Real estate

Divided lives

HONG KONG

Hong Kong is back, along with costly housing

IN HONG KONG even the fish are short of space. Mr Chan (not his real name) keeps a red Siamese fighting fish in a water glass above his bed, alongside his hairbrush, nail clippers and cigarette lighter. He sleeps inside a wooden cabinet, about 1.2 metres high and long enough to enclose only a mattress. There are 28 lockable bedspaces squeezed inside the same sixth-floor flat, including one stacked on top of his. Known as "cage homes" or "coffin homes", they leave no room for a goldfish bowl.

Hong Kong is notorious for its cramped and costly housing. Mr Chan's cubbyhole in a 50-year-old building sets him back HK$2,700 ($350) a month. One of his flatmates moved into a bedspace of his own from even worse digs: he used to sleep in a 24-hour McDonald's. About 100,000 other households live in larger "subdivided units", created when landlords turn one flat into many by installing new walls between them. These units house an "eclectic population", says Michael Wong of Hong Kong University, including the elderly, the infirm, students, refugees and poorly paid workers. One such unit in the Wan Chai neighbourhood gives its occupant, a 67-year-old man, enough space for a kettle, teapot and a shelf for his DVDs. His shirt hangs from a screw above his bed, next to a calendar stuck on January 2023.

The bad news for people like him is that Hong Kong's housing costs are not similarly frozen in time. Rents are rising, even at the bottom of the housing heap. This is happening for two main reasons: a shift in the markets and a change in the law. Both reflect the territory's evolving relationship with the rest of China.

Hong Kong's housing market, unlike the mainland's, has finally bottomed out. Prices, which fell by more than a quarter from 2021 to 2025, have risen for five months in a row, year on year. Rents, which rebounded earlier, recently surpassed their 2019 peak. Even among subdivided units, the median rent rose by almost 6% in the year to November, the most recent figure available, according to official statistics.

The city has both mainland China and America to thank for its turn in fortunes. Interest-rate cuts by America's Federal Reserve have eased financial conditions in Hong Kong, where the currency is still tightly pegged to the dollar. Mortgage costs have dropped and the stockmarket has boomed, breathing life into the financial industry, one of the city's biggest employers. America's hostility to China has persuaded some of the mainland's biggest firms to raise money in Hong Kong instead of, or as well as, in America.

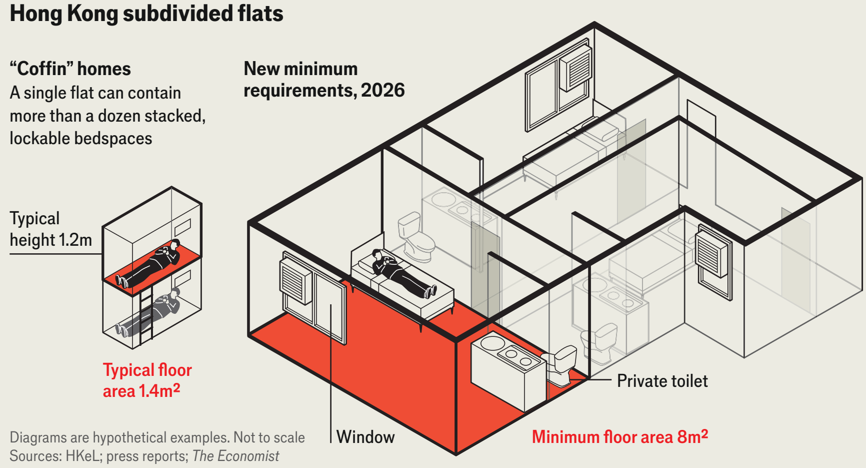
Companies are not the only new arrivals from across the border. Over 300,000 mainlanders have received "talent" visas of various kinds over the past six years, on top of 155,000 others who settled in the city via family ties. These arrivals have more than offset the exodus of people scared off by a new national-security law, imposed in ▸▸

2020, and covid-19 restrictions, which lasted until 2023. Buyers with Mandarin names made almost a quarter of the home purchases in the city last year, according to Centaline, a property agency.

These broad trends may seem a world away from shoebox living. But they can percolate down to the lowest layers of the housing market. And rents could rise for another reason. A new ordinance, which came into effect this month, lays down minimum standards for subdivided units, such as a floor area of eight square metres, an independent toilet and a window looking out. About 33,000 of the existing units will require substantial renovations over a four-year transition period. Coffin homes will remain. They are subject to an ordinance from 1994, which requires enclosures to be non-combustible, with openings at least half the length of the bed.

The new law gained added impetus from China's national government. "We will bid farewell to subdivided flats and 'cage homes'," said Xia Baolong, the central-government official who oversees Hong Kong affairs, in 2021, when touting the benefits of the security crackdown in the city. Officials in mainland China, which is often accused of building too much housing, have long been frustrated by Hong Kong's opposite failing, believing that high housing costs contributed to the social unrest that rocked the city in 2019.

Hong Kong subdivided flats



Diagrams are hypothetical examples. Not to scale
Sources: HKeL; press reports; *The Economist*

Who picks up the bill?

The ordinance will improve living conditions in the units that remain, reducing fire hazards and overcharging for utilities. Landlords must register their properties, making them easier to monitor. But the renovation bill must be paid by someone. And tenants suspect the cost will appear in the rents they are asked to pay.

That worries people like Ms Cheung, an office cleaner who lives in a unit in Wan Chai. She pays HK$2,600 a month for her flat, proudly decorated with anaglypta wallpaper. She knows someone whose rent was increased to HK$6,000 after renovations. That would be beyond her reach. Around 70% of tenants can only afford a rent increase of up to 5%, according to a survey of 151 households by the Federation of Public Housing Estates, an NGO.

The government is trying to help by cutting the long waiting times for public housing. The city, despite its reputation for free markets, houses about 30% of its population in 868,700 public-rental homes. Over the next five years the government aims to add 189,000 units, an almost mainlandish pace of construction. It has also conjured up 16,690 "transitional" housing units in converted schools, government buildings and the like, with another 2,700 on the way. This will reduce demand for subdivided flats, leaving little room for landlords to raise rents much, according to the government. Tenants displaced by the new ordinance can apply for transitional housing, even if their income is above the usual threshold. But there are conditions. Their stay cannot exceed two years and they must pay higher rents after the first 12 months. "This is not reasonable," says Crystal Wong of Concerning Subdivided Units Alliance, a civil group.

Public housing is far more spacious than subdivided units. But it is concentrated outside the city's core neighbourhoods, where many tenants have work, family or other roots. Ms Cheung finishes her shift as late as 10pm in central Hong Kong. She screws up her face at the thought of living in Yuen Long, the site of one housing project 80 minutes away.

Meanwhile about 40,000 tenants in subdivided flats are ineligible for permanent public housing, according to official statistics from 2024. Some of them earn too much to qualify. Others are among the most vulnerable members of society, notes Sze Lai Shan of the Society for Community Organisation, another NGO, including refugees and undocumented migrants. If the public system really satisfied the needs of Hong Kong's badly housed residents, there would be no need for the new ordinance, Ms Wong argues, because there would be no customers for the cramped, unsafe units the ordinance is meant to eliminate.

The law will be phased in gradually and enforced cautiously. "No one shall be rendered homeless due to our enforcement actions," officials insist. Many residents are "neither optimistic nor pessimistic", says Ms Wong, because they do not "trust the government will execute the policy". But if the new rules stick, they will transform low-rent living. Tenants will not be able to make their present trade-offs between cost, size and location. People who want to live as cheaply as possible in the thick of the city will no longer be allowed to compromise on space or amenities. And those ineligible for long-term public housing could fall through the cracks.

Improving conditions in Hong Kong's poky housing is a worthy goal, but as landlords roll out their renovations over the next few years, some individuals may find themselves hopping from one substandard flat to the next. When the dust settles, they will still have to stump up for eight square metres and a loo. If they cannot afford that sum, they may instead resort to an illegal sleeping place—or curl up in a wooden cabinet too small for a goldfish bowl. ■

Live-streaming officials

Performance anxiety

BEIJING

Some of China's officials are becoming social-media stars

COMMUNIST PARTY officials are under pressure to perform. Ordinary Chinese people often complain that they are lazy and out of touch. Worse, so does Xi Jinping, China's leader, who has railed against bureaucratic sloth and demanded that underlings "roll up their sleeves and work". In recent years China's feared anti-graft watchdog, the Central Commission for Discipline Inspection (CCDI), has widened its focus on corruption to investigate "laziness" and "formalism" (code for useless busywork). It is not enough to just deliver economic growth, build small-scale infrastructure and resolve disputes, local officials must be seen to be hard at work.

Traditionally, officials would rely on fawning reports from state-run media to show off their achievements. But, increasingly, young, enterprising types are taking a different tack. They are making a name for themselves on social media. Take Wu Shaoyu, a 36-year-old village official from