tong Fang in the realms which has not been explored yet.

1.2 Research Objectives and Questions

As a supply-side analysis, this research aims to study how Tong Fang, a specific form of subdivided housing in the historical geography of Hong Kong, has been produced in Hong Kong in the contemporary era since its debut in the 1990s. Invoking the intellectual idea of ‘Class Monopoly Rent’ (CMR) suggested by David Harvey, the primary research question aims to ponder on how the production of Tong Fang proceeds under the fundamental drive of CMR, which is considered as the specific return fetched by the land related resources, namely housing, which monopolize the demand of certain groups of people without proper alternatives. It is also expected to unravel the contributive social processes initiated by various social agents to the production of Tong Fang in Hong Kong, their influences on the materialization of Tong Fang and the implications of such dynamic production process. To substantiate these questions, further sub-questions two main dimensions.

1. How rampant rental profitability of Tong Fang, or later theorized as CMR, is able to be captured in Tong Fang production? What is the grounding for the excessive rental charge for the deficient housing structure? How the potential to tap on such abnormal profitability is socio-historically produced by different contingent processes and agents? How such profitability has driven the general spatial production of Tong Fang in Hong Kong?
2. How is Tong Fang produced to capture the extraordinary rental profitability? What are the spatial forms and characteristics of Tong Fang? What kind of agents, relations and practices are involved in the production process? How do they contribute to the materialization of Tong Fang? How various types of production agents, with various interests, considerations and practices, cooperate together and embed their influences in the spatial forms of Tong Fang? What are the implications reflected in the production relations and process?

1.3 Research Methodology

To conduct a concrete supply-side analysis of Tong Fang production in Hong Kong, this research is a qualitative study consisting of both theoretical and empirical analyses. The theoretical framework of this research is significantly inspired by the conceptual insights ‘Class Monopoly Rent’ and ‘Relational Space’ offered by Harvey (1985, 1997 and 2004). These concepts, which help articulate the Tong Fang production with the specific return of landed properties resulted from capitalistic formation of housing landscape and the importance of the inseparable relationship between spatial form and social process, are firstly delineated before entering into analysis. To elaborate the concepts, other supplementary scholarly works, such as Wyly et.al (2006, 2009), Anderson (2012), are invoked as well. Furthermore, employing the concept ‘Knowledge Systematization’, which helps examine how systematized knowledge extracted from production process contributes to the industrial growth of capitalistic production (see Vona et al., 2014), it is provided with a way to understand how Tong Fang production is fostered by the emerging process of knowledge organization in recent years.
For the analytical component of the research, a wide range of information is employed to examine the spatial production of Tong Fang in Hong Kong. Written information, mainly historical archives, such as government reports, surveys, statistics, laws, hansard, media reports and other relevant academic works, is collected through intensive library and archival research. They are used to provide a general account of how Tong Fang, the entire housing market structure even, has been socio-historically constituted by the multiple contingent processes whirling over different times and spaces. In addition, empirical data from personal production experiences of various agents involved in the process of Tong Fang production, namely investors, subdivision workers and real estate agencies, are acquired through in-depth semi structured interviews. In this vein, valuable first-hand information about the production process and supply-side behaviors are captured in supplement to the context generally depicted with the help of the written sources. Furthermore, to substantiate the analysis of knowledge systematization, this study also adopts field research in various taught classes of Tong Fang production, which is believed to be the major sphere for the dissemination of systematized knowledge.

1.4 Significances of the Research

This thesis contributes to the unprecedented investigation of the urban object Tong Fang through the supply-side angle. Given the majority of Tong Fang researches predominantly focus on the demand-side perspective, by and large neglect the importance of the underlying production process and consequently reduce the subdivided housing structure into an empty ‘supply’ which spontaneously responds to the demand of low-cost housing, this study, which could
be understood as an antithesis to the mainstream literatures, thus broaden the comprehension of the subject with a concrete demonstration of supply behaviors and their relations to the materialization of Tong Fang. At the same time, it is going to break through the mainstream account which the urban object is only caused and to matter to the particular agents, notably the dwellers, by disclosing the vivid relationships between the spatial structures and the other human agents who are involved in Tong Fang production. Nevertheless, by emphasizing the importance of production process and demonstrating how it is indispensable to the understanding of current housing predicament, this study does serve as the pioneer for arousing further research efforts in this realm.

1.5 Organization of the Research

The subsequent outline of this research is structured as below: A literature review will first be provided in Chapter 2. Through reviewing how Tong Fang has been comprehended and analyzed in the mainstream discussions, in which the subject is always understood simply as a problematic housing structure and analyzed with a demand side perspective, insights are derived in aim to propose an alternative supply-side analysis. The conceptual and analytical framework of this study, subsequently, is laid out in Chapter 3, with a comprehensive illustration of theoretical components and their applications for analyzing the production of Tong Fang in Hong Kong, along with a detailed explanation of methodological considerations. Main analyses are positioned in Chapter 4 to 6. In Chapter 4, a socio-historical account of the political economy of Tong Fang production, which broadly analyzes how housing market structure has been constituted and hence elicited the potential of CMR appropriation to Tong Fang production. To substantiate how Tong Fang production proceeds to capture CMR, Chapter 5
addresses the detailed production process through various case studies, in which how CMR is extracted through Tong Fang production under the concerted efforts of different production agents is explored. Last but not least, Chapter 6 investigates the contributions of the emerging process knowledge systematization which converts tactic production knowledge into understandable and diffusible production or investment guidelines, to the contemporary Tong Fang production. Then this research is concluded with summarized remarks and implications of the contemporary Tong Fang production in Hong Kong in the final chapter.
Chapter 2

Literature Review

2.1 Introduction

Regarding the increasing number of people living in a housing structure generally called ‘Tong Fang’, it is of paramount importance to have a proper perspective to approach this phenomenon. Since this urban object has been discussed and redefined into a simplified issue, the essence inherent in the notion is not captured by the current studies. Positioning Tong Fang merely as a thing-like spatial structure, the majority of current discussions only cast concerns on the problems engendered by the housing structures and the impacts it brings to specific groups of dwellers. In this vein, nevertheless, the mainstream literatures do fail to capture the critical social relations and processes relational to the spatial form.

To establish a new alternative perspective, the current literatures of Tong Fang are going to be critically re-evaluated. By unfolding what might have been misunderstood, misled and missed, insights are hopefully derived to constitute an alternative analytical framework. The structure of this chapter is going to be deployed as below: Firstly, the literatures on ‘global Tong Fang’, a type of discussion which analogizes Tong Fang in Hong Kong to various types of micro housing structure in different corners in the globe, are going to be reviewed. To criticize the attempts that contend Tong Fang’ as a universal spatial form noticeable all around the world, the following will discuss the failure of certain literatures to recognize ‘Tong Fang’ as a distinctive local product. Secondly, and most importantly, the literatures on ‘local Tong Fang’ are to be assessed. The unsatisfactory study of the notion ‘Tong Fang’ will be pondered, in order to critically evaluate the current discussion that is incapable of reflecting the essential
relationship between ‘form’ and ‘process’. At the same time, the lack of a supply side perspective, or an emphasis on production process, are also stressed accordingly.

2.2 Literatures on ‘Global Tong Fang’

Among the literature, there are works that articulate Tong Fang as analogous spatial forms to those appearing around the globe. While overemphasis is placed on the superficial similarities in the material form, namely the micro living size, these literatures in fact omit the socio-spatial trajectories behind each particular spatial structure emerged. However, these literatures seem to have down played these substantive contexts attached to the material structures.

In fact, two types of this literature are noticeably found. For the first type, Tong Fang is argued to be a global phenomenon with enumeration of foreign examples. By reducing Tong Fang into a mere tiny dwelling with a certain numerical size, the local literatures contend the object is universally found because similar undersized structures are evidently noticed in other countries, such as Australia, Canada, England, U.S, Japan and etc. (Chow, 2017, Fung, 2014, Ko, 2014, Sum, 2013, Sun, 2015, 2015-12-30, Sing Tao, 2011, 2011-09-24). Of course, foreign examples that view Tong Fang in Hong Kong as an equivalent example of the western Micro Housing in the east are not of exceptions (Dollaghan, 2013, Post, 2014). For another type, which goes one step further, common reasons or solutions to the undersized dwellings are generalized from the comparison of various cases of ‘international Tong Fang’ (Sum, 2015, Wu, 2012) Wu (2012), for instance, concludes that global Tong Fang, as she defines as the tinier housing quarters subdivided from a property, is mainly the result of the global skyrocketed property prices boosted by the
universal flooding of capital.

However, the distinctive socio-spatial and historical context and processes behind types of global tiny dwelling are unaddressed. It is dangerous to analogize Tong Fang in Hong Kong with similar structures overseas without regards to their own development trajectories. Tong Fang in Hong Kong, emerged in a disparate historical geography, notably the historical legacies of colonial governance as well as the close relation to Mainland China, is by and large a distinctive product of contingency which is significantly distinguished from the similar spatial forms produced in dissimilar contexts. Based on the local context, similarly, each undersized flat found in different corners of the world is embedded in different sets of social relation. Thus, the housing predicament attached to each form might not be necessarily identical as well.

An insightful metaphor from Harvey (1997) is helpful to further illustrate the importance of contextual study. He finely described urban environment is constructed like a ‘palimpsest' whose layers, formed from particular social processes in different historical moments, are piled up together. As a result, a unique spatial form is thus constituted. Despite that forms and patterns of tiny housing could be found analogous among various places, each of them is still fundamentally different from others due to the respective socio-spatial and historical intricacies. Therefore, instead of superficially analogizing Tong Fang in Hong Kong to the pseudo counterparts appeared in other parts of the globe, the proper understanding to Tong Fang has to be built upon concrete examination of the local spatial form in relation to the local socio-spatial and historical development.
2.3 Literature on ‘local Tong Fang’

If Tong Fang is regarded as a distinctive spatial object of Hong Kong, the way it is conceptualized deserves greater attention. Despite being enthusiastically discussed, the notion of Tong Fang is interpreted by the current literatures in a hasty manner. Generally, the notion only succeeds in addressing thing-like structure as a problematic housing form with attachment to certain negative characteristics. Stereotyping and overgeneralization, since then, are frequently committed to reduce the notion into a static ‘thing’ abstracted from the intricate social relations and processes. So to speak, the various social relations and processes that are indispensable to understand the spatial structure ‘Tong Fang’ are always omitted in the mainstream analysis.

2.3.1 The meaning of ‘Tong Fang’

Ahead of analyzing how ‘Tong Fang’ is refined into a ‘thing’ in the literatures, one must realize how the Cantonese notion ‘Tong Fang’ carries the meaning beyond a simple reference to spatial structure. Particularly, ‘Tong Fang’ was a contingent (re) naming to the specific form of subdivided housing, Tou Fang (套房), in the early 2010s. It is believed that the notion does articulate with special implications. Constituted by two Chinese words, ‘Tong’ (劏) and ‘Fang’ (房), the literal meaning of ‘Tong Fang’ is found symbolic. ‘Tong’ is a verb that means ‘to butcher', or to slaughter', which is an action often imposed on a powerless living creatures, and ‘Fang’ is a noun that refers to a housing structure, like a flat or a room. Analogously, the term could be thus understood as the material form of housing generated from the process of forceful property subdivision executed by the producer, by cropping off the property unit in ‘unusual' ways for specific intentions.
The notion, with the symbolic meaning in Cantonese, was used to refer to a specific spatial form, Tou Fang (套房), since 2010 when a fatal accident took place.\(^1\) A six-storey Chinese tenement building, or known as Tong Lou (唐樓), unprecedentedly collapsed in Ma Tau Wai, To Kwa Wan, causing numerous of casualty. The fell down tenement building was proven structurally unstable afterwards, and lots of illegal subdivided en-suite, or known as Tou Fang\(^2\) were suspected to be the potential catalyst for the collapse due to overloading caused by improper subdivision works. Nevertheless, it was not until the occurrence of this cruel accident that the very existence of Tou Fang, as the common but problematic low-cost housing in the city, was unveiled to the public and hence heavily drew their attention. More crucially, the concealed reality was disclosed that the inferior housing form, charged with excessive rental price but accommodated with significant numbers of people in need of affordable housing, has been eagerly produced in the city by profit-seeking property owners. With this sudden but stunning exposure, the notion ‘Tong Fang’ was used to rename the housing form ‘Tou Fang' in articulation to the unscrupulous housing subdivision practice. As Lam (2011) observantly comments:

‘Tong Fang has long existed, but only it had been labelled as ‘Tou Fang’ by relevant agents like property agency, owners and renters. Since the housing structure heavily caught with the public concern in light of the Ma Tou Wai accident in last year, ‘Tou Fang’ was then renamed.’

---

1 The notion Tong Fang had been existed before 2012, but it was normally used to refer to specific spatial forms other than Tou Fang. For example, Tong Fang, as appeared in the mass media, was once used to indicate the subdivided public rental housing unit which was abnormally partitioned for accommodating aged singletons at the time the public housing policy was criticized for discriminating single elderly applicants.

2 Tou Fang refers to ‘small dwelling quarter subdivided by bricks wall from housing flat which tend to have independent toilet and cooking facility. In addition, a Tou Fang is usually found with thickened floor screeding to position new sewage pipes, and independent water and electric meters installed for checking related bills’ (Hui et.al., 2011).
'The word ‘Tong’ manifests with a bloody sense, implying the social condemnation to landlords who, regardless of the security of others, improperly subdivide properties and thoroughly exploit tenants in order to maximize their own profits' (ibid. my translation).

All until now, the notion ‘Tong Fang’ does tacitly refers to the spatial structure once recognized as Tou Fang. However, by implication, the notion by no means just refers to the spatial structure once called ‘Tou Fang’, but also associates the material form with a contingent production process. To be more specific, Tong Fang should be interpreted as the spatial form Tou Fang produced by profits-seeking landlords through improper property subdivision to realize rampant benefits from the powerless tenants without affordable housing alternatives. In other words, Tong Fang is a spatial product produced from the specific production process in which the owners of the housing structure have an overwhelming power over their tenants. What is more, such a production process itself is composed of a set of interlocking social processes initiated by different social agents with respective interests and concerns. These interests and concerns enable the rent-seeking behavior of opportunistic landlords, or investors, such as the demand of renters in need of affordable housing, the contributions from other production agents, like subdivision workers and real estate agencies, government policies in various aspects and etc.

Consequently, to capture the very implication suggested by the Cantonese notion ‘Tong Fang’, one should pay attention to the inseparable relations between ‘form’ and ‘process’ inherent in the spatial structures instead of merely focusing on the

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3 Of course, there are other suggestions, such as Caritas (2013 c) who contends that the notion ‘Tong Fang’ should be widely referring to any kind of subdivided structures including Cubicles, Cage House and the like. However, the keyword ‘Tong’, as Lam (2011) contends, is specifically addressing the unscrupulousness of the Tou Fang and its owners, which the improper production might engender structural danger. In addition, considering Tou Fang has been the dominant type of subdivided structures in recent decades, the contingent terminology ‘Tong Fang’ is better to specifically indicate to ‘Tou Fang’.
material structure. Therefore, a pertinent problematique to the urban object is to ponder how Tong Fang is produced through fluid social processes.

### 2.3.2 The narrow comprehension of ‘Tong Fang’

Nevertheless, the current studies apparently fail to address the inherent relations and processes lying behind the spatial structure. Among the mainstream analyses, the primary concern over the object Tong Fang is only confined to the spatial form. In a nutshell, exceeding emphasis is positioned to the object as the problematic housing structure and the adverse impacts it brings to surroundings and occupants. Undeniably, the examinations over the problems of the subdivided structure are definitely valuable, as the housing form presents a deteriorating living quality of a significant part of citizens in Hong Kong. Once overemphasizing the spatial forms as the core concern, the critical social relations and processes underpinning and sustaining the problematic material forms are thus neglected. Prevalent in the mainstream literatures of Tong Fang, an overwhelming focus on the material structure is found crystal clear. What is more, the problematique of Tong Fang is hence boiled down to simplified concerns, namely how Tong Fang acts as ‘sub-standard accommodation’ and ‘grassroots housing’.

#### 2.3.2.1 Tong Fang as a technical problem of sub-standard accommodation

One of the common diagnoses of Tong Fang is treating it as a technical housing problem. This type of analysis tends to regard the object merely as a problematic housing structure resulted under improper technical subdivision process, and then it proceeds to draw out the possible consequences that might be engendered by the physical structure. Such a rationale is essentially prevalent in the English literatures. Until now, no official definition of the notion ‘Tong Fang’ has been ever formalized,
while such a Cantonese transliterated phrase is only found in the Chinese researches. For all those studies related to Tong Fang in English, ‘Subdivided Units’ (SDUs), the only available official definition to Tong Fang established by the Building Department (BD), is usually employed in substitution for the Cantonese concept. However, SDUs, a technical definition, is not capable of representing the far-reaching meaning inherent in the Cantonese words.

According to the BD, SDUs refers to the domestic quarter subdivided into two or more smaller individual rooms (Buildings Department, 2016 a). From the engineering perspective, SDUs also mainly concerns the structures:

‘...commonly involved with ‘the removal of the original non-structural partition walls, erection of new non-structural partition walls, installation of new toilets and kitchens, alteration or addition of internal drains, thickening of floor screeding to accommodate the new/diverted drain pipes, addition of door openings or ventilation openings, etc. (ibid. my translation).

Obviously, the object is just neutrally depicted by the perceivable attributes of the physical structure, but the technical description does not reflect the social relations involved. From the engineering perspective, therefore, the focus on Tong Fang is shifted to the structural problems engendered by the material structure. As stated by the BD:

‘The building safety and environmental hygiene may be adversely affected if these associated building works are not properly carried out, including addition of unauthorised door openings which contravene the regulations on means of escape, additions of openings for ventilation affecting the integrity of fire resisting construction, improper drainage works causing water seepage, and overloading of the building due to addition of non-structural partition walls and thickened floor screeding’ (ibid. my translation).
Unfortunately, the purely technical perspective has widely influenced the studies invoked with the concept. Their comprehension to Tong Fang is thus reduced to a technical problem of housing structure. Scrutinizing the object from the technical point of view, Chung (2014, p.5), for example, argues SDUs is a building environment problem concerning ‘building safety’ and ‘environmental hygiene’ which pose health and safety risks to the corresponding renters and surrounding structures. After contending Tong Fang as a problematic structure improperly subdivided, the rest is to discuss how the physical concerns could be resolved by the regulation of the building standard of SDUs, namely the implementation of licensing system. Similarly, regarding of the potential negative impacts in terms of aspects like building safety, fire security and environmental hygiene that might be brought by the subdivided structures, arguments that conclude SDUs as problematic housing structures is commonly noticed elsewhere (Chu, 2012, Dwans et.al., 2013, Wong, 2012). Going a step further, Policy 21 (2013), who shares the official assumption of SDUs as structurally worrying dwelling, attempts to empirically measure the scale of the problematic structure and to quantitatively examine the related concerns of the physical environment.

One way or another, these studies simplify their problematique of Tong Fang into the examination of problems related to the object merely as a problematic subdivided housing structure. Without revealing the underlying social-spatial processes, the technical scrutiny of the subdivided structures is insufficient to unravelling the socio-political implications behind the material forms. Particularly, how the spatial forms are contextually produced under the social practices of various agents, such as rent seeking investors, the renters without available housing alternatives and the government which is indifferent to regulate property
subdivision, is left intact. In light of a socio-political neutrality of the technically defined concept ‘SDUs’, the transliterated notion ‘Tong Fang’ is thus employed in this study in order to stress with the crucial social relation attached.

2.3.2.2 *Tong Fang as a grassroots housing problem*

Another predominant comprehension is to reduce ‘Tong Fang’ into a housing form, and hence a housing problem, exclusive to the grassroots. Prominently appearing in the research conducted by the non-governmental organizations serving the urban underclass, including SOCO and Caritas, the notion Tong Fang is closely tied with the residence of the impoverished. Their contributions are undoubtedly influential given their studies are the majority of available empirical research concerning to Tong Fang, particularly in Cantonese. Holding a similar perspective to Tong Fang as the awful housing environment, the research does succeed to draw out a wider social implication in articulation to the specific living agents, the grassroots. Nevertheless, the object ‘Tong Fang’ is still regarded as merely a static ‘thing’ detached from the dynamic social processes.

This type of research is mainly under the premise that a great number of grassroots are living in Tong Fang which is regarded as a poor dwelling form. Emphasizing Tong Fang as the primary private rental dwelling affordable by the underprivileged, along with the affirmation to the object as an ‘inadequate housing’ attached to negative characteristics including ‘compact living space’, ‘expensive rental level’, ‘rental insecurity’, ‘poor hygiene’, ‘dangerous living environment’ and the like, most of the research dedicates to empirically analyze the object as the ‘grassroots housing predicament’ (Caritas, 2013a, b, 2014, 2015, 2016, SOCO, 2012, 2014, 2015). Caritas (2013b), for example, well demonstrates the dominating
rationale in the research background in their report to Tong Fang conditions in Shum Shui Po.

‘While grassroots has to wait longer to wait for public rental unit allocation, Tong Fang in private building becomes their only housing choice. After the withdrawal of rent control and the related laws of tenure security, the rent of private units in Shum Shui Po has increased tremendously. Grassroots, therefore, become harder to live and find no ways but to tolerate the dangerous living habitat with terrible hygiene (Tong Fang)’ (ibid. p.3, my translation, with added emphasis).

Given Tong Fang has been the most prevalent low-cost private rental dwelling in the recent decades, there are no denial to the very presumption that Tong Fang has accommodated numbers of the urban underclass. However, the residents in Tong Fang are always overgeneralized as the grassroots ‘only’. A stereotyping that Tong Fang is merely housing for the impoverished is thus generated. For instance, Caritas (2016), stating in the research background of the report regarding grassroots’ housing condition, assertively proclaims that the living households of Tong Fang, or SDUs, are the underclass in the city at all.

‘... Number of grassroots has no alternatives but to rent the private rental units with awful living environment (Tong Fang). According to the report of Census in 2015, there was 86400 SDUs in Hong Kong that accommodated with more than 190000 grassroots people... ’(ibid, p.1, my translation).

Similar assertive generalization is found in SOCO (2014, 2016), as they groundlessly assume all children residing in Tong Fang, such as the 20000 persons under 14 years old estimated by the government official in 2013, are impoverished.
However, such an assertive presumption about Tong Fang as simply grassroots housing is definitely exaggerated. Despite the fact that the object ‘grassroots’ is not clearly defined, it always refers to the one with poor financial backgrounds, proven by their monthly income hovering around the officially defined poverty line as well as their qualification for social security and public rental housing (Caritas, 2013a, b, 2014, 2016, SOCO, 2012, 2015). However, the resident group of Tong Fang is by no means confined to the poor (est). It is evidently composed of the group of ‘non-poor’ whose finance might be relatively better, or even far wealthier than the grassroots. Referring to the same report conducted by Census (2015), given the poverty line to households with five or more members is set to be $18300 (Census, 2015, quoted in Caritas, 2016 p.4), there were respectively 14% of Tong Fang households monthly earning with $15000 to $19999 and over $20000 in 2015. In addition to the presence of person with higher educational attainment, 10% of tenants obtained with post-secondary educational qualification, the generalization of Tong Fang as ‘grassroots’ housing’ is rendered untenable.

In fact, the specific interest to the urban underclass leads to serious disregard for the diversity of Tong Fang households. Most of their research about Tong Fang is incapable of reflecting the broader actual situation. Research sampling in their researches, for example, is restricted in the very beginning. Due to the limit of resources, along with the practical difficulties to approach Tong Fang households\(^4\), sampling size of these studies are usually kept as low as around 200 to 400 (Caritas, 2013).

\(^4\) Admittedly, the empirical researches to Tong Fang households are difficult to be conducted. The most common way to approach interviewees, for those researches, is by direct site visiting. However, reviewed by the researchers themselves, the rate of response to ‘door knocking’ is usually low, led to a low number of valid samples could be collected. (Caritas, 2013a,b, 2014, SOCO, 2012) Even for the most comprehensive and extensive surveys conducted by the Census department (2015, 2016), the same restriction still happens given only around a sixty percent of response rate are attained.
2013a, b, 2014, SOCO, 2012). The capacity to reflect the general features of Tong Fang in reality is further damaged by the sampling method. Moreover, their researches often adopt convenient sampling method, instead of random sampling, causing a tendency of designing a sampling area under the preexisted understanding of the NGOs towards the district (Caritas, 2013a, b, 2014). In other words, the representativeness is definitely harmed under the nature of non-randomness and their potential preconception about the relationship between Tong Fang and the grassroots they served. Consequently, as admitted by them, the research outputs are only able to disclose ‘part’ of the actual situation from the interviewees.

In spite of the highly restricted sampling, a certain number of untenable results is noticed. Taking the report investigating the ‘housing predicament of grassroots Tong Fang households’ as an example, 208 samples were drawn by convenient sampling method. Caritas (2013a) concludes that the majority of Tong Fang tenants in Shum Shui Po are the impoverished with low income. Similar cases of over-interpretation by the scare sampling size with low representativeness are easily noticed from elsewhere (Caritas, 2013b, 2014). With all these tendentious presumptions, examinations and interpretations, the object ‘Tong Fang’ is highly stereotyped into the housing problem exclusive to the grassroots, thereby disregarding the wider reality.

Without the meaning to devaluate the contribution of these precious studies which significantly pinpoint to the relationship between the spatial structure and the poor, the intention of the above criticisms is to point out the inadequacies of them to reflect the diversity of Tong Fang and related tenants in reality. In fact, defining the essence of Tong Fang as the problem of grassroots housing is not the privilege
to the mentioned researches, similar perspective is widely observed in various discussions (Chan, 2013, Hui, 2012, Hunag, 2015). Hunag (2015 p.125), for example, not only assumes all the households of Tong Fang are basically impoverished, she even argues that the grassroots housing symbolizes ‘the systematic production of poverty’ in Hong Kong. But despite linking with the spatial structure to social agent, the object Tong Fang is still greatly detached from the wider and more fluid social processes in these studies, given their emphasis of the relationship between the object and the specific group of social agent does circumscribe their interpretation to the reality. Instead, the object is only imprisoned in a static comprehension ‘Tong Fang as grassroots’ housing’. Particularly, without articulating to wider social relations, the existence of ‘better off’ tenants who have to live in Tong Fang is never able to be addressed.

A few do try to surmount the monotonous view on Tong Fang as grassroots housing. On account of the emergence of Tong Fang by the analysis of labor structure market, Chan (2012), for instance, does point out the growing Tong Fang demand is composed of the ‘low to middle class’ whose wages have failed to catch up with the skyrocketing rent of private residential units. Similarly, Yip et.al (2014) stresses the relationship between the solo living youngsters and the choice of Tong Fang residence. This implicitly breaks the fixed impression on Tong Fang as merely the ‘grassroots’ housing’. Besides, So (2013) also succinctly criticizes the negative stereotyping attached to Tong Fang in relation to the residence of the impoverished. Doubting about the narrow depiction of the real situation, he contends that kinds of ‘deluxe Tong Fang' do diversely exist in the city, while they are residing with the tenants with higher affordability. Last but not least, Yuen (2015) shows a similar skepticism to the mainstream representation. She argues that not only the poorest
do live in Tong Fang, but also those relatively wealthier driven by different personal preference might ‘choose’ to rent a Tong Fang. Anyhow, substantial attempts are at least made to broaden the current comprehension to Tong Fang. Without considering the non-grassroots’ residence and the social processes lying behind, the comprehensive implication of the object ‘Tong Fang’ is failed to be unraveled.

However, it is still hard to rock the boat of the immovable stereotyping that insists to view Tong Fang as a grassroots housing issue. Subsequent efforts have seldom been paid in response to the above concerns. Chan (2015), for example, refutes Yuen by opining that Tong Fang is by no means a choice to the lower classes, as the former appears as the only resort to the latter. Yet, the suggestion that Tong Fang does not only house the poor is not properly addressed. Similarly, Chan (2013) agrees with an extensive existence of Tong Fang in various arrangements though, just the variety does not influence his judgment on Tong Fang as the grassroots housing problem. With the result, the mainstream discourse of Tong Fang as an exclusive problem to the bottom class remains prevalent.

2.3.2.3 The inadequacies by demand side analysis

Apart from the narrow comprehension of the subject, another problem is found from current literatures which attempts to account for the rise of Tong Fang through demand side perspective. Demand-side analysis is overwhelmingly adopted to reason the proliferation of Tong Fang by appealing to the increasing demand to low cost housing. However, without considering the substantial supply-side relations, the demand-side examination tends to simplify the reality by the only yardstick ‘demand’, despite the fact that demand itself is undoubtedly a critical aspect that contributes to the urbanization in capitalist society. The one who upholds the
importance of demand, in the most extreme case, might even attribute the rise of urban landscape solely to the individuals’ rational choices and imply that the subsequent existence of Tong Fang is nothing but a natural response to peoples’ preference.

Yuen (2015, 2016), for instance, provides the purest demand analysis explaining for the rise of Tong Fang. Based on a neo-classical economics perspective, she contends that residing in Tong Fang is simply an individual choice of freedom, a rational decision for ones who conclude after weighing different personal preferences, like rent level and distance to urban center, under personal constraints. Choices which maximize personal utility finally constitute the demand for Tong Fang and hence the supply of it. In other words, the demand for Tong Fang is a utility-maximized decision as it is already the best choice of ones under their limited affordability to housing. Such interpretation of consumer sovereignty tries to rationalize ‘Tong Fang’ as solely a logical material satisfaction in response to personal desires. However, the pivotal question of why one has to ‘choose’ to reside in a Tong Fang under the existing housing market structure is avoided. In other words, such analysis does depoliticize the (re)structuring processes that mold the current combination of housing options. As Harvey (1974) critically responds to consumer sovereignty upholders that:

‘Individuals can, of course, strive or choose to join one or another “distributive grouping”... In like manner they can strive or choose (depending on their circumstances) to move from one housing submarket to another. What individuals cannot choose, however, is the structure of the distributive grouping or the structure of the housing submarkets—these are dictated by forces far removed from the realms of consumer sovereignty' (ibid p.70, with added emphasis).
An individual could indeed choose what and where to live, if possible, but the former does not determine the configuration of housing options. Why Tong Fang has been the only choice of low-cost housing in Hong Kong is a socio-historical question which can by no means be resolved by the factor of demand alone. The demand and supply are in fact perpetually (re)produced historically under the changing market structure, which is continuously shaped by social processes embodied in the forms of various government policies, capital operation, population changes and other similar historical contingencies. In other words, purely attributing the rise of Tong Fang to demand is analytically precarious, especially when the demand itself is also the socio-historical product realized under the contingent housing market structure.

Aside from analyzing the depoliticized ‘demand’, some also attempt to accentuate the social contexts that engender the eager demand to Tong Fang. The fundamental rationale for these analyses is to demonstrate how demand for low-cost housing is directed to Tong Fang under the inadequacy of affordable housing. Common social factors are summarized as below:

1. Shortage of public housing:
Demand for Tong Fang increases when the impoverished fail to arrange for their dwelling in the public rental sector. With the often-cited evidence that the astonishingly long waiting list for allocation of government subsidized units, researchers usually argue the Tong Fang demand thus soars as the queuing applicants, mainly composed of the poor, might be forced to seek a temporary housing substitution before successfully allocated with a public housing unit.
2. Decreasing affordability to private housing units:
The rocketing housing cost, including both to purchase and to rent an accommodation, forces the housing demand to shift to the lower tier of housing market. Various reasons, such as the inadequacy of private housing supply, the failure of government housing policy, the steadily-stood wage of labors and the influence from the global financial market, are laid out to account for the imbalance between housing expenses and personal income (Chan, 2012, Chung, 2014, Dwan et.al., 2013, Fung, 2014, Ma, 2014, Wong, 2013).

3. Displacement of poor residents:
Increasing displacement of residents under urban renewal is regarded as the significant fuel to the Tong Fang demand as well. Subsequent to the eradication of aged buildings, the displaced tenant would switch to the cheaper options available in no time. Since they could only afford Tong Fang now, this in return boosts up the demand of such a housing structure (Chung, 2012, Dwan et.al., 2013, Fung, 2014).

Nevertheless, these factors are always shown scattered and piecemeal as the concrete restructuring process of the entire housing market is not articulated. Among numerous explanation offered, Chung (2012) exclusively provides the most outstanding elucidation in relation to the systematic analysis of the housing policies after the 2000s. By comprehensively deciphering the past withdrawal of the government in regulating the housing market, including the retreat from subsidized housing provision, the reform of passive land sales system and the cancellation of
rental security control, how the grassroots have been forced to the lower-tier sub-market is well-presented. However, the same common mistake has been made as the object Tong Fang is statically analyzed as the ‘grassroots housing, while the increasing demand from the non-poor is left untouched. Moreover despite the analysis scrutinizing the housing market structure with the changes of both public and private residential units supply as well as the subsequent demand to Tong Fang, other crucial social processes contributing to the supply of Tong Fang, particularly the practices of various production agents, are still neglected.

All in all, it is insufficient for demand-side perspective to reveal the complex social relations which are crucial to the spatial materialization of Tong Fang. Assuming the supply is the spontaneous response to the demand, the mainstream literatures inclined to demand side perspective always presume that the supply of Tong Fang would always unconditionally spring up whenever the demand emerges. As a result, they completely wipe out the intricate considerations, decisions and practices of the various agents that are important to materialize Tong Fang. The deduced ‘Tong Fang’ is nothing but a meaningless referent without concrete contents, because it is always assumed to be a ‘given’ and ‘uniform’ material consequence after the emergence of demand. Besides the Tong Fang tenants, the participation of agents including the government, Tong Fang investors, real estate agencies and property subdivision workers are of paramount importance, as various material forms of Tong Fang are resulted under their contingent encounter. Without examining the grounded production relations and also the detailed supply-side behaviors, the supply of Tong Fang simply deduced from the housing demand is nothing but an empty concept.
2.4 The absence of supply-side perspective

When analyzing the object ‘Tong Fang’, the supply side, or production side perspective is required to disclose the significant relations and processes attached to spatial forms. But apparently, supply-side behaviors are seldom addressed in the current studies which by and large omit the crucial participations of production agents. A few studies do slightly highlight the contribution of the landlords to the rise of Tong Fang (Chung, 2014, Dwan et.al., 2013, Fung, 2014, Policy 21 et.al., 2011). The common reasoning is that the proliferation of Tong Fang is due to the enthusiastic investment allured by its remarkable rental profitability. However, considering the complexity of production process in which various social agents participate, the simple explanations have missed the concrete supply behaviors which produce Tong Fang.

In general, the production process of Tong Fang involves the contributions from various social agents. On one hand, investors, the pivotal agent to initiate Tong Fang construction, are found with different possible identities, ranging from homeowners of aged residential premises, opportunistic investors to giant enterprise with abundant capital. The forms of spatial products might thus be variously realized according to the contingent practices of different investors having disparate thoughts, concerns, interests and practices. Moreover, their production behaviors are inevitably related to other cooperating agents, such as property agencies and the subdivision workers. By executing, assisting, advising and even encouraging investors to participate in Tong Fang production, the presence of these agents are necessary to be scrutinized in understanding how Tong Fang is materialized. Without accounting for these complicated but intricate relations, and hence their practices, the socio-spatial implications of the object ‘Tong Fang’ are unable to be
unraveled. In particular, there is a growing fashion in recent years that organized knowledge of Tong Fang production, usually formalized by experienced Tong Fang producers, is commoditized and diffused in market. Such a specific process is believed to facilitate the proliferation of the spatial structures in a certain extent. However, without scrutinizing the importance of supply side relations, the abovementioned agents and process are just ignored in the current studies.

Besides, the rampant profitability of Tong Fang is not yet theorized as well. Generally, the remarkable profitability of Tong Fang is represented by an abnormal rental price which the average rent per floor space of a Tong Fang is usually found unreasonably higher than normal undivided private premises, and even deluxe residential apartments. Although such paradoxical rental pricing is well recorded in numerous research, a detailed theorization of that rental profits is still missing (Caritas, 2013, a, b, 2014, 2016, Policy 21 et.al., 2011, SOCO, 2012). An essential question of, for instance, why the abusive rental price is possibly adopted when Tong Fang is as a substandard accommodation is not yet explored. But if the abnormal profitability is regarded as the essential drive for the production behaviors, a further examination on the role that profits play in the production process is thus urgently waited.

2.5 Summary

This chapter has provided a detailed review of the current discussion on the object ‘Tong Fang’. By briefly criticizing the literatures which analogize local Tong Fang with the similar spatial structures appeared world-wide, firstly, the necessity to assert Tong Fang as the local socio-spatial product produced from the unique development trajectory in Hong Kong is emphasized. Secondly, how the object has
been insufficiently comprehended and pondered with constricted problematique in
the literatures on local Tong Fang is shown. With the contrast to the contingent
Cantonese meaning of ‘Tong Fang’, which the spatial form Tou Fang is closely
articulated to the production process, the inadequacies of current research that
merely view Tong Fang as a problematic housing structure are disclosed. In
particular, how Tong Fang is boiled down as sole problems of ‘sub-standard housing’
and ‘grassroots’ housing’ is mentioned. Moreover, another common approach used
to explain the rise of Tong Fang, demand-side analysis, is reviewed. Upholding the
explanatory power of the ‘demand’, this type of research does simplify the
significant socio-spatial implications of Tong Fang inherent in the complicated
production process. However, as reflected by the last part of this literatures review,
the supply-side relations and processes embedded in Tong Fang production are
nearly omitted in the current discussion. Altogether, with the implication that
supply-side analysis is urgently needed to supplement our understanding to Tong
Fang, the alternative approach is going to be laid out in the subsequent chapter.
Chapter 3

Conceptual Framework and Methodology

3.1 Introduction

Eliciting from the previous chapter that the subject ‘Tong Fang’ has to be re-problematicized with a long-neglected supply-side perspective, this chapter aims at providing a concrete approach to theorize the contemporary socio-spatial production of Tong Fang. Invoking the intellectual resources offered by Harvey’s Class Monopoly Rent (CMR) and Relational Space, a fundamental drive of Tong Fang production is established and further substantiated with a re-conceptualized perspective of space to capture the very processual dynamic of Tong Fang production in relation to social forces. Besides, to examine the recently emerging process, of which the tacit knowledge inherent in the production process has been progressively organized into digestible, duplicable and diffusible knowledge, the concept ‘Knowledge systematization’ is employed to decipher how the contemporary production of Tong Fang is influenced by such a process. After illustrating the main conceptual components and the implications of this study of Tong Fang production, the remaining parts of this chapter will proceed to discuss the applied methodology. By introducing the research methods, designs and related considerations, this chapter will elucidate how they help figure out the grounded production process from the experience of selected agents.

3.2 Conceptual components

3.2.1 Class Monopoly Rent (CMR)

3.2.1.1 Reconceptualization of rent

To constitute a supply-side analysis, a specific analytical tool is needed to theorize the fundamental drive of Tong Fang production. The concept ‘Class
Monopoly Rent’ (CMR) established by Harvey (1974) can help serve the purpose. With the reassertion of the importance of ‘Rent’ in contemporary urban analyses, he re-conceptualized the concept in articulation with social relations. He first criticized the neoclassical doctrine which merely regards rent as a ‘rationing device’ serving to allocate scarce land resources to producers under market competition. From this view, rent seems to be the payment for the ‘production value’ of the scarce factor land itself. However, land per se does not produce any ‘value,’ and that payment is more a premium to the living people. Resembling the comment of Wyly et al. (2006, p.109), a social relation is therefore re-accentuated:

‘Rent only has meaning with exclusive control of land backed by the legal institution of private property, and the scarcity that confers value to land is itself created by urbanization.’

In other words, rent is better understood as a payment for ‘private property arrangement,' which Harvey (1974, p.63) succinctly stated that:

‘Rent... is a transfer payment realized through the monopoly power over land and resources conferred by the institution of private property’.

In this vein, the concept ‘rent’ is inherently related to ‘monopoly' which implies the right of absolute control, protected by the property right, to certain portions of the globe (Harvey, 2002, p.94). This unique characteristic of ‘monopoly’ was already explained by Adam Smith decades ago:

‘The rent of land, considered as a price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take; but to what the farmer can afford to give’ (Adam Smith 1776, Wealth of Nations, quoted in Wyly et al., 2009 p.4).
Rent, therefore, is by no means a payment for the production merits of a particular piece of land but only a price to the ones who own the monopolized privilege of absolute land control. Moreover, under the contemporary capitalist urban society, the distinction between rent and profit, and the one between landlord and capitalist, are not clear-cut at all. The negligible difference, therefore, is not significant for investors as long as their very motive is to allocate their capital the most profitable option. As a result, ‘Rent’ can be the proxy to understand how capital shifts from the traditional industrial circuit to real estate market.

3.2.1.2 Definition of CMR

Harvey introduced a new notion - ‘Class Monopoly Rent’ (CMR) which he applied to anatomize the housing landscapes of Baltimore in 1970s. Such a concept is built upon the Marxian understanding of rent, which is further categorized into three branches: Monopoly Rent, the return yielded from the monopoly price set for a piece of land with unique quality; Absolute Rent, the return arising from the condition a landlord only leases out his land lot at the minimum price; Differential Rent, the return generated from the land with relative superiority in terms of location and quality (see Harvey, 1973, p.176-180, Evans 1991, p.6). CMR, therefore, can be understood as the notion developed from the first two types of Marxian rent involving the specific articulation of ‘class’. He, in defining CMR, said:

‘This kind of rent arises because there exists a class of owners of ‘resources units’… the land and the relatively permanent improvements incorporated in it… who are willing to release the units under their command only if they receive a positive return above some arbitrary level’ (Harvey, 1974, p.65).

To further illustrate this type of rent, the respective meaning of ‘Class’ and
‘Monopoly’ have to be explained in brief. Class generally refers to ‘any group that has a clearly defined common interest in the struggle to command scarce resources in society’ (ibid, p.85). Comparing with the Marxian ‘class’ which is strictly classified by the possession of means of production and the ability of surplus value extraction, the ‘class’ used by Harvey is a looser concept referring to a specific social grouping with unitary interests. With unequal power relation, political conflicts and social inequality are destined to arise from the existence of private ownership (Wyly et al., 2009 p.9), the social grouping of ‘class’ might inevitably take place under capitalist urbanization.

The notion ‘class’, therefore, essentially links to the second component ‘Monopoly.’ As what is suggested before, the ‘Monopoly’ here is not about the market dominance of giant companies but the exclusive right and privilege of land control conferred by private ownership. Wyly and his colleagues elaborated (2009, p.339):

‘Monopoly matters not primarily because, as Marx suggests, the supply of land is limited, nor because landowners can become price-makers, but rather because of the inherent monopoly associated with the legal status of ownership.’

Altogether, ‘Class Monopoly Rent’ is the transfer payment resulted under unequal power relation of which the owners of scarce resources, usually land and the related improvements, could command an arbitrary price for releasing their possession to the subjected groups in need of a shelter. Harvey notably stressed the importance of ‘class power’:

‘The realization of this rent depends upon the ability of one class-interest group to exercise its power over another class-interest group and thereby to assure for itself a certain minimum rate of return’ (Harvey, 1974, p.67).
Theoretically, the potential for CMR extraction does occur in numbers of circumstance as long as the conflicts between interest classes and the unbalanced power relation exist. In the most generalized situation, slumlords in the poor neighborhood, illustrated by Harvey (ibid.), are capable of extracting the CMR from low-income tenants who have no possible housing alternative in the closed housing market. Given that shifting to other areas or resorting to subsidized public housing is impossible, the low-income tenants get trapped in a particular market where the only residence option, dilapidated tenement apartments, is provided by the slumlords. Manipulating the class power granted by the housing market, the landlords who monopolized the only housing supply for the poor could command for an arbitrary pricing to the housing desperate. Of course, class power might not stay constant. Contingent counteracting processes, such as governmental implementation of rental control and public housing construction, might help intervene in the housing market and restrict the overwhelming class power of those slumlords.

Besides the impoverished, CMR is possibly extracted from the wealthy as well (ibid.). Without doubts, considering the stronger financial background of the middle-to-high income group, more dwelling options are available for the ones to escape from the dominant power of any particular class. For instance, one could supposedly seek alternatives by shifting to other geographical housing markets. With cultivation and manipulation of the consumer preferences, nevertheless, CMR is possibly realized by constructing specific niches of housing market. For example, appropriating the distinguished (dis)favors of the better off, such as their social status, sense of prestige, class preferences, disfavors and even phobias, developers
might thus possibly entrap the wealthier class into their differentiated housing option and command an arbitrary price for their distinctive housing products.

3.2.1.3 **CMR extraction and Housing market (re)structuring**

Since the potential of CMR realization might guide the production of housing landscape, the housing market structure which grants land resources owners that potential is of analytical importance. For the examination of Baltimore, Harvey suggested that the potential of CMR extraction lies at the socio-spatially differentiated structure of housing market, a series of housing sub-markets, or ‘island-like structures’ in which specific classes are trapped inside and directly confronted with the class power of landed classes (Harvey, 1974, 1975). Also, he argued that the formation of the specific housing market structure is the historical product of institutional arrangements which are mainly constituted by the interlocking policies of financial and government institutions. (Harvey, 1974) But once the CMR potential is formed, it is expected that the housing market structure is sustained, maintained and even transformed by practices of the CMR-seeking agents, mostly including housing developers, landlords, and financial institutions. In other words, as Anderson (2012, p.16) suggests that the housing landscape ‘is both an outcome and necessary pre-condition for realizing class monopoly rent, the spatial expression of this restless pursuit by housing producers to maximize profits.’

3.2.1.4 **Limitation**

It is apparent that CMR is a potentially powerful conceptual tool to theorize the production of Tong Fang in Hong Kong. Given that Tong Fang is an exclusive low-costing accommodation option available in the entire housing market structure, the
spatial structure Tong Fang is produced by opportunistic investors to realize remarkable rental profitability, embodied in an excessive rental charges, from tenants in need of affordable housing and with no, or at most limited, possible housing alternatives. In other words, CMR, represented by the excessive rental profits reaped from tenants without alternative housing choices, could thus be regarded as the fundamental drive for Tong Fang production. However, since the concept CMR is theoretically formulated in the socio-historical context of U.S., Baltimore in particular, where the contributions of financial and government institutions and the geographically-divided structure of housing sub-markets are more elaborated, it is inappropriate to directly transplant the theory without considering the local context in Hong Kong. In particular, the production of space in Hong Kong has proceeded under a distinctive regime, developed since the early colonial governance and perpetuated all until now, that government significantly has controlled, participated and intervened in land development, or commodification (See Tang, 2008, 2016). To understand the housing market (re)structuring that grants CMR potential to Tong Fang production, therefore, one has to take the social forces in relation to Hong Kong in terms of it’s time and space into account. Besides, the foundation of CMR potential to Tong Fang production is more contributed by a housing market structure in which affordable housing options other than Tong Fang are absent, rather than a structure of multiple spatially-differentiated sub-housing markets. Therefore, to properly account for how CMR potential to Tong Fang production is generated in the local housing market (re)structuring process in Hong Kong, more intellectual insights are necessary.

3.2.2 Reconceptualization of ‘urban’ and ‘space’

The reconceptualization of urban and space suggested by Harvey (1997, 2004) is
useful to substantiate the supply-side analysis of Tong Fang production in Hong Kong. Not only can they help develop a precise local examination of housing market (re)structuring that engenders CMR potential to Tong Flag production, but also they help substantiate the understanding of concrete supply-side relations and behaviors involved in production process.

3.2.2.1 Reconceptualization of the urban

To properly understand the material reality in a city, Harvey (1997) suggested a reconceptualization to ‘urban’. Urban, as he argued, has to be methodologically understood with a prioritized focus on process over things for capturing the very dynamic inherent in reality. Concentrating on the fluidness of ‘things’ that is perpetually subjected to transformations of social forces, he contends, with a strong materialist standpoint, that material forms manifested in urban are essentially constituted by social processes, or as he comments that the urban ‘things’ are the ‘products of processes’ (ibid. p.230). To clearly denote the meaning of the term ‘process,’ Leeds defines it as ‘forces, movement, connection, pressures, taking place in and among loci or nodes of organization, peopled by individuals,’ while the social organization refers it to ‘positions, roles, statuses, groups institutions and so on’ (quoted of Leeds, Harvey, 1997 p.231). So to speak, through contingent thoughts, practices, (inter) actions of numerous kinds of social relations, constituted by various social agents along with their own intentions, mentalities and even ideologies, a thing-like city, usually represented by material landscape and built environment, is thus produced. To elaborate with a historical-geographical dimension, a city is processually produced like a ‘palimpsest’ with culminated layers constructed by a range of social processes in different time and space (ibid p.230).
3.2.2.2 Relational Space

Based on that methodological view of ‘form’ and ‘process’, an even more fundamental reconceptualization of ‘space’ is induced. Apart from the conventional assumptions of space as a simple container to social processes, which are generalized into two main quantifiable categories ‘Absolute Space’ and ‘Relative Space’, Harvey proposed the third assumption ‘Relational Space’ to capture the processual momentum inherent in every spatial form. Generally speaking, the relational view emphasizes space, as well as time, does not ‘exist outside of process’ (Harvey, 1997, p.231). Inspired by the insights from Leibniz who is strongly against the Newtonian absolute view of space, Harvey specified:

‘The relational view of space holds there is no such thing as space outside of the processes that define it. Processes do not occur in space but define their own spatial frame. The concept of space is embedded in or internal to process...The relational notion of space-time implies the idea of internal relations; external influences get internalized in specific processes or things through time’ (Harvey, 2004, p.4.)

Therefore, space is no longer a static ‘thing’ appeared in a specific focal point in time, but it is fundamentally associated with a wide variety of contingent process, initiated by a series of social agent with different thoughts and interests, inscribed in various time and space. With this broader view of time and space, one could envisage that production of space, or more accurately spatio-temporality, should be granted with a greater fluidity. A dialectical relationship between ‘thing’ and ‘process’ is suggested, as once social processes give rise to material structures, the produced ‘things’ would then enhance, influence and even change the nature of social process (Harvey, 1997, p.231).
By implication, the entire housing market structure in Hong Kong, including the material structures Tong Fang, is produced in perpetual relations to social processes situated in different time and space. To dig into the wide range of contingent events, corresponding processes and influences ‘swirling over’ space in various historical moments in Hong Kong, the local formation process of the spatial fabric of housing market, composed of disparate forms of accommodations, in different times and spaces, could be unraveled to account for underlying CMR potential. What is more, in light of the CMR potential inherent in the given housing market structure, production process of Tong Fang could be substantiated by disclosing the diversified production behaviors and practices behind the material forms as well.

3.2.3 Systematization of production knowledge

Last but not least, to thoroughly theorize the contemporary Tong Fang production, the specific process of organizing production knowledge is going to be theorized by invoking the concept ‘knowledge systematization’. As Harvey (1985) reminded us that the potential of CMR, once developed out of the housing market structure, might trigger a series of concerted efforts and behaviors that capture such opportunistic profit and, more importantly, strengthen the potential of CMR appropriation. It implies that the forces that consolidate CMR extraction are dialectically critical to the analysis of the production of Tong Fang, which is presumed as the spatial product resulted under the pursuit of CMR. Meanwhile, systematization of production knowledge, a process supposed to synthetize various kinds of production knowhow into formats useful to producers in general, is believed to be a significant practice that beneficially influences both Tong Fang production and CMR extraction.
Knowledge systematization, as Rosenberg defined, is a process involved with ‘formalization, articulation and verification of learned practices into synthetic rules and instructions’ (Vona et al., 2014 p.1398). D'Ippolito, Miozzo & Consoli (2014, p. 1335) further describe it as a process of ‘abstraction and diffusion of useful knowledge stemming from novel practices’ which facilitates ‘economically viable courses of action.’ Without doubts, the definition of useful knowledge varies by production contexts, but simply, it could be interpreted as ‘the practical know-how that is needed to make things work’ (ibid, p.1335). In general, the particular process is to generalize kinds of practical know-how from complicated production process into digestible, duplicable and refined manner ready for wider diffusion.

Knowledge systematization has always been deeply rooted in the historical development of capitalistic production. The industrialization of craft trades in the early times of capitalism, for instance, perfectly proves the very significance of knowledge systematization. As Grant et.al (2000, p.33) argued with an example, the revolutionary debut of scientific management of production process in the early 20th century, well represented by ‘Taylorism-Fordism,' relies on systematization of tacit, scattered and ill-structured technical know-how of skilled individual craft-workers into ‘explicit, firm-held’ knowledge. With the systematic appropriation of knowledge of craftsmen, employers can control the total labor process and implement efficient division of labor, thereby doling out the simplified and repeatable knowledge to workers according to the working tasks they are allocated (Basole, 2013). The modern mass production system which exponentially multiplies the productivity of the craft business, therefore, is only established with the vital contribution of knowledge systematization.
Moreover, knowledge systematization is crucial to the dissemination of production practice and technology, further stimulating industrial growth and production innovation. The viability of mass production system at initial phases, for instance, is dependent on establishment of ‘stable systems of rules or standardized instructions’ that are indispensable for skill and task specialization (D’Ippolito et al., 2014). With cumulative practices of production that ‘facilitates identification of regularities, establishment of conditional rules, and eventually creation of instructions' (Vona et al., 2014 p.1396), the production system is rendered sophisticated under systematization of tacit attendant know-how. The particular process of knowledge structuring, furthermore, does not only sharpen production practice and organization within a firm but also across firms, and even industries. The know-how abstracted from particular contexts or applied in specific remits under continuous ‘learning by doing’ during the production activities might be circulated to a broader extent, which might in turn ‘affect the ecosystem of competencies and selection rules’ of the whole industrial sector (D’Ippolito et al., 2012, 2014).

3.3 Theoretical framework

Combining the mentioned components together, a theoretical framework is established as below. With the theoretic tool - CMR, Tong Fang production is examined as the process of opportunistic suppliers, mainly the class of Tong Fang landlords along with other agents like property subdivision workers and real estate agencies, to capture CMR through an exclusive low-cost housing option in recent decades from tenants without feasible housing alternatives matching their very affordability. In other words, CMR acts as a primary proxy to analyze the
contemporary Tong Fang production in Hong Kong. To anatomize CMR seeking practices, the process of housing market (re)structuring is entailed to decipher how CMR potential is generated in the specific housing market structure, a market structure having no sufficient provision of other affordable housing options, while allowing Tong Fang, a substandard accommodation, to be erected. With the relational view of time and space, how the housing market structure in Hong Kong has been socio-spatially and historically constituted can thus be unraveled. To be more specific, how contingent social processes, such as the land development regime of the government, the differential control and clearance of squatters, the non-intervention to subdivided housing, the half-hearted provision of subsidized housing, the population movement between Hong Kong and Mainland and etc., have shaped housing market structure and gradually engendered CMR potential for Tong Fang landlords to expropriate are put with emphasis.

Considering the relational view of time and space that attenuates the inseparable relation between ‘thing’ and ‘process’, the production of Tong Fang is examined with the intricate processes of various production agents behind the material form. Given the CMR potential in the contemporary housing market structure, how Tong Fang is materialized in order to realize CMR through interlocking practices of diversified production agents, including investors, homeowners of aged residential premises, real estate brokers and subdivision workers and even government officials is pondered. In particular, as the primary CMR seeking agents, the class of Tong Fang landlords has to interact with other agents inevitably in order to realize their objective. Therefore, how Tong Fang production is preceded with the comprehension of concrete supply relations and behaviors are going to be revealed. In addition to the conceptual tool - ‘knowledge systematization’, the influence of
the emerging process that blatantly formalizes the organized and diffusible knowledge of Tong Fang investment in recent years on the production of Tong Fang in Hong Kong is to be unraveled as well.

3.4 Theoretical analysis and methodology

This study, with an emphasis on supply-side perspective, or more accurately a production-side perspective, predicates on the very assumption that ‘Tong Fang acts as the contemporary spatial product for CMR appropriation’. Being distinguished from various subdivided structures once prevalent in the past, such as cubicles, bedspaces, cocklofts and the like, the spatial form of Tong Fang roughly refers to the independent suites which usually involve permanent structural changes of floor arrangements, notably erection or removal of walls as well as installation of exclusive toilet and cooking facilities. It is also recognized as Tou Fang subdivided from a property unit and sublet as low cost housing since 1990s. Though all vary in forms and internal arrangements, Tong Fang units represent how landlords reap rampant profits from specific segments of population in need of affordable housing by producing inferior, yet independent and self-sufficient, subdivided structures, under this contemporary period. To anatomize how suppliers, usually indicated to owners, landlords or investors of Tong Fang, attain the rent seeking objective by production of Tong Fang, how their practices are situated among actions, thoughts and imaginations of other social agents are critical. In other words, the concept ‘production’ is not merely interpreted as the process of making economic goods, but it is also understood as the constitution process of space, as well as time, in relational to a series of social relations. The theoretical analysis of this thesis, therefore, is laid out as below:
3.4.1 Examining the political economy context for Tong Fang production

Firstly, it is going to decipher the processual context which has enabled Tong Fang production and hence CMR appropriation under the changing housing market structure. In a nutshell, probing into the socio-historical development of housing market structure in relation to numerous contingent social forces, the government interventions in land development in particular, Chapter 4 aims to testify how CMR potential has been granted for Tong Fang production as Tong Fang has been rendered as a dominant option of low-cost housing and entrapped certain groups of renters in need of affordable accommodation. So to speak, Tong Fang production is thus understood with a political economy context which landlords are enabled to erect Tong Fang and capture CMR.

To accomplish this objective, the empirical analysis will first examine the process of how subdivided housing, a broad category referring to various subdivided housing structures erected inside residential premises, has been perpetuated in housing market structure and consolidated as the dominant, almost the only, choice of low-cost housing in private market to specific groups of population through time. Such review of the historical trajectory of subdivided housing ranges from the preliminary colonial time in Hong Kong to the 1990s when the sovereignty handover was about to happen. The illumination of the involved forces, such as the land development regime of the colonial government, the contingent government interventions to the housing fabric, the exponential growth of population owing to the influx of Chinese immigrants and the like, is thus the key to decipher the foundation and the development of housing market structure.

Moreover, the production of Tong Fang, a kind of subdivided housing emerged
in the 1990s, is sequentially examined. In light of the CMR potential generated by the given status of subdivided housing which had monopolized the affordable housing option during the colonial times, how Tong Fang production has emerged to appropriate CMR is analyzed in the rest of Chapter 4. It continues to examine the processes of housing market (re)structuring from the 1990s onwards and unveil how CMR potential for Tong Fang production has been enhanced through various social forces, namely the retreat of the government to intervene in housing sector, the paradigm change in real estate investment and the growing segments of population finding normal housing unaffordable. At the same time, how the contemporary Tong Fang production has been resulted in diversified manners in order to capture that massive CMR potential will be pondered as well.

3.4.2 Scrutinizing the grounded production process of Tong Fang

Secondly, to substantiate the contemporary Tong Fang production under the outlined political economy context, Chapter 5 will address the solid production process in relation to the spatial forms of Tong Fang. Through invoking the lens of Relational Space, how forms of Tong Fang, with various spatial arrangements and different ways of CMR realization, are produced by a series of contingent processes initiated by various agents with different background, interests, decisions and practices of contingency is going to be pondered. In particular, the crucial agents involved in the production process, such as the production agents like Tong Fang landlords, investors, real estate agencies, subdivision contractors and even the government officials, are emphasized. The analysis of detailed production process is conducted through analyzing the distinctive production experiences of four selected interviewees who directly engage in Tong Fang production in the roles of investors, homeowners of aged premises, subdivision works consultant and
contractors respectively. By reviewing the grounded production process embedded in the material forms of Tong Fang, Chapter 5 is going to disclose how the class of Tong Fang landlords appropriate CMR through Tong Fang construction and what are the significant relations and processes found contributive to the contemporary Tong Fang production in Hong Kong.

3.4.3 *Exploring the influences of the emerging knowledge systematization on the production of Tong Fang*

Last but not least, in light of the emerging trend that organized knowledge of Tong Fang production formulated by different institutions is increasingly found available, how knowledge systematization influences the contemporary Tong Fang production is analyzed in Chapter 6. Pinpointing to the fostering effect of diffusible systematized knowledge synthetized from production process, it is going to figure out how such an emerging process helps facilitate the proliferation of Tong Fang production. The process - ‘knowledge systemization’ is explored with references to agents who convert their refined and professional understanding and insights to Tong Fang production into synthesized and transferable knowledge, and openly distribute them in the market as commodity. By interviewing with three involved agents and attending two of the courses they held, the process is examined with aspects including contexts of organization, contents of formalized knowledge and resulted impacts to corresponding audience. By consequence, the implications of such process, evidently thriving in the recent years, for the contemporary Tong Fang production as well as the subsequent appropriation of CMR are thus drawn out.

3.4.4 *Methodological Considerations*

As above introduced, qualitative research methods, including in-depth interviews
and field research, are employed in this research. By utilizing the advantages of interviews, for instance, this research can capture the detailed mentality of production agents, such as thoughts, desires, opinions, interpretations, decisions and rationales that are difficult to be quantified, and in return reflecting the essential relation between spatial product and social processes. However, this study, with an emphasis on supply-side behaviors, is fundamentally limited by the sampling difficulties. Considering the sensitivity related to Tong Fang construction in Hong Kong, reluctance from production agents to have interviews is encountered. Therefore, a research constraint that sampling is highly confined to a few individuals willing to disclose their practices is predetermined. In particular, some forms of Tong Fang, such as the ones located inside industrial buildings, village houses and other types of buildings, are unfortunately excluded from this study because of inaccessibility to the relevant informants. Nevertheless, as a preliminary attempt to construct an unexplored supply-side analysis of Tong Fang, the collected sampling is sufficient to draw out meaningful discussions.

Seven interviews, in total, are successfully conducted with various production agents who are mostly Tong Fang owner/investors, homeowners of aged residential premises, subdivision work contractors, real estate agencies and organizers of taught courses about the knowledge of Tong Fang production. In fact, there are different rationales behind the selection of these samples. First, Tong Fang owner/investors could provide the first hand information about their underlying considerations and related mechanisms of Tong Fang production as well as CMR appropriation. It is also expected homeowners of aged property might share the similar information as well as specific experience of converting their long-occupied housing premises. Second, subdivision work contractors and real estate agencies,
generally categorized as auxiliary agents, are anticipated to illustrate their participation in the production process, such as the ways they provide their clients with various kinds of supporting services as well as their direct involvement in CMR extraction. Last but not least, organizers of taught courses help specify the grounded details of knowledge systematization, including ‘what’, ‘why’ and ‘how’ kinds of knowhow and information regarding Tong Fang production are systematized. According to these criteria, two investors, 1 homeowners of aged property, 1 real estate agency and 3 subdivision contractors have been interviewed, while three of them are regarded as organizers of taught courses.

Given the difficulty to approach targeted agents, moreover, the interviewees are widely searched through various methods. Without surprises, personal network has been sought to look for cooperative interviewees in a certain number of interviews. Furthermore, some interviewees are approached via the referral by Caritas or invited through online platforms. Lastly, the interview with the representative from IVE is requested through formal invitation. Despite that the sources are scattered and unsystematic, the feedback from the interviewees are undoubtedly precious for this research under the practical constraint.

As for the design of interview, semi-structured interview, constituted by a set of open-ended question, is adopted in accordance with individuals with various backgrounds (See the example in Appendix I). Instead of designing a rigid set of questions, the interview guide is customized to each particular agent with considerations to his roles, usually interwoven with multiple positions, involved in production process. One way or another, to understand social processes lying behind material forms of Tong Fang, interviews aimed at acquiring information
about personal production stories of interviewees with following aspects: personal background, production experience, context of getting involved in production practice, reason for participation, characteristics of the spatial forms they produced, rental capacity, principles, rationales and considerations of the arrangement, understanding to (il)legality of subdivision works, division of labor, contributions of other agents and the like. As far as the role of the organizer of taught courses is concerned, extra questions are set to obtain information from related informants about organization context, motives, objectives, content of systematized knowledge, observed influences and etc. Anyhow, analyses will be laid out with the transcribed interviews recordings.

Regarding the discussion of knowledge systematization, three cases in total, including two cases of private agents and one case of semi-public agent, are studied. Apart from the in-depth interviews with organizers of taught courses already illustrated, field research of taught courses of Tong Fang knowledge is employed as well. Complementary to the interviews of organizers, direct participation in the taught courses they held is an efficient way to understand how production knowledge is formalized and diffused. After obtaining the oral consent from the organizers, the attended lessons are recorded for research uses. In total, three cases of knowledge systematization, represented by the interviewees Mr. A, Mr. B and Mr. G, are going to be discussed. While the courses of Mr. B and Mr. G were successfully attended, the course held by Mr. A, unfortunately, was missed due to the over-popularity of his class and the time constraint of this research. Anyhow, based on the interview with Mr. A and relevant written materials, such as course outline and online promotion, it is still sufficient to reflect the process and principles of knowledge systematization.
3.5 Summary

In light of the necessity of constructing a supply-side examination of Tong Fang, an alternative analytical approach is proposed in this chapter. Inspiring from the intellectual resources, mainly provided by Harvey, the presumption of ‘Tong Fang as the contemporary spatial product in pursuit of CMR’ is laid down. The notion - ‘CMR’, first, serves as a fundamental analytical proxy to indicate the scrutiny of supply-side practices. Furthermore, the analysis of Tong Fang supply is broadened with another conceptual tool ‘Relational Space’ to articulate the materialization of Tong Fang with the social dynamic. In addition, the production of Tong Fang is examined with the interacting processes, in which the class of Tong Fang landlords realizes their desire of reaping CMR from other social agents with numerous contingent practices. Lastly, how the recently burgeoning process of formalization of organized Tong Fang know-how influences the contemporary Tong Fang production is to be deciphered with the concept ‘knowledge systematization’. Supplementing to this conceptual framework, the analytic framework is elucidated with the applied methodology, primarily including in-depth interview and field research, along with the considerations of interview design, mechanisms as well as limitations.
Chapter 4
The Political Economy of Tong Fang production
Class Monopoly Rent (CMR) realization under Housing market (re)structuring

4.1 Introduction

This chapter is going to analyze the political economy of the contemporary Tong Fang production in Hong Kong by reviewing housing market (re)structuring. As Tong Fang is a spatial product in the pursuit of CMR from the housing needy, it is necessary to ponder how the changing housing market structure has granted power to the class of Tong Fang landlord to fetch excessive profits from those tenants without possible affordable dwelling alternatives. This chapter first scrutinizes the socio-historical formation of subdivided housing as the dominant private low-cost housing in the city by the 1990s. Examining how the housing market (re)structuring various social processes, namely the contingent housing policies of the colonial government in different historical phases, it is going to unravel how subdivided housing has perpetuated in Hong Kong for over one and a half century since the 1840s. Based on the above context, subsequently, the remaining discussion deciphers how Tong Fang, the contemporary form of subdivided housing first appeared in the 1990s, has been produced to capture the CMR from the 1990s onwards. How Tong Fang has monopolized the housing options of the segment of population which fails to afford a decent residential premise under the housing market (re)structuring after the 1990s and hence elicited the potential for CMR realization is also emphasized. Altogether, a general context for the contemporary Tong Fang production will be elucidated by the end of this chapter.
4.2 The distinctiveness of housing market (re)structuring in Hong Kong

The general context of the production of space in Hong Kong is a pre-requisite for any elaboration of its subdivided housing. Within it, one could not neglect the unique colonial nature of Hong Kong. The intervention of government has been critical to the land development in Hong Kong (See Tang, 2008, p.351-352, Tang, 2015, p.158). Since the British took over Hong Kong, all land parcels were dispossessed from indigenous inhabitants and declared ‘Crown Land’. Having a monopolistic control over land, the colonial government became the arbitrator of land development of the colony (ibid.). The seized land resources were wisely manipulated and commodified through the market system, auctioning to the highest private bidders for the sake of financial revenue. The additional and early requirement of financial independence commanded by her motherland also manifested the importance of land related income to the colonial government.

Since then, an essential concern over land, as well as property market, was inscribed in the colonial land governance, so does today. Repeatedly unfolded itself during different historical contingencies, such an ideology has influenced the formation of housing market structure. Subdivided housing, therefore, has perpetuated under this distinctive context. With the primary interest to commodify land resources, the disposal of land parcels and hence the housing provision were basically left to the private sector. Unless chaotic situations emerged and called for necessary regulation, the colonial government usually refused to intervene in the housing market structure by providing more subsidised housing. Therefore, subdivided housing, as the only economical way to survive in the costly private housing sector, predominated in the early colonial Hong Kong. But the indifference to regulate the interior private subdivided dwellings did not change despite the
changing historical contexts. In particular, in the post-WWII period, the contingent spreading of squatter drew the attention of the colonial governors as they viewed it as an ‘infringement’ of the land resources. Subdivided structures built inside permanent residential buildings were by and large kept ignored in spite of the limited provision of subsidized housing. With the determination to reclaim crown land through squatter clearance, furthermore, subdivided housing consolidated its status as the almost only private affordable housing in the Hong Kong by the end of colonial period. Of course, inheriting from the historical legacy, especially the ideology over land and property market, the HKSAR continued to limitedly intervene in the housing market. In addition, the impacts on the real estate sector and the corresponding governmental responses from a number of contingencies, such as the financial crises in 1997 and in 2008 have further enhanced the monopolistic role of subdivided housing as the dominant affordable housing, represented by the contemporary form Tong Fang, in the housing market structure.

One way or another, to scrutinize the process which subdivided housing has perpetuated over one and a half century since the colonial period, the government with her predetermined interests has to be casted with a pivotal concern. Being reminded with this uniqueness, it is believed that one could better comprehend the socio-historical process discussed below.

4.3 Socio-historical formation of subdivided housing in colonial period

4.3.1 Pre-World War II period: Foundation of subdivided housing as the dominant urban accommodation

To analyze the material origin of subdivided housing structures, one has to trace back to the time as early as the period when Hong Kong was just declared as a
British colony. Early subdivided dwellings, mainly referring to cubicles and cocklofts erected in Chinese tenement buildings, had appeared to be a dominant or almost the only accommodation option to the general Chinese until the commencement of Sino-Japanese War in the late 1930s. Despite the fact that subdivided housing was inferior regarding living quality, the indispensability of their existence had stayed intact during the whole pre-war phrase. After all, as Pryor (1972 p.95) argued, subdivided structures, sub-letting and overcrowding were the ways of life in the early colony.

4.3.1.1 Formation of early subdivided housing

In general, the early spatial forms of subdivided housing could be understood from the physical depiction of subdivided housing made by Chadwick, an officially appointed sanitary engineer, in his report on the sanitary condition of Hong Kong in the early 1880s (See Cheung, 2000 p.78-80). To comprehend the physical existence of subdivided housing, it requires a brief introduction to the building type in which the former is situated. Chinese tenement house, or known as Tong Lou or shophouses, was the predominant type of residential building other than Western houses in the pre-World War II period. In general, each floor inside a tenement was always subdivided into numbers of quarter for sub-letting. Confined by the building material - ‘China fir pole’, prevalent at that time, which caused a narrow frontage of building, Tong Lou was usually built elongated and ‘back to back’ with adjacent buildings. Dissatisfactory ventilation and poor hygiene, therefore, were predetermined in such building design. Moreover, as shown in Figure 4.1 which reflects the inside of a pre-war Tong Lou with two to five floors, the ground floor was mainly used for commercial business, while the undivided spaces upstairs were usually boarded off as subdivided-cabins for residential use. In addition, size of
residence might increase when cocklofts are vertically erected over subdivided cubicles and bedspace are set in common corridor in order to maximize usage of floor area. Overcrowding, therefore, was prevalent as three to eight families were simultaneously accommodated in a single tenement floor, with poor sanitary conditions. While forms of internal arrangement might vary, this basic morphology had more or less lasted during the whole pre-war period.

In a nutshell, the birth of subdivided housing was relational to the early commodification of land resources since the British took over the control of the

Figure 4.1 Subdivided structures in tenement building in 1880 (Quoted from Chadwick, Pryor, 1972, p.119)
Subsequent to the disposition of the land right owned by the indigenous Hong Kongers entitled by the traditional Chinese land system, the colonizer seized all land in Hong Kong Island in the early 1840s and declared them as ‘Crown Land’ subject to her exclusive disposal. Since then, a leasehold system of land allocation, from which land lots were ‘leased’, but not sold, to developers for certain period of time by public auction, was gradually established to maximize the revenue of land sales under market system. High land premium, therefore, was basically predetermined under such specific land control and hence the effect manifested in the price of private housing property. However, the huge housing expense was not affordable to general households in the colony. In particular, the least trading unit of real estate property was a whole building instead of a single floor or unit inside, and, as such, only the wealthy minority, namely the European and later the rich Chinese, were able to purchase housing property. As a result, housing properties in the colony of those wealthy were usually subdivided into quarters and sublet to the general public who failed to buy or rent a housing quarter. Tenement floors were usually leased from principal landlords to sublandlords, the ordinary citizen with a relatively stronger financial capability which allowed them to afford the initial outlay of the principal rent of a whole floor and the cost of subdivision works, and later sublet to less wealthier people in forms of partitioned structures, like cubicles, cocklofts and bedspaces (Fung 2001 p.47).

Furthermore, the practice of subdivision was maintained by the continuous housing demand brought by the influx of Chinese immigrants who were escaping from the social chaos in China and attracted by the growing prosperity in the colony. For example, the Tai Ping Rebellion first triggered the waves of immigration from Mainland China, especially Gunagdong, and the population in the colony quickly
rose from just 7400 in 1841 to over 39000 in 1853 under the influx of refugees (Pryor, 1972 p.91). Moreover, due to the rapid urbanization of the colony, particularly triggered by the colonial annexation of Kowloon and New Territories respectively in 1860 and 1898, further immigration was evidently noticed when the population in Hong Kong surged to 263000 in 1900 (Fung 2001 p.31). The massive population, of which the great majority was the grassroots earning an exploitative wage in the colony, was left with no alternatives but to cram themselves into overcrowded subdivided structures in private residential properties.

In light of such socio-historical context, moreover, the contingent building form Chinese tenement was eagerly built by developers in order to maximize their revenue. While ‘tenement housing’ was supposed to be a traditional building typology commonly found in Southern China and the places with Anglo-Chinese background, like Singapore, the one in Hong Kong was significantly mutated from its predecessors and developed into a denser form (See Cheung, 2000, Shelton et.al., 2015). Given the high land premium resulted under the specific land administration, developers tended to maximize the usage of every unit of physical space in their bided land lot. The tight building layout, well represented by the ‘back to back' arrangement and the lack of open space in the rear of tenement, was designed for the sake of reserving more spaces for rental purpose. Moreover, as Cheung commented (2000), the ‘undivided’ tenement floor was intentionally designed to facilitate the prevalent subdivision practice in the colony. Due to the eager demand of housing gradually emerged in the colony, the subdividable Tong Lou increasingly caught developers’ interest due to the profitability resulted from overcrowding. As early as in the 1870s, for instance, the total stock of Chinese tenement already surpassed the stock of European styled buildings (Chu, 2012 p. 261).
4.3.1.2 Uncontrolled subdivision practice

The persistent erection of substandard subdivided structures was critically reinforced by the disinterest of the colonial government to intervene in the housing market of the colony. The only organized planning was only found in Victoria town, the area around Central-Western district where were the central commercial area and the residential district exclusively zoned for European (see Fung, 2001, p.29-31). However, the housing situation of the general Chinese society outside Victoria town did not fall into the interest of the colonizer. The housing provision to the Chinese, therefore, was left as an anarchic situation which the private developers were able to cram as much as residents in a tenement floor in an unrestricted manner. In 1891, for example, given each house in the colony was averagely resided with 18 persons, it was believed the living size of the Chinese was even smaller than the stipulated size, 12 sq. ft., of the Chinese grave (ibid. p.42).

Moreover, the power relationship between the colonial government and the landed class did reinforce such indifference to regulate the housing standard of Chinese tenement as well as subdivided housing structures. It was not surprising that regulations were often called for setting the proper building standard for tenement buildings against their terrifying living standard. But the resistances from landed classes to defend their profitability yielded from construction of overcrowding tenement were always found robust to withstand the potential regulations that might harm their profitability. As Chadwick, who returned to the colony for re-evaluating the sanitary conditions in the 1890s when the fatal plague just happened in the previous decade, observantly concluded in his report:
‘... Recommendations made from time to time during the past 20 years by the professional advisers of government have been practically set aside. The reason for this is simple. If the number of people which can be packed on a given plot of ground is reduced by limiting height and by reserving open spaces, obviously the value of that plot is reduced also.... Naturally, the land owner desires to get the best rental for his land by crowding as many tenants upon it as possible. Consequently, during the past 20 years, numerous Buildings Ordinances have been brought before the Legislative Council, but in each case, many salutary provisions have been withdrawn or emasculated at the request of the unofficial members... representing the landed interests’ (Quoted from Chadwick, Pryor, 1972 p.103.)

Since the colonial government heavily relied on land related incomes, the power of landed class was thus found invincible against potential regulations (and see Chu, 2012 257-261). Even if a proposed ordinance was not withdrawn, concessions from the colonial government, such as relaxation of requirements or compensations, were normally given to the landed classes (See Bristow, 1984). Such power of the landed class could be attributed to the importance of their vital contribution to the finance of the colony. In 1881, for example, the land related revenue already significantly took up one third of total annual revenue of the colony (Fung, 2001, p.25). Comparing with the sales of opium, one of the most important revenues to the colony, which recorded with 0.21 million dollars, the revenue obtained from land sales and taxes was almost a double to it (ibid.).

Even though the legislation of proper building standards was successfully passed, the ineffective enforcement still contributed to the overwhelming construction of substandard subdivided structures. Be that as it may, numbers of crucial building regulations were still established in spite of the robust resistance from landed class due to the serious sanitary concerns exploded after the great plague, notably the Building Ordinance 1903 which was regarded as the modern blueprint of building
regulations. In particular, standards of subdivided structures and definition of overcrowding were nominally provided. Generally speaking, numbers of cubicle in a room was restricted to no more than two, while living structures in ground floor, cocklofts, structures over the verandah and windowless cubicles were prohibited to be erected (Public health and Building Ordinance 1903). Moreover, an overcrowding standard was specified that anything with less than a habitable floor area of 50 sq. ft. and 550 cu. ft. of unobstructed internal air space per adult person is regarded as overcrowding, provided that there is no cubicle with a floor area of 35 sq. ft. and 330 cu. ft. per person (ibid.). However, regulating subdivided structures through legal ordinances were just a wishful thinking, overcrowding, and hence the erection of subdivided structures, was still unstoppable under the enormous housing pressure, while affordable housing alternatives were absolutely in shortage. At the same time, as Pryor (1972) pointed out, actual enforcement of law against illegal subdivided structures was insufficient under the lack of human resources for inspection and corruption among related officers. Consequentially, subdivided housing, along with overcrowding, stayed unsettled in the whole pre-war period.

4.3.1.3 Absence of housing alternative

The thriving growth of subdivided structures in the pre-WW II colony was also sustained by a long term absence of alternative low-housing options. Large-scale squatters, on the one hand, were successfully prohibited in the first century of colonial history of Hong Kong. Being regarded as ‘land thieving’ and ‘deprivation of legitimate revenue to the government’, squatting were strictly monitored and controlled by the police at the urban center of Hong Kong Island, while scattered erection of illegal structures was tolerated at the urban periphery (Fong, 1980). On
the other hand, no attempt of public subsidized housing provision was found. Once again, under the non-interventionist policy of the colonial government in the housing market, public housing construction was viewed as a waste of land resources and a detriment to the interest of the landed class (Bristow, 1984). Despite that suggestions of subsidized low-cost housing construction were submitted to the colonial governor in numerous occasions, such as in the official housing reports in 1921 and 1935 when the colony was overstressed by the accumulated population growth, no governmental interventions in housing provision were ever implemented in pre-WWII period.

4.3.2 Post-World War II period 1940s to 1970s: Continuous development of subdivided housing without restrictions

In the early post-WWII period, subdivided housing was no longer the dominant housing to the general public given the emergence of alternatives, namely squatter. However, the debut of housing alternatives did not imply that the significance of subdivided structures as the urban low cost accommodation was thus reduced. Especially unlike squatter which was subject to the determination of the colonial government to eradicate it out of her very interest to reclaim her precious urban land resources, subdivided housing, with similar substandard living conditions, was indifferently ‘tackled’ by the British. Anyhow, subdivided housing not only did not disappear along with the post-war urbanization process but also remained as an indispensable urban low-cost dwelling by the end of this period, though the population resided in subdivided housing dropped from 1.55 million to 650000 from 1961 to 1971 (Pryor, 1972 p.110, Census, 1971).
4.3.2.1 Differentiated concerns over Squatter

Dissimilar to the pre-war context which subdivided housing dominated the affordable housing options in the colony, the contingent burgeoning squatters did work as the crucial alternative to private subdivided structures. Movement of dwellers from these two low-cost housing options was evidently noticed. Squatter, in particular, was believed as the constant substitution with a lower housing expense to dwellers in costlier subdivided structures. For instance, when the eviction orders in tenement buildings reached the peak, 140000, in 1963 under the enthusiastic private redevelopment, the highest number of squatter population, 603000, was coincidently recorded (Drakakis, 1979, p.53). Furthermore, revealed from a squatter survey conducted by Hopkins in 1968, third-fourth of interviewed squatters was found being former tenement tenants for over ten years (Quoted from Hopkins, Keung, 1981 p.8). By implication, the rise of squatters did provide another possible option, though substandard at all, for people to survive in the costly housing system in Hong Kong.

As for the rise of squatter, the sensitive existence to the colonizer due to their occupancy of crown land, it was found that squatting was no longer controllable like in the pre-war period several coupling issues, including the return of diaspora, influx of refugees escaping from Chinese Civil Wars and a serious housing shortage at that time when one-fourth of housing stock were heavily destroyed after the Pacific War (Fung, 2001, p.54). As a result, the general public either lived in the overcrowded private tenement or various temporarily erected structures in the early post war context. Moreover, the burgeoning squatter soon widely spread out in urban peripheries. Mainly located in Tai Hang, North Point and Shau Kei Wan in Western Hong Kong Island, Shek Kip Mei, Diamond Hill and Kwun Tong in
Eastern Kowloon, and villages in New Territories, the number of squatters even skyrocketed from just 45000 in June 1949 to 300000 by the end of the same year (Smart, 2006 p.48). Additionally, the further population influx composed of immigrants attracted by industrialization in Hong Kong and Chinese refugees in escape from the governance of the Communist Party, notably in the 1960s due to Cultural Revolution, placed extensive squatting in an indispensable position to house the enormous population increase which was beyond the capacity of the subdivided structures in tenements.

With the eager interest to reclaim valuable land resources, the colonial government was highly devoted with primary concerns to tackle the extensive squatting problem. Large-scale programme of subsidized housing, known as resettlement estate, was even unprecedentedly launched since the early 1950s to rehouse squatters, particularly for those who occupied the desirable land lots in the urban area, and to unleash the land they occupied. With the continuous construction of resettlement estate and clearance of urban squatters taken place in the period of 1950s to 1960s, almost a million were rehoused and accommodated in the public subsidized housing (Pryor, 1972 p.113). Therefore, squatters were rapidly cleared after the introduction of resettlement programme, the clearance rate of squatter structures even reached 16000 per year from 1963 to 1967, while the accommodation of resettlement estate reached to over 500000 in 1963 (Fung, 2001, p.179). However, the number of squatters was rejuvenated by the ever-increasing immigration as well as the movement of residents from private subdivided housing, 5

5 Of course, the provision of public housing programme might not be solely accountable by the governmental interest of claiming crown land. As Smart (2002, 2006) argues, the political control to squatters under the cold war context was another convincing reason to the provision public housing, as the colonial government was afraid of the potential of resistance of squatters who were not properly compensated might be manipulated by the Communist Party.
resulted that over 400000 squatters were still noticeably found in the early 1970s (Pryor, 1972 p.112).

4.3.2.2 Subdivided housing as the forgotten existence

Alongside the rampant growth of squatters, subdivided structures erected inside private residential buildings continued to be the dominant low-cost housing in the colony. In particular, mainly erected in the residential buildings located in urban area, cubicles, as Leeming (1977) argued, were shown with a monopolized strength of ‘centrality’ which allowed dwellers to live in the costlier urban area with a relatively affordable expense. Therefore, despite the penetrating growth of squatter, subdivided structures in urban areas were still vividly flourished due to the demand for low cost housing from the ones who were in need to live close to the urban centre. For example, subdivided housing in key urban districts like Cheung Sha Wan, Yau Ma Yei and Mong Kok were already overcrowded with nearly 100000 persons in the early 1970s, while 650000 persons in the colony were housed by sublet cubicles and rooms at the same time (Census, 1971 p.65). Besides, a specific type of subdivided structure bedspace apartment, or known as cage house was contingently emerging during the post-war period as well. Seeing numerous job-seeking male single immigrants being injected to the colony due to the rapid industrialization, some opportunistic tenants in chief, or managers in industries, tried to capture their demand on low-cost housing near their working places by converting tenement flat in urban area into multiple wired bedspaces for subletting (中大社工隊 et. al., 1979, Leeming, 1977).

Underlying the robust existence of subdivided housing was again the continued indifference of the colonial government shown to subdivided housing in the city.
Unlike squatters that obviously offended the landed interest of the colonial government, private subdivided structures built inside permanent buildings, along with the tenants inside, was by and large left ignored despite their awful living environment, namely the notorious overcrowding. No resettlement, therefore, was ever provided to tenants of subdivided structures, while the resettlement estates, the primary type of early public housing purposely built for squatter clearance, were exclusively reserved for squatters and hence inaccessible to other housing needy. Given public housing provision was primarily implemented for reclaiming precious land resources, solving the housing predicament of residents lived in private market was the last priority. The only subsidized housing available to dwellers in subdivided housing to apply was the government low-cost housing units (GLCH) which started to be constructed since 1964, though in limited amount, and offer public rental housing to people with low income, under $500 at that time. But similarly, such provision did not aim at providing a sufficient substitution to sub-standard private subdivided structures, as those dwellers, granted with no specific priority over other applicants, were still required to apply for the units through public waiting list just like everyone else. Shortage of GLCH soon emerged, as the number of applicants in the waiting list of GLCH culminated to 172000 persons by 1971 (Drakakis, 1979, p.96). As a result, the limited provision did not essentially alleviate the housing predicament of tenants in subdivided housing, who, the eligible one, were forced to be trapped in the overcrowded dwellings at least for a while until they were allocated with a subsidized unit or decided to move into squatter.

The disinterest of the colonial government to intervene subdivided dwellings also manifested in her permissive approach towards the specific kinds of housing. Not
only no new regulation governing the living environment of subdivided housing structures was ever introduced in the post war period, but also the established ordinance against overcrowding, though ineffective at all, was officially ‘disabled’. In light of massive population pressure which the colonial government failed to control, the Public Health Ordinance against overcrowding, in spite of its all-time inefficiency, was converted into an enabling law as it was officially admitted that as ‘unenforceable' under the acute housing predicament in 1960 (Hong Kong Legislative Council, 1960). Since then, overcrowded and insanitary living conditions might not necessarily be deemed as an offense unless the related authority decided to do so. As a result, it implied that the overcrowding standards imposed on subdivided housing started to be invalidated as overcrowding was no longer regarded as a law violation. In other words, this did signify how the colonial government started to implicitly accept the prevalence of substandard subdivided structures as a status quo, legitimizing the accommodation of lower quality.

Anyhow, the dominance of subdivided housing in private market was broken when there was a growing possibility of property ownership emerging since the 1950s. The one with better finance could escape from subdivided housing by establishing their housing ownership (Leeming, 1977). With the revolutionary introduction of innovative property trading arrangements ‘sale of flats as separate units' and ‘payment by installment' in the late 1940s to early 1950s, under the post-war development of real estate sector which developers attempted to foster the trading activities of residential properties, ownership to private whole flats became more financially practicable to the general public. Especially given the least trading unit of property had been legally restricted to a single building, purchasing housing property was no longer the privilege of the wealthy minority under the separated
sales of individual units. Also, benefited from rapid industrialization, more ordinary citizen, ranging from emerging classes of professionals and industrial managers with middle income to general blue collar workers and domestic servants with low salaries, found private whole flats ownership affordable (ibid., Leeming, 1977). Given the housing supply was boosted by the renewal of Building Ordinance in 1955 and 1966, which essentially uplifted the building density with the introduction of plot ratio calculation, ownership to whole private units were being popularized to a larger spectrum of population in the subsequent decades. By 1971, therefore, an obvious portion of households dwelled in non-shared forms of private housing. Apart from the 390000 households lived in subdivided structures, 325000 households were found occupying whole residential units in forms of ownership and tenancy (Census, 1978).

4.3.3 Post-war period 1970s to 1990s: Consolidation of subdivided housing as dominant low-cost accommodation

In the decades when the sovereignty of Hong Kong was about to be returned from London to Beijing, subdivided housing was gradually rendered as the residual option for affordable housing in the colony. In general, the alternatives to private subdivided structures were found diminishing primarily due to the contingently successful squatter clearances after the Sino-British negotiation over the future of Hong Kong as well as the retreating efforts of public rental housing provision under the shifted focus to promoting housing ownership in the pre-handover period. Along with the enormous and constant influx of population to Hong Kong during this period, both legal and illegal there was no denying that significant portions of local housing demand were solely channeled to the private housing market and trapped in subdivided dwellings that were becoming the dominant affordable
private accommodation option.

4.3.3.1 *Determined eradication of squatter*

To account for the process that uprooted the existence of squatter in urban area, the relational context of border control in the 1970s must be illustrated at first. Owing to the continuous chaos happened in China, illegal immigrants, those who entered the colony in ways other than official applications, were ceaselessly fleeing to Hong Kong during the 1970s. For example, a number of 56000 illegal incomers were remarkably recorded in 1973 (Yip, 2008 p.4). With fermentation of local dissentient to the ceaseless influx of Chinese population to Hong Kong in the past decades, particularly when newcomers were by and large welcomed by the colonial government to support the growing industrialization of the colony, illegal immigration, as Ku (2004) argued, was officially (re)problematised as a negative source annexing the public resources, living standard and even social stability of the colony. The exploding inhospitality to Chinese incomers finally led to serious controls of illegal immigration. The ‘touch base’ policy was implemented in 1974 to control the waves of immigration by repatriating illegal incomers who failed to make their way to urban areas. But when the population influx only aggravated instead of being curbed, given nearly 100000 illegal immigrants successfully made their way to urban areas in 1979 (Law, 1997 p.3), the complete prohibition to illegal immigration was finally introduced in 1980. With the negotiation as well as the assistance of the Beijing and the Guangdong provincial government, a strict border control was implemented to immediately repatriate all illegal travellers. Such border cooperation was further consolidated in 1984 when the future of Hong Kong was made clear after the mutual agreement of the Sino British Joint Declaration. Illegal immigration, therefore, was finally put under control.
In light of total control of illegal immigration, complete eradication of urban squatter was thus enabled. Considering that the unexpected illegal incomers’ contribution to the resilience of squatting around the colony, the number of squatters still stood high and recorded with 450000 in 1979 despite the previous clearances of the illegal building structures (Drakakis, 1979, p.128). Nevertheless, the contingent debut of total border control offered an unprecedented opportunity for the colonial government to effectively tackle illegal crown land occupation (See Smart, 2002, p.341 -342). In 1984, the last large-scaled squatter clearance was carried out. With the massive squatter occupancy survey, targeted squatters were arranged with resettlement in public rental units (PRH), the continuum to both resettlement estate units and GCLH units after 1973, or official temporary housing to wait for future allocation of PRH. With the effective curb on the unexpected illegal immigration under the cooperative border control, the colony made a smooth progress on squatter clearance. Only around 20800 squatters in urban area, therefore, were not yet resettled at the end of 1990s, despite the fact that squatting in the New Territories was still loosely tolerated (ibid. p.341). By implication, the shrinking squatter left subdivided housing as almost the only remaining option of affordable dwelling, further consolidating its position in the future housing market.

4.3.3.2 Curtailed provision of subsidized housing

With the fading existence of squatter, the affordable housing in the colony other than private subdivided dwellings was left with subsidized housing, which was unfortunately in a constant limited supply by the colonizer. Undeniably, the housing tension in Hong Kong was significantly relieved by the ambitious expansion of subsidized accommodation provision since the 1970s. Since the early 1970s, in
order to restore the social stability as well as the public sense of belonging heavily
damaged by the 1967 riot, social chaos arising from the resistance of pro-Beijing
leftists, and hence to gain the bargaining power for the upcoming Sino-British
negotiation, an ambitious provision of public subsidized housing, recognized as
‘Ten Year Housing Programme’, was initiated to intentionally provide ‘sufficient’
rental subsidized dwelling, which was known as PRH, to replace the previous
GCLH and resettlement estate, for 1.8 million people living in substandard housing,
such as squatters and aged tenement buildings (See Fung, 2001, p.192-194).
Though only around 55% of the intended target was only accomplished under the
setback of global financial crisis in the mid-1970s, the boosted production of
subsidized units under such a programme ultimately housed over 1 million people
(ibid.). Nevertheless, the provision of new public housing was mainly located in the
outer urban area under the new town development programme. For instance, there
were over 730000 residents housed in public rental estates which were built in the
first generation of new towns, including Tsuen Wan, Sha Tin and Tuen Mun (Census,
1991). Such out-shifting construction somehow reduced the effectiveness of newly
built subsidized housing as the low-cost alternative to urban subdivided structures
which were closely attached to urban economic center.

But apparently, such an impressive growth of public housing sector did not
sufficiently replace private subdivided dwellings. In general, the provision of public
housing fell short of accommodating the robust local demand on affordable
dwellings, especially when the growing need of housing was fueled up by ceaseless
immigration. Shortage of public housing, therefore, still prevailed. By 1983, for
example, while there were 150000 households queuing for allocation of PRH, the
average waiting time required four years for a non-urban unit and eight to ten years
for an urban unit (Lau, 1995, Castells, 1986). These temporary inaccessibility to subsidized housing did pose a necessity for applicants, particularly who longed for staying in the urban area, to resort their accommodation in the expensive private market and even by living in substandard subdivided structures.

Besides, such temporary inaccessibility became a greater obstacle to the newcomers to Hong Kong since the late 1970s. In relation to the changed attitude held by the colonial government to the ceaseless immigration which was deemed as a trouble to the colony, the public housing allocation was added with a differential criterion - ‘Seven-year residence in Hong Kong’ which stipulated applicants’ households must at least contain a certain number of members fulfilled the residence requirement before they got distributed with a PRH unit. By implication, in comparison with the ‘local’ residents, the class of new immigrants was unavoidably more distanced from subsidized accommodation and hence more compelled to seek for their housing in private market.

Worse still, a large shortage of low-cost subsidized housing was resulted under the shifted concern of housing policy which reduced the efforts in PRH provision in the eve of sovereignty handover. After signing the Sino-British Joint Declaration, the one last duty of the colonizer was to ensure the socio-economic prosperity of Hong Kong. In order to do so, especially to maintain the sense of belonging of citizens in Hong Kong, ownership of residential property thus became the primary objective to the British in terms of housing policy. This direction of pro-ownership was well highlighted in the Long Term Housing Strategy in 1987 (Long Term Housing Policy: Policy Statement, 1987). By pinpointing to the importance of housing ownership as well as the potential for the private sector to be responsible
for the housing provision in the coming future, this strategy also proclaimed the relative retreat of PRH provision (ibid.). Henceforth, not just a series of financial subsidies were provided to both developers and the public to build and purchase private subdivided housing, but also, more importantly, the provision of public housing was changed qualitatively. The construction of ‘Home Ownership Scheme’ (HOS) units, a saleable public housing unit provided for targeted households with low to middle income to establish their property ownership since the late 1970s, was boosted at the expense of PRH provision. For instance, the proportion of HOS units in the annual public housing production increased from 14% in 1988 to 32% in 1992 and even to 47% in 1996, while the percentage of annually constructed HOS units to PRH units was also raised from 16% to 75% and even to 88% at the same time (Census, 1997). Therefore, it was not surprising to notice the shortage of PRH was still remarkable given the number of PRH waiting list applicants maintained at 150000 in 1995 (HKHA 1995). One way or another, as what Chan (2000) argued, instead of being a holistic assistance to the housing needy, PRH was gradually residualized as a limited relief to the most vulnerable in the city.

4.3.3.3 Consolidation of subdivided housing as the dominant low-cost accommodation

With the eradication of urban squatter and insufficient provision of PRH, the exclusivity granted to subdivided housing as the dominant affordable housing in the city was hence cemented. Notably, the number of persons housed by subdivided structures, including cubicles, sub-let rooms, cocklofts, bedspaces and the like, were at least recorded as 235000 (Census, 1991). Moreover, the indispensability of low-cost subdivided housing had to be understood with the skyrocketed property value in the pre-handover period. To encourage the growth of real estate sector so
as to attain the prosperity in the remaining colonial time, not only the land available for land sales was restricted down to 50 hectares per year after signing the Sino-British Joint Declaration, but also the specific way of land sale ‘reserve list ’was introduced, so that the land lots were only available for auction whenever the authority, the Lands Department, received more than one bidding requests (See Tang, 2008 p.352). As a result, land prices were exponentially boosted, so did the property value. In addition to the enthusiastic speculation activities in the 1980s to 1990s elicited under such context, the price and rent level of private housing respectively surged by nine times and four times and surpassed the inflation rate from 1986 to 1997 (Census, 1997). While the housing cost was found increasingly unaffordable to the public, the existence of subdivided housing as private low-cost housing was thus strengthened given the lack of possible alternatives.

In particular, the constant inflows of new immigrants, the specific class discriminated by the subsidized housing allocation system, did reinforce the resilience of low-cost subdivided housing erection. Since the implementation of serious border control in 1980, the only way for Mainland Chinese to obtain residence in Hong Kong was through the application of ‘One Way Permit’ (OWP), a certain amount of daily permission quota issued by the Mainland authority to eligible applicants for immigrating to Hong Kong. The primary purpose of OWP was to facilitate ‘reunion of families’ separated in Hong Kong and Mainland China. Given the cross-border marriage was prevalent after the open reform and opening of China, the Mainland married partners and their children of some Hongkongers were thus waiting for relocating to Hong Kong. In addition, the right of abode of those children of Hong Kong residents living in China was ensured by the Sino-British Joint Declaration and made specific in the drafting of the Basic Law. The
OWP quota was thus further increased in the early 1990s. One way or another, a substantial amount of Chinese immigrant was thus constantly flown to Hong Kong. For instance, there were over 40000 Mainlanders come to Hong Kong annually through OWP system from 1983 to 2001 (Census, 2001 p.17). Given their differential treatment on public housing allocation, subdivided housing was thus being the most practical affordable accommodation to new immigrants. For instance, SOCO noticed over 70% of the 250 private premises they served were converted into cubicles accommodated with Chinese new immigrants in 1999 (Apple Daily, 1999a, 1999-04-30). What is more, in the same year, the Home Affairs Department officially estimated 70% of new immigrants resided in crowded subdivided structures in districts like Shum Shui Po, Kwun Tong and Kowloon City (Sing Pao, 1999a, 1999-04-28).

However, such consolidation process of subdivided housing as the dominant urban low-cost housing could not be comprehensively revealed without taking account of the tacit consent of the government. In general, the colonial government continued to be disinterested in regulating private subdivided structures, which were regarded as a tolerable permanent housing of lower quality. For example, the colonial government insistently refused to grant dwellers with priority of PRH allocation. As revealed by the representative from the first Housing Bureau of the HKSAR, the government had primarily prioritized their concern to the residents without permanent accommodation instead of the residents in subdivided structures who were housed in a rather stable housing (Ming Pao, 1999, 1999-07-06). Echoing with this ideology, the earlier Housing Bureau of HKSAR also once expressed that the housing demand of residents in subdivided housing were generally regarded as no different as the ones living in other substandard housing (Housing Bureau, 1999).
Following these lines of thought, the existence of subdivided housing was already accepted by the government as the status quo which was not urgent enough for greater interventions.

The same ideology applied when there were other requests calling for regulations on the building standard of subdivided structures. The only regulation over subdivided structure was the Bedspace Apartments Ordinance (BAO) introduced in the late colonial period. Drafted in 1994 out of the mass public pressure in the late 1970s and finally implemented in 1997, the BAO served only as a piecemeal intervention to subdivided housing. It required any property unit with 12 or more bedspaces for rental purposes to apply for a license and to fulfill a series of housing and fire safety standards (Lau et.al, 1994). Instead of entirely banning the erection of bedspaces, the official purpose of this legislation was to ensure the living safety of the subdivided structure only. Similarly, cagemen were normally not granted with PRH unless they resorted for compassionate rehousing. However, subdivided cubicle, which was resided with households almost nine times more than the sum of bedspaces and other minor subdivided structures (Census, 1991), did not receive any legislative concern. In particular, as partitioned structures were exempted from the Building Ordinance and private indoor space was not governed by the Fire Safety Ordinance, substandard cubicles were by and large left uncontrolled. However, no official revisions to the building laws were ever conducted, so does today. The government even rejected to expand the remit of the BAO to subdivided cubicles. Therefore, it was also impossible to imagine any legal stipulation of least floor area provision established to govern the rampant subdivision of property into undersized quarters. As addressed by the Home Affairs Department, the living space and density in private residential units were unable to be regulated as ‘they
were determined by personal finance, living preference and market demand' (Ming Pao, 1999, 1999-07-06).

4.4 The contemporary production of Tong Fang: The 1990s onwards

Grounded on the foundation that subdivided housing was socio-historically constituted as the dominant low-cost accommodation by the 1990s, the rest of the discussion is going to examine how Tong Fang, the dominant form(s) of the contemporary subdivided housing, has been produced onwards under the subsequent housing market (re)structuring. With a lack of affordable alternatives, thanks to the decisive elimination of squatters and the insufficient provision of subsidized housing, the resulted exclusivity of subdivided housing as the primary low cost private housing option preserved a great potential of CMR realization for suppliers to extract excessive profits from the ones in need of cheap accommodation. As an advanced form of subdivided housing which made its debut in the 1990s, Tong Fang not only gradually outmoded the previous types of subdivided structures but also evolved into a crucial accommodation to wider spectrums of lives.

4.4.1 Tong Fang as an advanced subdivided housing

The material form of Tong Fang, or Tou Fang, could be understood as an upgraded version of cubicles. In general, Tong Fang technically refers to the independent suites subdivided from a whole residential flat. Similar to the previous forms, erection of Tong Fang usually takes place in units of aged properties, notably Tong Lou and Yang Lou, the aged building of which the units inside were pre-designed with partitioned layout, built before the 1990s, mainly because of the favorable layout as well as the lower property price. In particular, ‘Three Nil buildings' (三無大廈), referring to aged buildings with no owners' corporations,'
'no residents' organizations and 'no property management companies', are regarded conducive to Tong Fang construction because of the absence of obstructions. But as for the internal arrangements, Tong Fang is slightly improved in living quality in certain extent as well. The ‘independence’ is critical to distinguish Tong Fang from the past subdivided structures because the former unprecedentedly provides with a sense of privacy. Rather than merely partitioned by wooden materials, Tong Fang is subdivided with concrete walls, namely brick-walls.

Besides, superior to the previous partitioned quarters whose facilities were necessary to be shared with other families, an independent Tong Fang could fully encompass domestic activities of a household with its’ exclusive installations of private toilet, cooking devices and even independent meters of utility usage calculation. Usually sized around 80 to 140 sq. ft., the physical area of Tong Fang, therefore, is slightly bigger than traditional cubicles usually sized around 30 to 100 sq. ft. to accommodate extra independent facilities. But variations in spatial arrangement, like a Tong Fang being extremely sized over 180 sq. ft. or furnished without restroom and kitchen, do exist due to various circumstances. Anyhow, Tong Fang could be commanded with a higher rental price than cubicles with those relative superiorities.
Although Tong Fang, as a new form of subdivided housing, approximately emerged in the 1990s, there is no united account of its material origin. One of the possible explanations is that Tong Fang is originally an innovation from prostitution sector. According to Frederick Kin-kee Fung, the former Legislative Councilor and District Councilor, Tong Fang, particularly for the ones in Shum Shui Po, were initially found related to prostitution business (Television Broadcast Ltd., 2013). As stipulated in the "Crime Ordinance" that 'premises, vessel or place are or is used wholly or mainly by 2 or more persons for prostitution' is treated as a 'vice establishment', (HKLII., 2012) a brothel is only legal when the indoor operation is involved with no more than a single sex worker. Independent suites with the least sense of privacy, therefore, were subdivided by tenement landlords in cater to individual sex workers to lawfully prostitute herself since the 1980s, the well-known business model - ‘one-woman brothels' (一樓一鳳). Henceforth, the subdivision paradigm was subsequently applied to residential rental businesses in the 1990s.
Another relevant account is that Tong Fang might be a contingent spatial product stimulated from a desire of self-sufficiency in subdivided structures as well as technological improvements in subdivision works. Reflected by the production experience of Mr. E, an interviewee of this study who has been a Tong Fang (sub) landlord as well as a subdivision worker since the 1990s, his pioneering production of Tong Fang was triggered by the demand for domestic privacy among co-tenants and his refined engineering technique learned from Japan. Due to the ever-surge rent level of whole private flats in the 1990s, he was forced to share his tenancy with two other households in alleviating his rental burden, but, in exchange, all families were incredibly troubled by inconvenience resulted from competitions for communal facilities usage. Taking reference from the techniques he learned abroad from the Japanese construction of micro, but self-contained, apartment, he subdivided his rented whole flat, under the consent of the property owner, into three independent suites with separate installations of toilet and kitchen. While the supply of subdivided housing was dominated by wooden cubicles at that time, his innovative attempt demonstrated a brand new possibility, as well as profitability, for property subdivision.

4.4.2 Commodification of subdivided housing: Tong Fang as a pure investment portfolio

Given its role as the dominant private low-cost accommodation in the city, subdivided housing was able to command an excessive profitability, or known as CMR, from the tenants without possible affordable alternatives. Providing the scarce low-cost dwelling in the given housing market structure which lacked affordable dwelling options, the group of subdivided housing landlord was shaped as a ‘class’ which monopolized the accommodation choices of the housing needy.
unaffordable to the normal private dwellings in private market. Thus, this landlord class was able to extract CMR, usually manifested in an overpriced rent charged to the average floor area, from the housing needy through the construction of the substandard dwelling. For example, as noticed by SOCO (2000), the median of average rent of subdivided structures they found was charged $31 per sq. ft., even more expensive than the luxurious residential apartments - Robinson Place and Tregunter Tower, in the prime Central and Western District, charging $30 and $22 per sq. ft. respectively. In other words, the profitability of property subdivision was found remarkable to that class of landlord.

With such outstanding profitability, subdivided housing gradually became a pure investment portfolio which increasingly caught the attention of investors. Particularly, the growing fashion of subdivided housing investment was in relational to the Chinese immigration in the 1990s. Taking the abode right of the Mainland children of local residents and the OWP scheme which intentionally facilitated the gradual re-union of separated families into account, the potential housing demand of the Chinese immigrants, who were specifically discriminated by the public housing system and left behind in the private housing market, fostered the investment in subdivided housing. In particular, after the adjudication of the Hong Kong Court of Final Appeal over the abode right of Chinese immigrants, a government estimation in 1999 pointed out, though it did not realize at all, around 1670000 Chinese newcomers would be injected into Hong Kong in the subsequent 10 to 13 years (Sing Pao, 1999b, 1999-04-29). The rumor over the number of upcoming immigrants did facilitate the investment desire in low-cost subdivided housing. Media reports about cases that investors were immediately encouraged to initiate investment in subdivided cubicles were evidently found (Apple Daily,
1999b, 1999-02-28, Apple Daily, 1999c, 1999-04-30). What is more, a survey conducted by a real estate agency even indicated that 38% of interviewed investors might consider to immediately purchase an aged residential property for long term investment under the estimated figure was disclosed. (Tin Tin Daily News, 1999, 1999-05-14) In addition, the collapse of property market in 1997 when Asia financial crisis heavily damaged the local housing market and the price of aged properties sharply dropped down, and therefore, investment in subdivided housing was further encouraged.

Without exception, Tong Fang, or known as Tou Fang, as a developing fashion of subdivided housing, was emergently introduced in media. With the superiorities, namely the privacy, over the conventional cubicles and bedspaces, the potential of Tong Fang investment was even more tempting to opportunistic investors. A vivid example is found in Sing Tao Daily (2000a, 2000-03-24):

‘Recently, properties of aged single private residential buildings (p.s. referring to Tong Lou and Yang Lou) have become keenly demanded. Buyers of those units usually aim for long-term investment...

Pointed out by the informants related to the industry, investors tend to subdivide their acquired properties for subletting. Given a unit sized 1000 sq. ft, for example, five Tou Fang could be converted, in which owners might approximately gain $15000 rental income per month, assuming each of the suite is commanded for $3000. The return rate, therefore, is almost 20%, at least a double of the current deposit rate and higher than the rental gain from luxury housing...

The rental business of Tou Fang is already found prevalent as which is supported by the demand from the Mainland new immigrants and local grassroots.’ (ibid. my translation)
Such investment fashion was underpinned by the gradual substitution of Tong Fang for partitioned cubicles as the dominant form of subdivided housing. Thanks to its provision of domestic privacy, Tong Fang was becoming the contemporary form of subdivided housing which monopolized the private low-cost accommodation option of housing needy. In particular, such modal change of property subdivision was relational to the context of Chinese immigration in the 1990s. Instead singletons who rushed into the colony due to the economic prosperity, the Chinese immigrants under OWP scheme, the significant agent to constitute enormous housing demand in the contemporary Hong Kong, were composed of family members, mainly women and children, coming for family union. (See Law, 1997 p.3-6) As the new housing demand was contributed by the households in greater size, Tong Fang, therefore, would become more desirable to these families if they had to seek private low-cost accommodation, in spite of a higher rental charge which a Tong Fang might usually charge over $1000 more than a normal partition cubicle. For example, Mr. E witnessed the eager demand on Tong Fang from those reunion families who were attracted by the new subdivided housing.

‘Gradually I discovered that there was indeed a robust market of Tong Fang. Lots of my friends, coming from my neighborhood, enthusiastically came to inquire about the availability of such a kind of suite (p.s. Tong Fang), especially those with a wife in Mainland waiting for immigration and searching for low-cost dwellings. As a result, the demand steadily increased, which informed me the very existence of such a potential market.’

Moreover, the emerging housing demand of ‘non-poor’, who were neither regarded as impoverished nor wealthy in terms of financial background, did further enhance the profitability of Tong Fang construction as the new property subdivision fashion. Dissimilar to the subdivided structures in the previous decades when it had
represented the accommodation for urban grassroots, Tong Fang was found housing a wider spectrum of lives. The presence of the ‘non-poor’, for example, could be confirmed by the following media report in the 1990s:

‘Chan, came back to Hong Kong from Canada 3 years ago, has chosen solo living for a couple of years ago due to family conflicts. Being restricted by her humble monthly income $10900, Chan had no way but to move in a Tou Fang, cost $3500, close to her office in Sheung Wan…

According to a local real estate agency Mandy, the rental cases similar to Chan’s are found abundant in older districts…These tenants, as Mandy revealed, usually have a limited finance, resulting an impossibility to afford a normal flat costing around $6000 to $7000. In the contrary, they are willing to reside in Tou Fang because of the cheaper rent as well as the exclusive provision of toilet and kitchen, keeping tenants free from interruption’ (Sing Tao Daily, 1999, 1999-06-24, my translation).

Given the skyrocketing housing expense in the 1990s, though it declined since 1997 when the real estate sector in Hong Kong was struck by the Asia Financial crisis, citizens, not only the grassroots, found normal private residential units unaffordable. The people with mediocre income who cannot manage to rent a private whole flat, like Mandy in the newspaper clipping, were not of exception. Meanwhile, they were totally excluded from public housing system which only acted as the least comfort to the least fortunate in the city. With a low income threshold, for instance, the monthly income requirement to singleton applicants of PRH was stipulated to not more than $6600. (Legislative Council, 1999) In light of their need of affordable housing, the contingent Tong Fang was more convenient to meet their housing demand. Better than partitioned cubicles which failed to provide an independent living environment to tenants, Tong Fang became the pertinent subdivision paradigm which was attached with the least domestic privacy to entrap
those ‘better off’ without better low-cost alternatives.

Moreover, the profitability of Tong Fang construction even extended to the accommodation of non-local citizen. The contingent subdivision paradigm was increasingly invoked by opportunistic investors for low-cost guesthouse operations. Letting out as guesthouse for daily rental business, the profitability of Tong Fang was furthered maximized. As a representative of local giant real estate agency revealed, for example, the profitability of Tong Fang operated as guesthouse could be two to three times more than the one rented out in a conventional manner in 2000. (Sing Tao 2000b, 2000-11-28) Such an investment practice was further fueled up after 2003 when Individual Visit Scheme was introduced under the intervention of China in order to rescue the economic turmoil in Hong Kong caused under the outbreak of Severe Acute Respiratory Syndrome (SARS). Aggravating was the shortage of temporary tourists’ accommodation, the profitability for construction of Tong Fang guesthouse was tempting to opportunistic investors.

4.4.3 Realization of CMR: pricing of Tong Fang

Considering its role as the dominant low-cost accommodation, Tong Fang has monopolized the housing options of ones with limited affordability to accommodation in the private market. As the suppliers of such the housing resources scarce to certain segments of population, the class of Tong Fang landlords are granted with a class power to command an exorbitant rental price, in which the ultimate profit is theoretically understood as ‘CMR'. As slightly mentioned before, the rampant CMR realized from Tong Fang investment is embodied in the abnormal

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6 Drawn on the experiences of interviewed agents, this section does only account for Tong Fang investment. As for other subdivided structures, such as cubicles, the below inference is merely available for reference.
pricing of average floor space, given the average rent per each unit of floor area in substandard Tong Fang are usually compared to luxury residential flats. In a nutshell, a paradox inherent in Tong Fang is that average monetary value of floor space of a subdivided suite is much higher than the original whole flat, while living quality is supposed to be deteriorated after subdivision. Such an unworthy rental premium is arbitrarily charged for the relative affordability of Tong Fang among private residential market given possible alternatives rarely exist. The rental increment resulted after subdivision, therefore, is the best yardstick to observe the exorbitance of CMR extraction through Tong Fang production. To analyze CMR realization, the pricing mechanism behind has to be first delineated.

In fact, pricing a Tong Fang theoretically need to adhere by two tacit principles. Firstly, the average rental price of every unit of physical area is set above the price before subdivision. Otherwise, resources owners might not release their assets or subdivided their properties in Tong Fang. Such a criterion represents the core motive of landlords to convert their premises into Tong Fang in pursuit of greater rental profits. Secondly, the total rental price of a Tong Fang should be less than, and even kept relatively distanced from the market price of a private whole flat, with normal standards, in the same district. The essence of Tong Fang as a low-cost housing alternative would be lost once its' aggregate rent is too close, or even comparable to market rent of a regular residential whole flat. According to the experiences of the interviewed Tong Fang investors, market rental price of Yang Lou units, in their corresponding districts, is often taken as a reference ceiling in guidance to their Tong Fang pricing. The possible pricing, therefore, has to be kept

7 In comparing with Tong Lou units which the market price is rather irregular due to varied conditions, such as diversified levels of deterioration, Yang Lou units, the ones with a better quality usually attached with
relatively affordable among the specific local housing market. Of course, there is not a clear level of the ‘relative affordability’ as it might appear differently to different tenants with disparate financial backgrounds. But one way or another, to maximize CMR is to adjust the rental price of Tong Fang so that the targeted spectrum of tenants could afford it.

Anyhow, these principles do impose the essential floor and ceiling to Tong Fang pricing. How much aggregate price of a Tong Fang is charged within the area, however, is subject to more conditions. The pricing of a Tong Fang might be (dis)favored by numerous physical characteristics, including level of depreciation, internal decoration, floor area provision, number of windows, availability to elevators, floor level, location in the district, accessibility, quality of neighborhood and the like. Usually offered by real estate brokers in the corresponding districts, as the interviewees revealed, an approximate ‘market price’, implying the general market tolerance to Tong Fang expense, is suggested to owners for pricing their Tong Fang with reference to the specific units, with more or less similar conditions, leasing in market.

Nevertheless, instead of being well-coordinated by market price, pricing of Tong Fang could be even more rampant with an aggressive abuse of class power. In reality, Tong Fang might be overpriced in comparison with the market standard. Such the rampancy, for example, has been testified in the recent years while excessive rental increments of Tong Fang have been witnessed evidently. Given more people whose housing demand are monopolized by the option Tong Fang, when, in particular, the elevators and security control, is a better reference to be regarded as the lowest tier of private whole flats.
poor are expected to be trapped for a longer while due to serious shortage of subsidized housing, landlords are granted with a greater class power to command for an unreasonable increment to their substandard products. As Platform of Concerning Subdivided Flats in Hong Kong found out in 2016, the rate of rental increment of Tong Fang was found 13.6%, which was far larger than 7.4%, the rate of A grade private residential premises (ON.CC, 2016, 2016-10-09). The most extreme example even shows that the rent of a Tong Fang in Kwai Tsing was successfully doubled from $3000 to $6000. (ibid.)

Underlying the rampant CMR realization, the absence of deterrent to such class power has to be emphasized. The key to the contemporary CMR extraction is the lack of legislative control on the rental of private residential property. Rent control had been practiced in the history, but it was gradually withdrawn by 2004. On the one hand, the legislative control on the rental increment of private domestic property was turned ineffective in 1996. Given the tremendous pressure from the landed class, particularly property owners and developers, put on the colonial government in the 1980s, when the British aimed at promoting and expanding property ownership, the rent control was finally retreated by the end of colonial period. More importantly, on another hand, the pressure to remove Tenancy control, the remaining governmental regulation to protect the tenancy of tenants of private residential property from eviction once they agreed to continue their tenancy at the market rental level, finally wiped out the rental control in 2004. Given the urgency of the HKSAR to recover the collapsed real estate sector after 1997, the government finally ‘gave in’ to the landed class and invalidated the remaining part of rental control. Without those governmental interventions, not only the rental increment of Tong Fang has been unrestricted, but also the power of Tong Fang landlord has been
promised because of the preserved right for eviction. Manipulating such a power, the class of Tong Fang owners could flagrantly raise the rental level of their products, while the marketability of Tong Fang has been basically ensured owing to the massive army of housing needy without affordable alternatives in the market.

4.4.4 CMR potential granted under the contemporary housing market (re) structuring

All in all, the production of Tong Fang is grounded on the CMR potential inherent in the contemporary housing market structure which leaves certain segments of population with no affordable housing options but Tong Fang. Maintaining as the dominant option of private low-cost housing, Tong Fang not only has continued to accommodate grassroots' demand of dwelling but also appeared to contain a growing portion of 'non-poor'.

4.4.4.1 The stagnant provision of subsidized housing and the need of grassroots

Similar to the history, insufficiency of subsidized housing provision invariably underpins the development of subdivided housing. Being almost the only possible low-cost accommodation other than Tong Fang, subsidized housing has generally remained as a limited welfare with a constant shortage. Despite an ambitious plan of housing provision, intending to construct 50000 subsidized units plus 35000 private units annually, was once implemented, though suspended at last, by the first government of HKSAR for consolidating the social stability after the returning of sovereignty, the overall efforts of subsidized housing construction during subsequent decades are proven insufficient. In particular, such insufficiency is contributed by the evaporated governmental intervention into the housing market in the early 2000s. To rescue the real estate sector sequentially damaged by the
Financial Crisis in 1997 and the epidemic outbreak of SARS in 2003, the previous ambitious construction of subsidized housing, both the PRH and HOS units, was immediately turned down. The average annual construction of PRH units, for example, was 24000 in the period of 1997 to 2005, but it sharply dropped to 13700 in the later period of 2006 to 2015 (Census, 2004, 2010, 2015). Considering the current government tends to reduce housing problems into a problem of land supply, but which is proven to be abundant, subsidized housing construction is expectably maintained insufficient to alleviate the culminated demand of low-cost housing.

As a result, an apparent inadequacy of PRH provision is engendered, as revealed from the figure that the number of applicants in waiting list was recorded as over 280000 by the end of 2016 (Hong Kong Housing Authority, 2017). Consequentially, the low-cost housing demand of grassroots who are inaccessible to PRH, at least in the short term, has reinforced the CMR potential of Tong Fang production. In particular, the shortage of PRH did prolong the duration of the robust housing demand of Chinese immigrants, whose access to PRH is obstructed by the requirement of seven-year residence in Hong Kong, to be trapped into private housing market. Given the unchanged policy of OWP, nearly 45000 family members of local residents have been annually flown into Hong Kong since 2000 (Legislative Council, 2015). For those who are unable to manage the expensive housing cost in the city, they might be likely trapped into Tong Fang, the dominant option of low-cost housing.

4.4.4.2 The overheated real estate sector and the need of ‘non-poor’

As for the emerging Tong Fang demand from the ‘non-poor’, the escalating unaffordability of private housing has been eliciting a growing demand for low-cost
accommodation from the general public. Over the previous decades after the return of sovereignty, the monetary cost of general private accommodation has gained an exponential increment under series of processes. The very foundation for the uncontrolled housing expense is again in relational to the blatant governmental withdrawal of housing market interventions in the early 2000s. Due to tremendous pressure from the landed class, especially developers, the government decided to determinedly retreat from intervening into the real estate sector by a series of policies, notably abolishment of land sale by auction and suspension of HOS units' construction in order to rescue the real estate sector. By forgoing the control of land supply and eradicating the mediation of subsidized housing ownership, the government soon revived the monetary value of housing properties. Meanwhile, investment in housing properties has gradually re-gained momentum. Mainland capital, in particular, has been endlessly injected into local real estate market because of the currency advantage caused by Renminbi reform in 2005. Besides, the interest rate has persistently remained at a low level since the global supply of money, especially from U.S which repeatedly implemented quantitative easing by 2014, has been boosted after the global financial crisis in 2008, overwhelming investment, notably speculation, in local housing properties has been induced. As a result, an irrational surge of housing cost is recorded. The average price index of private premises, for instance, was raised by 178.9 % from 2004 to 2014, while the average rental index rose by 81.8% as well. (Census, 2015)

Under the burgeoning unaffordability of accommodation, a downward pressure from more general public to resort to low-cost dwelling has been culminating. In this vein, growing segments of ‘non-poor’ are forced to fall trapped into Tong Fang besides ordinary grassroots. Sandwich class, a contemporary concept used to
specify the existence of the growing ‘non-poor’, is most likely to be dragged into Tong Fang market. While it’s hard to establish a precise definition to their profile, such class refers to a contingent group of households who are neither benefited from subsidized housing nor capable of having private property ownership. As for the inaccessibility to public housing, while PRH units are always ineligible to members classified as ‘Sandwich Class’ with their low to middle income, HOS units, the only subsidized option fitting their economic background, have been equally unavailable due to a shortage resulted from the lengthy suspension of construction before 2010. In the meantime, ownership to private whole flats has been unaffordable to such class. According to the calculation from Demographia (2017, p.12), a household with a median income has to exhaust its total earning in 18 years for property ownership. Thus, private rental market, notably the low-cost Tong Fang, has been becoming the prevalent residual option to accommodate the housing demand of those desperate ‘non-poor’.

Without surprises, small-sized households with limited finances, namely young working singletons and couples, are noticeably trapped inside the Tong Fang sector. Under the terrifying level of housing expense, even traditional middle classes with decent salary, are increasingly found accommodated in Tong Fang. Although not accurately captured by the current empirical studies, the very existence of well-off Tong Fang tenants are proposed by substantial traces. Cases of professionals, such as accountants, architects, lawyers, senior managers in financial institutes and etc., living in Tong Fang with ‘deluxe’ standards are often captured in media reports. (Wenwen Pao, 2012, 2012-12-16, Ming Pao, Weekly 2011, 2011-3-19, Ming Pao, 2012, 2012-1-20, Sky Post, 2014, 2014-06-30). Echoing to the experience of Mr. B, an interviewee of this research who specializes in constructions of deluxe Tong
Fang, tenants being interested in his outstanding products are also composed of tenants with an ‘excellent quality’, as he described, including better offs like university lecturers, civil servants, accountants and even models. But to admit, the wealthier are theoretically granted with more housing options and hence a greater possibility to escape from the class power of Tong Fang landlords. To extract the potential CMR, therefore, mobilization of class tastes, favors, lifestyles and the like are necessary to entrap the richer into a differentiated market. Production of high-ended Tong Fang, for instance, is one of the ways out and this is going to be introduced below.

Notwithstanding the inadequacies to reveal real situations, the official survey regarding subdivided units does implicitly disclose the abovementioned characteristics of the ‘non-poors’. According to Census (2015b), 85500 households living in SDUs in 2014, composed of 195500 persons, were estimated. Small-sized household was found as a dominant trend, of which 1-person households and 2-person households respectively took up 31.1% and 31.3% of the total (ibid.). Besides, youthfulness of Tong Fang tenants is suggested, as dwellers aged 15 to 34 are found with nearly 30%, and the group of ‘post-80s’, the ones aged between 25 to 34 in 2014, accounted for 55% (ibid.). Moreover, a significant portion of ‘non-poors’ is evidently noticed. Comparing to the median of monthly household income of the general public, $23500, Tong Fang families earning over $15000 per month...

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8 The representativeness of the ‘Housing conditions of sub-divided units in Hong Kong’ (Census, 2015), the most systematized official survey to Tong Fang conducted since 2014, is limited. The sampling size, firstly, is problematic as the Tong Fang situated in places other than residential buildings are excluded, plus the response rate of selected samples are found as low as 60%. Secondly, further details of households are absent, namely the median household income by household size as well as occupations. The official data is thus only able for using as a general reference.
were observed with 28%, among which over a half even gained over $20000 a month, let alone 13.4% of Tong Fang households refused to reveal their situation. (ibid.) Last but not least, the robust existence of ‘non-poor’ tenants are implied by a substantial portion of well-educated residents, which accounted for nearly 10% of SDUs tenants, around 19000 persons, finished post-secondary education (ibid.).

4.4.5 **Tong Fang investment in momentum**

Monopolizing the low-cost housing demand across an enlarging spectrum of people, Tong Fang has become a noteworthy investment instrument because of an enormous potential of CMR realization. Being lured by remarkable rental profitability, growing opportunistic investment in Tong Fang, including the famous case of Mo Po Chan, the Secretary for Development of HKSAR, whose family was once found possessed with multiple illegally produced Tong Fang, is evidenced in recent years. This investment fervor is particularly fueled up by the recent government interventions against property speculation. Intending to cool down the uncontrolled housing price, though failed at all, a series of extra taxation on residential property investment has been introduced. To curb reckless speculation, in particular, Special Stamp Duty (SSD) has been levied on those who re-sell their acquired flats in short-term since the end of 2010. Initially, 5 to 15 % of transaction amount was charged to the one if his purchased property is re-sold or transferred within 24 months, but the stipulations were further tightened to 10 to 20% and 36 months in 2013 (Inland Revenue Department, 2013). Given a decreasing liquidity of residential property along with an increasing cost of short-term transactions, speculation on housing units has been highly restricted. For example, after the implementation of extra taxations in 2010 and 2012, the number of secondary sales of residential building units was significantly reduced from 96000 averagely
attained in 2006 to 2010 to 74000 in 2011, and further to 40000 in 2013 (The Land Registry, 2017). Furthermore, the cases of confirmer transaction, referring to the most aggressive speculation on properties which the initial buyer immediately resells his down-paid flat before signing official agreements, were sharply reduced from 2294 in 2010 to 693 in 2011 and even to 20 in 2013. (Ta Kung Pao, 2013, 2013-11-20) Under the hindrance to housing speculation, various alternative investment instruments have been thus explored.

Apart from the growing investment in unusual properties excluded from visible hands of the government, such as industrial, commercial building units and even parking spaces, residential properties with outstanding rental profitability is another ideal substitution. In other words, Tong Fang investment is one of the ways out in light of the changed atmosphere of real estate sector. Being regarded as a long term investment, Tong Fang is capable of realizing a rental return rate (RRR) superior to normal residential building units.9 According to the experience of the interviewees, a property converted into multiple Tong Fang usually can attain a 5 to 10 % RRR in contrast to a typical residential flat that yields a 4% RRR, while no further taxation was levied on subdivided housing property. With such an attracting profitability, along with an anticipation of a constant demand for low-cost subdivided housing aggravated by the housing market (re) structuring, Tong Fang investment, with a stable and remarkable return, has become very popular among investors.

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9 Rental return rate (RRR) refers to the profit ratio of the annual rental income over the market price of the property. It indicates the amount of rental profits which the property could yield along with a consideration to property value.
4.4.5.1 Penetrating production of Tong Fang

Altogether, the robust Tong Fang production could be testified in several aspects. Firstly, a massive stock of Tong Fang is evidently found. In 2015, for example, it was officially found that 86400 SDUs, built in residential buildings, housed with nearly 200000 persons, while over 90% of SDUs were identified as Tong Fang with exclusive facilities like toilet. However, without accurate chronic surveys, the precise growth of Tong Fang is still obscure. 10 (For the available enumeration of the number of Tong Fang, see Appendix II) Secondly, Tong Fang production does penetrate the whole urban fabric. According to the inspection record against SDUs of the Building Department (BD) in 2015, as shown in Table 1, presence of Tong Fang is noticed in nearly all districts with various magnitudes in except Islands and Sai Kung, though in scattered records Tong Fang are evidently found in these places (iMoney, 2013, 2013-09-20, Oriental Daily News, 2016, 2016-04-13). The significant distribution in N.T., such as in Tuen Mun, Yuen Long and Tai Po, reflects an essential spreading of subdivided structures once confined to urban areas.

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10 Enumeration on subdivided structures has been found perfunctory. Strictly speaking, systematic official survey to SDUs was only available after 2015. Before that time, the only official number on SDUs had been loosely measured by Census. (See Census (before 2012) in Appendix II) However, such a chronic estimation is proven untenable as cheating from frontier enumerators are evidently disclosed. (Ming Pao 2013, 2013-01-08) Policy 21 (2013), however, made a convincing estimation based on large scaled sampling, in which numbers of SDU in 2013 was found 66900, with almost 90% is identified as Tong Fang. Comparing with the official figure that found 86400 SDUs in 2014, a significant growth of Tong Fang is concluded. But given differences in sampling methods, nevertheless, such an increment is only used as a reference here.
<table>
<thead>
<tr>
<th>District</th>
<th>The number of inspected SDUs in private domestic / composite buildings and industrial buildings</th>
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<tbody>
<tr>
<td>Central and Western District</td>
<td>138</td>
</tr>
<tr>
<td>Wan Chai</td>
<td>193</td>
</tr>
<tr>
<td>Eastern District</td>
<td>195</td>
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<tr>
<td>Southern District</td>
<td>7</td>
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<tr>
<td>Wong Tai Sin</td>
<td>110</td>
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<td>Kwun Tong</td>
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<td>Yau Tsim Mong District</td>
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<td>Shum Shui Po</td>
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<tr>
<td>Kowloon City</td>
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<tr>
<td>Northern District</td>
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<tr>
<td>Sha Tin</td>
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<td>Tai Po</td>
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<td>Tsuen Wan</td>
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<tr>
<td>Tuen Mun</td>
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<tr>
<td>Yuen Long</td>
<td>144</td>
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<tr>
<td>Kwai Tsing</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>3466 (in 210 inspected buildings)</td>
</tr>
</tbody>
</table>

*Table 4.1: The number of SDUs officially inspected by districts in 2015 (Buildings Department, 2016 b)*
4.4.5.2 *Diversified production of Tong Fang*

Aside from the quantity, the production of Tong Fang has flourished in diversified forms. Disparate production paradigms, with different investment strategies as well as spatial forms, are mutated in recent years.

1. **Production of High-end Tong Fang**

Luxuriously decorated Tong Fang (豪裝劃房), or classified here as high-end Tong Fang, is a burgeoning paradigm distinguished from ordinary standard. In general, the luxuriousness of spatial arrangements is the key to differentiate the ‘high-end’ from ‘low-end’. Despite variations in exact spatial arrangements, mainly according to the amount of capital input, a high-ended Tong Fang is often found with stylish design, comprehensive domestic furnishings and even guaranteed security. For example, figures 4.3 and 4.4 are showing a high-end Tong Fang located in Causeway Bay, Hong Kong Island, as reported by Ming Pao (2012, 2012-1-20), and the impressive suite is decorated in ‘hotel-style', along with a complete provision of furniture, such as television, closet, bed and refrigerator, as well as a protection by smart-lock system. Providing extraordinary dwelling comforts, the high-end Tong Fang, or sometimes called as ‘Studio Flat', a type of Western Micro Housing, thus favors potential tenants, especially young singletons in pursuit of convenience as well as the foreigners without permanent dwelling in Hong Kong, to move in effortlessly like checking in at a hotel. The underlying rationale behind such a brand new mode of Tong Fang investment is to command a higher rental price from those capable of affording a costlier housing expense. Districts in Hong Kong Island, in particular, are noticeably observed with high end Tong Fang as suppliers might target the wealthier workers in the urban economic center. Anyhow, appealing to the dwelling favors desirable to the niche demand, high-end Tong Fang
is capable of commanding a greater monopoly price exceeding its ordinary counterparts. Further examination of this subject is going to be held in the next chapter.

*Figure 4.3: The interior design of a high-end Tong Fang in Causeway Bay (Ming Pao, 2012, 2012-1-20)*

*Figure 4.4: The entrance of the high-end Tong Fang in figure 4.3 (ibid.)*
2. **Entrepreneurial production of Tong Fang**

Another emerging paradigm is large-scale Tong Fang production mixed with systematic management. Due to the growing potential of CMR realization, the production sector is increasingly involved with calculative capital in various sizes. As for entrepreneurial production, it is usually involved with a disposal of a massive number of properties as well as a vast amount of capital input, namely included costs of property acquisition and subdivision. The rental business, therefore, is systematically administrated, usually accompanied by a management team, in order to generate a greater profitability. Serviced apartment, for example, is the most representative form of mega-scaled Tong Fang operation. As revealed by Nextmedia (2014, 2014-12-16), a company acquired a 5-floored tenement in Western District by $0.23 billion in 2013, then each floor of the building was converted into 22 independent suites, each sized 50 sq. ft. without installations of private toilet and kitchen. Offering extra services like Wi-Fi provision and regular cleaning, each Tong Fang charged $3000 to 3800, or $60 to $76 in terms of average floor area, thereby resulting an approximate month rental profits of 0.42 million. However, it is believed there are still multiple models of entrepreneurial production of Tong Fang hidden from the public eyes. In the coming chapter, therefore, one of the cases of mega-scaled production of Serviced Tong Fang is going to be scrutinized with an attempt to broaden the understanding of contemporary Tong Fang production.

3. **Nano-Apartments construction**

If the essence of Tong Fang is to capture the exploitative profits by compressing the provision of living area to housing needy in the recent context, the recently emerged ‘Nano-Apartment’, or termed as ‘Luxury Tong Fang Apartment’ (豪宅劏
in mass media, could be understood as an extension of Tong Fang, in which developers have formalized the exploitation logic into their construction of brand new residential building. To maximize their profits from the potential buyers with limited affordability, developers have greedily produced domestic flats with abnormal provision of floor area as tiny as Tong Fang. For example, the number of newly built private residential units sized less than 161 sq. ft. increased from 216 in 2012 to 2657 in 2016, in which 586 were even found smaller than 107 sq. ft. (Ming Pao, 2017, 2017-02-19). Under the current stipulation of Hong Kong Monetary Authority, only the private property priced less than four million dollars could be granted with the maximal mortgage loan, a 90% of the property price. (Hong Kong Monetary Authority, 2015) Therefore, riding on the overheated housing market, in which there is a scarcity of properties cheaper than 4 million, the Nano-Apartments have been built to maximize the average price for each unit of physical area. In this vein, developers are able to extract CMR from those property purchasers with limited affordability, who are usually the first-time buyers to own a residential property.
Figure 4.5 An example of Micro Apartment: a flat sized 166 sq. ft. of ‘One Prestige’ in North Point (Oriental News 2016)

Figure 4.6 Internal layout of the unit in figure 4.5 (ibid.)
4. Tong Fang production in non-residential premises

Because of the overwhelming pressure of housing cost, Tong Fang production has even extended to non-residential buildings, such as industrial buildings, village houses and even squatters. Industrial building units, in particular, are suspected as another emerging cluster of Tong Fang other than tenement buildings. In fact, conversion of industrial building units into Tong Fang is nothing new as it was already witnessed back in the early 2000s (Apple Daily, 1999d, 1999-04-04). Since deindustrialization was gradually proceeding since 1980s when local industries started to relocate to Mainland due to the benefits of open-reform policy, much more industrial buildings units were hence left vacant. To ‘revitalize’ the profitability of the idle industrial building premises, owners started to search for alternative operations to keep their property economically active. Tong Fang construction, therefore, was one of the ways out.

Currently, the industrial Tong Fang is roughly estimated to accommodate at least 12000 persons in 2016, given no formal survey has been conducted for this subject (SOCO, 2016). Considering the spaciousness of industrial building units and the inappropriateness, as well as the illegality, of that premises to be used for residence, this type of Tong Fang is usually cheaper than the ones erected inside residential buildings premises. It is recognized as the inferior housing form to accommodate the one with less affordability and no longer tolerating the cost of conventional Tong Fang. But similar to conventional Tong Fang, the grassroots is not the only group forced to resort their housing demand to this worse subdivided housing. Industrial Tong Fang which is luxuriously renovated or sized like a normal residential whole flat is also evidently noticed in the city (Now, 2016, 2016-02-01). One way or another, the growth of industrial Tong Fang reveals a spiraling living
standard which the one with lesser affordability has to further deteriorate his living environment in exchange for a lower expense of housing.

4.4.5.3 Systematization of production knowledge

Last but not least, the Tong Fang investment fervor is also manifested in the emerging trend of ‘knowledge systematization’ noticed in recent years. Riding on the growing interest in Tong Fang investment, there are growing efforts to synthetize various information, knowhow and insights regarding the investment portfolio into customized knowledge and marketize it as a form of intellectual commodity. In particular, those systematized knowledge, which are usually formalized by experienced production agents, namely Tong Fang investors, and disseminated in the form of commercial taught classes, provide detailed introduction and practical guidance of the investment instrument.\(^{11}\) In a nutshell, the organization of this kind of course does blatantly promote Tong Fang as a pure investment portfolio to a farther sphere given the accessibility of the relevant knowledge has been increasingly enhanced. In light of the influences of such emerging process to the recent, and of course the future, production of Tong Fang in Hong Kong, further detailed examination on this ‘knowledge systematization’ is thus necessary and to be held in Chapter 6.

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\(^{11}\) Based on my observation in the research period between 2015 to early 2017, there were at least six courses teaching about the knowledge of Tong Fang investment held by private institutes and promoted through online platforms, namely social media.
Figure 4.7 The online promotion of a taught-course regarding Tong Fang investment via Facebook (HK01, 2017, 2017-01-27)

4.4.6 Tong Fang production in anarchy

Similar to other forms of subdivided housing, Tong Fang construction is by and large unobstructed by government regulations. But in theory, in the contrast of wooden cubicles that is regarded only as interiors partitions, or ‘decoration,' free from statutory controls, Tong Fang involved with structural changes to buildings is subject to the governance of building laws, despite the absence of legal definition to the subject. Under the building control system stipulated under the Building Ordinance (BO), as for any construction work of a building unit involved with changes to a building structure, the owner has to appoint authorized professionals, such as architects and surveyors, to prepare alteration and addition plans, according to legal building requirements, for official authorization (Buildings Department,
2016). Usually involving ‘erections of new non-structural partition walls, thickening of floor screeding and addition of door openings' and ‘new drainage pipe installations' that might cause overloading of the building and water seepage, construction of Tong Fang is supposedly required to undergo the mentioned legal process (ibid.). Such a process, or known as the building control system, however, is not only procedurally complicated but also very costly. Thus, the majority of existing Tong Fang has been deemed illegal due to people’s ignorance regarding this troublesome process. Worth to mention, the (il) legality issue does suggest that Tong Fang erection has by no means prohibited by laws. In other words, Tong Fang is possibly regarded as ‘legal’ as long as the resulted product undergoes the authorization process and fulfills the legal building standards.

Without obtaining official approvals, anyhow, the quality of illegal Tong Fang is not promised as its production could be unhindered by legal building regulations. Apart from overloading danger and insanitation issues elicited from improper additions of walls and restructuring of pipes, common problems related to substandard illegal Tong Fang might include dissatisfactory ventilation, inefficient fire resistance, worrying fire escape and the like. For example, despite every room, as stipulated by Regulation 30 of Building (Planning) Regulations cap 123F, is required to be installed with a window sized at least one-tenth of the floor area, Tong Fang without windows is found prevalent under unscrupulous subdivision designs for the sake of profit maximization. (Building ((Planning)) Regulations, cap 123F, regulation 30)

In fact, such an aggressive illegal construction has been encouraged by the ineffective law enforcement persisted over time. Illegal building structures, once
found guilty, are supposed to receive a statutory order for clearance, while penalties, such as fines and encumbrance imposition,\textsuperscript{12} are preserved to the ones refused to return their property to the original state. However, successful prosecutions are rare. Only 527 statutory orders, for instance, were issued to illegal Tong Fang by the BD from 2007 to 2012, let alone 361 cases of them were still pending (BD 2012). Given the official inspection against illegal Tong Fang relies heavily on occasional complaints received from the public instead of regular checking, along with a practical difficulty to enter private property under the refusal of indoor occupants, the loose enforcement of building laws resulted has generally failed to deter illegal practices.

Once again, the official indifference to decisively combat illegal Tong Fang is consistent with the persistent ideology of the government which takes subdivided housing as an accepted status quo. Even though there have been exploded public concerns since the 2010s, when a couple of fatal accidents relevant to Tong Fang took place, the government was invariable to keep regulating this substandard housing in a limited manner. Defending for the importance of Tong Fang with the rhetoric like ‘the demand from the public’, the policy address in 2011, for instance, states the determined denial of the government to uproot all the Tong Fang in the city:

‘Undoubtedly, "sub-divided units" (p.s. specifically referring to Tong Fang) pose risks to building safety, but they do provide accommodation for low-income people not eligible for public housing. Banning "sub-divided units" across the board is therefore not a solution.' (HKSAR, 2011)

\textsuperscript{12} Encumbrance imposition (釘契) is a warning letter for illegal building structures registered in the Lands Registry. It might negatively influence the property value in real estate market. Further details are to be discussed in next chapter.
Limited interventions, therefore, have been implemented to ensure the safety of Tong Fang, though totally ineffective at all, rather than to eradicate the entire housing genre. On the one hand, large scaled annual inspection against problematic Tong Fang in target buildings, later increased from 150 in 2011 to 210 in 2015, was launched right after the Fa Yuen Street fire accident in 2011. The efficiency, nevertheless, is still found dissatisfactory. According to the data provided by the BD through public inquiry, only 1882 statutory orders were issued to unlawful Tong Fang from 2011 to 2015 since the inspection was upgraded. Further details of the loopholes found in the law enforcement system are to be revealed with the production experiences of interviewed agents in subsequent chapters.

On another hand, Tong Fang construction started to be explicitly regulated under the new Minor Work Control System (MWCS) in 2011. Intentionally, MWCS is a simplified mechanism to rectify the clumsiness of the traditional building control system which requires any building work to obtain official approvals before commencement through submission of revised floor plans. Comparing with the conventional ‘approval and consent procedures', buildings works included by MWCS are only required to ‘notice' related authorities under simplified arrangements. With a classification of selected subdivision works as MWCS items, mainly including partition walls, rearrangement of drainage as well as thickening of floor slabs, not only official building standards on Tong Fang construction, or property subdivision, are made explicit, but also producers, both the landlords and the subdivision works contractors, are encouraged to conform with the legal building standards under simplified statutory procedures. Invariable to the traditional building control system, however, identification of illegal structures is primarily dependent on official inspections. Thus, it means the cost of law violation
remains unchanged as the law enforcement is not effectively improved. In addition, fulfillment of legal building standards, such as requirements for better subdivision materials and least preservation of area to interior corridor, inevitably brings with cost increments and profitability harms. Altogether, instead of effective regulations to Tong Fang quality, what MWCS brings to Tong Fang production is just an advisory system to obey legal standard. Therefore, erection of substandard Tong Fang, which escapes from official building control, still remains uncontrollable and pervasive in the city.

4.5 Summary

This chapter provides a socio-historical account of the political economy of the contemporary Tong Fang production. Through examining the housing market (re)structuring process, in particular the distinctive role of government intervention in the production of space in Hong Kong, this chapter addresses the rise, development and consolidation of subdivided housing as the dominant affordable housing in Hong Kong, which engenders the CMR potential for the class of Tong Fang landlords to capture the exploitative profitability from the class of tenants in need of affordable housing through Tong Fang construction. Summarized from the first section which analyses the socio-historical development of subdivided housing by the 1990s, a distinctive trajectory is demonstrated: Firstly, subdivided housing, including the partitioned structures cubicles, bedspaces and cocklofts, was firstly produced and sustained in the pre-WWII Hong Kong under the early colonial governance which directed the housing demand of the general Chinese to the hands of private housing market with expensive charges. Secondly, it continued to thrive under the circumstance which the colonial government, whose housing policy focus was largely devoted to clear the squatter contingently developed in the post-war
context, whereas started to accept overcrowded subdivided dwellings as a status quo. Lastly, by the 1990s, the era that the residual private affordable accommodation in the housing market structure which urban squatter was determinedly eradicated and subsidized rental housing was diminishingly provided, started. Penetrating such development, the social processes of the colonial government, which unfolded her very concern to land and property market, notably the differential intervention in squatter clearance, provision of public housing and subdivided housing regulation, were found pivotal to consolidate the growth of subdivided housing with the interplay of various agents, namely the Chinese immigrants and the landed classes.

Based on this context, the rest of the chapter explores the contemporary context of the spatial production of Tong Fang, the growing form of subdivided housing gradually emerged in the 1990s and outmoded the conventional forms, namely partitioned cubicles, with the articulation to CMR realization. Monopolizing the affordable housing choices in the given housing market structure, subdivided dwellings were able to fetch excessive rental profitability from the housing needy, in particular the Chinese immigrants. In light of this profitability, subdivided housing was commoditized as a pure investment portfolio in the 1990s. With its superiority over other partitioned structures, Tong Fang started to draw the concerns of investors. Investment in Tong Fang has gained momentum in the recent decade when the CMR potential has been enlarging given much more segments of population, even the professionals with middle income, have been rendered both inaccessible to public housing supply and unaffordable to the overheated private normal housing. Such a situation is by and large in relational to the earlier retreat of the government in housing market intervention, the recent regulation over
property investment and the persistent permissive control over Tong Fang construction. At the same time, the production of Tong Fang is also noticed with diversified forms and arrangements.
Chapter 5
The Class Monopoly Rent (CMR) Appropriation of Tong Fang Production

An analysis of production process

5.1 Introduction

Given the political economy context of Tong Fang production laid out in the previous chapter, this chapter aims at shedding light on the grounded production process of Tong Fang elicited from the tempting potential of CMR realization. The examination of production process is going to analyze, with the help of four case studies, how various agents, with different interests, decisions as well as practices, contingently form their production relations, how these relations are embedded into the material forms of Tong Fang and how CMR is captured in their production. By answering these questions, two primary objectives will be accomplished: First, how CMR is appropriated in the contemporary Tong Fang production is thus unraveled. Being more specific, how the class of Tong Fang landlord taps on CMR by mobilizing their class power, granted by the housing market structure of which a great segment of population is forced to reside in Tong Fang without alternatives, could be addressed. Second, the social relations and processes, or generally known as ‘supply-side behaviors’, necessarily involved in the materialization of Tong Fang are disclosed as well. In other words, the significant contributions of the Tong Fang landlords as well as other agents who assist the landlord class to realize their rent-seeking desire through Tong Fang investment are hence pinpointed.

Summarizing from the experiences of four interviewees with various backgrounds, the below is going to study four production stories and thoroughly examine the intricate production processes behind their material products.
5.2 The stories of contemporary Tong Fang production

The analyses of production process are drawn from the experience of four production agents in various backgrounds listed as below:

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<th>Background of agents</th>
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<td>Tong Fang owner, real estate investor, organizer of taught courses about Tong Fang investment</td>
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<tr>
<td>Case 2: Mr. B</td>
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5.1 Background of the interviewees

5.2.1 Case 1: Mr. A and the production of ordinary Tong Fang

5.2.1.1 Role

Mr. A is a Tong Fang proprietor who started to invest in Tong Fang in 2012. As a calculative real estate investor, his production appears to be meticulous with cautious planning. Besides, he also regularly organizes commercial courses imparting knowledge about Tong Fang investment to others.

5.2.1.2 Products

Mr. A owns a couple of Tong Fang in Tsuen Wan, the New Territories,
respectively produced in 2012 and 2014. Without splendid decoration like the growing fashion of ‘high-ended’ Tong Fang production, though, his batch of Tong Fang in normal standards, eight quartered suites respectively sized with 100 sq. ft. and arranged with ordinary decoration, still enjoys a remarkable profitability.

5.2.1.3 Production process

1. The formation of production relation

The entry of Mr. A into Tong Fang production is notably inspired by his relational experience in the past. He has long understood the financial attractiveness of subdivided housing as his family once owned a cubicle apartment though long traded out, in the 1970s.

‘When I was a child, my father inherited a wooden cubicle, located in Jordan, from his relatives... By that time I already knew that the business of Tong Fang could be profitable.’

But not until he grew up and accumulated experiences in real estate investment, as well as capital, did he start to explore the investment in subdivided housing himself in 2012. Coincidentally, he was appealed by the potential of CMR realization in Tong Fang investment appeared in recent years. Observing the monopoly advantage of Tong Fang as the dominant low-cost accommodation option in the given housing market structure, he found a constant but handsome rental profitability in Tong Fang as an investment instrument. He contended:

‘Why do lots of people choose to invest in Tong Fang? Or why is its return is that high? It is because the rent of Tong Fang represents the basic cost of the fundamental living standard in Hong Kong. To live in an independent unit, which is accessible to evaluator, $4000 to 5000 a month is a “must”... Riding on such a condition, investors could fetch a magnificent rental profit.’ (With
2. The production relation

Mr. A’s investment has been undoubtedly influenced by other auxiliary production agents. Though now he is experienced and cultivated with a distinctive perspective on Tong Fang investment, part of the credit should also be given to the small-scaled real estate brokers in Tsuen Wan and subdivision workers have to be taken account. As for the former, they did provide a fundamental instruction to Mr. A for conceiving his investment strategy. Like Mr. A described, his initial investment was necessarily guided by his familiar properties agencies in order to prevent from unnecessary costs and risks arising from ignorance. To a beginner, critical services, along with tactical knowledge to Tong Fang investment, such as selection of suitable properties for subdivision, estimation of budgets and returns, referrals of subdivision works contractors and the like, are generally offered by the small scaled property agencies, which usually specialize in Tong Fang rental business. As searching for a ‘subdividable’ residential unit, for example, investment risks may be incurred by the starters.\(^\text{13}\) To lower these risks, local real estate agencies, who are well informed with the Tong Fang market in specific districts, could thus help investors, including Mr. A, to locate the popular areas already clustered with Tong Fang.

‘At least, the agencies could help you find an appropriate unit for subdivision... For the most miserable case, lots of people might only realize the fact that their newly purchased properties are impossible to be subdivided in their conceived design when they are informed by the subdivision workers before construction.’

\(^{13}\) Whether an unit is subdividable, according to Mr. A, implies whether the premise favors for erecting Tong Fang. The availability of windows, for instance, is crucial to ensure subdiviability of a whole flat, as it affects the design of subdivision layout and hence the profitability of the products.
When it comes to the postulation of his subdivision design, the insights offered by subdivision workers also influence Mr. A’s investment planning. In order to design a practicable subdivision layout, one should be equipped with the basic technical knowledge about subdivision works so as to correctly conceive possible subdivision layout in a property, notably possible numbers of suites, locations of hallways and design of corridor space. With the technical knowledge imparted by subdivision workers, Mr. A could actualize his investment planning more accurately. What is more, other skillful subdivision techniques that help unleash more floor area for rental purpose, such as selection of subdivision materials, are obtained from those skillful workers. Mr. A, therefore, is able to fully turn the floor space into the most productive usage.

3. **Investment design**

Manifesting the professional contributions from those auxiliary production agents and the calculative decisions from Mr. A as a sophisticated real estate investor, the ultimate form of Tong Fang is materialized with a meticulous planning.

I. **Property selection**

To boost up the rental profitability, Mr. A had strict criteria on property selection. In terms of locality, flats in aged single private residential buildings, or well known as Yang Lou, with excellent accessibility is of priority. Apart from the proximity to transport hub, like MTR stations, other prominent characteristics of well-located Yang Lou, such as provisions of security control and elevators, are conducive to enhance the rental value of Tong Fang. Tenement buildings units, however, are excluded from Mr. A’s considerations. Following his calculative rationales, not only
the inferior building qualities inside tenements, namely deteriorating structure and lack of evaluator, might drag down rental profits, but also the purchasing cost of a Tong Lou unit is relatively more expensive than a Yang Lou premise. Given the unwillingness from local banks to collateralize the inferior residential flats, any purchase of aged Chinese tenement flats is generally granted with a smaller mortgage loan in comparison with the counterpart supposedly in better conditions. Therefore, not just a higher monetary cost is involved, the discriminatory mortgage might further reduce the liquidity of the property because potential buyers in future might be deterred from expensive down-payment.

II. Effective design of spatial layout

Under his calculative investment rationale, Mr. A aimed at enhancing the average value of floor space by effective subdivision design. On the one hand, he strictly controlled the provision of floor area in his products to 100 sq. ft. Observed from the market, he contended that it is more profitable to subdivide a property into ‘more but smaller’ Tong Fang, as an extra increase in area provision would not realize a proportional growth in profits.

‘Each of my Tong Fang is subdivided into around 100 sq. ft. Of course, in the market, there are some Tong Fang sized over 120 sq. ft., or even to 200 sq. ft., but in fact it is not beneficial to their owners. Even if a Tong Fang truly provides with 150 sq. ft. floor space, the rent is, however, only increased for less than $1000 in comparison with the one with 100 sq. ft. floor area...

He agreed further size reduction, just as what could be found in some rampant practices in market, might bring a greater profitability, but he personally resisted to ‘go that far. Anyhow, to further enhance investment efficiency, he targeted Yang Lou units sized with 400 to 500 sq. ft. saleable floor space as four suites in 100 sq.
ft. plus an internal corridor could be positioned without wasting any of the physical space.

As for the interior design, Mr. A insisted to adopt decoration of ordinary standard for his products due to the consideration of investment efficiency as well. Comparing with the emerging trend of high-end Tong Fang construction, in which suites are luxuriously decorated with stylish, but costlier furnishing, he regarded that superior Tong Fang might not be much more profitable than his ordinary ones given the rental ceiling inherent in private rental market in Tsuen Wan. Under his rational judgment, saving the extra decoration expenses, therefore, is more preferable to pursuing for a disproportionate rental increment.

‘I didn’t splendidly decorate my suites... With the greater quality, the ultimate cost might be higher by 25%. But how much could I get in exchange? Is it possible to earn an extra $1000? Now I have already highly priced my products at round $5000, while such a pricing is always bound by the ceiling of $8000, the market price of a private whole flat in Tsuen Wan... If in turn the rent is just raised less than $1000, why don’t I just save the cost of that decoration? And I dare to say it won’t be increased merely by 25%’

One way or another, the monopoly power of Tong Fang lies in the relative rental distance from the private whole flats. Given the ceiling of a private normal unit in Tsuen Wan, the room for further increment in rental pricing by appealing to quality enhancement is already limited. As a result, to Mr. A, the profits of ordinary Tong Fang are already ‘maximized’ in terms of cost efficiency.

III. Efficient utilization of floor area and the involved unlawfulness

To fully enhance the efficiency of floor area utilization, the unproductive area
provision, referring to the floor space occupied by non-living area, such as corridor, is minimized by Mr. A given the ‘tactics’ he learnt from subdivision workers. Constricting the floor area occupied by building materials, more physical space are saved from the ‘non-productive’ usages in his design.

‘Of course, our subdivision practice is definitely illegal. The bricks, for example, are chosen as light as possible...As for walls, they are better to be built with lighter and thinner layering of bricks, so it could leave more space for living suites. Instead of the common two to three layers like those in the normal Tong Fang, the lighter wall I used is only constituted with a single layer of bricks... These are all the ‘subtle’ knowledge you have to learn from subdivision contractors.’

Similarly, the spatial occupancy of corridor is subject to a similar treatment. Without clearly specifying how he minimizes the space from the design of corridor, though, Mr. A frankly expressed the basic rationale:

‘It is not effective to strictly follow the official standard of the Building Department to produce a Tong Fang just because the return would be thus greatly diminished... If the corridor is too wide, the saleable space of your suites would be hence decreased.’

Obviously, such a subdivision design does violate the BO. Disregarding legal requirements, such as the statutory building controls, Mr. A did not even pay the least attention to the issue of legality. Frankly, he never cares about whether his Tong Fang is (il)legal at all. The weak enforcement of ordinances and negligible outcome of law disobedience did reinforce the confidence of Mr. A on his illegal behaviors. On the one hand, observed from the current practices of the BD, the indifferent attitude of the authority to combat against illegal Tong Fang strengthens the class power of Mr. A to reap benefits from substandard Tong Fang production.
‘Firstly, the ordinance is weakly enforced by the BD. But if the enforcement is really effective, all the Tong Fang occupants have to be displaced... Anyway, rather than simply evicting the tenants, resettling them is necessary as well... I guess they have already known the seriousness of the problem, but internationally, they are not willing to get the problem solved immediately due to the following complicacy.’

On the other hand, the legal consequence of breaching the building laws is not deterrent at all. To owners of illegal Tong Fang, the most ‘serious’ outcome is an imposition of encumbrance on their properties. Given Tong Fang is an illegal building structure, the owner of the involved building premise, once prosecuted, is officially required to clear up the structure and return the unit back to the original state. Once incompliance or procrastination to this statutory order is found, the proprietor would receive a warning letter from the Lands Department. For those who seriously withstands to order, the warning letter might be registered in the Lands Registry, or known as ‘imposing an encumbrance’ (釘契), that might harm the property value in the market. But, as Mr. A explains, such a consequence is basically meaningless to Tong Fang owners, who seldom sell their wealth accumulator that yields long term profits. Therefore, as long as the ‘encumbered’ Tong Fang still generates profitable rent profits, the property status is usually out of owners’ concerns.

4. **CMR extraction**

An appreciable amount of CMR is realized from Mr. A’s products under his rational and cautious planning. Taking his latest product constructed in 2014 as an example, he converted a Yang Lou unit, sized 446 sq. ft. in terms of saleable floor space, into 4 independent units with 100 sq. ft. floor area, along with other non-living area. Averagely charged each quarter for $4700, the rental revenue could be
yielded with $18800 monthly. The average pricing on floor space was $47 per sq. ft., and approximately a double of the average rent of A grade private domestic premises, the residential flats sized lesser than 430 sq. ft., in the New Territories. (Census, 2016 a) With the appeal of novelty of his products, which the interior conditions are in a sound status, along with accessibility of elevator and presence of security guard, Mr. A aggressively commanded a price relatively higher than the market range around $4200 by 12%.

The remarkable CMR realization here, to certain extent, is captured by the efficient usage of spatial layout. Subdividing a property into more but tinier suites, a handsomer return is realized by further scaling down the living size of each living quarter. Assuming the extra provision of area could realize $1000 more, it would be still less profitable than his current strategy if he converted his property into 3 suites sized 130 sq. ft., plus the corridor space, given the monthly rental return of the latter would only be $17100 in total. Thus, rather than enlarging spatial provision in each quarter for a modest rental increase, the extra space is much more profitable to be allocated for extra quarter.

Lying in the bottom, such a value resulted from floor area reduction is supported by a greater exploitation to Tong Fang dwellers. Given Tong Fang is almost the only option of private low-cost housing, tenants, the ones in need of affordable housing, are forced to profoundly sacrifice their living space in exchange for relatively cheaper expenses to accommodation under the circumstance that affordable alternative is lacking. Riding on the class power granted to Tong Fang landlords as the owners of rare housing resources, they could enhance the amount of CMR extraction through exploiting the living space of powerless tenants. In general, Tong
Fang in tinier size is more likely to charge a higher average price on floor space, while the aggregate rental price could remain affordable. On another side of the same coin, Tong Fang in bigger size is less possible to command with the same average price of the tinier because the resulted aggregate price might easily fall out the affordability of general tenants, or even approach the ceiling set by the normal private premises in market. In other words, Tong Fang suppliers are encouraged to drive down the living area of their tenants, who are unfortunately left with no choices other than Tong Fang, for the sake of profit maximization. Enhancing rental profits by limiting the provision of physical area in each Tong Fang to 100 sq. ft., Mr. A actually benefits through a greater extent of class power mobilization and exploitation to the renters in need of low-cost accommodation.

But after all, such an advanced mobilization of class power has to be taken account with the eager demand of affordable housing. With lesser physical space provision though, his suites are welcomed by the group of ‘non-poor’ and hence managed to be rented out immediately within a week after they had been released in market. Concluding from his experience, the tenant class is majorly composed of single dwellers with a mediocre finance just sufficient for solo living. Graphically described by Mr. A, Tong Fang tenant is ‘the group of people earning with just $10000 and something monthly, which in the result they would neither starve desperately nor live affluenty’. The usual examples are ‘branch families’, such as young singletons detached from their original families due to various reasons. Of course, wealthier singles with $20000 to 30000 incomes are occasionally

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14 For example, if Mr. A’s Tong Fang was subdivided with a floor space 130 sq. ft. and charged with $47 for each floor unit, the price he commanded for his products sized 100 sq. ft., the aggregate price would be $6110. But considered Tong Fang in Tsuen Wan, as he depicted, was rarely charged with $6000 unless providing with larger area and splendid decoration, such the pricing is less possible to realize in a Tong Fang with normal standard.
encountered in his leasing history.

5.2.2 Case 2: Mr. B and the production of high-end Tong Fang

5.2.2.1 Role

Claiming himself as a Tong Fang designer, Mr. B has owned a renovation and interior design company which specializes in high-end Tong Fang production since 2011. Personally, he is an experienced speculator of aged residential building units, and thus his refined knowledge enables him to establish a distinctive strategy on Tong Fang investment. Similarly to Mr. A, marketizing his expertise in Tong Fang production and real estate investment, he has also organized courses and seminars about Tong Fang investment under cooperation with private commercial institutes.

5.2.2.2 Products

Together with the customers, mostly come from his investment classes, of his housing decoration company, they dedicate to produce the high-ended Tong Fang, an emerging form that is superior to the ordinary forms regarding quality of design, in Hong Kong Island. Such superiority is embodied in spatial arrangements, namely the luxurious interior decoration. Appealing to the product distinctiveness differentiating to the market standard, a higher monopoly price is captured on top of the general market price of normal Tong Fang. To accomplish that costlier charge, they usually aim at targeting wealthier tenants with low to middle income.

5.2.2.3 Production processes

I. The foundation of production relation

Mr B’s entry to supply sector is interwoven with specific processes. He first
developed a strategy of high-ended Tong Fang investment during his past speculation of aged properties in the late 2000s. In order to fetch higher profits from speculation, he learned the skills of housing renovation at a lower cost in order to increase the resale value of aged residential units. Just after he established a housing renovation company with his learnt techniques, he started to encounter with more clients requesting housing subdivision. Combining with his technical skills as well as investment insights to aged residential properties, he came up with a sophisticated approach of Tong Fang investment which the spatial products are purposely differentiated from the general standard. In particular, his attempt has been supported by the eager market demand for, as he described, ‘finer’ Tong Fang in recent years given more people, especially youngsters, gradually fail to afford a normal private accommodation.

Besides, the changed atmosphere in real estate sector has boosted up his business of subdivision works. Since a series of extra stamp duties have been introduced, speculation of property has been greatly obstructed. More real estate capital has been therefore shifted to the private rental market. As he commented, comparing with normal residential premises that only yield with four to five percent of RRR, Tong Fang investment has appeared to be more attractive. Especially, promised with a nearly ten percent of RRR, his investment plan of high-ended Tong Fang has attracted numerous investors, usually including his friends, friends of his clients and his students in investment classes, in pursuit of as much rental profits as possible.
II. The production relation

In this case, the supply behaviors of investors are significantly influenced by the presence of Mr. B. In general, his company does offer subdivision works service of which multiple subdivision designs would be provided in accordance to clients’ requirements and budgets. But considering many of his clients are from his investment classes, their entire investment layout, ranging from selecting conversion properties to designing subdivision arrangements, is by and large formulated under his advices and instructions. United to the strong rent-seeking desire of his clients as opportunistic investors, therefore, his approach of high-ended Tong Fang investment has been widely applied into numerous production cases.

III. Investment design

I. Property selection

In order to ensure the greatest rental profitability for products, property selection is of paramount importance. As for geographical concerns, his focus is primarily put on the districts in Hong Kong Island, such as North Point, where a high level of rental pricing is promised. Moreover, similar to Mr. A, Yang Lou units with a high accessibility are preferred to tenement flats, because characteristics of Yang Lou, such as better building infrastructures, the provision of lifts and security control, are conducive to a higher rental charging. Besides, the neighborhood condition is concerned in order to control the quality of living environment. For instance, the absence of vice establishment nearby, commonly found in aged buildings, is required to prevent potential harassments.
II. Spatial layout

To maximize the rental profits that could be fetched from Tong Fang, the quality of living environment are deliberatively enhanced in contrast to the conventional standard. By producing senses of ‘decency’, ‘safety’ and ‘convenience’, the dichotomy between high-end and low-ended Tong Fang is expected to create. With stylish interior designs, such as embellishments of crystal light, sheepskin carpet and marble-covered furniture, their products are decorated in a grander manner. Furthermore, with comprehensive provision of domestic furniture and appliances, including bed, tables, closet, television, fridge, induction cooker and the like, as well as extra supporting services, like Wi-Fi provision and even weekly cleaning services, living convenience is offered in favor of the ones in solo living, especially youngsters and foreigners. As convenient as a hotel suite, as Mr. B described, potential tenants could just move in with simple luggage. Lastly, with installation of close circuit television as well as smart security door lock, along with the mentioned neighborhood of ‘quality’, living safety is more ensured as potential dangers that are commonly associated to normal Tong Fang are kept away.

Besides the luxurious design, rental profitability could be enhanced through lowering provision of floor area in Tong Fang. Responding to the rent seeking desire of some of his aggressive clients, Mr. B sometimes might help reduce the spatial provision in their products, even down to merely 60 sq. ft. of a suite, to maximize the average rental return of floor space. In spite of this tininess, he found the market demand has been still ‘tolerable’ to this type of Tong Fang as long as domestic privacy is provided in the quarters.
III. Legality

Although whether their products are constructed under the building control is subject to the clients’ decision, illegal subdivision, which bypasses the official building control system, is definitely the common choice under financial consideration. To strictly abide by the legal building standards, as he explains, subdivision cost might take almost $130000 per suite, while the illegal way, but still with luxurious decoration, just costs around $70000 to 80000 per quarter. But in fact, the consequences of violations to building laws do not really constitute a significant concern to their practice due to the ‘powerless’ official inspection. In general, it is hard for official inspectors to access private residential units when there is no strong reason to apply for a search warrant from the police. Therefore, it is easy for occupants of a housing quarter to turn away any official inspections.

‘Basically, whatever the inner structure is changed, the inspection is still impossible as long the inspectors are unable to enter the suite. Once it is occupied with tenants, for instance, they could just deny the inspectors’ entry.’

To counteract the inspection system of the BO, moreover, further tactics are prepared to further lower the risk of being inspected.

‘Usually, only by receiving the complaint against your units can the officials from the BO come for inspection... To prevent from this possibility, firstly, you have to maintain the well relationship with the security guards and the neighbors. Then you have to control the quality of your tenants. (I.e. to prevent their tenants from generating nuisance to neighbors) Last but not least, the external influences to the surrounding of the subdivision works have to be eliminated, such as water seepage.’
4. CMR extraction

In consequence, the high-end Tong Fang produced by Mr. B is able to realize an extraordinary CMR from groups of ‘non-poor’. According to his description, his high-end Tong Fang sized 60 to 70 sq. ft., in the North Point, could normally realize $6000 to $7000 monthly during the recent years, while the average rent per floor space is almost $100 per sq. ft., nearly 2.5 times to the average rental price of A grade private premises in Hong Kong Island in 2015.\(^\text{15}\) (Census, 2016 a) In spite of the expensiveness, his high-end Tong Fang is keenly attracted with households with low to middle incomes. Their tenants, who are described as ‘renters with quality’ by Mr. B, are the group of persons with a stable income, ranging from white-collar individuals with an income $13000 to 14000 per month to professionals, such as accountant, civil servants as well as university lecturers with a monthly income of $20000 to 30000. Targeting the class with better finance, the pricing of Tong Fang is boosted, considering their greater affordability than the ordinary Tong Fang households. Bounded by the pricing of normal private premises, moreover, that cost around $12000 to $13000 in Hong Kong Island, commanding $7000 to a high-ended Tong Fang still falls within the affordable range to the wealthier. It is also supported by an enthusiastic demand observed from the reality as their suites usually manage to be leased within just a few days. But for their highly priced Tong Fang, Mr. B holds a conservative attitude to further rental increase given the ceiling of normal residential flats. As he explained, he might not easily raise rent so as to maintain a stable tenancy with their ‘tenants of quality’.

\(^\text{15}\) Given not all the production agents could accurately provide the market rental price of the original whole flat, the rental premium after subdivision is thus calculated with the average rental price of A grade premises in particular region and time.
As for the rental difference between the high-end Tong Fang and their ordinary counterparts, it is a monopoly price arbitrarily charged for the distinctive quality which is scarce in the market. By demarcating their high-end products from the existing standard, a brand new niche market is constituted. Therefore, an artificial shortage is created under the dichotomy between the ‘high-end’ and the ‘low ended’. Being more specific, by mobilizing the relative difference in ‘decency’, ‘safety’ and ‘convenience’ that are cared by wealthier tenants and lacking in the majority of Tong Fang in market, the tenants with the related concerns are thus entrapped into this newer niche market.

‘Of course, there are many Tou Fang that are of awful quality, such as in Chun Yeung Street where many brothels exist. In places like those, renting a Tong Fang with $4000 to 5000 is still possible. But actually, there are tenants requesting for ones with higher quality.’

‘Because of the relatively limited supply of the ‘high-end’, in contrast with the abundance of the ‘low-end’, and the advantages of our products, like what previously mentioned the closeness to MTR station, the absence of vice establishments nearby, the presence of security and the excellent interior layout, they are definitely ‘okay’ with a higher rent, which is even $1000 to 2000 costlier to than the lower standard.’

Apart from squeezing greater rental profits from the better-off with greater affordability, the impressive CMR is realized by severer spatial exploitation to tenants as well. Testing the lowest limit of tolerable spatial standard in the market, Mr. B contends that a lower provision of physical area is possible as long as the self-efficiency of a suite is preserved. Maintaining an essential level of ‘self-containment’ by squashing the necessary facilities, such as the toilet and cooking devices, into a cramped area, a Tong Fang sized merely 60 to 70 sq. ft. is still found marketable, while its rental level is kept distanced from the market rent of private
normal premises. In the meantime, manipulating the lifestyle of tenants in Hong Kong Island who might spend most of the day outside for working or nightlife and a little time indoor for resting, the spatial provision could be further minimized.

‘To you, maybe it happens to be too small, but still there are people who regard it as acceptable. As long as the units could provide an independent space, where disturbance could not happen among the households under the excellent soundproofing, plus the comprehensive domestic appliances, including bedspace, closet, electric stove, toilet and the like, are well equipped, the smaller living space is totally insignificant. In addition, most of the people just need to come back at night for sleeping, and then they go back for working again... ’

5.2.3 Case 3: Mr. C and the entrepreneurial production of serviced Tong Fang

5.2.3.1 Role

Mr. C is an engineering consultant of a local civil works and renovation company. Along with his colleagues, he had cooperated with a property management company for a large scaled Tong Fang construction before 2014.

5.2.3.2 Products

With the giant scaled construction of Tong Fang, the management company aimed at operating a Tong Fang enterprise. Commissioned by his business partner, Mr. C was responsible for converting nearly 20 residential flats into high-end Tong Fang, which averagely contained three to four suites sized from 0 to 130 sq. ft. and are decorated with luxurious furnishing, in 2009 to 2014. Backed up by a team of management crews, loads of suites were operated in mode of ‘Service Apartment’, or a quasi-form of guesthouse, with provision of supporting room services. Therefore, not only long-term residents, namely those with greater affordability, but also temporary renters, such as Mainland tourists and business travelers, are purposely targeted.
5.2.3.3 Production process

1. The foundation of production relation

The elementary catalyst of the mega-scaled production is the growing demand of temporary residence from Mainlanders. Since the early 2000s, when the ‘Individual Travel Scheme’ was introduced, burgeoning numbers of Mainlander tourists had outweighed the capacity of local hotels and, more crucially, guesthouses at lower cost. At the same time, as a mushrooming amount of Mainland pregnant women were rushing to Hong Kong for giving birth in pursuit of the Hong Kong citizenship for their coming baby, short-term dwelling that could provide for 2 to 3 month tenancy for their preparation for childbirth was thus desperately called. In light of this urgent demand and the greater affordability from Mainlanders, the idea of Serviced Tong Fang business came across the mind of the property management company. To capture the emerging demand and also the local demand for low-cost accommodation, Tong Fang with higher quality was planned to be constructed, while the suites were designed to be operated as ‘Service Apartment’ with provision of various lengths of tenancies. Starting from 2008, as far as Mr. C recognized, the company has already converted over 40 to 50 residential flats into nearly 200 suites. Because of the construction scale, the massive number of subdivision works had to be outsourced to more than one engineering company. Eventually, half of the workloads were given over to Mr. C’s company.

Such an ambitious operation, however, is based on a specific process of properties collection. Actually, the giant amount of Tong Fang managed by the company is converted from a bunch of aged residential premises entrusted by its
clients instead of the properties they possess. To accumulate a large number of properties titles, the company has invoked their community network long-built in specific districts. In fact, the property management company originally branched from a senior local property agency long established in Shum Shui Po and Prince Edward. Only by manipulating the social network, through specific ways, built over years could such enormous flats be gathered.

‘... The (real estate) agency has been established for years, just like the old shops you could identify from the corners of streets. Numbers of elderly property owners always come to their shops just for chit-chatting. Deliberately held with several televisions, displaying of stock market information, their shops have attracted many wealthy investors and property owners. During the usual gossip, those owners are purposely asked about selling or letting their properties... After years of practice, which has been whispering around the communities, lots of landlords have already lent out their flats in exchange of portioned return by month...’

In other words, such a process could be interpreted as a manipulation of inactive property relations attached to old residential buildings. Considering the history of the aged buildings, numbers of building titles were purchased by current owners from decades ago. Some of the aged units, therefore, might be causally managed. In particular, for various reasons, properties might be left idle by proprietors who are indifferent to managing their real estate assets. For instance, due to the necessary input of cost, effort and investment knowledge, as Mr. C comments, conservative landlords might hesitate to reinvest their spare flats. At the same time, appropriating such a potential, opportunistic middlemen, equipped with capital, investment knowledge and management capacity, thus arise to collect idle residential premises from original landlords, in partnership, for more profitable purposes like Tong Fang investment. Luring with a loan of subdivision outlay and a constant, but trouble-
free, share of monthly return, owners are encouraged to lend out their residential flats, in a standard contract in 2 to 3 years, to the company for their serviced Tong Fang business.

2. *Production relation*

I. Entrepreneurial Investor

The investor here, represented by the property management enterprise, is a larger capital source instead of the individual investors previously analyzed. Their operation scale, therefore, is undoubtedly bigger and more organized. On the one hand, their business is backed up by a larger capital. They not only could afford the considerable initial subdivision outlay, a refundable loan though, but also the employment of a team of management crews, including administrative staffs, housing maintenance technicians and cleaning workers. Besides, the rental operation is operated as a giant business. Not only the company handles with a vast amount of suites, but they also occasionally organize business corporations with traveling companies. Numbers of suites might be pre-rented out to travelling agencies in yearly contracts, in which the latter continuously used to accommodate for their regular groups of Mainland tourists.

But performing as a professional ‘sub-landlord’, their production relation is inevitably interlocked with principal landlords. Dissimilar to normal Tong Fang investors, their investment are dependent on the properties input from owners in their located districts. Despite their professional knowledge of Tong Fang investment due to their background as a real estate agency, they have to persuade and negotiate with premises owners to form a partnership for obtaining ‘property
inputs’. Meanwhile, their production is hence geographically confined to places around Shum Shui Po and Prince Edward where they have built a close community network. Anyhow, the overall construction and operation of the serviced Tong Fang are majorly guided under the management control of the company.

II. Principal landlords and the law abiding construction company

Lent out their property title, the owners are free from the trouble of managing their investment. After endorsing the investment plan, subsequent procedures, such as designing subdivision layout, execution of construction works and operation of rental business, are controlled by the company. Preserving the property right, however, the owners are still able to influence the subdivision design. Particularly, the subdivision outlay is only paid in advance by the management company. This debt, owed by the class of owners, is eventually counter-balanced in their share of the rental return. Therefore, the landlords were influential to the subdivision design of their properties.

Employed by the property management company, Mr. C, along with his colleagues, are responsible for realizing the subdivision design, conceived by the mentioned parties, in the ultimate spatial product. Dissimilar to the previous cases of which the subdivision works totally escape from the building control system, all of the subdivision works handled by Mr. C’s company are all undergone the statutory procedures required by the MWCS. In other words, the basic building standards of Tong Fang, such as fire resistance and loadings to building structures, are ensured. In fact, such conformity to building laws did not appear in their initial productions. Given the traditional building control system which stipulates any
construction works have to obtain official consent and approval by expensive but clumsy statutory procedures, they did also neglect the legal process just like the general conduct. But two specific events significantly influenced the company to have this illegal practice.

Firstly, the introduction of simplified building control system - ‘MWCS’ - did facilitate their obedience to building laws. (See Appendix III) On the one hand, the statutory procedures of legal Tong Fang construction have been shortened. Being categorized into classes 1 to 3 according to difficulty and complexity of the construction works, all civil works governed by MWCS are only required to submit ‘the notice and certificate of completion, documents, photos’ to the BD within 14 days after completion of work, though classes 1 and 2 items are further required to submit ‘Notice of Commencement, documents, photos’ to the authority 7 days before commencement of work. On the other hand, the cost of legal subdivision works might be therefore reduced. In general, the submission fee for application for approval of plans, costing at least $11200 in the traditional building control system, is exempted under MWCS. But for the class 1 items, the most technically difficult ones, they are still required to submit revised floor plans to the authority, which has to be prepared by authorized professionals.

Secondly, and more importantly, the collapse of tenement building in To Kwa Wan in 2010 did stimulate their concern of the official authorization to Tong Fang. After the terrifying accident which was partially attributed to improper and illegal housing subdivision, along with the public dissentient to unscrupulous Tong Fang landlords, both Mr. C’s company and the owners generally agreed that there is a necessity to obtain authorization for their production which could at least give them
a reassurance about the building standard.

‘It is definitely related to the tenement building collapse accident in To Kwa Wan. Since then, we contend we would conscientiously feel better to submit subdivision application, even though it doesn’t mean the products would thus become safer. If you tell the owners about obeying the building laws, they would think it is necessary as well. They would be at least relieved when the buildings are checked by government officials. You know... the current public opinion is really terrifying, like blaming you as unethical landlords...’

With a major consensus to subject their production under the MWCS though, disagreements from stingy owners were still encountered due to the inevitable increment of subdivision cost. In particular, Tong Fang construction might usually encounter class 1 civil work items, the works, heavily influential to building structure, which required professional, but expensive assistance from authorized persons. As a result, these stingy owners occasionally grumble over the extra expense on employment of authorized persons. To satisfy their interest, therefore, loopholes in the building control systems are invoked to lower the cost of legal subdivision works. By implication, substandard qualities are thus generated in their products in spite of their lawfulness.

3. Production design

I. Building type

Dissimilar to the previous cases, the tenement flats are more preferred rather than excluded. The absence of owners’ corporations, the ‘privilege’ of aged Tong Fang, does favor the large scale construction. Because of the disturbance created by subdivision works, their mega scaled construction of Tong Fang was facilitated under the lack of obstruction from owner’s organizations. Along with a lack of
security control, such as absence of security guards and installation of front gate, the operation of serviced guesthouse is benefited as large and frequent guest flow is enabled.

II. Spatial design and services provision

In order to extract more profits from the wealthier tenants, especially the ones from Mainland, Tong Fang with extraordinary standard is required. Similar to the high-end production in the previous case, their Service Tong Fang are luxuriously constructed. Their bathroom, for example, is designed in a rather comfortable and user friendly manner than the market standard. In contrast with the prevalent design which the bathroom is only left with a little floor space, barely enough for a single man to stand, the shower room is designed to be more spacious. In particular, with installation of underbench water heater which leaves more space for occupants, the sense of comfort is maximized. Besides, just like the previous case, to enhance the security standard, denser materials are used for entry doors and they are installed with a digital smart lock.

Backed with a management team, each of their suites is supported with extra services. Besides the standard room services, such as regular room cleaning, housing maintenance, catering and laundry, even business supporting services, like accounting, translation office booking and the like, are available to cater the demand of tenants in various types. These extra services, however, mostly charge extra fees on top of the monthly rent. Anyhow, with an application of online platform, as according to their website, tenants could make their service request through the online system.
III. Authorized Tong Fang with inferior standards

Abiding by the subdivision requirements explicitly stated in MWCS, as shown in Appendix IV, the engineering standards of their products are basically ensured. In general, subdivision works are governed in aspects of ‘formation/alteration of opening to the closure of staircase’, ‘erection/alteration of block walls’, ‘thickening of floor slab’, ‘erection/alternation of aboveground drain’. In each aspect, further classifications are listed with different technical requirements according to scale and complexity of the subdivision work. For example, ‘erection of new non-load bearing walls’ is classified as either class 1 or 3 with reference to the total length of additional walls. Therefore, based on their subdivision design, responsible contractors should undergo different statutory requirements. But given the reluctance of property owners to increase the subdivision expenses, Mr. C’s company attempted to avoid conducting class 1 minor works in order to satisfy their monetary concerns. The cost of employing an authorized professional for revised plan preparation, as he states, was at least $50000. To accomplish this objective, the subdivision works are finished within the standards of Class 2 to 3. What is more, the grey area in the building control system is even invoked. As a result, the authorized structures could be problematic despite their legality.

The first example, as Mr. C stated, is the manipulation of the grey area provided by ‘exempted building works’. In general, the erection of block walls involved in usual Tong Fang construction, with 3 to 4 suites subdivided, is supposed to undergo the class 1 civil work control given the length of walls might easily exceed the ceiling of class 3, 0.3 m. But considering that ‘lightweight board partition wall’ is
exempted from building control, a grey zone is thus provided for a tricky
manipulation. Deliberately left with an invisible gap on the top of addition walls,
those walls would be thus turned from ‘permanent compartment’ into ‘partitions’
at the legal point of view. Such a rationale is similar to the one applied to the outmoded
cubicles as their wooden partitions, unattached to the floor ceiling, are ungoverned
by the BO. As the materials selection of partitions is not regulated, lightweight
plasterboards might be used to cater the owners who want to reduce the floor area
occupied by walls. However, due to the characteristics of thin materials, as Mr. C
experienced in the past, collapse of these vulnerable partitions are highly possible.

Another example is about the substitution of class 2 to 3 works for the class 1
works. To carry a greater drainage capacity for multiple households, some property
might have to massively alter the floor structure, such as structurally rearranging of
piping distribution. Therefore, a class 1 civil work, which entails professional
assistance of authorized persons, is thus needed. But facing the reluctance from
owners regarding the extra increment in cost, a class 2 drainage erection was instead
conducted. In other words, the drainage pipes could only be altered in the existing
structure without any changes. In consequence, an awkward functionality of
guttering is often resulted.

4. **CMR extraction**

Exploiting the shortage of low-cost short-term accommodation, particularly
faced by the Mainlanders, as well as the local housing predicament, a massive
potential of CMR is tapped on by the management company. Though without
accurate data of the profitability, Mr. C contended the return from the service Tong
Fang operation is found astonishing.

‘Since the real estate sector has been obstructed by the series of extra stamp duties, their original business of real estate agency has been greatly damaged. Basically, they have been relying on this alternative rental operation to sustain the whole enterprise. Guessing from that, you could imagine how unusual is their profitability.’

According to the official website of the management company, a luxuriously decorated suite, in Shum Shui Po, with 100 sq. ft. size is monthly rented $5200 under the two-year contract in September 2016, while the average rent is around $52 per sq. ft. Comparing with the average rent of A grade private domestic premises, in Kowloon at the same period, the rental price per average floor area of the service Tong Fang is 73.5% higher than normal residential premises. (Census, 2016 c) The pricing is even far enhanced for the short term tenancy. The company, in order to operate the rental business systematically, offered types of short tenancies, including single month, 3 months, half year and so on. The shorter the rental period is, the costlier the rental price. The mentioned suite in Shum Shui Po, for instance, will fetch $6900 monthly if it is rented out under a one-month tenancy, while the average rental price per floor space charges almost $70 per sq. ft.

Accounting for that massive CMR, a monopoly pricing is commanded to the uniqueness of the serviced Tong Fang. Similar to the practice of Mr. B, the rental price is arbitrarily boosted by appealing to the distinctiveness of the product in contrast with the market standard, which is mainly represented by the luxurious decoration as well as provision of extra services. In addition to the scarcity of low-cost short-term accommodation, the CMR is maximized from the short-term tenancies. As claiming on the shortage of short-term dwelling, the greater is the
rental price fetched on the shorter tenancies.

5.2.4 Case 4 Mr. D and his incited production of Tong Fang

5.2.4.1 Role

Mr. D is a Tong Fang owner and a homeowner of an aged Yang Lou unit in Kwun Tong. Inheriting the property from his parents, he was encouraged by his neighbors to convert the flat into Tong Fang for capturing a greater rental profit. Only letting out one of Tong Fang half split from the original unit, Mr. D, along with his newly married wife, is also currently occupying another half of his subdivided property.

5.2.4.2 Products

Subdivided in 2007, two large suites, each sized 200 sq. ft., were dichotomized from the 430 sq. ft. sized Yang Lou unit. The spatial form of his product, without splendid decoration though, is unusually spacious in comparison with the prevalent standard. Unlike the traditional size that confines to further inner partitions, the roominess of his suites allows for extra erection of a bedroom in each quarter. The couple of Tong Fang had been originally rented out to numbers of household, but one of them was eventually reclaimed for his own use in 2013 when he decided to cohabitate with his girlfriend at that time.

5.2.4.3 Production process

1. The foundation of production relation

Mr. D’s entry to the production sector was essentially subjected to external influences from other social agents. Just before his inherited property was converted into subdivided units in 2007, an emerging trend of flat subdivision had already
spread around his neighborhood under the active promotion by real estate agencies. Likewise to Mr. D who had lived there for a long time, most of his neighbors were aged homeowners who had a long history of residence in that building. Being informed by his neighbors, he found the property agencies had eagerly advocated Tong Fang investment among his neighborhood. Though the accurate intention of their encouragement is unable to be confirmed, the property agents are undoubtedly profited from broadening the supply network of Tong Fang as handsome brokerages are possibly captured from the process. To be benefited from Tong Fang production, the agencies logically promoted the investment practice among aged neighborhood, just as the previous case, which passive landlords hesitating for property reinvestment might exist.

With a demonstration effect among the community, furthermore, Mr. D’s decision of turning his property into Tong Fang was finally stimulated by the investment success of his familiar neighbors. Even without any prior understanding to the subject ‘Tou Fang’, he was soon impressed by the profitability of Tong Fang shown by his neighbors’ experience. Subdivided their original dwelling into profitable Tong Fang for rental purpose, while they made use of the rental income to subsidize another ownership of a better residential unit outside, his trusted neighbors did persuade Mr. D’s family to follow their practice. Coincidentally, his family decided to purchase an extra housing unit. Their residual property was eventually left at Mr. D’s own disposal. With this spare housing premise, therefore, his Tong Fang investment, though in a conservative manner, finally commenced.
2. *Production relation*

Mr. D’s investment was by and large initiated by a chain of incitements. Firstly, a trend of Tong Fang investment was cultivated by the property agencies among the neighborhood. The subdivided property investment was advertised with introductions to the related financial advantages, along with necessary knowledge of investment, such as the expected expenses and returns. Interested owners, at the same time, might resort to professional advices. Mr. D, for example, once inquired about the information regarding the (il) legality of Tong Fang before executing his production. Anyhow, the investment conduct started to pervade the neighborhood, especially on the floor where he lived, Tong Fang investment was being perceivable in his everyday life. As he remembers, numbers of flats on his floor were already converted into Tong Fang right before his participation. After his trusted neighbors testified the investment miracle themselves, he was finally persuaded to ride on the bandwagon.

Without surprises, Mr. D’s investment was by and large guided by his trusted neighbors. Given that their Tong Fang were converted from the units in the same building, the empirically based instruction from neighbors, regarding aspects like ‘subdivision layout design’, ‘budget and return calculation’, ‘subdivision procedures’ and the like, thus became the best reference to his production. Nevertheless, he did not entirely imitate their investment strategy. Due to the consideration of his domestic disposal, in particular, he came up with a conservative design of spatial layout which differed from the ones commonly found on the same

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16 As for today, even 10 out of 16 quarters were found subdivided with three to five Tong Fang, with the exception of his half-split one.
floor, or even in the market.

3. Production design

I. Spatial design

Reflected from the abnormal spatial layout, maximizing the rental return was not the only concern of Mr. D. With a sharp contrast to his neighbors whose flats were normally subdivided into 3 to 5 independent suites, of which the size was even down to 80 sq. ft., his ‘half-split’ design, two Tong Fang with 200 sq. ft. floor space each, was regarded as a ‘squander’ of floor space. To Mr. D, however, the roominess was originally preserved for the possibility of self-occupation, which is now already realized. Although Mr. D decided to sublet his inherited property to capture opportunistic profits from enthusiastic Tong Fang demand, the conservative spatial design not only reflected his investment desire but also the consideration of the potential accommodation need of himself and his younger brother.

‘In fact, my neighbors urged me to erect more, but tinier suites as they did. But I thought a half cut was better, because one of the half could be preserved for my future residence... Additionally, for the same need of my brother who might one day establish his own family and fail to afford his housing, another half was thus planned for his future as well.’

With the idea of self-occupation, moreover, the uncomfortable subdivision designs suggested by his neighbors were inapplicable at all. In particular, Mr. D felt intolerable to their limited provision of living space.

‘As I visited the neighboring units, I just thought that their products, the quartered units, were too small. Considering what if I got married and I couldn’t afford a unit elsewhere, I felt hesitated if one day I had to live in this compacted area.’
From his point of view, furthermore, the surrounding subdivision design is somewhat inhuman. Not only did he contend the tininess, the living area of 80 sq. ft., is intolerable to his current residence, but also he felt dissatisfactory to the design of windowless subdivided suites. Restricted by the building structure, most of the premises are only installed with windows on the single side. If the quartering layout was insisted to be adopted, suffocating Tong Fang would be thus inevitably produced.

II. Legality

From the view of legality, Mr. D’s suites were illegally produced as the construction works did not comply with the traditional building control system. Even until now, he has never acquired the correct understanding of the legality of Tong Fang construction. He did concern about the legal risk of property subdivision, but just he was misinformed by his familiar real estate agencies that Tong Fang erection was lawful as long as the basic fire safety standards, such as installation of fire resistant gate and proper design of fire escape corridor, were ensured. However, the necessity to comply with the statutory processes of the traditional building controls, when the simplified MWCS was not yet introduced in 2007, was untold. Yet, considering it was a common practice for people to ignore the expensive statutory requirements at that time, it is logical to expect such a legal obligation was unstated by the real estate agency. Without the authority control on subdivision works, the building standard of his Tong Fang, namely the extra loading of addition construction materials, is unsure.
4. **CMR extraction**

In the case of Mr. D, CMR is realized in a less exploitative manner when comparing with the previous examples. As advised by the real estate agency, his Tong Fang was suggested to be priced at $4500 to give rooms for bargaining. But due to his unsophisticated bargaining skills, Mr. D eventually gave in to his first tenant and lowered down the rent to $3500 in 2007, while the average floor area fetched $18 per sq. ft. In fact, such a spacious design does hinder the realization of CMR. Given the average rent of A grade premises in Kowloon in 2007 was $16 per sq. ft., the rental premium only increased by 13%. (Census, 2008) Even assuming his Tong Fang was successfully rented out by $4500, the rental premium was only uplifted to 40%. But comparing with his neighbors whose suites sized 80 sq. ft. was each rented at $2500, the high average rent per floor area, $31, boosted the rental premium to 94%. Such a result does again echo to the principle that the smaller the Tong Fang is, the greater the average rental capacity.

Furthermore, the realized CMR surged significantly during the past decade. Given the robust demand for urban low-cost housing in the recent decade, Mr. D managed to increase the rent by $500 to $700, as suggested by the real estate agency, whenever the contract was renewed or a new contract was signed. As to his view on the eagerness of market demand, he pointed out that he has often encountered with enquiries from accommodation seekers, in various financial statuses, about the availability of his Tong Fang despite that they are already occupied. Therefore, in 2015, his Tong Fang was rented at $7500 with an average floor price of $38 per sq. ft., while the rental increase in 9 years reaches to 1.1 times. Besides, as for the Tong Fang of his neighbors, an even more aggressive rental increase is shown as the
aggregate rent has escalated by 1.4 times to $6000 since 2007. While the average rent of A grade premises in Kowloon only increased by 1.03 time in the same period, the rental increment of substandard is even greater than the normal residential premises (Census, 2016).

5.3 Discussion and Summary

All in all, this chapter reveals the concrete processes of the contemporary Tong Fang production with the scrutiny of individual production experiences of involved agents. Through reviewing the case studies which demonstrate how various agents contribute to the materialization of Tong Fang and hence the realization of CMR in diversified manners, it substantiates how CMR is appropriated by the class of Tong Fang landlord in the contemporary housing market structure, which entraps the ones in need of private affordable housing, and unravels what are the underlying relations and processes necessary to the production of Tong Fang in Hong Kong are. To further illuminate these results, several concluding remarks are discussed as below.

5.3.1 CMR appropriation and mobilization of class power

As revealed by the production stories, the CMR appropriation of Tong Fang production is the result of the process in which the class of Tong Fang landlords impose their given class power on their powerless tenants. To summarize, CMR yielded by Tong Fang construction, manifested in the rental premium after subdivision, can be interpreted as the revenue of exploitation. Considering the current housing market structure that lacks low-cost housing options other than private Tong Fang, which, in other words, monopolizes the private affordable accommodation in the city, a class power to define the living environment of the one trapped in Tong Fang is bestowed on the class of landlords who provide such
scarce housing resources. To a large extent, the quality of Tong Fang, such as provision of floor area, building standards and even rental pricing, is up to the arbitrary will of the landlord class. Therefore, CMR of Tong Fang construction is appropriated through exploiting the living quality of the trapped tenants, namely reducing the size of their living area, and charging it as much they could afford as possible. As shown in the empirical cases, the landlord class, even including the most conservative Mr. D, was always possible to extract a remarkable CMR from their tenants through the excessive pricing to their tiny Tong Fang. In addition, their CMR extraction is also supported by enormous demand, or even a shortage of Tong Fang in the market which their products always manage to be leased out in a short while. As a result, their class power to command an immoderate rental price is further reinforced, given the one who are granted with ‘choices’ is the class of landlords instead of the class of tenants.

Furthermore, the appropriation of CMR could be enhanced along with a greater mobilization of the granted class power. On the one hand, aggressive landlords could maximize their CMR through manipulating the floor provision of Tong Fang. As proven by the empirical experiences of the interviewees, the smaller suites usually fetch a higher average rental price than the bigger ones. Given Tong Fang is a product charging for its relative affordability among the housing market structure, smaller quarter is found more conducive to maximize rental profits as its aggregate price could be kept at a relatively economical level in spite of a greater average pricing to each unit of floor area. Therefore, through further exploiting the living area of his Tong Fang tenants, one can squeeze more profits from each unit of physical space of his housing property. In this vein, driving down the floor area provision of a Tong Fang to merely 60 sq. ft. and charging each sq. ft. for $100, as
shown by the case of Mr. B, are the best evidence for the landlord to maximally mobilize his class power to exploit his tenants in order to enhance the rental profitability.

On the other hand, aggressive landlords could also enhance CMR by producing heterogeneous Tong Fang to capture different niche markets. In light of the growing demand for lower-cost housing from the ‘non-poor’, which ranges from young singletons with mediocre income to professionals with middle income, their relatively better finance renders a greater potential of CMR appropriation. Mobilizing their concerns to the living environment, such as stylistiness, convenience as well as safety, Tong Fang is purposely built in a superior standard to the majority in market. The affordable housing option for the wealthier tenants with the relevant concerns to living environment might be monopolized by such high-ended Tong Fang of minority in market. Therefore, invoking the quality difference as well as the quantity rareness between high-end Tong Fang and low-end Tong Fang, the aggressive landlords could arbitrarily command a greater price for their ‘finer’ products from the niche market. Taking a step further, aggressive landlords could even approximate the CMR yielded in the low-cost housing demand from non-local residents. Operating as the short term accommodation, which is in shortage as well, Tong Fang can thus fetch a greater rental price than normal residential units. One way or another, such ways of CMR appropriation depend on how the class of scare resources providers could manipulate the shortage of their Tong Fang.

5.3.2 The ‘component’ of the Tong Fang landlord class

As for the necessary relation involved in the production of Tong Fang, the class
of Tong Fang landlord always strikes one as the most pivotal presence. In light of the potential of CMR appropriation in Tong Fang construction, this class of landlords is tempted to turn their residential property into Tong Fang to tap on the opportunistic rental profits under the given housing market structure. Being unveiled by the production stories, the class of Tong Fang landlord is found to be composed of agents of diversity, which include homeowners of aged residential premises, opportunistic real estate investors, rent-seeking middlemen and even entrepreneurial capital. Their personal background, interests, decisions do greatly determine the ultimate form of Tong Fang as well as the capacity of CMR appropriation. Echoing to what is mentioned above, for instance, landlords with different aggressiveness might result in different magnitude of exploitation to their tenants in terms of provision of living area. But in general, as revealed in the cases, this class is usually found calculative, and planning meticulously, ranging from property selection to subdivision design.

However, their participation in Tong Fang construction is by no means a spontaneous activity detached from any context. Most of them are found attached with backgrounds related to aged property. Considering these agents, such as owners and investors of aged residential premises, local real estate agencies and even owners of past subdivided structures, are more exposed to information of Tong Fang investment than the general public, they are more possible to form with an investment initiative and to acquire the knowledge necessary for their production. But along with the growing eagerness for general investors to access the information and knowhow about alternative investment portfolio as well as the emerging systematization of knowledge on Tong Fang investment, more people are facilitated to initiate their construction and thus become a Tong Fang landlord. The
detailed discussion on the process ‘knowledge systematization’ are held in the next chapter.

5.3.3 The coalition of the nexus of CMR seeking agents

Moreover, the contemporary production of Tong Fang is not only driven by the CMR seeking desire of the landlord class but also the opportunistic interests of other auxiliary agents. Proven by the case studies, the actualization of Tong Fang investment is contributed by multiple production agents other than investors, namely local real estate agencies as well as subdivision workers. Not just providing professional insights as well as services that help sharpen and execute other’s investment strategies, those agents might even eagerly facilitate the formation of production desire of investors. In particular, auxiliary agents, like property agencies, are noticeably found active to encourage aged property owners to engage in Tong Fang production. Their hard works are essentially driven by the benefits spilled from the burgeoning Tong Fang production in the city. The spillovers of Tong Fang production, such as the commissions from purchases of subdivision property and rentals of Tong Fang, the returns from subdivision works and even the CMR itself, are the opportunistic benefits available for the auxiliary agents to tap on. By implication, the contemporary production of Tong Fang is by no means just spontaneously induced by the rent-seeking desire of Tong Fang landlords, but it is fundamentally underpinned, developed and augmented by a nexus of agents both directly and indirectly extracting benefits from the process of CMR realization.

5.3.4 The acquiescence from the government

As far as the government is concerned, her anarchistic control to Tong Fang
construction is another critical relation to the contemporary production of Tong Fang. In a nutshell, the incredible class power of landlords to erect Tong Fang in arbitrary standards with excessive rental command is bolstered up by the tacit permission from the contemporary government. Despite the fact that Tong Fang is supposedly governed by the building control system, which differentiates it from partitioned cubicles that are exempted from the building regulations. The ineffective, or more accurately perfunctory, enforcement of building laws against illegal Tong Fang, which is mainly embodied in the half-hearted inspection, has rendered the regulation powerless for deterring the rampant production of the substandard housing structure. Moreover, the consequence for the landlords who possess illegal building structure, the imposition of encumbrance, is equally meaningless to stop this class from violating the building laws. The illegality of Tong Fang construction thus appears as the negligible concern to the class of landlords. This is particularly evident for the production before the Ma Tou Wai accident happened when owners of Tong Fang, like Mr. D, might not even recognize the unlawfulness of their practice.

Therefore, production of Tong Fang that escapes from the official building control has been rendered as a norm rather than a particularity for the class of landlords. Without significant deterrent to illegal practices, the obedience to the building control system is not only reduced into a voluntary issue but also alienated as a problem of monetary cost. Considering the investment disadvantages brought by the building laws, like the costs of employing authorized professionals, the cost induced by the required materials and the decrease of rentable space out of the required size of corridor, it is logical for rational landlords to maximize their profits through production of illegal Tong Fang given no effective deterrent are imposed
on their practices. The same situation goes for the newly implementation of MWCS which only encourages but not requires Tong Fang producers to obey the system. Even for those who show the least ‘conscience’ to voluntarily abide by the official requirements, the deep-rooted concern between monetary concern and legality might still influence the production and result with substandard products.

5.3.5 The exploitable socio-spatial relation of aged residential buildings

Last but not least, the socio-spatial relations attached to aged buildings in urban area also contribute to the contemporary Tong Fang production. Of course, with the merits of residential premises in old buildings, Tong Lou and Yang Lou, including the relatively lower property price, the favorable internal layout and even the absence of obstructions from owners’ corporation, the flats in aged residential buildings are both economically and physically favorable to for rent-seeking capital to re-invest in profitable Tong Fang properties. But more importantly, the socio-spatial relations of these aged buildings are found equally exploitable. With the years of development, aged residential buildings in urban area are situated in a sophisticated fabric favorable for living. In particular, aged buildings are commonly found attached with well-developed transport, such as the accessibility to MTR stations. The CMR in Tong Fang construction, therefore, is somewhat realized through appropriating those existing advantages of old buildings. Moreover, the historical development of aged buildings also results with the existence of ‘idle properties’ which are flats inactively managed by passive owners. In light of the rampant profitability of reinvesting aged residential premises into Tong Fang, the existence of these idle properties thus becomes an exploitable potential for rent-seeking agents to manipulate. Through persuading and inciting those passive landlords to convert their properties into profitable Tong Fang, parasitic middlemen
of property management and real estate agencies, for example, are able to extract their very benefits from fostering such reinvestment. Altogether, aged residential premises have been the ideal space with conducive attributes that contribute to the contemporary Tong Fang production.
Chapter 6

Tong Fang Production

A study of Systematization of Knowledge

6.1 Introduction

After examining the concrete process of contemporary Tong Fang production, the materialization of Tong Fang is proven to be a complicated process realized under the cooperation of different social agents in order to appropriate CMR. But one thing that deserves further exploration is the influence of production knowledge to the entire Tong Fang production in Hong Kong. Being revealed by the previous chapter, not just the importance of production knowledge to the progress of Tong Fang production is shown, but, more importantly, such crucial knowledge itself is found systematically formalized by production agents into transferable knowledge contributing to the proliferation of Tong Fang investment, and hence the production of Tong Fang in Hong Kong. Given the growing effort to organize and marketize Tong Fang knowledge is obviously noticed, such ‘knowledge systematization’ is believed to be a momentous process emerging in recent years. Different types of systematized knowledge are purposely formalized by different production agents with differed perspectives and circulated to a wider extent.

With the assertion that knowledge systematization does foster the capitalist production, this chapter aims at analyzing how knowledge systematization helps promote and expedite the contemporary Tong Fang production in recent years. Drawing inferences from the in-depth interviews with the three teaching agents, namely Mr. A, Mr. B, two private production agents whose experience are already discussed in the past chapter, as well as Mr. G, the representative of the Construction Department of IVE, a government-subsidized career training institute, and the
direct attendance experiences to two of the courses held by those agents, how the knowledge systematization takes place, what know-how are formalized and how the abstracted know-how influences the proliferation of the production practice are going to be explored.

<table>
<thead>
<tr>
<th>Cases</th>
<th>Referenced agents</th>
<th>Background of agents</th>
<th>Attendance to their courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Mr. A</td>
<td>Tong Fang owner, real estate investor, organizer of taught courses about Tong Fang investment</td>
<td>No</td>
</tr>
<tr>
<td>Case 2</td>
<td>Mr. B</td>
<td>Owner of a renovation company, real estate investor, organizer of taught courses about Tong Fang investment</td>
<td>Yes</td>
</tr>
<tr>
<td>Case 3</td>
<td>Mr. G</td>
<td>The representative of the Construction Department of IVE</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Table 6.1 The information of the referenced agents*

### 6.2 Knowledge and Tong Fang production

Generally, multifaceted knowledge might be elicited from the process of Tong Fang production. Production knowledge could be interpreted as the information, understanding, insights, principles, rationales related to a production process. In particular, given differences in aspects, including backgrounds, positions, interests thoughts and the like, different agents might have culminated different knowledge from their production participations. For instance, local real estate brokers are well
familiar with the information of Tong Fang investment regarding subdivision favored properties, budgetary estimation, suggested pricing and market performance, while subdivision workers might know the best about the technical understanding, such as subdividability of a unit, practical subdivision design, (il) legality of subdivision works and the like.

But in fact, the production knowledge is also the precondition to Tong Fang production. As revealed in the previous chapter, from forming their investment desire to conceiving and executing their investment plans, the investors of Tong Fang production, the pivotal agent in Tong Fang production, are predicated on different production knowledge obtained from the experienced production agents, which might range from the simple recognition of the profitability of Tong Fang to the complicated strategies of property subdivision. Even for Mr. A, an experienced Tong Fang investor who is now capable of marketizing his refined insights, for example, he also contended that the production knowledge from auxiliary agents, like real estate agencies and subdivision workers, are indispensable to any beginner as guidance. As he commented:

‘They (various kinds of technical knowledge about subdivision works) are just simply obtained by approaching to a construction contractor... At the very beginning, any starter must rely on their (the property agent and the subdivision workers) guidance... And it is important to have this network, as there were no one out there dared to teach you how to produce a Tong Fang.’

The accessibility to production knowledge is thus a necessary condition to Tong Fang investment. Before the process systematization of production knowledge emerging lately, as Mr. A described, no blatant impartation of production knowledge were found available in the past. In other words, it is expected that the
ones who successfully establish a network with experienced production agents can have a better understanding about the production knowledge of Tong Fang. Particularly, as revealed in the previous chapter, the production knowledge is more tangible to the agents related to aged residential premises, such as homeowners as well as investors of Tang/Yang Lou units. Therefore, it is more likely for these agents, along with the auxiliary agents, like real estate brokers and subdivision workers who are already familiar with Tong Fang production, both to form an investment desire and hence to accomplish it by production. On the contrary, however, for those who are inaccessible to experienced agents, or even completely isolated from the least understanding to the subject, it is less possible for them to form a production initiative.

6.3 The exploration of current knowledge systematization

Systematization of production knowledge, however, has gradually emerged in recent years. While the object ‘Tong Fang’ has caught increasing attention, both economically and politically, the relevant production understanding, principles and insights have been purposely organized into different systematized knowledge and openly diffused to a farther remit in the form of commodity. In particular, synthetized with necessary knowhow of diversity, the systematized knowledge is deliberately customized as a comprehensive guidance for general investors. The production of systematized knowledge is thus believed to be an emerging catalyst to the production of Tong Fang in Hong Kong. The formalization of organized knowledge, nevertheless, is not only conducted by the private agents. Due to the mounting concern over the legitimacy of the property subdivision and the prevalence of substandard Tong Fang, the generalized know-how related to the production of legal Tong Fang is also found available with the effort of public
agents. With the analysis of three unique cases, this section is thus going to illustrate the recent knowledge systematization noticed in the 2010s.

6.3.1 Knowledge formalized by Tong Fang investor, the case of Mr. A

6.3.1.1 Systematization context

In the recent years, Mr. A has systematized his insights of Tong Fang investment and disseminated in various manners. To marketize his exclusive insight, his systematized know-how has been diffused through social media and taught class in different extent. On the one hand, cooperating with a private commercial organization, a detailed taught course which ‘studies’, in his own wordings, how to realize a profitable Tong Fang investment has been held since 2013. Publicly promoted on the Internet, the course has been attracted with numerous general investors. Being regularly held every couple of months, the class is usually registered with around 50 to 60 people each time. On the other hand, the systematized knowledge, though in the highly simplified version, has been shared in cyberspace in an attempt to advertise his intellectual commodity. Published in websites, forums and even social media, like Facebook, promotional information of Tong Fang investment is widely circulated among the public.

The major drive for Mr. A to marketize his formalized production knowhow is the observed demand from the market. In light of the growing trend of Tong Fang investment, the desire for learning the detailed investment knowledge does show a marketability of commodifying his production knowhow. Notably, under the circumstances that the real estate market has been intervened by the government in the recent years, such demand of production knowledge is well explained by the people trying to approach alternative investment. Therefore, synthesized from his
production experiences and insights over real estate investment, a set of tailor-made 
knowledge fitting the market demand is packaged for sale.

However, due to the sensitivity related to the subdivided structures, as the profitable Tong Fang investment is more or less involving contravention of laws, Mr. A’s marketization of related know-how has been conducted in a relatively low-profile manner.

‘Even for us, we are not brave enough to claim that we are teaching how to produce a Tong Fang… We are just ‘studying’ it as a common phenomenon… Simply, teaching how to build a Tong Fang is just like teaching about tax evasion. Do you dare to do so?’

‘We are not teaching you ‘how to produce.’ Instead, we just probe into the phenomenon, to figure out why the investors would do so and how they do so.’

6.3.1.2 Systematized knowledge

1. Via cyber medias

On the one hand, to advertise the commercial course, Mr. A’s investment knowledge is systematized into a simplified version which circulates through the Internet. Utilizing various online platforms, including Facebook, YouTube, blogs and forums, he has openly discussed Tong Fang investment in a number of occasions. Initial glimpses to the investment, such as some introductory knowhow, are thus widely available for the public’s viewing. For example, in the online commentaries he made, certain elementary information of Tong Fang investment, like financial advantages of Tong Fang investment, estimated cost and budgets and possible legal risks, are roughly disclosed to the online readers.
Moreover, the knowledge circulation proceeds in an interactive manner. Occasionally, Mr. A might respond to online inquiries about investment advices in the form of commentaries or videos. Without exceptions, the questions over Tong Fang investment are occasionally encountered. To address the concerns from the audience already obsessed with Tong Fang investment. Some practical, but simple advices, mainly regarding of the recommendations of geographical location, property selection, and subdivision design, might be given to the readers for improving their investment strategies. But anyhow, his knowledge shared online is limited for promotional purpose, while, as he stressed, further detailed knowledge is only available in his fee-charging taught class.

2. Via taught course 17

On the other hand, Mr. A’s systematized his production knowledge in the form of commercial taught class. Although the commoditized knowledge is presented with a disclaimer, claiming that he is not responsible for any illegal behaviors, the course content does implicitly suggest a practical guidance of illegal Tong Fang investment. Formalizing the necessary know-how from the perspective of a professional of Tong Fang investment, a customized manual fitting beginners is offered to the purchasers.

Theorized by Mr. A as a professional real estate investor, the organized knowledge is about how to conceive a rational investment plan to attain a certain rate of return, known as RRR. By sharing multiple empirical examples of profitable

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17 Without attending this course though, the teaching content is mainly drawn from data collected from the in-depth interview and online promotion.
Tong Fang investments, the way for the investment instrument to realize the targeted RRR under the cautious investment arrangement can be mathematically analyzed. Apart from this introduction of Tong Fang as an ideal real estate asset with remarkable rental profitability, how to formulate a rational investment plan is also illustrated in sequential aspects: Firstly, the criteria, along with underlying rationales, of subdivision property selection are illuminated. Considerations to critical factors like geographical location, buildings types, physical size and layout of the preferred property are suggested. Especially, certain understandable technical knowhow regarding subdivision works, namely how to conceive a feasible subdivision layout, are highlighted. Secondly, the principles to realize cost-effective subdivision design are shared. Tactics to maximize the efficiency of the floor space allocation and renovation works, for example, are notably recommended. Lastly, the miscellaneous matters related to leasing of suites are also articulated. The understandings of the market demand in specific districts, possible pricing, and the skills for searching disciplined tenants are pointed out.

Last but not least, understanding of the legal consequences of unlawful subdivision works is disseminated in the class as well. Given the legality of housing subdivision is one of the most concerned aspects in recent years, the understandings of the potential risks are thus deliberately explained. As he claimed that the course is going to ‘analyze’ the reason for the rampant illegal production prevalent in the market. The principles discussed in the course also concern illegality given their incompliance with the building laws. Therefore, shedding light on the possible risks of owning illegal Tong Fang, including the chance of being prosecuted and the subsequent legal consequences, the course does explain the reasons of why illegal Tong Fang production is unbridled with examination of the potential, but negligible,
opportunity costs and the appealing profitability.

6.3.1.3 Impact

In general, new Tong Fang investment is facilitated by the systematized knowledge. On the one hand, the online circulation of introductory knowledge does help arouse the investment interest from more individuals. With the dissemination of the least information useful for Tong Fang investment through the internet, Tong Fang as an alternative investment instrument is widely promoted. On the other hand, being offered with the comprehensive guidance of the investment practice in his taught class, namely a duplicable investment paradigm, it is convenient for the attendants to initiate their own investment in Tong Fang. Despite without probing into the post-class investment activities of his ‘students’, Mr. A observed with two major tendencies among the classes he ever encountered. One of the possibilities is that the interested students might immediately launch their investment right after the lesson. Given the course usually attracts with wealthy investors with abundant capital, as explained by Mr. A, some students who immediately launch an investment attempt right after the class, usually the ones deeply obsessed with the profitability of Tong Fang, are always found. However, another possibility is that students might still hesitate over the practice. After all, hanging back from conducting the illegal investment practice, a number of his students holding a cautious mind are still noticed.

6.3.2 Knowledge formalized by subdivision work contractor, the case of Mr. B

6.3.2.1 Systematization context

Similar to Mr. A, partnering with a private commercial institute, Mr. B has
marketized his formalized knowledge in the form of taught courses since the early 2010s. With an aim at selling the desirable knowledge as a commodity, the courses are promoted on the Internet and opened to anyone for admission. The systematized knowledge, however, is significantly distinguished from the above mentioned in terms of content. Particularly, the investment paradigm provided here is completely different to what is advocated in the previous case, as the guidance proposed here is about another paradigm which instructs how to produce high-end Tong Fang with an even higher rental capacity.

The organization of commercial courses is also the contingent result that rides on the growing interest in Tong Fang investment in recent years. Under the eager pursuit of alternative investment instruments with desirable rental returns, in substitution for obstructed real estate transaction after the governmental interventions, a potential for marketizing the relevant knowledge of Tong Fang investment is thus elicited. Taking a step further, through promoting the investment fashion, Mr. B could thus advertise his subdivision works business of his housing renovation company.

Similar to the previous case, the dissemination of systematized knowledge has proceeded in a relatively low-profile manner. As Tong Fang investment still lies in the grey area from the view of legality, he resists to openly acknowledge instructing ‘how to produce’ a Tong Fang. As he explained

‘... Even when you searched the keyword ‘Tong Fang’ on the Internet, numerous relevant courses are easily found. But for me, my programs do not explicitly show the related content, just like ‘how to make a Tong Fang.’ After all, I don’t want to be too explicit about the stuff. A grey area, however, does exist as the government has never been clearly against the illegal property subdivision...’
Keeping in line with the low-profile marketing, the systematized knowledge of Tong Fang investment has been vaguely expressed in the course description. For example, his course about Tong Fang investment was packaged as ‘Low-cost methods of housing renovation,' along with the ambiguous descriptions, like ‘enhancing rental values of properties by spatial rearrangement.' But in fact, based on my field visiting experience, how to produce a profitable, but illegal, Tong Fang was straightforwardly introduced in the class.

6.3.2.2 Systematized knowledge

Similar to the course abovementioned, a strategic blueprint on professional Tong Fang investment is outlined in the lesson. In other words, students are taught with a specific investment deployment about how to produce a Tong Fang capable of yielding a greater RRR. The curriculum is more or less composed of the fundamental know-how of various aspects, mainly including procurement of suitable property for subdivision, subdivision design and Tong Fang leasing. Nevertheless, this course is significantly different from the previous one regarding the content. Notably, the systematized knowledge here is formalized from a different agent whose consideration, interpretation and practices are disparate from the previous agent. What is addressed by Mr. B, so to speak, is a disparate master plan which is about producing high-end Tong Fang.

With an emphasis to generate the highest return from Tong Fang as a real estate investment instrument, a distinctive strategy of high-end Tong Fang production is proposed. Referring to the actual examples he ever produced, the approach is

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18 This part is illustrated with my attendance experience to one of his courses held in 2015.
illuminated with the prominent spatial design, the approximate budgets, the resulted profitability and the market performance. To sharpen the financial advantages, comparison with the conventional type of subdivided structures is particularly articulated.

Aside from the introduction of the outstanding profitability of high-end Tong Fang, a comprehensive guidance to actualize the investment is shown. From choosing a preferred location, selecting a proper building premise to arranging internal layout, how to command the highest rental price is delineated with these interlocking procedures along with corresponding rationales. Particularly, the luxurious interior furnishing is highlighted by showing various examples of deluxe-designed Tong Fang he ever produced. At the same time, the subdivision works services provided by Mr. B’s company are also promoted in the class, while approximate quotations of the high-end subdivision works are offered to students.

With his role as an experienced contractor of subdivision works, a number of formalized technical know-how is provided to the class. The selection of property, for example, is one of the accentuated aspects. How critical technical variables of a residential unit, such as size, original layout, distribution of windows, location of structural walls, drainage, capacity of electricity and so forth, might influence the design of subdivision layout is thoroughly delineated in a digestible manner. In other words, students are navigated to search for appropriate units that are favorable to realize their conceived investment. To exemplify the rules, rationales and principles involved in property selection, moreover, extra field visits can even be organized to bring attendants to various sample sites for detailed explanations.
Understanding of legality of Tong Fang production, lastly, is stressed just as the previous case. Clearly pointing out the extra requirements of legal subdivision works, notably statutory stipulations as well as approximate increase of subdivision expense, the course does objectively address the relative advantages of illegal Tong Fang whose the production escapes from the official building controls. Given the majority of Tong Fang in market is produced by unauthorized subdivision works, the underlying rationales why the illegally subdivided structures are implicitly permitted by the government is explained. For example, as he mentioned in the class:

‘In fact, even though Tong Fang is unwelcome to the Hong Kong government, the former has never been entirely eradicated by the officials. It is just because there has been an urgent need for its existence for accommodating Hong Kong people... Therefore, a large grey area is existing for illegal production. The official tolerance (to Tong Fang) depends on whether serious external and harmful effects would be generated from the structures.’

Therefore, how production of illegal Tong Fang is tolerated within the grey area is delineated. Information regarding the ineffective enforcement of the building laws, such as the difficulties of in-home inspection of private property, the passivity of the official investigation and even the indifference of the officials in pursuing prosecution cases against illegal Tong Fang, is shared. For example, the inefficiency of prosecution from the BD is even delineated with his personal experience that his illegal subdivision works, inspected by the BD which received the complaint from the public, got away with being charged since the officials were fully occupied by their tons of workloads. By implication, the impossibility for owners of illegal Tong Fang to be prosecuted is strongly articulated.
6.3.2.3 Impact

Similar to the previous case, the production of Tong Fang is facilitated under the knowledge systematization. Being offered with an applicable investment paradigm of high-end Tong Fang, along with the illumination of the impressive benefits, the ignorable risks, students are thus encouraged to initiate the practice. Particularly, unlike Mr. A who is purely an instructor to lay down the suggestive guide to his students, while their subsequent decision does not fall within his very interest, Mr. B, as a stakeholder in the business of property subdivision, does show an enthusiasm in promoting the investment practice among his students. Attendees in the class, therefore, are informed of the details of his services, such as quotation, length of construction works and design examples of the deluxe layout. Altogether, evidently proven by the fact that his subdivision works business has been greatly supported by the students of his taught classes, a number of his students are found facilitated to launch their investments under his instructions,

6.3.3 Knowledge formalized by public education institute, the case of IVE

6.3.3.1 Systematization context

Distinguished from the cases of private agents, the case of IVE, a government subsidized institute of vocation education, manifests another scenario of knowledge systematization. Being a funded public institute of career training, IVE is offering taught courses of many kinds, concerning ranges of the profession, which are customized to different targeted students. As one of the many short-term programs held by the Department of Construction, the course related to Tong Fang production, titled as ‘Building Flat Sub-division and Related Works', has been regularly organized since the early 2010s.
Totally disparate to the courses held by private agents whose major objective is to marketize the desirable knowledge about ‘how to produce Tong Fang’, the semi-governmental program does not offer any understanding conducive for profitable Tong Fang investment. Instead, the only available content is the generalized legal prescriptions of proper subdivision works. With an objective to provide ‘correct’ understandings to the practitioners of the related civil works, the targeted students of this course is primarily the subdivision workers and contractors. However, since no professional qualification would be issued to the graduates, who would receive a course certificate that does not represent any specific credentials, the admission is not stipulated with specific criteria. In other words, the public, even without the related working experience, is still welcome for application. Besides, the knowledge about the production of lawful Tong Fang is suitable for interested investors. Referencing to my field attending experience, the useful but digestible understanding of legal Tong Fang production, like building requirements, cost, necessary factors to property partition and, most importantly, consequences related to law violation, are addressed. Therefore, the observed attendees were not only just composed of practitioners in the industry, but also property owners interested in Tong Fang investment.

But similar to the private courses, this short-term program emerges from the trend of the recent popularization of Tong Fang production. However, instead of reaping opportunistic profits by riding the contingent fashion, the course is launched with an educational purpose that is to provide a proper and standardized guideline for the involved workers, given illegal Tong Fang has caught growing concerns. As Mr. G, the representative of the Department of Construction, IVE, explains
‘At the year right before the course was created, lots of discussion on the problems related to Tong Fang, such as the worries about the living safety and the concerns of the weak official enforcement of building laws, were flooded in the media. After the consultation in the Department, we concluded it was the responsibility of us, as an educator, to illuminate the proper understanding to the related workers as well as the public.’

Notwithstanding that the course is operating under the self-financed mechanism, profit-making is not the primary consideration to the department. Alternatively, the underlying motive for launching specialized courses is to establish the institutional reputation and to facilitate the staff development. By introducing programs that closely address the latest development in the industries, both the brand and the staff abilities can be sharpened.

‘Actually, we are not much interested in monetary return. This course is simply like an “interest class.” ... For us, IVE, our reputation is mainly built on our connection to the industrial development and then the usefulness of our programs. But we can't just rely on the conventional curriculum that fails to catch up with the dynamic market. Consequently, we encourage our colleagues to organize short-term programs related to the popular topic. Meanwhile, they could consolidate and broaden their knowledge by formulating the syllabus.’

6.3.3.2 Systematized knowledge

With the emphasis on providing an appropriate instruction to legal subdivision works, the systematized knowledge is formalized in slightly different principles in comparison with the previous cases. As shown in the cases of private agents, their synthesized guidance of Tong Fang investment is the exclusive knowledge developed from their tactic production experiences. In contrast, the organized know-how offered by IVE is just a codified outline of requirements and prescriptions extracted from the existing legal framework. As Mr. G explains
‘We, as a vocational training school, just introduce our students to the relevant knowledge already existing. Taking the course about Tong Fang as an example, no newfound knowledge is taught. Regarding the course content, it is to inform you of the related understanding to the current legal stipulations.’

Instead of theorizing from the exclusive practices, in which no organized principles had ever been found, the systematized knowledge here is a set of summarized information, which are the legal understandings already established, but often neglected, organized into a simplified guidance. With an aim to carry out the legal subdivision works properly, the course is taught by the experienced authorized person who is equipped with the correct understanding in that field. The instructor of the course, therefore, is a practicing architect well familiar with legal subdivision works. Drawing on the legal requirements stipulated in the BO and the statutory regulations of the MWCS, the course content is composed of several aspects below:

1. The statutory requirements and procedures, such as the application procedures of subdivision works and the possible consequences of law violation

2. The qualities of legitimate subdivision regarding the fire safety and the structural safety, namely the building requirements to prevent fire outbreak and overload of subdivision materials

3. The miscellaneous considerations, like the acceptable standard of ventilation, drainage and the like
6.3.3.3 Impact

In spite of the promotion of proper knowledge of legal Tong Fang production, regulatory significance on the current Tong Fang construction decision is expected to be of minimal concern. On one hand, the semi-public course, after all, is not an authorized license-issuing program, thus it is not responsible for ensuring the lawfulness of graduates’ conduct. In other words, the dissemination of systematized knowledge of legal subdivision works is only an advocacy for voluntary compliance to statutory requirements. On another hand, the critical factor that alters the discipline in the industry still lies in the presence of deterrent to the illegal practices. Without serious enforcement of the building laws and deterrent punishments to illegal behaviors, the ‘grey area’ described by Mr. B is still preserved for the illegal production of Tong Fang.

The case of Mr. B, for example, well accounts for the abovementioned circumstances. Receiving the certificate from this course as well, he is well familiar with the legal requirements prescribed for the subdivision works. However, many practitioners, including himself, just disregard with the statutory requirements and manipulate the powerless law enforcement. For example, he explained how illegal Tong Fang are actually tolerated by the officials who are struggling with the insurmountable workload regarding diversified illegal building structures in the city.

‘Theoretically, any structural change, regardless of the scale, to a building unit has to be reported to the BD. However, the number of case received is exceeding the handling capacity of the authority... Only the apparent violations that yield negative external impacts, like addition of door openings\(^\text{19}\), caught serious concerns. But for the internal rearrangements that seldom

\(^{19}\) Unauthorized door opening, usually meaning the extra addition of metal gate towards the communal fire escape, is one of the major official concerns to the illegal subdivision works, which contravene the regulations on means of escape. (Buildings Department, 2016 a)
cause external influences, they are usually tolerated by the authority.'

‘In fact, the Building Department usually launches the inspection only when complaints about illegal construction works are received. Without the orders, they won't be too industrious to search for the extra workloads proactively, particularly in the time they are already busy enough with their culminated orders.’

Due to the predicament of incompetent law enforcement against the illegally subdivided structures, it is nearly impossible to regulate the quality of unlawful Tong Fang. In light of the current situation, Mr. G pessimistically agreed that with the insufficiency of their course, no one should expect it can improve the general building standard of the prevalent Tong Fang production.

‘Regarding the matter of whether the quality of Tong Fang is going to be improved, from my personal perspective, the influence (of the course) is negligible no matter how many similar courses are organized. You just can't influence the ones who insist on breaching the laws. In other words, we just try our best to advocate proper conduct.’

6.4 Discussion

All in all, systematization of production knowledge is the contingent process in recent years when the object Tong Fang has drawn growing concerns. While the thriving demand for production knowledge, supported by the investors in pursuit of alternative investment instruments since the early 2010s, has induced the marketization of organized guidance of Tong Fang investment from the private agents, the burgeoning attention to subdivision works quality also elicits the advocacy of proper conduct by the public institute. Generalizing from the cases studies, there are several noteworthy influences of the process to the contemporary production of Tong Fang in Hong Kong.
6.4.1 Widespread promotion of Tong Fang investment

The first influence to the Tong Fang production is the broader promotion of the relevant knowledge to the public. Discerning from the above depiction, one could find that the dissemination of production knowledge has been more blatant than ever. Unlike in the earlier time when the relevant knowledge was invisibly circulated through the networks radiated from the experienced production agents, the knowledge diffusion has gradually come to the surface, in spite of the ‘low profile’ claimed by the private agents. Benefited from the contingencies that growing desire for the profitability of Tong Fang has been cultivated and the implicit tolerance of the government to the rent-seeking practice, the rooms for the flagrant promotion of relevant knowledge are thus preserved. Therefore, with the open distribution of systematized knowledge, either through the Internet or the taught classes, Tong Fang investment, despite the illegality involved, has been rationalized as if it is just a normal investment activity.

With such aggressive knowledge systematization, moreover, Tong Fang investment has been promoted extensively. On the one hand, by disclosing the relevant know-how in the open media, the possibility for the general public to approach the practice is enhanced. Notably, with the assistance of social media, the increased visibility of the general understanding to the public might help arouse their investment interest to this alternative investment. On the other hand, detailed investment knowledge is also conveniently accessible to the public under the commodification of formalized know-how. The extended coverage is essential to deliver the production knowledge to those who were excluded from the network of production agents and thus insulated from obtaining the relevant know-how.
6.4.2 Facilitation to Tong Fang investment

What is more, the systematization of production knowledge does contribute to the precipitation of Tong Fang production in Hong Kong. Containing the detailed illustration of the financial advantages as well as the negligible risks, the systematized knowledge might help stimulate knowledge receivers’ investment desire. More importantly, the very reason of the facilitation is that duplicable investment formats are provided through the knowledge systematization. To capture the mushrooming demand for the knowledge regarding Tong Fang investment, the systematized knowledge produced by private agents is evidently well-organized to cater the customer’s needs. Intensively compressing a series of investment-beneficial information, technique and expertise into a customized set of knowledge, handy guidance is offered to beginners to expedite their investment formation. More accurately, consumers of the intellectual commodities are delivered with the production paradigms which indicate the matters of ‘what’, ‘where’, ‘why’ and ‘how’ to produce in a stepwise manner. Interested investors are thus provided with a shortcut to commence their own investment.

6.4.3 Normalization of illegal Tong Fang investment

Moreover, the contemporary knowledge systemization has been explicitly normalizing the illegal Tong Fang investment. Given the illegality that might be attached to Tong Fang investment, the concerns over the legitimacy of the investment and the related legal consequences have been the major obstacles to the growth of Tong Fang supply. Nevertheless, the anxiety of individual investors might be resolved under the proliferation of systematized knowledge. Elucidating the grey area existing in the current legal system, along with the lightness of possible legal consequence, the organized knowledge formulated by the private agents has de-
problematized illegal Tong Fang investment and assured investors of their security from serious legal risks. In other words, production of illegal Tong Fang is thus implicitly encouraged.

The direct implication of such encouragement is the possibility to proliferate the construction of sub-standard structures. Undeniably, unauthorized Tong Fang, referring to the ones escaped from the building control systems, might not necessarily imply absolute dangers or environmental inferiorities. There is still a possibility that even if Tong Fang is regarded as illegal under the statutory processes of building control, it can still satisfy most of the requirements stipulated by the BO. However, considering that the authorization process, represented by the MWCS now, is performing as the only supervision to Tong Fang standard in the current system, the building qualities of the illegal subdivided structures, which have bypassed the statutory process, are never ensured. In addition, in order to keep the structure up to building standards, it always reduces the financial edges of Tong Fang and burdens the owners with expenses. Substandard Tong Fang is only expected to be increased along with the encouragement of illegal Tong Fang production.

The legality of Tong Fang production, however, is not a problem resolvable simply by promotion of proper understanding of legal subdivision works. Despite the efforts to advocate proper subdivision works with systematized knowledge, the production of unauthorized, or even substandard, Tong Fang is never to be curbed as long as the indifferent enforcement of building laws, the ineffective deterrent of law violations and the entire housing market structure remaining unchanged. Particularly, the current predicaments of regulating illegal subdivision works in
reality are inevitably reflected in the taught-courses. Thus, it further reduces the ‘legitimacy’ for Tong Fang producers, both subdivision workers and investors, to obey the legal requirements. Therefore, it is pertinent to conclude that more lawful subdivision works might be encouraged by the promotion of proper conducts at most, but the influences to the general illegal production is expected to be insignificant at all.

6.4.4 Illumination of class power and expansion of the class of Tong Fang landlords

Last but not least, the emerging systematization of knowledge on Tong Fang production could be understood as a process that widely illuminates the class power of Tong Fang landlords to the general public and facilitates the expansion of this class. As for knowledge systematization per se, it is the result of thriving growth of Tong Fang production, in which the class power of landlords to construct substandard Tong Fang has not been properly restrained. In other words, systematization of knowledge of Tong Fang production is the product of the uncontrolled class power, from which the production of Tong Fang has permissively developed in a sophisticated manner that is capable of knowledge generalization and diffusion. Concerning the influences of knowledge systematization, moreover, it is believed that the class power is promoted and illuminated to the wider segments of the public as well. The systematized knowledge could be interpreted as a refined illustration of class power which delineates how CMR is able to be captured through production of exploitative Tong Fang. In particular, demonstrating the profitability of Tong Fang investment in relational to the provision of floor space and the massive demand for affordable housing, the systematized knowledge serves to enlighten audience about the benefits of being a Tong Fang landlord under the given
housing market structure. More importantly, the class power is further elucidated by the uncontrollability of Tong Fang production when the Tong Fan landlords can accurately depict how they manipulated the loopholes of the current legal system and were benefited from the negligible consequences are addressed. As a result, the class of Tong Fang landlords is thus expectably expanded through the promotion of the class privilege and the facilitation of investment in Tong Fang.

6.5 Summary

This chapter analyzes the contributions of the emerging knowledge systematization to the contemporary production of Tong Fang. By examining the actual scenarios, the provision of systematized knowledge is found influential to the expansion of investment activities. The efficacy is vividly manifested by the progressive formalization of organized know-how in recent context which the investment practice has been popularized. With the in-depth studies to the cases represented by both private and public agents, several substantial influences to the development of contemporary production of Tong Fang are identified. First of all, Tong Fang investment has been more explicitly promoted to the wider extent as a pure investment activity; second, more Tong Fang investment attempts are facilitated by arousal of other’s production desire as well as offering duplicable investment paradigms during the knowledge impartation; third, the illegality of Tong Fang erection, the issue that has been hindering investors to engage in the production activity, has been gradually normalized and de-problematized; And last, the underlying class power of Tong Fang landlords is promoted and illuminated. Altogether, as the growing process that facilitates Tong Fang production in Hong Kong, it is expected the influences of knowledge systematization will be emergently revealed and continuously sustained in the coming future.
Chapter 7
Conclusion

7.1 Summary

This research provides an alternative analysis to the urban object ‘Tong Fang’ through supply-side perspective that had never been addressed. Inspired predominantly by David Harvey’s theory ‘Class Monopoly Rent’, along with other conceptual tools, this study aims to investigate how Tong Fang has been socio-spatially produced in Hong Kong in relation to various contingent social processes. A critical review of the mainstream discussion on Tong Fang with the predominant demand-side perspective is first explored. Criticized for how Tong Fang is narrowly interpreted as merely a material housing structure utterly detached from the processes and the over-emphasized relationship between the thing-like object and the corresponded dwellers, it is argued that the current literatures are insufficient in providing a comprehensive understanding to the contemporary urban blight. Without belittling the contribution of the mainstream discussions, the critique aims to unravel their inadequacies that lead to reduce Tong Fang into simplified problems out of their methodologies, namely the demand side analysis. Therefore, the wider socio-political implications, such as the unscrupulous exploitation of the Tong Fang dwellers and the tactic permission to the landlord’s practices from the government, are unable to be pinpointed given the production processes are utterly neglected. In particular, the supply of Tong Fang has always been assumed as the natural response to the demand of low-cost housing, while the underlying mechanism, relations and processes of Tong Fang production are highly simplified.

Therefore, an alternative analytical framework is entailed to examine the notion
Tong Fang through the lens of supply-side, or more precisely from the production-side perspective. Invoking the concept - ‘Class Monopoly Rent’ suggested by Harvey, the specific return to the owners of land related resources which appear ‘scarce’ to particular groups of people, is considered to be the primary drive of Tong Fang production. The framework helps examine the processes behind Tong Fang production in order to capture the potential CMR inherent in the changing housing market structure that has granted the exclusiveness to the subdivided housing as the dominated private low-cost option. To substantiate how spatial structure, ranging from the entire housing market structure to the particular form of Tong Fang, is materialized in the reality, ‘Relational Space’, another significant contribution from Harvey, which dialectically articulates spatial structures to social processes taken place in various times and spaces, is also employed in order to unravel both the socio-historical constitution process of the general housing market structure in Hong Kong as well as the grounded production process and relations of Tong Fang. Finally, the one last conceptual component ‘Knowledge Systematization’ is employed to analyze how Tong Fang production in Hong Kong has been facilitated by the recently emerging process of knowledge organization which various knowhow related to the subject is formalized into systematic and diffusible knowledge.

As for the empirical analysis, the first section investigates the political economy for the contemporary production of Tong Fang in pursuit of CMR. With the examination to the socio-historical formation of housing market structure, it is argued that subdivided housing has perpetuated itself in the housing fabric of Hong Kong since the beginning of colonial history. Firstly appeared as the general housing for the ordinary Chinese, then gradually accepted as an immovable status
quo and finally residualised as the dominant private low-cost housing by the 1990s, subdivided housing developed out of a series of contingent social processes, in which the interventions of the colonial government in the land development and hence the housing market structure, such as the half-hearted provision of subsidized housing, the differential clearance of squatters and the disinterested regulations over subdivided housing and the like, are particularly prominent. While subdivided housing was consolidated as the only affordable housing to certain segments of population, notably the Chinese new-incomers who were disadvantaged to be accommodated by public housing, it was granted with a potential of CMR appropriation with which the class of relevant landlords were able to command an excessive pricing to their tenants without possible alternatives. With the result, subdivided housing was increasingly transformed into an investment portfolio that attracted capital in pursuit of the remarkable CMR. With the relative superiorities over the conventional forms of subdivided housing, such as domestic privacy, Tong Fang soon took over the interest of both the dwellers as well as the investors and outmoded the conventional subdivided housing structures. With the continuous development of housing market structure in which the shortage of subsidized housing has prevailed, the real estate sector has been overheated and the Tong Fang construction has been permissively tolerated, the production of Tong Fang has been proliferated given the growing potential of CMR realization and the lack of deterrent to the class power and the rampant rent-seeking behaviors of Tong Fang landlords. Due to the lucrative incentive of Tong Fang investment, Tong Fang production not only has flourished in numbers and diversities, but also elicited the process ‘knowledge systematization’ that has further facilitated the proliferation of the Tong Fang production in Hong Kong.
Subsequent to the delineation of the political economy of Tong Fang production, the second section provides a detailed examination to the production process itself with case studies, which discuss the way(s) of the class of Tong Fang landlords to appropriate CMR through Tong Fang construction in the given context and the social relations and processes in relation to the production of the material form(s) of Tong Fang. On the one hand, CMR, embodied in the excessive rental charge, is always extracted from tenants by the class of Tong Fang landlords who mobilize their granted class power in the housing market structure to lower down the living standard of the former. In particular, the aggressive landlords might reduce the provision of floor space or add distinctiveness in their Tong Fang in order to squeeze as much CMR as possible from their targeted class of tenants. On another hand, to actualize the CMR-seeking desire of the class of Tong Fang landlords, multiple relations and processes are found contributive to the production of Tong Fang. Firstly, the class of landlords itself is diversified in types, such as homeowners of aged premises, calculative investors and even enterprises who respectively have shown different interests, judgments, decisions and practices. The spatial forms of Tong Fang, therefore, are highly subjected to their very decisions. Secondly, a CMR seeking coalition is reflected that the entire spatial production of Tong Fang in Hong Kong has been underpinned by the concerted efforts of various production agents who find it beneficial to engage in and even facilitate the production process. Real estate agencies, subdivision workers, even the agents who marketize their production knowledge, therefore, are enthusiastic about promoting, encouraging, facilitating and even executing Tong Fang investment. Thirdly, the permissive government is regarded as an invisible production agent whose indifferent regulations to substandard Tong Fang by and large leave the class power of Tong Fang suppliers unbridled. The legal code of building control has been alienated
from the strict regulations against improper property subdivision and turned into powerless bind that would only harm the profitability of Tong Fang from the eyes of landlords. Finally, the socio-spatial relations attached to aged residential buildings are also contributive to the contemporary Tong Fang production. As the geography and the economically inactive premises attached to aged buildings in urban area are found exploitable for re-investment, opportunistic agents may therefore emerge to appropriate these potential and capture benefits through Tong Fang production.

The last section discusses the contributions of the emerging process ‘knowledge systematization’ in recent years to the contemporary production of Tong Fang in Hong Kong. In light of the growing concerns on the urban object, it is noticed that different agents formalize their knowledge about Tong Fang production, from various aspects, into synthetized guidance and distribute them into broader spheres. In particular, making good use of their refined insight, opportunistic private agents, such as experienced investors and subdivision work contractors, marketize their distinctive production knowledge in a customized form which caters to the investment demand and widely disseminated as commodity through market system. Fostering effects are found that such process has promoted the production knowledge to the wider remit, through both internet and taught class, in which the production practice is now more exposed to the general public, including those who had been inaccessible to the relevant knowledge. Besides, the systematized knowledge of Tong Fang production facilitates the formation and execution of investment desire through detailed illumination of the production practice and thoughtful provision of applicable investment strategies. Moreover, the circulation of those systematized knowledge helps normalize illegal Tong Fang production
through promoting the contingent immunity of the construction of unlawful Tong Fang to legal consequences, despite the fact that formalized knowledge about proper practice of subdivision works are being advocated. Altogether, the systematized knowledge does help illuminate the essence of the class power enjoyed by Tong Fang landlords, namely the capacity of CMR appropriation as well as the ‘grey area’ to Tong Fang construction existing in the current legal system. All in all, it is expected that Tong Fang production has been fueled by this momentous process, of which will continue to popularize Tong Fang investment in future.

7.2 Implications

Served as the pioneer that scrutinizes Tong Fang with production perspectives, this research does demonstrate the very importance of understanding the object with the underlying social processes and relations. But in light of the complex reality, this study might not be able to cover all the details of the contemporary Tong Fang production, rendering further research effort on this realm necessary to enrich our understanding of the urban object. Two directions for the subsequent studies are suggested. Firstly, more investigations on the diversified Tong Fang production have to be carried out. As stated previously, the production of Tong Fang has flourished into numerous forms and manners, in which different housing subdivision paradigms are attached with disparate processes and relations that are not yet unveiled in this study. In particular, the growing ‘industrial Tong Fang’, illegally built in industrial building premises, undoubtedly deserves the most of the subsequent concerns. Of course, pondering into the production of other types of Tong Fang, such as the ones built in village houses and converted into ‘capsules’, is also of analytic importance. Secondly, the contemporary production of Tong Fang could be analyzed in a more parochial level. With a greater focus on the Tong Fang
production in the specific geographical area, such as a particular district, a more concrete examination could be conducted in articulation to the substantial historical geography of the particular place. By deciphering Tong Fang production in the parochial level, the relationship between the district housing markets, or like what Harvey suggests, ‘the housing submarkets’, if any, and the CMR appropriation of Tong Fang construction can be discovered, which would be an intriguing research question to be explored.
APPENDICES

Appendix I: Question guide (E.g. for Tong Fang investor)

1. Personal Background:
   - Could you slight introduce yourself? (job, background..)
   - Could you share about your investment experience? (Etc.: how many in amount? Where? What quality?)
   - Why did you start to invest Tong Fang at the very beginning?
   - Why did you choose there (the location you mentioned) to invest/subdivide?
   - Are there some contingent conditions, like the economy, housing market, government policies that give you confidence to invest?
   - How did you get touch with the knowledge of Tong Fang production?
   - Did your personal experience help your production?

2. Recognition to Tong Fang Market:
   - When and where did you first observe the kind of Tong Fang?
   - When did you find subdivision of housing flat as an investment start to be a trend?
   - How Tong Fang does catch your attention?
   - What do you think of the fact that more and more people get involved into this sector?
   - As far as you know, how large is the scale of this sector? (investment)
   - Do you know any other Tong Fang investor? What is their background?
   - What are their investment preferences?
   - Why do they choose to invest in Tong Fang?

3. Characteristics of Tong Fang investment:
   - To you, how do you think of Tong Fang as an investment product?
   - With comparison with other investment products, what are the advantages/disadvantages of Tong Fang investment?
   - Would you further enlarge your investment scale?
   - As an investor, what is the most important thing you think in the production process?
• What is the ratio between cost and revenue? Is there a minimum standard?

• What is your investment strategy?
• To compare with your very beginning, are there any changes in your strategy?
  What are the reasons triggered off these changes?
• Are there any special consideration on locations and building conditions?
• Any requirement in geography? Why?
• Would you concentrate your investment in certain districts? Why?
• Is it common?
• What are the advantages of your chosen locations?
• Are there any places discouraging subdivision?
• What are the reasons/rationales behind?
• What do you think of other types of Tong Fang (especially luxurious Tong Fang)?
• When does it become common? What advantages do it have?
• How do you think of these subdivision paradigms?
• How do they influence the cost and profit?
• How much could your products charge?
• What is your rationale on pricing?
• How often do you adjust the rent? How to determine the scale of adjustment?
• It is related to target certain type of customers? Who are they? And why?

4. Production of Tong Fang:

• How does the construction process proceed? (like the steps/division of labor)
• Could normal investor totally sub-contract all the production stuff to the real estate brokers or contractors? In other words, do they only provide the capital?
• From your point of view, who takes the charge of the production design?
• What is the exact duration and cost?
• Do you realize the legality of Tong Fang production? Where do you get informed about such information?
• How do you think of the illegal production? What are the potential consequences?
• Does normal investor fully recognize the related laws/ordinances?
• What is the biggest obstacle to the production?
• Comparing with the very beginning, does the process get changed? (like costs and steps)
• Does it matter to cater the building laws? Or what are the cost to breach the laws?
• ‘Someone think that it is becoming harder to subdivide a flat’, do you agree?
• How do you response to these regulations?
• Have you ever tried to re-submit a building draft to the Housing Department?
• Under the ‘Minor Civil Works Ordinaces’, have you ever submitted your production applications?
• How does a legalized production influence your cost and revenue?
• Does this ordinance influence your production?
• What are the advantages to produce a legal Tong Fang?

5. **Other division of labor**

• What is the role of local real estate brokers/subdivision workers How do they help your production?
• How do you approach them?
• Do they really matter? Or could normal investor get bypassed their function?
• Do you recognize there is the growing trend of course organization regarding Tong Fang investment/production?
• How do you think of the taught course about Tong Fang investment?
• Have you ever attended them?
• Would you like to attend? Why?

**Appendix II: Related numerical survey on Tong Fang**
(Source: Chan (2013), Legislative Council Secretariat (2013))
<table>
<thead>
<tr>
<th>Relevant enumeration of Tong Fang numbers</th>
<th>Method</th>
<th>Targeted type of housing</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>'General Household Survey' from Census (Before 2013)</td>
<td>/</td>
<td>1. Rooms, cubicles, bedsplaces and cocklofts in private permanent housing 2. Temporary housing</td>
<td>Year</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2008</td>
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<tr>
<td></td>
<td></td>
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<td>2009</td>
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<td></td>
<td></td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>'Poor Housing Conditions in Hong Kong' from Business and Professionals Federation of Hong Kong (2012)</td>
<td>Referenced to the Population Census 2011, data obtained from SOCO and local real estate agencies</td>
<td>1. Bedspaces/cocklofts, 2. rooms/cubicles with a requirement to pay monthly rent below HK$2,000, 3. Whole quarters (excluding staff quarters) with a requirement to pay monthly rent below HK$4,000, 4. Rooftop structures, 5. Temporary non-rooftop structures.</td>
<td></td>
</tr>
<tr>
<td>The survey from the Platform of Concerning Subdivided Flats and Issue in Hong Kong (2012)</td>
<td>Referenced to the sampling of 4,045 flats in buildings older than 30 years in six districts, including Western, Kwun Tong, Sham Shui Po and Tai Kok Tsui.</td>
<td>1. Subdivided flats (SDUs) (p.s. including Tong Fang, cubicles and bedsplaces)</td>
<td></td>
</tr>
</tbody>
</table>
### ‘Report on Survey on Subdivided Units in Hong Kong’ from Policy 21 (2013)

Referenced to the samples collected from 1860 buildings randomly selected from 18600 building built before 1988

1. Subdivided flats (SDUs) (p.s. including Tong Fang, cubicles and bedspaces)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SDUs</th>
<th>No. of households</th>
<th>No. of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>18800</td>
<td>66900</td>
<td>171300</td>
</tr>
</tbody>
</table>

### ‘Housing conditions of sub-divided units in Hong Kong’ from Census (2015, 2016)

Referenced to the samples collected from 2134 randomly sampled buildings built before 1989/1990

1. Subdivided flats (SDUs) (p.s. including Tong Fang, cubicles and bedspaces)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SDUs</th>
<th>No. of households</th>
<th>No. of persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>86400</td>
<td>85500</td>
<td>195500</td>
</tr>
<tr>
<td>2015</td>
<td>88800</td>
<td>87600</td>
<td>199000</td>
</tr>
</tbody>
</table>
Appendix III: Comparison of procedures between traditional building control system and Minor Civil Works Control System (MWCS)
(Buildings Department, 2011)

<table>
<thead>
<tr>
<th></th>
<th>Approval &amp; Consent Procedures (Traditional building control system)</th>
<th>Simplified Requirements (Minor Civil Works Control system)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submission Fee for Application for Approval of Plans</td>
<td>Minimum $11200</td>
<td>N/A</td>
</tr>
<tr>
<td>Statutory Processing Time</td>
<td>Minimum 30 days</td>
<td>Nil</td>
</tr>
<tr>
<td>Notification for Commencement of Works</td>
<td>7 days before</td>
<td>7 days before for Class I/II Minor Works</td>
</tr>
<tr>
<td>Appointment of PBP</td>
<td>Required</td>
<td>Only required for Class I Minor Works</td>
</tr>
<tr>
<td>Appointment of PRC</td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Notification for Completion of Works</td>
<td>Within 14 days after completion</td>
<td></td>
</tr>
</tbody>
</table>

20 The prescribed building professional (PBP) is an authorized person (AP) [and a registered structural engineer (RSE) and/or a registered geotechnical engineer (RGE) if necessary]

21 PRC refers to the prescribed registered contractor (PRC)
Appendix IV Minor Works related to Sub-divided flats
(Buildings Department, 2015, 2017)

1. **Erection of Non-load bearing block wall, Laying of solid floor screeding, or Erection or Alteration of aboveground drain in a flat**

<table>
<thead>
<tr>
<th>Minor Civil Work Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I – Item 1.41</td>
<td>Erection of non-load bearing block wall, laying of solid floor screeding, erection or alteration of aboveground drain in the subdivision of a domestic flat into 3 or more rooms, at least 3 of which are provided with lavatories or other sanitary fitments, and the resulting number of such rooms is greater than that shown on the original approved plan.</td>
</tr>
</tbody>
</table>

2. **Formation or Alteration of Opening to the enclosure of any staircase**

<table>
<thead>
<tr>
<th>Minor Civil Work Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I – Item 1.42</td>
<td>Formation or alteration of any opening to the enclosure (other than a load bearing wall) of any staircase that is used as a means of escape or a means of access for firefighting and rescue or its protected lobby.</td>
</tr>
</tbody>
</table>

3. **Erection of Non-load bearing block wall**

<table>
<thead>
<tr>
<th>Minor Civil Work Item</th>
<th>Description</th>
</tr>
</thead>
</table>
| Class I – Item 1.43   | **For both domestic flat or non-domestic flat**
Aggregate length of additional wall per m² of the floor area of the flat

> 0.1 m for domestic flat or
> 0.2 m for non-domestic flat;

not fall within the item 3.39 or 3.40. |

| Class II – Item 3.39  | For domestic flat
Aggregate length of additional wall per m² of the floor area of the flat
> 0.1 m but ≤ 0.3 m |
4. **Thickening of floor slab in a flat by laying solid screeding**

<table>
<thead>
<tr>
<th>Minor Civil Work Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I – Item 1.44</td>
<td>For both domestic flat or non-domestic flat</td>
</tr>
<tr>
<td></td>
<td>Thickness of the screeding</td>
</tr>
<tr>
<td></td>
<td>&gt; 25 mm</td>
</tr>
<tr>
<td></td>
<td>not fall within the item 3.41 or 3.42.</td>
</tr>
<tr>
<td>Class II – Item 3.41</td>
<td>For domestic flat</td>
</tr>
<tr>
<td></td>
<td>Thickness of the screeding</td>
</tr>
<tr>
<td></td>
<td>• &gt; 25 mm but ≤ 75 mm: or</td>
</tr>
<tr>
<td></td>
<td>• &gt; 25 mm but ≤ 150 mm (if the aggregate area of the screeding is not more than 1.5 m² within a floor area of 10 m² of the flat and the nearest horizontal distance between each of the area of screeding is not less than 2 m)</td>
</tr>
</tbody>
</table>

5. **Erection/ Repair/ Alteration/ Removal of drainage (aboveground)**

<table>
<thead>
<tr>
<th>Minor Civil Work Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class II – Item 2.30</td>
<td>• For any aboveground drain pipes</td>
</tr>
<tr>
<td>Class II – Item 3.23</td>
<td>• Not involve main pipes, other than the replacement of components at existing junctions</td>
</tr>
<tr>
<td></td>
<td>• Not involve embedded pipes, other than through a wall or slab</td>
</tr>
</tbody>
</table>
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June 2017